

**ANNUAL REPORT 2011-2012****DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the 11<sup>th</sup> Annual Report and the Audited Statement of Accounts of the Company for the Financial Year ended 31<sup>st</sup> March, 2012

**FINANCIAL RESULTS:**

The Profit and Loss Account presented to you gives the results for the Period ended 31<sup>st</sup> March, 2012.

(Amount in Rupees Lakhs)

<b>PARTICULARS</b>	<b>CURRENT YEAR</b>	<b>PREVIOUS YEAR</b>
	<b>2011-2012</b>	<b>2010-2011</b>
Total Income	8108.41	7131.39
Earnings before Interest, Tax, Depreciation & Amotrisation (EBITDA)	626.36	660.82
Less: Depreciation & Amortisation	430.98	245.34
Finance Costs	116.82	163.28
Profit before Tax	78.56	252.20
Less: Tax Expense	58.16	62.39
<b>Profit for the Year</b>	<b>20.39</b>	<b>189.81</b>

Your Company has recorded a growth of 13.7% in the Total Income.

**REVIEW OF OPERATIONS:**

The Directors wish to inform you that during the year, the Company has taken the strategic direction to scale up its operations, build up and expand its business development. The Company has created a strong and robust platform for a good growth in future.

Your company has also started the operations of Offshore Design Center for one of the world's leading Aerospace Original Equipment Manufacturer (OEM).

Your company has once again achieved the status of preferred supplier of engineering services to the world's leading Aerospace OEM. The Company got this status after competing with many players globally including few big corporates in India.

Your Company has also recruited personnel at various levels to meet the ever growing challenges of the industry. Delivery capability has been enhanced by hiring of senior level delivery professionals from the industry, in Aerospace and Industrial Products domains. The Company has added manpower with relevant domain and engineering

## **CADES DIGITECH PRIVATE LIMITED**

expertise to fulfill its enhanced business needs. As the end of the year, the Company had 444 employees.

The Company during the year has invested in high-end software, hardware and other infrastructure with a view to achieve the expertise in the delivery of high end engineering solutions.

### **MATERIAL CHANGES OR COMMITMENTS POST BALANCE SHEET DATE:**

There were no other major events subsequent to the balance sheet date.

### **DIVIDEND:**

The Company has not declared dividend on account accumulated losses of INR4861.02 lakhs

### **SCHEME OF ARRANGEMENT:**

During the year, Board of Directors of the Company has approved a Scheme of Arrangement whereby your company will be merged with Axis Aerospace & Technologies Limited (AAT). AAT, based in Bangalore is one of the premiere Aerospace Companies in India. AAT offers solutions for Aerospace & Defence, Life Cycle Solutions & manufacturing support including obsolescence handling system integration. This will enable the resulting entity to create a stronger platform to grow aggressively & grow inorganically in the niche segments and emerge as a significant global player to capitalize emerging opportunities in the market.

Following which, the requisite steps are under process. The Company has filed petition with Hon'ble High Court of Karnataka at Bangalore. The scheme will be effective only on receipt of all the requisite approvals.

### **CONSTITUTION OF AUDIT COMMITTEE:**

The Audit Committee as on 31.03.2012 comprised:

Mr. Pradeep Dadlani	-	Chairman
Mr. Rohitasava Chand	-	Member
Mr. Kedar Nath Choudhury	-	Member

The Chairman and the members of the committee are all non-executive Directors.

### **CONSTITUTION OF REMUNERATION COMMITTEE:**

The Remuneration Committee as on 31.03.2012 comprised:

Mr. Pradeep Dadlani	-	Chairman
Mr. Rohitasava Chand	-	Member
Mr. Kedar Nath Choudhury	-	Member

The Chairman and the members of the committee are all non-executive Directors.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE:**

The operations of the Company involve low energy consumption. Adequate measures, however, have been taken in the form of improved operational methods to conserve energy.

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.

Foreign Exchange earnings for the year 2011-2012 stood at INR 6990.68 lakhs and Foreign Exchange Outgo for the year 2011-2012 (including imports and expenditure in foreign currency) stood at INR 4964.37 lakhs.

**PARTICULARS OF EMPLOYEES:**

Information as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, and the Companies (Particulars of Employees) Amendment Rules, 2011 are set out in the Annexure to this report.

Also, the Department of Company Affairs has amended the Companies (Particulars of Employees) (Amendment) Rules, 2004, to the effect that particulars of employees of companies engaged in Information Technology sector posted and working outside India not being Directors or their relatives, drawing more than rupees sixty lakhs per year or rupees five lakhs per month, as the case may be, need not be included in the statement but, such particulars shall be furnished to the Registrar of Companies. Accordingly, the statement included in this report does not contains the particulars of employees who are posted and working outside India.

There are no employees posted in India drawing remuneration more than the limits prescribed under the aforesaid rules thereof.

**DIRECTORS:**

Mr. S. Ravinarayanan, Director of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

**AUDITORS:**

M/s Walker Chandiook & Co; Chartered Accountants, Bangalore Statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment.

**DIRECTORS RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217 (2AA) OF THE COMPANIES ACT, 1956:**

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

## CADES DIGITECH PRIVATE LIMITED

- 1) That in the preparation of the Accounts for the financial year ended 31<sup>st</sup> March, 2012 the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 2) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profit or Loss of the Company for the year under review;
- 3) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 4) That the Directors have prepared the Accounts for the financial year ended 31<sup>st</sup> March, 2012 on 'going concern' basis.

### AUDITORS REPORT:

The Auditors' in their report and under the point (x) have made an observation about accumulated losses being more than fifty percent of the Company's net worth. The Company has made profit during the last 3 years and is expected to continue the same trend in the years to come.

### APPRECIATION:

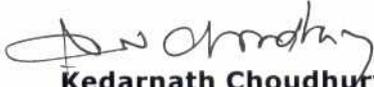
Your Director wish to place on record their appreciation to employees at all levels for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to maintain its premium position in the industry.

### ACKNOWLEDGEMENTS:

The Board desires to place on record its sincere appreciation for the support and co-operation that the Company received from the suppliers, customers, strategic partners, Bankers, Auditors, Government Agencies including Software Technology Parks of India (STPI) Bangalore and all others associated with the Company.

**For and on behalf of the Board of Directors**

Place: Noida  
Date: 28.05.2012

  
**Kedarnath Choudhury**  
Director

  
**Pradeep Dadlani**  
Director

**CADES DIGITECH PRIVATE LIMITED****ANNEXURE TO DIRECTORS' REPORT OF CADES DIGITECH PRIVATE LIMITED****STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES, ACT, 1956**

(Amount in Rupees Lakhs)

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 Cades Digitech Pvt Ltd. And not dealt with in the books of accounts of Cades Digitech Pvt Ltd. (except dealt with in F)	Profit/(Loss) so far as it concerns the members of Cades Digitech Pvt Ltd. And dealt within the books of accounts of Cades Digitech Pvt Ltd.	Profit/(Loss) so far as it concerns the members of Cades Digitech Pvt Ltd. And dealt within the books of accounts of Cades Digitech Pvt Ltd. (except dealt with in H)	Profit/(Loss) so far as it concerns the members of Cades Digitech Pvt Ltd. And dealt within the books of accounts of Cades Digitech Pvt Ltd.
A	B	C	D	E	F	G	H
Overseas							
Cades Technology Canada Inc	31.03.2012	100	100	12.02	NIL	4.86	NIL

**For and on behalf of the Board**

  
**Kedarnath Choudhury**  
 Director

  
**Pradeep Dadlani**  
 Director

Place : Noida  
 Date : 28.05.2012

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## Auditors' Report

### To the Members of CADES Digitech Private Limited

1. We have audited the attached Balance Sheet of CADES Digitech Private Limited (the 'Company'), as at 31 March 2012, and also the Statement of Profit and Loss and 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. Further to our comments in the Annexure referred to above, 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 31 March 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;



# Walker, Chandiook & Co

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 the Subsection (3C) of Section 211 of the Act 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 31 March 2012;
- ii) the Statement of Profit and Loss, 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.

*Walker, Chandiook & Co*

For **Walker, Chandiook & Co**

Chartered Accountants

Firm Registration No.: 001076N

*Aashish Arjun Singh*

per **Aashish Arjun Singh**

Partner

Membership No.: 210122

Noida

28 May 2012



# Walker, Chandiook & Co

Annexure to the Auditors' Report of even date to the members of Cades Digitech Private Limited, on the financial statements for the year ended 31 March 2012.

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 Company has a regular programme of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (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 tangible 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 4(iii)(d) of the Order are not applicable.
- (c) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
- (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 internal control system in respect of these areas.
- (v) (a) The Company has not entered into any contracts or arrangements referred to in Section 301 of the Act. Accordingly, the provisions of clause 4(v) of the Order are not applicable.
- (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 Company's services. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. In the case of Employee State Insurance there have been delays in many cases. 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 became payable.

(b) The dues outstanding in respect of service tax on account of any dispute, are as follows:

Name of Statute	Nature of dues	Amount (₹)	Period to which the amount related	Forum where dispute is pending
Finance Act, 1994	Service tax on import of services	94,857,196*	April 2006 to September 2010	Commissioner of service tax

\* Of the same, ₹ 7,818,233 has been remitted.



# Walker, Chandiook & Co

Annexure to the Auditors' Report of even date to the members of Cades Digitech Private Limited, on the financial statements for the year ended 31 March 2012.

- (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. Further the Company has not incurred cash losses in the current and the immediately preceding financial year.*
- (xi) The Company has not defaulted in repayment of dues to any bank or financial institution during the year. The Company did not have any outstanding debentures 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 loans for the purpose for which the loans were obtained.
- (xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.
- (xviii) During the year, 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.

*Walker, Chandiook & Co*

For **Walker, Chandiook & Co**  
Chartered Accountants  
Firm Registration No: 001076N

*[Signature]*  
per **Aashish Arjun Singh**  
Partner  
Membership No. 210922

Noida  
28 May 2012



# Balance Sheet

	NOTE	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	2	177,419,350	177,419,350
Reserves and surplus	3	160,718,313	166,820,032
		<b>338,137,663</b>	<b>344,239,382</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	4	5,700,000	13,300,000
Long-term provisions	5	12,829,526	12,963,531
		<b>18,529,526</b>	<b>26,263,531</b>
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	4	133,446,368	96,504,241
Trade payables	7	140,624,587	86,884,921
Other current liabilities	8	64,239,708	62,948,290
Short-term provisions	5	1,391,203	1,110,580
		<b>339,701,866</b>	<b>247,448,032</b>
<b>TOTAL</b>		<b>696,369,055</b>	<b>617,950,945</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Tangible assets	9	16,336,550	6,745,883
Intangible assets	10	56,174,209	40,906,881
Intangible assets under development		77,163,400	-
Non-current investments	11	9,596	9,596
Long-term loans and advances	15	63,480,258	49,844,996
		<b>213,164,013</b>	<b>97,507,356</b>
<b>CURRENT ASSETS</b>			
Trade receivables	13	317,004,344	292,604,394
Cash and bank balances	14	45,633,640	139,952,120
Short-term loans and advances	15	31,475,057	45,945,686
Other current assets	16	89,092,001	41,941,389
		<b>483,205,042</b>	<b>520,443,589</b>
<b>TOTAL</b>		<b>696,369,055</b>	<b>617,950,945</b>

Notes 1 to 33 form an integral part of these financial statements.

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

*Walker, Chandni & Co*

For **Walker, Chandni & Co**

Chartered Accountants

per **Aashish Arjun Singh**  
Partner

Noida  
28 May 2012



For and on behalf of the Board of Directors

*Kedar Nath Choudhury*  
**Kedar Nath Choudhury**  
Director

*Kirit Manek*  
**Kirit Manek**  
Vice President-Finance

Noida  
28 May 2012

*Pradeep Dadlani*  
**Pradeep Dadlani**  
Director

*P.H. Joshi*  
**Poonam Joshi**  
Company Secretary



# Statement of Profit and Loss Account

	NOTE	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
<b>INCOME</b>			
Revenue from operations	17	801,130,190	707,581,636
Other income	18	9,711,133	5,556,927
<b>TOTAL</b>		<b>810,841,323</b>	<b>713,138,563</b>
<b>EXPENSES</b>			
Employee benefit expenses	19	505,287,923	418,490,874
Other expenses	20	242,917,816	228,565,635
<b>TOTAL</b>		<b>748,205,739</b>	<b>647,056,509</b>
<b>EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)</b>		<b>62,635,584</b>	<b>66,082,054</b>
Depreciation and amortisation expense	21	43,097,520	24,533,644
Finance costs	22	11,682,194	16,328,066
<b>PROFIT BEFORE TAX</b>		<b>7,855,870</b>	<b>25,220,344</b>
<b>Tax expense</b>			
Current tax		5,816,436	6,239,028
<b>NET PROFIT</b>		<b>2,039,434</b>	<b>18,981,316</b>
<b>Earnings per share:</b>			
Basic & diluted (Par value of ₹ 10)	23	0.11	1.21

Notes 1 to 33 form an integral part of these financial statements.

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

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

*Aashish Arjun Singh*  
For **Aashish Arjun Singh**  
Partner

Noida  
28 May 2012



For and on behalf of the Board of Directors

*Kedar Nath Choudhury*  
**Kedar Nath Choudhury**  
Director

*Kirit Manek*  
**Kirit Manek**  
Vice President-Finance

Noida  
28 May 2012

*Pradeep Dadlani*  
**Pradeep Dadlani**  
Director

*Poonam Joshi*  
**Poonam Joshi**  
Company Secretary



# Cash Flow Statement

	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
<b>A Cash flow from operating activities</b>		
Profit before tax	7,855,870	25,220,344
Adjustment for :		
Depreciation and amortisation	43,097,520	24,533,644
Unrealised foreign exchange income	3,633,216	1,314,868
Finance costs	11,682,194	16,328,066
Provision for gratuity and compensated absences	581,873	-
Interest income	(8,491,220)	(3,692,298)
<b>Operating profit before working capital changes</b>	<b>58,359,453</b>	<b>63,704,624</b>
<b>Movements in working capital</b>		
Increase in trade receivables	(20,118,517)	(104,031,418)
Increase in loans and advances	(13,663,459)	(56,474,757)
Decrease in other current assets	(37,568,524)	(4,145,526)
Increase in current liabilities	50,215,045	27,427,277
<b>Net cash from/(used in) operating activities (A)</b>	<b>37,223,998</b>	<b>(73,519,800)</b>
<b>B Cash flow from investing activities</b>		
Purchase of fixed assets	(77,712,727)	(34,767,667)
Development of intangibles	(77,163,400)	-
Interest received	9,760,485	3,692,298
Investment in subsidiary	-	(4,596)
Proceeds from/ (Investment in) fixed deposits	80,817,054	(122,215,036)
<b>Net cash used in investment activities (B)</b>	<b>(64,298,588)</b>	<b>(153,295,001)</b>
<b>C Cash flow from financing activities</b>		
Receipts from issue of equity shares, including share premium	-	309,838,655
Proceeds from term loan	-	19,000,000
Proceeds from working capital loan, net of repayments	30,919,554	96,504,241
Repayment of term loan	(5,700,000)	-
Repayment of unsecured loan	-	(180,000,000)
Finance costs	(11,646,390)	(16,328,066)
<b>Net cash from financing activities (C)</b>	<b>13,573,164</b>	<b>229,014,830</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>(13,501,426)</b>	<b>2,200,029</b>
Cash and bank balances as at beginning of the year	17,737,084	15,537,055
Cash and bank balances as at end of the year	<b>4,235,658</b>	<b>17,737,084</b>

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

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

*Aashish Arjun Singh*  
per **Aashish Arjun Singh**  
Partner

Noida  
28 May 2012



For and on behalf of the Board of Directors

*Kedar Nath Choudhury*  
**Kedar Nath Choudhury**  
Director

*Kirit Manek*  
**Kirit Manek**  
Vice President-Finance

Noida  
28 May 2012

*Pradeep Dadlani*  
**Pradeep Dadlani**  
Director

*Poonam Joshi*  
**Poonam Joshi**  
Company Secretary



# Notes to the financial statements for the year ended 31 March 2012

## 1) SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles in India ('Indian GAAP') and comply with the mandatory Accounting Standards ('AS') prescribed by Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956 ('the Act'). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year unless otherwise stated.

### (b) Use of estimates

The preparation of financial statements is in conformity with generally accepted accounting principles, which requires the management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Significant estimates used by management in the preparation of these financial statements include the estimates of the economic useful lives of the fixed assets, provisions for bad and doubtful trade receivables, employee benefits, estimation of revenue and project completion. Any revision to accounting estimates are recognised prospectively.

### (c) Revenue recognition

The Company derives its revenues primarily from engineering design services. Service income comprises of income from time-and-material and fixed-price contracts. Revenue from time-and-material contracts is recognised in accordance with the terms of the contracts with clients. Revenue from fixed-price contracts is recognised using the percentage of completion method, calculated as the proportion of the efforts incurred up to the reporting date to the estimated total efforts. Provisions for estimated losses on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates.

'Unbilled revenues' represent revenues recognised on services rendered as per contractual terms, for which amounts are to be billed in subsequent periods. The related billings are expected to be performed as per milestones provided in the contracts.

'Unearned revenues' included in other liabilities represent billings in excess of revenues recognised. Advances received for services are reported as liabilities until all conditions for revenue recognition are met.

'Interest income' is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the Statement of Profit and Loss.

### (d) Fixed assets and depreciation/amortisation

Fixed assets are carried at the cost less accumulated depreciation/amortisation and impairment losses. The cost of fixed assets comprises of its purchase price and other costs attributable to bringing such assets to its working condition for its intended use. Advances paid towards the acquisition of fixed assets outstanding at each Balance Sheet date are disclosed as other non-current assets and the cost of fixed assets not ready for their intended use before such date are disclosed as capital work-in-progress.

#### *Intangibles under development*

Intangibles under development represents cost incurred in creation of engineering and design and process manuals as at the year.

Depreciation is provided under the straight-line method based on the estimated useful life of the assets. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

Management's estimate of the useful lives for the various categories of fixed assets is as follows:

Asset category	Depreciation Rate
Computers	33.33%
Furniture and fixtures	14.29%
Office equipment's	14.29%
Leasehold improvements	period of lease
Computer software	33.33%

Depreciation/amortisation is charged on a proportionate basis for all the assets purchased and sold during the year. Fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of purchase.

Leasehold improvements have been depreciated over lease period including renewable period and subject to maximum useful economic life of 7 years.

### (e) Leases

#### *Operating leases*

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.



## Notes to the financial statements for the year ended 31 March 2012 (Cont'd)

### *Finance leases*

Assets acquired on lease where the entity has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised 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 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 the Statement of Profit and Loss on accrual basis.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

### **(f) Impairment of assets**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the Balance Sheet date there is an indication that if 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.

### **(g) Borrowing cost**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of assets. Other borrowings cost are recognised as an expense in the period in which they are incurred.

### **(h) Investments**

Investments that are readily realisable and intended to be held for not more than one 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.

### **(i) Foreign currency transactions**

#### *Initial recognition*

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

#### *Conversion*

Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year-end rates. The difference in translation of monetary assets and liabilities and realised gains and losses on foreign exchange transactions are recognised in the Statement of Profit and Loss.

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.

Foreign currency transactions entered into by branches, which are integral foreign operations are accounted in the same manner as foreign currency transactions described above. Branch monetary assets and liabilities are restated at the year end rates.

### **(j) Employee benefits**

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 Employee Benefits.

#### *Provident fund*

The Company contributes to the statutory provident fund of the Regional Provident Fund Commissioner, in accordance with Employees Provident Fund and Miscellaneous Provision Act, 1952 for its employees in India. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which the employee renders services.

#### *Overseas social security charges*

The Company contributes to social security charges of countries to which the Company deutes its employees on employment. The plans are defined contribution plan and contributions paid or payable is recognised as an expense in these periods in which the employee renders services in those respective countries.

#### *Gratuity*

Gratuity is a post employment benefit and is a defined benefit plan for its Indian employees. The liability recognised in the Balance Sheet represents the present value of the defined benefit obligation at the Balance Sheet date, less the fair value of plan assets (if any), together with adjustment for unrecognised actuarial gains or losses and past service cost. Independent actuaries using the Projected Unit Credit Method calculate the defined benefit obligation annually.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Statement of Profit and Loss in the year in which such gains or losses arises.

#### *Compensated absences*

The Company has a vacation policy by which employee can carry forward the eligible leaves and avail on a future date, however the same is not encashable. Liability in respect of vacation expected to be availed within one year from the Balance Sheet date is recognised on the basis of estimated value of benefit expected to be availed by the employees. Liability in respect of vacation expected to be availed more than one year after the Balance Sheet date is estimated on the basis of actuarial valuation.



## Notes to financial statements for the year ended 31 March 2012 (Cont'd)

### (k) Income taxes

#### *Current tax*

Provision is made for income tax under the tax payable method, based on the liability computed, after taking credit for allowances and exemptions. Minimum Alternative Tax ("MAT") paid in accordance with the tax laws which gives rise to future economic benefits in the form of adjustments of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax. Accordingly, it is recognised as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably. Tax expenses comprise both current and deferred taxes.

#### *Deferred tax*

Deferred tax charge or credit reflects the tax effect of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each Balance Sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

### (l) Provisions and contingent liabilities

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. Where there is a possible obligation or 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.

### (m) Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares).

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.

### (n) Derivative instruments and hedge accounting

Pursuant to the ICAI Announcement on accounting for derivatives and ability to early adopt Accounting Standard 30-Financial Instruments: "Recognition and Measurement" (AS 30), the Company has early adopted AS 30 with effect from 1 April 2011, to the extent that the adoption does not conflict with existing mandatory accounting standards and other authoritative pronouncements, company law and other regulatory requirements. The Company uses foreign exchange forwards contracts to hedge its exposure to movements in foreign exchange rates. These foreign exchange forward contracts are not used for trading or speculation purposes.

The accounting policies for forwards contracts are based on whether they meet the criteria for designation as effective cash flow hedges. To designate a forward contract as an effective cash flow hedge, the Company objectively evaluates with appropriate supporting documentation at the inception of the each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. Effective hedge is generally measured by comparing the cumulative change in the fair value of the hedge contract with a cumulative change in the fair value of the hedged item.

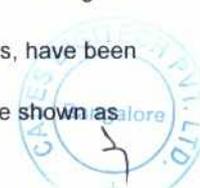
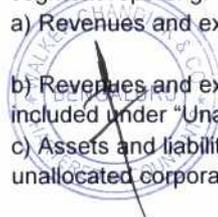
For forward contracts that are designated as effective cash flow hedges, the gain or loss from the effective portion of the hedge is recorded and reported directly in the shareholders' fund (under the head "Hedge Reserve") and are reclassified into the Statement of Profit and Loss upon the occurrence of the hedged transactions.

The Company recognises gains or losses from changes in fair values of forward contracts that are not designated as effective cash flow hedges for accounting purposes in the Statement of Profit and Loss in the period the fair value changes occur.

### (o) Segment reporting

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

- Revenues and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.
- 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 revenues and expenses".
- 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.



## Notes to the financial statements for the year ended 31 March 2012 (Cont'd)

	As at 31 March 2012		As at 31 March 2011	
	Number	₹	Number	₹
<b>2 SHARE CAPITAL</b>				
<b>Authorised</b>				
Equity shares of ₹ 10 each	18,000,000	180,000,000	18,000,000	180,000,000
	<b>18,000,000</b>	<b>180,000,000</b>	<b>18,000,000</b>	<b>180,000,000</b>
<b>Issued, subscribed and paid up</b>				
Equity shares of ₹10 each, fully paid up	17,741,935	177,419,350	17,741,935	177,419,350
	<b>17,741,935</b>	<b>177,419,350</b>	<b>17,741,935</b>	<b>177,419,350</b>

Of the above, 9,067,000 (31 March 2011 - 9,067,000) equity shares of ₹10 each are held by Axis-IT&T Limited, the Holding Company and its nominees.

## a. Reconciliation of the equity share capital

	As at 31 March 2012		As at 31 March 2011	
	Number	₹	Number	₹
Balance at the beginning of the year	17,741,935	177,419,350	15,000,000	150,000,000
Add : Issued during the year	-	-	2,741,935	27,419,350
<b>Balance at the end of the year</b>	<b>17,741,935</b>	<b>177,419,350</b>	<b>17,741,935</b>	<b>177,419,350</b>

## b. Terms and rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each equity share is entitled to one vote per share.

The dividend, if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting shall be payable in Indian rupees. In the event of liquidation of the company, the shareholders will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

## c. Shares held by holding and intermediate holding companies

	As at 31 March 2012		As at 31 March 2011	
	Number	₹	Number	₹
Axis-IT&T Limited - Holding Company	9,067,000	90,670,000	9,067,000	90,670,000
Jupiter Capital Private Limited - Intermediate Holding Company	4,198,715	41,987,150	4,198,715	41,987,150
Indian Aero Ventures Private Limited - Intermediate Holding Company	4,435,483	44,354,830	4,435,483	44,354,830
	<b>17,701,198</b>	<b>177,011,980</b>	<b>17,701,198</b>	<b>177,011,980</b>

## d. Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	Number	₹	Number	₹
(i) Axis-IT&T Limited	9,067,000	90,670,000	9,067,000	90,670,000
(ii) Jupiter Capital Private Limited	4,198,715	41,987,150	4,198,715	41,987,150
(iii) Indian Aero Ventures Private Limited	4,435,483	44,354,830	4,435,483	44,354,830
	<b>17,701,198</b>	<b>177,011,980</b>	<b>17,701,198</b>	<b>177,011,980</b>



## Notes to the financial statements for the year ended 31 March 2012 (Cont'd)

	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>3 RESERVES AND SURPLUS</b>		
<b>Securities premium account</b>		
Balance at the beginning of the year	654,961,656	372,542,351
Add: premium on issue of equity shares	-	282,419,305
<b>Balance at the end of the year</b>	<b>654,961,656</b>	<b>654,961,656</b>
<b>Deficit in the statement of profit and loss</b>		
Balance at the beginning of the year	(488,141,623)	(507,122,940)
Add : Net profit for the year	2,039,434	18,981,316
<b>Balance at the end of the year</b>	<b>(486,102,189)</b>	<b>(488,141,624)</b>
<b>Hedge reserve</b>		
Balance at the beginning of the year	-	-
Loss for the year	(8,141,154)	-
<b>Balance at the end of the year</b>	<b>(8,141,154)</b>	<b>-</b>
<b>Total</b>	<b>160,718,313</b>	<b>166,820,032</b>

**4 BORROWINGS**

	As at 31 March 2012		As at 31 March 2011	
	Long-term ₹	Short-term ₹	Long-term ₹	Short-term ₹
<b>Secured</b>				
Term loan from bank	13,300,000	-	19,000,000	-
Less: Current maturities of long-term borrowings (Also, refer note 8)	(7,600,000)	-	(5,700,000)	-
Packing credit in foreign currency from bank	-	133,446,368	-	96,504,241
<b>Total borrowings</b>	<b>5,700,000</b>	<b>133,446,368</b>	<b>13,300,000</b>	<b>96,504,241</b>

**(a) Details of security for borrowings**

Term loans and packing credit facility from bank are secured by first exclusive charge on both moveable and immovable assets, current assets and by corporate guarantees from Axis-IT&T Limited and Axis Aerospace & Technologies Limited.

**(b) Terms of repayment of borrowings**

Term loans having an interest rate of Yes Bank base rate plus 5% are repayable from September 2011 over 10 equal quarterly instalments.

Packing credit in foreign currency from bank having an interest rate of 3% - 6% are repayable over maximum tenure of 180 days from the date of respective availment.

	As at 31 March 2012		As at 31 March 2011	
	Long-term ₹	Short-term ₹	Long-term ₹	Short-term ₹
<b>5 PROVISIONS</b>				
<b>Provision for employee benefits</b>				
Gratuity (Also, refer note (a) below)	6,556,698	579,843	6,408,647	567,243
Compensated absences	3,402,516	811,360	3,249,317	543,337
	<b>9,959,214</b>	<b>1,391,203</b>	<b>9,657,964</b>	<b>1,110,580</b>
<b>Other provisions</b>				
Foreign tax, net of advance tax	2,740,867	-	3,176,122	-
Fringe benefit tax, net of advance tax	129,445	-	129,445	-
	<b>2,870,312</b>	<b>-</b>	<b>3,305,567</b>	<b>-</b>
	<b>12,829,526</b>	<b>1,391,203</b>	<b>12,963,531</b>	<b>1,110,580</b>



## Notes to the financial statements for the year ended 31 March 2012 (Cont'd)

### a) Gratuity

The Company has provided for the gratuity liability (defined benefit plan), for its Indian employees as per actuarial valuation carried out by an independent actuary on the Balance Sheet date.

	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Defined benefit obligation at the beginning of the year	6,975,890	6,322,466
Current service cost	1,670,429	1,830,426
Interest cost	514,427	207,554
Benefits paid	(1,847,627)	(1,323,821)
Actuarial gains	(176,578)	(60,735)
Defined benefit obligation at the end of the year	<u>7,136,541</u>	<u>6,975,890</u>
<b>Components of net gratuity costs are</b>		
Current service cost	1,670,429	1,830,426
Interest on defined benefit obligation	514,427	207,554
Net actuarial gains	(176,578)	(60,735)
Expenses recognised in the Statement of Profit and Loss for the year	<u>2,008,278</u>	<u>1,977,245</u>
<b>Amount recognised in the Balance Sheet are as follows</b>		
Present value of unfunded obligations as at the end of the year	7,136,541	6,975,890
Net liability recognised in the Balance sheet	<u>7,136,541</u>	<u>6,975,890</u>

### b) The principal assumptions used in determining gratuity and compensated absence obligations for the company's plans are shown below:

Discount rate	8.5%	8.0%
Salary escalation rate	5.0%	5.0%
Retirement age	60 Years	60 Years

## 6 EMPLOYEE BENEFIT OBLIGATION

### a) Defined contribution plan

The Company makes contribution of statutory provident fund as per Employees Provident Fund and Miscellaneous Provision Act, 1952 for its employees in India. This is a defined contribution plan as per AS 15. Contribution made during the year ended 31 March 2012 is ₹ 11,175,071 (31 March 2011 - ₹ 10,653,974).

### b) Social security

The Company makes contribution towards social security charges for its employees located in respective foreign geographies which is a defined contribution plan. The plan is a defined contribution plan and contributions paid or payable is recognised as an expenses in the period in which the employee renders services in respective foreign geographies. Contribution made during the year ended 31 March 2012 is ₹ 22,882,112 (31 March 2011 - ₹ 11,065,706).

## 7 TRADE PAYABLES

	As at 31 March 2012 ₹	As at 31 March 2011 ₹
Dues to micro and small enterprises (Also, refer note (a) below)	-	-
Dues to others	99,809,614	42,859,643
Accrued expenses	6,788,037	17,078,505
Dues to employees	34,026,936	26,946,773
	<u>140,624,587</u>	<u>86,884,921</u>

a) The management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006 (MSMEDA). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2012 has been made in the financials statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the MSMEDA is not expected to be material.

## 8 OTHER CURRENT LIABILITIES

Duties and taxes payable	46,370,082	53,353,584
Current maturities of long-term borrowings (Also, refer note 4)	7,600,000	5,700,000
Hedge liability	8,141,154	-
Advances from customers	2,128,472	1,353,293
Unearned revenue	-	2,541,413
	<u>64,239,708</u>	<u>62,948,290</u>

## Notes to the financial statements for the year ended 31 March 2012 (Cont'd)

## 9 TANGIBLE ASSETS

(Amount in ₹)

	Computers	Furniture and fixtures	Office equipments	Leasehold improvements	Total
<b>Gross block</b>					
Balance as at 1 April 2010	38,872,186	3,738,504	4,697,182	8,512,280	55,820,152
Additions	1,647,442	52,140	948,472	-	2,648,054
Balance as at 31 March 2011	40,519,628	3,790,644	5,645,654	8,512,280	58,468,206
Additions	15,616,791	415,663	610,749	-	16,643,203
<b>Balance as at 31 March 2012</b>	<b>56,136,419</b>	<b>4,206,307</b>	<b>6,256,403</b>	<b>8,512,280</b>	<b>75,111,409</b>
<b>Accumulated depreciation and amortisation</b>					
Balance as at 1 April 2010	33,194,102	3,719,801	4,296,871	6,580,720	47,791,494
Charge for the year	2,573,144	12,862	128,418	1,216,405	3,930,829
Balance as at 31 March 2011	35,767,246	3,732,663	4,425,289	7,797,125	51,722,323
Charge for the year	6,018,925	57,245	261,211	715,155	7,052,536
<b>Balance as at 31 March 2012</b>	<b>41,786,171</b>	<b>3,789,908</b>	<b>4,686,500</b>	<b>8,512,280</b>	<b>58,774,859</b>
<b>Net Block</b>					
Balance as at 31 March 2011	4,752,382	57,981	1,220,365	715,155	6,745,883
Balance as at 31 March 2012	<b>14,350,248</b>	<b>416,399</b>	<b>1,569,903</b>	-	<b>16,336,550</b>

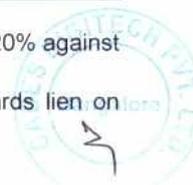
## 10 INTANGIBLE ASSETS

	Computer software	Total
<b>Gross block</b>		
Balance as at 1 April 2010	126,730,092	126,730,092
Additions	32,119,613	32,119,613
Balance as at 31 March 2011	158,849,705	158,849,705
Additions	51,312,312	51,312,312
<b>Balance as at 31 March 2012</b>	<b>210,162,017</b>	<b>210,162,017</b>
<b>Accumulated depreciation and amortisation</b>		
Balance as at 1 April 2010	97,340,009	97,340,009
Charge for the year	20,602,815	20,602,815
Balance as at 31 March 2011	117,942,824	117,942,824
Charge for the year	36,044,984	36,044,984
<b>Balance as at 31 March 2012</b>	<b>153,987,808</b>	<b>153,987,808</b>
<b>Net block</b>		
Balance as at 31 March 2011	40,906,881	40,906,881
<b>Balance as at 31 March 2012</b>	<b>56,174,209</b>	<b>56,174,209</b>



## Notes to the financial statements for the year ended 31 March 2012 (Cont'd)

	As at 31 March 2012 ₹	As at 31 March 2011 ₹
<b>11 NON-CURRENT INVESTMENTS</b> (Valued at cost unless stated otherwise)		
<b>Trade</b>		
<b>Investments in equity shares</b>		
In subsidiary - Cades Technology Canada Inc. 100 equity shares (31 March 2011 - 100) of CAN\$ 1 each	4,596	4,596
<b>Others</b>		
Investment in government securities	5,000	5,000
	<u>9,596</u>	<u>9,596</u>
Aggregate amount of Unquoted investments	9,596	9,596
<b>12 DEFERRED TAXES</b>		
<b>Deferred tax assets</b>		
Provision for employee benefits	188,789	-
Unabsorbed depreciation loss	7,818,538	1,995,300
<b>Total</b>	<u>8,007,327</u>	<u>1,995,300</u>
<b>Deferred tax liabilities</b>		
Timing difference on depreciation and amortisation	8,007,327	1,995,300
<b>Total</b>	<u>8,007,327</u>	<u>1,995,300</u>
<b>Deferred tax asset, net</b>	<u>-</u>	<u>-</u>
<b>13 TRADE RECEIVABLES</b> (Unsecured)		
Outstanding for a period exceeding six months from the date they are due for payment		
Considered good	28,355,790	7,985,908
Doubtful	66,129,490	58,455,014
	<u>94,485,280</u>	<u>66,440,922</u>
Other debts		
Considered good	288,648,554	284,618,486
	<u>383,133,834</u>	<u>351,059,408</u>
Less : Allowances for doubtful debts	(66,129,490)	(58,455,014)
	<u>317,004,344</u>	<u>292,604,394</u>
<b>14 CASH AND BANK BALANCES</b>		
<b>Cash and cash equivalents</b>		
Cash on hand	7,485	22,790
Balances with banks:		
- in current accounts	2,541,799	17,337,086
- in exchange earner's foreign currency accounts	1,686,374	377,208
	<u>4,228,173</u>	<u>17,714,294</u>
<b>Other bank balances</b>		
Deposits with maturity more than 3 months but less than 12 months	41,397,982	122,215,036
	<u>41,397,982</u>	<u>122,215,036</u>
	<u>45,633,640</u>	<u>139,952,120</u>
<b>Fixed deposits given as security</b>		
Fixed deposits of a carrying amount ₹ 30,000,000 (31 March 2011: ₹ 119,434,000) have been deposited as margin money at 20% against the Packing credit facility loan availed from the Yes Bank.		
Deposits of a carrying amount ₹ 1,397,982 (31 March 2011: ₹ 2,781,036) have been deposited as bank guarantee towards lien on customs department and various customers.		



## Notes to the financial statements for the year ended 31 March 2012 (Cont'd)

### 15 LOANS AND ADVANCES

	As at		As at	
	31 March 2012		31 March 2011	
	Long term ₹	Short term ₹	Long term ₹	Short term ₹
<b>Security deposit</b>				
Unsecured, considered good	29,984,294	8,069,554	25,844,663	5,455,250
	<u>29,984,294</u>	<u>8,069,554</u>	<u>25,844,663</u>	<u>5,455,250</u>
<b>Loan and advances to related parties</b>				
Unsecured, considered good				
Advance to subsidiary	-	4,439,784	-	5,988,698
	<u>-</u>	<u>4,439,784</u>	<u>-</u>	<u>5,988,698</u>
<b>Other loans and advances</b>				
Unsecured, considered good				
Advance taxes (net of provision for taxation)	20,650,972	-	21,857,855	-
Service tax input credit	12,844,992	-	2,142,478	-
Prepaid expenses	-	13,002,207	-	5,445,255
Advances to employees	-	2,035,941	-	1,806,483
Inter corporate deposit	-	-	-	27,250,000
Supplier advances	-	927,571	-	-
Advances recoverable in cash or kind	-	3,000,000	-	-
	<u>33,495,964</u>	<u>18,965,719</u>	<u>24,000,333</u>	<u>34,501,738</u>
	<u><b>63,480,258</b></u>	<u><b>31,475,057</b></u>	<u><b>49,844,996</b></u>	<u><b>45,945,686</b></u>

### 16 OTHER CURRENT ASSETS

	As at	As at
	31 March 2012 ₹	31 March 2011 ₹
Unbilled revenue	67,437,397	27,161,278
Interest accrued	3,329,669	2,060,404
Service tax input credit	10,012,112	12,719,707
VAT input credit overseas	8,312,823	-
	<u><b>89,092,001</b></u>	<u><b>41,941,389</b></u>



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## Notes to the financial statements for the year ended 31 March 2012 (Cont'd)

	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
<b>17 REVENUE</b>		
<b>Revenue from operations</b>		
Engineering Design Services		
Export	699,068,168	599,140,613
Domestic	102,062,022	108,441,023
	<b>801,130,190</b>	<b>707,581,636</b>
<b>18 OTHER INCOME</b>		
Interest income		
- From current investments	8,491,220	3,692,298
- Income-tax refund	1,010,225	1,025,234
Miscellaneous income	209,688	839,395
	<b>9,711,133</b>	<b>5,556,927</b>
<b>19 EMPLOYEE BENEFIT EXPENSES</b>		
Salaries, wages and bonus	461,219,991	385,041,134
Gratuity (Also, refer note 5(a))	2,008,278	1,977,245
Contribution to provident fund	11,175,071	10,653,974
Contribution to other funds	24,473,315	15,193,117
Staff welfare expenses	6,411,268	5,625,404
	<b>505,287,923</b>	<b>418,490,874</b>
<b>20 OTHER EXPENSES</b>		
Rent	39,593,486	35,422,323
Power and fuel	6,930,949	6,063,357
Direct project expenses	56,002,126	58,185,010
Travelling and conveyance	48,860,319	43,481,673
Repairs and maintenance		
-Buildings	4,754,183	6,073,501
-Others	696,252	1,934,011
Insurance expenses	97,287	113,007
Rates and taxes	5,142,047	3,733,742
Auditors remuneration (Also, refer note 30)	437,687	429,019
Software subscription charges	24,092,747	15,630,362
Foreign exchange loss, net	2,096,120	2,685,715
Communication expenses	11,751,108	8,151,169
Equipment hire charges	11,468,237	5,490,096
Recruitment and training expenses	8,190,128	2,635,328
Legal and professional charges	7,709,036	17,482,361
Advertisement and marketing	7,363,059	5,886,016
Sales commission and brokerage	4,216,466	11,938,039
Printing and stationery	1,036,883	1,030,527
Security charges	1,339,140	1,229,828
Postage and courier charges	761,819	418,066
Miscellaneous expenses	48,737	442,485
Directors sitting fees	330,000	110,000
	<b>242,917,816</b>	<b>228,565,635</b>



## Notes to the financial statements for the year ended 31 March 2012 (Cont'd)

	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
<b>21 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Depreciation of tangible assets (Also, refer note 9)	7,052,536	3,930,829
Amortisation of intangible assets (Also, refer note 10)	36,044,984	20,602,815
	<b>43,097,520</b>	<b>24,533,644</b>
<b>22 FINANCE COSTS</b>		
Interest on loans		
- term loan	3,121,608	3,121,608
- working capital loan	7,487,460	10,457,260
Processing fee and other bank charges	1,073,126	2,749,198
	<b>11,682,194</b>	<b>16,328,066</b>
<b>23 EARNINGS PER SHARE (EPS)</b>	<b>Year ended 31 March 2012</b>	<b>Year ended 31 March 2011</b>
a) Profit after tax attributable to equity shares (in ₹)	2,039,434	18,981,316
b) Weighted average number of shares outstanding	17,741,935	15,631,021
c) Nominal value of shares (in ₹)	10	10
d) Basic and diluted earning per share (in ₹)	0.11	1.21



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## Notes to the financial statements for the year ended 31 March 2012 (Cont'd)

### 24 SEGMENT INFORMATION

- a) The Company has only one business segment viz. engineering design services. Hence no further disclosures are required other than those already made in financial statements.

Secondary segment reporting based on the location of the Company's customers is as detailed below.

#### Geographical segment

Particulars	Region	Year ended	Year ended
		31 March 2012	31 March 2011
		₹	₹
Segment revenue from external customers	Europe	629,886,661	439,871,572
	Asia Pacific	130,480,924	185,061,355
	USA	40,762,606	82,648,709
		<b>801,130,191</b>	<b>707,581,636</b>
Segment assets (excluding fixed assets)	Europe	304,557,389	242,693,543
	Asia Pacific	151,600,400	254,151,785
	USA	18,680,009	28,563,118
		<b>526,034,328</b>	<b>569,943,018</b>
Capital expenditure	Europe	79,817,972	421,040
	Asia Pacific	799,877	1,000,612
Unallocated corporate capital expenditure		64,501,066	33,346,015
		<b>145,118,915</b>	<b>34,767,667</b>
Segment - fixed assets - gross block	Europe	3,505,735	851,164
	Asia Pacific	18,828,142	18,028,265
	USA	230,072	230,072
		<b>262,709,477</b>	<b>198,208,411</b>
Unallocated gross block		<b>285,273,426</b>	<b>217,317,911</b>
Segment - accumulated depreciation	Europe	1,070,090	405,537
	Asia Pacific	17,055,538	16,034,764
	USA	230,072	230,072
		<b>194,406,966</b>	<b>152,994,772</b>
Unallocated accumulated depreciation		<b>212,762,666</b>	<b>169,665,145</b>
Segment - fixed assets - net block	Europe	2,435,645	445,627
	Asia Pacific	1,772,603	1,993,500
Unallocated net block		68,302,511	45,213,639
		<b>72,510,759</b>	<b>47,652,766</b>
Segment liabilities	Europe	98,306,536	64,375,647
	Asia Pacific	90,152,179	78,918,617
	USA	664,426	493,381
		<b>189,123,141</b>	<b>143,787,645</b>
Segment provisions	Europe	-	(22,935)
	Asia Pacific	11,350,417	14,097,045
Unallocated corporate provision		8,141,154	-
		<b>19,491,571</b>	<b>14,074,110</b>



## Notes to the financial statements for the year ended 31 March 2012 (Cont'd)

### 25 RELATED PARTY DISCLOSURES

#### i. Parties where control exists :

Nature of relationship

Holding company information

Name of party

The Company is a subsidiary of Axis-IT&T Limited which is a subsidiary of Tayana Digital Private Limited (demerged from Tayana Software Solutions Private Limited) which is a subsidiary of Axis Aerospace & Technologies Limited. ('AATL', formerly known as Jupiter Strategic Technologies Private Limited'). AATL, a venture funded by Jupiter Capital Private Limited ('JCPL'), is a subsidiary of the JCPL.

Subsidiary Company

Cades Technology Canada Inc.

#### ii. Key Management Personnel:

Chairman and Director

Mr. S Ravinarayanan

#### iii. Transactions with related parties:

(Amount in ₹)

	Nature of transaction	Holding Company / Intermediate Holding Company		Subsidiary/ Fellow subsidiary		Total	
		31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
<b>A Unsecured loan repaid</b>	Asianet TV Holding Private Limited Axis Aerospace & Technologies Limited	-	-	-	175,000,000	-	175,000,000
		-	5,000,000	-	-	-	5,000,000
<b>B Interest on unsecured loans</b>	Asianet TV Holding Private Limited Axis Aerospace & Technologies Limited	-	-	-	10,356,164	-	10,356,164
		-	101,096	-	-	-	101,096
<b>C Rent</b>	Hindusthan Infrastructure Projects & Engineering Private Limited	-	-	3,626,924	3,603,504	3,626,924	3,603,504
<b>D Management fee charges</b>	Axis Aerospace & Technologies Limited	-	11,890,322	-	-	-	11,890,322
<b>E Engineering services income</b>	Axis Aerospace & Technologies Limited Axis-IT&T Limited	-	513,073	-	-	-	513,073
		-	495,523	-	-	-	495,523
<b>F Recovery of expenses</b>	Axis Inc. Cades Technology Canada Inc. Axis Aerospace & Technologies Limited	-	-	3,863,390	403,708	3,863,390	403,708
		-	-	4,241,599	5,988,698	4,241,599	5,988,698
		31,263,761	8,904,425	-	-	31,263,761	8,904,425



## Notes to the financial statements for the year ended 31 March 2012 (Cont'd)

iii. Transactions with related parties (Contd):

(Amount in ₹)

	Nature of Transaction	Holding Company / Intermediate Holding Company		Subsidiary/ Fellow subsidiary		Total	
		31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
<b>G</b>	<b>Reimbursement of expenses to the Company</b> Axis-IT&T Limited	-	197,696	-	-	-	197,696
<b>H</b>	<b>Inter corporate deposit extended</b> Axis Aerospace & Technologies Limited	38,000,000	29,500,000	-	-	38,000,000	29,500,000
<b>I</b>	<b>Inter corporate deposit repaid</b> Axis Aerospace & Technologies Limited	65,250,000	2,250,000	-	-	65,250,000	2,250,000
<b>J</b>	<b>Inter corporate deposit received</b> Axis-IT&T Limited	-	2,000,000	-	-	-	2,000,000
<b>K</b>	<b>Inter corporate deposit repaid</b> Axis-IT&T Limited	-	2,000,000	-	-	-	2,000,000
<b>L</b>	<b>Interest income on inter-corporate deposit</b> Axis Aerospace & Technologies Limited	1,316,816	77,826	-	-	1,316,816	77,826
<b>M</b>	<b>Engineering services received</b> Axis-IT&T Limited	-	5,981,414	-	-	-	5,981,414
<b>N</b>	<b>Rent deposit</b> Hindustan Infrastructure Projects & Engineering Private Limited	-	-	-	2,250,000	-	2,250,000
<b>O</b>	<b>Corporate guarantee received</b> Axis Aerospace & Technologies Limited Axis-IT&T Limited	215,800,000 150,000,000	215,800,000 150,000,000	- -	- -	215,800,000 150,000,000	215,800,000 150,000,000



## Notes to the financial statements for the year ended 31 March 2012 (Cont'd)

iv. Balances as at the year end:

(Amount in ₹)

Nature of Transaction	Holding Company / Intermediate Holding		Subsidiary/ Fellow subsidiary		Total	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
<b>A Other current liabilities</b>						
<i>Rent payable</i>						
Hindusthan Infrastructure Projects & Engineering Private Limited	-	-	654,034	2,432,362	654,034	2,432,362
<i>Management fees</i>						
Axis Aerospace & Technologies Limited	-	1,485,401	-	-	-	1,485,401
<i>Engineering service</i>						
Axis-IT&T Limited	-	1,050,668	-	-	-	1,050,668
<i>Reimbursement of expense</i>						
Axis-IT&T Limited	-	302,431	-	-	-	302,431
Axis Inc.	-	-	3,863,390	52,190	3,863,390	52,190
<b>B Trade receivables</b>						
<i>Expenses recoverable</i>						
Axis Aerospace & Technologies Limited	40,998,962	9,821,581	-	-	40,998,962	9,821,581
<i>Engineering services</i>						
Axis-IT&T Limited	-	495,523	-	-	-	495,523
<b>C Loans and advances</b>						
<i>Intercompany deposit</i>						
Axis Aerospace & Technologies Limited	-	27,250,000	-	-	-	27,250,000
<b>D Other current asset</b>						
<i>Interest receivable on inter-company deposits</i>						
Axis Aerospace & Technologies Limited	-	77,826	-	-	-	77,826
<i>Reimbursement of expenses</i>						
Axis-IT&T Limited	-	104,735	-	-	-	104,735
<b>E Loans and advances</b>						
<i>Advances to subsidiary</i>						
Cades Technology Canada Inc.	-	-	4,439,783	5,988,698	4,439,783	5,988,698
<i>Rent deposit</i>						
Hindusthan Infrastructure Projects & Engineering Private Limited	-	-	2,250,000	2,250,000	2,250,000	2,250,000
<b>F Corporate guarantee received</b>						
Axis-IT&T Limited	150,000,000	150,000,000	-	-	150,000,000	150,000,000
Axis Aerospace & Technologies Limited						



## Notes to the financial statements for the year ended 31 March 2012 (Cont'd)

### 26 OPERATING LEASES

The lease expenses for cancellable and non-cancellable operating leases during the year ended 31 March 2012 was ₹ 39,593,486 (31 March 2011 : ₹ 35,422,323).

The details of lease commitments in terms of minimum lease payments within the non-cancellable period are as follows:

Payments falling due:	As at 31 March 2012 ₹	As at 31 March 2011 ₹
Payable not later than 1 year	24,379,484	16,005,421
Payable later than 1 year not later than five years	67,908,375	257,450
Payable later than five years	-	-
	<b>92,287,859</b>	<b>16,262,871</b>

The Company's significant leasing arrangements in respect of operating leases for office premises, which includes both cancellable and non cancellable leases and range between 11 months and 3 years generally and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under Note 20 to the financial statements.

### 27 COMMITMENT AND CONTINGENCIES

Estimated amounts of contracts remaining to be executed not provided (net of advances) ₹ 24,404,934 (31 March 2011 - ₹ 1,315,818).

28 As at 31 March 2012, trade receivables include a sum of ₹ 66,129,490 (31 March 2011 - ₹ 58,455,014) receivables in foreign currency and outstanding for more than 365 days. In this regard, the Company has filed for an approval for an extension of time to collect this amount with its authorised dealer as per the required provisions of Foreign Exchange Management Act, 1999.

### 29 PARTICULARS RELATING TO FOREIGN EXCHANGE

	Year ended 31 March 2012 ₹	Year ended 31 March 2011 ₹
<b>Earnings in foreign exchange (accrual basis)</b>		
Income from operations	699,068,168	599,152,206
<b>Expenditure in foreign currency</b>		
Salaries, wages and bonus	457,066,347	238,676,156
Other general expenses	8,509,002	6,519,378
Professional fees	5,557,419	-
Advance to subsidiary	-	4,167,939
Travel costs	16,619,636	17,802,797
	<b>487,752,404</b>	<b>267,166,270</b>
<b>Value of imports on CIF basis</b>		
Capital goods	8,684,234	1,729,474
	<b>8,684,234</b>	<b>1,729,474</b>

### 30 PAYMENT TO AUDITORS

Statutory audit fee *	425,000	425,000
Out of pocket expenses	12,687	4,019
<b>TOTAL</b>	<b>437,687</b>	<b>429,019</b>

Note: \* excluding service tax

### 31 HEDGING AND DERIVATIVES

Pursuant to the adoption of AS 30 with effect from 1 April 2011, the loss on fair valuation on forward contracts, which qualify as effective cash flow hedges amounting to ₹ 8,141,154 has been recognised in the hedge reserve account. The impact of the adoption of AS 30 did not have any material impact on the opening reserves of the Company.

a) The following are the outstanding derivatives contracts entered into by the Company:

31 March 2012 Category	Currency	Buy / Sell	Amount	Purpose
Forward contracts	USD	Sell	2,240,227	Hedging



## Notes to the financial statements for the year ended 31 March 2012 (Cont'd)

b) The Company's unhedged foreign currency exposures not hedged are as follows:

Particulars		31 March 2012			31 March 2011		
Included in	Currency	Conversion rate	Amount in foreign currency	Amount in ₹	Conversion rate	Amount in foreign currency	Amount in ₹
Trade receivables	USD	51.1565	1,671,306	85,498,176	44.65	1,382,341	61,721,520
	EURO	68.3403	657,703	44,947,638	63.24	2,869,806	181,486,517
Trade payables	USD	51.1565	133,549	6,831,925	44.65	68,497	3,058,391
	EURO	68.3403	1,019,429	69,668,085	63.24	811,547	51,322,232
	GBP	81.80	3,157	258,240	71.93	5,457	392,522
	JPY	0.62	100,000	62,430	0.54	100,000	54,020
	KRW	0.04	1,377,790	61,910	-	-	-
Salary payable	USD	51.1565	18,530	947,943	44.65	33,987	1,517,520
	EURO	68.3403	255,826	17,483,234	63.24	143,726	9,089,262
	GBP	81.80	-	-	71.93	953	68,573
	JPY	0.62	482,731	301,369	0.54	481,189	259,938
PCFC loans	USD	51.1565	2,475,000	126,612,338	-	-	-
	EURO	68.3403	100,000	6,834,030	63.24	1,526,000	96,504,241

32 The Board of Directors ('the Board') of the Company at their meeting held on 12 September 2011 have approved a Scheme of Arrangement for the merger of Cades Digitech Private Limited, a subsidiary of Axis-IT&T Limited ('the Holding Company') and other entities into Axis Aerospace & Technologies Limited ('AAT') subject to necessary approvals. The requisite steps for these activities are under process as at 31 March 2012.

### 33 PREVIOUS YEAR FIGURES

The financial statements for the year ended 31 March 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31 March 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification.

For and on behalf of the Board of Directors

  
Kedar Nath Choudhury  
Director

  
Pradeep Dadlani  
Director

  
Kirit Manek  
Vice President-Finance

  
Poonam Joshi  
Company Secretary

Noida  
28 May 2012

