**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PART II OF THIS DOCUMENT COMPRISES AN EXPLANATORY STATEMENT IN COMPLIANCE WITH SECTION 897 OF THE COMPANIES ACT 2006. IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS DOCUMENT OR WHAT ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO SEEK YOUR OWN INDEPENDENT FINANCIAL ADVICE IMMEDIATELY FROM YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL ADVISER DULY AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED) IF YOU ARE RESIDENT IN THE UNITED KINGDOM OR, IF NOT, FROM ANOTHER APPROPRIATELY AUTHORISED FINANCIAL ADVISER.**

Axon Shareholders should read the whole of this document. In addition, this document should be read in conjunction with the accompanying pink and yellow Forms of Proxy. Definitions in this document are set out in Part VII of this document.

If you have sold or otherwise transferred all of your Axon Shares, please forward this document, together with the accompanying Forms of Proxy, as soon as possible to the buyer or transferee or to the stockbroker, bank manager or other agent through whom the sale or transfer was made for onward delivery to the buyer or transferee. However, such documents should not be mailed, transmitted or distributed, in whole or in part, in, into or from any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or otherwise transferred part only of your holding of Axon Shares, you should retain these documents and consult the stockbroker, bank manager or other agent through whom the sale or transfer was effected.

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# Recommended acquisition

**by**

# HCL EAS Limited

**an indirect wholly owned subsidiary of**

# HCL Technologies Limited

**of**

# Axon Group plc

**to be implemented by means of a Scheme of Arrangement under Part 26 of the Companies Act 2006**

**Circular to Shareholders and Explanatory Statement under section 897 of the Companies 2006**

**and**

**Notice of General Meeting**

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**Your attention is drawn to the letter from the Chairman of Axon set out in Part I of this document, which contains the unanimous recommendation of the Axon Directors that you vote in favour of the HCL Scheme at the HCL Court Meeting and in favour of the HCL Special Resolution to be proposed at the HCL General Meeting. A letter from Citi explaining the HCL Scheme is set out in Part II of this document.**

**Notices of the HCL Court Meeting and the HCL General Meeting, each of which will be held at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB on 24 November 2008, are set out at the end of this document. The HCL Court Meeting will start at 10.00 a.m. and the HCL General Meeting at 10.15 a.m. (or as soon thereafter as the HCL Court Meeting shall have been concluded or adjourned).**

**The action to be taken in respect of the HCL Meetings is set out on page 5 and also in paragraph 18 of Part II of this document. Axon Shareholders will find accompanying this document a pink Form of Proxy for use in connection with the HCL Court Meeting and a yellow Form of Proxy for use in connection with the HCL General Meeting. Whether or not you intend to attend the HCL Meetings in person, please complete and sign each of the Forms of Proxy in accordance with the instructions printed thereon and return them to Axon's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL, as soon as possible and, in any event, so as to be received no later than 48 hours before the time appointed for the relevant HCL Meeting. If the pink Form of Proxy for the HCL Court Meeting is not returned by the above time, it may be handed to Equiniti, on behalf of the chairman of the HCL Court Meeting, at the HCL Court Meeting before the taking of the poll. However, in the case of the HCL General Meeting, unless the yellow Form of Proxy is returned by the time mentioned in the instructions printed thereon, it will be invalid. The completion and return of a Form of Proxy will not prevent you from attending and voting in person at the HCL Court Meeting or the HCL General Meeting or any adjournments thereof, if you so wish and are so entitled.**

Citi, which is authorised and regulated in the United Kingdom by the FSA, is acting exclusively for Axon and for no one else in connection with the HCL Acquisition and will not be responsible to anyone other than Axon for providing the protections afforded to clients of Citi nor for providing advice in relation to the HCL Acquisition or any other matter or arrangement referred to in this document.

Merrill Lynch, which is authorised and regulated in the United Kingdom by the FSA, is acting exclusively for HCL Technologies and HCL EAS and for no one else in connection with the HCL Acquisition and will not be responsible to any person other than HCL Technologies and HCL EAS for providing the protections afforded to clients of Merrill Lynch nor for providing advice in relation to the HCL Acquisition or any other matter or arrangement referred to in this document.

Standard Chartered, which is authorised and regulated in the United Kingdom by the FSA, is acting exclusively for HCL Technologies and HCL EAS and for no one else in connection with the HCL Acquisition and will not be responsible to any person other than HCL Technologies and HCL EAS for providing the protections afforded to clients of Standard Chartered nor for providing advice in relation to the HCL Acquisition or any other matter or arrangement referred to in this document.

## IMPORTANT NOTICE

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about, and observe, any applicable restrictions or requirements. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies involved in the HCL Acquisition disclaim any responsibility or liability for the violation of such requirements by any person. This document has been prepared for the purposes of complying with English law, the Code, the rules of the London Stock Exchange and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any jurisdiction outside of England and Wales.

This document and the accompanying documents are not intended and do not constitute an offer or an invitation to purchase or subscribe for any securities or a solicitation of an offer to buy any securities pursuant to the document or otherwise in any jurisdiction in which such offer or solicitation is unlawful. This document does not comprise a prospectus or a prospectus equivalent document.

The statements contained herein are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set forth herein since such date. Nothing contained in this document shall be deemed to be a forecast, projection or estimate of the future financial performance of Axon or the Axon Group, or of HCL Technologies, HCL EAS or the HCL Group, or of the Enlarged Group, except where otherwise specifically stated.

## CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements with respect to the financial condition, results of operations and business of Axon or the Axon Group and HCL Technologies, HCL EAS or the HCL Group and certain plans and objectives of the boards of directors of Axon, HCL Technologies and HCL EAS. These forward looking statements can be identified by the fact that they do not relate to historical or current facts. Forward looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "will", "may", "should", "would", "could" or other words of similar meaning. These statements are based on assumptions and assessments made by the boards of directors of Axon, HCL Technologies and HCL EAS in the light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe appropriate. By their nature, forward looking statements involve risk and uncertainty and the factors described in the context of such forward looking statements in this document could cause actual results and developments to differ materially from those expressed in or implied by such forward looking statements.

**Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document. Except as required by the FSA, the London Stock Exchange, the UKLA Rules or any other applicable law, Axon, HCL Technologies and HCL EAS assume no obligation to update or correct the information contained in this document.**

## INFORMATION FOR UNITED STATES AND OTHER OVERSEAS SHAREHOLDERS

A transaction effected by means of a scheme of arrangement is not subject to the proxy solicitation or tender offer rules under the US Securities and Exchange Act of 1934, as amended.

The HCL Acquisition relates to the shares of a UK company and is to be made by means of a scheme of arrangement provided for under the laws of England and Wales. The HCL Acquisition is subject to the disclosure requirements and practices applicable in the United Kingdom to schemes of arrangement, which differ from the requirements of US proxy solicitation or tender offer rules. However, if HCL EAS exercises its right to implement the HCL Acquisition by means of an Offer, such Offer will be made in compliance with all applicable laws and regulations, including the US tender offer rules, to the extent applicable. The financial information included in this document relating to Axon has been prepared in accordance with accounting standards applicable in the United Kingdom that may not be comparable to the financial statements of US companies. US generally accepted accounting principles ("US GAAP") differ in certain significant respects from each of UK generally accepted accounting principles ("UK GAAP") and International Financial Reporting Standards ("IFRS"). None of the financial information in this document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States).

## DEALING DISCLOSURE REQUIREMENTS

Under the provisions of Rule 8.3 of the Code, if any person is, or becomes, "interested" (directly or indirectly) in one per cent. or more of any class of "relevant securities" of Axon, all "dealings" in any "relevant securities" of Axon (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by no later than 3.30 p.m. on the business day following the date of the relevant transaction. This requirement will continue until the HCL Effective Date or until the date on which the HCL Scheme lapses or is otherwise withdrawn or on which the Offer Period otherwise ends (or, if HCL EAS elects to effect the HCL Acquisition by way of an Offer, until the date on which such Offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the relevant "offer period" otherwise ends). If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an "interest" in "relevant securities" of Axon, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the Code, all "dealings" in "relevant securities" of Axon by HCL Technologies, HCL EAS or Axon or by any of their respective "associates", must be disclosed by no later than 12.00 noon on the business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the Panel's website at www.thetakeoverpanel.org.uk.

"Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the Code, which can also be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, you should consult the Panel.

## TO VOTE ON THE HCL ACQUISITION

Whether or not you plan to attend the HCL Meetings:

1. Complete, sign and return the pink Form of Proxy for use at the HCL Court Meeting, so as to be received by no later than 10.00 a.m. on 22 November 2008; and
2. Complete, sign and return the yellow Form of Proxy for use at the HCL General Meeting, so as to be received by no later than 10.15 a.m. on 22 November 2008.

**If you require assistance, please telephone Equiniti on 0871 384 2050 (from within the UK) or +44 (0) 121 415 0259 (from outside the UK) between 9.00 a.m. and 5.00 p.m., Monday to Friday (excluding public holidays).**

**Please note that, for legal reasons, the helpline cannot provide advice on the merits of the Offer or give any legal, tax or financial advice.**

**Calls to Equiniti's 0871 384 2050 number are charged at 8 pence per minute (including VAT) plus any of your service provider's network extras. Calls to Equiniti's +44 (0) 121 415 0259 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.**

The completion and return of Forms of Proxy will not prevent you from attending and voting at the HCL Court Meeting and/or the HCL General Meeting, or any adjournments thereof, in person should you wish to do so and should you be so entitled.

**IT IS IMPORTANT THAT, FOR THE HCL COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF SCHEME SHAREHOLDER OPINION. YOU ARE THEREFORE STRONGLY URGED TO COMPLETE, SIGN AND RETURN YOUR FORMS OF PROXY AS SOON AS POSSIBLE.**

**This page should be read in conjunction with the ACTION TO BE TAKEN, set out on page 5 of this document, and the rest of the document.**

## ACTION TO BE TAKEN

Detailed instructions on the action to be taken are set out in paragraph 18 of Part II of this document and are summarised below.

The HCL Court Meeting and the HCL General Meeting will be held at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB on 24 November 2008 at 10.00 a.m. and 10.15 a.m. respectively (or, in the case of the HCL General Meeting, if later, as soon as the HCL Court Meeting has been concluded or adjourned). The HCL Scheme requires approval at both of these HCL Meetings.

Please check that you have received the following with this document:

- a pink Form of Proxy for use in respect of the HCL Court Meeting; and
- a yellow Form of Proxy for use in respect of the HCL General Meeting.

If you have not received all of these documents, please contact Equiniti on the helpline telephone number indicated below.

**To vote on the HCL Scheme:**

**Whether or not you intend to attend the HCL Meetings, please complete and sign both the pink and yellow Forms of Proxy and return them to Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL, as soon as possible, but in any event to be received by no later than 10.00 a.m. on 22 November 2008 in the case of the HCL Court Meeting (pink form) and by no later than 10.15 a.m. on 22 November 2008 in the case of the HCL General Meeting (yellow form) (or in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting).** This will enable your votes to be counted at the HCL Meetings in the event of your absence. If the pink Form of Proxy for use at the HCL Court Meeting is not returned by 10.00 a.m. on 22 November 2008, it may be handed to Equiniti, on behalf of the chairman of the HCL Court Meeting, at the HCL Court Meeting before the taking of the poll. However, in the case of the HCL General Meeting, unless the yellow Form of Proxy is returned by the time mentioned in the instructions printed thereon, it will be invalid.

If you hold your Axon Shares in uncertificated form (that is, in CREST), you may vote using the CREST voting service in accordance with the procedures set out in the CREST Manual (please also refer to the notes for the notices convening the HCL Court Meeting and the HCL General Meeting set out at in Part VIII and Part IX respectively of this document). Proxies submitted through CREST (under CREST participant ID RA19) must be received by Equiniti no later than 10.00 a.m. on 22 November 2008 in the case of the HCL Court Meeting and by 10.15 a.m. on 22 November 2008 in the case of the HCL General Meeting (or, in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting).

The completion and return of the relevant Form of Proxy will not prevent you from attending and voting in person at the HCL Court Meeting and/or the HCL General Meeting, or any adjournments thereof, should you wish to do so and should you be entitled.

**IT IS IMPORTANT THAT, FOR THE HCL COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF SCHEME SHAREHOLDER OPINION. YOU ARE THEREFORE STRONGLY URGED TO COMPLETE, SIGN AND RETURN YOUR FORMS OF PROXY AS SOON AS POSSIBLE.**

**Appointment of multiple proxies and multiple proxy voting instructions:**

You are entitled to appoint a proxy in respect of some or all of your Axon Shares. You are also entitled to appoint more than one proxy. A space has been included in the Forms of Proxy to allow you to specify the number of Axon Shares in respect of which that proxy is appointed. If you return the Forms of Proxy duly executed but leave this space blank, you will be deemed to have appointed the proxy in respect of all of your shares.

If you wish to appoint more than one proxy in respect of your shareholding you should contact Equiniti to obtain further Forms of Proxy or photocopy the Forms of Proxy, as required. You may appoint more than one proxy in relation to each HCL Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by you. The following principles shall apply in relation to the appointment of multiple proxies:

(a) Axon will give effect to the intentions of members and include votes wherever and to the fullest extent possible.

(b) Where a proxy does not state the number of Axon Shares to which it applies (a "**blank proxy**") then, subject to the following principles where more than one proxy is appointed, that proxy is deemed to have been appointed in relation to the total number of Axon Shares registered in the name of the appointing member (the "**member's entire holding**"). In the event of a conflict between a blank proxy and a proxy which does state the number of Axon Shares to which it applies (a "**specific proxy**"), the specific proxy shall be counted first, regardless of the time it was delivered or received (on the basis that, as far as possible, the conflicting Forms of Proxy should be judged to be in respect of different Axon Shares) and the remaining Axon Shares will be apportioned to the blank proxy *pro rata* if there is more than one.

(c) Where there is more than one proxy appointed and the total number of Axon Shares in respect of which proxies are appointed is no greater than the member's entire holding, it is assumed that proxies are appointed in relation to different Axon Shares, rather than that conflicting appointments have been made in relation to the same Axon Shares. That is, there is only assumed to be a conflict where the aggregate number of Axon Shares in respect of which proxies have been appointed exceeds the member's entire holding.

(d) When considering conflicting proxies, later proxies will prevail over earlier proxies and a later proxy will be determined on the basis of which a proxy is last delivered or received.

(e) If conflicting proxies are delivered or received at the same time in respect of (or deemed to be in respect of) an entire holding and if Axon is unable to determine which was delivered or received last, none of them will be treated as valid.

(f) Where the aggregate number of Axon Shares in respect of which proxies are appointed exceeds a member's entire holding, all appointments will be rendered invalid.

(g) If a member appoints a proxy or proxies and then decides to attend the HCL Court Meeting or the HCL General Meeting in person and vote using his poll card (as applicable), then the vote in person will override the proxy vote(s). If the vote in person is in respect of the member's entire holding then all proxy votes will be disregarded. If, however, the member votes at the Meeting in respect of less than the member's entire holding then, if the member indicates on his poll card that all proxies are to be disregarded, that shall be the case; but if the member does not specifically revoke proxies, then the vote in person will be treated in the same way as if it were the last received proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding the member's entire holding.

(h) In relation to paragraph (g) above, in the event that a member does not specifically revoke proxies, it will not be possible for Axon to determine the intentions of the member in this regard. However, in light of the aim to include votes wherever and to the fullest extent possible, it will be assumed that earlier proxies should continue to apply to the fullest extent possible.

**Helpline**

**If you have any questions relating to this document or the completion and return of the Forms of Proxy, please write to or call Equiniti on 0871 384 2050 or, if telephoning from outside the United Kingdom, on +44 (0) 121 415 0259 between 9.00 a.m. and 5.00 p.m. Monday to Friday, excluding public holidays. Please note that for legal reasons, the helpline cannot provide advice on the merits of the Acquisition or give any legal, tax or financial advice.**

**Calls to Equiniti's 0871 384 2050 number are charged at 8 pence per minute (including VAT) plus any of your service provider's network extras. Calls to Equiniti's +44 (0) 121 415 0259 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.**

**No further action required in respect of the Infosys Scheme.**

**On 2 October 2008, the Axon Board announced that it had withdrawn its recommendation of the Infosys Scheme. Any Axon Shareholder who has previously returned forms of proxy in respect of the Infosys Meetings (which were scheduled to take place on 20 October 2008 and which were adjourned) is nevertheless entitled to vote on the HCL Scheme.**

**If you have previously returned forms of proxy in respect of the Infosys Scheme, you need take no further action in respect of the Infosys Scheme.**

**CONTENTS**

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| *Event* | *Time and/or date* |
|---|---|
| Record date for payment of the Interim Dividend | 24 October 2008 |
| Date for payment of the Interim Dividend by Axon | 21 November 2008 |
| **Latest time for receipt of pink Forms of Proxy/ CREST proxy instructions for the HCL Court Meeting** | **10.00 a.m. on 22 November 2008(1)** |
| **Latest time for receipt of yellow Forms of Proxy/ CREST Proxy instructions for the HCL General Meeting** | **10.15 a.m. on 22 November 2008(1)** |
| HCL Voting Record Time | 6.00 p.m. on 22 November 2008(2) |
| **HCL Court Meeting** | **10.00 a.m. on 24 November 2008** |
| **HCL General Meeting** | **10.15 a.m. on 24 November 2008(3)** |
| *The following dates are subject to change (please see note (4) below)* | |
| HCL Scheme Court Hearing to sanction the HCL Scheme and HCL Scheme Court Order Date | 10 December 2008 |
| Filing of HCL Scheme Court Order | 11 December 2008 |
| Last day of dealings in, and for registration of transfers of, and disablement in CREST of, Axon Shares | 11 December 2008 |
| HCL Scheme Record Time | 6.00 p.m. on 11 December 2008 |
| HCL Reduction Court Hearing to confirm the HCL Capital Reduction | 12 December 2008 |
| Filing of HCL Reduction Court Order | 15 December 2008 |
| **HCL Effective Date** | **15 December 2008** |
| Delisting of Scheme Shares | By no later than 8.00 a.m. on 16 December 2008 |
| Latest date for despatch of cheques and crediting of CREST accounts for cash consideration due under the HCL Scheme | 29 December 2008 |

Unless otherwise stated, all references to times in this document are to London times.

**The HCL Court Meeting and the HCL General Meeting will each be held at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB.**

Notes:

1. *If the pink Form of Proxy for the HCL Court Meeting is not returned by the above time, it may be handed to Equiniti, on behalf of the chairman of the HCL Court Meeting, at the HCL Court Meeting before the taking of the poll. However, the yellow Form of Proxy for the HCL General Meeting must be returned by 10.15 a.m. on 22 November 2008 to be valid.*
2. *If either the HCL Court Meeting or the HCL General Meeting is adjourned, the HCL Voting Record Time for the adjourned meeting will be 6.00 p.m. on the date two days before the date set for the adjourned meeting.*
3. *To commence at 10.15 a.m. or, if later, immediately after the conclusion or adjournment of the HCL Court Meeting.*
4. *These times and dates are indicative only and will depend, among other things, on the date upon which the Court sanctions the HCL Scheme and confirms the associated HCL Capital Reduction and the date on which the HCL Conditions set out in Part III to this document are satisfied or (if capable of waiver) waived. If any of the expected dates change, Axon will, unless the Panel otherwise consents, give notice of the change by issuing a circular to Axon Shareholders and by issuing an announcement through a Regulatory Information Service.*

## PART I

### LETTER OF RECOMMENDATION FROM THE CHAIRMAN OF

# AXON GROUP PLC

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 3419641)*

| **Directors:** | **Registered office:** |
|---|---|
| Roy Merritt (*Chairman*) | AxonCentre |
| Stephen Cardell (*Chief Executive Officer*) | Church Road |
| Iain McIntosh (*Chief Financial Officer*) | Egham |
| David Oertle (*Non-executive Director*) | Surrey |
| Royston Hoggarth (*Non-executive Director*) | TW20 9QB |

24 October 2008

*To: Axon Shareholders and, for information only, to holders of options or awards under the Axon Share Schemes*

Dear Axon Shareholder,

**Recommended acquisition by HCL EAS Limited, an indirect wholly owned subsidiary of HCL Technologies Limited, of Axon Group plc**

**1. Introduction**

On 26 September 2008, the board of HCL Technologies announced the terms of a cash offer to acquire the entire issued and to be issued share capital of Axon, such offer to be made through HCL EAS, an indirect wholly owned subsidiary of HCL Technologies. On 2 October 2008, Axon announced that the Axon Board intended unanimously to recommend the HCL Offer when it was made.

On 10 October 2008, with the consent of the Panel and Axon, HCL EAS announced its intention to implement its offer by way of a scheme of arrangement between Axon and its shareholders pursuant to the provisions of Part 26 of the Act, involving a reduction of capital under section 135 of the Companies Act 1985.

I am writing to you to explain the background to, and terms of, the HCL Acquisition and why the Axon Directors are unanimously recommending that Scheme Shareholders vote in favour of the HCL Scheme at the HCL Court Meeting and the Axon Shareholders vote in favour of the HCL Special Resolution to be proposed at the HCL General Meeting.

Details of the actions you should take and the recommendation of the Axon Directors are set out in paragraphs 12 and 14 respectively of this Part I.

**2. The HCL Acquisition**

The HCL Acquisition will be implemented by means of a scheme of arrangement between Axon and the Scheme Shareholders under Part 26 of the Act (involving a capital reduction under section 135 of the Companies Act 1985) although HCL EAS may elect to implement the HCL Acquisition by way of an Offer where permitted to do so in accordance with the terms of the HCL Implementation Agreement.

Under the terms of the HCL Scheme, which is subject to the HCL Conditions and the further terms set out in Part III of this document, Scheme Shareholders on the register of members of Axon at the HCL Scheme Record Time will be entitled to receive:

**for each Scheme Share** **647.75 pence in cash**

Scheme Shareholders who are on the register of members of Axon on 24 October 2008 will also be entitled to receive an additional 2.25 pence for each Axon Share held by way of the Interim Dividend. Such Scheme Shareholders will therefore receive an aggregate of 650 pence per Axon Share.

The HCL Offer Price of 647.75 pence per share represents a premium of approximately:

- 28.9 per cent. to the Closing Price of 502.5 pence on 22 August 2008, being the last business day prior to the date of the Infosys Announcement;

- 42.1 per cent. to the average Closing Price of 455.7 pence for the three months ended 22 August 2008, being the last business day prior to the date of the Infosys Announcement;
- 43.7 per cent. to the average Closing Price of 450.9 pence for the six months ended 22 August 2008, being the last business day prior to the date of the Infosys Announcement, and
- 8.4 per cent. to the Infosys offer price of 597.75 pence.

The HCL Offer Price values Axon's existing issued and to be issued share capital at approximately £439 million.

The HCL Scheme requires the Scheme Shareholders to vote in favour of the HCL Scheme at the HCL Court Meeting to be held at 10.00 a.m. and the Axon Shareholders to vote in favour of the HCL Special Resolution to be proposed at the HCL General Meeting to be held at 10.15 a.m., both such meetings to be held on 24 November 2008 at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB. Further details of the HCL Meetings are set out in paragraph 13 of Part II of this document.

Following the HCL Meetings, it is expected that the HCL Scheme Court Hearing will take place on 10 December 2008 and the HCL Reduction Court Hearing on 12 December 2008. The HCL Effective Date is expected to be 15 December 2008.

If the HCL Scheme becomes Effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended or voted and, if they voted, whether they voted for or against the HCL Scheme, at the HCL Court Meeting or the HCL General Meeting.

Upon the HCL Scheme becoming Effective, Axon will become a wholly owned subsidiary of HCL EAS and cheques in respect of the HCL Consideration will be despatched by post to Scheme Shareholders at their own risk (or the cash consideration will be settled through CREST, as the case may be) as soon as practicable and in any case, within 14 days of the HCL Scheme becoming Effective.

## 3. Background to and reasons for the recommendation of the HCL Acquisition by the Axon Directors

As Axon Shareholders will be aware, on 25 August 2008, it was announced that the boards of Infosys and Axon had reached agreement on the terms of a recommended acquisition by Infosys of the entire issued and to be issued share capital of Axon.

Following the announcement of the higher offer by HCL on 26 September 2008, which was recommended by the Axon Board on 2 October 2008, Infosys announced on 10 October 2008 that it did not intend to increase its offer.

On 20 October 2008, the Infosys Meetings were adjourned indefinitely and the Infosys Scheme terminated.

Axon and HCL Technologies have enjoyed a long standing relationship and the Axon Board is pleased that HCL Technologies has recognised the quality of the Axon business in deciding to undertake the HCL Acquisition. The HCL Offer Price values Axon at a premium of 8.4 per cent. to the Infosys offer price. Accordingly, the Axon Board announced on 2 October 2008 that it would withdraw its recommendation of the Infosys Acquisition and that it intended unanimously to recommend the HCL Acquisition.

The only recommended offer which is currently being put to Axon Shareholders is the higher HCL offer of 647.75 pence per Scheme Share.

## 4. Irrevocable undertakings

The Axon Directors who are or, prior to the HCL Meetings, may be Axon Shareholders have indicated their intention to enter into irrevocable undertakings with HCL EAS to vote in favour of the HCL Scheme at the HCL Court Meeting and the HCL Special Resolution to be proposed at the HCL General Meeting in respect of their beneficial holdings of Axon Shares upon being released from the terms of the irrevocable undertakings given in connection with the Infosys Acquisition. This beneficial holding is currently in respect of an aggregate of 147,420 Axon Shares representing approximately 0.2 per cent. of Axon's existing issued share capital.

Further details of any irrevocable undertakings entered into will be announced via a Regulatory Information Service and made available for inspection in accordance with the Code.

## 5. Management and employees

HCL Technologies regards the management and employees of Axon as key to the ongoing success of the Enlarged Group. HCL Technologies believes that the management and, furthermore, employees of Axon will benefit from the improved opportunities available within the Enlarged Group.

HCL Technologies confirms that, following the HCL Scheme becoming Effective, the existing employment rights of employees of Axon, including pension rights, will be fully safeguarded.

## 6. Taxation

Your attention is drawn to paragraph 15 headed "Taxation" in the letter from Citi set out in Part II of this document. **If you are in any doubt about your tax position, you should consult an appropriately qualified independent professional adviser immediately.**

## 7. Axon Share Schemes

Appropriate proposals will be made in due course to participants in the Axon Share Schemes.

Further details in relation to the effect of the HCL Scheme on options and awards granted under the Axon Share Schemes are set out in paragraph 10 of Part II of this document and will be set out in separate letters to be sent to participants in the Axon Share Schemes.

## 8. Delisting and re-registration

A request will be made to each of the London Stock Exchange and the UKLA prior to the HCL Effective Date to cancel the trading in Axon Shares on the London Stock Exchange's main market for listed securities and to remove the listing of the Axon Shares from the Official List, in each case, with effect from the HCL Effective Date or shortly thereafter.

As part of the HCL Acquisition, it is also intended that Axon be re-registered as a private limited company in due course.

The attention of Axon Shareholders is drawn to paragraph 17 of Part II of this document in relation to HCL's intentions with regard to the delisting of the Axon Shares.

## 9. HCL Break Fee Letter and HCL Implementation Agreement

***HCL Break Fee Letter***

Axon and HCL Technologies have entered into the HCL Break Fee Letter which contains the principal provisions set out below.

Axon has agreed to pay an inducement fee to HCL Technologies if:

(a) having recommended the HCL Acquisition, the directors of Axon subsequently withdraw or adversely modify their recommendation of the HCL Acquisition or recommend a competing proposal and, in any such case, thereafter the HCL Acquisition lapses or is withdrawn; or

(b) the offer for Axon by Infosys announced on 25 August 2008 becomes or is declared unconditional in respects or is completed (in each case at a price higher than set out in the announcement of 25 August 2008) and the HCL Acquisition lapses or is withdrawn; or

(c) an announcement of competing proposal is made and such proposal becomes or is declared unconditional in all respects or is completed and the HCL Acquisition lapses or is withdrawn.

The inducement fee is one per cent. of the value of the HCL Acquisition (inclusive of any irrecoverable VAT), but in the event of a break fee or inducement fee being paid or becoming payable by Axon pursuant to an agreement entered into by Axon prior to 26 September 2008 at any time prior to the date on which the inducement fee becomes payable to HCL, the latter shall be reduced by the amount of that break fee or inducement fee.

Axon has undertaken to HCL Technologies that it shall not offer to, or agree to, any work fee, inducement fee or break fee or other similar arrangement (a "**Break Fee**") with any party other than HCL Technologies and has warranted and represented to HCL Technologies that it has not entered any Break Fee with, or offered any Break Fee to, any party other than Infosys.

Until the HCL Acquisition has lapsed or been withdrawn, Axon has agreed that it will not directly or indirectly, solicit, encourage or seek to procure any interest from any third party in respect of a competing proposal, and that it will not enter into, continue or participate in any discussions with any third party which relate to or may be expected to lead to competing proposal (other than Infosys unless and until the offer by Infosys for Axon lapses or is withdrawn). This agreement is subject to the fiduciary and statutory duties of the directors of Axon and to their obligations under the Code.

If and to the extent that the directors of Axon are recommending the HCL Acquisition and Axon receives an approach which the directors of Axon reasonably expect to be the subject of an announcement under Rule 2.5 of the Code and which the directors of Axon are minded to recommend, Axon has undertaken to provide HCL Technologies with certain details of such proposal (including the price being offered and a profile of the competing bidder so that HCL Technologies can assess its size and scale) and Axon has further undertaken not to vary or amend its recommendation of the HCL Acquisition for a period of 60 hours after notifying HCL Technologies.

***HCL Implementation Agreement***

On 16 October 2008, Axon and HCL EAS entered into the HCL Implementation Agreement which governs, amongst other things, their relationship during the period until the HCL Scheme becomes Effective. Amongst other things, the HCL Implementation Agreement contains certain obligations in relation to the implementation of the HCL Scheme and certain assistance Axon will provide to HCL EAS regarding transition planning.

Axon has undertaken not to vary or amend its recommendation of the HCL Acquisition for a period of 60 hours after notifying HCL EAS of a competing proposal.

The HCL Implementation Agreement will terminate with immediate effect in certain circumstances, including if any of the HCL Conditions becomes incapable of satisfaction or is invoked so as to cause the HCL Scheme not to proceed where such invocation is in accordance with Code unless HCL EAS has, within five business days of such event, elected to implement the HCL Acquisition by way of an Offer or if a competing proposal becomes or is declared wholly unconditional or is completed or a scheme in connection with such competing proposal becomes effective. In addition, in the event that any of the circumstances set out in clause 2.1 of the HCL Break Fee Letter occur, HCL EAS will be released from its obligations under the HCL Implementation Agreement.

Axon has agreed in the HCL Implementation Agreement that, if HCL EAS elects to implement the HCL Acquisition by way of an Offer, the offer document shall incorporate a recommendation from the Axon Directors to accept the Offer.

## 10. Overseas Shareholders

Persons resident in, or citizens of, jurisdictions outside the United Kingdom should refer to paragraph 14 of Part II of this document.

## 11. The HCL Scheme and the HCL Meetings

The HCL Acquisition is being implemented by means of a scheme of arrangement between Axon and the Scheme Shareholders pursuant to the provisions of Part 26 of the Act. The HCL Scheme involves the cancellation of the Scheme Shares by way of a Court approved reduction of capital and the application of the reserve arising from such cancellation in paying up in full a number of New Axon Shares which is equal to the number of cancelled Scheme Shares and issuing such shares to HCL EAS in consideration for which Axon Shareholders will receive the HCL Consideration.

Upon the HCL Scheme becoming Effective, HCL EAS will become the owner of the whole of the issued share capital of Axon.

To become Effective, the HCL Scheme requires, amongst other things, the approval at the HCL Court Meeting of a majority in number representing not less than 75 per cent. in value of the Scheme Shareholders present and voting, either in person or by proxy, at the HCL Court Meeting, or at any adjournment thereof, and the passing of the HCL Special Resolution necessary to approve matters to give effect to the HCL Scheme at the HCL General Meeting, or at any adjournment thereof. Following the HCL Court Meeting and the HCL General Meeting and the satisfaction (or, where applicable, waiver) of the other HCL Conditions, the HCL Scheme must also be sanctioned by the Court at the HCL Scheme Court Hearing and the associated HCL Capital Reduction must be confirmed by the Court at the HCL Reduction Court Hearing. The HCL Scheme will take effect when the HCL Scheme Court Order and the HCL Reduction Court Order have been delivered to the Registrar of Companies and (in the case of the HCL Reduction Court Order and the Minute attached thereto) registered by him. If the HCL Scheme becomes Effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended or voted, and if they voted, whether they voted for or against the HCL Scheme, at the HCL Court Meeting or the HCL General Meeting.

**It is important that, for the HCL Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Scheme Shareholder opinion. You are therefore strongly urged to complete, sign and return your Forms of Proxy as soon as possible.**

Further details of the HCL Scheme and the HCL Meetings are set out in paragraph 13 of Part II of this document.

### 12. Action to be taken

Notices convening the HCL Court Meeting and the HCL General Meeting are set out in Parts VIII and IX of this document respectively. You will find accompanying this document, a pink Form of Proxy for use at the HCL Court Meeting and a yellow Form of Proxy for use at the HCL General Meeting.

Whether or not you intend to be present at either HCL Meeting, you are requested to complete, sign and return both the accompanying Form of Proxy for the HCL Court Meeting (pink) and the Form of Proxy for the HCL General Meeting (yellow) in accordance with the instructions printed on the respective forms.

Your attention is drawn to paragraph 18 of Part II of this document which explains in detail the action you should take in relation to the HCL Acquisition and the HCL Scheme, a summary of which is set out on page 5 of this document.

**If you have any questions relating to this document or the completion and return of the Forms of Proxy, please contact Equiniti on 0871 384 2050 or, if telephoning from outside the United Kingdom, on +44 (0) 121 415 0259 between 9.00 a.m. and 5.00 p.m. Monday to Friday, excluding public holidays. Please note that, for legal reasons, the helpline cannot provide advice on the merits of the HCL Acquisition or give any legal, tax or financial advice.**

**Calls to Equiniti's 0871 384 2050 number are charged at 8 pence per minute (including VAT) plus any of your service provider's network extras. Calls to Equiniti's +44 (0) 121 415 0259 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.**

Further details relating to settlement are set out in paragraph 16 of Part II of this document.

### 13. No further action required in respect of the Infosys Scheme

On 2 October 2008, the Axon Board announced that it had withdrawn its recommendation of the Infosys Scheme. Any Axon Shareholder who has previously returned forms of proxy in respect of the Infosys Meetings (which were scheduled to take place on 20 October 2008 and which were adjourned) is nevertheless entitled to vote on the HCL Scheme.

If you have previously returned forms of proxy in respect of the Infosys Scheme you need take no further action in respect of the Infosys Scheme.

**However, any forms of proxy previously submitted in respect of the Infosys Scheme will not apply to the HCL Scheme. Accordingly, if you wish to vote on the HCL Scheme you are required to sign the enclosed pink and yellow Forms of Proxy and return them in accordance with the instructions printed on those forms as soon as possible but, in any event, so as to be received in advance of the deadlines specified in paragraph 12.**

### 14. Axon Directors' intentions

The Axon Directors who are, or prior to the Infosys Court Meeting and the Infosys General Meeting, may be Axon Shareholders irrecoverably undertook to vote in favour of the Infosys Scheme and the resolutions to be proposed at the Infosys Court Meeting and the Infosys General Meeting. The Infosys Meetings were adjourned indefinitely on 20 October 2008 and the Infosys Scheme duly terminated.

The relevant Axon Directors currently remain restricted by such undertakings given by them to Infosys pending termination of the Infosys Implementation Agreement, expected to occur on or around 27 October 2008. Once they cease to be so restricted, the relevant Axon Directors intend to exercise such rights to vote in favour of the HCL Scheme at the HCL Court Meeting and the HCL Special Resolution to be proposed at the HCL General Meeting.

## 15. Further information

Your attention is drawn to the letter from Citi set out in Part II of this document, which gives further details about the HCL Acquisition and to the terms of the HCL Scheme which are set out in full in Part V of this document. Please note that the information contained in this letter is not a substitute for reading the remainder of this document.

## 16. Recommendation

**The Axon Directors, who have been so advised by Citi, consider the terms of the HCL Acquisition to be fair and reasonable. In providing its advice, Citi has taken into account the commercial assessments of the Axon Directors.**

**Accordingly, the Axon Directors unanimously recommend that Axon Shareholders vote in favour of the HCL Scheme and the resolutions to be proposed at the HCL Court Meeting and the HCL General Meeting.**

**The Axon Board has withdrawn its recommendation of the Infosys Scheme. Whilst you are not required to take any further action in respect of forms of proxy you may have returned in relation to the Infosys Scheme you should note that forms of proxy previously returned in respect of the Infosys Scheme will not apply to the HCL Scheme. Accordingly, any Axon Shareholder who wishes to vote in respect of the HCL Scheme is required to return the Forms of Proxy irrespective of whether or not they have previously voted on the Infosys Scheme.**

Yours sincerely,

**Roy Merritt**
Chairman
for and on behalf of
Axon Group plc

# PART II

## EXPLANATORY STATEMENT

***(Explanatory statement in compliance with section 897 of the Act)***

24 October 2008

*To:* *Axon Shareholders and, for information only, to holders of options or awards under the Axon Share Schemes*

Dear Axon Shareholder,

**Recommended acquisition by HCL EAS Limited, an indirect wholly owned subsidiary of HCL Technologies Limited, of Axon Group plc**

### 1. Introduction

On 26 September 2008, HCL Technologies announced the terms of an offer to acquire the entire issued and to be issued share capital of Axon. On 2 October 2008, Axon announced that the Axon Directors had determined to recommend the HCL Acquisition, thereby withdrawing their recommendation of the Infosys Acquisition which had been announced on 25 August 2008. On 10 October 2008, it was announced that HCL EAS and Axon had agreed that the HCL Acquisition would be effected by means of a scheme of arrangement between Axon and its shareholders pursuant to the provisions of Part 26 of the Act, involving a reduction of capital under section 135 of the Companies Act 1985.

**Your attention is drawn to the letter from the Chairman of Axon set out in Part I of this document, which forms part of this Explanatory Statement. That letter explains, amongst other things, why the Axon Directors, who have been so advised by Citi, consider the terms of the HCL Acquisition to be fair and reasonable and why the Axon Directors unanimously recommend that (to the extent you are entitled to do so) you vote in favour of the HCL Scheme at the HCL Court Meeting and the HCL Special Resolution to be proposed at the HCL General Meeting.**

The Axon Directors have been advised by Citi in connection with the HCL Acquisition and the HCL Scheme. Citi has been authorised by the Axon Directors to write to you to set out the terms of the HCL Acquisition and the HCL Scheme and to provide you with other relevant information.

Statements made or referred to in this letter which refer to the reasons for the HCL Acquisition, to information concerning the business of the HCL Group and intentions and expectations regarding the HCL Group and the Enlarged Group, reflect the views of the HCL EAS Directors and the HCL Technologies Directors. Statements made or referred to in this letter which refer to the background to, and reasons for, recommending, the HCL Acquisition, to information concerning the business of the Axon Group and to intentions and expectations regarding the Axon Group (other than the future plans for the business described in paragraph 7 of this Part II of this document) reflect the views of the Axon Directors.

The terms of the HCL Scheme are set out in full in Part V of this document. Your attention is also drawn to the further information contained in this document which forms part of this Explanatory Statement.

The HCL Scheme is conditional upon the HCL Conditions set out in Part III of this document being satisfied or (if capable of waiver) waived.

Axon Shareholders should read the whole of this document before deciding whether or not to vote in favour of the HCL Scheme at the HCL Court Meeting and the HCL Special Resolution to be proposed at the HCL General Meeting.

### 2. The HCL Acquisition

The HCL Acquisition will be implemented by means of a scheme of arrangement between Axon and the Scheme Shareholders under Part 26 of the Act (involving a capital reduction under section 135 of the Companies Act 1985) although HCL EAS may elect to implement the HCL Acquisition by way of an Offer where permitted to do so in accordance with the terms of the HCL Implementation Agreement.

Under the terms of the HCL Scheme, which is subject to the HCL Conditions and the further terms set out in Part III of this document, Scheme Shareholders on the register of members of Axon at the HCL Scheme Record Time will be entitled to receive:

**for each Scheme Share** **647.75 pence in cash**

Scheme Shareholders who are on the register of members of Axon on 24 October 2008 will also be entitled to receive an additional 2.25 pence for each Axon Share held by way of the Interim Dividend. Such Scheme Shareholders will therefore receive an aggregate of 650 pence per Axon Share.

The HCL Offer Price of 647.75 pence per share represents a premium of approximately:

- 28.9 per cent. to the Closing Price of 502.5 pence on 22 August 2008, being the last business day prior to the date of the Infosys Announcement;
- 42.1 per cent. to the average Closing Price of 455.7 pence for the three months ended 22 August 2008, being the last business day prior to the date of the Infosys Announcement;
- 43.7 per cent. to the average Closing Price of 450.9 pence for the six months ended 22 August 2008, being the last business day prior to the date of the Infosys Announcement; and
- 8.4 per cent. to the Infosys offer price of 597.75 pence.

The HCL Offer Price values Axon's existing issued and to be issued share capital at approximately £439 million.

The HCL Scheme requires the Scheme Shareholders to vote in favour of the HCL Scheme at the HCL Court Meeting to be held at 10.00 a.m. and the Axon Shareholders to vote in favour of the HCL Special Resolution to be proposed at the HCL General Meeting to be held at 10.15 a.m., both such meetings to be held on 24 November 2008 at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB. Further details of the HCL Meetings are set out in paragraph 13 of this Part II.

Following the HCL Meetings, it is expected that the HCL Scheme Court Hearing will take place on 10 December 2008 and the HCL Reduction Court Hearing on 12 December 2008. The HCL Effective Date is expected to be 15 December 2008.

If the HCL Scheme becomes Effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended or voted and, if they voted, whether they voted for or against the Scheme, at the HCL Court Meeting or the HCL General Meeting.

Upon the HCL Scheme becoming Effective, New Axon Shares will be issued to HCL EAS (and/or its nominee(s)) whereupon Axon will become a wholly owned subsidiary of HCL EAS and cheques in respect of the cash consideration will be despatched by post to Scheme Shareholders at their own risk (or the cash consideration will be settled through CREST, as the case may be) as soon as practicable and in any case, within 14 days of the HCL Scheme becoming Effective.

## 3. Irrevocable undertakings

The Axon Directors who are or, prior to the HCL Meetings, may be Axon Shareholders have indicated their intention to enter into irrevocable undertakings with HCL EAS to vote in favour of the HCL Scheme at the HCL Court Meeting and the HCL Special Resolution to be proposed at the HCL General Meeting in respect of their beneficial holdings of Axon Shares upon being released from the terms of the irrevocable undertakings given in connection with the Infosys Acquisition. This beneficial holding is currently in respect of an aggregate of 147,420 Axon Shares representing approximately 0.2 per cent. of Axon's existing issued share capital.

Further details of any irrevocable undertakings entered into will be announced via a Regulatory Information Service and made available for inspection in accordance with the Code.

## 4. Information relating to Axon

Axon is a business transformation consultancy that designs, implements and supports solutions to complex business issues faced by multinational organisations that have chosen SAP as their strategic enterprise platform. Axon has approximately 2,000 employees. Its professionals specialise in the delivery of change through technology enabled transformation programs. Axon's consultants bring in-depth industry expertise alongside best practice functional knowledge to address the strategic, operational, information management and organisation effectiveness challenges faced by organisations today.

Axon is recognised for its ability to help clients define more ambitious strategies, build more effective organisations and shape more successful futures. Founded in 1994, today Axon has offices in the United Kingdom, North America, Malaysia and Australia.

For the year ended 31 December 2007, Axon reported profit before taxation of £29.5 million on revenues of £204.5 million and had net assets as at 31 December 2007 of £80.6 million. For the six months ended 30 June 2008, Axon reported profit before tax of £16.3 million on revenues of £123.9 million and had net assets as at 30 June 2008 of £94.0 million.

### 5. Information relating to HCL Technologies and HCL EAS

HCL Technologies is a global IT services company headquartered and listed in India with a current market capitalisation of approximately US$3.4 billion.

Since its inception in 1992, HCL has built significant strengths in custom applications for industry solutions and package implementation, IT infrastructure management and business process outsourcing; while maintaining and extending its position in product engineering. HCL has also built domain expertise through a micro-verticalisation strategy in industries such as financial services, hi-tech and manufacturing, retain, media and entertainment, life sciences and telecoms.

Today, the HCL Group employs approximately 52,700 professionals and leverages an extensive global network of offices across 19 countries to deliver its solutions.

For the year ended 30 June 2008, the HCL Group generated sales of US$1.9 billion, an increase of 35 per cent. over the previous year (2007: US$1.4 billion). EBIT for the year ended 30 June 2008 grew to US$341 million, representing a 37 per cent. increase over the previous year (2007: US$250 million).

HCL EAS is a private limited company incorporated in England and Wales and an indirect wholly owned subsidiary of HCL Technologies. HCL EAS was formed at the direction of HCL Technologies specifically for the purpose of acquiring Axon. HCL EAS has not traded since its inception nor has it entered into any obligation other than in connection with the HCL Acquisition.

### 6. Current trading and prospects of Axon

The fortunes of IT projects businesses have historically been impacted significantly by the global economic cycle. Axon is fortunate that many of its largest clients are in relatively defensive sectors. Axon has seen some first limited signs of market softening in some sectors with more competitive pricing behaviour by its competitors. Although the macroeconomic climate has deteriorated in the second half, Axon has continued to perform well with chargeability remaining high. Axon has a strong order book and pipeline and the Axon Board expects revenues to grow in the second half despite the uncertain macroeconomic environment.

### 7. Background to and reasons for the HCL Acquisition and intentions for Axon

The Axon management team has achieved a significant degree of success in creating a leading SAP implementation services business which HCL Technologies believes will help to drive the ongoing expansion of its product and services capabilities as it continues towards becoming a leading player in the global IT services sector.

HCL Technologies believes that the IT services sector will continue to evolve and grow in response to expanding customer demands for ever more integrated solutions and service offerings. A combination of the two companies will create an Enlarged Group with the ability to further develop its position in the vanguard of meeting these increasing client requirements. Axon's SAP implementation capabilities, when combined with the HCL Group's scale and global reach, will deliver strong operational and technical expertise across a number of key verticals, allowing the Enlarged Group to position itself strongly in a number of growing, highly attractive competency areas and sectors.

### 8. Management and employees

HCL Technologies regards the management and employees of Axon as key to the ongoing success of the Enlarged Group. HCL Technologies believes that the management and, furthermore, employees of Axon will benefit from the improved opportunities available within the Enlarged Group.

HCL Technologies confirms that, following the HCL Scheme becoming Effective, the existing employment rights of employees of Axon, including pension rights, will be fully safeguarded.

## 9. Axon Directors and the effect of the HCL Scheme on their interests

Details of the interests of the Axon Directors in the share capital of Axon are set out in paragraph 3 of Part VI of this document. Axon Shares held by all of the Axon Directors at the HCL Scheme Record Time will be subject to the HCL Scheme.

The effect of the HCL Scheme on the interests of the Axon Directors does not differ from its effect on the like interest of any other person.

In common with other employees who hold options and awards granted pursuant to the Axon Share Schemes, appropriate proposals will also be made to the Axon Directors in respect of their options and awards granted under the Axon Share Schemes.

Details of the service contracts (including the termination provisions and payments) and letters of appointment of the Axon Directors are set out in paragraph 7 of Part VI of this document.

## 10. Axon Share Schemes

Options and awards granted pursuant to the Axon Share Schemes which are not already exercisable, will become exercisable or will vest to the extent determined by Axon's remuneration committee, immediately after the Court sanctions the HCL Scheme at the HCL Scheme Court Hearing.

Any Axon Shares issued pursuant to the exercise of options or vesting of awards under the Axon Share Schemes prior to the HCL Scheme Record Time will be subject to the terms of the HCL Scheme. This will include any Axon Shares held by the trustees of the Employee Benefit Trusts prior to the HCL Scheme Record Time to enable them to satisfy options and awards under the Axon Share Schemes. Save for the issue of the New Axon Shares to HCL EAS pursuant to the HCL Scheme, Axon will not issue any shares after the HCL Scheme Record Time until the HCL Effective Date.

The provisions relating to the outstanding options and awards under the Axon Share Schemes and the effect of the HCL Scheme on them are set out below.

***Axon Group plc Approved Discretionary Share Option Scheme, the Axon Group plc Unapproved Discretionary Share Option Scheme and the Axon Solutions Limited Approved Executive Share Option Scheme (together, the "Option Schemes")***

There are options outstanding over 4,452,771 Axon Shares under the Option Schemes, of which 3,204,396 are either exercisable or will become exercisable immediately following the HCL Scheme Court Hearing.

***Performance Share Plan***

Following the exercise of discretion by Axon's remuneration committee at its meeting on 19 August 2008 in accordance with the rules of the Performance Share Plan, awards over 2,745,963 Axon Shares will vest immediately following the HCL Scheme Court Hearing. Awards under the Performance Share Plan will be satisfied by the transfer of Axon Shares by the trustees of the Employee Benefit Trusts immediately after the HCL Scheme Court Hearing.

***Executive Reward Scheme***

There are options outstanding under the Executive Reward Scheme. Outstanding options will become exercisable on the date specified by the Founders, but it is anticipated that this will be on the date the HCL Scheme is sanctioned by the Court, immediately following the HCL Scheme Court Hearing.

Any Axon Shares issued pursuant to the exercise of options or awards under the Axon Share Schemes on or after the HCL Scheme Record Time will not be subject to the HCL Scheme. However, as set out in the HCL Special Resolution, an amendment to the Articles is being proposed at the HCL General Meeting to the effect that any Axon Shares allotted and issued pursuant to the exercise of an option or award under the Axon Share Schemes on or after the HCL Scheme Record Time will automatically be transferred to, and purchased by, HCL EAS (or its nominee(s)) on the same terms as the HCL Acquisition.

In addition, it is proposed that the Articles be amended to ensure that any Axon Shares which are issued after the HCL General Meeting but before the HCL Scheme Record Time will be subject to and bound by the HCL Scheme.

Participants in the Axon Share Schemes will receive separate explanatory letters explaining the effect of the HCL Scheme on their options or awards and the action they may take in respect of their outstanding options and awards granted pursuant to the Axon Share Schemes.

## 11. Financing of the HCL Acquisition

The cash consideration payable by HCL EAS under the terms of the HCL Acquisition will be funded using a combination of the HCL Group's existing resources and committed loan facility arranged by Standard Chartered for the purposes of the HCL Acquisition.

The new debt will be advanced to HCL EAS pursuant to a £400,000,000 senior facility agreement between Standard Chartered as original lender and in various other capacities, HCL EAS as original borrower, HCL Technologies as original guarantor and HCL Bermuda Limited as parent.

Further details of the terms of the HCL Acquisition's financing are set out in paragraph 11 of Part VI of this document.

Merrill Lynch is satisfied that sufficient resources are available to HCL EAS to satisfy in full the cash consideration payable to Axon Shareholders under the terms of the HCL Acquisition.

## 12. HCL Break Fee Letter and HCL Implementation Agreement

### *HCL Break Fee Letter*

Axon and HCL Technologies have entered into the HCL Break Fee Letter which contains the principal provisions set out below.

Axon has agreed to pay an inducement fee to HCL Technologies if:

(a) having recommended the HCL Acquisition, the directors of Axon subsequently withdraw or adversely modify their recommendation of the HCL Acquisition or recommend a competing proposal and, in any such case, thereafter the HCL Acquisition lapses or is withdrawn; or

(b) the offer for Axon by Infosys announced on 25 August 2008 becomes or is declared unconditional in respects or is completed (in each case at a price higher than set out in the announcement of 25 August 2008) and the HCL Acquisition lapses or is withdrawn; or

(c) an announcement of competing proposal is made and such proposal becomes or is declared unconditional in all respects or is completed and the HCL Acquisition lapses or is withdrawn.

The inducement fee is one per cent. of the value of the HCL Acquisition (inclusive of any irrecoverable VAT), but in the event of a break fee or inducement fee being paid or becoming payable by Axon pursuant to an agreement entered into by Axon prior to 26 September 2008 at any time prior to the date on which the inducement fee becomes payable to HCL, the latter shall be reduced by the amount of that break fee or inducement fee.

Axon has undertaken to HCL Technologies that it shall not offer to, or agree to, any work fee, inducement fee or break fee or other similar arrangement (a "**Break Fee**") with any party other than HCL Technologies and has warranted and represented to HCL Technologies that it has not entered any Break Fee with, or offered any Break Fee to, any party other than Infosys.

Until the HCL Acquisition has lapsed or been withdrawn, Axon has agreed that it will not directly or indirectly, solicit, encourage or seek to procure any interest from any third party in respect of a competing proposal, and that it will not enter into, continue or participate in any discussions with any third party which relate to or may be expected to lead to competing proposal (other than Infosys unless and until the offer by Infosys for Axon lapses or is withdrawn). This agreement is subject to the fiduciary and statutory duties of the directors of Axon and to their obligations under the Code.

If and to the extent that the directors of Axon are recommending the HCL Acquisition and Axon receives an approach which the directors of Axon reasonably expect to be the subject of an announcement under Rule 2.5 of the Code and which the directors of Axon are minded to recommend, Axon has undertaken to provide HCL Technologies with certain details of such proposal (including the price being offered and a profile of the competing bidder so that HCL Technologies can assess its size and scale) and Axon has further undertaken not to vary or amend its recommendation of the HCL Acquisition for a period of 60 hours after notifying HCL Technologies.

### *HCL Implementation Agreement*

On 16 October 2008, Axon and HCL EAS entered into the HCL Implementation Agreement which governs, amongst other things, their relationship during the period until the HCL Scheme becomes Effective. Amongst other things, the HCL Implementation Agreement contains certain obligations in relation to the implementation of the HCL Scheme and certain assistance Axon will provide to HCL EAS regarding transition planning.

Axon has undertaken not to vary or amend its recommendation of the HCL Acquisition for a period of 60 hours after notifying HCL EAS of a competing proposal.

The HCL Implementation Agreement will terminate with immediate effect in certain circumstances, including if any of the HCL Conditions becomes incapable of satisfaction or is invoked so as to cause the HCL Scheme not to proceed where such invocation is in accordance with Code unless HCL EAS has, within five business days of such event, elected to implement the HCL Acquisition by way of an Offer or if a competing proposal becomes or is declared wholly unconditional or is completed or a scheme in connection with such competing proposal becomes effective. In addition, in the event that any of the circumstances set out in clause 2.1 of the HCL Break Fee Letter occur, HCL EAS will be released from its obligations under the HCL Implementation Agreement.

Axon has agreed in the HCL Implementation Agreement that, if HCL EAS elects to implement the HCL Acquisition by way of an Offer, the offer document shall incorporate a recommendation from the Axon Directors to accept the Offer.

## 13. The HCL Scheme

### 13.1 *Introduction*

The HCL Acquisition is being implemented by means of a scheme of arrangement between Axon and the Scheme Shareholders pursuant to the provisions of Part 26 of the Act, details of which are set out in full in Part V of this document.

The purpose of the HCL Scheme is to enable HCL EAS to become the owner of the entire issued and to be issued share capital of Axon. This is to be achieved by the cancellation of the Scheme Shares held by Scheme Shareholders by way of a reduction of capital approved by the Court and the application of the reserve arising from such cancellation in paying up in full a number of New Axon Shares (which is equal to the number of Axon Shares cancelled) and issuing them to HCL EAS and/or its nominee(s) in consideration for which holders of Scheme Shares will receive cash on the basis set out in paragraph 2 of this Part II.

To become Effective, the HCL Scheme requires, amongst other things, the approval of a majority in number of those Scheme Shareholders, present and voting (and entitled to vote) either in person or by proxy at the HCL Court Meeting, representing not less than 75 per cent. in value of all Scheme Shares voted by such Scheme Shareholders and the passing of the HCL Special Resolution to implement the HCL Scheme at the HCL General Meeting. The HCL Scheme also requires the sanction of the Court as well as the satisfaction (or waiver (if capable of waiver)) of the other HCL Conditions set out in Part III of this document. Upon the HCL Scheme becoming Effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted and, if they voted, whether they voted for or against the HCL Scheme, at the HCL Court Meeting or the HCL General Meeting.

The last day of dealings in, and for registration of transfers of, Axon Shares will be the business day following the HCL Scheme Court Hearing and is expected to be 11 December 2008.

Prior to the HCL Scheme becoming Effective, applications will be made to the UKLA for the listing of Axon Shares to be cancelled and to the London Stock Exchange for the Axon Shares to cease to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that this will take effect on the HCL Effective Date or shortly thereafter.

On the HCL Effective Date, share certificates in respect of Scheme Shares will cease to be valid and should be destroyed. In addition, on the HCL Effective Date, entitlements to Scheme Shares held within the CREST system will be cancelled.

Following the HCL Scheme Court Hearing and prior to the HCL Scheme Record Time, Axon may allot and issue Axon Shares pursuant to the exercise of options or vesting of awards under the Axon Share Schemes. Save for the issue of New Axon Shares to HCL EAS pursuant to the HCL Scheme, Axon will not issue any shares from the HCL Scheme Record Time until after the HCL Effective Date.

### 13.2 *The HCL Meetings*

The HCL Scheme is subject to the satisfaction (or waiver (if capable of waiver)) of the HCL Conditions set out in Part III of this document. To become Effective, the HCL Scheme will also require the approval by Scheme Shareholders of a resolution at the HCL Court Meeting and the passing of the HCL Special Resolution by Axon Shareholders at the HCL General Meeting.

Notices of the HCL Court Meeting and the HCL General Meeting are set out in Parts VIII and IX of this document respectively. Save as set out below, all holders of Axon Shares whose names appear on the register of members of Axon at the HCL Voting Record Time or, if either the HCL Court Meeting or the HCL General Meeting are adjourned, on the register of members at 6.00 p.m. on the date two days before the date set for the adjourned HCL Meeting, shall be entitled to attend and vote at the relevant HCL Meeting in respect of the number of Axon Shares registered in their name at the relevant time.

*The HCL Court Meeting*

The HCL Court Meeting, which has been convened for 10.00 a.m. on 24 November 2008, is being held at the direction of the Court to seek the approval of Scheme Shareholders for the HCL Scheme (with or without modification).

At the HCL Court Meeting, voting will be by way of poll and not on a show of hands and each Scheme Shareholder present in person or by proxy will be entitled to one vote for each Scheme Share held. Scheme Shareholders have the right to raise any objections they may have to the HCL Scheme at the HCL Court Meeting. The HCL Scheme must be approved by a majority in number representing 75 per cent. or more in value of the Scheme Shareholders, present and voting, either in person or by proxy, at the HCL Court Meeting, or at any adjournment thereof. The result of the poll will be posted on Axon's website.

**It is important that, for the HCL Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Scheme Shareholder opinion. You are therefore strongly urged to complete and return your pink Form of Proxy for use at the HCL Court Meeting as soon as possible and in any event so as to be received by no later than 10.00 a.m. on 22 November 2008 and to complete and return your yellow Form of Proxy for use at the HCL General Meeting as soon as possible and in any event so as to be returned by no later than 10.15 a.m. on 22 November 2008 (or in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting). Detailed instructions on the action to be taken are set out in paragraph 18 of this Part II.**

You will find the notice of the HCL Court Meeting set out in Part VIII of this document. Detailed instructions on the action to be taken are set out in paragraph 18 of this Part II.

Scheme Shareholders are entitled to appoint a proxy in respect of some or all of their Scheme Shares at the HCL Court Meeting. Scheme Shareholders are also entitled to appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a Scheme Shareholder must have more than one Scheme Share to be able to appoint more than one proxy). A space has been included in the pink Form of Proxy to allow Scheme Shareholders entitled to attend and vote at the HCL Court Meeting to specify the number of Scheme Shares in relation to which that proxy is appointed. Scheme Shareholders who return a pink Form of Proxy and specify a number which exceeds the number of Scheme Shares held by the Scheme Shareholder when totalled with the number specified on other proxy appointments by the same Scheme Shareholder, will render all appointments invalid.

Scheme Shareholders who wish to appoint more than one proxy in respect of their shareholding should complete a separate pink Form of Proxy for each proxy appointed. Such Scheme Shareholders should read the information regarding the appointment of multiple proxies set out on page 5 of this document and the related notes contained in the pink Form of Proxy. Further copies of the pink Form of Proxy may be obtained from Equiniti on 0871 384 2050 (from within the UK) or on +44 (0) 121 415 0259 (from outside the UK) or photocopies of the pink Form of Proxy may be taken.

**Calls to Equiniti's 0871 384 2050 number are charged at 8 pence per minute (including VAT) plus any of your service provider's network extras. Calls to Equiniti's +44 (0) 121 415 0259 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.**

*The HCL General Meeting*

The HCL General Meeting has been convened for 10.15 a.m. on 24 November 2008 (or as soon thereafter as the HCL Court Meeting has been concluded or adjourned), to consider and, if thought fit, pass the HCL Special Resolution (which requires votes in favour representing not less than 75 per cent. of the votes attached to Axon Shares voted at the HCL General Meeting, whether in person or by proxy) to approve various provisions necessary to implement the HCL Scheme, including:

(a) the HCL Capital Reduction;

(b) subject to the HCL Capital Reduction taking effect, the increase in Axon's share capital by the creation of a number of New Axon Shares equal to the number of Scheme Shares so cancelled and the application of the resulting reserve in the books of account of Axon in paying up in full the New Axon Shares;

(c) the granting of authority to the Axon Directors pursuant to section 80 of the Companies Act 1985 to allot the New Axon Shares to HCL EAS in accordance with the terms of the Scheme; and

(d) certain amendments to Axon's Articles as described below.

It is proposed that the Articles be amended to ensure that any Axon Shares issued at or after the adoption of the amended Articles but before the HCL Scheme Record Time will be subject to and bound by the HCL Scheme and that any Axon Shares issued on or after the HCL Scheme Record Time, including Axon Shares issued pursuant to the exercise of options or awards outstanding under the Axon Share Schemes will automatically be transferred to, and purchased by, HCL EAS (or its nominee(s)) on the same terms as the HCL Acquisition. This amendment will avoid any person (other than HCL EAS) holding shares in the capital of Axon after the HCL Effective Date.

Voting on the HCL Special Resolution will be on a show of hands unless a poll is demanded. The chairman of the HCL General Meeting reserves his right to demand that the vote of Axon Shareholders be held by way of a poll and, in such event, each Axon Shareholder present or by proxy will be entitled to one vote for every Axon Share held.

You will find the notice of the HCL General Meeting set out in Part IX to this document. The quorum for the HCL General Meeting will be two or more Axon Shareholders present in person or by proxy. Detailed instructions on the action to be taken are set out in paragraph 18 of this Part II.

Axon Shareholders are entitled to appoint a proxy in respect of some or all of their Axon Shares. Axon Shareholders are also entitled to appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so an Axon Shareholder must have more than one Axon Share to be able to appoint more than one proxy). A space has been included in the yellow Form of Proxy to allow Axon Shareholders entitled to attend and vote at the HCL General Meeting to specify the number of Axon Shares in relation to which that proxy is appointed. Axon Shareholders who return a yellow Form of Proxy and specify a number which exceeds the number of Axon Shares held by the Axon Shareholder when totalled with the number specified on other proxy appointments by the same Axon Shareholder, will render all appointments invalid.

Axon Shareholders who wish to appoint more than one proxy in respect of their shareholding should complete a separate yellow Form of Proxy for each proxy appointed. Such Axon Shareholders should read the information regarding the appointment of multiple proxies set out on page 5 of this document and the related notes contained in the yellow Form of Proxy. Further copies of the yellow Form of Proxy may be obtained from Equiniti on 0871 384 2050 (from within the UK) or on +44 (0) 121 415 0259 (from outside the UK) or photocopies of the yellow Forms of Proxy may be taken.

**Calls to Equiniti's 0871 384 2050 number are charged at 8 pence a minute (including VAT) plus any of your service provider's network extras. Calls to Equiniti's +44 (0) 121 415 0259 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.**

13.3 ***The HCL Court Hearings***

Under the Act, the HCL Scheme also requires the sanction of the Court. There are two separate HCL Court Hearings: one to sanction the HCL Scheme and the other to confirm the HCL Capital Reduction.

The HCL Scheme Court Hearing is expected to be held on 10 December 2008 at the Royal Courts of Justice, The Strand, London WC2A 2LL. All Axon Shareholders are entitled to attend the HCL Scheme Court Hearing in person or through counsel to support or oppose the sanctioning of the HCL Scheme and the associated HCL Capital Reduction. Following the HCL Scheme Court Hearing and prior to the HCL Scheme Record Time, Axon may allot and issue Axon Shares pursuant to the exercise of the options and awards pursuant to the Axon Share Schemes.

The HCL Reduction Court Hearing to confirm the HCL Capital Reduction is expected to occur on 12 December 2008. The period between the two HCL Court Hearings is included to permit Equiniti to update the register of members to reflect the issue and transfer of Axon Shares in connection with the Axon Share Schemes prior to the HCL Scheme Record Time. HCL EAS has confirmed that it will be represented by counsel at the HCL Court Hearings so as to consent to the HCL Scheme and to undertake to the Court to be bound thereby.

The HCL Scheme will become effective in accordance with its terms on the delivery of the office copies of the HCL Court Orders to, and the registration of the HCL Reduction Court Order (together with the HCL Minute attached thereto) by, the Registrar of Companies. This is expected to occur on or around 15 December 2008.

**If the HCL Scheme becomes Effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended or voted in favour of the HCL Scheme at the HCL Court Meeting or in favour of the HCL Special Resolution at the HCL General Meeting. Detailed instructions on the action to be taken are set out in paragraph 18 of this Part II.**

**If the HCL Scheme does not become Effective on or before 28 February 2009 or such later date (if any) as Axon and HCL EAS may agree and the Court may allow, the HCL Scheme will not become Effective and the HCL Acquisition will not proceed.**

13.4 ***Modifications to the HCL Scheme***

The HCL Scheme contains a provision for Axon and HCL EAS jointly to consent on behalf of all persons affected to any modification of, or addition to, the HCL Scheme or to any condition approved or imposed by the Court. The Court would be unlikely to approve any modification of, or addition to, or impose a condition to the HCL Scheme which might be material to the interests of the Scheme Shareholders unless Scheme Shareholders were informed of any such modification, addition or condition. It would be a matter for the Court to decide, in its discretion, whether or not a further meeting of Scheme Shareholders should be held in these circumstances. Similarly, if a modification, addition or condition is put forward which, in the opinion of the Axon Directors, is of such a nature or importance that it requires the consent of Scheme Shareholders at a further meeting, the Axon Directors will not take the necessary steps to enable the HCL Scheme to become Effective unless and until such consent is obtained.

13.5 ***Alternative means of implementing the HCL Acquisition***

HCL EAS may elect (subject to the consent of the Panel) to implement the HCL Acquisition by way of an Offer at any time before the HCL Scheme becomes Effective, or following the withdrawal, in which case additional documents will be despatched to Axon Shareholders. In such event, the Offer will (subject to the Panel and unless otherwise agreed) be implemented on the same terms (subject to appropriate amendments, including (without limitation) the inclusion of an acceptance condition set at 90 per cent. (or such lesser percentage (being more than 50 per cent.) as HCL EAS may determine) of the shares to which such offer relates), so far as applicable as those which would apply to the implementation of the HCL Acquisition by means of the HCL Scheme.

13.6 ***Section 103 valuation***

As at 23 October 2008 (the last business day prior to the publication of this document), HCL EAS owned or controlled 6,711,718 Axon Shares. Accordingly, there will be no requirement under section 103 of the Companies Act 1985 for an independent valuation of the New Axon Shares to be allotted to HCL EAS under the Scheme.

13.7 ***Conditions to the HCL Acquisition***

The HCL Acquisition and, accordingly, the HCL Scheme are subject to a number of conditions set out in full in Part III of this document. In summary, the implementation of the HCL Scheme is conditional upon, amongst other things:

(a) the approval of the HCL Scheme by a majority in number representing not less than 75 per cent. in value of the holders of Scheme Shares, present and voting, either in person or by proxy, at the HCL Court Meeting, or any adjournment thereof;

(b) the HCL Special Resolution required to approve and implement the HCL Scheme set out in the notice of the HCL General Meeting being passed by the requisite majority at the HCL General Meeting, or any adjournment thereof;

(c) the sanction (with or without modification) of the HCL Scheme and confirmation of the HCL Capital Reduction by the Court, office copies of the HCL Court Orders being delivered for registration to the Registrar of Companies and the registration of the HCL Reduction Court Order (together with the HCL Minute attached thereto) confirming the HCL Capital Reduction with the Registrar of Companies; and

(d) the other HCL Conditions (set out in Part III of this document) which are not otherwise summarised in sub-paragraphs (a) to (c) above being satisfied (or, if capable of waiver, waived).

**14. Overseas Shareholders**

The implications of the HCL Scheme and the HCL Acquisition for Overseas Shareholders may be affected by the laws of jurisdictions outside the United Kingdom. Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements. It is the responsibility of any Overseas Shareholders to satisfy themselves as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes or duties or payments due in such jurisdiction.

This document has been prepared for the purposes of complying with English law, the Code, the rules of the London Stock Exchange and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any jurisdiction outside of England and Wales.

**Axon Shareholders who are citizens or residents of the United States or other jurisdictions outside the United Kingdom should consult their own legal and tax advisers with respect to the legal and tax consequences of the HCL Scheme in their particular circumstances.**

**15. Taxation**

**The following paragraphs, which are intended as a general guide only, are based on current UK legislation and HM Revenue & Customs practice in force at the date of this document. They summarise certain limited aspects of the UK taxation consequences of the implementation of the HCL Scheme and relate only to the position of Scheme Shareholders who hold their Scheme Shares beneficially as an investment, unless otherwise indicated, and who are resident and, in the case of individuals, ordinarily resident and domiciled in the UK for taxation purposes at all relevant times. The tax position of certain categories of Scheme Shareholders who are subject to special rules (such as persons acquiring their shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered. If you are in any doubt as to your taxation position, or if you are subject to taxation in any jurisdiction other than the UK, you should consult an appropriate professional adviser without delay.**

***Taxation of Chargeable Gains***

Liability to UK taxation of chargeable gains will depend on the individual circumstances of the Scheme Shareholder.

On completion of the HCL Scheme, a Scheme Shareholder will generally be treated as having made a disposal of that Scheme Shareholder's Scheme Shares. Such a disposal may, depending upon the Scheme Shareholder's personal circumstances, and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains.

From 6 April 2008 onwards, the UK rate of capital gains tax for individuals has been 18 per cent.

For Scheme Shareholders who are in the charge to UK corporation tax (but which do not qualify for substantial shareholdings exemption in respect of their Scheme Shares), indexation allowance will be available in respect of the full period of ownership of the Scheme Shares to reduce any chargeable gain.

***Taxation of dividends***

In respect of the Interim Dividend, an Axon Shareholder who:

(i) is resident or ordinarily resident in the UK; or

(ii) carries on a trade in the UK through a UK branch or agency or, in the case of a corporate shareholder, a permanent establishment in connection with which their Axon Shares are held,

will generally be subject to UK income tax (at the rate of 10 per cent. in the case of those who are not higher rate taxpayers and 32.5 per cent. in the case of higher rate taxpayers) or corporation tax, as the case may be, on the gross amount of any dividends paid by Axon.

An individual Axon Shareholder who is resident for tax purposes in the UK and who owns a shareholding of less than 10 per cent. in Axon will, for dividends received from Axon, be entitled to a non-payable tax credit. The value of the tax credit will be one-ninth of the amount of the dividend paid by Axon and the tax credit is added to the amount paid to compute the gross amount of the dividend paid by Axon. The gross amount of the dividend will be regarded as the top slice of the Axon Shareholder's income and will be subject to UK income tax as set out above. The tax credit will be available to set against such holder's liability (if any) to tax on the gross amount of the dividend.

***Stamp Duty and Stamp Duty Reserve Tax (SDRT)***

No UK stamp duty or SDRT will be payable by Scheme Shareholders as a result of the HCL Scheme becoming Effective.

Application will be made to HMRC for confirmation that no stamp duty or SDRT is chargeable upon the HCL Scheme becoming Effective.

**16. Settlement**

Subject to the HCL Scheme becoming Effective and except with the consent of the Panel, settlement of the consideration to which any Axon Shareholder is entitled under the HCL Scheme will be effected in the manner set out below.

16.1 ***Scheme Shares held in uncertificated form (that is, in CREST)***

Where, at the HCL Scheme Record Time, a Scheme Shareholder holds Scheme Shares in uncertificated form, settlement of the HCL Consideration will be paid through CREST as soon as practicable after the Effective Date and in any event within 14 days after the Effective Date, in accordance with CREST payment arrangements.

As from the HCL Scheme Record Time, each holding of Scheme Shares credited to any stock account in CREST will be disabled and all Scheme Shares will be removed from CREST in due course.

HCL EAS reserves the right to pay all or any part of the HCL Consideration referred to above to all or any Scheme Shareholder(s) who holds Scheme Shares in uncertificated form at the HCL Scheme Record Time in the manner referred to in sub-paragraph 16.2 of this Part II if, for any reason outside its control, it is not able to effect settlement in accordance with this sub-paragraph.

16.2 ***Scheme Shares held in certificated form (that is, not in CREST)***

Settlement of any HCL Consideration due under the HCL Scheme in respect of Axon Shares held in certificated form will be despatched:

(a) by first class post, by cheque drawn on a branch of a UK clearing bank; or

(b) by such other method as may be approved by the Panel.

All such cash payments (whether in respect of Axon Shares in uncertificated or certificated form) shall be made in pounds sterling. Payments made by cheque shall be payable to the holders of the Axon Shares concerned. Cheques shall be despatched as soon as practicable after the HCL Effective Date and in any event within 14 days of the HCL Effective Date. All deliveries of cheques required to be made pursuant to the HCL Scheme shall be effected by posting the same day by first class post in pre-paid envelopes addressed to the persons entitled thereto at their respective addresses as appearing in the register of members of Axon at the

HCL Scheme Record Time or, in the case of joint holders, at the address of that one of the joint holders whose name stands first in such register in respect of such joint holding at such time or in accordance with any special instructions regarding communications, and neither HCL EAS nor Axon shall be responsible for any loss or delay in the transmission of cheques sent in this way and such cheques shall be sent at the risk of the person entitled thereto.

On the HCL Effective Date, each certificate representing a holding of Axon Shares subject to the HCL Scheme will be cancelled and share certificates for such shares will cease to be valid and should be destroyed.

16.3 ***General***

All documents and remittances sent through the post will be sent at the risk of the person(s) entitled thereto.

Except with the consent of the Panel, settlement of the consideration to which any Scheme Shareholder is entitled under the HCL Scheme will be implemented in full in accordance with the terms of the HCL Scheme free of any lien, right of set-off, counterclaim or other analogous right to which HCL EAS may otherwise be, or claim to be, entitled against such shareholder.

Mandates in force at the HCL Effective Date relating to the payment of dividends and other instructions given by Scheme Shareholders in respect of their Scheme Shares will be deemed revoked as from the HCL Effective Date.

**17. Delisting and re-registration**

Unless the HCL Meetings are adjourned, the last day of dealings on the London Stock Exchange in, and for registration of transfers of, Axon Shares will be the business day following the HCL Scheme Court Hearing, which is expected to be 10 December 2008, following which Axon Shares will be temporarily suspended from the Official List and from trading on the London Stock Exchange's main market for listed securities. No transfers of Axon Shares will be registered after this date, other than the registration of Axon Shares released, transferred or issued under the Axon Share Schemes after the HCL Scheme Court Hearing and prior to the HCL Scheme Record Time or the issue of New Axon Shares in accordance with the HCL Scheme.

A request will be made to each of the London Stock Exchange and the UKLA prior to the HCL Effective Date to cancel the trading in Axon Shares on the London Stock Exchange's main market for listed securities and to remove the listing of the Axon Shares from the Official List, in each case, with effect from the HCL Effective Date or shortly thereafter.

On the HCL Effective Date, share certificates in respect of Axon Shares will cease to be valid. In addition, on or shortly after the HCL Effective Date, entitlements to Scheme Shares held within the CREST system will be cancelled.

As part of the HCL Acquisition, it is also intended that Axon be re-registered as a private limited company in due course.

**18. Action to be taken**

You will find accompanying this document:

- a pink Form of Proxy for use at the HCL Court Meeting; and
- a yellow Form of Proxy for use at the HCL General Meeting.

**Whether or not you intend to attend the HCL Court Meeting and/or the HCL General Meeting, you are requested to complete and sign the accompanying pink and yellow Forms of Proxy and return them in accordance with the instructions printed thereon. Completed Forms of Proxy should be returned to Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL as soon as possible and, in any event, so as to be received by no later than 10.00 a.m. on 22 November 2008 for the HCL Court Meeting and 10.15 a.m. on 22 November 2008 for the HCL General Meeting (or in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting).**

This will enable your votes to be counted at the HCL Meetings in your absence. If the pink Form of Proxy for use at the HCL Court Meeting is not returned by such time, it may be handed to Equiniti on behalf of the chairman of the HCL Court Meeting, at the HCL Court Meeting before the taking of the poll and will still be valid. However, in the case of the yellow Form of Proxy for the HCL General Meeting, it will be invalid unless it is returned to Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL, so as to be received no later than 10.15 a.m. on 22 November 2008.

If you hold your Axon Shares in uncertificated form (that is, in CREST), you may vote using the CREST voting service in accordance with the procedures set out in the CREST Manual (please also refer to the notes for the notices of the HCL Court Meeting and the HCL General Meeting set out in Parts VIII and IX of this document respectively). Proxies submitted through CREST (under CREST participant ID RA19) must be received by Equiniti by no later than 10.00 a.m. on 22 November 2008 in the case of the HCL Court Meeting and by 10.15 a.m. on 22 November 2008 in the case of the HCL General Meeting (or in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting).

Completion and return of the Forms of Proxy will not preclude Axon Shareholders from attending and voting in person at either the HCL Court Meeting or the HCL General Meeting, or any adjournment thereof, should they so wish and should they so be entitled.

Axon Shareholders are entitled to appoint a proxy in respect of some or all of their Scheme Shares. Axon Shareholders are also entitled to appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so an Axon Shareholder must have more than one Scheme Share to be able to appoint more than one proxy). A space has been included in the Forms of Proxy to allow Axon Shareholders entitled to attend and vote at the relevant HCL Meeting to specify the number of Scheme Shares in relation to which that proxy is appointed. Axon Shareholders who return a Form of Proxy and specify a number which exceeds the number of Scheme Shares held by the Axon Shareholder when totalled with the number specified on other proxy appointments by the same Axon Shareholder, will render all appointments invalid.

Axon Shareholders who wish to appoint more than one proxy in respect of their shareholding should complete a separate Form of Proxy for each proxy appointed. Such Axon Shareholders should read the information regarding the appointment of multiple proxies set out on page 5 of this document and the related notes contained in the relevant Form of Proxy. Further copies of the Forms of Proxy may be obtained from Equiniti on 0871 384 2050 (from within the UK) or on +44 (0) 121 415 0259 (from outside the UK) or photocopies of the Forms of Proxy may be taken.

**Calls to Equiniti's 0871 384 2050 number are charged at 8 pence per minute (including VAT) plus any of your service provider's network extras. Calls to Equiniti's +44 (0) 121 415 0259 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.**

**It is important that, for the HCL Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Scheme Shareholder opinion. You are therefore strongly urged to complete, sign and return your Forms of Proxy as soon as possible.**

Notices convening the HCL Court Meeting and the HCL General Meeting are set out in Parts VIII and IX of this document respectively.

## 19. Helpline

If you have any questions relating to this document, the HCL Court Meeting, the HCL General Meeting, the HCL Acquisition or the HCL Scheme or are in any doubt about the completion and return of the Forms of Proxy, please contact Equiniti on 0871 384 2050 or, if telephoning from outside the United Kingdom, on +44 (0) 121 415 0259 between 9.00 a.m. and 5.00 p.m. Monday to Friday (excluding public holidays). Please note that, for legal reasons, the helpline cannot provide advice on the merits of the HCL Acquisition or give any legal, tax or financial advice.

**Calls to Equiniti's 0871 384 2050 number are charged at 8 pence per minute (including VAT) plus any of your service provider's network extras. Calls to Equiniti's +44 (0) 121 415 0259 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.**

## 20. Further information

Your attention is drawn to the terms of the HCL Scheme which are set out in full in Part V of this document. Your attention is also drawn to the further information contained in this document which forms part of this Explanatory Statement.

Yours sincerely,

**William Barter**
Managing Director
for and on behalf of
Citigroup Global Markets Limited

## PART III

## CONDITIONS TO THE IMPLEMENTATION OF THE HCL ACQUISITION

**Part A: Conditions of the HCL Scheme**

The HCL Acquisition is conditional upon the HCL Scheme becoming unconditional and becoming Effective by no later than 28 February 2009, or such later date (if any) as Axon and HCL EAS may, with the consent of the Panel, agree and (if required) the Court may allow.

1. The HCL Scheme is conditional upon:

1.1 the approval of the HCL Scheme by a majority in number representing 75 per cent. or more in value of the Scheme Shareholders, present and voting, either in person or by proxy, at the HCL Court Meeting, or at any adjournment thereof;

1.2 the resolution(s) in connection with or required to approve and implement the HCL Scheme and set out in the notice of the HCL General Meeting being duly passed by the requisite majority at the HCL General Meeting, or at any adjournment thereof; and

1.3 the sanction of the HCL Scheme and the confirmation of the HCL Capital Reduction by the Court (in either case, with or without modification, on terms agreed by Axon and HCL EAS) and office copies of the HCL Court Orders and the minute of such HCL Capital Reduction attached thereto being delivered for registration to the Registrar of Companies in England and Wales and, in relation to the HCL Capital Reduction, being registered by the Registrar.

2. In addition, Axon and HCL EAS have agreed that, subject as stated in Part B below, the HCL Scheme will also be conditional upon, and accordingly application to the Court to sanction the HCL Scheme and to confirm the HCL Capital Reduction will only be made upon, conditions 1.1 and 1.2 above having been fulfilled and provided that immediately prior to the hearing to sanction the HCL Scheme, the following conditions (as amended if appropriate) are satisfied or waived as referred to below:

2.1 all required filings having been made under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) and the rules and regulations thereunder, and all applicable waiting periods having expired or been terminated as appropriate, in each case in connection with the HCL Acquisition or any aspect of the HCL Acquisition;

2.2 no Relevant Authority having taken, instituted, implemented or threatened any action, proceeding, suit, investigation or enquiry, or enacted, made or proposed any statute, regulation or order, or taken any other step that, in each case, would or might in the opinion of HCL EAS (acting reasonably) be expected to:

2.2.1 require, prevent or delay the divestiture by any member of the Wider HCL Group or any member of the Wider Axon Group of all or any portion of their respective businesses, assets or properties or limit the ability of any member of the Wider HCL Group or the Wider Axon Group to conduct its business (or any part of it) or to own or control any of its assets or property or any part of them which, in any such case, is material in the context of the Wider Axon Group or the Wider HCL Group in either case taken as a whole;

2.2.2 other than pursuant to the implementation of the HCL Acquisition, require any member of either the Wider HCL Group or Wider Axon Group to acquire or offer to acquire any shares or other securities (or the equivalent) in any member of the Wider Axon Group or any asset owned by any Third Party;

2.2.3 limit or materially delay (i) the ability of HCL EAS, directly or indirectly, to acquire, hold, or exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or securities convertible into shares or any other securities (or the equivalent) in any member of the Wider Axon Group or (ii) the ability of any member of the Wider Axon Group, directly or indirectly, to hold or to exercise effectively all or any rights of ownership in respect of shares or loans or securities convertible into shares or any other securities (or the equivalent) in, loans or other securities in, or to exercise management control over, any other member of the Wider Axon Group which, in either case, is material in the context of the Wider Axon Group;

2.2.4 limit the ability of the Wider HCL Group or the Wider Axon Group to conduct its business to an extent which, in any such case, is material in the context of the Wider Axon Group or the Wider HCL Group in either case taken as a whole;

2.2.5 make the HCL Acquisition or its implementation or the acquisition of any shares in, or control of, Axon by any member of the Wider HCL Group void, unenforceable, illegal and/or prohibited in or under the laws of any jurisdiction or otherwise, directly or indirectly, materially restrict, restrain, prohibit, delay or otherwise interfere with the same, or impose additional material conditions or obligations with respect to the HCL Acquisition, or require amendment of, or otherwise challenge or materially interfere with, the HCL Acquisition; or

2.2.6 otherwise materially and adversely affect the business, assets, liabilities, financial or trading position, profits or prospects of any member of the Wider Axon Group taken as a whole,

and all applicable waiting and other time periods during which any such Relevant Authority could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference or take any other step under the laws of any jurisdiction in respect of the HCL Acquisition having expired, lapsed or been terminated;

2.3 all necessary statutory or regulatory obligations in any jurisdiction having been complied with in all material respects, all necessary filings, applications and/or notifications having been made and all applicable waiting periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated, in each case in respect of the HCL Acquisition or the acquisition of any shares or other securities in, or control of, Axon by any member of the Wider HCL Group;

2.4 all Authorisations which are relevant in any jurisdiction for or in respect of the HCL Acquisition being obtained in terms and in a form satisfactory to HCL EAS (acting reasonably) from appropriate Relevant Authorities or from any persons or bodies with whom any member of the Wider HCL Group or the Wider Axon Group has entered into contractual arrangements and such Authorisations, together with all Authorisations necessary for any member of the Wider Axon Group to carry on its business (where the absence of such Authorisation would have a material and adverse effect on the Wider Axon Group taken as a whole), remaining in full force and effect and there being no notice or other intimation of any intention to revoke, suspend, restrict or modify or not to renew any of the same;

2.5 save as Disclosed, there being no provision of any arrangement, agreement, lease, licence, permit or other instrument to which any member of the Wider Axon Group is a party, or by or to which any such member or any of its assets is or may be bound, entitled or subject or any other circumstance, which, in each case, as a consequence of the making or implementation of the HCL Acquisition or the acquisition or the proposed acquisition by any member of the Wider HCL Group of any shares or other securities (or the equivalent) in, or because of a change in the control or management of, any member of the Wider Axon Group or otherwise, would or might reasonably be expected to result in, in any case to an extent which is material in the context of the Wider Axon Group taken as a whole:

2.5.1 any monies borrowed by, or any other indebtedness, actual or contingent, of, or any grant available to, any member of the Wider Axon Group being or becoming repayable, or capable of being declared repayable immediately or prior to their or its stated repayment date, or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited or becoming capable of being withdrawn or inhibited;

2.5.2 the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Wider Axon Group or any such mortgage, charge or other security interest (whenever arising or having arisen) becoming enforceable;

2.5.3 any such arrangement, agreement, lease, licence, permit or other instrument being, or becoming capable of being, terminated or adversely modified or affected or any onerous obligation or liability arising or any adverse action being taken thereunder;

2.5.4 any asset or interest owned or used by any member of the Wider Axon Group, being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available to any member of the Wider Axon Group;

2.5.5 the rights, liabilities, obligations or interests of any member of the Wider Axon Group in, or the business of any such member with, any person, firm or body (or any arrangement or arrangements relating to any such interest or business) being terminated, adversely modified or adversely affected;

2.5.6 any such member of the Wider Axon Group ceasing to be able to carry on business under any name under which it presently does so;

2.5.7 the value, financial or trading position, profits or prospects of any member of the Wider Axon Group being prejudiced or adversely affected;

2.5.8 the creation of any liability of any member of the Wider Axon Group to make severance, termination, bonus or other payment to any of its directors or officers; or

2.5.9 the creation of any liability (actual or contingent) of any member of the Wider Axon Group other than in the ordinary course of business,

and no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider Axon Group is a party or by or to which any such member or any of its assets may be bound or subject, could reasonably be expected to result in any of the events or circumstances which are referred to in HCL Conditions 2.5.1 to 2.5.9;

2.6 since 31 December 2007 and save as Disclosed, no member of the Wider Axon Group having:

2.6.1 issued or agreed to issue, or authorised or proposed or announced its intention to authorise or propose the issue of, additional shares of any class, or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities (save as between Axon and wholly-owned subsidiaries of Axon and save for the issue of Axon Options or Axon Shares pursuant to the exercise of Axon Options on or before 19 June 2008 under the Axon Share Schemes);

2.6.2 other than in respect of the Interim Dividend, recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus issue, dividend or other distribution whether payable in cash or otherwise other than dividends (or other distributions whether payable in cash or otherwise) lawfully paid or made to Axon or to a wholly-owned subsidiary of Axon;

2.6.3 save for transactions between Axon and its wholly-owned subsidiaries, implemented, effected, authorised, proposed or announced its intention to implement, effect, authorise or propose any merger, demerger, reconstruction, amalgamation or scheme;

2.6.4 (save for transactions between Axon and its wholly-owned subsidiaries and save for transactions in the ordinary and usual course of business) acquired or disposed of, or transferred, mortgaged or charged, or created any other security interest over, any asset or any right, title or interest in any asset that is material in the context of the Wider Axon Group taken as a whole or authorised, proposed or announced any intention to do so;

2.6.5 issued, authorised or proposed or announced an intention to authorise or propose, the issue of any debentures or (save for transactions between Axon and its wholly-owned subsidiaries or transactions under existing credit arrangements or in the ordinary and usual course of business) made or authorised any material change in its loan capital or incurred or increased any material indebtedness or material contingent liability;

2.6.6 entered into, varied or terminated, or authorised, proposed or announced its intention to enter into, terminate or vary any contract, arrangement, agreement, transaction or commitment (whether in respect of capital expenditure or otherwise) which is of a long-term, unusual or onerous nature or magnitude or which involves or could involve an obligation of such a nature or magnitude, which is, in any such case, material in the context of the Wider Axon Group or is other than in the ordinary course of business or which is or is likely to be restrictive on the business of any member of the Wider Axon Group;

2.6.7 entered into or varied to a material extent or authorised, proposed or announced its intention to enter into or vary to a material extent the terms of, or make any offer (which remains open for acceptance), to enter into or vary to a material extent the terms of, any service agreement with any director or senior executive of any member of the Wider Axon Group;

2.6.8 proposed, agreed to provide or modified to a material extent the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by the Wider Axon Group save as agreed by HCL EAS in writing;

2.6.9 purchased, redeemed or repaid or announced a proposal to purchase, redeem or repay any of its own shares or other securities (or the equivalent) or reduced or made any other change to or proposed the reduction or other change to any part of its share capital;

2.6.10 waived, compromised or settled any claim which is material in the context of the Wider Axon Group as a whole;

2.6.11 terminated or varied the terms of any agreement or arrangement between any member of the Wider Axon Group and any other person in a manner which would or might reasonably be expected to have a material adverse effect on the financial position of the Wider Axon Group taken as a whole;

2.6.12 (other than in connection with the HCL Scheme) made or agreed or consented to any alteration to its memorandum or articles of association or other incorporation documents;

2.6.13 save to the extent agreed by HCL EAS in writing, made or agreed or consented to any material favourable change to the benefits which accrue to, or to the pension contributions which are payable for the benefit of, its directors and/or employees and/or their dependants, or to the basis on which qualification for or accrual or entitlement to such benefits or pensions are calculated or determined;

2.6.14 save for the pension contributions referred to in HCL Condition 2.6.13, incurred any material liability (funding or otherwise) under any pension scheme;

2.6.15 been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of any business;

2.6.16 (other than in respect of a company which is dormant and was solvent at the relevant time) taken or proposed any corporate action or had any action or proceedings or other steps instituted against it for its winding-up (voluntary or otherwise), dissolution or reorganisation (or any analogous proceedings in any jurisdiction) or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer (or for the appointment of any analogous person in any jurisdiction) of all or any substantial part of its assets or revenues; or

2.6.17 entered into any contract, agreement, arrangement or commitment or made any offer (which remains open for acceptance) passed any resolution or made any proposal or announcement with respect to, or to effect, any of the transactions, matters or events referred to in this HCL Condition 2.6;

2.7 since 31 December 2007 and save as Disclosed, there having been:

2.7.1 no adverse change or deterioration in the business, assets, financial or trading position or profits or prospects of any member of the Wider Axon Group which is material in the context of the Wider Axon Group taken as a whole or in the context of the HCL Acquisition;

2.7.2 no litigation, arbitration proceedings, prosecution or other legal proceedings threatened, announced or instituted by or against or remaining outstanding against or in respect of any member of the Wider Axon Group or to which any member of the Wider Axon Group is or is reasonably likely to become a party (whether as claimant or defendant or otherwise) and which would or might reasonably be expected to have a material adverse effect on the Wider Axon Group taken as a whole or in the context of the HCL Acquisition;

2.7.3 no enquiry or investigation by or complaint or reference to any Relevant Authority or other investigative body threatened, announced, implemented or instituted or remaining outstanding by, against or in respect of any member of the Wider Axon Group which would or might reasonably be expected to have a material adverse effect on the Wider Axon Group taken as a whole or in the context of the HCL Acquisition;

2.7.4 no contingent or other liability which has arisen which would or might reasonably be expected to adversely affect any member of the Wider Axon Group to an extent which is material in the context of the Wider Axon Group taken as a whole or in the context of the HCL Acquisition; and

2.8 save as Disclosed, HCL EAS not having discovered:

2.8.1 that the financial, business or other information concerning the Wider Axon Group publicly announced or publicly disclosed at any time by or on behalf of any member of the Wider Axon Group, contains a misrepresentation of fact or omits to state a fact necessary to make the information contained therein not misleading and which was not subsequently corrected by 25 September 2008 by disclosure either publicly or otherwise to HCL EAS, which is, in any case, material and adverse in the context of the Wider Axon Group or in the context of the HCL Acquisition; or

2.8.2 any information which affects the import of any information disclosed in writing at any time by or on behalf of any member of the Wider Axon Group to an extent which is material in the context of the Wider Axon Group taken as a whole or in the context of the HCL Acquisition.

**Part B: Waiver of conditions and further terms of the HCL Acquisition**

3. Subject to the requirements of the Panel or the Court, HCL EAS reserves the right to waive, in whole or in part, all or any of the HCL Conditions except, save in the circumstances set out in paragraph 6 below, HCL Condition 1. HCL EAS shall be under no obligation to waive (if capable of waiver) or treat as fulfilled any of HCL Conditions 2.1 to 2.8 by a date earlier than the latest date for the fulfilment of that condition notwithstanding that the other conditions of the HCL Acquisition may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of fulfilment.

4. HCL Conditions 2.1 to 2.8 must be fulfilled, be determined by HCL EAS to be or remain satisfied or (if capable of waiver) be waived by the date of the hearing to sanction the HCL Scheme referred in HCL Condition 1, failing which the HCL Acquisition will lapse.

5. The HCL Acquisition will lapse and the HCL Scheme will not proceed if, before the date of the HCL Meetings, (i) the HCL Acquisition, or any matter arising from it, is referred to the Competition Commission; or (ii) following a request to the European Commission under Article 22(3) of Council Regulation 139/2004/EC (the "**Regulation**") in relation to the HCL Acquisition or any part of it, which request is accepted by the European Commission, the European Commission initiates proceedings under Article 6(1)(c) of the Regulation.

**Part C: Certain further terms of the HCL Acquisition**

6. HCL EAS may elect, with the Panel's consent, to implement the HCL Acquisition by way of a takeover offer. In such event, such offer will be implemented on the same terms so far as applicable, as those which would apply to the HCL Scheme (subject to appropriate amendments, including (without limitation) an acceptance condition set at 90 per cent. of the shares to which such offer relates (or such lesser percentage, being more than 50 per cent., as HCL EAS may decide), of the shares to which such offer relates).

7. The availability of the HCL Acquisition to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements.

8. The HCL Scheme will be governed by English law and will be subject to the jurisdiction of the English courts and the conditions set out above.

# PART IV

# FINANCIAL INFORMATION ON AXON

**Introduction**

Part IV includes the following:

- Section A – Financial information extracted from the Axon Annual Report and Accounts for the three years ended 31 December 2007.
- Section B – Unaudited financial information extracted from the Axon Interim Report for the six months ended 30 June 2008.

For the purposes of this Part IV, references to the "Company" should be taken as references to Axon and references to the "Group" should be taken as references to the Axon Group. In addition, references in this Part IV to the "Board" or the "Board of Directors" and to "Directors" are to the Axon Board and the Axon Directors respectively.

## SECTION A

The financial information in Section A of this Part IV relating to Axon has been extracted, without material adjustment, from the audited consolidated financial statements of Axon for the three years ended 31 December 2005, 2006 and 2007. The information set out in Section A of this Part IV does not constitute statutory accounts within the meaning of the Companies Act 1985.

The statutory accounts of Axon for each of the three years ended 31 December 2005, 2006 and 2007 on which unqualified audit reports (not containing a statement under section 237(2) or (3) of the Companies Act 1985) were given by Axon's auditors, have been delivered to the Registrar of Companies for each of the three years ended 31 December 2005, 2006 and 2007.

Certain balances and disclosures relating to the financial statements for the year ended 31 December 2005 were restated in the disclosure of comparative information in the financial statements for the year ended 31 December 2006. The information shown below in respect of the financial year ended 31 December 2005 is as restated.

**Consolidated income statement for the years ended 31 December 2005, 2006 and 2007**

| | Note | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* |
|---|---|---|---|---|
| **Continuing Operations** | | | | |
| Revenue | 4 | 204,473 | 137,505 | 87,889 |
| Cost of sales before share-based payments | | (145,879) | (96,086) | (62,940) |
| Share-based payments | | (2,336) | (1,435) | (813) |
| Total cost of sales | | (148,215) | (97,521) | (63,753) |
| Gross profit before share-based payments | | 58,594 | 41,419 | 24,949 |
| Share-based payments | | (2,336) | (1,435) | (813) |
| **Gross profit** | | 56,258 | 39,984 | 24,136 |
| Other operating income | 4 | 116 | 116 | 116 |
| Administrative expenses before amortisation and share-based payments | | (22,195) | (19,395) | (13,339) |
| Amortisation of intangibles on acquisition and share-based payments | | (3,593) | (2,648) | (821) |
| Total administrative expenses | | (25,788) | (22,043) | (14,160) |
| Operating profit before amortisation and share-based payments | | 36,515 | 22,140 | 11,726 |
| Amortisation of intangibles on acquisition and share-based payments | | (5,929) | (4,083) | (1,634) |
| **Operating profit** | | 30,586 | 18,057 | 10,092 |
| Investment income | 4, 8 | 289 | 355 | 566 |
| Finance costs | 9 | (1,345) | (718) | (281) |
| **Profit before tax** | | 29,530 | 17,694 | 10,377 |
| Tax | 10 | (9,323) | (5,299) | (3,368) |
| **Profit for the year from continuing operations** | 6 | 20,207 | 12,395 | 7,009 |
| **Discontinued operations** | | | | |
| Loss for the year from a discontinued operation | 11 | — | (1,101) | (1,858) |
| **Profit for the year** | | 20,207 | 11,294 | 5,151 |
| Attributable to: | | | | |
| Equity holders of the parent | | 20,207 | 11,294 | 5,151 |
| Dividend for the year | 12 | 2,468 | 2,211 | 1,807 |
| **Earnings per share** | | | | |
| From continuing operations | | | | |
| Basic | 13 | 34.0p | 21.5p | 12.6p |
| Diluted | 13 | 31.7p | 20.3p | 11.8p |
| From continuing and discontinued operations | | | | |
| Basic | 13 | 34.0p | 19.6p | 9.3p |
| Diluted | 13 | 31.7p | 18.5p | 8.7p |

**Consolidated statement of recognised income and expense for the years ended 31 December 2005, 2006 and 2007**

| | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* |
|---|---|---|---|
| (Loss)/gain on translation of foreign operations | (80) | (3,678) | 1,145 |
| Tax credit in respect of share schemes taken directly to equity | 1,417 | 7,702 | 1,706 |
| **Net income recognised directly in equity** | 1,337 | 4,024 | 2,851 |
| **Profit for the period** | 20,207 | 11,294 | 5,151 |
| **Total recognised in income and expense statement for the period** | 21,544 | 15,318 | 8,002 |
| Attributable to equity holders of the parent | 21,544 | 15,318 | 8,002 |

**Consolidated balance sheet as at 31 December 2005, 2006 and 2007**

| | Note | 2007 £'000 | 2006 £'000 | 2005 £'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | 14 | 53,842 | 47,280 | 27,331 |
| Other intangible assets | 15 | 5,292 | 5,672 | 2,171 |
| Deferred tax asset | 19 | 7,050 | 7,568 | 2,897 |
| Property, plant and equipment | 16 | 2,333 | 1,770 | 1,307 |
| | | 68,517 | 62,290 | 33,706 |
| **Current assets** | | | | |
| Trade and other receivables | 18 | 46,622 | 43,477 | 34,258 |
| Cash and cash equivalents | | 25,304 | 12,246 | 13,150 |
| | | 71,926 | 55,723 | 47,408 |
| **Total assets** | | 140,443 | 118,013 | 81,114 |
| **Current liabilities** | | | | |
| Trade and other payables | 20 | (51,634) | (37,116) | (21,397) |
| Bank loan | 21 | — | (6,000) | — |
| Current tax liabilities | | (2,307) | (633) | (1,028) |
| | | (53,941) | (43,749) | (22,425) |
| **Net current assets** | | 17,985 | 11,974 | 24,983 |
| **Non-current liabilities** | | | | |
| Deferred tax liability | 19 | (766) | (1,361) | (461) |
| Provisions | 22 | (5,110) | (15,918) | (10,174) |
| | | (5,876) | (17,279) | (10,635) |
| **Total liabilities** | | (59,817) | (61,028) | (33,060) |
| **Net assets** | | 80,626 | 56,985 | 48,054 |
| **Equity** | | | | |
| Called up share capital | 23 | 630 | 617 | 572 |
| Share premium account | 24 | 29,998 | 28,400 | 23,418 |
| Own shares held by employee share trusts | 24 | (13,307) | (12,790) | (1,512) |
| Merger reserve | 24 | 51 | 51 | 51 |
| Translation reserve | 24 | (2,499) | (2,419) | 1,259 |
| Retained earnings | 24 | 65,753 | 43,126 | 24,249 |
| **Equity attributable to equity holders of the parent** | | 80,626 | 56,985 | 48,037 |
| Minority interest | 25 | — | — | 17 |
| **Total equity** | | 80,626 | 56,985 | 48,054 |

**Consolidated cash flow statement for the years ended 31 December 2005, 2006 and 2007**

| | Note | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* |
|---|---|---|---|---|
| **Net cash from operating activities** | 27 | 32,723 | 19,737 | 1,398 |
| **Investing activities** | | | | |
| Interest received | | 289 | 362 | 566 |
| Purchases of property, plant and equipment | | (1,455) | (1,080) | (1,528) |
| Purchases of intangible assets | | (1,877) | (112) | (330) |
| Business combinations | 26 | (9,215) | (16,202) | (6,438) |
| Net cash acquired with subsidiary | 26 | 3,025 | 1,090 | 705 |
| Payment of deferred consideration | | (3,055) | (668) | (248) |
| **Net cash used in investing activities** | | (12,288) | (16,610) | (7,273) |
| **Financing activities** | | | | |
| Dividends paid | 12 | (2,468) | (2,211) | (1,807) |
| (Repayment of)/proceeds from borrowings | | (6,000) | 6,000 | — |
| Purchase of own shares | 24 | (517) | (11,278) | (1,512) |
| Proceeds from the issue of shares | 27 | 1,351 | 3,121 | 1,739 |
| **Net cash used in financing activities** | | (7,634) | (4,368) | (1,580) |
| **Net increase / (decrease) in cash and cash equivalents** | | 12,801 | (1,241) | (7,455) |
| **Cash and cash equivalents at the beginning of the year** | | 12,246 | 13,150 | 20,545 |
| Effect of foreign exchange rate changes | | 257 | 337 | 60 |
| **Cash and cash equivalents at the end of the year** | | 25,304 | 12,246 | 13,150 |

**Notes to the consolidated financial statements**

**1. General information**

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 2.

**2. Significant accounting policies**

***(a) Basis of preparation***

The Group's financial statements have been prepared on a historical cost basis in accordance with International Financial Reporting Standards (IFRSs). The principal accounting policies adopted by the Group are set out below.

***(b) Basis of consolidation***

The consolidated financial statements incorporate the financial statements of Axon Group plc and entities controlled by the Company (its subsidiaries). The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or until the date of disposal, as appropriate.

All inter-company transactions and balances including unrealised profits on transactions between group companies are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

## 2. Significant accounting policies (continued)

### *(c) Changes in accounting policies and disclosures*

The accounting policies adopted are consistent in all financial years. The Group adopted the following new and amended IFRS and IFRIC interpretations during 2007, however adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group.

- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Amendment – Presentation of Financial Statements*
- IFRIC 8 *Scope of IFRS 2*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 10 *Interim Financial Reporting and Impairment*

The Group also early adopted IFRIC 11 (IFRS 2 – Group and Treasury Share Transactions) in 2007. Adoption of IFRIC 11 did not have any effect on the financial performance or position of the Group.

### *(d) Business combinations*

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### *(e) Goodwill and acquired intangibles*

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an intangible asset at cost. Goodwill is tested at least annually for impairment and carried at cost less any accumulated impairment losses. Goodwill is tested more frequently if there is an indication of impairment.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each geographic region of operation by each primary reporting segment.

As permitted under IFRS 1, the Group has elected to deem the UK GAAP net book value at 1 January 2004 as the IFRS cost of goodwill at transition date.

IFRS 3 requires intangible assets which are acquired with a subsidiary undertaking to be recognised separately from goodwill and amortised over their estimated economic useful life. As permitted by IFRS 1, IFRS 3 has only been applied to acquisitions made on or after 1 January 2004.

### *(f) Impairment of tangible and intangible assets excluding goodwill*

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised immediately as an expense where the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

## 2. Significant accounting policies (continued)

### *(g) Revenue recognition and contracts in progress*

Revenue is measured at the fair value of the fees received or receivable and represents amounts receivable for services provided to third parties in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue from consultancy services, installation and other services is recognised when services have been provided and the right to consideration has been earned. It excludes expenses recharged to clients at nil margin, which are accounted for as a contribution to cost of sales. Revenue from maintenance, support and other periodically contracted services or products is recognised on a pro-rata basis over the contracted period. Amounts invoiced but not recognised are accounted for within deferred income. Profits on fixed price contracts are taken in proportion to the cost of work performed on each contract relative to the estimated total cost of completing the contract. Provision is made for all anticipated contract losses as soon as they are identified. Profits on time and material contracts are recognised in line with the effort expended. Revenue from sales of Axon software licences to end-users is recognised when the product is delivered providing there are no outstanding performance obligations.

The gross amount due from customers for contract work is included within trade and other receivables as trade debtors and amounts recoverable on contracts and the gross amount due to suppliers is included with trade and other payables.

### *(h) Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is charged so as to write off the cost or valuation of assets, less estimated residual value, by equal annual instalments over their estimated useful lives of between three and five years depending on the nature of the asset.

### *(i) Intangible assets*

Acquired computer software licences are capitalised as intangible assets on the basis of the costs incurred to acquire and bring to use the specific software. These licences are stated at cost less accumulated amortisation and any provision for impairment. Amortisation is charged so as to write off the cost over the estimated useful lives, which is on average three years. The amortisation period for development costs incurred on the Group's internal system development is three years.

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the Group can determine the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the assets and the ability to measure reliably the expenditure during the development.

Intangible assets acquired as part of a business combination are capitalised as intangible assets and are stated at their fair value. Amortisation is charged on a straight line basis so as to write off the cost of these assets over a period consistent with the expected economic benefit that the group will derive from them (up to 10 years). The periods over which the intangibles acquired to date as part of business combinations are amortised are as follows:

| | |
|---|---|
| Customer relationships and contracts | 24 to 36 months |
| Order backlog | 3 to 13 months |
| Trademark / trade name | 12 months |
| Technology / know-how | 36 months |
| Other assets | 24 to 44 months |
| Development costs | 36 months |

### *(j) Foreign currencies*

The individual financial statements of each group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements, transactions in currencies other than functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign company are not retranslated.

**2. Significant accounting policies (continued)**

Exchange differences arising on the settlement and retranslation of monetary items are included in the profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in pounds sterling using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rate for the period unless exchange rates fluctuated significantly during that period, in which case a weighted average exchange rate for the period is used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

As permitted under IFRS 1 the cumulative transitional foreign exchange difference that has been taken to reserves for foreign operations prior to 1 January 2004 has been assumed to be zero.

***(k) Leases***

Operating lease rentals are charged to the income statement in equal annual amounts over the lease term.

Income from assets which are leased to third parties is accounted for on a straight-line basis over the term of the lease.

***(l) Taxation***

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years or are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future.

Deferred tax is calculated at the tax rates which are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Group intends to settle its current tax assets and liabilities on a net basis.

## 2. Significant accounting policies (continued)

### *(m) Pensions*

The Group pays contributions to the defined contribution personal pension plans and 401k schemes in the US of certain employees. These costs are charged to the income statement as incurred.

On 6 July 2001 the Group introduced a stakeholder pension scheme, administered by Standard Life, for its UK employees. No employees have currently taken up membership of this scheme. Any costs arising from the scheme will be charged to the income statement as incurred.

### *(n) Share-based payments*

In accordance with the exemption permitted under IFRS 1, IFRS 2 has only been applied to options awarded on or after 7 November 2002 that had not vested at 1 January 2005.

Equity-settled share options are granted under various schemes operated by the Group to selected employees on a discretionary basis. The options are subject to a three year service vesting condition and an earnings per share-based performance condition. Their fair value (which is measured using the Black-Scholes pricing model at the date of grant) is recognised as an employee benefits expense over the vesting period, based on the Group's best estimate at each period end of the share options that will ultimately vest, with a corresponding increase in another equity reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Share options for the Executive Reward Scheme are awarded to selected employees by three private shareholders, of which one is Mark Hunter, on a discretionary basis. The options are subject to a continued service vesting condition over a three year period and are also subject to a share price target performance condition. Their fair value (which is measured using the Monte Carlo simulation model) is recognised as an employee benefits expense over the vesting period, based on the Group's best estimate at each period end of the share options that will ultimately vest, with a corresponding increase in another equity reserve. No proceeds are received by the Group under this scheme.

Awards are made under the Performance Share Plan on a discretionary basis. The awards are subject to earnings per share performance conditions over a three year period. Their fair value is calculated as the share price on the day of award, adjusted for dividends that won't be received in the performance period. Their fair value is recognised as an employee benefits expense over the vesting period, based on the Group's best estimate at each period end of the share options that will ultimately vest, with a corresponding increase in another equity reserve.

Further details regarding each plan are included at note 30.

### *(o) Dividends*

Dividend distribution to the Company's shareholders is recognised in the period in which the dividends are approved. Dividends received by the Company are recognised in the period in which the dividends are approved.

### *(p) Own shares held by employee trusts*

The Axon Group plc shares owned by the employee share trusts are presented as a reduction of shareholders' equity.

### *(q) Investments in subsidiaries*

Investments are stated at cost less provision for impairment in value.

### *(r) Provisions*

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

### *(s) Deferred consideration*

Deferred consideration is recognised when the Group has a present obligation as a result of a past acquisition, and it is probable that the Group will be required to settle that obligation. Deferred consideration is measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and is discounted to present value where the effect is material.

## 2. Significant accounting policies (continued)

### *(t) Financial instruments*

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Income and expenditure arising on financial instruments are recognised on an accruals basis and credited or charged to the income statement in the financial period to which it relates.

***Financial assets***

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and on demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

*Trade Receivables*

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

***Financial liabilities***

*Trade Payables*

Trade payables are non-interest bearing and are stated at their nominal value.

*Bank Borrowings*

Interest-bearing bank loans and overdrafts are recorded at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Where the direct issue costs can not be attributed to a particular loan within the overall facility, they are accounted for in the income statement in the period in which they arise.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

## 3. Critical accounting judgments and key sources of estimation uncertainty

***Critical judgements in applying the Group's accounting policies***

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have had the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

***Revenue recognition***

Revenue from fixed price contracts is recognised in proportion to the cost of work performed on each contract relative to management's estimate of the total cost of completing the contract, and the separable determinable contract value. The assumptions used by management are based on the best available information at the time. However there is always an inherent element of uncertainty.

***Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**3. Critical accounting judgments and key sources of estimation uncertainty (continued)**

***Impairment of goodwill***

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Management's assessment is that there was no impairment loss.

***Estimation of deferred and contingent consideration***

Between 2004 and 31 December 2007, the Group has made six significant acquisitions, five of which contained an element of deferred or contingent consideration based on future performance. The required provision for the contingent element is estimated at each period end but this remains a key source of estimation uncertainty. To determine the required provision, the latest forecasts and expected future prospects are reviewed and considered against the calculations laid out in the purchase agreements.

***Valuation of intangibles acquired on business combinations***

After each business combination, management identifies categories of intangible assets, separate from goodwill. These are valued based on the expected benefits which will flow to the Group over future periods. A present value of each of these categories is calculated using appropriate discount rates. The assumptions utilised in generating such valuations are subject to uncertainty, eg future revenue and profitability for the business concerned and rates of client and employee retention.

***Valuation of share-based payments***

Valuation of share-based payments includes assumptions on share price volatility, employee attrition, the timing of future option exercises and future dividend yield. These contain an inherent element of uncertainty.

**4. Income**

An analysis of the Group's income is as follows:

| | *2007* | *2006* | *2005* |
|---|---|---|---|
| | *£'000* | *£'000* | *£'000* |
| **Continuing operations** | | | |
| Revenue from services provided and sale of related goods | 204,473 | 137,505 | 87,889 |
| Other operating income: property rental income | 116 | 116 | 116 |
| Investment income | 289 | 355 | 566 |
| | 204,878 | 137,976 | 88,571 |
| **Discontinued Operations** | | | |
| Revenue from services provided and sale of related goods | — | 2,299 | 3,910 |
| Investment income | — | 6 | — |
| | — | 2,305 | 3,910 |
| | 204,878 | 140,281 | 92,481 |

**5. Business and geographical segments**

For management purposes, the group is currently organised into three operating regions – EMEA; Americas; and Asia-Pacific. These operating regions are based on the location of the group's assets, but the location of the group's assets and customers is not materially different. These geographical regions are the basis on which the group reports its primary segment information. As at 31 December 2006, the Middle East region was classified as a discontinued operation (see note 11).

### 5. Business and geographical segments (continued)

Segment information about the above businesses is presented below:

*Year ended 31 December 2007*

| | Continuing operations | | | | | | |
|---|---|---|---|---|---|---|---|
| | *EMEA £'000* | *Americas £'000* | *Asia-Pacific £'000* | *Eliminations £'000* | *Total £'000* | *Discontinued operations Middle East £'000* | *Total operations £'000* |
| **Revenue** | | | | | | | |
| External sales | 128,857 | 73,152 | 2,464 | — | 204,473 | — | 204,473 |
| Intersegment sales | 442 | 481 | 8,358 | (9,281) | — | — | — |
| Total revenue | 129,299 | 73,633 | 10,822 | (9,281) | 204,473 | — | 204,473 |

Intersegment sales are charged at prevailing market prices

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Result** | | | | | | | |
| Segment result before amortisation and share-based payments | 27,494 | 8,015 | 1,006 | — | 36,515 | — | 36,515 |
| Amortisation of intangibles on acquisition and share-based payments | (2,743) | (2,959) | (227) | — | (5,929) | — | (5,929) |
| Segment result | 24,751 | 5,056 | 779 | — | 30,586 | | 30,586 |
| Operating profit | | | | | 30,586 | — | 30,586 |
| Investment income | | | | | 289 | — | 289 |
| Finance costs | | | | | (1,345) | — | (1,345) |
| Profit before tax | | | | | 29,530 | — | 29,530 |
| Tax | | | | | (9,323) | — | (9,323) |
| Profit after tax | | | | | 20,207 | — | 20,207 |

*Year ended 31 December 2007*

| | Continuing operations | | | | | | |
|---|---|---|---|---|---|---|---|
| | *EMEA £'000* | *Americas £'000* | *Asia-Pacific £'000* | *Eliminations £'000* | *Total £'000* | *Discontinued operations Middle East £'000* | *Total operations £'000* |
| **Other information** | | | | | | | |
| Capital additions | 2,312 | 417 | 4,983 | — | 7,712 | — | 7,712 |
| Depreciation and amortisation | (750) | (2,758) | (337) | — | (3,845) | — | (3,845) |
| **Balance Sheet** | | | | | | | |
| Assets | | | | | | | |
| Segment assets | 42,764 | 61,178 | 15,329 | (11,181) | 108,090 | — | 108,090 |
| Unallocated corporate assets | | | | | | | 32,353 |
| Consolidated total assets | | | | | | | 140,443 |
| Liabilities | | | | | | | |
| Segment liabilities | 35,511 | 23,244 | 9,168 | (11,181) | 56,742 | — | 56,742 |
| Unallocated corporate liabilities | | | | | | | 3,075 |
| Consolidated total liabilities | | | | | | | 59,817 |

## 5. Business and geographical segments (continued)

*Year ended 31 December 2006*

| | *Continuing operations* EMEA £'000 | Americas £'000 | Asia-Pacific £'000 | Eliminations £'000 | Total £'000 | *Discontinued operations Middle East* £'000 | *Total operations* £'000 |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| External sales | 105,094 | 31,487 | 924 | — | 137,505 | 2,299 | 139,804 |
| Intersegment sales | 739 | 545 | 6,178 | (7,462) | — | — | — |
| Total revenue | 105,833 | 32,032 | 7,102 | (7,462) | 137,505 | 2,299 | 139,804 |

Intersegment sales are charged at prevailing market prices

| | EMEA £'000 | Americas £'000 | Asia-Pacific £'000 | Eliminations £'000 | Total £'000 | Discontinued operations Middle East £'000 | Total operations £'000 |
|---|---|---|---|---|---|---|---|
| **Result** | | | | | | | |
| Segment result before amortisation and share-based payments | 19,004 | 2,133 | 1,003 | — | 22,140 | (1,124) | 21,016 |
| Amortisation of intangibles on acquisition and share-based payments | (1,726) | (2,357) | — | — | (4,083) | — | (4,083) |
| Segment result | 17,278 | (224) | 1,003 | — | 18,057 | (1,124) | 16,933 |
| Operating profit | | | | | 18,057 | (1,124) | 16,933 |
| Investment income | | | | | 355 | 6 | 361 |
| Finance costs | | | | | (718) | — | (718) |
| Profit/(loss) before tax | | | | | 17,694 | (1,118) | 16,576 |
| Tax | | | | | (5,299) | 17 | (5,282) |
| Profit/(loss) after tax | | | | | 12,395 | (1,101) | 11,294 |

*Year ended 31 December 2006*

| | *Continuing operations* EMEA £'000 | Americas £'000 | Asia-Pacific £'000 | Eliminations £'000 | Total £'000 | *Discontinued operations Middle East* £'000 | *Total operations* £'000 |
|---|---|---|---|---|---|---|---|
| **Other information** | | | | | | | |
| Capital additions | 398 | 28,695 | 411 | — | 29,504 | — | 29,504 |
| Depreciation and amortisation | (548) | (2,171) | (147) | — | (2,866) | (17) | (2,883) |
| **Balance Sheet** | | | | | | | |
| Assets | | | | | | | |
| Segment assets | 34,492 | 60,720 | 5,539 | (2,677) | 98,074 | 126 | 98,200 |
| Unallocated corporate assets | | | | | | | 19,813 |
| Consolidated total assets | | | | | | | 118,013 |
| Liabilities | | | | | | | |
| Segment liabilities | 33,832 | 20,490 | 1,171 | (2,677) | 52,816 | 218 | 53,034 |
| Unallocated corporate liabilities | | | | | | | 7,994 |
| Consolidated total liabilities | | | | | | | 61,028 |

## 5. Business and geographical segments (continued)

*Year ended 31 December 2005*

| | *Continuing operations* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *EMEA £'000* | *Americas £'000* | *Asia-Pacific £'000* | *Eliminations £'000* | *Total £'000* | *Discontinued operations Middle East £'000* | *Total operations £'000* |
| **Revenue** | | | | | | | |
| External sales | 78,085 | 9,209 | 595 | — | 87,889 | 3,910 | 91,799 |
| Intersegment sales | 281 | 313 | 3,629 | (4,384) | (161) | 161 | — |
| Total revenue | 78,366 | 9,522 | 4,224 | (4,384) | 87,728 | 4,071 | 91,799 |

Intersegment sales are charged at prevailing market prices

| | *EMEA £'000* | *Americas £'000* | *Asia-Pacific £'000* | *Eliminations £'000* | *Total £'000* | *Discontinued operations Middle East £'000* | *Total operations £'000* |
|---|---|---|---|---|---|---|---|
| **Result** | | | | | | | |
| Segment result before amortisation and share-based payments | 10,158 | 954 | 614 | — | 11,726 | (2,521) | 9,205 |
| Amortisation of intangibles on acquisition and share-based payments | (1,111) | (523) | — | — | (1,634) | — | (1,634) |
| Segment result | 9,047 | 431 | 614 | — | 10,092 | (2,521) | 7,571 |
| Operating profit | | | | | 10,092 | (2,521) | 7,571 |
| Investment income | | | | | 566 | — | 566 |
| Finance costs | | | | | (281) | — | (281) |
| Profit/(loss) before tax | | | | | 10,377 | (2,521) | 7,856 |
| Tax | | | | | (3,368) | 663 | (2,705) |
| Profit/(loss) after tax | | | | | 7,009 | (1,858) | 5,151 |

*Year ended 31 December 2005*

| | *Continuing operations* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *EMEA £'000* | *Americas £'000* | *Asia-Pacific £'000* | *Eliminations £'000* | *Total £'000* | *Discontinued operations Middle East £'000* | *Total operations £'000* |
| **Other information** | | | | | | | |
| Capital additions | 1,359 | 17,111 | 3,203 | — | 21,673 | 107 | 21,780 |
| Depreciation and amortisation | (661) | (551) | (86) | — | (1,298) | (65) | (1,363) |
| **Balance Sheet** | | | | | | | |
| Assets | | | | | | | |
| Segment assets | 53,423 | 26,118 | 5,671 | (22,213) | 62,999 | 2,068 | 65,067 |
| Unallocated corporate assets | | | | | | | 16,047 |
| Consolidated total assets | | | | | | | 81,114 |
| Liabilities | | | | | | | |
| Segment liabilities | 38,415 | 5,214 | 741 | (22,213) | 22,157 | 9,415 | 31,571 |
| Unallocated corporate liabilities | | | | | | | 1,489 |
| Consolidated total liabilities | | | | | | | 33,060 |

## 5. Business and geographical segments (continued)

**Business Segments**

The Group's operations involve the following activities:

- Business consulting;
- Solutions implementation;
- Applications management; and
- Corporate and back office support.

*Year ended 31 December 2007*

| | *Business consulting £'000* | *Solutions implementation £'000* | *Applications management £'000* | *Corporate and back office support £'000* | *Total £'000* |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Sales to external customers | 39,892 | 140,991 | 23,590 | — | 204,473 |
| Segment revenue | 39,892 | 140,991 | 23,590 | — | 204,473 |
| **Other Information** | | | | | |
| Segment assets | 11,851 | 82,256 | 9,180 | 4,803 | 108,090 |
| Unallocated corporate assets | — | — | — | 32,353 | 32,353 |
| Consolidated total assets | | | | | 140,443 |
| Capital additions | 397 | 5,203 | 295 | 1,817 | 7,712 |

*Year ended 31 December 2006*

| | *Business consulting £'000* | *Solutions implementation £'000* | *Applications management £'000* | *Corporate and back office support £'000* | *Total £'000* |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Sales to external customers | 25,823 | 89,624 | 24,357 | — | 139,804 |
| Less sales attributable to discontinued operations | (848) | (907) | (544) | — | (2,299) |
| Revenue from continuing operations | 24,975 | 88,717 | 23,813 | — | 137,505 |
| Segment revenue | 24,975 | 88,717 | 23,813 | — | 137,505 |
| **Other Information** | | | | | |
| Segment assets | 10,558 | 59,848 | 23,396 | 4,398 | 98,200 |
| Unallocated corporate assets | | | | | 19,813 |
| Consolidated total assets | | | | | 118,013 |
| Capital additions | 13 | 28,659 | 382 | 450 | 29,504 |

## 5. Business and geographical segments (continued)

| *Year ended 31 December 2005* | *Business consulting £'000* | *Solutions implementation £'000* | *Applications management £'000* | *Corporate and back office support £'000* | *Total £'000* |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Sales to external customers | 13,009 | 51,677 | 27,113 | — | 91,799 |
| Less sales attributable to discontinued operations | (1,402) | (1,025) | (1,483) | — | (3,910) |
| Revenue from continuing operations | 11,607 | 50,652 | 25,630 | — | 87,889 |
| Segment revenue | 11,607 | 50,652 | 25,630 | — | 87,889 |
| **Other Information** | | | | | |
| Segment assets | 6,937 | 20,976 | 9,353 | 27,801 | 65,067 |
| Unallocated corporate assets | | | | | 16,047 |
| Consolidated total assets | | | | | 81,114 |
| Capital additions | 128 | 18,947 | 1,543 | 1,162 | 21,780 |

## 6. Profit for the year

Profit from operations has been arrived at after (crediting) / charging:

| | *2007 £'000* | *2006 £'000* | *2005 £'000* |
|---|---|---|---|
| Net foreign exchange (gain) / loss | (102) | 498 | 49 |
| Depreciation of property, plant & equipment | 889 | 721 | 573 |
| Amortisation of acquired intangible assets included in administrative expenses | 2,458 | 1,991 | 628 |
| Amortisation of internally generated intangible assets included in administrative expenses | 498 | 171 | 162 |
| Staff costs (see note 7) | 98,782 | 74,126 | 53,932 |
| Auditors' remuneration for audit services | 159 | 148 | 150 |

## 7. Staff costs

The number of employees (including executive directors) was:

| | *Average* | | | *Year end* | | |
|---|---|---|---|---|---|---|
| | *2007 Number* | *2006 Number* | *2005 Number* | *2007 Number* | *2006 Number* | *2005 Number* |
| Consultants | 1,124 | 842 | 642 | 1,354 | 976 | 764 |
| Sales and marketing | 49 | 35 | 34 | 65 | 39 | 34 |
| Directors and administration | 148 | 116 | 97 | 177 | 129 | 107 |
| | 1,321 | 993 | 773 | 1,596 | 1,144 | 905 |

The aggregate remuneration comprised:

| | *2007 £'000* | *2006 £'000* | *2005 £'000* |
|---|---|---|---|
| Wages and salaries | 84,262 | 63,534 | 46,803 |
| Social security costs | 8,059 | 6,572 | 4,893 |
| Share based payments | 3,471 | 2,092 | 1,111 |
| Other pension costs (see note 31) | 2,990 | 1,928 | 1,125 |
| | 98,782 | 74,126 | 53,932 |

## 8. Investment income

**Continuing operations**

| | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* |
|---|---|---|---|
| Interest on bank deposits | 289 | 355 | 566 |

## 9. Finance costs

**Continuing operations**

| | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* |
|---|---|---|---|
| Bank interest payable | (212) | (7) | (9) |
| Unwinding of discount on provisions | (1,133) | (711) | (272) |
| | (1,345) | (718) | (281) |

## 10. Tax

| | *Continuing Operations* | | | *Discontinued Operations* | | | *Total* | | |
|---|---|---|---|---|---|---|---|---|---|
| | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* |
| Current tax: | | | | | | | | | |
| UK corporation tax | 8,119 | 6,039 | 3,354 | — | (101) | (830) | 8,119 | 5,938 | 2,524 |
| Adjustments made in respect of previous years | 65 | (195) | (59) | — | — | — | 65 | (195) | (59) |
| Foreign tax | 1,688 | 1,032 | 91 | — | 84 | 167 | 1,688 | 1,116 | 258 |
| | 9,872 | 6,876 | 3,386 | — | (17) | (663) | 9,872 | 6,859 | 2,723 |
| Deferred tax | | | | | | | | | |
| Current year | (439) | (1,577) | (18) | — | — | — | (439) | (1,577) | (18) |
| Adjustments made in respect of previous years | (110) | — | — | — | — | — | (110) | — | — |
| | (549) | (1,577) | (18) | — | — | — | (549) | (1,577) | (18) |
| | 9,323 | 5,299 | 3,368 | — | (17) | (663) | 9,323 | 5,282 | 2,705 |

### 10. Tax (continued)

The charge for the year can be reconciled to profit per the income statement as follows:

| | *2007 £'000* | *2006 £'000* | *2005 £'000* |
|---|---|---|---|
| Profit before tax | | | |
| Continuing operations | 29,530 | 17,694 | 10,377 |
| Discontinued operations | — | (1,118) | (2,521) |
| | 29,530 | 16,576 | 7,856 |
| Tax at the UK corporation tax rate of 30% (2006: 30%; 2005: 30%) | 8,859 | 4,972 | 2,356 |
| Tax effect of expenses that are non-deductible in determining taxable profit | 453 | 622 | 182 |
| Effect of the movement in prior year deferred tax. | (110) | (67) | 210 |
| Adjustments to current tax charge in respect of previous periods | 65 | (195) | (59) |
| Tax effect of share based remuneration | — | — | (270) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 241 | (181) | 286 |
| Tax losses (recognised) / not recognised | (275) | 82 | — |
| Other | — | 49 | — |
| Change in corporation tax rates | 90 | — | — |
| Tax expense at the effective tax rate for the year of 32% (2006: 32%; 2005: 34%) | 9,323 | 5,282 | 2,705 |

### 11. Discontinued operations

In 2006, the decision was made to abandon the Middle East Operation due to losses made in previous periods. The closure of the operation occurred gradually throughout 2006 and all operations had ceased by the beginning of the 2007 financial year. There was no loss on disposal of the operation as it was accounted for as a branch of Axon Solutions Limited.

The results of the discontinued operation which have been included in the consolidated income statement were as follows:

| | *2007 £'000* | *2006 £'000* | *2005 £'000* |
|---|---|---|---|
| Revenue | — | 2,299 | 3,910 |
| Expenses (excluding restructuring costs) | — | (2,464) | (6,431) |
| Restructuring costs | — | (953) | — |
| Loss before tax | — | (1,118) | (2,521) |
| Attributable tax credit | — | 17 | 663 |
| Loss for the year from a discontinued operation | — | (1,101) | (1,858) |

### 12. Dividends

| | *2007 £'000* | *2006 £'000* | *2005 £'000* |
|---|---|---|---|
| Amounts recognised as distributions to equity holders in the period: | | | |
| Final dividend for the year ended 31 December 2006 of 2.25p (2005: 2.0p; 2004: 1.75p) per share | 1,271 | 1,171 | 950 |
| Interim dividend for the year ended 31 December 2007 of 2p (2006: 1.75p; 2005: 1.5p) per share | 1,197 | 1,040 | 857 |
| | 2,468 | 2,211 | 1,807 |
| Proposed final dividend for the year ended 31 December 2007 of 2.5p (2006: 2.25p; 2005: 2.0p) per share | 1,502 | 1,388 | 1,171 |

## 13. Earnings per share

***From continuing and discontinued operations***

The calculation of the basic and diluted earnings per share is based on the following data:

**Earnings**

| | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* |
|---|---|---|---|
| Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent | 20,207 | 11,294 | 5,151 |

**Number of shares**

| | *'000* | *'000* | *'000* |
|---|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 59,411 | 57,769 | 55,447 |
| Effect of dilutive potential ordinary shares: | | | |
| Share options issued but not exercised | 2,912 | 2,544 | 3,795 |
| Contingently issuable shares arising from deferred consideration | 736 | 558 | — |
| Contingently issuable shares arising from the Performance Share plan | 590 | 176 | — |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 63,649 | 61,047 | 59,242 |
| Earnings per share | 34.0p | 19.6p | 9.3p |
| Diluted earnings per share | 31.7p | 18.5p | 8.7p |

The weighted average number of shares in issue excludes shares held by the Employee Benefit Trusts which have not unconditionally vested in the employees.

**From continuing operations**

The directors believe that, in addition to the statutory figures, profit and earnings per share figures adjusted for amortisation of acquired intangibles, share-based payments and significant items represents a more consistent measure of underlying performance. Significant items are those which, because of their size or incidence, require separate disclosure to enable underlying trading performance to be assessed. This is consistent with prior periods.

A reconciliation of the statutory profit to these profit figures and the resultant earnings per share figures are set out below.

| | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* |
|---|---|---|---|
| Operating profit from continuing operations | 30,586 | 18,057 | 10,092 |
| Share-based payments | 3,471 | 2,092 | 1,111 |
| Amortisation of intangibles on acquisition | 2,458 | 1,991 | 523 |
| Adjusted operating profit | 36,515 | 22,140 | 11,726 |
| Net interest | (1,056) | (363) | 285 |
| Adjusted profit on ordinary activities before tax | 35,459 | 21,777 | 12,011 |
| Tax on profit on ordinary activities | (9,323) | (5,299) | (3,368) |
| Tax on share-based payments and amortisation | (1,663) | (797) | (371) |
| Adjusted profit on ordinary activities after tax | 24,473 | 15,681 | 8,272 |
| Earnings per share | 34.0p | 21.5p | 12.6p |
| Adjusted earnings per share | 41.2p | 27.1p | 14.9p |
| Diluted earnings per share | 31.7p | 20.3p | 11.8p |
| Adjusted diluted earnings per share | 38.4p | 25.7p | 14.0p |

**13. Earnings per share (continued)**

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

**From discontinued operations**

| | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* |
|---|---|---|---|
| Loss for the year from a discontinued operation | — | (1,101) | (1,858) |
| Earnings per share | — | (1.9p) | (3.4p) |
| Diluted earnings per share | — | (1.8p) | (3.1p) |

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

**14. Goodwill**

| | *£'000* |
|---|---|
| Cost at 1 January 2005 | 6,901 |
| Exchange differences | 1,614 |
| On business combinations | 14,902 |
| Net movement in deferred consideration | 3,914 |
| At 1 January 2006 | 27,331 |
| Exchange differences | (3,155) |
| On business combinations | 22,208 |
| Net movement in deferred consideration | 896 |
| At 1 January 2007 | 47,280 |
| Exchange differences | (219) |
| On business combinations (see note 26) | 3,647 |
| Net movement in deferred consideration | 2,687 |
| Adjustment to the fair value of acquired assets (see note 26) | 447 |
| At 31 December 2007 | 53,842 |
| Accumulated impairment losses | |
| At 1 January 2005, 1 January 2006, 1 January 2007 and 31 December 2007 | — |
| Carrying amount as at 31 December 2007 | 53,842 |
| Carrying amount as at 31 December 2006 | 47,280 |
| Carrying amount as at 31 December 2005 | 27,331 |

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

| | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* |
|---|---|---|---|
| EMEA | 5,713 | 5,713 | 5,713 |
| Americas | 40,701 | 39,147 | 17,691 |
| Asia-Pacific | 7,428 | 2,420 | 3,927 |
| | 53,842 | 47,280 | 27,331 |

## 15. Other intangible assets

| | *Intangibles purchased as part of a business combination* | | | | | | *Other intangible assets* | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Customer relationships and contracts £'000* | *Order backlog £'000* | *Trademark/ trade name £'000* | *Technology/ know-how £'000* | *Other assets £'000* | *Development costs £'000* | *Software licences £'000* | *Development costs £'000* | *Total £'000* |
| Cost at 1 January 2005 | — | — | — | — | — | — | 661 | 496 | 1,157 |
| Additions | — | — | — | — | — | — | 317 | 13 | 330 |
| On business combinations | 1,884 | — | — | — | — | 172 | — | — | 2,056 |
| Foreign exchange revaluation | 186 | — | — | — | — | 17 | — | (1) | 202 |
| At 1 January 2006 | 2,070 | — | — | — | — | 189 | 978 | 508 | 3,745 |
| Additions | — | — | — | — | — | — | 76 | 14 | 90 |
| On business combinations | 3,454 | 1,576 | 87 | 584 | 175 | — | 26 | — | 5,902 |
| Foreign exchange revaluation | (325) | (76) | (6) | (53) | (6) | (23) | (3) | — | (492) |
| At 1 January 2007 | 5,199 | 1,500 | 81 | 531 | 169 | 166 | 1,077 | 522 | 9,245 |
| Additions | — | — | — | — | — | — | 412 | 1,465 | 1,877 |
| On business combinations | 275 | 98 | — | 360 | — | — | — | 33 | 766 |
| Foreign exchange revaluation | (64) | (17) | (1) | 11 | (3) | (2) | — | — | (76) |
| Disposals | — | — | — | — | — | — | (319) | (186) | (505) |
| At 31 December 2007 | 5,410 | 1,581 | 80 | 902 | 166 | 164 | 1,170 | 1,834 | 11,307 |
| Amortisation at 1 January 2005 | — | — | — | — | — | — | 426 | 336 | 762 |
| Charge for the year | 479 | — | — | — | — | 44 | 149 | 118 | 790 |
| Foreign exchange revaluation | 20 | — | — | — | — | 2 | — | — | 22 |
| At 1 January 2006 | 499 | — | — | — | — | 46 | 575 | 454 | 1,574 |
| Charge for the year | 838 | 842 | 56 | 167 | 29 | 59 | 130 | 41 | 2,162 |
| Foreign exchange revaluation | (102) | (38) | (3) | (9) | (1) | (9) | (1) | — | (163) |
| At 1 January 2007 | 1,235 | 804 | 53 | 158 | 28 | 96 | 704 | 495 | 3,573 |
| Charge for the year | 1,425 | 698 | 27 | 193 | 61 | 54 | 262 | 236 | 2,956 |
| Disposals | — | — | — | — | — | — | (319) | (186) | (505) |
| Foreign exchange revaluation | (14) | (7) | (1) | (1) | — | (1) | 8 | 7 | (9) |
| At 31 December 2007 | 2,646 | 1,495 | 79 | 350 | 89 | 149 | 655 | 552 | 6,015 |
| Carrying amount as at 31 December 2007 | 2,764 | 86 | 1 | 552 | 77 | 15 | 515 | 1,282 | 5,292 |
| Carrying amount as at 31 December 2006 | 3,964 | 696 | 28 | 373 | 141 | 70 | 373 | 27 | 5,672 |
| Carrying amount as at 31 December 2005 | 1,571 | — | — | — | — | 143 | 403 | 54 | 2,171 |

Included within the amortisation charge for the year are amounts relating to intangibles acquired with business combinations in 2005, 2006 and 2007. These have been included as an adjustment to profit of £2,458,000 (2006: £1,991,000; 2005: £523,000) when calculating adjusted earnings per share (see note 13).

### 15. Other intangible assets (continued)

This amount derives from the business combinations, as follows:

| *Year ended 31 December 2007* | *Customer relationships and contracts £'000* | *Order backlog £'000* | *Trademark/ trade name £'000* | *Technology/ know-how £'000* | *Other assets £'000* | *Development costs £'000* | *Total £'000* |
|---|---|---|---|---|---|---|---|
| Feanix Corporation (acquired 8 April 2005) | 591 | — | — | — | — | 54 | 645 |
| TUI Consulting Inc (acquired 4 January 2006) | 103 | — | — | 153 | 22 | — | 278 |
| Premier HR Solutions Inc (acquired 1 November 2006) | 296 | 37 | — | 2 | 17 | — | 352 |
| Zytalis Inc (acquired 1 December 2006) | 419 | 644 | 27 | 17 | 22 | — | 1,129 |
| JSPC-I (see note 26) | 16 | 17 | — | 21 | — | — | 54 |
| Amortisation charge for the year | 1,425 | 698 | 27 | 193 | 61 | 54 | 2,458 |

| *Year ended 31 December 2006* | *Customer relationships and contracts £'000* | *Order backlog £'000* | *Trademark/ trade name £'000* | *Technology/ know-how £'000* | *Other assets £'000* | *Development costs £'000* | *Total £'000* |
|---|---|---|---|---|---|---|---|
| Feanix Corporation (acquired 8 April 2005) | 641 | — | — | — | — | 59 | 700 |
| TUI Consulting Inc (acquired 4 January 2006) | 112 | 712 | 54 | 165 | 24 | — | 1,067 |
| Premier HR Solutions Inc (acquired 1 November 2006) | 50 | 75 | — | — | 3 | — | 128 |
| Zytalis Inc (acquired 1 December 2006) | 35 | 55 | 2 | 2 | 2 | — | 96 |
| Amortisation charge for the year | 838 | 842 | 56 | 167 | 29 | 59 | 1,991 |

| *Year ended 31 December 2005* | *Customer relationships and contracts £'000* | *Order backlog £'000* | *Trademark/ trade name £'000* | *Technology/ know-how £'000* | *Other assets £'000* | *Development costs £'000* | *Total £'000* |
|---|---|---|---|---|---|---|---|
| Feanix Corporation (acquired 8 April 2005) | 479 | — | — | — | — | 44 | 523 |
| Amortisation charge for the year | 479 | — | — | — | — | 44 | 523 |

## 16. Property, plant and equipment

| | *Office Equipment £'000* | *Motor Vehicles £'000* | *Computer Equipment £'000* | *Total £'000* |
|---|---|---|---|---|
| Cost at 1 January 2005 | 2,686 | 28 | 1,801 | 4,515 |
| Additions | 276 | — | 1,252 | 1,528 |
| On business combinations | — | — | 47 | 47 |
| Foreign exchange revaluation | — | — | 1 | 1 |
| Disposals | — | — | (370) | (370) |
| At 1 January 2006 | 2,962 | 28 | 2,731 | 5,721 |
| Additions | 552 | — | 528 | 1,080 |
| On business combinations | 130 | — | 94 | 224 |
| Foreign exchange revaluation | (10) | — | (29) | (39) |
| Disposals | (103) | (28) | (185) | (316) |
| At 1 January 2007 | 3,531 | — | 3,139 | 6,670 |
| Additions | 508 | — | 947 | 1,455 |
| On business combination | 16 | 11 | 47 | 74 |
| Foreign exchange revaluation | 11 | 1 | (13) | (1) |
| Disposals | (111) | — | (927) | (1,038) |
| At 31 December 2007 | 3,955 | 12 | 3,193 | 7,160 |
| Depreciation at 1 January 2005 | 2,519 | 8 | 1,332 | 3,859 |
| Charge for the year | 129 | 11 | 433 | 573 |
| Foreign exchange revaluation | (14) | (3) | (1) | (18) |
| At 1 January 2006 | 2,634 | 16 | 1,764 | 4,414 |
| Charge for the year | 188 | 2 | 531 | 721 |
| Foreign exchange revaluation | (7) | — | (21) | (28) |
| Eliminated on disposals | (95) | (18) | (94) | (207) |
| At 1 January 2007 | 2,720 | — | 2,180 | 4,900 |
| Charge for the year | 301 | 1 | 587 | 889 |
| Foreign exchange revaluation | 14 | — | 15 | 29 |
| Eliminated on disposals | (71) | — | (920) | (991) |
| At 31 December 2007 | 2,964 | 1 | 1,862 | 4,827 |
| Carrying amount at 31 December 2007 | 991 | 11 | 1,331 | 2,333 |
| Carrying amount at 31 December 2006 | 811 | — | 959 | 1,770 |
| Carrying amount at 31 December 2005 | 328 | 12 | 967 | 1,307 |

### 17. Investment in subsidiary undertakings

The Company's subsidiaries, all of which have been fully consolidated in the Group's financial statements at 31 December 2007, were as follows:

| *Name* | *Country of Incorporation* | *Class of Shares* | *Proportion of Ownership interest* | *Proportion of voting power held* |
|---|---|---|---|---|
| Aspire Solutions Sdn Bhd | Malaysia | Ordinary | 100*** | 100 |
| Axon EBT Trustee Limited | England and Wales | Ordinary | 100 | 100 |
| Axon Finance Solutions Limited | England and Wales | Ordinary | 100 | 100 |
| Axon International Limited | England and Wales | Ordinary | 100 | 100 |
| Axon Solutions (Canada) Inc | Canada | Ordinary | 100 | 100 |
| Axon Solutions Inc | USA | Ordinary | 100 | 100 |
| Axon Solutions Limited | England and Wales | Ordinary | 100 | 100 |
| Axon Solutions Schweiz GmbH | Switzerland | Ordinary | 100 | 100 |
| Axon Solutions Australia Pty Limited | Australia | Ordinary | 100 | 100 |
| Axon Solutions Sdn Bhd | Malaysia | Ordinary | 76* | 100 |
| Axon Solutions (Shanghai) Co. Ltd. (formerly known as JSPC (Shanghai) Co. Ltd.) | China | Ordinary | 100*** | 100 |
| Axon Solutions Singapore Pte Ltd (formerly known as JSP IT Consulting Pte Ltd) | Singapore | Ordinary | 100*** | 100 |
| Bywater Limited | England and Wales | Ordinary | 100 | 100 |
| Bywater Technology Limited | England and Wales | Ordinary | 100 | 100 |
| Counter Intelligence Limited | England and Wales | Ordinary | 100 | 100 |
| JSPC i-Solutions Sdn Bhd | Malaysia | Ordinary | 100** | 100 |
| JSP Consulting Sdn Bhd | Malaysia | Ordinary | 100*** | 100 |
| Xetera Limited | England and Wales | Ordinary | 100 | 100 |

* Note: Axon has contracted to purchase the remaining 24% in 2008, and provision has been made for the deferred consideration that will fall due. The minority shareholders have waived their voting rights and rights to receive dividends and therefore the results have been 100% consolidated in the Group's financial statements.

** Note: Held by Axon Solutions Sdn Bhd

*** Note: Held by JSPC i-Solutions Sdn Bhd

Two former subsidiaries, Bywater Inc and Zytalis Inc, both incorporated in the USA and 100% owned within the Group were merged into the operations of Axon Solutions Inc during 2007, and as such continue to be consolidated in the Group's financial statements.

The Group disposed of its 49% interest in Axon Solutions Qatar WLL during 2007 for a nominal sum. The Group had no material interests in any assets of that company, and all balances relating to the disposal were provided for in 2006 as part of the discontinuation of the Middle East operation. As such the disposal had no effect on the consolidated financial statements in the year.

### 18. Trade and other receivables

Amounts falling due within one year:

| | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* |
|---|---|---|---|
| Trade debtors | 31,399 | 27,391 | 19,449 |
| Other debtors | 735 | 790 | 440 |
| Prepayments | 1,990 | 2,101 | 3,788 |
| Amounts recoverable on contracts | 12,498 | 13,195 | 10,581 |
| | 46,622 | 43,477 | 34,258 |

## 19. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current year and prior reporting years:

| | *Accelerated tax depreciation £'000* | *Short-term timing differences £'000* | *Share-based payments £'000* | *Acquired intangibles £'000* | *Carried forward losses £'000* | *Provision £'000* | *Total £'000* |
|---|---|---|---|---|---|---|---|
| At 1 January 2005 | 312 | 236 | 1,382 | — | — | — | 1,930 |
| (Charge)/ credit to income | (216) | 193 | 271 | 101 | 272 | (603) | 18 |
| Credit to equity | — | — | 876 | — | — | — | 876 |
| Acquisition of subsidiary | — | (374) | — | (617) | — | 603 | (388) |
| At 1 January 2006 | 96 | 55 | 2,529 | (516) | 272 | — | 2,436 |
| (Charge)/ credit to income | 96 | 969 | 494 | 290 | (272) | — | 1,577 |
| Credit to equity | — | — | 3,241 | — | — | — | 3,241 |
| Acquisition of subsidiary | — | — | — | (1,047) | — | — | (1,047) |
| At 1 January 2007 | 192 | 1,024 | 6,264 | (1,273) | — | — | 6,207 |
| (Charge) / credit to income | (35) | (678) | 576 | 780 | — | — | 643 |
| (Charge) / credit to income due to change in UK corporation tax rate | (20) | (31) | (51) | 8 | — | — | (94) |
| Charge to equity | — | — | (713) | — | — | — | (713) |
| Charge to equity due to change in UK corporation tax rate | — | — | (244) | — | — | — | (244) |
| Adjustment to the fair value of acquired assets (see note 26) | — | 549 | — | — | — | — | 549 |
| Foreign exchange revaluation | — | (64) | — | — | — | — | (64) |
| At 31 December 2007 | 137 | 800 | 5,832 | (485) | — | — | 6,284 |

Certain deferred tax assets and liabilities have been offset as summarised below:

| | *2007 £'000* | *2006 £'000* | *2005 £'000* |
|---|---|---|---|
| Deferred tax liabilities | (766) | (1,361) | (461) |
| Deferred tax assets | 7,050 | 7,568 | 2,897 |
| | 6,284 | 6,207 | 2,436 |

At the balance sheet date, the group had unused tax losses of £0.2m (2006: £5.6m; 2005: £2.0m). No deferred tax asset has been recognised in respect of the losses carried forward at 31 December 2007 due to the uncertainty as to whether they will be available to offset future profits.

| | *2007 £'000* | *2006 £'000* | *2005 £'000* |
|---|---|---|---|
| Unrecognised deferred tax assets: | | | |
| On trading losses carried forward | 66 | 1,786 | — |
| On surplus capital losses carried forward | 302 | 324 | 324 |
| On the Executive Reward Scheme | — | — | 63 |
| | 368 | 2,110 | 387 |

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £1.9m (2006: £1.2m; 2005: £13,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

## 20. Trade and other payables

Amounts falling due within one year:

| | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* |
|---|---|---|---|
| Trade creditors | 5,061 | 5,146 | 3,425 |
| Social security and other taxes | 4,708 | 6,628 | 2,083 |
| Other creditors | 1,592 | 475 | — |
| Deferred consideration | 16,155 | 4,395 | 53 |
| Accruals and deferred income | 24,118 | 20,472 | 15,836 |
| | 51,634 | 37,116 | 21,397 |

## 21. Bank overdrafts and loans

| | *Effective interest rate %* | *Maturity* | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Bank Loans: | | | | | |
| Revolving credit facility | LIBOR + 0.72% | June 2007 | — | 6,000 | — |
| | | | — | 6,000 | — |

The directors consider the fair value of the loan to be equal to the book value.

**Bank facilities**

The loan outstanding at 31 December 2006 had been drawn down out of a £20m 364 day revolving credit facility. In 2007 this was converted into a £10m overdraft facility and a £10m bonding facility. The effective interest rate is dependent on the Group's ratio of Gross Borrowings to Earnings before interest, tax, amortisation of goodwill and depreciation ('EBITDA'), also excluding foreign exchange gains and losses and non-cash items such as share option charges. The interest rate on the overdraft facility can range from bank base rate plus 0.65% to bank base rate plus 0.95% plus commitment fees.

At 31 December 2007, the Group had available £10m (2006: £14m) of undrawn overdraft facility in respect of which all conditions precedent had been met, £7m (2006: £nil) of undrawn bonding facility and £20m (2006: £20m) of an undrawn committed five year amortising facility. Bank approval is required for drawdowns over £7.5m to be used for acquisitions, other than which all conditions precedent had been met. The interest rate on the five year amortising facility can range from LIBOR plus 0.65% to LIBOR plus 0.95% plus commitment fees.

## 22. Non-current liabilities

***Long-term provisions***

| | *Deferred Consideration £'000* | *Other Provisions £'000* | *Total £'000* |
|---|---|---|---|
| At 1 January 2005 | 959 | — | 959 |
| On acquisition of subsidiary (including exchange movements of £408,000) | 4,458 | — | 4,458 |
| Additional provision in the year | 3,914 | — | 3,914 |
| Unwinding of discount on provisions | 272 | — | 272 |
| Exchange differences | 571 | — | 571 |
| At 1 January 2006 | 10,174 | — | 10,174 |
| On business combination | 8,759 | — | 8,759 |
| Decrease in provisions | (2,550) | — | (2,550) |
| Unwinding of discount on provisions | 711 | — | 711 |
| Exchange differences | (1,176) | — | (1,176) |
| At 1 January 2007 | 15,918 | — | 15,918 |
| Increase in provisions | 215 | 456 | 671 |
| Unwinding of discount on provisions | 495 | — | 495 |
| Movement to short-term liabilities | (11,892) | — | (11,892) |
| Exchange differences | (82) | — | (82) |
| At 31 December 2007 | 4,654 | 456 | 5,110 |

The Group's total deferred consideration liabilities relate to discounted deferred contingent consideration and represents management's best estimate of the Group's liability for future consideration relating to the acquisition of Axon Solutions Sdn Bhd, Feanix Corporation, TUI Consulting Inc, Premier HR Solutions Inc and Zytalis Inc. The final consideration for these acquisitions is determined by reference to current and forecast performance of the businesses. Increases or decreases in the value of the provision arise as a result of management reviewing their estimates of the expenditure required to settle the obligations based on post-acquisition performance of the businesses. These amounts are due to be settled by 2010.

The Group's other provisions relate to an onerous contract provision on a rental property and expected future dilapidations costs. The onerous contract provision is expected to be utilised in the next two years and the dilapidations provisions will be released at such time as the Group vacates its existing premises, which the Group currently is committed to for more than five years.

## 23. Share capital

Movements in share capital in the period:

| | *No.* | *£'000* |
|---|---|---|
| Authorised shares of 1.0p each: | | |
| At 1 January 2005, 1 January 2006, 1 January 2007 and 31 December 2007 | 80,000,000 | 800 |
| Issued and fully paid shares of 1.0p each: | | |
| At 1 January 2005 | 52,123,268 | 521 |
| Share options exercised during the year | 2,254,083 | 23 |
| Issue of new shares as consideration for the purchase of Feanix Corporation | 2,800,000 | 28 |
| At 1 January 2006 | 57,177,351 | 572 |
| Share options exercised during the year | 4,133,399 | 41 |
| Issue of new shares as consideration for the purchase of Premier HR Solutions Inc | 365,524 | 4 |
| At 1 January 2007 | 61,676,274 | 617 |
| Share options exercised during the year | 1,290,311 | 13 |
| Issue of new shares in settlement of deferred consideration for Feanix Corporation | 42,504 | — |
| At 31 December 2007 | 63,009,089 | 630 |

The Company has one class of ordinary shares which carry no right to fixed income.

At 31 December 2007, 2,939,908 ordinary shares of 1.0p each were held in trust at a cost of £13,307,305. The market value of these shares at 31 December 2007 was £15,493,315.

At 31 December 2006, 2,854,908 ordinary shares of 1.0p each were held in trust at a cost of £12,790,235. The market value of these shares at 31 December 2006 was £17,429,213.

At 31 December 2005, 687,400 ordinary shares of 1.0p each were held in trust at a cost of £1,512,000. The market value of these shares at 31 December 2005 was £1,880,039.

## 24. Combined reconciliation of movements in equity shareholders' funds and statement of movement on reserves

| | *Share capital £'000* | *Share premium £'000* | *Own shares held by employee trusts £'000* | *Merger reserve £'000* | *Translation reserve £'000* | *Retained earnings £'000* | *Total £'000* |
|---|---|---|---|---|---|---|---|
| Equity attributable to equity holders of the parent at 1 January 2005 | 521 | 15,640 | — | 51 | 114 | 18,088 | 34,414 |
| Issue of new shares | 51 | 7,778 | — | — | — | — | 7,829 |
| Purchase of own shares | — | — | (1,512) | — | — | — | (1,512) |
| Profit for the year | — | — | — | — | — | 5,151 | 5,151 |
| Share-based payments | — | — | — | — | — | 2,817 | 2,817 |
| Dividends | — | — | — | — | — | (1,807) | (1,807) |
| Gains on translation of foreign currency operations | — | — | — | — | 1,145 | — | 1,145 |
| Equity attributable to equity holders of the parent at 1 January 2006 | 572 | 23,418 | (1,512) | 51 | 1,259 | 24,249 | 48,037 |
| Issue of new shares | 45 | 4,982 | — | — | — | — | 5,027 |
| Purchase of own shares | — | — | (11,278) | — | — | — | (11,278) |
| Profit for the year | — | — | — | — | — | 11,294 | 11,294 |
| Share-based payments | — | — | — | — | — | 9,794 | 9,794 |
| Dividends | — | — | — | — | — | (2,211) | (2,211) |
| Currency translation differences | — | — | — | — | (3,678) | — | (3,678) |
| Equity attributable to equity holders of the parent at 1 January 2007 | 617 | 28,400 | (12,790) | 51 | (2,419) | 43,126 | 56,985 |
| Issue of new shares | 13 | 1,598 | — | — | — | — | 1,611 |
| Purchase of own shares | — | — | (517) | — | — | — | (517) |
| Profit for the year | — | — | — | — | — | 20,207 | 20,207 |
| Share-based payments | — | — | — | — | — | 4,888 | 4,888 |
| Dividends | — | — | — | — | — | (2,468) | (2,468) |
| Currency translation differences | — | — | — | — | (80) | — | (80) |
| Equity attributable to equity holders of the parent at 31 December 2007 | 630 | 29,998 | (13,307) | 51 | (2,499) | 65,753 | 80,626 |

The own shares reserve represents the cost of shares in Axon Group plc purchased in the market and held by the Axon Group plc Employee Benefit Trust No. 3 and Axon Group plc Employee Benefit Trust No. 4 to satisfy options and performance share grants under the Group's equity incentive schemes.

The merger reserve relates to the acquisition of Axon Solutions Limited in 1999.

## 25. Minority interest

| | *£'000* |
|---|---|
| At 1 January 2005 and 1 January 2006 | 17 |
| Disposal | (17) |
| At 31 December 2006 and 31 December 2007 | — |

## 26. Business combinations

***Feanix Corporation***

On 8 April 2005, the group acquired 100% of the issued share capital of Feanix Corporation for initial cash consideration of £6.3 million and equity issued of £6.1 million, satisfied through the issue of 2,800,000 shares at the prevailing market price on the date of the transaction. £0.6m of deferred consideration had been paid as at 31 December 2007. Future consideration will be paid in 2008 dependent on a number of performance related factors and will be settled using a combination of cash and shares. The directors believe the actual value of the remaining deferred elements will be in the vicinity of £9.7m (as calculated at 31 December 2007 exchange rates), and have recognised a discounted provision accordingly.

The following table sets out the book and fair values of the assets and liabilities acquired.

| | *Book value £'000* | *Fair value adjustments £'000* | *Fair value £'000* |
|---|---|---|---|
| Net assets acquired | | | |
| Property, plant and equipment | 47 | — | 47 |
| Intangible assets (excl. goodwill) | — | 2,056 | 2,056 |
| Deferred tax assets | 426 | 177 | 603 |
| Trade and other receivables | 2,678 | — | 2,678 |
| Cash and cash equivalents | 705 | — | 705 |
| Trade and other payables | (1,445) | — | (1,445) |
| Deferred tax liabilities | (594) | (397) | (991) |
| Provision | — | (1,508) | (1,508) |
| | 1,817 | 328 | 2,145 |
| **Goodwill** | | | 17,261 |
| Total consideration | | | 19,406 |
| Satisfied by: | | | |
| Cash | | | 6,283 |
| Equity Issued | | | 6,090 |
| Provision for future consideration payable: | | | |
| Cash | | | 4,127 |
| Equity | | | 2,751 |
| Directly attributable costs | | | 155 |
| | | | 19,406 |
| Net cash outflow arising on acquisition: | | | |
| Cash consideration | | | (6,283) |
| Directly attributable costs | | | (155) |
| Cash and cash equivalents acquired | | | 705 |
| | | | (5,733) |

Goodwill includes non-identified intangible assets including business processes, know how and workforce related industry specific knowledge and technical skills.

Feanix Corporation contributed £8.7 million revenue and £0.7 million to the Group's profit before tax for the period between the date of acquisition and 31 December 2005.

If the acquisition of Feanix Corporation had been completed on 1 January, group revenues for the year ended 31 December 2005 would have been £94.4 million and group profit to equity holders of the parent would have been £6.5 million.

## 26. Business combinations (continued)

**TUI Consulting Inc**

On 4 January 2006, the group acquired the assets and liabilities of TUI Consulting Inc for an initial cash consideration of £5.4m.

The following table sets out the book and fair values of the assets and liabilities acquired:

| | *Book value* *£'000* | *Fair value adjustments* *£'000* | *Fair value* *£'000* |
|---|---|---|---|
| Net assets acquired | | | |
| Property, plant and equipment | 226 | — | 226 |
| Intangible assets (excl. goodwill) | — | 1,852 | 1,852 |
| Trade and other receivables | 142 | — | 142 |
| Trade and other payables | (117) | — | (117) |
| Deferred tax liabilities | — | — | — |
| Provision | — | — | — |
| | 251 | 1,852 | 2,103 |
| **Goodwill** | | | 4,621 |
| Total consideration | | | 6,724 |
| Satisfied by: | | | |
| Cash | | | 5,398 |
| Provision for future consideration payable: | | | |
| Cash | | | 1,196 |
| Directly attributable costs | | | 130 |
| | | | 6,724 |
| Net cash outflow arising on acquisition: | | | |
| Cash consideration | | | (5,398) |
| Directly attributable costs | | | (130) |
| | | | (5,528) |

Goodwill includes non-identified intangible assets which do not meet the separable and reliably measurable criteria including business processes, know how and workforce related industry specific knowledge and technical skills.

The provision for deferred consideration payable has been discounted in line with Group accounting policy.

TUI Consulting Inc contributed £7.8m to the Group's revenue for the period between the date of acquisition and 31 December 2006. It is not practicable to disclose the contribution to the Group's profit before tax as the business of TUI Consulting Inc was integrated into the business of Axon Solutions Inc., and it is not practicable to allocate some of the corporate costs between the two businesses.

The acquisition of TUI Consulting Inc was completed on the second day of the financial year, and therefore Group revenues and profit to equity holders of the parent for the year ended 31 December 2006 would not have been materially different had the acquisition been completed on the first day of the financial year.

## 26. Business combinations (continued)

**Premier HR Solutions Inc**

On 1 November 2006, the group acquired the assets and liabilities of Premier HR Solutions Inc for an initial cash consideration of £3.1m and equity issued of £1.9m, satisfied through the issue of 365,524 shares at the prevailing market price on the date of the transaction.

The following table sets out the provisional book and fair values of the assets and liabilities acquired.

| | *Book value £'000* | *Fair value adjustments £'000* | *Fair value £'000* |
|---|---|---|---|
| Net assets acquired | | | |
| Property, plant and equipment | 5 | — | 5 |
| Intangible assets (excl. goodwill) | — | 1,419 | 1,419 |
| Trade and other receivables | 1,572 | — | 1,572 |
| Trade and other payables | (508) | — | (508) |
| | 1,069 | 1,419 | 2,488 |
| **Goodwill** | | | 5,051 |
| Total consideration | | | 7,539 |
| Satisfied by: | | | |
| Cash | | | 3,141 |
| Equity Issued | | | 1,906 |
| Provision for future consideration payable: | | | |
| Cash | | | 2,399 |
| Directly attributable costs | | | 93 |
| | | | 7,539 |
| Net cash outflow arising on acquisition: | | | |
| Cash consideration | | | (3,141) |
| Directly attributable costs | | | (93) |
| | | | (3,234) |

The fair value of the net assets acquired as provisionally calculated at 31 December 2006 was decreased by £0.9m in 2007 to reflect a cash collection adjustment as set out in the sale and purchase agreement.

Goodwill includes non-identified intangible assets which do not meet the separable and reliably measurable criteria including business processes, know-how and workforce related industry specific knowledge and technical skills.

The provision for deferred consideration payable has been discounted in line with Group accounting policy.

Premier HR Solutions Inc. contributed £1.3m revenue and £0.5m to the Group's profit before tax for the period between the date of acquisition and 31 December 2006.

If the acquisition of Premier HR Solutions Inc had been completed on the first day of the financial year, group revenues for the year ended 31 December 2006 from continuing operations would have been £145.1m and group profit to equity holders of the parent would have been £11.8m.

## 26. Business combinations (continued)

### *Zytalis Inc*

On 1 December 2006, the group acquired 100% of the issued share capital of Zytalis Inc for an initial cash consideration of £7.2m.

The following table sets out the provisional book and fair values of the assets and liabilities acquired.

| | *Book value* | *Fair value adjustments* | *Fair value* |
|---|---|---|---|
| | *£'000* | *£'000* | *£'000* |
| Net assets acquired | | | |
| Property, plant and equipment | 32 | — | 32 |
| Intangible assets (excl. goodwill) | — | 2,604 | 2,604 |
| Trade and other receivables | 3,802 | — | 3,802 |
| Cash and cash equivalents | 1,090 | — | 1,090 |
| Trade and other payables | (4,743) | — | (4,743) |
| Deferred Tax Liability | — | (1,042) | (1,042) |
| | 181 | 1,562 | 1,743 |
| **Goodwill** | | | 12,536 |
| Total consideration | | | 14,279 |
| Satisfied by: | | | |
| Cash | | | 7,234 |
| Provision for future consideration payable: | | | |
| Cash | | | 6,839 |
| Directly attributable costs | | | 206 |
| | | | 14,279 |
| Net cash outflow arising on acquisition: | | | |
| Cash consideration | | | (7,234) |
| Directly attributable costs | | | (206) |
| Cash and cash equivalents acquired | | | 1,090 |
| | | | (6,350) |

The fair value of the net assets acquired as provisionally calculated at 31 December 2006 was increased by £0.5m in 2007 to recognise a deferred tax asset that had not previously been expected to have a tax benefit to the group.

Goodwill includes non-identified intangible assets which do not meet the separable and reliably measurable criteria including business processes, know-how and workforce related industry specific knowledge and technical skills.

The provision for deferred consideration payable has been discounted in line with Group accounting policy.

Zytalis Inc contributed £1.3m revenue and £0.2m to the Group's profit before tax for the period between the date of acquisition and 31 December 2006.

If the acquisition of Zytalis Inc had been completed on the first day of the financial year, group revenues for the year ended 31 December 2006 from continuing operations would have been £152.3m and group profit to equity holders of the parent would have been £9.6m.

On 1 October 2007, the assets and operations of Zytalis Inc were merged with Axon Solutions Inc as described in note 17.

**26. Business combinations (continued)**

***JSPC i-Solutions Berhad***

On 16 October 2007, the group acquired 100% of the issued share capital of JSPC i-Solutions Berhad for an initial cash consideration of £9.1m.

The following table sets out the provisional book and fair values of the assets and liabilities acquired.

| | *Book value* | *Fair value adjustments* | *Fair value* |
|---|---|---|---|
| | *£'000* | *£'000* | *£'000* |
| Net assets acquired | | | |
| Property, plant and equipment | 74 | — | 74 |
| Intangible assets (excl. goodwill) | 33 | 733 | 766 |
| Trade and other receivables | 2,580 | — | 2,580 |
| Trade and other payables | (875) | — | (875) |
| Deferred tax liabilities | (2) | — | (2) |
| Cash | 3,025 | — | 3,025 |
| | 4,835 | 733 | 5,568 |
| **Goodwill** | | | 3,647 |
| Total consideration | | | 9,215 |
| Satisfied by: | | | |
| Cash | | | 9,100 |
| Directly attributable costs | | | 115 |
| | | | 9,215 |
| Net cash outflow arising on acquisition: | | | |
| Cash consideration | | | (9,100) |
| Directly attributable costs | | | (115) |
| Cash acquired on acquisition | | | 3,025 |
| | | | (6,190) |

Goodwill includes non-identified intangible assets which do not meet the separable and reliably measurable criteria including business processes, know-how and workforce related industry specific knowledge and technical skills.

JSPC i-Solutions Berhad contributed £811,000 revenue and £40,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of JSPC i-Solutions Berhad had been completed on the first day of the financial year, group revenues for the year ended 31 December 2007 from continuing operations would have been £208.0m and group profit to equity holders of the parent would have been £20.2m.

## 27. Notes to the cash flow statement

### a. *Operating activities*

| | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* |
|---|---|---|---|
| Operating profit from continuing operations | 30,586 | 18,057 | 10,092 |
| Operating loss from discontinued operations | — | (1,124) | (2,521) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 889 | 721 | 573 |
| Amortisation of intangible assets | 2,956 | 2,162 | 790 |
| Loss on disposal of fixed assets | 47 | 70 | — |
| Exchange loss previously recognised in reserves | 180 | — | — |
| Share-based payments | 3,471 | 2,092 | 1,111 |
| Operating cash flows before movements in working capital | 38,129 | 21,978 | 10,045 |
| Increase in receivables | (932) | (4,600) | (13,881) |
| Increase in payables | 1,832 | 5,076 | 7,388 |
| Cash generated by operations | 39,029 | 22,454 | 3,552 |
| Income taxes paid | (6,094) | (2,710) | (2,145) |
| Interest paid | (212) | (7) | (9) |
| Net cash from operating activities | 32,723 | 19,737 | 1,398 |

Cash and cash equivalents (which are presented as a single class on the face of the balance sheet) comprise cash at bank, including short term, highly liquid investments with a maturity date of three months or less.

### b. *Proceeds from issue of shares*

| | *2007* *£'000* | *2006* *£'000* | *2005* *£'000* |
|---|---|---|---|
| Increase in share capital and share premium through the issue of new shares | 1,611 | 5,027 | 7,829 |
| Less: Shares issued as consideration for the acquisition of Premier HR Solutions Inc | — | (1,906) | — |
| Less: Shares issued in settlement of deferred consideration for Feanix Corporation | (260) | — | (6,090) |
| Total proceeds from the issue of shares | 1,351 | 3,121 | 1,739 |

## 28. Contingent liability

The Group has provided a performance bond drawn from a bonding facility with Royal Bank of Scotland to a client underwriting its contractual obligations. The value of the bond issued as at 31 December 2007 was US $6m (2006: £nil). The maximum value of this bond over the life of the contract is US $20m. See note 21 for details of the bank facilities.

In 2006, the Group's bankers in the Middle East, Emirates Bank, issued a tender bond in favour of a potential customer in the total amount of AED 221,100. Axon Solutions Limited indemnified Emirates Bank in respect of this amount. Axon Solutions Limited met the terms of the bond and was released from its obligations in January 2007.

In 2005 the Group's bankers in the Middle East, Emirates Bank, issued tender bonds in favour of several potential customers in the total amount of AED 3,539,989. Axon Solutions Limited has indemnified Emirates Bank in respect of these amounts. Axon Solutions Limited was released from its obligations in 2006.

The Group's bankers, Bank of Scotland, issued a performance bond in favour of M/S Taxi Company in the amount of US$ 841,271 in 2004. As at 31 December 2005 the bond remained in issue. Axon Solutions Limited has indemnified Bank of Scotland in respect of this amount. Axon Solutions Limited was released from its obligations in 2006.

## 29. Operating lease arrangements

***The Group as lessee***

| | 2007 £'000 | 2006 £'000 | 2005 £'000 |
|---|---|---|---|
| Minimum lease payments under operating leases recognised in expenses for the year | 1,562 | 1,497 | 1,100 |

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2007 £'000 | 2006 £'000 | 2005 £'000 |
|---|---|---|---|
| Within one year | 1,360 | 1,225 | 1,019 |
| In the second to fifth years inclusive | 4,010 | 3,720 | 3,440 |
| After five years | 3,163 | 4,900 | 5,758 |
| | 8,533 | 9,845 | 10,217 |

Operating lease payments represent rentals payable by the Group for its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years.

***The Group as lessor***

Property rental income recognised during the year was £116,000 (2006: £116,000; 2005: £116,000). The property rental income is derived from the sub-lease of the Group's previous head office.

As at the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

| | 2007 £'000 | 2006 £'000 | 2005 £'000 |
|---|---|---|---|
| Within one year | 53 | 159 | 159 |
| In the second to fifth years inclusive | — | 53 | 212 |
| | 53 | 212 | 371 |

## 30. Employee share plans and share-based payments

This note sets out the number of options outstanding at 31 December 2007.

In accordance with the requirements of IFRS 2, the Group estimates the expected life of the option based on an assessment of the impact of exercise behaviour and exercise restrictions.

Expected volatility is calculated using the average historical volatility of the Group's share price over a period commensurate with the expected life of the option and ending on the date of grant. Where there is insufficient historical share price data to calculate the expected volatility in this way, due to the shares only being publicly traded since 1999, a shorter period has been used.

All schemes are equity-settled share-based payment schemes. There is no cash alternative.

**30. Employee share plans and share-based payments (continued)**

***a. Axon Solutions Limited Approved Executive Share Option Scheme***

This scheme was adopted by the Group on 14 January 1997, was approved by the Board of the Inland Revenue on 5 March 1997 under the Income and Corporation Taxes Act 1988 and expires in 2009. As at 31 December 2007 the following options were outstanding under this scheme:

| *Date of grant* | *Outstanding as at 31 December 2007* | *Exercisable as at 31 December 2007* | *Dates exercisable* |
|---|---|---|---|
| 19 Jun 98 | 18,045 | 18,045 | 19 June 2001 to 18 June 2008 |
| 28 Jan 99 | 39,605 | 39,605 | 28 January 2002 to 27 January 2009 |
| Total | 57,650 | 57,650 | |

At the date of the Group re-organisation prior to flotation, these options, which were over Axon Solutions Limited shares, were rolled over into options over Axon Group plc shares. No further options will be granted under this scheme. No performance criteria are attached to these options.

***b. Axon Solutions Limited Unapproved Executive Share Option Scheme***

This scheme was adopted by the Group on 14 January 1997 (amended by the Board of directors on 3 September 2004). As at 31 December 2007 the following options were outstanding under this scheme:

| *Date of grant* | *Outstanding as at 31 December 2007* | *Exercisable as at 31 December 2007* | *Dates exercisable* |
|---|---|---|---|
| 04 Jun 98 | 8,020 | 8,020 | 4 June 2001 to 3 June 2008 |
| Total | 8,020 | 8,020 | |

At the date of the Group re-organisation prior to flotation, these options, which were over Axon Solutions Limited shares, were rolled over into options over Axon Group plc shares. No further options will be granted under this scheme. No performance criteria are attached to these options.

## 30. Employee share plans and share-based payments (continued)

### *c. Axon Group plc Approved Discretionary Share Option Scheme*

This scheme was adopted by the Group on 12 February 1999 (amended by resolution of the Company in General Meeting on 28 April 2000) and was approved by the Board of the Inland Revenue on 22 February 1999 (and again on 19 July 2000) under the Income and Corporation Taxes Act 1988. As at 31 December 2007 the following options were outstanding under this scheme:

| *Date of grant* | *Outstanding as at 31 December 2007* | *Exercisable as at 31 December 2007* | *Dates exercisable* | *Exercise price (p)* | *Expected volatility %* | *Expected life* | *Risk free rate %* | *Dividend yield %* |
|---|---|---|---|---|---|---|---|---|
| 10 Jan 03 | 42,136 | 42,136 | 10 January 2006 to 9 January 2013 | 50 | 54.00 | 5.00 | 4.46 | 2.06 |
| 31 Mar 03 | 5,000 | 5,000 | 31 March 2006 to 30 March 2013 | 65 | 54.00 | 5.00 | 4.35 | 2.06 |
| 28 May 04 | 79,200 | 79,200 | 28 May 2007 to 27 May 2014 | 120 | 54.00 | 5.00 | 5.11 | 2.06 |
| 06 Dec 04 | 20,066 | 20,066 | 6 December 2007 to 5 December 2014 | 149.5 | 52.47 | 5.00 | 4.59 | 2.06 |
| 29 Apr 05 | 39,811 | — | 29 April 2008 to 28 April 2015 | 213.5 | 53.64 | 5.00 | 4.52 | 2.06 |
| 30 Sep 05 | 14,405 | — | 30 September 2008 to 29 September 2015 | 208.25 | 42.83 | 5.00 | 4.24 | 1.76 |
| 15 Dec 05 | 20,656 | — | 15 December 2008 to 14 December 2015 | 257.75 | 37.35 | 5.00 | 4.31 | 1.76 |
| 30 Jun 06 | 25,063 | — | 30 June 2009 to 29 June 2016 | 330.5 | 47.96 | 5.00 | 4.76 | 1.76 |
| 12 Sep 06 | 13,776 | — | 12 September 2009 to 11 September 2016 | 435.5 | 44.96 | 5.00 | 4.72 | 1.35 |
| 14 Dec 06 | 5,390 | — | 14 December 2009 to 13 December 2016 | 556.5 | 35.78 | 5.00 | 4.88 | 1.35 |
| 18 May 07 | 86,639 | — | 18 May 2010 to 17 May 2017 | 754 | 34.40 | 5.00 | 5.68 | 0.92 |
| 29 Nov 07 | 3,432 | — | 29 November 2010 to 28 November 2017 | 874 | 31.00 | 5.00 | 4.51 | 0.85 |
| Total | 355,574 | 146,402 | | | | | | |

These options were granted for nil consideration at the mid-market price on the date of grant and have the following performance condition attached to them: over a continuous period of at least three years commencing no earlier than the financial year during which the option is granted, the average percentage growth in the adjusted earnings per share of the Group must exceed the average percentage growth in the Retail Prices Index over the same period by 15% per annum. Options issued on 15 December 2005, and all subsequent option issues, are not subject to rolling retesting. Should the performance criteria not be met for these options in the first 3 years, they will automatically lapse.

## 30. Employee share plans and share-based payments (continued)

### *d. Axon Group plc Unapproved Discretionary Share Option Scheme*

This scheme was adopted by the Group on 12 February 1999 (amended by resolutions of the Company in General Meeting on 28 April 2000 and 17 December 2001). As at 31 December 2007 the following options were outstanding under this scheme:

| *Date of grant* | *Outstanding as at 31 December 2007* | *Exercisable as at 31 December 2007* | *Dates exercisable* | *Exercise price (p)* | *Expected volatility %* | *Expected life* | *Risk free rate %* | *Dividend yield %* |
|---|---|---|---|---|---|---|---|---|
| 10 Jan 03 | 209,620 | 209,620 | 10 January 2006 to 9 January 2013 | 50 | 54.00 | 5.00 | 4.46 | 2.06 |
| 31 Mar 03 | 3,000 | 3,000 | 31 March 2006 to 30 March 2013 | 65 | 54.00 | 5.00 | 4.35 | 2.06 |
| 21 Nov 03 | 141,829 | 141,829 | 21 November 2006 to 20 November 2013 | 128.5 | 54.00 | 5.00 | 5.01 | 2.06 |
| 01 Apr 04 | 7,000 | 7,000 | 1 April 2007 to 31 March 2014 | 146 | 54.00 | 5.00 | 4.76 | 2.06 |
| 28 May 04 | 132,500 | 132,500 | 28 May 2007 to 27 May 2014 | 120 | 54.00 | 5.00 | 5.11 | 2.06 |
| 06 Dec 04 | 104,934 | 104,934 | 6 December 2007 to 5 December 2014 | 149.5 | 52.47 | 5.00 | 4.59 | 2.06 |
| 29 Apr 05 | 1,759,848 | — | 29 April 2008 to 28 April 2015 | 213.5 | 53.64 | 5.00 | 4.52 | 2.06 |
| 30 Sep 05 | 15,595 | — | 30 September 2008 to 29 September 2015 | 208.25 | 42.83 | 5.00 | 4.24 | 1.76 |
| 15 Dec 05 | 384,344 | — | 15 December 2008 to 14 December 2015 | 257.75 | 37.35 | 5.00 | 4.31 | 1.76 |
| 07 Mar 06 | 15,000 | — | 7 March 2009 to 6 March 2016 | 340.5 | 48.51 | 5.00 | 4.32 | 1.76 |
| 26 May 06 | 5,000 | — | 26 May 2009 to 25 May 2016 | 311.25 | 48.50 | 5.00 | 4.61 | 1.76 |
| 30 Jun 06 | 84,937 | — | 30 June 2009 to 29 June 2016 | 330.5 | 47.96 | 5.00 | 4.76 | 1.76 |
| 12 Sep 06 | 86,224 | — | 12 September 2009 to 11 September 2016 | 435.5 | 44.96 | 5.00 | 4.72 | 1.35 |
| 14 Dec 06 | 34,610 | — | 14 December 2009 to 13 December 2016 | 556.5 | 35.78 | 5.00 | 4.88 | 1.35 |
| 18 May 07 | 1,263,307 | — | 18 May 2010 to 17 May 2017 | 754 | 34.40 | 5.00 | 5.68 | 0.92 |
| 29 Nov 07 | 114,568 | — | 29 November 2010 to 28 November 2017 | 874 | 31.00 | 5.00 | 4.51 | 0.85 |
| Total | 4,362,316 | 598,883 | | | | | | |

These options were granted for nil consideration at the mid-market price on the date of grant and have the following performance condition attached to them: over a continuous period of at least three years commencing no earlier than the financial year during which the option is granted, the average percentage growth in the adjusted earnings per share of the Group must exceed the average percentage growth in the Retail Prices Index over the same period by 15% to 17% per annum. Options issued on 15 December 2005, and all subsequent option issues, are not subject to rolling retesting. Should the performance criteria not be met for these options in the first 3 years, they will automatically lapse.

imprima — C99359