

AXIS-IT&T LIMITED

ANNUAL REPORT 2008-2009

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BOARD OF DIRECTORS

| | |
|--------------------------|--|
| MR. S. RAVINARAYANAN | Chairman |
| MR. ROHITASAVA CHAND | President & CEO |
| MR. PRADEEP DADLANI | Director |
| MR. PRADEEP MAITRA | Director |
| MR. VINAY SHANKAR | Director |
| MR. KAILASH M. RUSTAGI | Director |
| Mr. KEDAR NATH CHOUDHURY | Director |
| MS. SHWETA AGARWAL | Company Secretary & Compliance Officer |

REGISTERED OFFICE

AXIS-IT&T Limited
A-264, Second Floor,
Defence Colony,
New Delhi - 110 024

CORPORATE OFFICE

AXIS-IT&T Limited
D-30, Sector- III,
NOIDA - 201 301

BANKERS

ABN Amro Bank N.V.
Hansalaya Building
15, Barakhamba Road
Connaught Place,
New Delhi - 110 001.

YES Bank Ltd.
Ground Floor,
A-356, Sector - 19,
Noida - 201301

AUDITORS

Walker Chandiok & Co.
L-41, Connaught Circus,
New Delhi - 110 001.

NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the members of AXIS-IT&T Limited (formerly IT&T Limited) will be held at Lakshmi Pat Singhania Auditorium, PHD Chambers of Commerce & Industry, PHD House, Ground Floor, 4/2, Siri Fort Road, P.O. Box – 130, New Delhi – 110016 on Friday the 14th day of August, 2009 at 3.30 p.m. to transact the following business as:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009 and the Profit and Loss Account for the year ended 31st March, 2009 and the report of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. K.M. Rustagi, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Pradeep Dadlani, who retires by rotation and being eligible offers himself for re-appointment.
4. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:
“RESOLVED THAT the retiring auditors M/s Walker Chandiook & Co., Chartered Accountants, New Delhi, be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration and reimbursement of out of pocket expenses as may be approved by the Board of Directors of the Company.”

SPECIAL BUSINESS

5. **To consider and if thought fit, to pass, with or without modification(s) the following resolution as an ordinary resolution:**
“RESOLVED THAT, Mr. Kedar Nath Choudhury who was appointed as an additional Director of the Company by the Board of Directors on 31st October 2008, and who ceases to hold office under section 260 of the Companies Act, 1956 and who has offered his candidature for the office of Director pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the company, liable to retire by rotation.”
6. **To consider and if thought fit, to pass, with or without modification(s) the following resolution as a special resolution:**
“RESOLVED THAT subject to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs. 14,00,00,000/- (Rupees Fourteen Crores Only) divided into 2,60,00,000 (Two Crore Sixty Lacs Only) equity shares of Rs.5/- each and 1,00,000 (One Lac Only) Preference Shares of Rs. 100/- each to Rs.37,00,00,000/- (Rupees Thirty Seven Crores Only) divided into 7,20,00,000 (Seven Crores Twenty lacs Only) Equity Shares of Rs.5/- each and 1,00,000 (One Lac Only) Preference Shares of Rs. 100/- each and the substituted capital clause will now read as under:

“V. The existing Authorized Share Capital of the Company is Rs. 37,00,00,000 (Rupees Thirty Seven Crores Only) divided into:

7,20,00,000 (Seven Crore Twenty lacs) Equity Shares of Rs. 5/- (Rupees Five) each, and

1,00,000 (One Lakhs) Preference Shares of Rs. 100/- (Rupees One Hundred) each.”

FURTHER RESOLVED THAT Mr. Rohitasava Chand, Director and/or Ms. Shweta Agrawal, Company Secretary of the Company be and is hereby authorized to do all acts, deeds, matters and things as may be necessary, proper and expedient to give effect to this resolution”.
7. **To consider and if thought fit, to pass, with or without modification(s) the following resolution as an ordinary resolution:**
“RESOLVED THAT in supersession of all previous resolutions passed in this regard and pursuant to the provisions of **Section 293(1)(d)** and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force), authority and consent be and is hereby accorded to the

Board of Directors of the Company (hereinafter referred to as the "Board", which expression shall include a Committee of Directors duly authorised in this behalf) to borrow and raise such sum or sums of money or monies from time to time as may be required for the purpose of business of the Company including acquisitions and investments, notwithstanding that the money or monies to be borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserved not set apart for any specific purpose, subject to the proviso that the aggregate of such borrowings shall not exceed Rs.75 Crores at any point of time."

8. To consider and if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:

"RESOLVED THAT in supersession of all previous resolutions passed in this regard and pursuant to the provisions of **Section 293 (1) (a)** and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or enactment thereof for the time being in force), the company do hereby mortgage and/or charge all or any part of the immovable and/or movable properties/assets of the Company wherever situate, both present and future, to or in favour of any Bank(s), financial institution (s), company (ies) or other organization (s) or institution (s) or Trustee (s) (hereinafter collectively referred to as the "Lending Agencies") in order to secure the loans (excluding temporary loans obtained from the Company's Bankers in the ordinary course of business) advanced/to be advanced by such lending agencies to the Company together with interest at the respective agreed rates, compound/additional interest, commitment charges, premium on pre-payment on or redemption, costs, charges, expenses and all other monies payable by the Company in respect of the said borrowings."

By Order of the Board of Directors
For AXIS-IT&T Limited

Sd/-

Shweta Agrawal
Company Secretary

Place : Noida
Date : 30.06.09

NOTES:

1. A Member entitled to attend and vote is, entitled to appoint a proxy to attend the Meeting. A proxy need not be a Member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the Meeting. Under the Companies Act, 1956, voting is by show of hands unless a poll is demanded by a member or members present, or by proxy holding at least one-tenth of the total shares entitled to vote on the resolution or by those holding paid up capital of at least Rs. 50,000. A proxy may not vote, except in a poll.
2. The proxy form duly complete and signed should be deposited at the registered office of the Company not later than 48 hours before the commencement of the meeting. The address of the new registered office is A-264, Second Floor Defence Colony New Delhi - 110024
3. Explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of special business, under item no. 5 to 8 as set out above, is annexed hereto and forms part of the notice.
4. The register of Members and Share transfer shall remain closed from 20th July, 2009 till 14th August, 2009 (both days inclusive).
5. For the convenience of the members, an attendance slip is annexed to the proxy form. Members are requested to affix their signatures at the space provided and fill the particulars and hand over the attendance slip at the place of the Meetings.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING

Mr. K. M. Rustagi is a Chartered Accountant & Company Secretary and he also has an LLB degree. He has worked with ICRA Ltd. which is a premier credit rating agency and had been a member of its Rating committee. He has done credit ratings of around 400 companies and has handled several consultancy assignments relating to investments, acquisitions, joint ventures and taxation.

Mr Pradeep Dadlani has a B.E. (Mechanical) & MBA (FT) qualifications. He has over 25 years of Consultancy and Corporate experience in varied sectors & functional areas such as IT, Media, Telecom, Environment, Industry, Market Research, Business Development etc. and is presently serving on the Board of Syscom Projects Consultants Pvt. Ltd.

Attendance record of the Directors seeking re-election (1.4.2008 to 31.3.2009)**At the Board Meeting**

| Name of the Director | No. of Board Meetings Held | No. of Meetings attended in person | Attendance at the last AGM |
|----------------------|----------------------------|------------------------------------|----------------------------|
| Mr. K.M. Rustagi | 5 | 5 | Present |
| Mr. Pradeep Dadlani | 5 | 5 | Present |

At the Audit Committee Meeting

| Name of the Director | No. of Meetings Held | No. of Meetings attended in person |
|----------------------|----------------------|------------------------------------|
| Mr. K.M. Rustagi | 5 | 5 |
| Mr. Pradeep Dadlani | 5 | 5 |

EXPLANATORY STATEMENT

As required by section 173 of the Companies Act, 1956, the following explanatory statement sets out all the material facts relating to the business mentioned in the accompanying notice dated 30th June, 2009.

ITEM NO. 5

The Board of Directors at its meeting held on 31st October, 2008 had co-opted Mr. Kedar Nath Choudhury as an Additional Director to hold office upto the date of ensuing Annual General Meeting under Section 260 of the Companies Act, 1956. Due notice under Section 257 of the Companies Act, 1956 has been received from him, proposing himself for the candidature of directorship of the company.

Brief profile of Mr. Kedar Nath Choudhury

He is a Fellow member of the Institute of Chartered Accountants of India and Institute of Cost & Works Accountants of India with over 15 years of experience in the areas of Banking, Financial Planning, Budgeting, forecasting, Compliance, ERP implementation, etc.

None of the Directors are interested in the resolution except for Mr. Kedar Nath Choudhury.

ITEM NO. 6

The company is proposing to raise funds in the near future by issuing fresh shares, either by way of a Rights Issue or otherwise, though the proposal is still in initial stages and no final scheme has been drawn up. The enabling resolution will provide the flexibility to the company in raising its paid up capital. Therefore in pursuance of Section 94 of the Companies Act, 1956 and provisions contained in Articles of Association of the Company, your Directors proposes to pass a special resolution for amendment of "Capital Clause" of Memorandum of Association of the company.

None of the Directors are concerned or interested in Item No. 6 of the Notice.

ITEM NO. 7 & 8

In view of the planned expansion of the business of the company, the company needs to enhance its credit limits and various other forms of borrowing from other sources for financing of the expansion needs in terms of Hardware, software, working capital investment & other inorganic growth and for this purpose the company may be required to mortgage and/or charge all or any part of the immovable and/or movable properties/assets

None of the Directors are concerned or interested in Item No. 7 & 8 of the Notice

By Order of the Board of Directors
For AXIS-IT&T Limited
 Sd/-

Shweta Agrawal
 Company Secretary

Place : Noida
 Date : 30.06.09

DIRECTORS' REPORT

To The Members,

Your Directors are pleased to present their report on the business and operations of the Company for the financial year ended 31st March 2009.

I. Financial Results
Rs. Lacs

| Year ended March 31 | Axis-IT & T Ltd. | | Consolidated for the Group | |
|--|------------------|-----------|----------------------------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| Total income | 1224.56 | 750.92 | 4279.46 | 2393.72 |
| Total expenditure (before interest & depreciation) | 992.13 | 814.90 | 3644.55 | 2285.78 |
| Profit / (Loss) before interest, depreciation, amortization and extra ordinary items | 232.43 | (63.98) | 634.91 | 107.94 |
| Interest & other finance charges | 31.81 | 20.61 | 42.24 | 33.48 |
| Depreciation & amortization | 87.99 | 109.95 | 104.50 | 123.29 |
| Provision for diminution in the value of investments or Bad Advances & Debts/ (Written Back) | — | — | — | — |
| Profit/ (Loss) before Tax and Extraordinary Items | 112.62 | (194.55) | 488.16 | (48.839) |
| Extra Ordinary Income/ (Expenses) | — | — | — | — |
| Profit/ (Loss) before Tax | 112.62 | (194.55) | 488.16 | (48.83) |
| Provision for Tax – Current & Deferred | 24.86 | 3.99 | 148.44 | 3.99 |
| Profit / (Loss) after Tax | 87.76 | (198.54) | 339.72 | (52.82) |
| Tax Earlier Years | 0.09 | 0.19 | 0.09 | 0.19 |
| Prior Period Expense Adjustments/ (Income Adjustments) | 1.17 | 7.61 | 1.17 | 7.61 |
| Minority Interests | — | — | — | — |
| Profit/ (Loss) Brought Forward after adjusting amount transferred on Amalgamation | (2302.52) | (2096.17) | (1888.50) | (1827.88) |
| Balance Available for appropriation | (2216.01) | (2302.52) | (1550.04) | (1888.50) |

Despite the downtrend in the global economic environment, your company has shown remarkable growth realizing an increase of 78.8% in revenue on a consolidated basis and has reported a profit before taxes of Rs. 488.80 lacs.

2. DIVIDEND

No dividends have been declared for the current year as the Company has carried forwarded losses of Rs. 2216.01 lacs on standalone basis.

3. TRANSFER TO RESERVES

No Reserve has been created during the year.

4. BUSINESS ACTIVITIES

During the year the Company remained focused on Engineering Design & Software Development.

A. Engineering Design

In engineering design the company continued to focus on the Mechanical Engineering domain and saw excellent growth in Revenues & profitability. This resulted in increase in manpower strength of the Axis group from 205 employees to 259 employees during the year.

The Engineering Services offered by the company are:

I. CAD Design Services

- Concept Design
- Product Design
- 3D Modeling
- Detailing
- Tool Design
- Reverse Engineering

2. Simulation and F. E. Analysis

A comprehensive range of computer-aided engineering analysis services including FEA, CFD and optimization are offered as given below:

- | | |
|---|-----------------------|
| ➤ Linear Static Analysis | ➤ Non-linear Analysis |
| ➤ Dynamic Analysis | ➤ Modal Analysis |
| ➤ Fatigue Analysis | ➤ CFD |
| ➤ Steady State and Transient Thermal Analysis | |

Caterpillar continues to be the most valuable client and the future prospects of business from the client look to be very promising. The company had opened an office at Chennai to enable closer interaction with & prompt delivery of services to, Caterpillar India which is located at Chennai. The close proximity of our office with the client's office has resulted in considerably increased business. The company is now establishing a new Development Center in Hyderabad to cope with the anticipated growth in the current year.

Throughout the year, the engineering team successfully delivered high quality solutions on time to the clients. Our team has shown the ability to deliver engineering solutions that improve the quality, safety and value of our clients' activities.

Your Company offers diversified services in design and detailing using Pro/Engineer, Catia, Inventor, Ideas, Unigraphics and Solidworks. Ansys is used for carrying out structural and thermal analysis. We have been successful in delivering tangible benefits to the customer in the form of value engineering – weight reduction and design simplification. Our engineers have demonstrated their capability to translate ideas into products.

B. Software Development

AXIS-IT&T Limited provides development and testing services to software product companies to develop new and enhanced products. The company also collaborates with other organizations to develop customized software tools. The company focuses on building strong ties with its customers, enabling it to provide dependable, high-value, quality service.

During the year the company further strengthened its relationship with its key customer Intervoice.

C. Subsidiaries

AXIS Inc.

AXIS- IT & T Limited has only one subsidiary which is incorporated in the US, namely AXIS Inc.

AXIS Inc. has a wholly owned subsidiary AXIS EU Ltd. in the UK.

The accounts of the Company as well as its wholly owned subsidiary – AXIS EU Limited are annexed hereto.

The company has no domestic subsidiary.

The statement pursuant to Section 212 of the Companies Act, 1956 is annexed as Annexure (A) to this Report.

5. Major events Subsequent to Balance Sheet Date

a. Initiation of ISO Certification Process

The company has engaged a consultant to have quality process as per ISO 9000 norms implemented at all the locations of the company rendering engineering design services. This initiative has been taken to facilitate consistency in performance standards of our business processes and to provide a structured mechanism for continuous improvements. The company has planned to lay down documented quality assurance systems and obtain certification against ISO 9000. The work is in an advanced stage and is expected to be completed by August' 09.

b. Hyderabad Development Centre

As stated earlier in the business activities section, your company is in the process of establishing an engineering design centre in Hyderabad to benefit from the large availability of trained manpower with domain expertise in manufacturing and embedded software. The company expects that they would be able to procure large orders in these domains.

6. Corporate Governance

The company adheres to the SEBI prescribed corporate governance norms.

The compliance report along with the Corporate Governance Policy is attached as an Annexure to this report.

The shares of the Company are listed on the following exchanges:

1. National Stock Exchange of India Ltd.
Exchange Plaza
Bandra Kurla Complex, Bandra (E), Mumbai.
2. The Bombay Stock Exchange – Mumbai
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai.

7. Responsibility Statement of the Board of Directors

The Directors' responsibility statement setting out the compliance with the accounting and financial reporting requirements specified under Section 217(2AA) of the Companies (Amendment) Act, 2000 in respect of the financial statements is annexed to this report.

4. Directors

During the year pursuant to signing of the Share Purchase Agreement Mr. Rohit Chand stepped down from the Chairmanship of the company and offered his resignation from the Board of the Company and Mr. Om Prakash Mishra along with Mr. Ashish Chand resigned from the Directorship. However Mr. Rohit Chand was asked to be a Director representing the interest of Tayana Software Solutions Pvt. Ltd. in the Board and was re-designated as President & CEO of the company. Mr. S. Ravi Narayanan & Mr. Pradeep Dadlani, were appointed as Additional Directors and their appointments were regularized at the Eighteenth Annual General Meeting held on 18th September, 2008. Mr. S. Ravi Narayanan was elected the new Chairman of the Company He serves as a Non-Executive Chairman.

Mr. Kedar Nath Choudhury was appointed as an Additional Director on 31.10.08 and he serves as a Non-Executive Director. He is a qualified Chartered Accountant & Cost & Works Accountant with over 15 years of experience in the areas of Banking, Financial Planning, Budgeting, forecasting, Compliance, ERP implementation etc.

Mr. Ashok Saigal resigned from the Directorship w.e.f 29.01.2009 owing to his inability to attend Board meetings as he is very preoccupied with his personal business.

9. Auditors

The auditors M/s Walker Chandiok & Co. retire at the conclusion of the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment.

10. Auditors Report

The Auditors in para (x) of their CARO report on Standalone financials of the company have mentioned about the dilution of the net worth of the company.

The Company made good progress during the year and was profitable on both stand-alone as well as consolidated basis.

11. Conservation of Energy, Research & Development Technology Absorption, Foreign Exchange earnings and Outgo

The particulars prescribed under Section (1) (e) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, are as follows:

a. Conservation of Energy

The operations of your Company involve low energy consumption and are not energy intensive. However, adequate measures have been taken to minimize the consumption through improved operational methods and new technologies. The company is using CFL bulbs to conserve the electricity and energy consumption.

b. Research & Development

Since the requirements of the technology business are changing constantly, your Company has sought to focus on critical technologies and processes, which are likely to create value in the foreseeable future. As a part of this continuous evolution, your company has adopted the Six Sigma Methodology to bring about improvements in its processes and the quality of its offerings.

c. Foreign Exchange Earnings and Outgoings:

Activities relating to Exports, initiatives taken to increase exports, development of new export markets for product and services, and export plans:

Axis-IT&T is focused primarily on exports of its Engineering & Software Services. The company has a delivery centre in Noida which is registered as an STP (Software Technology Park) Unit.

The company supplies its services to companies in the US, UK, Netherlands, Australia & Germany.

Axis-IT&T markets its services in the US & UK through Axis Inc. & Axis EU respectively.

The marketing team in the US & UK are supported by a Business Development Team based in India.

The Business Development team does a search of companies that could potentially require the services being offered by Axis-IT&T and generates leads for the marketing teams based in the US & UK to follow up on.

The Business Development & Marketing efforts have resulted in the acquisition of several new clients by the company and the company has a continuously growing pipeline of both new customers as well as orders.

Axis-IT&T is also supplying engineering services to Caterpillar India, Chennai, which is a registered STP and, therefore, the work done for it falls under the category of deemed exports.

Foreign exchange earned and used:

| S. No. | Particulars | 2009 (Rs Lcs) | 2008 (Rs. Lcs) |
|--------|---|------------------|-------------------|
| 1. | Foreign Exchange Earnings (accrual basis) | 715.52 | 562.61 |
| 2. | Foreign Exchange Outgo (Including Capital Goods & Spares) | 13.26 | Nil |
| 3. | Deemed Exports | 356.32 | 169.20 |

12. PARTICULARS OF EMPLOYEES

There were no employees covered under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Company's Particulars of Employees' Rules 1975 as amended from time to time.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the contribution made by employees at all levels. The Directors also thank your company's Clients, Vendors, Investors and Bankers, along with various government agencies, the Software Technology Park, NOIDA and other industry forums and agencies like NASSCOM, for the support received during the year and look forward to their continued support in the future

For and on behalf of the Directors

Place : Noida
Date : 30.06.09

**Sd/-
CHAIRMAN**

ANNEXURE TO THE DIRECTORS REPORT

The Directors Responsibility statement as required under Section 217 (2AA) of the Companies (Amendment) Act, 2000

The financial statements are prepared in conformity with the accounting standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956, to the extent applicable to the company; on the historical cost convention; as a going concern and on the accrual basis. There are no material departures from prescribed accounting standards in the adoption of the accounting standards. The accounting policies used in the preparation of the financial statements have been consistently applied, except where otherwise stated in the notes on accounts. The Board of Directors and the management of your company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the company's state of affairs and profits for the year. To ensure this, the company has taken proper and sufficient care in installing a system of internal control and accounting records; for safeguarding assets, and, for preventing and detecting frauds as well as other irregularities; which is reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established polices and procedures of the company have been followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounts.

The financial statements have been audited by M/s Walker Chandiook & Co. Chartered Accounts, and the independent auditors.

The audit committee of your company meets periodically with the internal auditors and the independent auditors to review the manner in which the auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the independent auditors and the internal auditors have full and free access to the members of the audit committee to discuss any matter of substance.

For and on behalf of the Directors

Place: NOIDA
Date: 30.06.09

**Sd/-
CHAIRMAN**

ANNEXURE TO DIRECTORS' REPORT OF AXIS-IT&T LIMITED (FORMERLY IT&T LIMITED)

A. STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES , ACT, 1956

| Name of the Subsidiary Co. | Financial Yr. ending of the subsidiary | Number of share held | Extent of holding | For financial year of the subsidiary | | For previous financial year since it became a subsidiary | |
|--|--|----------------------|-------------------|---|--|---|--|
| | | | | Profit/(Loss) so far as it concerns themselves of Axis-IT&T Ltd. And not dealt with in the books of accounts of AXIS-IT&T Ltd. (except dealt with in F) | Profit/(Loss) so far as it concerns the members of AXIS-IT&T Ltd. And dealt within the books of accounts of AXIS-IT&T Ltd. | Profit/(Loss) far as it concerns the members of AXIS-IT&T Ltd. And not dealt with in the books of accounts of AXIS-IT&T Ltd. (except dealt with in H) | Profit/(Loss) so far as it concerns the members of AXIS-IT&T Ltd. And dealt within the books of accounts of AXIS-IT&T Ltd. |
| A | B | C | D | E | F | G | H |
| Overseas | | | | | | | |
| AXIS Inc. | 31.03.2009 | 15,579 | 100 | Rs. 241.31 Lacs | Nil | Rs. 94.08 Lacs | Nil |
| AXISEU Ltd. (All shares held by AXIS Inc.) | 31.03.2009 | 250,000 | 100 | Rs. (90.67) Lacs | Nil | Rs. (2.97) Lacs | Nil |

For and on behalf of the Directors

Sd/-
S. Ravi Narayanan
Chairman

Sd/-
Rohitasava Chand
President & CEO

Sd/-
Shweta Agrawal
Company Secretary

Place : Noida
Date : 30.06.09

REPORT ON CORPORATE GOVERNANCE

The Company is a professionally managed company. The Company’s Primary objective is to create and adhere to a corporate culture of fairness & transparency in action of the management which are the key to the building of trust with the Company’s Stakeholders. Good governance practices in the Company include adoption of best Board practices, respect and protection of minority views and interests and institutionalization of fair and transparent reporting systems in true spirit, beyond merely complying with mandatory requirements.

A. Board Composition:

As on 31 March 2009, the Board of Directors of the Company consisted of 8 members including one Executive Director. The members are drawn from different areas of specialization and have expertise in Law, Finance, Engineering Design & Development and General Management & Strategic Planning etc. The members of the Boards have been very active in giving advice and direction to the Company.

As at the close of the year under review, the Board of Directors of the Company consisted of:

| Name of the Director | Category | Membership of Board Committees of Axis IT&T Ltd. | No. of other Directorship*/ Committee Memberships |
|-----------------------------|--------------------------|---|--|
| Mr. S. Ravi Narayanan | Chairman (Non-Executive) | 5 | 1 |
| Mr. Rohitasava Chand | President & CEO | 3 | 5/3 |
| Mr. Kedar Nath Choudhury | Non-Executive | — | 1 |
| Mr. Pradeep Dadlani | Independent | 3 | Nil |
| Mr. Pradeep Maitra | Independent | 2 | Nil |
| Mr. Vinay Shankar | Independent | 2 | Nil |
| Mr. Kailash M. Rustagi | Independent | 4 | Nil |
| Mr. Joseph Koshy | Independent | — | Nil |

Mr. S. Ravinarayan and Mr. Pradeep Dadlani were appointed as additional directors on 28.04.08 and their appointments were regularized in the Annual General Meeting held on 18.09.08. Mr. Kedar Nath Choudhury was appointed as an Additional Director w.e.f. 31.10.08. Mr. Om Prakash Mishra, Mr. Ashish Chand resigned from the Board of the company w.e.f 24.04.08 and Mr. Ashok Saigal resigned from the Board w.e.f. 29.01.09.

None of the Directors are related inter-se.

* Includes Directorships held in Public Limited Companies and Subsidiaries of Public Limited Companies and excludes Directorships held in Private Limited Companies and Overseas Companies.

None of Directors of the Company are members of more than 10 Committees across all the Companies in which they are the Directors and Chairmen of not more than 5 (five) such Committees.

The Non-Executive Directors are entitled to a sitting fee of Rs. 2000/- (Rupees Two Thousand Only) for every Board Meeting attended by them. No remuneration is being paid to any of the Non- Executive Directors apart from the sitting fees, which have been decided at a duly convened Board Meeting.

B. Board Meeting:

Normally, Board Meetings are scheduled a month in advance. The President and the Company Secretary draft the agenda for each meeting and circulate the agenda in advance to the Board members. Every Board member is free to suggest inclusion of items in the agenda. Normally the Board meets once in a quarter to approve the unaudited/ audited quarterly results and other items on the agenda. Additional meetings are held if necessary.

During the financial year 2008-2009, 5 (Five) Board meetings were held.

Schedule

| Sl. No. | Board Meeting Dates |
|----------------|----------------------------|
| 1. | 28th April, 2008 |
| 2. | 27th June, 2008 |
| 3. | 29th July, 2008 |
| 4. | 31st October, 2008 |
| 5. | 29th January 2009 |

C. Code of Conduct

The Board has laid down a code of conduct for all Board members and senior management of the company. The code of conduct is available on the website of the company www.axisitt.com. All Board members and senior management personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Chief Executive Officer (CEO) to this effect is enclosed at the end of this report.

D. Committees of the Board of Directors

For effective and efficient functioning of the company, the Board of Directors has constituted the following committees:

- I. Share Transfer Committee
- II. Audit Committee
- III. Investor Grievance Committee
- IV. Remuneration Committee
- V. Finance Review Committee

I. Share Transfer Committee

The Company has appointed Karvy Computershare (P) Ltd., a SEBI recognized transfer agent (earlier a division of Karvy Consultants Limited) as the Share transfer agents of the Company. Although the shares of the Company are compulsorily traded in the Demat form, a Share Transfer Committee has been constituted for giving effect to the few transfer requests received for share scrips which are in physical form. The Share Transfer Committee also processes requests for dematerialization of shares held in physical form as well as the Rematerialisation into physical shares. As on 31.03.09 the Share Transfer Committee consisted of :

1. Mr. K.M. Rustagi
2. Mr. Rohitasava Chand
3. Mr. Ravi Narayanan
4. Ms. Shweta Agarwal Compliance officer/Secretary

During the year under review the meetings were generally chaired by Mr. K.M. Rustagi, Non-Executive Director. The Committee meetings were held on April 23rd 2008, June 27th 2008, July 29th 2008, 31st October 2008, 29th January, 2009.

The Company ensures that the shares are transferred within 15 days of their being lodged for transfer. All the complaints received during the year were resolved to the satisfaction of the shareholders.

II. Audit Committee

The Company has constituted an Audit Committee consisting of 5 (five) Non- Executive Directors. The Committee is generally headed by Mr. Kailash M. Rustagi who is a fellow member of the Institute of Chartered Accountants of India and an Associate Member of the Institute of Company Secretaries of India.

The Primary Functions of this committee are:

- a) Review of internal and external audit,
- b) Review of quarterly results of the Company before recommending the same to the Board of Directors,

- c) Implementation of various audit recommendation.
- d) Review of the Management discussion & analysis of financial conditions & results of operation.
- e) Review of the statement of significant related party transactions.

The Committee consisted of the following members as on 31.03.09:

- Mr. Kailash M. Rustagi (Chairman)
- Mr. Pradeep Dadlani
- Mr. Vinay Shankar
- Mr. Pradeep Maitra
- Mr. Ravi Narayanan
- Ms. Shweta Agarwal Compliance officer/Secretary

The Committee met on 28th April 2008, June 27th 2008, July 29th 2008, 31st October 2008 and 29th January 2009.

III. Investor Grievance Committee

The Board has also constituted an Investor Grievance Committee to address the various grievances received from the investors. The Committee consisted of the following members as on 31.03.09

1. Mr. K. M. Rustagi
2. Mr. Rohitasava Chand
3. Mr. Ravi Narayanan
4. Ms. Shweta Agarwal Compliance officer/Secretary

The Committee is responsible for ensuring that the Investor Grievance is being addressed properly and on time.

The committee meetings are generally chaired by Mr. K.M. Rustagi and Mr. Rohitasava Chand, Mr. Ravi Narayanan & Ms. Shweta Agrawal are member of this committee. During the year the committee met on July 29th, 2008, October 31st, 2008 and 29th January 2009. There was only one complaint received during the year which was resolved satisfactorily in time.

IV. Remuneration Committee

As of 31st March 2009, the Remuneration Committee comprises of the following Directors:

- Mr. Pradeep Dadlani
- Mr. Vinay Shankar
- Mr. Ravi Narayanan
- Mr. Pradeep Maitra
- Mrs. Shweta Agrawal Company Secretary

One meeting was held on 28th April 2008 approving Mr. Rohitasava Chand's revised remuneration on the basis of his changed role in the company.

V. Finance Review Committee

As of 31st March 2009, the Finance Review Committee consisted of Mr. K.M Rustagi (Chairman), Mr. Pradeep Dadlani, Mr. Ravi Narayanan, Mr. Rohitasava Chand.

During the year the committee met only once on 29th August 2008 for the purpose of approving and taking on record the Limited Review report of the Auditors on the un-audited quarterly results for the quarter ended 30th June 2008.

Particulars of General Meeting

The particulars of the last three Annual General Meetings are:

Particulars of General Meeting

The particulars of the last three Annual General Meetings are:

| Nature of meeting | Date and time | Venue of the meeting | Special Resolutions passed |
|------------------------|---------------------------------|--|--|
| Annual General Meeting | 29th Sep., 2006; 3.30 p.m. | Lakshmiapat Singhania Auditorium, PHD Chambers of Commerce & Industry, PHD House, Ground Floor, 4/2, Sri Fort Road, P.O. Box – 130, New Delhi – 110016 | Issue of Equity shares to the Promoter on Preferential basis. |
| Annual General Meeting | 28th September 2007; 3.30 p.m. | Lakshmiapat Singhania Auditorium, PHD Chambers of Commerce & Industry, PHD House, Ground Floor, 4/2, Sri Fort Road, P.O. Box – 130, New Delhi – 110016 | No |
| Annual General Meeting | 18th September, 2008; 3.30 p.m. | Lakshmiapat Singhania Auditorium, PHD Chambers of Commerce & Industry, PHD House, Ground Floor, 4/2, Sri Fort Road, P.O. Box – 130, New Delhi – 110016 | Appointment of Mr. Rohitasava Chand as President & CEO of the Company, |

No resolution has been passed through postal ballot in this financial year 2008-2009.

E. The Details of Attendance at the General Meetings, Board Meeting and Various Committees Meeting during the period April 1st, 2008 to March 31st, 2009

| Name of the Director | Board | Share Transfer Committee | Audit Committee | Investor Grievances Committee | Finance Review Committee | Attendance at AGM |
|----------------------------|-------|--------------------------|-----------------|-------------------------------|--------------------------|-------------------------|
| | [5] | [5] | [5] | [3] | [1] | |
| Mr. S. Ravinarayanan | 4 | 4 | 4 | 2 | NIL | Present |
| Mr. Rohitasava Chand | 5 | 5 | N.A. | 3 | I | Present |
| Mr. Pradeep Maitra | 4 | N.A. | 4 | N.A. | N.A. | Absent |
| Mr. Vinay Shankar | 5 | N.A. | 5 | N.A. | N.A. | Absent |
| Mr. K.M. Rustagi | 5 | 5 | 5 | 3 | I | Present |
| Mr. Joseph Koshy | NIL | N.A. | NIL | N.A. | N.A. | Absent |
| Mr. Pradeep Dadlani | 5 | N.A. | 5 | N.A. | I | Present |
| *Mr. Ashok Saigal | 2 | N.A. | 2 | N.A. | N.A. | Present |
| **Mr. Kedar Nath Choudhury | 2 | N.A. | N.A. | N.A. | N.A. | Appointed after the AGM |

* Mr. Ashok Saigal resigned from the Board w.e.f 29.01.09.

**Mr. Kedar Nath Choudhury was appointed as Additional Director on 31.10.08.

Mr. Ashish Chand and Mr. Om Prakash Mishra resigned from the Board on 28.04.08.

F. Remuneration of Directors

During the year Mr. Rohitasava Chand, President & CEO was eligible for the following remuneration:

- A) Salary : Rs. 1,98,750/- per month
- B) Perquisites

CATEGORY – A

- a. Medical Reimbursement upto Rs. 15,000/- per annum.

CATEGORY – B

The following perquisites shall not be included in the computation of the ceiling on remuneration:

- a) Company's contribution of 12% Provident Fund.
- b) Gratuity payable at a rate of half a month's salary for each completed year of service to be calculated as per the prescribed gratuity norms & without subject to any limit, and
- c) Encashment of leave at the end of the tenure subject to a maximum of 90 days leave.

CATEGORY – C

- a) USE OF CAR : The company shall provide a car with driver and incur all expenses for the same for company's business.
- b) TELEPHONE : A Telephone will be provided at Mr. Chand's residence and in addition a mobile phone will be provided to him for which bills will be paid by the Company.
- c) LEAVE : Mr. Chand will be eligible for 30 days paid leaves in addition to Casual and Sick leaves as per the rules of the Company.
- d) OTHERS : Reimbursement of all expenses including entertainment and traveling incurred in the course of the business of the company.
- e) SITTING FEE : No Sitting Fees shall be paid for attending the meeting of Board of Directors or Committee thereof.

The Non Executive Directors are paid a sitting fees of Rs. 2000/- for each Board Meeting attended by them. There has been no change in the same since the year 2000. None of the Non-Executive director hold shares in the company. In the month of April 2008 the majority stake of 60.83% was taken by Tayana Software Solutions Pvt. Ltd. pursuant to the Share Purchase Agreement entered into between the parties mentioned thereat.

G. Subsidiary Companies

Your company has no Indian Subsidiary.

H. Disclosures**Material Contracts/ Related Party Transaction**

The company had taken Loan of Rs. 15 lacs from Axis Aerospace and Technologies Pvt. Ltd. (AAPTL). The Loan was taken on such terms and conditions which are not prejudicial to the interest of the company.

Transactions with related parties are disclosed in Note No. 6 of Schedule 20 to the Accounts in the Annual Report.

I. Compliances

During the last three years, no penalties or strictures have been imposed on the Company by the Stock Exchange or SEBI or any other statutory authorities, on matters related to capital markets. The Company has complied with applicable rules and regulations prescribed by Stock Exchanges, SEBI or any other statutory authority relating to the capital markets. All Returns/ Reports were filed with in stipulated time with Stock Exchanges/ other authorities.

J. Whistle Blower Policy

The Management framed a policy that provided a formal mechanism for all employees of the Company to approach the Management of the Company (Audit Committee in case where the concern involves the Senior Management) and make

protective disclosures to the Management about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy. The Whistle Blower Policy is an extension of the Company Code of Conduct, which requires every employee to promptly report to the Management any actual or possible violation of the Code or an event he is aware of, that could affect the business or reputation of the Company. The disclosures reported are addressed in the manner and within the time frames prescribed in the Policy. The Company has not denied access to the Top Management to any employee of the Company. With these measures, the company would be in compliance with the proposed Corporate Governance Clause of the Listing Agreements with Stock Exchanges in India and help to make the company a better and more ethical entity to work for and to work with.

K. Adoption of the Mandatory & Non Mandatory Requirements

The company is continuously complying with all the mandatory requirements of clause 49 of the Listing Agreement with the Stock Exchanges. The management of the company endeavors to satisfy each of the non-mandatory requirements detailed in the aforesaid listing agreement.

L. Means of Communication

The Corporate Governance Code has been applicable to the Company since December, 2000, when the shares of the Company were listed on various Stock Exchanges. Accordingly, the Company has been publishing its Quarterly un-audited results for each quarter in the newspapers (The Financial Express and Jansatta) as per the requirements of the listing agreement. The results are also filed on the website of Securities and Exchange Board of India (EDIFAR) at www.sebi.gov.in. The said website also displays all the official releases of the Company including the shareholding pattern and the Corporate Governance Report as required by the listing agreement.

M. General Shareholder Information

- | | |
|-------|---|
| (i) | Annual General Meeting Date : 14th August 2009 Time : 3.30 p.m. Place : Lakshmipat Singhania Auditorium, PHD Chambers of Commerce & Industry, PHD House, Ground Floor, 4/2, Siri Fort Road, P.O. Box – 130, New Delhi – 110016 |
| (ii) | Financial Year 2008-2009 |
| (iii) | Date of Book Closure 20.07.2009 to 14.08.09 |
| (iv) | Dividend Payment Date N.A. |
| (v) | Listing on Stock Exchanges |

Name and Address of the Stock Exchanges ;

The Stock Exchange, Mumbai (BSE)
P.J. Towers, Dalal Street,
Fort, Mumbai – 400001

National Stock Exchange of India Ltd. (NSE)
Exchange Plaza, Bandra – Kurla,
Complex, Bandra (East),
Mumbai, 400051

(vi) Stock Code

| | |
|---|-----------|
| The Stock Exchange, Mumbai (BSE) 532395 | AXISITNT |
| National Stock Exchange of India Ltd. (NSE) | AXIS-IT&T |

(vii) Market Price Data

Highest and lowest price during each month in the financial year on the National Stock Exchange of India Limited and The Stock Exchange, Mumbai:

AXIS-IT&T LIMITED

| Months | National Stock Exchange (NSE) | | Stock Exchange, Mumbai (BSE) | |
|-----------------|--------------------------------------|------------|-------------------------------------|------------|
| | High | Low | High | Low |
| April, 2008 | 24.75 | 18.5 | 25.00 | 19.00 |
| May, 2008 | 28.95 | 20.55 | 29.10 | 20.65 |
| June, 2008 | 27.00 | 20.25 | 27.20 | 20.10 |
| July, 2008 | 23.10 | 18.00 | 23.15 | 18.30 |
| August, 2008 | 29.65 | 21.30 | 29.45 | 22.00 |
| September, 2008 | 36.9 | 22.75 | 36.15 | 23.40 |
| October, 2008 | 26.00 | 12.60 | 26.75 | 12.90 |
| November, 2008 | 15.00 | 11.60 | 15.69 | 11.95 |
| December, 2008 | 14.00 | 11.25 | 14.37 | 11.51 |
| January, 2009 | 15.90 | 10.35 | 15.95 | 10.07 |
| February, 2009 | 14.50 | 9.60 | 14.46 | 9.58 |
| March, 2009 | 12.60 | 10.50 | 13.10 | 10.81 |

(viii) International Securities Identification Number : INE555B01013

(ix) Registrar and Transfer Agent

Name & Address : M/s Karvy Computershare Private Limited,
46, Avenue 4, Street 1,
Banjara Hills,
Hyderabad 500034

Telephone : 040-23312454
040-23320251/23049

Fax : 040-23311968

(x) Share Transfer System

With a view to expedite the process of share transfer, the Board of Directors of the Company had constituted a 'Share Transfer Committee' which considers and approves the shares received for transfer, transmission, rematerialization and dematerialization etc. The shares for transfers received in physical form are transferred expeditiously, provided the documents are complete and the share transfer is not under any dispute. The share certificates duly endorsed are returned immediately to the shareholders by RTA. Confirmation in respect to the requests for dematerialization of shares is sent to the respective depositories i.e. NSDL and CDSL, expeditiously.

Pursuant to the Clause 47 – C of the Listing Agreement with the Stock Exchange, Certificates on quarterly basis confirming due compliance of share transfer formalities by the Company, Certificate for timely dematerialization of shares as per SEBI(Depositories and Participants) Regulations, 1996 and Secretarial Audit Report for reconciliation of the share capital of the Company obtained from a practicing Company Secretary has been submitted to Stock Exchange within stipulated time.

(xi) Distribution of shareholding

a) Distribution of shareholding as on March 31st, 2009 :

| No. of shares | Holding | % to Capital | No. of accounts | % to total accounts |
|----------------------|-----------------|---------------------|------------------------|----------------------------|
| 1-5000 | 1240342 | 6.21 | 4765 | 88.50 |
| 5001-10000 | 440613 | 2.21 | 2.70 | 5.01 |
| 10001-20000 | 381944 | 1.91 | 132 | 2.45 |
| 20001-30000 | 375035 | 1.87 | 74 | 1.37 |
| 30001-40000 | 177204 | 0.88 | 25 | 0.46 |
| 40001-50000 | 268159 | 1.34 | 28 | 0.52 |
| 50001-100000 | 796593 | 3.99 | 55 | 1.02 |
| 100001 and above | 16280591 | 81.56 | 35 | 0.65 |
| Grand Total | 19960481 | 100 | 5384 | 100 |

b) Categories of Shareholders as on March 31st, 2009

| Category | No. of shares | Percentage |
|-------------------------------|----------------------|-------------------|
| Promoters Group – Indian | 1,21,42,100 | 60.83% |
| Indian Public | 48,68,348 | 24.39% |
| Bodies Corporate | 29,19,361 | 14.64% |
| NRIs/ OCBs/ Foreign Nationals | 22,155 | 0.11% |
| Others | 8,517 | 0.03% |
| Total | 1,99,60,481 | 100 % |

(xii) Dematerialization of shares and liquidity

The shares of the company are partly in electronic form and partly in physical form. The shares in electronic form are available for trading in depository system of both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on 31st March, 2009, the position of Dematerialization is as follow:

| | No. of Shares | % of Total Issue Capital |
|-------------------------------------|----------------------|---------------------------------|
| Held in Dematerialized form in CDSL | 14,07,932 | 7.05 % |
| Held in Dematerialized form in NSDL | 1,82,91,175 | 91.64 % |
| Held in Physical form | 2,61,374 | 1.31 % |
| | TOTAL | 100.00 % |

(xiii) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity:

As on March 31, 2009, the Company did not have any outstanding GDRs/ADRs/Warrants or any convertible instruments.

(xiv) Plant Locations

In view of the nature of the Company's business viz. Information Technology (IT) services and IT Enabled Services, the Company operates from various offices in India and abroad but does not have any manufacturing plant.

(xv) Address for correspondence

Registered Office

A-264, Second Floor
Defence Colony
New Delhi- 110024

Corporate Office

Axis-IT & T Limited
(Formerly IT & T Limited)
D-30, Sector – III
NOIDA
Uttar Pradesh

For and on behalf of the Directors

Place : Noida
Date : 30.06.09

**Sd/-
CHAIRMAN**

MANAGEMENT DISCUSSION & ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India. There are no material departures for prescribed accounting standards in the adoption of the accounting standards. The management of your Company accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the company's state of affairs and profits for the year.

A. Financial Condition

1. Share Capital

There has been no change in the paid up share capital during the year under consideration.

2. Fixed Assets (WDV)(Rs. Lacs)

| Particulars | March 31st 2009 | March 31st 2008 |
|--------------------------|-----------------|-----------------|
| Land | 22.64 | 22.64 |
| Buildings | 143.54 | 146.24 |
| Computer Systems | 31.76 | 51.49 |
| Furniture Fixtures | 13.22 | 16.41 |
| Office Equipment | 19.55 | 17.85 |
| Vehicles | 14.67 | 2.09 |
| Electrical Installations | 0.55 | 0.72 |
| Intangible Assets | 18.50 | 14.69 |
| Goodwill on Amalgamation | 42.26 | 75.14 |

3. Investment

In the current year, the company made an Investment of Rs. 114,25,412 in the Share capital of Axis Inc., the company's subsidiary.

4. Cash and cash equivalents

The bank balances in India include both rupee accounts and foreign currency accounts.

5. Loans and advances

The company does not extend loans to employees. However, to meet the short term cash flow needs, the employee may be extended an advance against salary which is adjusted in the next month's salary. However, this is not significant.

B. Results of operations

Adequacy of Internal Controls

AXIS-IT & T Limited has a proper and adequate system of internal controls to ensure that all assets are safe guarded. The Internal control system is supplemented by an extensive program of internal audits reviewed by the management and documented policies, guidelines and procedures. The Audit Committee of the Board frequently reviews the internal control systems and from time-to-time the committee suggests changes in methods, policies and procedure on current business trends.

Human Resources Development

Axis-IT & T Limited is committed to the welfare of its people and their families and to improve the quality of their lives.

The company provides continuous learning and personal development opportunities by providing regular training to its employees. The friendly atmosphere of Axis-IT & T Ltd. has proved that the Company cares for its employees and has respect for their intelligence.

RISK MANAGEMENT REPORT

The management cautions readers that the risks outlined below are not exhaustive and are for information purposes only. Investors are requested to exercise their own judgment in assessing various risks associated with the company and to refer to discussions of some of these risks in the company's earlier Annual Report and Securities and Exchange Board of India filings.

In a dynamic industry such as IT services, risk is an inherent aspect of business. The impact of the turbulent socio-political and economic events in the past year on businesses bears testimony to this.

A comprehensive and integrated risk management framework forms the basis of all the de-risking efforts of the company. Prudential norms aimed at limiting exposures are an integral part of this framework. Formal reporting and control mechanisms ensure timely information availability and facilitate proactive risk management. These mechanisms are designed to cascade down to the level of line managers so that risk at the transactional level are identified and steps are taken towards mitigation in a decentralized fashion. The Board of Directors is responsible for monitoring risk levels on various parameters and the senior management group ensure implementation of mitigation measures, if required. The audit committee provides the overall direction on the risk management policies.

During the year your Company was exposed to the risks mentioned below:

- 1. Business portfolio risks**
 - Service concentration
 - Client concentration
 - Geographical concentration
 - Technology concentration
- 2. Financial risks**
 - Foreign currency rate fluctuations
 - Liquidity
 - Investments
 - Security of Debt
- 3. Legal and statutory risks**
 - Contractual liabilities
 - Statutory compliance
- 4. Organization management risks**
 - Leadership development
 - Human resources management
 - Process maturity
 - Internal control system
 - Disaster prevention & recovery
 - Technological obsolescence

The management is constantly endeavoring to reduce the impact of risks enumerated above through the adoption of prudent measures.

For and on behalf of the Directors

Place: NOIDA
Date: 30.06.09

Sd/-
CHAIRMAN

Declaration on the Compliance of the Company's Code of Conduct

To,

The Shareholders,

Axis-IT&T Ltd.

A-264, 2nd Floor,
Defence Colony,
New Delhi

The Company has framed a specific Code of Conduct for the Members of the Board of Directors and the Senior Management Personnel of the Company pursuant to Clause 49 of the Listing Agreement with Stock Exchanges to further strengthen Corporate Governance practice in the Company.

All the members of the Board and Senior Management Personnel of the Company have affirmed due observance of the said code of conduct in so far as it is applicable to them and there is no non-compliance thereof during the year ended 31st March 2009.

Place : Noida
Dated : 30.06.09

Sd/-
Rohitasava Chand
CEO
Axis-IT&T Ltd.

Auditors' certificate on compliance with the conditions of corporate governance under clause 49 of the listing agreements

To the members of
AXIS-IT & T Limited

We have examined the compliance of conditions of corporate governance by AXIS-IT & T Limited ("the Company") for the year ended on March 31, 2009, as stipulated in clause 49 of the listing agreements of the Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Walker, Chandiok & Co
Chartered Accountants

Place : New Delhi
Dated : June 30, 2009

Sd/-
by **B.P. Singh**
Partner
Membership No. 70116

Auditor's Report

**To,
The Members of AXIS-IT&T Limited**

1. We have audited the attached Balance Sheet of **AXIS-IT&T Limited**, (the 'Company') as at March 31, 2009, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Without qualifying our opinion, we draw attention to Note 11 of Schedule 20 of financial statements. The Company has accumulated losses amounting to Rs.221,601,659 as at the balance sheet date which represent erosion of more than fifty percent of net worth of the Company. However, owing to the mitigating factors in the said note, the financial statements have been prepared on a going concern basis.
5. Further to our comments in the Annexure referred to above and paragraph 4, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The financial statements dealt with by this report are in agreement with the books of account;
 - d. On the basis of written representations received from the directors, as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
 - e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
 - i) the Balance Sheet, of the state of affairs of the Company as at March 31, 2009;
 - ii) the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) the Cash Flow Statement, of the cash flows for the year ended on that date

For Walker, Chandiook & Co
Chartered Accountants

Sd/-
by **B.P. Singh**
Partner

Membership No. 70116

Place : New Delhi
Dated : 30.06.2009

Annexure to the auditors' report of even date to the member of AXIS-IT&T Limited on the financial statements for the year ended 31 March 2009

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
- (c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- (ii) The Company does not have any inventory. Accordingly, the provisions of clause 4(ii) of the Order are not applicable.
- (iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to (d) of the Order are not applicable.
- (b) The Company had taken loan from two companies covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year was Rs 19,562,878 and the year-end balance was Rs. 91,877
- (c) In our opinion, the rate of interest and other terms and conditions for such loan are not, *prima facie*, prejudicial to the interest of the Company.
- (d) In respect of loans taken, repayment of the principal amounts is as stipulated and payment of interest has been regular.
- (iv) Owing to the nature of its business, the Company does not maintain any physical inventories or sells any goods. Accordingly, clause 4(iv) of the Order with respect to purchase of inventories and sale of goods is not applicable. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the aforesaid internal control system
- (v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.
- (b) In our opinion, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, in respect of the services rendered by the Company. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- (ix) (a) The Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they become payable.
- (b) There are no dues in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.

- (x) *In our opinion, the Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has not incurred cash losses during the year. In the preceding financial year, Company has incurred cash losses.*
- (xi) In our opinion, the Company has not defaulted in repayment of dues to any bank during the year. The Company has no dues payable to a financial institution or debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.
- (xvi) In our opinion, the Company has applied the term loan for the purpose for which the loan was obtained.
- (xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For Walker, Chandiook & Co
Chartered Accountants

Sd/-
by **B.P. Singh**
Partner

Membership No. 70116

Place : New Delhi
Dated : 30.06.2009

BALANCE SHEET AS AT MARCH 31, 2009

| SOURCES OF FUNDS | Schedule | As at 31 March 2009 Rs. | As at 31 March 2008 Rs. |
|---|-----------------|--|--|
| Shareholders' funds | | | |
| Share capital | 1 | 99,955,705 | 99,955,705 |
| Reserves and surplus | 2 | 298,129,199 | 298,129,199 |
| Loan funds | | | |
| Secured loans | 3 | 15,970,595 | 14,391,875 |
| Unsecured loans | 4 | 91,877 | 4,535,730 |
| Deferred tax liability, net | 5 | 1,818,423 | — |
| | | 415,965,799 | 417,012,509 |
| APPLICATIONS OF FUNDS | | | |
| Fixed assets | | | |
| Gross block | 6 | 77,455,497 | 72,926,291 |
| Less: Depreciation and amortization | | 46,786,640 | 38,196,908 |
| Net block | | 30,668,857 | 34,729,383 |
| Investments | 7 | 126,195,982 | 129,770,570 |
| Current assets, loans and advances | | | |
| Sundry debtors | 8 | 23,249,470 | 22,236,938 |
| Cash and bank balances | 9 | 11,742,387 | 2,078,591 |
| Other current assets | 10 | 7,563,832 | 4,206,109 |
| Loans and advances | 11 | 16,668,503 | 8,207,647 |
| | | 59,224,192 | 36,729,285 |
| Less: Current liabilities and provisions | | | |
| Liabilities | 12 | 16,031,044 | 10,438,420 |
| Provisions | 13 | 5,693,849 | 4,030,240 |
| | | 21,724,893 | 14,468,660 |
| Net current assets | | 37,499,299 | 22,260,625 |
| Accumulated deficit in profit & loss account | | 221,601,659 | 230,251,931 |
| | | 415,965,798 | 417,012,509 |
| Significant accounting policies | 19 | | |
| Notes to the financial statements | 20 | | |

The schedules referred to above form an integral part of the financial statements.

For and on behalf of the Board of Directors

Sd/-
Shweta Agrawal
Company Secretary

Sd/-
Rohitasava Chand
President & CEO

Sd/-
S. Ravi Narayanan
Chairman

This is the Balance Sheet referred to in our report of even date.

For Walker, Chandiok & Co
Chartered Accountants

Sd/-
by **B.P. Singh**

Partner

Membership No. 70116

Place: Noida

Dated: 30.06.2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

| INCOME | Schedule | For the year ended 31 March 2009 Rs. | For the year ended 31 March 2008 Rs. |
|--|-----------|--|--|
| Gross operating income | | | |
| IT enabled services - Exports | | 24,882,354 | 19,257,171 |
| IT enabled services - Deemed exports | | 35,632,774 | 16,920,033 |
| IT enabled services - Domestic | | 437,860 | 440,490 |
| Software services exports | | 53,488,818 | 35,424,162 |
| Total | | <u>114,441,806</u> | <u>72,041,856</u> |
| Other income | 14 | 8,014,563 | 3,050,270 |
| | | <u>122,456,369</u> | <u>75,092,126</u> |
| EXPENDITURE | | | |
| Personnel expenses | 15 | 66,324,754 | 54,528,453 |
| Operating and administrative expenses | 16 | 32,888,232 | 26,962,175 |
| Depreciation and amortization | 6 | 8,799,847 | 10,995,209 |
| Finance charges | 17 | 3,180,688 | 2,061,481 |
| | | <u>111,193,521</u> | <u>94,547,318</u> |
| Profit/(loss) before tax | | 11,262,848 | (19,455,192) |
| Tax expense | | | |
| Deferred tax expense | | 1,818,423 | — |
| Fringe benefit tax-current year | | 667,971 | 399,316 |
| -prior year | | 9,223 | — |
| Tax earlier year | | — | 19,142 |
| Profit/(loss) after tax | | <u>8,767,231</u> | <u>(19,873,650)</u> |
| Prior period item | 18 | 116,958 | 760,858 |
| Profit/(loss) after tax and prior period items | | 8,650,273 | (20,634,508) |
| Accumulated deficit in profit and loss account of previous years | | (230,251,932) | (209,617,424) |
| Accumulated deficit in profit & loss account carried to the balance sheet | | <u>(221,601,659)</u> | <u>(230,251,932)</u> |
| Profit/(loss) per share - basic and diluted (Refer note 10 of schedule 20) | | 0.43 | (1.03) |
| Significant accounting policies | 19 | | |
| Notes to the financial statements | 20 | | |

The schedules referred to above form an integral part of the financial statements.

For and on behalf of the Board of Directors

Sd/-
Shweta Agrawal
Company Secretary

Sd/-
Rohitasava Chand
President & CEO

Sd/-
S. Ravi Narayanan
Chairman

This is the Balance Sheet referred to in our report of even date.

For **Walker, Chandiook & Co**
Chartered Accountants

Sd/-
by **B.P. Singh**

Partner

Membership No. 70116

Place: Noida

Dated: 30.06.2009

AXIS-IT&T LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

| | 31 March 2009 | 31 March 2008 |
|--|---------------------------|---------------------------|
| | Rs. | Rs. |
| Schedule 1 | | |
| Share capital | | |
| Authorised share capital | | |
| 26,000,000 (previous year 26,000,000) equity shares of Rs.5 each | 130,000,000 | 130,000,000 |
| 100,000 (previous year 100,000) preference shares of Rs. 100 each | 10,000,000 | 10,000,000 |
| | <u>140,000,000</u> | <u>140,000,000</u> |
| Issued share capital | | |
| 20,011,581 (previous year 20,011,581) equity shares of Rs. 5 each fully paid up | <u>100,057,905</u> | <u>100,057,905</u> |
| Subscribed and paid up | | |
| 19,960,481 (previous year 19,960,481) equity shares of Rs.5 each fully paid | 99,802,405 | 99,802,405 |
| Add: Forfeited shares (amount originally paid Rs. 3 per share on 51,100 equity shares) | 153,300 | 153,300 |
| | <u>99,955,705</u> | <u>99,955,705</u> |
| Schedule 2 | | |
| Reserves and surplus | | |
| Securities premium account | <u>298,129,199</u> | <u>298,129,199</u> |
| Schedule 3 | | |
| Secured loans | | |
| Loan from banks | | |
| Vehicle loan* (Secured against hypothecation of the specific vehicle) | 970,595 | 37,958 |
| Working capital loan from ABN AMRO (Secured by first charge on the land and building of the Company situated at D-30, Sector 3, Noida) | — | 14,353,917 |
| Medium term loan from Yes Bank Ltd (Refer note 21 of schedule 20) | 15,000,000 | — |
| | <u>15,970,595</u> | <u>14,391,875</u> |
| *Amounts due with in one year | 420,474 | 37,958 |

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

| | 31 March 2009 | 31 March 2008 |
|------------------------------------|----------------------|----------------------|
| | Rs. | Rs. |
| Schedule 4 | | |
| Unsecured loans | | |
| Loan from body corporate | | |
| Principal amount | — | 4,500,000 |
| Interest accrued and due | 91,877 | 35,730 |
| | 91,877 | 4,535,730 |
| | 91,877 | 4,535,730 |
| Schedule 5 | | |
| Deferred tax liability, net | | |
| Deferred tax liability | | — |
| Fixed assets | 3,589,385 | |
| Deferred tax asset | | |
| Employee benefits | (1,770,962) | — |
| | 1,818,423 | — |
| | 1,818,423 | — |

Schedules forming part of the financial statements for the year ended March 31, 2009
Schedule 6

Fixed Assets

| Assets | Gross block | | | | Depreciation and amortization | | | | Net block | |
|--------------------------|---------------------------|------------------|-----------------------------------|-------------------|-------------------------------|------------------|----------------|-------------------|-------------------|-------------------|
| | Additions during the year | | Sale/ Adjustments during the year | | Adjustments during the year | | the year | | 2009 | 2008 |
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | Rs. | Rs. |
| Goodwill on amalgamation | 16,445,348 | — | — | 16,445,348 | 8,930,659 | — | — | 12,219,729 | 4,225,618 | 7,514,688 |
| Land - freehold | 2,264,437 | — | — | 2,264,437 | — | — | — | 2,264,437 | 2,264,437 | — |
| Office building | 16,581,724 | — | — | 16,581,724 | 1,957,773 | — | 270,282 | 2,228,055 | 14,353,669 | 14,623,951 |
| Furniture and fixtures | 6,727,993 | 20,986 | — | 6,748,979 | 5,086,827 | — | 340,461 | 5,427,288 | 1,321,691 | 1,641,166 |
| Office equipments | 4,017,835 | 899,431 | — | 4,917,266 | 2,232,602 | — | 729,343 | 2,961,945 | 1,955,321 | 1,785,233 |
| Computers | 11,483,105 | 383,762 | — | 11,866,867 | 6,333,714 | — | 2,357,068 | 8,690,782 | 3,176,085 | 5,149,391 |
| Vehicles | 1,397,993 | 1,756,330 | 457,567 | 2,696,756 | 1,188,642 | — | 330,542 | 1,230,100 | 1,466,656 | 209,351 |
| Electrical installations | 2,059,794 | — | — | 2,059,794 | 1,987,390 | — | 16,916 | 2,004,306 | 55,488 | 72,404 |
| Intangible assets | | | | | | | | | | |
| Non compete fees | 1,971,000 | — | — | 1,971,000 | 1,971,000 | — | — | 1,971,000 | — | — |
| Softwares | 9,977,062 | 1,926,264 | — | 11,903,326 | 8,508,301 | — | 1,545,134 | 10,053,435 | 1,849,891 | 1,468,762 |
| Total | 72,926,291 | 4,986,773 | 457,567 | 77,455,497 | 38,196,908 | 8,878,816 | 289,084 | 46,786,640 | 30,668,856 | 34,729,383 |
| Previous year | 67,263,271 | 5,987,488 | 324,468 | 72,926,291 | 27,361,057 | 10,995,209 | 159,358 | 38,196,908 | 34,729,383 | — |

* Including depreciation expense amounting to Rs.78,968 (previous year Nil) pertaining to prior years

AXIS-IT&T LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

| | 31 March 2009 Rs. | 31 March 2008 Rs. |
|---|---------------------------|---------------------------|
| Schedule 7 | | |
| Investments | | |
| Long-term investments - Unquoted at cost | | |
| Subsidiary companies: | | |
| Axis Inc., U.S.A. | | |
| 15,579 (previous year 14,000) common stock | 120,282,324 | 108,856,912 |
| Other than subsidiaries [Trade]: | | |
| Axis Cogent Global Ltd (formerly known as IT&T Global Services Ltd) | | |
| 247,663 (previous year 247,663) equity Shares of Rs. 10 each fully paid up | 5,913,658 | 5,913,658 |
| Other than subsidiaries [Non trade]: | | |
| Datum Technology Limited | | |
| 50,000 (previous year 50,000) equity shares of Rs. 10 each fully paid up | 500,000 | 500,000 |
| Khandwala Securities Limited | | |
| Nil (previous year 150,000) 7% cumulative redeemable preference shares of Rs. 100 each fully paid up | — | 15,000,000 |
| | <u>126,695,982</u> | <u>130,270,570</u> |
| Less : Provision for diminution in the value of long term investments | | |
| Datum Technology Limited | 500,000 | 500,000 |
| | <u>126,195,982</u> | <u>129,770,570</u> |
| Aggregate cost of unquoted investment (net of provisions) | 126,195,982 | 129,770,570 |

Schedule 8

Sundry debtors

| | | |
|--|--------------------------|--------------------------|
| Unsecured (Considered good) | | |
| Debts outstanding for a period exceeding six month | 8,368,956 | 24,230 |
| Other debts | 14,880,514 | 22,212,708 |
| | <u>23,249,470</u> | <u>22,236,938</u> |

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

| | 31 March 2009 | 31 March 2008 |
|-------------------------------|----------------------|----------------------|
| | Rs. | Rs. |
| Schedule 9 | | |
| Cash and bank balances | | |
| Cash in hand | 55,581 | 53,440 |
| Balance with banks in : | | |
| current accounts | 2,298,469 | 1,609,171 |
| fixed deposit accounts* | 9,388,337 | 415,980 |
| | 11,742,387 | 2,078,591 |

*Out of the total fixed deposit balance, a fixed deposit amounting to Rs 109,348 (previous year Rs 91,395) is in the name of Axis Computers Private Limited (a Company which was merged to this Company in earlier years) and a fixed deposit amounting to Rs 266,490 (previous year Rs 253,124) is in the name of IT & T Limited (the erstwhile name of this Company).

Schedule 10

Other current assets

| | | |
|-------------------------------|------------------|------------------|
| Unbilled revenue | 6,903,249 | 4,187,698 |
| Interest accrued but not due* | 660,583 | 18,411 |
| | 7,563,832 | 4,206,109 |

*Out of the total interest accrued but not due balance, an interest amounting to Rs 4,823 (previous year Rs 10,613) is on fixed deposit which is in the name of Axis Computers Private Limited (a Company which was merged to this Company in earlier years) and an interest amounting to Rs 3,400 (previous year Nil) is on the fixed deposit which is in the name of IT & T Limited (the erstwhile name of this Company).

Schedule 11

Loans and advances

(Unsecured, considered good unless otherwise stated)

| | | |
|---|-------------------|------------------|
| Advances recoverable in cash or in kind or for value to be received | 5,688,328 | 2,586,675 |
| Advance income taxes/ tax deducted at source | 10,486,716 | 5,620,972 |
| Service tax receivable | | |
| -good | 493,459 | — |
| -doubtful | 1,448,725 | 1,265,028 |
| Deposits with bodies corporate -doubtful | 24,945,920 | 24,945,920 |
| | 43,063,148 | 34,418,595 |
| Less: provision for doubtful loans and advances | 26,394,645 | 26,210,948 |
| | 16,668,503 | 8,207,647 |

AXIS-IT&T LIMITED

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

| | 31 March 2009 Rs. | 31 March 2008 Rs. |
|---|----------------------|----------------------|
| Schedule 12 | | |
| Liabilities | | |
| Sundry creditors for goods, services and other expenses | 14,908,241 | 9,142,678 |
| Other liabilities | 1,122,803 | 1,295,742 |
| | 16,031,044 | 10,438,420 |
| Schedule 13 | | |
| Provisions | | |
| Fringe benefit tax | 142,971 | — |
| Employee benefits | 5,550,878 | 4,030,240 |
| | 5,693,849 | 4,030,240 |
| Schedule 14 | | |
| Other income | | |
| Dividend on current investments (Non trade) | 1,376,986 | 2,100,000 |
| Interest on | | |
| Fixed deposits * | 251,102 | 27,387 |
| Income tax refund | 533,611 | 188,581 |
| Profit on sale of fixed assets | 31,517 | 47,645 |
| Foreign exchange gain | 5,111,299 | 651,178 |
| Miscellaneous income | 182,878 | 35,479 |
| Liability no longer required written back | 527,170 | — |
| | 8,014,563 | 3,050,270 |
| * Tax deducted at source on interest | 44,916 | 3,910 |
| Schedule 15 | | |
| Personnel expenses | | |
| Salaries and bonus | 61,956,385 | 50,725,134 |
| Contribution to provident and other funds | 1,667,621 | 1,382,557 |
| Staff welfare and other benefits | 2,700,748 | 2,420,762 |
| | 66,324,754 | 54,528,453 |

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

| | 31 March 2009 | 31 March 2008 |
|--|--------------------------|--------------------------|
| | Rs. | Rs. |
| Schedule 16 | | |
| Operating and administrative expenses | | |
| Communication expenses | 2,076,915 | 1,818,228 |
| Electricity and water | 3,330,789 | 3,271,297 |
| Rent and hire charges, net | 5,619,195 | 6,644,671 |
| Local transport and conveyance | 393,066 | 373,013 |
| Travel expense | 4,397,526 | 2,007,118 |
| Office maintenance | 2,216,474 | 1,493,754 |
| Repair and maintenance | | |
| Building | 125,220 | 112,271 |
| Others | 1,036,262 | 1,256,663 |
| Legal and professional | 4,760,465 | 5,157,997 |
| Insurance | 76,756 | 23,417 |
| Rates and taxes | 59,538 | 54,471 |
| Advertisement and marketing expenses | 337,951 | 25,404 |
| Business promotion | 101,603 | 128,087 |
| Printing and stationery | 415,535 | 441,312 |
| Directors' fee | 52,000 | 56,000 |
| Foreign exchange loss | 1,718,549 | 2,023,596 |
| Bad debts written off | — | 118,350 |
| Customs duty | 135,858 | — |
| Sales tax paid | 42,000 | — |
| Commission and brokerage | 5,134,209 | — |
| Provision for doubtful cenvat recoverable | 183,697 | 1,265,028 |
| Meeting and conference | 217,234 | 172,055 |
| Miscellaneous expenses | 457,390 | 519,443 |
| | <u>32,888,232</u> | <u>26,962,175</u> |
| Schedule 17 | | |
| Finance charges | | |
| Interest expenses | 2,631,669 | 1,878,022 |
| Processing fee and other bank charges | 549,019 | 183,459 |
| | <u>3,180,688</u> | <u>2,061,481</u> |
| Schedule 18 | | |
| Prior period item | | |
| Rent expense (net) | 37,990 | — |
| Depreciation | 78,968 | — |
| Incentive expense | — | 760,858 |
| | <u>116,958</u> | <u>760,858</u> |

Schedules forming part of the financial statements for the year ending March 31, 2009

Schedule 19 Significant accounting policies

1. Basis of preparation

The financial statements have been prepared to comply with the Accounting Standards referred to in the Companies (Accounting Standards) Rule 2006 issued by the Central Government in exercise of the power conferred under sub-section (1) (a) of section 642 and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Company unless otherwise stated.

2. Use of estimates

The preparation of financial statements in conformity with the principles generally accepted in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

3. Revenue recognition

- a) Revenue from the IT enabled services is recognised based on services rendered to clients as per the terms of specific contracts.
- b) Revenue from the software development priced on time and materials basis is recognized when the services are rendered and related costs are incurred.
- c) Unbilled receivables represent costs incurred and revenue recognized on amounts to be billed in subsequent periods as per contractual terms. The related billings are made within the next operating cycle.
- d) Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- e) Dividend on investments is recognised when the right to receive dividend is established.

4. Fixed assets

Tangible

Fixed assets are stated at cost (gross block) less accumulated depreciation. The cost of fixed assets comprises its purchase price and any cost attributable to bringing the assets to its working condition and intended use.

Expenditure on account of modification / alteration in fixed assets, which increases the future benefit from the existing asset beyond its previous assessed standard of performance, is capitalised.

Intangible

Intangible asset comprises of non-compete fee, software and goodwill, is stated at cost less accumulated amortisation.

5. Depreciation and amortization

Depreciation on fixed assets is provided on Straight Line method and in the manner prescribed in Schedule XIV of the Act, at rates which are either greater than or equal to the corresponding rates in Schedule XIV of the Act, based on the technical estimates of useful life, as follows:

| Description | Rate |
|--------------------------|--------|
| Office buildings | 1.63% |
| Furniture and fixtures | 14.29% |
| Computers | 33.33% |
| Software | 33.33% |
| Vehicles | 20.00% |
| Electrical installations | 14.29% |

Schedules forming part of the financial statements for the year ending March 31, 2009**Schedule 19 Significant accounting policies (Contd.)**

Assets costing less than Rs. 5,000 each are depreciated fully in the year of purchase.

Assets under capital lease are amortised over their estimated useful life or the lease term whichever is lower. Non-competitive fee is amortised over the period of expected benefit. Goodwill on amalgamation is being amortised over a period of 5 years.

6. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the long term investments.

7. Employee benefits

Wages, salaries, bonuses, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Company.

The Company has two post employment benefit plans in operation viz. Gratuity and Provident Fund.

Provident fund benefit is a defined contribution plan under which the Company pays fixed contribution into funds established under Employees Provident Fund and Miscellaneous Provisions Act, 1952. The Contributions recognised in respect of defined contribution plans are expensed as they accrue. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets, respectively, as they are normally of a short term nature.

The Company provides for gratuity, a defined benefit plan, which defines an amount of benefit that an employee will receive on separation from the Company, usually dependent on one or more factors such as age, years of service and remuneration. The liability towards recognised in the balance sheet for defined benefit plan is the present value of the defined benefit obligation ('DBO') at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The present value of DBO is calculated annually by an independent actuary using the projected unit credit method.

The Company also provides benefit of compensated absences under which un-availed leaves are allowed to be accumulated to be availed in future. The scheme is considered as a long term benefit. The compensated absences comprises of vesting as well as non vesting benefit and the liability is determined in accordance with the rules of the Company and is based on actuarial valuations made on projected unit method at the balance sheet date for the balance.

8. Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction. Differences arising out of foreign currency transactions settled during the year are recognised in the profit and loss account.

Monetary items outstanding at the balance sheet date and denominated in foreign currencies are recorded at the exchange rate prevailing at the end of the year. Differences arising therefrom are recognised in the profit and loss account.

Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Investments in foreign companies are recorded at the exchange rate prevailing on the date of making the respective investments.

9. Taxes on income

Tax expense comprises current income tax, deferred income tax and fringe benefit tax.

Schedules forming part of the financial statements for the year ending March 31, 2009

Schedule 19 Significant accounting policies (Contd.)

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted

at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In respect of carry forward losses and unabsorbed depreciation, deferred tax assets are recognised only to the extent there is virtual certainty that sufficient future taxable income will be available against which such losses, provisions and unabsorbed depreciation can be set off.

Fringe-benefit tax for the year has been determined in accordance with the provision of section 115WC of the Income Tax Act, 1961.

10. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue and share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

11. Leases

- a) Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the of the lease term.
- b) Assets acquired on lease where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalized at the inception of the lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period. The resultant interest cost is charged to profit and loss account on accrual basis

12. Contingent liabilities and provisions

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources. Disclosure is also made in respect of a present obligation that probably requires an outflow of resources, where it is not possible to make a reliable estimate of the related outflow. Where there is a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

13. Impairment of assets

The Company on an annual basis makes an assessment of any indicator that may lead to impairment of assets including goodwill. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount is less than the carrying amount, then the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is charged to the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost. In respect of goodwill the impairment loss is reversed only when it is caused by specific external events and their effects have been reversed by subsequent external events.

Schedules forming part of the financial statements for the year ending March 31, 2009

Schedule 20

Notes to the Financial Statements

1. During the previous year, M/s Tayana Software Solutions Limited ('Tayana Software') acquired majority stake in the Company. As at March 31, 2009, Tayana Software holds 12,142,100 equity shares which represents 60.83% of the total outstanding equity shares of the Company. Pursuant to the change in ownership of the Company, the Board of Directors of the Company was re-constituted on April 28, 2008.

2. Share capital

a. The subscribed and paid up capital of the Company includes 8,428,800 (previous year – 8,428,800) equity shares allotted as fully paid up (face value Rs. 5 each) by way of bonus shares by capitalisation of the following reserves:

| | Equivalent number of Equity shares | Amount Rs. |
|-------------------------------|---|-----------------------|
| a) Securities premium account | 1,096,820 | 5,484,100 |
| b) General reserve | 120,000 | 600,000 |
| c) Profit and loss account | 7,211,980 | 36,059,900 |
| Total | 8,428,800 | 42,144,000 |

b. The subscribed and paid up equity share capital includes 4,202,00 (Previous year 4,202,00) equity shares allotted as fully paid up under the scheme of amalgamation without payments having been received.

3. Contingent liabilities not provided for:

| | 2009 Rs. | 2008 Rs. |
|--|---------------------|---------------------|
| a) Demands raised by Income tax authorities against which the Company has filed an appeal with ITAT | — | 3,467,118 |
| b) Order passed against the company by a consumer forum, Lucknow, against which the Company has filed a revised petition | 225,600 | 225,600 |
| Total | 225,600 | 3,692,718 |

4. Payments made to the directors*

| | 2009 Rs. | 2008 Rs. |
|---|---------------------|---------------------|
| Salaries and bonus | 2,306,925 | 1,344,010 |
| Contribution to provident and other funds | 2,72,295 | 100,800 |
| Monetary value of perquisites | 13,750 | 70,000 |
| Directors' sitting fee | 52,000 | 56,000 |
| Total | 2,644,970 | 1,570,810 |

* Exclusive of provision for future liabilities in respect of employee benefits (which are based on actuarial valuation done on an overall basis for all employees)

Schedules forming part of the financial statements for the year ending March 31, 2009

Schedule 20

Notes to the Financial Statements (Contd.)

5. Auditors' remuneration

| | 2009 | 2008 |
|------------------------|----------------|----------------|
| | Rs. | Rs. |
| Audit fee | 225,000 | 225,000 |
| Tax audit fee | 50,000 | 50,000 |
| Other services | 75,000 | 75,000 |
| Out of pocket expenses | 34,527 | 47,788 |
| Service tax | 37,595 | 43,260 |
| Total | 422,122 | 441,048 |

6. Related party transactions

a. Names of related parties and description of relationship:

| | | |
|------|-----------------------------|--|
| I. | Subsidiary companies | Axis Inc., U.S.A. Axis E.U. |
| II. | Associate entities | Axis Cogent Global Limited (formerly known IT &T Global Services Limited) |
| III. | Key management personnel | Mr. Rohitasava Chand |
| IV. | Other entities* | Yukti Securities Limited |
| V. | Holding company information | The Company is a subsidiary of Tayana Software Solutions Private Ltd which is a subsidiary of Axis Aerospace & Technologies Pvt. Ltd. (formerly known as Jupiter Strategic Technologies Pvt. Ltd., referred to as 'AATPL') which in turn is a subsidiary of Jupiter Capital Pvt Ltd. |

*entity in which key management personnel have significant influence.

(This space has been left blank intentionally)

Schedules forming part of the financial statements for the year ending March 31, 2009
Schedule 20

Notes to the Financial Statements (Contd.)

b. Transactions with related parties during the year:

(Amount in Rupees)

| Nature of transactions | Subsidiaries | | Associates | | Other entities | | Key management personnel | | AATPL | | Total | |
|---|--------------|--------------|------------|-----------|----------------|-----------|--------------------------|-----------|-----------|------|--------------|--------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Rendering of services | 1,65,29,140 | 1,20,62,045 | — | — | — | — | — | — | — | — | 1,65,29,140 | 1,20,62,045 |
| Investment made | 1,14,25,413 | — | — | — | — | — | — | — | — | — | 1,14,25,413 | — |
| Loans raised | — | — | — | — | 45,00,000 | — | — | — | 15,00,000 | — | 15,00,000 | 45,00,000 |
| Loans repaid | — | — | — | — | 45,00,000 | — | — | — | 15,00,000 | — | 60,00,000 | — |
| Interest paid | — | — | — | — | 4,75,714 | 4,75,685 | — | — | 44,877 | — | 5,20,591 | 4,75,685 |
| Reimbursement/adjustment from advance of expense paid | 35,098 | 11,43,709 | — | — | — | — | — | — | 2,85,406 | — | 3,20,504 | 11,43,709 |
| Remuneration paid | — | — | — | — | — | — | 25,92,970 | 15,14,810 | — | — | 25,92,970 | 15,14,810 |
| Balance at the year end | | | | | | | | | | | | |
| Investment | 12,02,82,325 | 10,88,56,912 | 59,13,658 | 59,13,658 | — | — | — | — | — | — | 12,61,95,983 | 11,47,70,570 |
| Amount recoverable for expense | 10,73,874 | 1,05,505 | — | — | — | — | — | — | 33,085 | — | 11,06,959 | 1,05,505 |
| Loan outstanding | — | — | — | — | 91,877 | 45,35,730 | — | — | — | — | 91,877 | 45,35,730 |
| Sundry debtors | 95,93,076 | 60,87,289 | — | — | — | — | — | — | — | — | 95,93,076 | 60,87,289 |

Schedules forming part of the financial statements for the year ending March 31, 2009

Schedule 20

Notes to the Financial Statements (Contd.)

7. Finance lease

Finance lease represents liability towards assets purchased on leases and are secured by first charges over those assets. Repayment schedule of finance lease liability is as under

| Year ending March 31, 2009 | Amount (Rs.) |
|----------------------------|------------------|
| 2010 | 503,397 |
| 2011 | 503,397 |
| 2012 | 83,899 |
| Total | 1,090,693 |
| Less: Interest | (120,098) |
| Grand total | 970,595 |

8. Value of imports calculated on C.I.F. basis

| | 2009 Rs. | 2008 Rs. |
|---------------|------------------|-------------|
| Capital goods | 1,326,207 | — |
| Total | 1,326,207 | — |

9. Earnings in foreign exchange

| | 2009 Rs. | 2008 Rs. |
|--------------------|-------------------|-------------------|
| Export of services | 71,552,679 | 56,261,440 |
| Total | 71,552,679 | 56,261,440 |

10. Earnings per share

| | 2009 | 2008 |
|--|------------|--------------|
| a) Number of fully paid equity shares at the beginning of the year | 19,960,481 | 19,960,481 |
| b) Number of fully paid equity shares at the end of the year | 19,960,481 | 19,960,481 |
| c) Weighted average number of equity shares (Nominal value of each share Rs.5) outstanding during the year | 19,960,481 | 19,960,481 |
| d) Net profit / (loss) attributable to equity shareholders (Rs.) | 8,650,273 | (20,634,508) |
| e) Basic and diluted earnings / (loss) per share (in Rs.) | 0.43 | (1.03) |

11. The Company's accumulated losses as at March 31, 2009 amounts to Rs. 221,601,659 representing erosion of more than fifty percent of net worth of the Company. The Company is projecting better performance in forthcoming years on the basis of increase in number of contracts with existing and new customers, cost control measures. Further, the management are confident of raising adequate financial resources to sustain the operations of the Company. Accordingly, these financial statements have been prepared on a going concern basis.

Schedules forming part of the financial statements for the year ending March 31, 2009

Schedule 20

Notes to the Financial Statements (Contd.)

- 12.** The Company has appointed independent consultants for conducting a Transfer Pricing Study to determine whether the transactions with associated enterprises were undertaken at “arms length basis”. The management confirms that all international transactions with associated enterprises are undertaken at negotiated contracted prices on usual commercial terms. The Transfer Pricing Study for the financial year ended March 31, 2009 is currently in progress.
- 13.** Under the Income Tax Act 1962, the profit attributable to undertakings situated in a Software Technology Park ('STP') qualifies for deduction. This deduction is available for a period of ten consecutive years beginning from the year in which the respective undertaking commenced commercial operations subject to the termination of this benefit in assessment year 2010-11. In the current year the Company did not earn profits from its STP unit.
- 14.** In accordance with Accounting Standard 22 “Accounting of Taxes on Income” issued by the Institute of Chartered Accountants of India, in view of the continuing losses incurred by the Company, deferred tax assets on carried forward losses and unabsorbed depreciation have not been accounted in the books, since it is not virtually certain whether the Company will be able to utilize such carried forward losses/ unabsorbed depreciation
- 15.** The Company has identified the micro and small enterprises based upon the information available and confirmations sent to all the suppliers who have registered themselves under the Micro Small Medium Enterprise Development Act, 2006 (MSMED Act, 2006). Based on the information available with the company and the confirmations received, there are no dues outstanding to these micro and small enterprises as at March 31, 2009. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.
- 16.** Employee benefits
- Actuarial valuation has been done with the following assumptions for the given defined benefit schemes:
- a) Gratuity
 - b) Compensated absences

Actuarial valuation has been done with the following assumptions

| Particulars | Compensated absences (Unfunded) | | Gratuity (Unfunded) | |
|---|--|-------------|----------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| Discount rate | 8% | 8% | 8% | 8% |
| Rate of increases in compensation levels | 8% | 8% | 8% | 8% |
| Change in the present value of obligation: | Compensated absences (Unfunded) | | Gratuity (Unfunded) | |
| | 2009 | 2008 | 2009 | 2008 |
| | Rs. | Rs. | Rs. | Rs. |
| Opening present value of obligation | 735,449 | 543,839 | 2,674,265 | 1,300,241 |
| Interest Cost | 58,836 | 43,507 | 213,941 | 104,019 |
| Current service cost | 433,947 | 282,460 | 1,192,284 | 815,779 |
| Benefits paid | (324,949) | (182,487) | (119,423) | (18,543) |
| Actuarial (gain)/loss on obligations | 375,218 | (48,130) | 311,310 | 472,769 |
| Closing present value of obligation | 1,278,501 | 735,449 | 4,272,377 | 2,674,265 |

Schedules forming part of the financial statements for the year ending March 31, 2009

Schedule 20

Notes to the Financial Statements (Contd.)

| Expenses recognized in the Profit and Loss Account | Compensated absences (Unfunded) | | Gratuity (Unfunded) | |
|--|---------------------------------------|-------------|------------------------|-------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Current service cost | 433,947 | 282,460 | 1,192,284 | 815,779 |
| Interest Cost | 58,836 | 43,507 | 213,941 | 104,019 |
| Net actuarial (gain)/loss recognized in the period | 375,218 | (48,130) | 311,310 | 472,769 |
| Total expenses recognized in the Profit & Loss Account | 868,001 | 372,051 | 1,717,535 | 1,392,567 |

17. In the opinion of the board of directors, current assets, loans and advances have a value on realisation in the ordinary course of the business at least equal to the amounts at which they are stated and provision for all known liabilities has been made.

18. The Company made an assessment of the indicators of impairment as of March 31, 2009 and based on such assessment, there has been no impairment loss which is required to be adjusted to the carrying value of the assets as of March 31, 2009.

19. Foreign currency exposures

The details of foreign currency exposures that are not hedged by a derivative instrument or otherwise are as mentioned below:

| Particulars | Current year | | Previous year | |
|----------------------------------|--------------------------------------|------------------|--------------------------------------|------------------|
| | Amount in Foreign Currency | Amount in Rs. | Amount in Foreign Currency | Amount in Rs. |
| Included in debtors | | | | |
| USD | 201,400 | 10,120,192 | 317,482 | 12,794,541 |
| GBP | 53,621 | 3,844,626 | 46,578 | 3,771,428 |
| EURO | 15,534 | 1,254,244 | 52,063 | 3,355,956 |
| Conversion rate : | USD-50.25 GBP-71.70 EURO-66.00 | | USD-40.30 GBP-80.87 EURO-64.46 | |
| Included in creditors | | | | |
| USD | 85,458 | 4,422,455 | — | — |
| Conversion rate: | USD-51.75 | | | |
| Included in EEFC accounts | | | | |
| USD | 43,575 | 2,189,627 | — | — |

Schedules forming part of the financial statements for the year ending March 31, 2009

Schedule 20

Notes to the Financial Statements (Contd.)

20. The Company issued promissory notes vide agreement dated October 23, 2008 amounting to Rs. 20,000,000 for an overdraft facility against hypothecation of book debts to YES Bank Ltd.
21. The medium term loan from YES Bank Ltd is secured by deposit of title deeds relating to the Company's property situated at D-30 Sector 3, Noida. The Company is in the process of registering the charge with the regulatory authorities.
22. Previous year figures have been regrouped or reclassified wherever considered necessary to conform to current year classification.

For and on behalf of the Board of Directors

**Sd/-
Shweta Agrawal
Company Secretary**

**Sd/-
Rohitasava Chand
CEO & President**

**Sd/-
S. Ravi Narayanan
Chairman**

**For Walker, Chandiok & Co
Chartered Accountants**

**Sd/-
by B.P. Singh
Partner**

Membership No. 70116

Place: Noida

Dated: 30.06.2009

AXIS-IT&T LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

| | 2009 Rs. | 2008 Rs. |
|---|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit/(loss) before tax and prior period | 11,262,849 | (19,455,192) |
| Depreciation and amortization | 8,878,816 | 10,995,209 |
| Dividend received | (1,376,986) | (2,100,000) |
| Profit on sale of fixed assets | (31,517) | (47,645) |
| Unrealised foreign exchange gain, net | (418,694) | (278,308) |
| Bad debts written off | — | 118,350 |
| Interest expense | 2,631,669 | 1,878,022 |
| Interest income on bank deposits | (251,102) | (27,387) |
| Interest income on income tax refund | (533,611) | (188,581) |
| Liability no longer required written back | (527,170) | — |
| Provision for doubtful cenvat recoverable | 183,697 | 1,265,028 |
| Retirement benefits | 2,585,536 | 1,795,724 |
| Prior period expenses | (116,958) | (760,858) |
| Operating profit/(loss) before working capital changes | 22,286,529 | (6,805,638) |
| (Increase) / decrease in trade and other receivables | (6,904,504) | 2,384,078 |
| Increase / (decrease) in trade and other payables | 4,993,134 | 3,377,994 |
| Cash absorbed in operations | 20,375,159 | (1,043,566) |
| Direct & Indirect tax refund / (payment) | (5,050,053) | (859,590) |
| NET CASH FROM / (USED) IN OPERATING ACTIVITIES | 15,325,105 | (1,903,156) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (4,986,773) | (5,937,488) |
| Sale of fixed assets | 200,000 | 212,755 |
| Sale proceeds / (purchase) of investments (net) | 3,574,588 | — |
| Interest received on bank deposits | (391,069) | 216,324 |
| Dividend received | 1,376,986 | 2,100,000 |
| NET CASH FROM / (USED IN) INVESTING ACTIVITIES | (226,269) | (3,408,409) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds of borrowings | 15,932,637 | 7,241,050 |
| Repayment of borrowings | (18,797,770) | (155,706) |
| Interest paid | (2,569,907) | (1,842,292) |
| NET CASH FROM / (USED IN) INVESTING ACTIVITIES | (5,435,040) | 5,243,052 |
| Net increase / (decrease) in cash and cash equivalents | 9,663,797 | (68,513) |
| Cash and cash equivalents at beginning of the year | 2,078,591 | 2,147,104 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 11,742,388 | 2,078,591 |

For and on behalf of the Board of Directors

Sd/-
Shweta Agrawal
Company Secretary

Sd/-
Rohitasava Chand
CEO & President

Sd/-
S. Ravi Narayanan
Chairman

This is the Cash Flow Statement referred to in our report of even date.

For **Walker, Chandiook & Co**

Chartered Accountants

Sd/-

by **B.P. Singh**

Partner

Membership No. 70116

Place: Noida

Dated: 30.06.2009

BALANCESHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

Additional information pursuant to the provisions of Part IV of Schedule VI to the Companies Act, 1956

| | | |
|------|--|------------|
| I | Registration Details | |
| | Registration No. : | 41275 |
| | State Code | 55 |
| | Balance Sheet Date | 31.03.2009 |
| II | Capital raised during the year | NIL |
| | Public Issue | NIL |
| | Bonus Issue | NIL |
| | Right Issue | |
| | Private Placement | NIL |
| III. | Position of Mobilization and Deployment of Funds (fig. in ,000) | |
| | Total Liabilities (including Shareholders' Funds) | 415965 |
| | Total Assets | 415965 |
| | Sources of Funds: (fig. in ,000) | |
| | Paid up Capital | 99956 |
| | Reserves & Surplus | 298129 |
| | Secured Loans | 15970 |
| | Unsecured Loans | 92 |
| | Deferred Tax-Liability | 1818 |
| | Application of Funds: (fig. in ,000) | |
| | Net Fixed Assets | 30668 |
| | Capital WIP | NIL |
| | Investments | 126196 |
| | Net Current Assets | 37499 |
| | Deferred Tax-Asset | — |
| | Miscellaneous Expenditure (including Debit Balance if P&L account) | 221602 |
| IV. | Performance of Company (fig. in ,000) | |
| | Turnover (including Other Income) | 122456 |
| | Total expenditure | 111310 |
| | Profit / (Loss) before Tax | 11145 |
| | Profit / (Loss) after Tax | 8650 |
| | Earning per share in Rs. | 0.43 |
| | Dividend Rate | NIL |
| V. | Generic name of the principal products / services of the Company: | |
| | Item cod No. (ITC Code) | N.A. |
| | Product Description | N.A. |

For and on behalf of Board of Directors

| | | | |
|--------------------|--------------------------------------|--|---|
| Place : NOIDA | Sd/- Shweta Agrawal | Sd/- Rohitasava Chand | Sd/- S. Ravi Narayanan |
| Dated : 30.06.2009 | Company Secretary | President & CEO | Chairman |

AUDITORS REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Auditors' report to the board of directors of AXIS- IT&T Limited on the consolidated financial statements of AXIS- IT&T Limited and its subsidiaries.

1. We have audited the attached consolidated balance sheet of AXIS -IT&T Limited ("the parent company") and its subsidiaries (hereinafter collectively referred to as "the Group") as at March 31, 2009, the consolidated profit and loss account and also the consolidated cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Group's management and have been prepared by management on the basis of separate financial statements of the entities of the Group. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries, Axis EU Limited and Axis Inc., whose financial statements reflect total assets of Rs. 66,059,435 as at March 31, 2009, and the total revenue of Rs. 321,481,721 for the year then ended as considered in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in respect thereof is based solely on the report of such other auditors.
4. We report that the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting standard (AS) 21 "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.
5. Based on our audit and consideration of reports of other auditors on separate financial statement of the entities (subsidiaries) and to the best of the information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements read together with the significant accounting policies and the notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India, in case of the:
 - a) consolidated balance sheet, the consolidated state of affairs of the Group as at March 31, 2009;
 - b) consolidated profit and loss account, of the profit of the Group for the year ended on that date; and
 - c) consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

For **Walker, Chandio & Co**
Chartered Accountants

Sd/-

by **B. P. Singh**
Partner

Place : Noida
Dated : 30.06.2009

Membership No. 70116

AXIS-IT&T LIMITED (Consolidated)

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009

| SOURCES OF FUNDS | Schedule | As at 31 March 2009 Rs. | As at 31 March 2008 Rs. |
|---|----------|-------------------------------|-------------------------------|
| Shareholders' funds | | | |
| Share capital | 1 | 99,955,704 | 99,955,704 |
| Reserves and surplus | 2 | 143,610,954 | 113,385,655 |
| Loan funds | | | |
| Secured loans | 3 | 15,970,595 | 14,391,875 |
| Unsecured loans | 4 | 3,574,672 | 25,744,199 |
| Deferred tax liability, net | 5 | 1,818,423 | — |
| | | 264,930,348 | 253,477,433 |
| APPLICATIONS OF FUNDS | | | |
| Goodwill | | 137,419,142 | 137,419,142 |
| Fixed assets | 6 | | |
| Gross block | | 139,180,787 | 116,558,567 |
| Less: Depreciation and amortization | | 102,132,306 | 79,922,295 |
| Net block | | 37,048,481 | 36,636,272 |
| Investments | 7 | 5,914,000 | 20,914,000 |
| Current assets, loans and advances | | | |
| Sundry debtors | 8 | 70,676,713 | 51,649,175 |
| Cash and bank balances | 9 | 29,757,005 | 11,195,050 |
| Other current assets | 10 | 4,537,443 | 5,398,263 |
| Loans and advances | 11 | 21,590,546 | 12,096,962 |
| | | 126,561,707 | 80,339,450 |
| Less: Current liabilities and provisions | | | |
| Liabilities | 12 | 23,898,348 | 17,740,360 |
| Provisions | 13 | 18,114,634 | 4,091,071 |
| | | 42,012,982 | 21,831,431 |
| Net current assets | | 84,548,725 | 58,508,019 |
| | | 264,930,348 | 253,477,433 |
| Significant accounting policies | 20 | | |
| Notes to the financial statements | 21 | | |

The schedules referred to above form an integral part of the financial statements.

For and on behalf of the Board of Directors

Sd/-
Shweta Agrawal
Company Secretary

Sd/-
Rohitasava Chand
President & CEO

Sd/-
S. Ravi Narayanan
Chairman

This is the Balance Sheet referred to in our report of even date.

For Walker, Chandiook & Co
Chartered Accountants

Sd/-
by B.P. Singh

Partner

Membership No. 70116

Place: Noida

Dated: 30.06.2009

AXIS-IT&T LIMITED (Consolidated)

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

| INCOME | Schedule | For the year ended 31 March 2009 | For the year ended 31 March 2008 |
|--|-----------|-------------------------------------|-------------------------------------|
| Income from operations | 14 | 419,394,387 | 232,411,765 |
| Other income | 15 | 8,551,684 | 6,960,461 |
| | | <u>427,946,071</u> | <u>239,372,226</u> |
| EXPENDITURE | | | |
| Personnel expenses | 16 | 295,215,354 | 182,039,689 |
| Operating and administrative expenses | 17 | 69,239,648 | 46,538,402 |
| Depreciation and amortization | 6 | 10,449,877 | 12,329,436 |
| Finance charges | 18 | 4,224,249 | 3,347,855 |
| | | <u>379,129,128</u> | <u>244,255,382</u> |
| Profit/(loss) before tax | | 48,816,943 | (4,883,156) |
| Tax expense | | | |
| Current tax | | 12,357,635 | — |
| Deferred tax expense | | 1,818,423 | — |
| Fringe benefit tax-current year | | 667,971 | 399,316 |
| - prior year | | 9,223 | — |
| Tax earlier years | | — | 19,142 |
| Profit/(loss) for the year after tax | | 33,963,691 | (5,301,614) |
| Prior period expenses | 19 | 116,958 | 760,858 |
| Profit/(loss) for the year after tax & prior period expense | | <u>33,846,733</u> | <u>(6,062,472)</u> |
| Earnings / (loss) per share - basic and diluted | | 1.70 | (0.30) |
| (Refer note 6 of schedule 21) | | | |
| Significant accounting policies | 20 | | |
| Notes to the financial statements | 21 | | |

The schedules referred to above form an integral part of the financial statements.

For and on behalf of the Board of Directors

Sd/-
Shweta Agrawal
Company Secretary

Sd/-
Rohitasava Chand
President & CEO

Sd/-
S. Ravi Narayanan
Chairman

This is the Balance Sheet referred to in our report of even date.

For **Walker, Chandiook & Co**
Chartered Accountants

Sd/-
by **B.P. Singh**

Partner

Membership No. 70116

Place: Noida

Dated: 30.06.2009

AXIS-IT&T LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended March 31, 2009

| | 31 March 2009 Rs. | 31 March 2008 Rs. |
|--|---------------------------|---------------------------|
| Schedule 1 | | |
| Share Capital | | |
| Authorised share capital | | |
| 26,000,000 (previous year 26,000,000) Equity shares of Rs.5 each | 130,000,000 | 130,000,000 |
| 100,000 (previous year 100,000) Preference shares of Rs. 100 each | 10,000,000 | 10,000,000 |
| | <u>140,000,000</u> | <u>140,000,000</u> |
| Issued share capital | | |
| 20,011,581 (previous year 20,011,581) equity shares of Rs. 5 each fully paid up | <u>100,057,905</u> | <u>100,057,905</u> |
| Subscribed and paid up | | |
| 19,960,481 (previous year 19,960,481) equity shares of Rs.5 each fully paid | 99,802,404 | 99,802,404 |
| Add: Forfeited shares (amount originally paid Rs. 3 per share on 51,100 equity shares) | 153,300 | 153,300 |
| | <u>99,955,704</u> | <u>99,955,704</u> |
| Schedule 2 | | |
| Reserves and surplus | | |
| Securities premium account | 298,129,199 | 298,129,199 |
| Profit and loss account | | |
| As per last balance sheet | (188,850,436) | (182,607,890) |
| Add: Leave encashment transitional loss (net) | — | (180,074) |
| Add: Surplus/ (deficit) as per profit and loss account | 33,846,733 | (6,062,472) |
| | <u>(155,003,703)</u> | <u>(188,850,436)</u> |
| Translation reserve | 485,458 | 4,106,892 |
| | <u>143,610,954</u> | <u>113,385,655</u> |
| Schedule 3 | | |
| Secured Loans | | |
| From banks | | |
| Vehicle loan* | 970,595 | 37,958 |
| (Secured against hypothecation of the specific vehicle) | | |
| Working capital loan from ABN AMRO* | — | 14,353,917 |
| *The working capital loan is secured by way of charge on the fixed assets and land and building held by parent company | | |
| Medium term loan from Yes Bank Ltd | 15,000,000 | — |
| (Refer note 20 of schedule 21) | | |
| | <u>15,970,595</u> | <u>14,391,875</u> |
| *Amounts due with in one year | 420,474 | 37,958 |

AXIS-IT&T LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended March 31, 2009

| | 31 March 2009 | 31 March 2008 |
|------------------------------------|------------------|-------------------|
| | Rs. | Rs. |
| Schedule 4 | | |
| Unsecured loans | | |
| Short term loans | | |
| From body corporate | — | 10,940,781 |
| From bank | 3,482,795 | 13,965,000 |
| From others | — | 802,688 |
| Interest accrued and due | 91,877 | 35,730 |
| | <u>3,574,672</u> | <u>25,744,199</u> |
| Schedule 5 | | |
| Deferred tax liability, net | | |
| Deferred tax liability | | |
| Fixed assets | 3,589,385 | — |
| Deferred tax asset | | |
| Employee benefits | (1,770,962) | — |
| | <u>1,818,423</u> | <u>—</u> |

Schedules forming part of the consolidated financial statements for the year ended March 31, 2009

Schedule 6

Fixed Assets

| Assets | GROSS BLOCK | | | DEPRECIATION/AMORTIZATION | | | NET BLOCK | | |
|--------------------------|----------------------------|-------------------|--------------------|---------------------------|-------------------|---------------------|--------------------|-------------------|-------------------|
| | Additions Sale/Adjustments | | | Adjustments | | | 2009 | 2008 | |
| | 2008 | 2009 | 2009 | 2008 | 2009 | 2009 | 2009 | 2008 | |
| Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | |
| Goodwill on amalgamation | 16,445,348 | — | 16,445,348 | 8,930,658 | 3,289,070 | — | 12,219,728 | 4,225,620 | 7,514,689 |
| Land - freehold | 2,264,437 | — | 2,264,437 | — | — | — | — | 2,264,437 | 2,264,437 |
| Building- | | | | | | | | | |
| Freehold | 16,581,724 | — | 16,581,724 | 1,957,773 | 270,282 | — | 2,228,055 | 14,353,669 | 14,623,951 |
| Leasehold Improvement | 146,482 | 585,301 | 771,203 | 146,482 | 62,149 | (43,004) | 251,635 | 519,568 | — |
| Furniture and fixtures | 7,364,514 | 714,141 | 7,991,524 | 5,679,963 | 457,424 | 47,939 | 6,089,448 | 1,902,076 | 1,684,551 |
| Office equipments | 16,075,391 | 2,592,590 | 22,585,116 | 13,882,794 | 1,244,183 | (3,647,128) | 18,774,105 | 3,811,011 | 2,192,598 |
| Computers | 22,062,303 | 3,005,725 | 27,674,137 | 16,778,459 | 2,885,665 | (3,097,302) | 22,761,426 | 4,912,712 | 5,283,843 |
| Vehicles | 1,397,993 | 1,756,330 | 2,696,756 | 1,188,642 | 330,542 | 289,084 | 1,230,100 | 1,466,656 | 209,351 |
| Electrical installations | 2,059,794 | — | 2,059,794 | 1,987,390 | 16,916 | — | 2,004,306 | 55,488 | 72,404 |
| Intangible assets | | | | | | | | | |
| Non compete fees | 1,971,000 | — | 1,971,000 | 1,971,000 | — | — | 1,971,000 | — | — |
| Softwares | 28,693,332 | 1,926,264 | 36,183,213 | 27,224,571 | 1,545,134 | (5,213,229) | 33,982,934 | 2,200,279 | 1,468,760 |
| License | 1,496,250 | — | 1,956,536 | 174,563 | 348,512 | (96,495) | 619,570 | 1,336,966 | 1,321,688 |
| Total | 116,558,568 | 10,580,351 | 139,180,787 | 79,922,295 | 10,449,877 | (11,760,135) | 102,132,306 | 37,048,481 | 36,636,273 |
| Previous year | 106,669,208 | 7,751,497 | 116,558,568 | 66,502,598 | 12,329,436 | 1,090,261.00 | 79,922,295 | 36,636,272 | |

*Adjustments for the year include amounts relating to exchange differences arising from translation of assets pertaining to the non-integral subsidiaries.

AXIS-IT&T LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended March 31, 2009

| | 31 March 2009 Rs. | 31 March 2008 Rs. |
|--|----------------------|----------------------|
| Schedule 7 | | |
| Investments | | |
| Long-term investments - Unquoted at cost | | |
| Trade | | |
| Axis Cogent Global Ltd (formerly known as IT&T Global Services Ltd) 247,663 (previous year 247,663) equity shares of Rs. 10 each fully paid up | 5,913,658 | 5,913,658 |
| Datagraphical Limited (Ordinary shares) (refer note 2 on schedule 21) | 171 | 171 |
| Axis IT Solutions Limited Ordinary shares (refer note 2 on schedule 21) | 171 | 171 |
| Non Trade | | |
| Datum Technology Limited 50,000 equity shares of Rs. 10 each fully paid up | 500,000 | 500,000] |
| Khandwala Securities Limited Nil (previous year 150,000) 7% cumulative redeemable preference shares of Rs. 100 each fully paid up | — | 15,000,000 |
| | 6,414,000 | 21,414,000 |
| Less : Provision for diminution in the value of long term investments | | |
| Datum Technology Limited | 500,000 | 500,000 |
| | 5,914,000 | 20,914,000 |
| Aggregate cost of unquoted Investment (net of provision) | 5,914,000 | 20,914,000 |
| Schedule 8 | | |
| Sundry debtors | | |
| Unsecured (considered good) | | |
| Debts outstanding for a period exceeding six months | 3,716,360 | 24,230 |
| Other debts | 66,960,353 | 51,624,945 |
| | 70,676,713 | 51,649,175 |

AXIS-IT&T LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended March 31, 2009

| | 31 March 2009 Rs. | 31 March 2008 Rs. |
|--|----------------------|----------------------|
| Schedule 9 | | |
| Cash and bank balances | | |
| Cash in hand | 58,131 | 57,357 |
| Balance with banks in : | | |
| current accounts | 20,244,198 | 7,868,807 |
| fixed deposit accounts* | 9,454,677 | 3,268,886 |
| | 29,757,005 | 11,195,050 |
| <p>*Out of the total fixed deposit balance, a fixed deposit amounting to Rs 109,348 (previous year Rs 91,395) is in the name of Axis Computers Private Limited (a Company which was merged with this Company in earlier years) and a fixed deposit amounting to Rs 266,490 (previous year Rs 253,124) is in the name of IT & T Limited (the erstwhile name of this Company).</p> | | |
| Schedule 10 | | |
| Other current assets | | |
| Unbilled revenue | 3,876,861 | 5,379,853 |
| Interest accrued but not due* | 660,583 | 18,411 |
| | 4,537,443 | 5,398,264 |
| <p>*Out of the total interest accrued but not due balance, an interest amounting to Rs 4,823 (previous year Rs 10,613) is on fixed deposit which is in the name of Axis Computers Private Limited (a Company which was merged with this Company in earlier years) and an interest amounting to Rs 3,400 (previous year Nil) is on the fixed deposit which is in the name of IT & T Limited (the erstwhile name of this Company).</p> | | |
| Schedule 11 | | |
| Loans and advances | | |
| (Unsecured, considered good unless otherwise) | | |
| Advances recoverable in cash or in kind or for value to be received | 10,610,372 | 5,210,962 |
| Advance income taxes/ tax deducted at source | 10,486,716 | 6,886,000 |
| Service tax receivable | | |
| -good | 493,458 | — |
| -doubtful | 1,448,725 | 1,265,028 |
| Deposits with bodies corporate -doubtful | 24,945,920 | 24,945,920 |
| | 47,985,191 | 38,307,910 |
| Less: provision for doubtful loans and advances | 26,394,645 | 26,210,948 |
| | 21,590,546 | 12,096,962 |

AXIS-IT&T LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended March 31, 2009

| | 31 March 2009 Rs. | 31 March 2008 Rs. |
|---|---------------------------|---------------------------|
| Schedule 12 | | |
| Liabilities | | |
| Sundry creditors for goods, services and other expenses | 13,311,457 | 11,238,025 |
| Other liabilities | 10,586,891 | 6,502,335 |
| | <u>23,898,348</u> | <u>17,740,360</u> |
| Schedule 13 | | |
| Provisions | | |
| Income tax | 12,357,635 | — |
| Fringe benefit tax | 142,971 | — |
| Employee benefits | 5,614,028 | 4,091,071 |
| | <u>18,114,634</u> | <u>4,091,071</u> |
| Schedule 14 | | |
| Income from operations | | |
| IT enabled services | 365,905,569 | 196,987,603 |
| Software development | 53,488,818 | 35,424,162 |
| | <u>419,394,387</u> | <u>232,411,765</u> |
| Schedule 15 | | |
| Other income | | |
| Dividend on current investments (Non trade) | 1,376,986 | 2,100,000 |
| Interest on | | |
| Fixed deposits * | 336,270 | 165,370 |
| Income tax refund | 533,611 | 188,581 |
| Profit on sale of fixed assets | 31,517 | 40,920 |
| Management charge | 441,448 | 3,703,308 |
| Foreign exchange gain | 5,111,299 | 651,178 |
| Liability no longer required written back | 527,170 | — |
| Miscellaneous income | 193,381 | 111,104 |
| | <u>8,551,684</u> | <u>6,960,461</u> |
| * Tax deducted at source on interest | 44,916 | 3,910 |
| Schedule 16 | | |
| Personnel expenses | | |
| Salaries and bonus | 286,053,321 | 171,774,009 |
| Contribution to provident and other funds | 1,856,046 | 1,665,294 |
| Staff welfare and other benefits | 7,305,987 | 8,600,386 |
| | <u>295,215,354</u> | <u>182,039,689</u> |

Schedules forming part of the Consolidated Financial Statements for the year ended March 31, 2009

Schedule 20

Significant accounting policies

1. Nature of operations

AXIS-IT&T Limited ("the Parent Company"), a public limited company, together with its subsidiaries namely Axis Inc and Axis EU (hereinafter collectively referred to as "the Group") operates in the business of software development and IT enabled services in CAD/CAM and engineering designing.

The Parent Company's shares are listed for trading on the National Stock Exchange and Bombay Stock Exchange in India.

2. Principles of consolidation

The consolidated financial statements include the financial statements of the Parent Company, and its subsidiaries.

The consolidated financial statements have been combined on a line-by-line basis by adding the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and unrealized profits in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the post-acquisition increase in the relevant reserves of the consolidated entities.

The excess/deficit of cost to the Parent Company of its investment over its portion of net worth in the consolidated entities at the respective dates on which the investment in such entities was made is recognised in the financial statements as goodwill/capital reserve. The Parent Company's portion of net worth in such entities is determined on the basis of book values of assets and liabilities as per the financial statements of the entities as on the date of investment.

3. Basis of presentation

The financial statements have been prepared to comply with the Accounting Standards referred to in the Companies (Accounting Standards) Rule 2006 issued by the Central Government in exercise of the power conferred under sub-section (1) (a) of section 642 and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Group unless otherwise stated.

4. Use of estimates

The preparation of financial statements in conformity with the principles generally accepted in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

5. Revenue recognition

- a) Revenue from the IT enabled services is recognised based on services rendered to clients as per the terms of specific contracts.
- b) Revenue from the software development priced on time and materials basis is recognized when the services are rendered and related costs are incurred.
- c) Unbilled receivables represent costs incurred and revenue recognized on amounts to be billed in subsequent periods as per contractual terms. The related billings are made within the next operating cycle.
- d) Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- e) Dividend on investments is recognised when the right to receive dividend is established.

Schedules forming part of the Consolidated Financial Statements for the year ended March 31, 2009

Schedule 20

Significant accounting policies (Contd.)

6. Fixed assets

Tangible

Fixed assets are stated at cost (gross block) less accumulated depreciation, except for assets re-valued, which are carried at such re-valued amounts. The cost of fixed assets comprises its purchase price and any cost attributable to bringing the assets to its working condition and intended use.

Expenditure on account of modification / alteration in fixed assets, which increases the future benefit from the existing asset beyond its previous assessed standard of performance, is capitalised.

Intangible

Intangible asset comprise of non-compete fee and goodwill and is stated at cost less accumulated amortisation.

7. Depreciation and Amortization

Depreciation on fixed assets is provided on straight line basis over the estimated economic useful life estimated by the management.

Non-compete fee is amortised over the period of expected benefit. Goodwill on amalgamation is being amortized over the period of 5 years.

Individual assets acquired for less than Rs.5,000 each are fully depreciated in the month of purchase.

8. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of long term investments.

9. Employee benefits

Liabilities in respect of defined benefit plans are determined based on actuarial valuation made by an independent actuary as at the balance sheet date. The actuarial gains or losses are recognised immediately in the profit and loss account.

Contribution towards the defined contribution plans are recognised in the profit and loss account on accrual basis.

10. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue and share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

11. Leases

- a) Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the of the lease term.

Schedules forming part of the Consolidated Financial Statements for the year ended March 31, 2009

Schedule 20

Significant accounting policies (Contd.)

- b) Assets acquired on lease where the Parent Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalized at the inception of the lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period. The resultant interest cost is charged to profit and loss account on accrual basis

12. Foreign exchange translations

Indian Rupee is the reporting currency for the Group. However, the local currencies of overseas subsidiaries are different from the reporting currency of the Group. The translation of local currencies into Indian Rupee is performed for assets and liabilities (excluding share capital, opening reserves and surplus), using the exchange rate as at the balance sheet date. Revenues, costs and expenses are translated using weighted average exchange rate during the reporting period. Share capital, opening reserves and surplus are carried at historical cost. Resultant currency translation exchange gain/loss is carried as translation reserve under reserves and surplus. Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment.

Transactions in foreign currencies are recorded by the reporting entities in their local currency at the rates prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognised as income or expense in the year in which they arise, except for exchange differences arising on loans denominated in foreign currencies utilised for acquisition of fixed assets from outside India, where the exchange gains/losses are adjusted to the cost of such assets.

13. Taxation

Tax expense comprises current income tax, deferred income tax and fringe benefit tax.

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In respect of carry forward losses and unabsorbed depreciation, deferred tax assets are recognised only to the extent there is virtual certainty that sufficient future taxable income will be available against which such losses and unabsorbed depreciation can be set off.

Fringe-benefit tax for the year has been determined in accordance with the provision of section 115WC of the Income Tax Act, 1961

14. Contingent liability and provisions

The Group creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources. Disclosure is also made in respect of a present obligation that probably requires an outflow of resources, where it is not possible to make a reliable estimate of the related outflow. Where there is a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Schedules forming part of the Consolidated Financial Statements for the year ended March 31, 2009

Schedule 20

Significant accounting policies (Contd.)

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

15. Impairment of assets

The Group on an annual basis makes an assessment of any indicator that may lead to impairment of assets including goodwill. If any such indication exists, the Group estimates the recoverable amount of the assets. If such recoverable amount is less than the carrying amount, then the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is charged to the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost. In respect of goodwill the impairment loss is reversed only when it is caused by specific external events and their effects have been reversed by subsequent external events.

16. Segment reporting policies

The accounting policies adopted for segment reporting are in line with those of the Group with the following additional policies for segment reporting:

Inter segment revenues have been accounted for based on the transaction price agreed to between segments at estimated cost of the transferor segment.

- a) Revenues and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.
- b) Revenues and expenses, which relate to the group as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated corporate expenses".
- c) Assets and liabilities, which relate to the group as a whole and are not allocable to segments on a reasonable basis, are shown as unallocated corporate assets and liabilities respectively.

AXIS-IT&T LIMITED (Consolidated)

Notes to the Consolidated Financial Statements for the year ended March 31, 2009

Schedule 2I

Notes to the consolidated financial statements

1. The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries listed below:

| Name | Country of incorporation | Ownership interest (%) |
|-----------------|--------------------------|------------------------|
| Axis EU Limited | UK | 100 |
| Axis Inc. | USA | 100 |

2. The two wholly owned subsidiaries of Axis EU Limited namely, Data graphics Limited and Axis IT Solutions Limited are dormant and do not carry any business activities. Accordingly they operate under severe long-term restrictions, which significantly impair their ability to transfer funds to the Parent company i.e. Axis EU Limited.

3. During the previous year, M/s Tayana Software Solutions Private Limited ('Tayana Software') acquired majority stake in the Parent Company. As at March 31, 2009, Tayana Software holds 12,142,100 equity shares which represents 60.83% of the total outstanding equity shares of the Parent Company. Pursuant to the change in ownership of the Parent Company, the Board of Directors of the Company was re-constituted on April 28, 2008.

4. The investment in Axis Cogent Global Limited (formerly known IT&T Global Services Limited) aggregating to 28.56 % of its issued and paid capital has been carried at the cost in the Consolidated financial statements in accordance with the Accounting Standards 13 "Accounting for Investments" issued by the Institute of Chartered Accountant of India (ICAI). The Parent Company does not have any influence on the operation of Axis Cogent Global Limited (formerly known IT&T Global Services Limited). and therefore have not accounted for the investments using the equity method as prescribed under Accounting Standard 23 "Accounting for Investments in Associates in the Consolidated financial statements" issued by ICAI.

5. Share capital

- a) The subscribed and paid up capital of the Group includes 8,428,800 (previous year – 8,428,800) equity shares allotted as fully paid up (face value Rs.5 each) by way of bonus shares by capitalisation of the following reserves:

| | Number of Equity shares | Amount Rs. |
|-------------------------------|-------------------------|-------------------|
| a) Securities premium account | 1,096,820 | 5,484,100 |
| b) General reserve | 120,000 | 600,000 |
| c) Profit and loss account | 7,211,980 | 36,059,900 |
| | 8,428,800 | 42,144,000 |

- b) The subscribed and paid up equity share capital includes 4,202,000 (Previous year 4,202,000) equity shares allotted as fully paid up under the scheme of amalgamation without payments having being received.

AXIS-IT&T LIMITED (Consolidated)

Notes to the Consolidated Financial Statements for the year ended March 31, 2009

Schedule 2I

Notes to the consolidated financial statements (Contd.)

6. Contingent liabilities not provided for exists in respect of:

| | 2009 | 2008 |
|---|----------------|------------------|
| | Rs. | Rs. |
| a) Demands raised by Income tax authorities against which the Parent Company has filed an appeal | — | 3,467,118 |
| b) Order passed against the Parent Company by as consumer forum, Lucknow, against which the Parent Company has filed a revised petition | 225,600 | 225,600 |
| Total | 225,600 | 3,692,718 |

7. Earnings per share (basic and diluted)

Basic and diluted earnings/ (loss) per equity share of Rs. 5 each:

| | 2009 | 2008 |
|---|-------------|---------------|
| Number of fully paid equity shares at the beginning of the year | 19,960,481 | 19,960,481 |
| Number of fully paid equity shares at the end of the year | 19,960,481 | 19,960,481 |
| Weighted average number of shares outstanding | 19,960,481 | 19,960,481 |
| Profit/(Loss) attributable to equity share holders (Rupees) | 33,846,733 | (6,062,472) |
| Basic and diluted earnings/ (loss) per share (Rupees) | 1.70 | (0.30) |

8. Related party transactions

a) Names of related parties and description of relationship:

| | |
|--------------------------------|---|
| I. Holding Company Information | The Company is a subsidiary of Tayana Software Solutions Private Ltd which is a subsidiary of Axis Aerospace & Technologies Pvt. Ltd. (formerly known as Jupiter Strategic Technologies Pvt. Ltd., referred to as 'AATPL') which in turn is a subsidiary of Jupiter Capital Pvt. Ltd. |
| II. Associate entities | Axis Cogent Global Limited (formerly known IT &T Global Services Limited) |
| III. Other entities* | Yukti Securities Limited |
| IV. Key management personnel | Mr. Rohitasava Chand |

* Entity in which the key management personnel have significant influence.

AXIS-IT&T LIMITED (Consolidated)

Notes to the Consolidated Financial Statements for the year ended March 31, 2009

Schedule 2I

Notes to the consolidated financial statements (Contd.)

b) Transactions with related parties during the year are as under:

(Figures in Rupees)

| Nature of transactions | AATPL | | Association | | Other entities | | Key management personnel | | Total | |
|--------------------------------|-----------|------|-------------|-----------|----------------|-----------|--------------------------|-----------|-----------|-----------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Loan raised | 1,500,000 | — | — | — | — | 4,500,000 | — | — | 1,500,000 | 4,500,000 |
| Loan repayment | 1,500,000 | — | — | — | 4,500,000 | — | — | — | 6,000,000 | — |
| Remuneration paid | — | — | — | — | — | — | 2,592,970 | 1,514,810 | 2,592,970 | 1,514,810 |
| Balance at the year end | | | | | | | | | | |
| Investment | — | — | 5,913,658 | 5,913,658 | — | — | — | — | 5,913,658 | 5,913,658 |
| Loan outstanding | — | — | — | — | 91,877 | 4,535,730 | — | — | 91,877 | 4,535,730 |

9. Segment reporting

The management team uses the following business segments for the purpose of internal financial reporting to analyse the risk and return on investments, planning and distribution of available resources and evaluation of financial performance of segments.

a) IT enabled services

The focus of this segment is to provide software solution and support services in domestic as well as overseas market of CAD//CAM and engineering designing.

b) Software Development

This segment comprises activities relating to onsite and offsite development of software. The Group has a dedicated facility in Gurgaon.

All un-allocable expenses like corporate overheads, interest, etc., which are not allocable to any specific segment are separately disclosed as un-allocable.

10. Payments made to the directors of the Parent Company

| | 2009 Rs. | 2008 Rs. |
|---|------------------|------------------|
| Salaries and bonus | 2,306,925 | 1,344,010 |
| Contribution to provident and other funds | 2,72,295 | 100,800 |
| Monetary value of perquisites | 13,750 | 70,000 |
| Directors' sitting fee | 52,000 | 56,000 |
| | 2,644,970 | 1,570,810 |

* Exclusive of provision for future liabilities in respect of employee benefits (which are based on actuarial valuation done on an overall basis for all employees)

AXIS-IT&T LIMITED (Consolidated)

Notes to the Consolidated Financial Statements for the year ended March 31, 2009

Schedule 21

Notes to the consolidated financial statements (Contd.)

11. Payment to the Auditors of the Parent Company

| | 2009 Rs. | 2008 Rs. |
|------------------------|----------------|----------------|
| Audit fee | 225,000 | 225,000 |
| Tax audit fee | 50,000 | 50,000 |
| Other services | 75,000 | 75,000 |
| Out of pocket expenses | 34,527 | 47,788 |
| Service tax | 36,050 | 43,260 |
| | 422,122 | 441,048 |

12. Employee benefits

Actuarial valuation has been done with the following assumptions for the given defined benefit schemes:

- a) Gratuity
- b) Compensated absences

Actuarial valuation has been done with the following assumptions.

| Particulars | Compensated absences (Unfunded) | | Gratuity (Unfunded) | |
|---|---------------------------------------|-----------|------------------------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| Discount rate | 8% | 8% | 8% | 8% |
| Rate of increases in compensation levels | 8% | 8% | 8% | 8% |
| Change in the present value of obligation: | | | | |
| | Compensated absences (Unfunded) | | Gratuity (Unfunded) | |
| | 2009 | 2008 | 2009 | 2008 |
| | Rs. | Rs. | Rs. | Rs. |
| Opening present value of obligation | 735,449 | 543,839 | 2,674,265 | 1,300,241 |
| Interest Cost | 58,836 | 43,507 | 213,941 | 104,019 |
| Current service cost | 433,947 | 282,460 | 1,192,284 | 815,779 |
| Benefits paid | (324,949) | (182,487) | (119,423) | (18,543) |
| Actuarial (gain)/loss on obligations | 375,218 | (48,130) | 311,310 | 472,769 |
| Closing present value of obligation | 1,278,501 | 735,449 | 4,272,377 | 2,674,265 |
| Expenses recognized in the Profit and Loss Account | | | | |
| | Compensated absences (Unfunded) | | Gratuity (Unfunded) | |
| | 2009 | 2008 | 2009 | 2008 |
| | Rs. | Rs. | Rs. | Rs. |
| Current service cost | 433,947 | 282,460 | 1,192,284 | 815,779 |
| Interest Cost | 58,836 | 43,507 | 213,941 | 104,019 |
| Net actuarial (gain)/loss recognized in the period | 375,218 | (48,130) | 311,310 | 472,769 |
| Total expenses recognized in the Profit & Loss Account | 868,001 | 372,051 | 1,717,535 | 1,392,567 |

Notes to the Consolidated Financial Statements for the year ended March 31, 2009

Schedule 21

Notes to the consolidated financial statements (Contd.)

13. Finance lease

Finance lease represents liability towards assets purchased on leases and are secured by first charges over those assets. Repayment schedule of finance lease liability is as under

| Year ending March 31, 2009 | Amount (Rs.) |
|----------------------------|------------------|
| 2010 | 503,397 |
| 2011 | 503,397 |
| 2012 | 83,899 |
| Total | 1,090,693 |
| Less: Interest | (120,098) |
| Grand total | 970,595 |

- 14.** The Parent Company has identified micro, small & medium Enterprises based upon information available and confirmation sent to all the suppliers who have registered themselves under the Micro Small Medium Enterprise Development Act, 2006 (MSMED Act, 2006). Based on the information available with the Parent Company and the confirmations received, there are no dues outstanding to these micro and small enterprises as at March 31, 2009. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.
- 15.** In accordance with Accounting Standard 22 "Accounting of Taxes on Income" issued by the Institute of Chartered Accountants of India, in view of the continuing losses incurred by the Parent Company, deferred tax assets on carried forward losses and unabsorbed depreciation have not been accounted in the books, since it is not virtually certain whether the Parent Company will be able to utilize such carried forward losses/ unabsorbed depreciation. Further there is no timing difference in the books of subsidiaries for which deferred tax is required to be created.
- 16.** The Parent Company has appointed independent consultants for conducting a Transfer Pricing Study to determine whether the transactions with associated enterprises were undertaken at "arms length basis". The management confirms that all international transactions with associated enterprises are undertaken at negotiated contracted prices on usual commercial terms. The Transfer Pricing Study for the financial year ended March 31, 2009 is currently in progress.
- 17.** Under the Indian Income Tax Act 1962, the profit attributable to undertakings situated in a Software Technology Park ('STP') qualifies for deduction. This deduction is available for a period of ten consecutive years beginning from the year in which the respective undertaking commenced commercial operations subject to the termination of this benefit in assessment year 2010-11. In the current year the Parent Company did not earn profits from its STP unit.
- 18.** In the opinion of the board of directors, current assets, loans and advances have a value on realisation in the ordinary course of the business at least equal to the amounts at which they are stated and provision for all known liabilities has been made.
- 19.** The Company made an assessment of the indicators of impairment as of March 31, 2009 and based on such assessment no impairment loss has been recognized to the carrying value of the assets as of March 31, 2009.
- 20.** These consolidated financial statements have been prepared pursuant to clause 32 of the listing agreements with the stock exchanges.

Notes to the Consolidated Financial Statements for the year ended March 31, 2009

Schedule 21

Notes to the consolidated financial statements (Contd.)

- 21.** The Parent Company issued promissory notes vide agreement dated October 23, 2008 amounting to Rs. 20,000,000 for an overdraft facility against hypothecation of book debts to YES Bank Ltd.
- 22.** The medium term loan from YES Bank Ltd is secured by deposit of title deeds relating to the Parent Company's property situated at D-30 Sector 3, Noida. The Parent Company is in the process of registering the charge with the regulatory authorities.
- 23.** Previous year figures have been regrouped wherever considered necessary to conform to current years classification.

For and on behalf of the Board of Directors

Sd/-
Shweta Agrawal
Company Secretary

Sd/-
Rohitasava Chand
President & CEO

Sd/-
S. Ravi Narayanan
Chairman

Schedule forming part of the Consolidated Financial Statements for the year ended March 31, 2009
SCHEDULE - 20 Notes to Consolidated Financial Statements (Continued)

8. Segment reporting

Information regarding primary business segments

| | (Amount in Rs. Lacs) | | | | | |
|--|-----------------------|----------|-----------------------|--------|---------------|----------|
| | IT Enabled services | | Software Developments | | Segment Total | |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| External revenue | 3,659.06 | 1,969.88 | 534.89 | 354.24 | 4,193.94 | 2,324.12 |
| Total Revenue | 3,659.06 | 1,969.88 | 534.89 | 354.24 | 4,193.94 | 2,324.12 |
| Segment results | 403.57 | 42.74 | 223.25 | 68.03 | 626.82 | 110.77 |
| Unallocable corporate expenses (net of other income) | | | | | (138.02) | (167.22) |
| Prior Period Expense | (0.40) | | (0.77) | | (1.17) | — |
| Miscellaneous expenditure written off | | | | | — | — |
| Profit/(Loss) before tax | 403.17 | 42.74 | 222.48 | 68.03 | 487.63 | (56.45) |
| Tax | | | | | 148.53 | 3.21 |
| Profit/(Loss) after tax | 403.17 | 42.74 | 222.48 | 68.03 | 339.10 | (59.66) |
| Segment assets | 967.53 | 687.85 | 53.97 | 154.18 | 1,021.50 | 842.03 |
| Unallocated corporate assets* | | | | | 243.46 | 367.44 |
| Total assets | | | | | 1,264.96 | 1,209.47 |
| Segment liabilities | 310.43 | 148.70 | 88.81 | 39.67 | 399.24 | 188.37 |
| Unallocated corporate liabilities* | | | | | 18.17 | 337.88 |
| Total liabilities | | | | | 417.41 | 526.25 |
| Capital expenditure | 103.66 | 64.74 | 2.15 | 12.77 | 105.81 | 77.51 |
| Depreciation/ Amortisation | 53.90 | 61.30 | 10.17 | 13.55 | 64.07 | 74.85 |
| Unallocated corporate Depreciation* | | | | | 40.43 | 48.21 |
| Total Depreciation | 53.90 | 61.30 | 10.17 | 13.55 | 104.50 | 123.06 |

* Unidentified assets and liabilities are disclosed as unallocated corporate assets and liabilities.

Schedule forming part of the Consolidated Financial Statements for the year ended March 31, 2009
SCHEDULE - 20 Notes to Consolidated Financial Statements (Continued)

8. Segment reporting

Information regarding secondary geographical segments

(Amount in Lacs)

| | India | | United states of America | | United Kingdom | | Others | | Total | |
|----------------------------------|--------|--------|--------------------------|----------|----------------|--------|--------|-------|----------|----------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenue from external customers | 363.99 | 173.60 | 3,318.54 | 1,610.68 | 469.91 | 505.67 | 41.50 | 34.17 | 4,193.94 | 2,324.12 |
| Carrying value of segment assets | 590.43 | 326.46 | 533.51 | 357.47 | 139.86 | 158.10 | — | — | 1265.62 | 842.03 |
| Additions to fixed assets | 49.87 | 59.88 | 18.61 | 17.05 | 37.33 | 0.58 | — | — | 105.81 | 77.51 |

(This space has been intentionally left blank)

AXIS-IT&T LIMITED (Consolidated)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

| | 2009 Rs. | 2008 Rs. |
|---|---------------------|--------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit/(loss) before tax and prior period items | 48,816,943 | (4,883,156) |
| Adjustments for: | | |
| Depreciation and amortization | 10,449,877 | 12,329,436 |
| Dividend received | (1,376,986) | (2,100,000) |
| Profits on sale of fixed assets | (31,517) | (40,920) |
| Bad debts written off | 246,139 | 185,672 |
| Provision for doubtful cenvat recoverable | 183,697 | 1,265,028 |
| Unrealised foreign exchange gain | (418,694) | (278,308) |
| Interest expense | 3,336,426 | 3,008,588 |
| Interest income on bank deposits | (336,270) | (165,370) |
| Interest income on income tax refund | (533,611) | (188,581) |
| Liability no longer required written back | (527,170) | — |
| Retirement benefits | 2,585,536 | 1,917,549 |
| Prior period expenses | (116,958) | (760,858) |
| Operating profit/(loss) before working capital changes | 62,277,412 | 10,289,081 |
| (Increase) / decrease in trade and other receivables | (23,428,555) | (1,491,803) |
| Increase / (decrease) in trade and other payables | 5,759,936 | (4,259,851) |
| Cash generated from operations | 44,608,793 | 4,537,427 |
| Payment of direct tax (net) | (3,744,299) | (1,664,932) |
| NET CASH FROM / (USED IN) OPERATING ACTIVITIES | 40,864,494 | 2,872,495 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (10,580,351) | (7,751,497) |
| Sale of fixed assets | 200,000 | 254,793 |
| Sale proceeds/ (purchase) of investments (net) | 15,000,000 | — |
| Interest received | (305,902) | 354,305 |
| Dividend received | 1,376,986 | 2,100,000 |
| NET CASH FROM/(USED IN) INVESTING ACTIVITIES | 5,690,733 | (5,042,399) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds of borrowings | 15,932,637 | 19,267,052 |
| Repayment of borrowings | (36,579,591) | (12,955,098) |
| Interest paid | (3,274,664) | (2,972,858) |
| NET CASH FROM / (USED IN) FINANCING ACTIVITIES | (23,921,618) | 3,339,097 |
| Net increase / (decrease) in cash and cash equivalents | 22,633,609 | 1,169,192 |
| Translation reserve | (4,071,652) | 4,838,610 |
| Cash and cash equivalents at beginning of the year | 11,195,050 | 5,187,247 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 29,757,006 | 11,195,050 |

For and on behalf of the Board of Directors

Sd/-
Shweta Agrawal
Company Secretary

Sd/-
Rohitasava Chand
President & CEO

Sd/-
S. Ravi Narayanan
Chairman

This is the Consolidated Cash Flow Statement referred to in our report of even date.

For Walker, Chandiook & Co
Chartered Accountants

Sd/-

by **B. P. Singh**

Partner

Membership no. 70116

Place : Noida

Dated : 30.06.2009

Director’s Report

To The Members,

Your Directors are pleased to present their report on the business operations of the company for the period from 1st April, 08 to 31st March, 09 and subsequent events to date.

I. Financial Results

During the financial year 2008-09, the Company exceeded vastly the performance of the previous year and generated a profit after tax of USD 519,307 on revenues of USD 5,916,781.

The results for the period are given below :

| | 2009 USD | 2008 USD |
|--|---------------------|---------------------|
| Total Income | 5,916,781 | 3,138,904 |
| Expenditure before interest & depreciation | 5,091,905 | 3,138,904 |
| Profit before interest & Depreciation | 824,876 | 2,855,256 |
| Interest Expense | 20,838 | 283,648 |
| Depreciation | 18,794 | 30,264 |
| Net Profit Before Tax | 785,244 | 19,579 |
| Provision for Tax | 265,937 | |
| Profit after Tax | 519,307 | 233,805 |

II. Business Activities

The Company is in the business of rendering services in the two major segments that are mentioned below :

a. Present –

The Company continued to focus on Design & Analysis Onsite, Offsite, and Offshore for Caterpillar, Inc. Caterpillar's requirements for outsourcing expanded greatly in 2008-9 and this, combined with our long standing relationship and on global delivery model has lead to an increase in revenues and profit for 2008-09.

b. Future Challenges and Opportunities

The softening world economy has hit Caterpillar and may, subsequently, impact Axis. Caterpillar has required a reduction in rates from all their suppliers and work is expected to slow this summer but, while bad news abounds, much of it has created opportunities for Axis.

The collapse of Caterpillar's service suppliers has caused Caterpillar to rethink all their supplier relationship and should benefit AXIS because of the twenty years of consistent support that it has provided to Caterpillar.

Caterpillar is endeavoring to cut costs and yet maintain the engineering projects currently underway. The obvious solution for them is to send more work offshore. Axis is presently one of only two preferred providers remaining for EDC India in Chennai. This should lead to an increase in our market share.

It is our hope that though we face a year of tough challenges, we will turn them to our advantage. To augment those advantages we plan to increase our efforts to secure work from other Caterpillar divisions. Again, we have an advantage. Caterpillar has determined that they will not add any new suppliers even though new suppliers flock for work to Caterpillar from other companies in trouble. Any new work will have to come through existing suppliers and we are now near the top of that list.

III. Directors

During the year Ronald Rainsong stepped down from the position of Chairman & CEO of the Company and was appointed the President. Mr. S. Ravi Narayanan was inducted onto the Board and was appointed its Non-Executive Chairman. Mr. Rohit Chand was appointed the new CEO of the Company.

The Directors of the company currently are as follows:

- | | |
|--------------------------|------------------------|
| 1. S. Ravi Narayanan | Non-Executive Chairman |
| 2. Ronald Rainsong, P.E. | President |
| 3. Rohit Chand | CEO |

IV. Officers

The Officers of the company are as follows:

- | | |
|--------------------------|----------------------|
| 1. Ronald Rainsong, P.E. | President |
| 2. Murali Krishna | Vice President & COO |

V. Subsidiary & Joint Ventures

1. Axis EU Ltd. is a wholly owned subsidiary of the Company which operates in the UK. The Annual Accounts and Director's Report of Axis EU Ltd. are attached.

The Directors wish to place on record the outstanding contributions made to the Company during the year by its employees.

For & on behalf of the Board of Directors.

S. Ravi Narayanan

Sd/-

**Chairman
AXIS, INC.**

Date : 25th June ,2009

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF AXIS, INC.

We have audited the financial statements of Axis, Inc. for the year ended 31 March 2009.

Respective responsibilities of directors and auditors

It is the directors' responsibility for preparing the financial statements in accordance with applicable law and generally accepted accounting practice.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the relevant legal and regulatory requirements. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with relevant legal and regulatory requirements. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

In our opinion:

the financial statements give a true and fair view, in conformity with the accounting principles generally accepted, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended; The information given in the Report of the Directors is consistent with the financial statements.

**For Sadana & Co
Chartered Accountants**

**Place : NOIDA
Dated : 25.06.2009**

**Sd/-
CA Amit Bansal
Partner
Membership No. 098966**

BALANCE SHEET AS AT MARCH 31, 2009

| | Schedule | As at 31 March 2009 USD | As at 31 March 2009 Rs. |
|---|----------|-------------------------------|-------------------------------|
| Shareholders' funds | | | |
| Share capital | 1 | 1,625,331.44 | 75,526,307.69 |
| Reserves and surplus | 2 | — | — |
| Loan funds | | | |
| Secured Loans | 3 | 74,950.00 | 3,482,795.34 |
| Unsecured Loans | 4 | — | — |
| | | <u>1,700,281.44</u> | <u>79,009,103.02</u> |
| APPLICATION OF FUNDS | | | |
| Goodwill | | — | — |
| Fixed assets | | | |
| Gross block | 5 | 1,072,482.42 | 49,836,381.21 |
| Less : Depreciation | | 1,007,893.61 | 46,835,052.24 |
| Net block | | 64,588.81 | 3,001,328.97 |
| Capital work in progress | | — | — |
| Investments | 6 | 627,450.72 | 29,156,536.92 |
| Current assets, loans and advances | | | |
| Inventories | 7 | — | — |
| Sundry debtors | 8 | 1,131,788.49 | 52,592,230.50 |
| Cash and bank balances | 9 | 312,859.73 | 14,538,044.15 |
| Other current assets | 10 | 49,247.58 | 2,288,448.86 |
| Loans and advances | 11 | 103,743.76 | 4,820,790.98 |
| | | 1,597,639.56 | 74,239,514.48 |
| Less: Current liabilities and provisions | | | |
| Liabilities | 12 | 808,790.53 | 37,583,080.36 |
| Provisions | 13 | — | — |
| | | 808,790.53 | 37,583,080.36 |
| Net current assets | | 788,849.03 | 36,656,434.13 |
| Accumulated deficit in the P&L account | | 219,392.88 | 10,194,803.01 |
| | | <u>1,700,281.44</u> | <u>79,009,103.02</u> |

The schedules referred to above form an integral part of the financial statements.

For and on behalf of the Board of Directors

Sd/-

**Rohitasava Chand
Director**

This is the Balance Sheet referred to in our report of even date.

**For Sadana & Co.
Chartered Accountants**

Sd/-

CA Amit Bansal

Partner

Membership No. 098966

Place: Noida

Dated: 25.06.2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

| INCOME | Schedule | For the period ended 31 March 2009 USD | For the year ended 31 March 2009 Rs. |
|---|-----------------|---|---|
| Income from operations | 14 | 5,907,055.48 | 274,490,530.81 |
| Other income | 15 | 9,726.03 | 451,951.59 |
| Transfer from revaluation reserve for sale of asset | | | |
| | | 5,916,781.51 | 274,942,482.40 |
| EXPENDITURE | | | |
| Personnel expenses | 16 | 4,447,420.22 | 206,663,834.64 |
| Operating and administrative expenses | 17 | 644,484.65 | 29,948,073.84 |
| Finance charges | 18 | 20,838.42 | 968,324.91 |
| Depreciation and Amortization | 5 | 18,793.73 | 873,311.74 |
| Miscellaneous expenditure written off | | — | — |
| | | 5,131,537.02 | 238,453,545.13 |
| Profit / (Loss) before tax | | 785,244.49 | 36,488,937.27 |
| Tax Expense | | | |
| Fringe Benefit Tax | | — | — |
| Income Tax | | 265,937.17 | 12,357,634.71 |
| Deferred | | — | — |
| Tax earlier years | | — | — |
| Profit / (Loss) for the year after tax | | 519,307.32 | 24,131,302.56 |
| Accumulated deficit carried from prior years | | (738,700.20) | (34,326,105.57) |
| Accumulated deficit carried to the balance sheet | | (219,392.88) | (10,194,803.01) |

The schedules referred to above form an integral part of the financial statements.

For and on behalf of the Board of Directors

Sd/-
Rohitasava Chand
Director

This is the Profit and Loss account referred to in our report of even date.

For Sadana & Co.
Chartered Accountants

Sd/-
CA Amit Bansal
Partner
Membership No. 098966

Place: Noida
Dated: 25.06.2009

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

| | 31 March, 2009 USD | 31 March, 2009 Rs. |
|---|-----------------------|-----------------------|
| Schedule 1 | | |
| Share capital | | |
| Authorised | | |
| 1,00,000 common stock, no par value | — | — |
| Issued | | |
| 21000 (previous year 21,000) No par value | — | — |
| Subscribed and paid up | | |
| 15,579 (previous year 14000) Equity shares fully paid | 1,625,331.44 | 75,526,307.69 |
| | — | — |
| | 1,625,331.44 | 75,526,307.69 |

Schedule 2

Reserves and surplus

Securities premium account

Balance at the beginning of the year

Add: Amount received on preferential allotment

| | |
|---|---|
| — | — |
| — | — |

Revaluation reserve

Balance at the beginning of the year

Less: Transfer to P&L on disposal of revalued asset

| | |
|---|---|
| — | — |
| — | — |

Translation reserve

| | |
|---|---|
| — | — |
| — | — |

Schedule 3

Secured Loans

From banks

Vehicle Loan

Working capital loan

| | |
|------------------|---------------------|
| — | — |
| 74,950.00 | 3,482,795.34 |
| 74,950.00 | 3,482,795.34 |

Amounts due with in one year

| | |
|---|---|
| — | — |
|---|---|

Schedule 4

Unsecured Loans

— Short term loans

| | |
|---|---|
| — | — |
| — | — |

Schedule 5
Fixed Assets

| Assets | GROSS BLOCK | | | | DEPRECIATION/AMORTIZATION | | | | NET BLOCK | |
|----------------------------------|-------------------------------------|---------------------------------------|---|---|----------------------------------|-----------------------|--|-----------------------------------|-----------------------------------|-----------------------------------|
| | Cost as at 1 April 2008 \$ | Additions during the year \$ | Sale/ Adjustments during the year \$ | Total Cost as 31 March 2009 \$ | As at 1st April 2008 \$ | For the year \$ | Adjustment during the year \$ | As at 31st March 2009 \$ | As at 31st March 2009 \$ | As at 31st March 2008 \$ |
| Computers & production Equipment | 235,795.16 | — | — | 235,795.16 | 235,795.16 | — | — | 235,795.16 | — | — |
| Office Equipments | 302,194.37 | 36,436.91 | — | 338,631.28 | 291,984.74 | 11,079.41 | — | 303,064.15 | 35,567.13 | 10,209.63 |
| Software Equipment | 453,273.74 | — | — | 453,273.74 | 453,273.74 | — | — | 453,273.74 | — | — |
| Leasehold Improvements | 3,671.24 | 3,611.00 | — | 7,282.24 | 3,671.24 | 214.32 | — | 3,885.56 | 3,396.68 | — |
| Dealerships | 37,500.00 | — | — | 37,500.00 | 4,375.00 | 7,500.00 | — | 11,875.00 | 25,625.00 | 33,125.00 |
| Total | 1,032,434.51 | 40,047.91 | — | 1,072,482.42 | 989,099.88 | 18,793.73 | — | 1,007,893.61 | 64,588.81 | 43,334.63 |
| Previous year's figure | 980,813.52 | 9,278.70 | — | 990,092.22 | 936,651.10 | 18,088.19 | — | 954,739.29 | 43,334.63 | — |

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

| | 31 March, 2009 USD | 31 March, 2009 Rs. |
|---|-----------------------|-----------------------|
| Schedule 6 | | |
| Investments | | |
| Long-term investments - Unquoted unless otherwise stated, at cost | | |
| Trade | | |
| Axis EU, U.K. | 627,450.72 | 29,156,536.92 |
| | <u>627,450.72</u> | <u>29,156,536.92</u> |
| Schedule 7 | | |
| Inventories | | |
| (As certified by the management) | | |
| Work in progress | — | — |
| | <u>—</u> | <u>—</u> |
| Schedule 8 | | |
| Sundry debtors | | |
| Unsecured (Considered good) | | |
| Debts outstanding for a period exceeding six month | — | — |
| Other debts | 1,131,788.49 | 52,592,230.50 |
| | <u>1,131,788.49</u> | <u>52,592,230.50</u> |
| Schedule 9 | | |
| Cash and bank balances | | |
| Cash in hand | 14.01 | 651.02 |
| Balance with scheduled banks in : | | |
| current accounts | 312,845.72 | 14,537,393.13 |
| fixed deposit accounts | — | — |
| | <u>312,859.73</u> | <u>14,538,044.15</u> |
| Schedule 10 | | |
| Other current assets | | |
| Income Accrued but not due | 49,247.58 | 2,288,448.86 |
| Interest accrued but not due | — | — |
| | <u>49,247.58</u> | <u>2,288,448.86</u> |

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

| | 31 March, 2009 USD | 31 March, 2009 Rs. |
|--|----------------------------|------------------------------|
| Schedule 11 | | |
| Loans and advances | | |
| (Unsecured, considered good unless otherwise) | | |
| Advances recoverable in cash or in kind or for value to be received | 103,743.76 | 4,820,790.98 |
| Pre paid income-tax | | — |
| Deposits with bodies corporate (Doubtful) | 103,743.76 | 4,820,790.98 |
| Less: provision for doubtful deposits | | — |
| | <u>103,743.76</u> | <u>4,820,790.98</u> |
| Schedule 12 | | |
| Current liabilities | | |
| Sundry creditors for goods & services | 271,719.79 | 12,626,343.13 |
| Other liabilities | 537,070.74 | 24,956,737.23 |
| | <u>808,790.53</u> | <u>37,583,080.36</u> |
| Schedule 13 | | |
| Provisions | | |
| Income tax, service tax | — | — |
| Retirement benefits | — | — |
| | <u>—</u> | <u>—</u> |
| Schedule 14 | | |
| Income from operations | | |
| IT Enabled services | 5,907,055.48 | 274,490,530.81 |
| Software Development | | — |
| | <u>5,907,055.48</u> | <u>274,490,530.81</u> |
| Schedule 15 | | |
| Other income | | |
| Dividend on current investments | — | — |
| Interest on bank deposits* | — | — |
| Profit on sale of current investments (net) | — | — |
| Unclaimed balances/Liabilities, written back | — | — |
| Provisions no longer required, written back | — | — |
| Profit on sale of fixed assets | — | — |
| Management charge | 9,500.00 | 441,448.38 |
| Exchange fluctuation gain | — | — |
| Others | 226.03 | 10,503.22 |
| | <u>9,726.03</u> | <u>451,951.59</u> |

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

| | 31 March, 2009 USD | 31 March, 2009 Rs. |
|--|-----------------------|-----------------------|
| Schedule 16 | | |
| Personnel expenses | | |
| Salaries and bonus | 4,214,652.44 | 195,847,523.25 |
| Contribution to provident and other funds | 232,767.78 | 10,816,311.39 |
| Staff welfare and other benefits | — | — |
| | <u>4,447,420.22</u> | <u>206,663,834.64</u> |
| Schedule 17 | | |
| Operating and administrative expenses | | |
| Communication expenses | 19,902.04 | 924,812.97 |
| Postage ,telegram & courier | — | — |
| Advertisement and marketing expenses | 2,250.21 | 104,563.32 |
| Legal and professional Expenses | 278,185.08 | 12,926,773.84 |
| Local transport and conveyance | 4,547.97 | 211,336.21 |
| Travel expense | 104,236.32 | 4,843,679.38 |
| Rents | 78,676.83 | 3,655,974.61 |
| Repair and maintenance | — | — |
| Building | 15,823.30 | 735,281.06 |
| Plant and machinery | 3,764.82 | 174,944.60 |
| Others | — | — |
| Office maintenance | 10,392.47 | 482,919.89 |
| Electricity and water | 10,113.22 | 469,943.64 |
| Insurance | 101,389.17 | 4,711,377.30 |
| Hire charges of equipments | 1,562.00 | 72,583.41 |
| Directors' fee | — | — |
| Donation | 1,655.00 | 76,904.95 |
| Membership & subscription | — | — |
| Business promotion | 1,493.77 | 69,412.88 |
| Printing and stationery | — | — |
| Rates and taxes | 262.00 | 12,174.68 |
| Trainhg Expenses | — | — |
| Loss on sale of fixed asset | — | — |
| Exchange fluctuation loss | — | — |
| Bad Debt Write Off | 1,152.00 | 53,531.42 |
| Miscellaneous expenses | 9,078.45 | 421,859.68 |
| | <u>644,484.65</u> | <u>29,948,073.84</u> |
| Schedule 18 | | |
| Finance charges | | |
| Interest Expenses | 15,166.41 | 704,756.53 |
| Interest on Unsecured Loan | — | — |
| Processing fee and other bank charges | 5,672.01 | 263,568.38 |
| | <u>20,838.42</u> | <u>968,324.91</u> |

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2009

The Directors present their report with the financial statements of the company for the year ended 31 March 2009.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of computer-aided design services. There were a range of projects executed for several UK customers during the year:

REVIEW OF FINANCIAL RESULTS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIRECTORS

Mr.S. Ravi Narayanan & Mr. Anil Lall were inducted onto the Board during the year and Mr S. Ravi Narayanan appointed the Non-Executive Chairman. Mr. Ronald Rainson resigned from the Board during the year.

The Directors shown below held office on the date of this report.

Mr.S. Ravi Narayanan
Mr. Anil Lall
Mr. R. Chand

None of the directors have any beneficial interests in the share capital of the company.

Mr. S. Ravi Narayanan & Mr R. Chand are members of the Board of Directors of the parent company Axis Inc. acting currently as its Non-Executive Chairman and CEO respectively.

BUSINESS ACTIVITIES

The company re-located to new office premises in September 2008 to accommodate a planned growth of employees to support an extension of AXIS-EU limited engineering design services; notably electrical and control systems design. This strategy broadens the company's appeal to a larger customer base and compliments opportunities identified with existing customers.

An 'Internal Project' to deliver the design and prototype of a 5KW electrical generator set for introduction to the India home market in 2010 is in an advanced stage of design. It is intended this will provide the company with lucrative revenue via a manufacturing, sales and service partner who will license the Intellectual Property of the design from AXIS.

Additional internal projects proposals for design solutions in renewable energy based power generation and alternative drive power for vehicles. These are under consideration for approval by senior AXIS management.

The company consolidated its service provision at key customer sites despite a deteriorating economic climate affecting the manufacturing industry. It is positioned to react to the anticipated increase in demand of its services as the recession lifts by maintaining and developing customer contacts in diverse industries.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

ASHGATES [Leicester] Limited were appointed the statutory auditors during the year.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:

Sd/-
S. Ravi Narayanan
CHAIRMAN

Dated : 29th June, 2009

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
AXIS EU LIMITED**

We have audited the financial statements of Axis EU Limited for the year ended 31 March 2009 on pages six to eleven. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page two.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). The financial statements of the company as of 31 March 2008 were not audited.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Ashgates

Christopher House
94b London Road
Leicester LE2 0QS
29 June 2009

BALANCE SHEET AS AT MARCH 31, 2009

| | Schedule | As at 31 March 2009 GBP | As at 31 March 2009 Rs. |
|---|----------|-------------------------------|-------------------------------|
| Shareholders' funds | | | |
| Share capital | 1 | 250,000.00 | 18,539,475.00 |
| Reserves and surplus | 2 | 45,904.00 | 3,404,144.24 |
| | | <u>295,904.00</u> | <u>21,943,619.24</u> |
| APPLICATION OF FUNDS | | | |
| Fixed assets | | | |
| Fixed assets | 3 | | |
| Gross block | | 77,797.00 | 5,769,262.15 |
| Less: Depreciation | | <u>37,260.00</u> | <u>2,763,123.35</u> |
| Net block | | 40,537.00 | 3,006,138.79 |
| Investments | 4 | 4.00 | 296.63 |
| Current assets, loans and advances | | | |
| Inventories | 5 | 503.00 | 37,301.42 |
| Sundry debtors | 6 | 75,785.00 | 5,620,056.45 |
| Cash and bank balances | 7 | 43,933.00 | 3,257,979.02 |
| | | 120,221.00 | 8,915,336.90 |
| Less: Current liabilities and provisions | | | |
| Liabilities | 8 | 126,619.00 | 9,389,799.14 |
| | | 126,619.00 | 9,389,799.14 |
| Net current assets | | (6,398.00) | (474,462.24) |
| Accumulated deficit in the P&L account | | 261,761.00 | 19,411,646.06 |
| | | <u>295,904.00</u> | <u>21,943,619.24</u> |

The schedules referred to above form an integral part of the financial statements.

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2009

| INCOME | Schedule | For the period ended 31 March 2009 GBP | For the period ended 31 March 2009 Rs. |
|---|-----------------|---|---|
| Income from operations | 9 | 593,827.00 | 44,036,963.28 |
| Other income | 10 | 1,076.00 | 79,793.90 |
| Transfer from revaluation reserve for sale of asset | | — | — |
| | | 594,903.00 | 44,116,757.18 |
| EXPENDITURE | | | |
| Personnel expenses | 11 | 631,531.03 | 46,833,014.97 |
| Operating and administrative expenses | 12 | 76,781.97 | 5,693,989.65 |
| Finance charges | 13 | — | — |
| Depreciation and Amortization | 3 | 8,866.00 | 657,483.94 |
| Miscellaneous expenditure written off | | — | — |
| | | 717,179.00 | 53,184,488.56 |
| Profit/(Loss) before tax | | (122,276.00) | (9,067,731.38) |
| Tax Expense | | — | — |
| Tax earlier years | | — | — |
| Profit/(Loss) for the year after tax | | (122,276.00) | (9,067,731.38) |
| Accumulated deficit carried from prior years | | (139,485.00) | (10,343,914.68) |
| Accumulated deficit carried to the balance sheet | | (261,761.00) | (19,411,646.06) |

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 MARCH 2008**

| | 31 March 2008 GBP | 31 March 2008 Rs. |
|---|----------------------|----------------------|
| SCHEDULE 1 | | |
| Share capital | | |
| Authorised | | |
| 250,000 (previous year 250,000) Equity shares of GBP 1 each | 250,000.00 | 18,539,475.00 |
| | 250,000.00 | 18,539,475.00 |
| Issued | | |
| 2,50,000 (previous year 1,83,040) Equity shares of GBP 1 each fully paid up | 250,000.00 | 18,539,475.00 |
| | 250,000.00 | 18,539,475.00 |
| Subscribed and paid up | | |
| 2,50,000 (previous year 1,83,040) Equity shares of GBP 1 each fully paid up | 250,000.00 | 18,539,475.00 |
| | 250,000.00 | 18,539,475.00 |
| SCHEDULE 2 | | |
| Reserves and surplus | | |
| Securities premium account | | |
| Balance at the beginning of the year | 11,900.00 | 882,479.01 |
| Add: Security Premium amount | 34,004.00 | 2,521,665.23 |
| | 45,904.00 | 3,404,144.24 |
| | 45,904.00 | 3,404,144.24 |

Schedules forming part of the financial statements for the period ended 31st March 2009

SCHEDULE 3
Fixed Assets

| Assets | GROSS BLOCK | | | DEPRECIATION/AMORTIZATION | | | NET BLOCK | | |
|------------------------------|--------------------------------------|---------------------------------------|---|---|---------------------------------|------------------------|---|----------------------------------|----------------------------------|
| | Cost as at 1 April 2008 Rs. | Addition during the year Rs. | Sale/ Adjust- ments during theyear Rs. | Total as at 31 March 2009 Rs. | As at 1 April 2008 Rs. | For the year Rs. | Adjust- ments during the year Rs. | As at 31 March 2009 Rs. | As at 31 March 2009 Rs. |
| Long Lease hold | — | 5,276 | — | 5,276 | — | 660 | — | 660 | 4,616 |
| Furniture & Fixtures | 7,996 | 8,759 | — | 16,755 | 7,451 | 1,478 | 8,929 | 7,826 | 545 |
| Computer and Design software | 22,632 | 33,134 | — | 55,766 | 20,943 | 6,729 | 27,672 | 28,094 | 1,689 |
| Total | 30,628 | 47,169 | — | 77,797 | 28,394 | 8,866 | — | 37,260 | 40,537 |
| Previous year's figure | 185,763 | 720 | 905 | 185,578 | 178,465 | 5,181 | 302 | 183,344 | 2,234 |

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 MARCH 2008**

| | 31 March 2008 GBP | 31 March 2008 Rs. |
|--|--------------------------|-----------------------------|
| SCHEDULE 4 | | |
| Investments | | |
| Long-term investments - Unquoted unless otherwise stated, at cost | | |
| Trade | | |
| Datagraphical Limited | 2.00 | 148.32 |
| Axis IT Solutions Limited | 2.00 | 148.32 |
| | <u>4.00</u> | <u>296.63</u> |
| Less : Provision for diminution in the value of long term investments | — | — |
| | <u>4.00</u> | <u>296.63</u> |
| SCHEDULE 5 | | |
| Inventories | | |
| (As certified by the management) | | |
| Work in progress | 503.00 | 37,301.42 |
| | <u>503.00</u> | <u>37,301.42</u> |
| SCHEDULE 6 | | |
| Sundry debtors | | |
| Unsecured (Considered good) | | |
| Debts outstanding for a period exceeding six month | — | — |
| Other debts | 75,785.00 | 5,620,056.45 |
| | <u>75,785.00</u> | <u>5,620,056.45</u> |
| SCHEDULE 7 | | |
| Cash and bank balances | | |
| Cash in hand | 23.99 | 1,779.05 |
| Balance with scheduled banks in : | | |
| current accounts | 43,071.12 | 3,194,063.81 |
| fixed deposit accounts | 838.33 | 62,168.79 |
| | <u>43,933.44</u> | <u>3,258,011.65</u> |
| SCHEDULE 12 | | |
| Current liabilities | | |
| Sundry creditors | | |
| for goods & services | 81,088.00 | 6,013,315.80 |
| Other liabilities | 45,531.00 | 3,376,483.34 |
| | <u>126,619.00</u> | <u>9,389,799.14</u> |
| SCHEDULE 9 | | |
| Income from operations | | |
| IT Enabled services | 593,827.00 | 44,036,963.28 |
| | <u>593,827.00</u> | <u>44,036,963.28</u> |

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2008

| | 31 March 2008 GBP | 31 March 2008 Rs. |
|--|----------------------|----------------------|
| SCHEDULE 10 | | |
| Other income | | |
| Interest on bank deposits | 1,076.00 | 79,793.90 |
| | 1,076.00 | 79,793.90 |
| SCHEDULE 11 | | |
| Personnel expenses | | |
| Salaries and bonus | 630,646.00 | 46,767,383.00 |
| Staff welfare and other benefits | 885.03 | 65,631.97 |
| | 631,531.03 | 46,833,014.97 |
| SCHEDULE 12 | | |
| Operating and administrative expenses | | |
| Communication expenses | 4,547.00 | 337,195.97 |
| Legal and professional Expenses | 29,991.00 | 2,224,069.58 |
| Local transport and conveyance | 7,731.00 | 573,314.72 |
| Rents | 8,082.00 | 599,344.15 |
| Plant and machinery | 1,571.00 | 116,502.06 |
| Others | — | |
| Office maintenance | 9,745.00 | 722,668.74 |
| Electricity and water | 6,490.00 | 481,284.77 |
| Insurance | 849.00 | 62,960.06 |
| Printing and stationery | 2,020.00 | 149,798.96 |
| Bad Debt Write Off | 2,434.00 | 180,500.33 |
| Miscellaneous expenses | 3,321.97 | 246,350.32 |
| | 76,781.97 | 5,693,989.65 |
| SCHEDULE 13 | | |
| Finance charges | | |
| Interest Expenses | | — |
| Interest on Unsecured Loan | | — |
| Processing fee and other bank charges | | — |
| | — | — |

AXIS-IT&T LIMITED

Registered Office : A-264, Second Floor, Defence Colony, New Delhi - 110024
Corporate Office : D-30, Sector III, NOIDA-201 301

| | |
|------------|--|
| DP id* | |
| Client Id* | |

PROXY FORM

Proxy No.

Regd. Folio No No. of shares held

I/We of.....

in the district ofbeing a

Member/Members of the above named Company hereby appoint

.....of.....

.....in the direct of.....of failing him/her

.....of.....

in the district of.....

as my/our proxy to vote for me/us on my/our behalf at the 19th Annual General Meeting of the Company to be held on Friday, the 14th August, 2009 at 3.30 p.m. in LakshmiPat Singhania Auditorium at the PHD Chambers of Commerce and Industry, PHD House, Ground Floor, 4/2, Sirifort Road, New Delhi 110016 and at any adjournment thereof

Signed thisday of.....2009

Signature.....



*Applicable for investors holding shares in electronic form

NOTE: This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before scheduled time of the meeting. The Proxy need not be a member of the Company.

AXIS-IT&T LIMITED

Registered Office : A-264, Second Floor, Defence Colony, New Delhi - 110024
Corporate Office : D-30, Sector III, NOIDA-201 301

| | |
|------------|--|
| DP id* | |
| Client Id* | |

ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Hall

| | |
|--|--------------------------|
| Name of the attending Member (In Block Letters) | Regd. Folio No. |
| | |
| Name of Proxy (In Block Letters) (To be filled in if the Proxy attends instead of the Member) | Number of Shares held |
| | |

I hereby record my presence at the 19th Annual General Meeting of the Company being held in LakshmiPat Singhania Auditorium at the PHD Chambers of Commerce and Industry, PHD House, Ground Floor, 4/2, Sirifort Road, New Delhi 110016 Friday, the 14th August, 2009 at 3.30 p.m.

.....
Member's/Proxy's Signature
(To be signed at the time of handing over this slip)

- NOTE: i) Members/Proxy holders are requested to bring the Attendance Slip with them duly filled in when they come to the meeting and hand over at the entrance. No attendance slip will be issued at the times of the meeting.
- ii) Member/Proxy holders desiring to attend the meeting should bring their copy of the Annual Report for reference at the meeting.
- iii) Members please be informed that the company shall adhere to its policy of no gift at the Annual General Meeting.
- iv) Please note that only members and proxy holder shall be allowed to attend the Annual General Meeting. Children and Guest shall not be allowed.

* Applicable for investors holding shares in electronic form

BOOK-POST

If undelivered please return to:

AXIS-IT&T Limited

A-264, Second Floor,
Defence Colony,
New Delhi- 110 024.