

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2014

To The Members

Your Directors are pleased to present their report on the business operations of the company for the period from 1st April 13 to 31st March 14 and subsequent events to date. While audit is not mandated in US for small enterprises, however Axis Inc. has got its accounts audited by Walker Chandiook & Co LLP (formerly Walker Chandiook & Co), Chartered Accountants, for the purpose of consolidation of its accounts with its parent company Axis-IT&T Limited in accordance with the statutory requirements in India .

I. Financial Results for 4/1/2013-3/31/2014 (in US\$)

	FY 2013-14	FY 2012-13
Total Income	14,795,983	23,130,970
Expenditures before I&D	14,899,591	22,794,085
Profit/ (Loss) before I&D	(103,608)	336,885
Interest Expenses	27,055	52,656
Depreciation	98,950	90,907
Net Profit / (Loss) before Tax	(229,613)	193,322
Profit / (Loss) after Tax	(188,861)	133,359

II. Business Activity

a. Present

Due to the challenging economic climate in US with our customers, we saw our revenue decline compared to last financial year. The company focused on rationalizing the cost structure to minimize the impact of declining revenues. We strengthened and expanded our global relationship with Caterpillar with increased participation in their NPI/CPI and Manufacturing Engineering initiatives, and, together with Axis IT&T, have continued to hold our position as their largest Global Engineering Services Supplier. We enhanced our services portfolio by involving in several programs from concept to finish.

b. Future Challenges & Opportunities

While the growth of our Customer's market continues to be sluggish, with unfavorably low demands in the areas like mining, construction and cautious capital & discretionary spend, resulting in surplus inventory. However, we are seeing signs of recovery in several pockets of our interest in Europe, China, we will continue to build on our effective growth strategy with our existing customers while pursuing new ones. We would be intensifying our efforts to align and engage closely with all our clients to consolidate our footprint within their ecosystem across product groups, strategic programs and locations. For new business pursuit & acquisition, we are confident that our investments towards domain and market engagement programs in Heavy Engineering would bear results in the coming quarters. In summary, we are poised for increased growth during 2014-15.

III. Directors

The Directors of the company currently are as follows:

- | | |
|---------------------------|--------------------------|
| 1. S. Ravi Narayanan | Director, Chairman & CEO |
| 2. Rohit Chand | Director |
| 3. Suvra Basu | Director |
| 4. Kirit Manek | Director |
| 5. S. Valmeekanathan | Director |
| 6. Sreedhar Rao Ellentala | Director & Secretary |

Mr. Murali Krishna resigned from the position of Director, President, Secretary & Treasurer w.e.f 28th February 2014 and Mr. Sreedhar Rao Ellentala was appointed as the Director & Secretary & Mr. Paul Letcher as Treasurer w.e.f. 6th May 2014. Mr. S. Valmeekanathan was appointed as Director w.e.f. 6th May 2014.

IV. Officers

- | | |
|---------------------------|---------------------------|
| 1. S. Ravi Narayanan | Director , Chairman & CEO |
| 2. Sreedhar Rao Ellentala | Director & Secretary |
| 3. Paul Letcher | Treasurer |

V. Subsidiary & Joint Ventures

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.

On behalf of the Board

Sd/-

S. Valmeekanathan
Director

Date: 16.05.2014

Financial statements and Auditors' report

Axis Inc

31 March 2014

Walker Chandiook & Co LLP
(Formerly Walker, Chandiook & Co)
"WINGS", First Floor
16/1, Cambridge Road
Ulsoor, Bengaluru 560008
India

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Independent Auditors' Report

To the Board of Directors of Axis Inc.

Report on the Financial Statements

1. We have audited the accompanying financial statements of Axis Inc., ("the Company"), which comprise the Balance Sheet as at 31 March 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards issued by the Institute of Chartered Accountants of India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Walker Chandiook & Co LLP

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
 - ii) in the case of Statement of Profit and Loss, of the loss for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Walker Chandiook & Co LLP

For Walker Chandiook & Co LLP

(formerly Walker, Chandiook & Co)

Chartered Accountants

Firm Registration No.: 001076N

Aasheesh Arjun Singh
per Aasheesh Arjun Singh
Partner
Membership No.: 210122



Bengaluru

16 May 2014

Balance Sheet

	NOTE	As at 31 March 2014 USD	As at 31 March 2013 USD
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2	2,247,227	2,247,227
Reserves and surplus	3	880,262	1,069,123
		<u>3,127,489</u>	<u>3,316,350</u>
NON CURRENT LIABILITIES			
Deferred tax liabilities, net	4	-	40,752
CURRENT LIABILITIES			
Short-term borrowings	5	16,983	1,824,080
Trade payables	6	811,233	439,901
Other current liabilities	7	331,215	290,383
		<u>1,159,431</u>	<u>2,554,364</u>
TOTAL		<u>4,286,920</u>	<u>5,911,466</u>
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	8	104,907	156,527
Intangible assets	9	33,762	55,103
Non-current investment	10	1,149,031	1,149,031
Long-term loans and advances	13	36,505	498,099
		<u>1,324,205</u>	<u>1,858,760</u>
CURRENT ASSETS			
Trade receivables	11	2,465,914	3,260,546
Cash and cash equivalents	12	21	13,099
Short-term loans and advances	13	118,105	245,540
Other current assets	14	378,675	533,521
		<u>2,962,715</u>	<u>4,052,706</u>
TOTAL		<u>4,286,920</u>	<u>5,911,466</u>

Notes 1 to 23 form an integral part of these financial statements.

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

Walker Chandiook & Co LLP

For Walker Chandiook & Co LLP

(formerly Walker, Chandiook & Co)

Chartered Accountants

Aashesh Arjun Singh
per Aashesh Arjun Singh
Partner



Bengaluru
16 May 2014

For and on behalf of the Board of Directors

Sreedhar Rao Ellentala

Sreedhar Rao Ellentala
Director

Bengaluru
16 May 2014

S. Valmeekanathan

S. Valmeekanathan
Director

Bengaluru
16 May 2014

Statement of Profit and Loss

	NOTE	Year Ended 31 March 2014 USD	Year Ended 31 March 2013 USD
INCOME			
Revenue from operations		14,774,782	23,129,123
Other income	15	21,201	1,847
TOTAL		14,795,983	23,130,970
EXPENSES			
Employee benefits expense	16	10,866,451	16,622,810
Other expenses	17	1,141,311	1,913,054
Sub-contracting charges		2,891,829	4,258,221
TOTAL		14,899,591	22,794,085
EARNINGS/ (LOSS) BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)		(103,608)	336,885
Depreciation and amortisation expense	18	98,950	90,907
Finance costs	19	27,055	52,656
PROFIT/ (LOSS) BEFORE TAX		(229,613)	193,322
Tax expense			
- Current tax		-	19,211
- Deferred tax (credit)/ charge		(40,752)	40,752
PROFIT/ (LOSS) FOR THE YEAR		(188,861)	133,359
Earnings/ (Loss) per equity share:	20		
Basic and diluted		(9.57)	6.76

Notes 1 to 23 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 Chandiook & Co LLP

For Walker Chandiook & Co LLP
(formerly Walker, Chandiook & Co)
Chartered Accountants

Aasheesh Arjun Singh
per Aasheesh Arjun Singh
Partner



Bengaluru
16 May 2014

For and on behalf of the Board of Directors

Sreedhar Rao Ellentala

Sreedhar Rao Ellentala
Director

Bengaluru
16 May 2014

S. Valmeekanathan

S. Valmeekanathan
Director

Bengaluru
16 May 2014

Cash Flow Statement

	Year Ended 31 March 2014 USD	Year Ended 31 March 2013 USD
Cash flows from operating activities		
Profit/ (Loss) before taxation	(229,613)	193,322
Adjustment for :		
Depreciation and amortisation expense	98,950	90,907
Interest expense	27,055	52,656
Interest income	(11,896)	(1,847)
Provision no longer required written back	(9,305)	-
Operating profit before working capital changes	(124,809)	335,038
Decrease in trade receivables	794,632	1,671,633
Decrease/ (Increase) in loans and advances	127,434	(112,324)
Decrease in other current assets	154,061	572,782
Increase/ (Decrease) in trade payables	383,881	(1,246,014)
Increase/ (Decrease) in other current liabilities	40,832	(78,673)
Cash generated from operations	1,376,031	1,142,442
Refund received/ (tax paid)	194,439	(354,521)
Net cash generated from operating activities	1,570,470	787,922
Cash flows from investing activities		
Purchase of fixed assets	(25,989)	(178,104)
Loans given to related party	(320,000)	(300,000)
Loans repaid by related party	587,155	123,571
Interest received	12,683	1,061
Net cash used in investing activities	253,849	(353,472)
Cash flows from financing activities		
Repayments of borrowings (net)	(1,807,097)	(372,831)
Interest paid	(30,299)	(48,940)
Net cash used in financing activities	(1,837,396)	(421,771)
Net (decrease)/ Increase in cash and cash equivalents	(13,077)	12,678
Cash and cash equivalents at beginning of the year	13,099	421
Cash and cash equivalents at the end of the year	21	13,099

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

Walker Chandiook & Co LLP

For Walker Chandiook & Co LLP
(formerly Walker, Chandiook & Co)
Chartered Accountants

Aasheesh Arjun Singh
per Aasheesh Arjun Singh
Partner



Bengaluru
16 May 2014

For and on behalf of the Board of Directors

Sreedhar Rao Ellentala

Sreedhar Rao Ellentala
Director

Bengaluru
16 May 2014

S. Valmeekanathan

S. Valmeekanathan
Director

Bengaluru
16 May 2014

Notes to the financial statements for the year ended 31 March 2014

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') and other pronouncements as issued by the Institute of Chartered Accountants of India ("ICAI"). The accounting policies applied by the Company are consistent with those used in the previous year unless otherwise stated.

The financial statements are presented in United States dollars ("USD") which is the Company's functional currency. All financial information is presented in USD, 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 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 and provisions for doubtful debts. 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 revenue represent costs incurred and revenue recognised on amounts to be billed in subsequent periods as per contractual terms. The related billings are made within the next operating cycle.

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend on investments is recognised when the right to receive dividend is established.

(d) Fixed assets and depreciation/amortisation

i) Tangible

Fixed assets are carried at the cost less accumulated depreciation 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.

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.

ii) Intangible

Intangible assets comprises of softwares and are stated at cost less accumulated amortisation and impairment losses.

iii) Depreciation and amortisation

Depreciation on fixed assets is provided on straight line method at rates based on the management's estimates of useful life, as follows:

Asset category	Estimated useful life (Years)
Computers	3
Furniture and fixtures	7
Office equipments	5
Leasehold improvements	Period of lease
Softwares	3-5

Depreciation/amortisation is charged on a proportionate basis for all the assets purchased and sold during the year. Fixed assets individually costing less than \$ 100 are fully depreciated/ amortised in the year of purchase.



Notes to the financial statements for the year ended 31 March 2014 (Cont'd)

1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) 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.

(f) 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.

(g) Finance costs

Finance 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) 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.

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

(i) Employee benefits

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

Social security

The Company contributes to social security charges for its employees. 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.

(j) 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. 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.



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Notes to the financial statements for the year ended 31 March 2014 (Cont'd)

1 SIGNIFICANT ACCOUNTING POLICIES (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. Net operating losses carryover 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) 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 recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

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.

(m) Earnings /(Loss) 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) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances (including deposits) with original maturity of three months or less.

o) Segment reporting

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

- 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 Company as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated corporate revenues and expenses".
- c) Assets and liabilities, which relate to the Company 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 2014 (Cont'd)

2 SHARE CAPITAL	As at 31 March 2014		As at 31 March 2013	
	Number	USD	Number	USD
Authorised				
Equity shares with no par value fully paid up	19,725	2,247,227	19,725	2,247,227
	<u>19,725</u>	<u>2,247,227</u>	<u>19,725</u>	<u>2,247,227</u>
Issued share capital				
Equity shares with no par value fully paid up	19,725	2,247,227	19,725	2,247,227
Subscribed and paid up				
Equity shares with no par value fully paid up	19,725	2,247,227	19,725	2,247,227
	<u>19,725</u>	<u>2,247,227</u>	<u>19,725</u>	<u>2,247,227</u>
a. Reconciliation of the equity share capital				
Balance at the beginning of the year	19,725	2,247,227	19,725	2,247,227
Add : Issued during the year	-	-	-	-
Balance at the end of the year	<u>19,725</u>	<u>2,247,227</u>	<u>19,725</u>	<u>2,247,227</u>

b. Terms and rights attached to equity shares

The Company has only one class of equity shares having a no par value. Each share is entitled to one vote per share. The Company declares and pays dividends in US Dollars

The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the company, the holders of equity shares 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 Company

	As at 31 March 2014		As at 31 March 2013	
	Number	USD	Number	USD
Axis-IT&T Limited	19,725	2,247,227	19,725	2,247,227

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

Axis-IT&T Limited	19,725	2,247,227	19,725	2,247,227
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3 RESERVES AND SURPLUS**Surplus in the Statement of Profit and Loss**

	As at 31 March 2014 USD	As at 31 March 2013 USD
Balance at the beginning of the year	1,069,123	935,764
Add : Net (loss)/ profit for the year	(188,861)	133,359
Balance at the end of the year	<u>880,262</u>	<u>1,069,123</u>



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Notes to the financial statements for the year ended 31 March 2014 (Cont'd)

	As at 31 March 2014 USD	As at 31 March 2013 USD
4 DEFERRED TAXES		
Deferred tax liability		
Timing difference on depreciation and amortisation	37,787	68,236
Total	<u>37,787</u>	<u>68,236</u>
Deferred tax asset		
Net operating losses	37,787	27,484
Total	<u>37,787</u>	<u>27,484</u>
Deferred tax liability, net	<u>-</u>	<u>(40,752)</u>

Note :

Deferred tax asset has been recognised on net operating losses which are available for carry forward as per local laws, to the extent of deferred tax liability recognised on timing difference on depreciation and amortisation.

	As at 31 March 2014 USD	As at 31 March 2013 USD
5 SHORT-TERM BORROWINGS (Secured)		
Line of credit from banks	16,983	1,824,080
	<u>16,983</u>	<u>1,824,080</u>

Line of credit facility is secured by tangible/intangible, current and non-current assets of the Company. The line of credit facility is repayable within one year from the date of availment and carries effective interest of LIBOR plus 2.50% p.a.

	As at 31 March 2014 USD	As at 31 March 2013 USD
6 TRADE PAYABLES		
Dues to related party	717,315	277,825
Dues to others	93,918	162,076
	<u>811,233</u>	<u>439,901</u>

7 OTHER CURRENT LIABILITIES

Book overdraft	120,805	29,167
Duties and taxes payable	14,142	32,250
Dues to employees	196,268	228,966
	<u>331,215</u>	<u>290,383</u>



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Notes to the financial statements for the year ended 31 March 2014 (Cont'd)

(Amount in USD)

8 TANGIBLE ASSETS

	Computers	Furniture and fixtures	Office equipments	Leasehold improvements	Total
Gross block					
Balance as at 1 April 2012	169,832	18,218	537,349	22,684	748,083
Additions	79,644	27,535	-	-	107,179
Balance as at 31 March 2013	249,476	45,753	537,349	22,684	855,262
Additions	1,086	21,453	-	-	22,539
Balance as at 31 March 2014	250,562	67,206	537,349	22,684	877,801
Accumulated depreciation					
Balance as at 1 April 2012	73,237	3,719	531,287	18,532	626,775
Charge for the year	59,135	6,170	2,503	4,152	71,960
Balance as at 31 March 2013	132,372	9,889	533,790	22,684	698,735
Charge for the year	62,845	9,346	1,968	-	74,159
Balance as at 31 March 2014	195,217	19,235	535,758	22,684	772,894
Net Block					
Balance as at 31 March 2013	117,104	35,864	3,559	-	156,527
Balance as at 31 March 2014	55,345	47,971	1,591	-	104,907

9 INTANGIBLE ASSETS

	Softwares	Total
Gross block		
Balance as at 1 April 2012	490,774	490,774
Additions	70,925	70,925
Balance as at 31 March 2013	561,699	561,699
Additions	3,450	3,450
Balance as at 31 March 2014	565,149	565,149
Accumulated amortisation		
Balance as at 1 April 2012	487,649	487,649
Charge for the year	18,947	18,947
Balance as at 31 March 2013	506,596	506,596
Charge for the year	24,791	24,791
Balance as at 31 March 2014	531,387	531,387
Net Block		
Balance as at 31 March 2013	55,103	55,103
Balance as at 31 March 2014	33,762	33,762



Notes to the financial statements for the year ended 31 March 2014 (Cont'd)

	As at 31 March 2014 USD		As at 31 March 2013 USD	
10 NON CURRENT INVESTMENT (Unquoted, valued at cost unless stated otherwise)				
Investments in equity instruments				
Trade				
In subsidiary - Axis EU Limited 575,476 (31 March 2013 - 575,476) equity shares of GBP 1 each.	1,149,031		1,149,031	
	<u>1,149,031</u>		<u>1,149,031</u>	
11 TRADE RECEIVABLES (Unsecured, considered good)				
Outstanding for a period exceeding six months from the date they are due for collection	-		-	
Other receivables	2,465,914		3,260,546	
	<u>2,465,914</u>		<u>3,260,546</u>	
12 CASH AND CASH EQUIVALENTS				
Balances with bank in current account	-		13,078	
Cash on hand	21		21	
	<u>21</u>		<u>13,099</u>	
13 LOANS AND ADVANCES (Unsecured, considered good)				
	As at 31 March 2014		As at 31 March 2013	
	Long-term USD	Short-term USD	Long-term USD	Short-term USD
Security deposits	-	205	-	330
	<u>-</u>	<u>205</u>	<u>-</u>	<u>330</u>
Loans and advances to related parties				
Loan to related party	-	-	267,155	-
	<u>-</u>	<u>-</u>	<u>267,155</u>	<u>-</u>
Other loans and advances				
Advance taxes	36,505	-	230,944	-
Prepaid expenses	-	101,201	-	211,476
Advance to employees	-	11,066	-	-
Recoverable from customer	-	5,633	-	33,734
	<u>36,505</u>	<u>117,900</u>	<u>230,944</u>	<u>245,210</u>
	<u>36,505</u>	<u>118,105</u>	<u>498,099</u>	<u>245,540</u>
14 OTHER CURRENT ASSETS				
	As at 31 March 2014 USD		As at 31 March 2013 USD	
Unbilled revenue	378,675		519,957	
Insurance refund receivable	-		12,778	
Interest accrued but not due	-		786	
	<u>378,675</u>		<u>533,521</u>	



Notes to the financial statements for the year ended 31 March 2014 (Cont'd)

	Year Ended 31 March 2014 USD	Year Ended 31 March 2013 USD
15 OTHER INCOME		
Interest income from subsidiary	11,896	1,847
Provision no longer required written back	9,305	-
	<u>21,201</u>	<u>1,847</u>
16 EMPLOYEE BENEFITS EXPENSE		
Salaries, wages and bonus	9,595,997	14,977,993
Contribution to social security	719,647	990,253
Staff welfare	550,807	654,564
	<u>10,866,451</u>	<u>16,622,810</u>
17 OTHER EXPENSES		
Software subscription charges	129,104	470,753
Legal and professional charges	307,412	352,466
Travelling and conveyance	144,325	270,217
Management fees	-	233,562
Rent	203,271	218,014
Recruitment and training expenses	84,323	106,789
Insurance expenses	129,209	97,285
Communication expenses	56,381	66,531
Repairs and maintenance		
- Buildings	11,747	16,488
- Others	7,548	17,559
Advertising expenses	28,330	25,957
Electricity charges	17,879	19,381
Rates and taxes	9,973	2,010
Bank charges	6,502	9,766
Miscellaneous expenses	5,307	6,276
	<u>1,141,311</u>	<u>1,913,054</u>
18 DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation of tangible assets (Also, refer note 8)	74,159	71,960
Amortisation of intangible assets (Also, refer note 9)	24,791	18,947
	<u>98,950</u>	<u>90,907</u>
19 FINANCE COSTS		
Interest on loans from bank	27,055	52,656
	<u>27,055</u>	<u>52,656</u>
20 EARNINGS/ (LOSS) PER SHARE (EPS)		
a) Profit/ (loss) after tax attributable to equity shares (in USD)	(188,861)	133,359
b) Weighted average number of shares outstanding	19,725	19,725
c) Basic and diluted earnings/ (loss) per share (in USD)	(9.57)	6.76



Notes to the financial statements for the year ended 31 March 2014 (Cont'd)

21 RELATED PARTY DISCLOSURES

i. Parties where control exists :

Nature of relationship
Holding Company

Name of party

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 is a subsidiary of the JCPL.

Subsidiary Company

Axis EU Limited

ii. Name and relationship of related parties where transaction has taken place.

Fellow subsidiary

Cades Technology Canada Inc.

iii. Transactions with related parties

(Amount in USD)

	Nature of Transaction	Holding company / Intermediate holding company		Subsidiary/ fellow subsidiary		Total	
		31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
a)	<i>Loans extended</i>						
	Axis EU Limited	-	-	320,000	200,000	320,000	200,000
	Cades Technology Canada Inc.	-	-	-	100,000	-	100,000
b)	<i>Loans recovered</i>						
	Axis EU Limited	-	-	587,155	23,571	587,155	23,571
	Cades Technology Canada Inc.	-	-	-	100,000	-	100,000
c)	<i>Revenue from operations</i>						
	Axis-IT&T Limited	32,051	-	-	-	32,051	-
d)	<i>Interest Income</i>						
	Axis EU Limited	-	-	11,896	786	11,896	786
	Cades Technology Canada Inc.	-	-	-	1,061	-	1,061
e)	<i>Software subscription charges recovered</i>						
	Axis-IT&T Limited	251,128	-	-	-	251,128	-
f)	<i>Reimbursement of expense</i>						
	Axis-IT&T Limited	65,744	34,173	-	-	65,744	34,173
g)	<i>Sub-contracting charges</i>						
	Axis-IT&T Limited	2,891,829	4,258,221	-	-	2,891,829	4,258,221
h)	<i>Management fees</i>						
	Axis Aerospace & Technologies Limited	-	233,562	-	-	-	233,562



[Handwritten signature]

Notes to the financial statements for the year ended 31 March 2014 (Cont'd)

21 RELATED PARTY DISCLOSURES (CONT'D)

iv. Balances as at the year end

(Amount in USD)

	Nature of Transaction	Holding Company / Intermediate Holding Company		Subsidiary/ Fellow subsidiary		Total	
		31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
a)	Trade payables Axis-IT&T Limited	717,313	277,825	-	-	717,313	277,825
b)	Trade receivables Axis-IT&T Limited	41,028	-	-	-	41,028	-
c)	Loans Outstanding Axis EU Limited	-	-	-	267,155	-	267,155
d)	Interest receivable Axis EU Limited	-	-	-	786	-	786

22 SEGMENT REPORTING

The Company has only one business segment, Engineering design services and earns the revenue primarily from sources within United States of America (USA). Accordingly, primary and secondary reporting disclosures for business and geographical segment as envisaged in Accounting Standard -17 (Segment reporting) are not applicable to the Company.

23 PREVIOUS YEAR FIGURES

Previous year figures have been regrouped or reclassified wherever considered necessary to conform to current year classification.

Walker Chandio & Co LLP

For Walker Chandio & Co LLP
(formerly Walker, Chandio & Co)
Chartered Accountants

per Aashesh Arjun Singh
Partner

Bengaluru
16 May 2014



For and on behalf of the Board of Directors

E. Sreedhar Rao

Sreedhar Rao Ellentala
Director

Bengaluru
16 May 2014

S. Valmeekanathan

S. Valmeekanathan
Director

Bengaluru
16 May 2014

Balance Sheet

	As at 31 March 2014 USD	As at 31 March 2014 INR	As at 31 March 2013 USD	As at 31 March 2013 INR
EQUITY AND LIABILITIES				
SHAREHOLDERS' FUNDS				
Share capital	22,47,227	1350,57,893	22,47,227	1222,25,103
Reserves and surplus	8,80,262	529,03,570	10,69,123	581,48,852
	31,27,489	1879,61,463	33,16,350	1803,73,955
NON CURRENT LIABILITIES				
Deferred tax liabilities, net	-	-	40,752	22,16,473
CURRENT LIABILITIES				
Short-term borrowings	16,983	10,20,675	18,24,080	992,10,434
Trade payables	8,11,233	487,54,941	4,39,901	239,25,907
Other current liabilities	3,31,215	199,05,955	2,90,383	157,93,728
	11,59,431	696,81,571	25,54,364	1389,30,070
TOTAL	42,86,920	2576,43,035	59,11,466	3215,20,498
ASSETS				
NON-CURRENT ASSETS				
Fixed assets				
Tangible assets	1,04,907	63,04,890	1,56,527	85,13,394
Intangible assets	33,762	20,29,089	55,103	29,97,014
Non-current investments	11,49,031	690,56,533	11,49,031	624,94,992
Long-term loans and advances	36,505	21,93,943	4,98,099	270,91,256
	13,24,205	795,84,456	18,58,760	1010,96,655
CURRENT ASSETS				
Trade receivables	24,65,914	1482,00,938	32,60,546	1773,38,815
Cash and bank balances	21	1,262	13,099	7,12,445
Short-term loans and advances	1,18,105	70,98,087	2,45,540	133,54,749
Other current assets	3,78,675	227,58,292	5,33,521	290,17,834
	29,62,715	1780,58,579	40,52,706	2204,23,842
TOTAL	42,86,920	2576,43,035	59,11,466	3215,20,498

Statement of Profit and Loss

	Year ended 31 March 2014 USD	Year ended 31 March 2014 INR	Year ended 31 March 2013 USD	Year ended 31 March 2013 INR
INCOME				
Revenue from operations	147,74,782	8879,61,443	231,29,123	12579,76,810
Other income	21,201	12,74,176	1,847	1,00,457
TOTAL	147,95,983	8892,35,619	231,30,970	12580,77,267
EXPENSES				
Employee benefit expenses	108,66,451	6530,71,532	166,22,810	9041,03,000
Other expenses	11,41,311	685,92,563	19,13,054	1040,49,668
Sub-contracting charges	28,91,829	1737,98,345	42,58,221	2316,01,659
TOTAL	148,99,591	8954,62,439	227,94,085	12397,54,327
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)	(1,03,608)	(62,26,820)	3,36,885	183,22,939
Depreciation and amortisation expense	98,950	59,46,875	90,907	49,44,368
Finance costs	27,055	16,26,000	52,656	28,63,923
PROFIT BEFORE TAX	(2,29,613)	(137,99,695)	1,93,322	105,14,648
Tax expense				
- Current tax		-	19,211	10,44,873
- Deferred tax	(40,752)	(24,49,187)	40,752	22,16,473
NET PROFIT	(1,88,861)	(113,50,508)	1,33,359	72,53,303
Earnings per share:				
Basic and diluted	(9.57)	(575)	6.76	368

Cash Flow Statement

	Year ended 31 March 2014 USD	Year ended 31 March 2014 INR	Year ended 31 March 2013 USD	Year ended 31 March 2013 INR
Cash flows from operating activities				
Profit before taxation	(2,29,613)	(137,99,695)	1,93,322	105,14,648
Adjustment for :				
Depreciation and amortisation	98,950	59,46,875	90,907	49,44,368
Interest expense	27,055	16,26,000	52,656	28,63,923
Interest expense	(21,201)	(12,74,176)	(1,847)	(1,00,457)
Operating profit before working capital changes	(1,24,809)	(75,00,996)	3,35,038	182,22,482
(Increase) / Decrease in trade receivables	7,94,632	477,57,224	16,71,633	909,18,973
(Increase) in loans and advances	1,27,434	76,58,758	(1,12,324)	(61,09,230)
Decrease in other current assets	1,54,061	92,59,035	5,72,782	311,53,206
Decrease in trade payables	3,83,881	230,71,171	(12,46,014)	(677,69,809)
Increase / (Decrease) in other current liabilities	40,832	24,53,995	(78,673)	(42,78,996)
Cash used in operations	13,76,031	826,99,188	11,42,442	621,36,627
Direct tax payment	1,94,439	116,85,745	(3,54,521)	(192,82,131)
Net cash used in operating activities	15,70,471	943,84,933	7,87,922	428,54,496
Cash flows from investing activities				
Purchase of fixed assets	(25,989)	(15,61,934)	(1,78,104)	(96,86,962)
Loans given to related parties	(3,20,000)	(192,31,936)	(3,00,000)	(163,16,790)
Loans repaid by related parties	5,87,155	352,87,898	1,23,571	67,20,918
Interest received	12,683	7,62,246	1,061	57,713
Net cash used in investing activities	2,53,849	152,56,274	(3,53,472)	(192,25,121)
Cash flows from financing activities				
Proceeds / (repayments) from / of borrowings (net)	(18,07,097)	(1086,06,168)	(3,72,831)	(202,78,017)
Interest paid	(30,299)	(18,20,964)	(48,940)	(26,61,812)
Net cash from financing activities	(18,37,396)	(1100,93,007)	(4,21,771)	(226,05,704)
Net decrease in cash and cash equivalents	(13,077)	(7,85,925)	12,678	6,89,573
Cash and cash equivalents at beginning of the year	13,099	7,87,245	421	22,871
Cash and cash equivalents at the end of the year	21	1,320	13,099	7,12,443