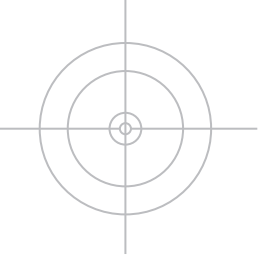


THE WAY IS IN THE TRAINING



being there...

ZEN TECHNOLOGIES LIMITED



THE WAY IS IN THE TRAINING



Zen (zen) n. [[Jpn <Chin *ch'an*, ult. <Sans *dhyāna*, thinking, meditation]] a sect of Buddhism, seeks to attain an intuitive illumination of mind and spirit through meditation.

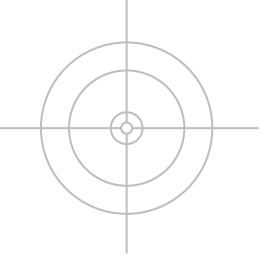
- FROM WEBSTER'S NEW WORLD DICTIONARY



being there...

Our training simulators project situations realistically. The combat situations are patterned in such a way that the trainee benefits immensely. It is said that the best training is actual combat experience in a battlefield. Zen simulators artificially duplicate the actual combat scenarios so realistically that personnel trained get the feeling of actually **being there...**





OUR PRODUCTS

Zen has been at the forefront of applying new technologies and developing new products and is actively involved in indigenisation of technologies, which are helpful for Indian Security Forces and civilian simulation market.

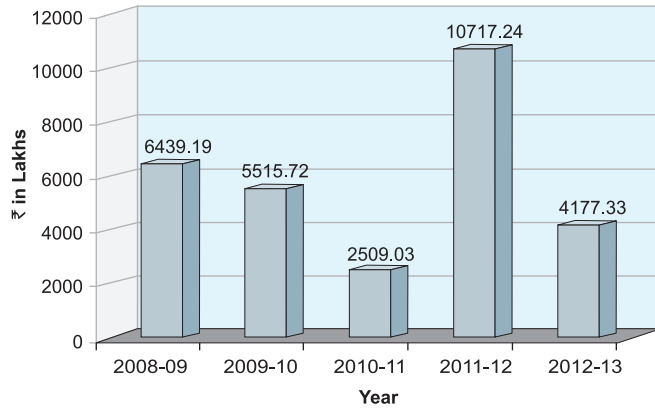
LIST OF PRODUCTS

- Zen Advanced Weapon Simulator (Zen AWeSim)
- Zen Small Arms Training Simulator-SL (Zen SATS-SL)
- Zen Hand Grenade Simulator (Zen HE36S)
- Zen Driving Training Simulator (Zen DTS)
- Zen BMP-II Driving Simulator (Zen BMP - II DS)
- Zen Artillery Forward Observer Simulator (Zen ArtyFOS)
- Zen Driving Simulator (Zen DS)
- Zen Tactical Engagement Simulator (Zen TacSim)
- Zen Anti-Tank Guided Missile Simulator (Zen ATGM Sim)
- Zen BMP-II Integrated Missile Simulator (Zen BMP - II IMS)
- Zen Tank Gunnery / Crew Gunnery Simulator
- Zen Tank Driving Simulator
- Zen Combat Training Simulator System (Zen CTSS)
- Zen Bus Driving Simulator (Zen BusSim)
- Zen 81mm Mortar Integrated Simulator (Zen 81mm MIS)
- Zen Smart Target System (Zen STS)
- Zen Multi-Mode Hand Grenade (Zen MMHG)
- Zen Multi-Functional Target System (ZEN MFTS)
- Zen Infantry Weapon Training Simulator (Zen IWTS)
- Zen Unmanned Aerial Vehicle Simulator (Zen UAV Sim)
- Zen Automated Driving Simulator (ZEN ADS)
- Zen Driver Aptitude Testing System (ZEN DATS)
- Zen Dumper Training Simulator
- Zen Dozer Training Simulator
- Zen Excavator Training Simulator

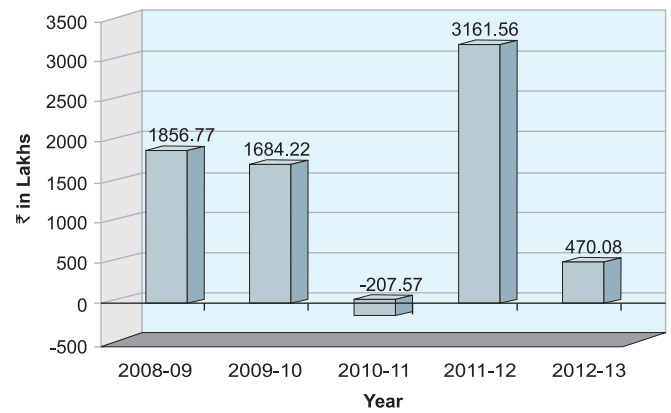


PERFORMANCE OF THE COMPANY AT A GLANCE

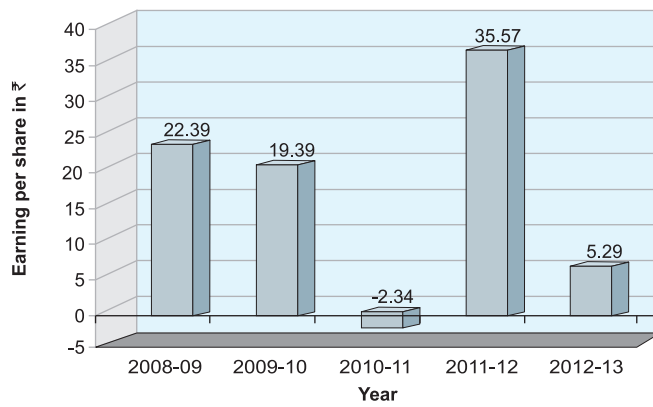
Total Income



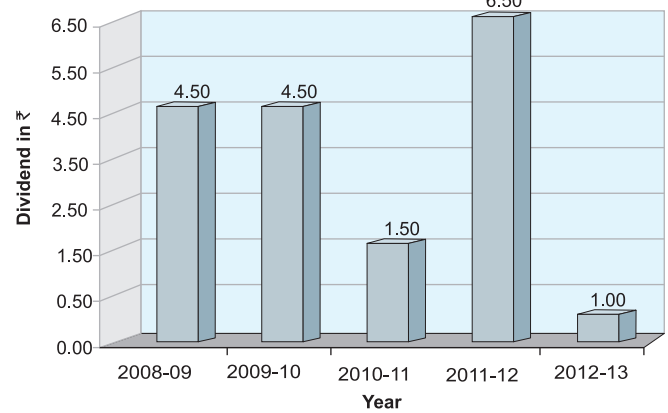
Profit after Tax

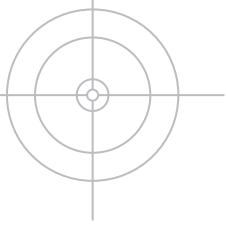


EPS



Dividend



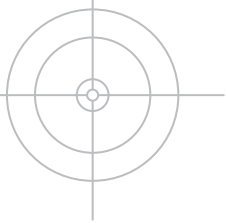


Registered Office	B-42, Industrial Estate Sanathnagar, Hyderabad-500018, A P, INDIA Phone : +91- 40 - 23813281, 23812894 Fax : +91- 40 – 23813694 Email id : info@zentechnologies.com Website : www.zentechnologies.com
Board of Directors	Mr Ashok Atluri – Chairman and Managing Director Mr Midathala Ravi Kumar – Whole Time Director Dr Pamidi Kotaiah – Director (up to 27 September 2012) Cmde Sarvotham Rao – Director Mr Davuluri Satish Babu – Director Mr Utpal H Sheth – Director Mr Gajjala Prasad – Additional Director (w.e.f 9 November 2012)
President	Mr A Kishore Dutt
General Manager - Finance	Mr Satyanarayana S
Company Secretary	Ms M Amala
Statutory Auditors	Gokhale & Co., Chartered Accountants 3-6-322, Off.306, Mahavir House Basheerbagh, Hyderabad-500 029 Phone : +91- 40 – 23221167 / 23228874 Email : gokhaleandco@ymail.com
Banker	Indian Bank
R & D Division	B-42, Industrial Estate Sanathnagar, Hyderabad-500018, A P, INDIA Phone : +91- 40 - 23813281, 23812894 Fax : +91- 40 - 23813694
Registrar and Share Transfer Agents	Karvy Computershare Private Limited Plot No. 17 to 24, Vithal Rao Nagar, Madhapur, Hyderabad - 500081 Phone : 91- 40 - 44655000 Fax : 91- 40 - 23420814 Email id : einward.ris@karvy.com
Listed with	Bombay Stock Exchange Limited, Mumbai

BOARD COMMITTEES

Audit Committee	Dr Pamidi Kotaiah	-	Chairman (up to 27 September 2012)
	Mr Gajjala Prasad	-	Chairman (w.e.f 9 November 2012)
	Cmde Sarvotham Rao	-	Member
	Mr Davuluri Satish Babu	-	Member
Share Transfer & Investors'	Mr Davuluri Satish Babu	-	Chairman
Grievance Redressal Committee	Mr Ashok Atluri	-	Member
	Mr Midathala Ravi Kumar	-	Member
Remuneration Committee	Cmde Sarvotham Rao	-	Chairman
	Dr Pamidi Kotaiah	-	Member (up to 27 September 2012)
	Mr Gajjala Prasad	-	Member (w.e.f 9 November 2012)
	Mr Davuluri Satish Babu	-	Member
Compensation Committee	Mr Ashok Atluri	-	Chairman
	Mr Davuluri Satish Babu	-	Member
	Dr Pamidi Kotaiah	-	Member (up to 27 September 2012)
	Mr Gajjala Prasad	-	Member (w.e.f 9 November 2012)
Selection Committee	Mr Davuluri Satish Babu	-	Chairman
	Dr Pamidi Kotaiah	-	Member (up to 27 September 2012)
	Mr Gajjala Prasad	-	Member (w.e.f 9 November 2012)
	Mr Midathala Ravi Kumar	-	Member
	Mr Feroz Bhote	-	External Expert





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* The ECS Mandate form, Proxy form, Attendance Slip and Road Map

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 20th Annual General Meeting of the Company will be held on Saturday the 28 September 2013 at 10.30 a.m. at B-42, Industrial Estate, Sanathnagar, Hyderabad - 500 018, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31 March 2013, the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date along with the Reports of the Directors' and Auditors' thereon.
2. To declare dividend for the financial year ended 31 March 2013.
3. To resolve not to fill the vacancy for the time being in the Board caused by the retirement of Mr D Satish Babu, who retires by rotation and does not seek reappointment.
4. To resolve not to fill the vacancy for the time being in the Board caused by the retirement of Mr Utpal H Sheth, who retires by rotation and does not seek reappointment.
5. To appoint M/s Gokhale & Co., Chartered Accountants, Hyderabad, Firm Regn No.000942S as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

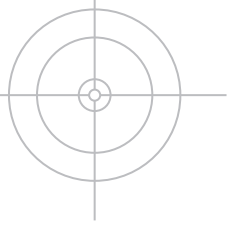
6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr Gajjala Prasad who was appointed as an Additional Director on the Board of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 56 of the Articles of Association of the Company, by the Board of Directors in their meeting held on 9 November 2012 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received notice in writing from a Member, proposing his candidature for the office of Director, pursuant to the provisions of Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII as amended from time to time and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof, for the time being in force) and subject to such consents, sanctions, approvals and permissions as may be necessary, consent of the Members of the Company be and is hereby accorded for the reappointment and revision in terms of reappointment of Mr M Ravi Kumar as Whole time Director of the Company for a period of three years with effect from 29 June 2013 on the following terms and conditions as recommended by the Remuneration Committee and approved by the Board of Directors:

SALARY: ₹ 2,00,000/- (Rupees Two Lakhs only) per month.



PERQUISITES: In addition to the above, he shall be entitled to the following perquisites classified into three categories A, B & C as follows:

CATEGORY – A

In this Category the following perquisites given will be allowed in addition to the salary and restricted to a maximum amount of ₹ 15,00,000/- (Rupees Fifteen lakhs only) per annum.

- a) House Rent Allowance: House Rent Allowance at the rate of forty percent of salary (40%). The expenditure incurred by the company on gas, electricity, water and furnishing shall be evaluated as per the Income Tax Rules, 1962 subject to a ceiling of ten percent of the salary (10%).
- b) Medical Insurance: As provided by the companies' group mediclaim policy insurance coverage upto a maximum of ₹ 5,00,000/- per annum.
- c) Leave Travel Concession: For self and family, once a year incurred in accordance with the rules specified by the Company.
- d) Club Fee: Fee of clubs subject to maximum of two clubs. This will not include admission and life membership fees.
- e) Personal Accident Insurance: As per company's policy.

CATEGORY – B

- f) The Company's contribution to provident fund, superannuation fund or annuity fund shall be in accordance with the rules and regulations of the Company. Such contribution will not be included in the computation of the ceiling on perquisites to the extent either singly or put together are not taxable under the Income Tax Act, 1961.
- g) Gratuity at the rate not exceeding half month's salary for each completed year of service.

CATEGORY – C

- h) Car for the purpose of Company's business and telephone(s) at residence will be provided. The Company will bill personal long distance calls on the telephone(s) and use of car for personal purposes. The provisions for car and telephone will not be considered as perquisites.

OTHER TERMS:

- i) One month's leave with full pay and allowance for every eleven months of service. Leave accumulated but not availed in the previous financial year will be carried forward to next financial year.
- j) Reimbursement of reasonable entertainment and other expenses actually and properly incurred in connection with the business of the Company.
- k) Mr M Ravi Kumar shall not, so long as he functions as the Whole Time Director, be entitled to receive any fee for attending any meeting of the Board or Committee thereof.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to take such steps and do all such acts, deeds, matters and things as may be considered necessary, proper and expedient to give effect to this resolution.

RESOLVED FURTHER THAT the aggregate remuneration inclusive of salary and other benefits

to Mr M Ravi Kumar shall always be within the overall ceiling laid down in Section 198, 309 and other applicable provisions of the Companies Act 1956 read with Schedule XIII to the said Act, for the time being in force.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits, in any financial year during the tenure of Whole Time Director, salary, perquisites and other allowances shall be paid subject to the limits stipulated under Schedule XIII read with Sections 198 and 309 of the Companies Act 1956.

RESOLVED FURTHER THAT Mr M Ravi Kumar shall not be subject to retirement by rotation during his tenure as a Whole time Director.”

By order of the Board
For **Zen Technologies Limited**

Registered Office:
B-42, Industrial Estate,
Sanath Nagar, Hyderabad -18
Date : 3 August 2013

M Amala
Company Secretary



NOTES:

1. A member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy or proxies to attend and to vote on a poll instead of himself / herself and such proxy need not be a member of the Company. The instrument appointing the Proxy should be duly filled in, stamped, signed and should be deposited at the Registered Office of the Company at least Forty Eight hours before the commencement of the meeting.
2. Members/proxies are requested to bring their copies of Annual Report and produce duly filled in attendance slip at the entrance of the Venue. Members holding shares in Demat form shall write their Client ID and DP ID No. and those holding in Physical form to write their Folio No. in the attendance slip for attending the meeting. Copies of Annual Reports will not be provided at the meeting.
3. Voting is by show of hands unless a poll is demanded by a member/members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution, or by those holding paid up capital of at least ₹ 50,000/-. A proxy shall not vote except on poll. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
4. The Register of Members and Share Transfer books of the Company will remain closed from 24 September 2013 to 28 September 2013 (both days inclusive).
5. The International Securities Identification Number (ISIN) allotted to the Company's equity shares is INE251B01019. Trading in the equity shares of the Company through Stock Exchanges was made compulsory in dematerialized form. Shareholders are advised to open demat accounts with any of the Depository Participants (DPs) of their choice registered with NSDL and CDSL and convert their physical holding into electronic holding.
6. Members holding shares in electronic form are requested to intimate immediately any change in their address or bank mandates to their depository participants with whom they are maintaining their demat accounts, so as to enable the Company to dispatch dividend warrants to their correct address. Members holding shares in physical form are requested to notify/send any change in their address and bank account details to the Company / Registrar & Share Transfer Agents, M/s Karvy Computershare Private Limited (Karvy).
7. The dividend as recommended by the Board of Directors for the year ended 31 March 2013, if declared at the meeting, will be payable to those members whose names appear on the Register of Members of the Company as on record date after giving effect to all valid share transfers in physical form which would be received by the Company up to the end of business hours on record date. In respect of shares held in electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.
8. Subject to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid/unclaimed dividend for the financial year 2004-05 in November 2012 to the "Investor Education and Protection Fund" (IEPF) established by the Central Government. The Company will be transferring the unpaid/unclaimed dividend declared for the financial year 2005-06 to IEPF in November 2013. Please note that once the unclaimed dividend is transferred to the aforesaid 'Investor Education and Protection Fund', no claim shall lie in respect thereof. Last date for claiming the same is 30 October 2013. Shareholders who have not so far encashed the dividend

warrant(s), with regard to the dividends for the financial years 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12 are requested to seek issue of Demand Draft by writing to the Company's Registrar and Share Transfer Agent (Karvy) or the Company. The unclaimed dividend for each of the financial year from 2005-06 to 2010-11 is uploaded on the Company's website at http://www.zentechologies.com/investor_relations/unpaid-and-unclaimed-dividend-2012.html

A search facility is provided for the investors to search for unclaimed amount standing to the investor's credit on the Ministry of Corporate Affairs website at <http://www.iepf.gov.in/IEPFWebProject/SearchInvestorAction.do?method=gotoSearchInvestor>

9. Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a Certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
10. Non-Resident Indian Members are requested to inform Karvy, immediately of:
 - a. Change in their residential status on return to India for permanent settlement
 - b. Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the Bank with pin code number, if not furnished earlier.
11. The Register of Directors' shareholdings shall be open for inspection to any Member of the Company during the period beginning fourteen days before the date of Company's Annual General Meeting and ending three days after the date of its conclusion. The said register shall also remain open and accessible during the Meeting to any person having right to attend the Meeting.
12. Relevant documents referred in the accompanying Notice will be available to the Members at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m. upto the date of the Meeting.
13. Investors are requested to note that in terms of SEBI Directives, in case of private transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of self-attested PAN Card to the Company/Karvy for registration of such transfer of shares. Without PAN Card, the transfer of shares shall not be entertained.
14. The Ministry of Corporate Affairs (MCA) has taken a Green Initiative in Corporate Governance by allowing paperless compliances by the Companies and has issued Circulars stating that service of notice / all documents including Annual Reports can be sent by e-mail to their Members. To support the 'Green Initiative' in the Corporate Governance and to contribute towards greener environment, we are sending all official documents to the email address provided by you with your depositories. We request you to register / update your e-mail addresses with Karvy, if shares are in physical mode or with your DP, if the holding is in electronic mode.
15. As per Section 255, 256 and other applicable provisions of the Companies Act, 1956, Mr D Satish Babu and Mr Utpal H Sheth, Directors of the Company retire by rotation at the ensuing Annual General Meeting. Mr D Satish Babu and Mr Utpal Sheth though eligible for reappointment expressed their intention not to seek reappointment.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 6

Mr G Prasad was appointed as an Additional Director (Non Executive Independent Director) on the Board of the Company vide resolution passed by the Board of Directors in their meeting held on 9 November 2012 pursuant to Section 260 of the Companies Act, 1956. In terms of the provisions of the said section, Mr G Prasad vacates office at this meeting.

Mr Prasad, a Bachelor of Commerce and Fellow Member of the Institute of Chartered Accountants of India is a partner of Nataraja Iyer & Co., Chartered Accountants, Hyderabad. He has more than 35 years of experience in audit and taxation matters of medium and large corporate, Banks and Financial Institutions. He is a Director on the Board of Moschip Semiconductor Technology Limited and Ventureast Trustee Company Private Limited. He is Chairman of Audit Committee, Remuneration Committee and Investor Grievances Committee of Moschip Semiconductor Technology Limited. He holds Nil shares of Zen Technologies Limited as on date.

The Company received notice from a Member in writing along with a deposit of ₹ 500/- in terms of Section 257 of the Companies Act, 1956 proposing Mr G Prasad as a candidate for being elected as a Director. If elected as a Director, the period of his office will be subject to determination by retirement of directors by rotation.

Members are requested to approve the resolution at item no 6 as an ordinary resolution.

None of the Directors except, Mr G Prasad is deemed to be concerned or interested in the said resolution.

ITEM NO.7

The term of reappointment of Mr M Ravi Kumar was concluded on 28 June 2013. The Board of Directors at their meeting held on 3 August 2013 has recommended for reappointment of Mr M Ravi Kumar as a Whole Time Director of the Company with effect from 29 June 2013 for a period of three years upon the recommendation of the Remuneration Committee and subject to the approval of the Members of the Company. The said appointment and remuneration are within the stipulations of Section 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 as amended from time to time. Members of the Company are requested to pass the above resolution as a Special Resolution.

The information provided herein may be deemed to be abstract as referred to under Section 302 of the Companies Act, 1956.

None of the Directors of the Company, except Mr M Ravi Kumar is interested or concerned in item no.7.

STATEMENT OF INFORMATION PURSUANT TO SCHEDULE XIII OF THE COMPANIES ACT, 1956

I. GENERAL INFORMATION:

- (1) *Nature of industry:* Manufacturing of Training Simulators and allied products
- (2) *Date of commencement of commercial production:* 9 July 1993

(3) *In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:* Not Applicable

(4) *Financial performance based on given indicators:*

Financial performance	2008-09	2009-10	2010-11	2011-12	2012-13
Turnover (₹ in lakhs)	6307.50	5223.42	1741.25	10182.28	3711.28
Net profit / (loss) as per profit and loss account (₹ in lakhs)	1856.77	1684.22	(207.58)	3161.56	470.08
Amount of dividend paid (excluding dividend tax) (₹ in lakhs)	384.93	399.98	133.33	577.75	88.88
Rate of dividend declared	45%	45%	15%	65%	10%

(5) *Export performance and net foreign exchange collaborations:* NIL

(6) *Foreign investments or collaborators, if any:* NIL

II. INFORMATION ABOUT THE APPOINTEE:

(1) *Background details:*

Mr M Ravi Kumar, aged 52 years is a Diploma holder in Computer Applications. He worked in Bureau of Data Processing Services (BDPS), Nova Computers Private Limited and as Systems Director at the Institute of Engineers. He is a technocrat and an expert in Systems Programming, Systems Integration and Robotics. He is actively involved in the design and development of the present range of Simulators for the company in his role as Head, R&D Division.

(2) *Past remuneration:* ₹ 22.28 Lakhs per annum

(3) *Recognition or awards:* NIL

(4) *Job profile and suitability:*

Mr M Ravi Kumar is one of the first directors of the Company and has been Whole Time Director since incorporation and has played an important role in the growth of Zen Technologies Limited. He has over 20 years of experience in Software Industry.

(5) *Remuneration proposed:*

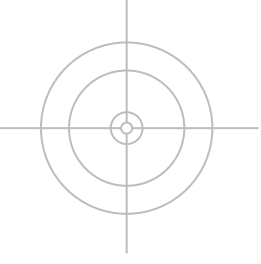
As set out in the resolution for the item no.7 of the Notice, the remuneration was recommended by the Remuneration Committee and approved by the Board of Directors.

(6) *Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)*

Taking into consideration of the size of the Company, the profile of Mr M Ravi Kumar and the responsibilities shouldered on him, the aforesaid remuneration package is commensurate with the remuneration package paid to managerial position in other companies.

(7) *Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:*

Mr M Ravi Kumar is holding 79,200 equity shares of the Company.



III. OTHER INFORMATION:

(1) *Reasons of loss or inadequate profits:*

Lower turnover, increase in R&D expenditure and the fixed nature of operating expenses.

(2) *Steps taken or proposed to be taken for improvement:*

Your Company has been in the field of security forces marketing for the past 20 years and has accumulated significant knowledge of the procurement process of its customers. Your Company is in active discussions with some companies for some upcoming tenders from the Armed forces and expect some progress during the next financial year.

IV. DISCLOSURES:

All elements of remuneration package of the Directors have been given in the Report on Corporate Governance under the head Remuneration paid to Directors for the Financial Year 2012-13.

Registered Office:
B-42, Industrial Estate,
Sanath Nagar, Hyderabad -18
Date : 3 August 2013

By order of the Board
For **Zen Technologies Limited**

M Amala
Company Secretary

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 20th Annual Report of the Company along with the Audited Statement of Accounts for the financial year ended 31 March 2013.

FINANCIAL RESULTS

The financial performance of the Company is summarized below:-

(₹ in Cr)

Particulars	2012-13	2011-12
Total Income	41.77	107.17
Total Expenditure	32.55	64.75
Operating Profit (PBIDT)	9.23	42.42
Interest	1.84	1.90
Depreciation & Amortization	1.84	1.10
Profit before tax	5.55	39.42
Provision for Tax	0.85	7.80
Deferred Tax Liability	-	-
Profit after Tax	4.70	31.62
Appropriations:		
Transferred to General Reserve	3.00	10.00
Proposed Dividend	0.89	5.77
Dividend Tax	0.15	0.94
Retained profit	0.66	14.91
Earning Per Share (₹) (face value of Equity share of ₹10/- each) - Basic	5.29	35.57

RESULTS OF OPERATIONS

During the year under review, your Company achieved total income of ₹ 41.77 Crores as against ₹ 107.17 Crores during the previous year. Due to delay in receipt of some of the orders and cancellation of some tenders, the sales of the current year are lower than expected. The Net profit after tax stood at ₹ 4.70 Crores as against a net profit of ₹ 31.62 Crores for the previous year. In line with the profit, the Earnings Per Share (EPS) has also considerably declined to ₹ 5.29 compared to previous year's EPS of ₹ 35.57.

The order book size as on 31 March 2013 is about ₹ 0.96 Crores excluding AMCs as against ₹ 31.49 Crores for the previous year.

DIVIDEND

Your Directors have recommended a dividend of ₹ 1/- per Equity Share (10 percent) of face value of ₹10/- each of the Company for the financial year ended 31 March 2013, amounting to ₹ 103.99 lakhs, (including dividend tax of ₹ 15.11 lakhs). The dividend, if approved, at the ensuing Annual General Meeting will be paid to those members whose names appear in the Register of Members as on record date.



APPROPRIATIONS

Your Company has voluntarily transferred ₹ 3 Crores to the General Reserve, which is higher than the limits as prescribed under the Companies (Transfer of Profits to Reserves) Rules, 1975.

BUYBACK OF EQUITY SHARES

The Board in its meeting held on 22 April 2013 approved Buyback offer of the Company upto maximum of 16,00,000 equity shares and minimum of 4,00,000 equity shares of ₹ 10.00 each at a price not exceeding ₹ 90.00 per equity share for a maximum amount not exceeding ₹ 1,000 lakhs through open market mechanism on Stock Exchange.

The Buyback commenced on 9 May 2013 and last date for completion of Buyback is 25 October 2013 or when the Company completes Buyback to the extent of 16,00,000 Equity Shares under the offer or upon exhaustion of ₹1,000 lakhs set aside for Buyback, whichever is earlier. The Board reserves the right to close the Buyback offer at an earlier date by giving appropriate notice and reasons for such early closure and completing all formalities.

Your Company has bought back 11,32,832 equity shares through electronic mode as of 2 August 2013 and incurred an amount of ₹ 783.92 lakhs towards Buyback of shares, which constitutes 70.80% of total Buyback offer size in terms of quantity.

FIXED DEPOSITS

Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding on the date of the Balance Sheet. Therefore the provisions of Section 58A of the Companies Act, 1956, and the rules made thereunder, are not applicable to the Company.

SUBSIDIARY

VERSION 2 GAMES LTD

Version 2 Games Ltd is a wholly owned subsidiary of the Company, registered in the State of Andhra Pradesh, India. During the year under review, the company had not done any business. The statement of Holding Company's interest in Subsidiary Company pursuant to Section 212(3) of the Companies Act 1956, is given in [Annexure I](#), which forms part of this Report. Relevant details have been disclosed in the Consolidated Financial Statements, as a part of Annual Report.

EXEMPTION FROM ATTACHING THE BALANCE SHEET, ETC. OF THE SUBSIDIARY COMPANY WITH THE BALANCE SHEET OF THE COMPANY

Pursuant to the provisions of Section 212 of the Companies Act, 1956 (the Act), documents in respect of the subsidiary viz., Directors' Report, Auditors' Report, Balance Sheet and Statement of Profit and Loss are required to be attached to the Balance sheet of the holding company. However, in terms of the provisions of Section 212(8) of the Act, the Government of India, Ministry of Corporate Affairs, has vide General Circular No. 2/2011 dated 08 February 2011 granted exemption from the provisions of Section 212(1) of the Act. Accordingly, the annual report does not contain the financial statements of the subsidiary of the Company, but contains audited consolidated financial statements of the Company and its Subsidiary. However, the Company will make available the audited annual accounts and related detailed information of the subsidiary to the shareholders upon request in accordance with the applicable law. These documents are also available for inspection at the Registered Office of the Company during business hours.

A statement of Company's interest in the subsidiary and a summary of the financials of the subsidiary are given along with the Consolidated Financial Statements.

DIRECTORS

In accordance with Sections 255, 256 and other applicable provisions of the Companies Act, 1956, Mr D Satish Babu and Mr Utpal H Sheth, Directors of the Company retire by rotation at the twentieth Annual General Meeting and though eligible for reappointment have not offered themselves for reappointment. The vacancy in the Board caused by their retirement will not be filled up for the time being. The Members of the Board place on record their deep sense of appreciation and immense gratitude for the services rendered by Mr D Satish Babu and Mr Utpal H Sheth for being valuable source to the Company as Directors on the Board.

Mr G Prasad was appointed as an Additional Director of the Company w.e.f 9 November 2012, to hold office up to the date of the ensuing Annual General Meeting. Notice was received from a member under Section 257 of the Companies Act, 1956 proposing his candidature as the Director of the Company. The Board at its meeting held on 3 August 2013 had recommended to the Members for appointment of Mr G Prasad as Director liable to retire by rotation, subject to the approval of the members at the ensuing Annual General Meeting.

The Board of Directors at their meeting held on 3 August 2013 on recommendation of Remuneration Committee and subject to the approval of the Members at the ensuing Annual General Meeting had reappointed Mr M Ravi Kumar as a Whole Time Director of the Company for a period of three years w.e.f 29 June 2013.

AUDITORS

Statutory Auditors:

M/s Gokhale & Co., Chartered Accountants, the Statutory Auditors of the Company will retire at the conclusion of the twentieth Annual General Meeting. The Company is in receipt of confirmation from the Statutory Auditors that in the event of their reappointment as Statutory Auditors of the Company, such reappointment will be in accordance with the limits specified in sub-section (1B) of Section 224 of the Companies Act, 1956.

The Notes on the Financial Statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

Cost Auditor:

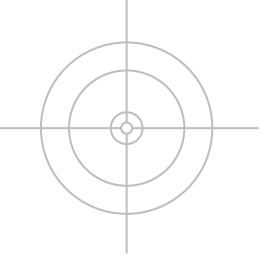
The Board of Directors at their meeting held on 30 May 2013 appointed M/s Nageswara Rao & Co., Cost Accountants, Secunderabad as the Company's Cost Auditors, subject to the approval of the Central Government, to conduct an audit of Cost Accounting records and for issuance of Cost Audit Report for the financial year 2013 - 14. The due date of filing the Cost Audit Report by the Cost Auditor is 30 September 2014 for the financial year 2013-14.

Secretarial Auditor:

For effective corporate governance and compliance, a Secretarial Audit was conducted by Mr Mahadev Tiruanagari, Practicing Company Secretary for the financial year 2012-13. The Secretarial Audit Report for the financial year ended 31 March 2013, is annexed to the Annual Report.

Internal Auditor:

M/s Venkatadri & Co., Chartered Accountants has been appointed as an Internal Auditor of the Company to conduct the Internal Audit on quarterly basis. The Audit Committee of the Board is apprised on the internal



audit report and the action taken by the management. The Audit Committee also reviews the adequacy of internal control systems, reporting structure, coverage and frequency of internal audit.

CORPORATE GOVERNANCE

The Report on Corporate Governance and Management Discussion and Analysis along with a certificate from the Statutory Auditor of the Company with regard to the compliance of Corporate Governance as per Clause 49 of the Listing Agreement is annexed to this report.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time and forming part of Directors' Report for the year ended 31 March 2013.

There were no employees who were in the Company's employment for whole or a part of the year and were in receipt of remuneration for any part of the financial year at a rate, which in the aggregate was not less than ₹ 5,00,000/- per month.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

Disclosures in terms of Companies (Disclosure of Particulars in report of the Board of Directors) Rules, 1988 in respect of Conservation of Energy, Technology Absorption, and Foreign Exchange Earnings & Outgo are provided in [Annexure II](#) and forms part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- i) In the preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31 March 2013 and of the profit of the Company for that period.
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The annual accounts have been prepared on a going concern basis.

ACKNOWLEDGMENTS

Your Directors thank the company's customers, suppliers, dealers, banks, financial institutions, Government authorities and consultants for their continued support. Your Directors express their sincere gratitude to the shareholders and also wish to place on record their appreciation for the committed services rendered by all the employees of the Company.

For and on behalf of the Board

Place : Hyderabad
Date : 3 August 2013

Ashok Atluri
Chairman and Managing Director

ANNEXURE - I TO THE DIRECTORS' REPORT

Particulars pursuant to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

Statement pursuant to Section 212(3) of the Companies Act, 1956, relating to Subsidiary Company

(in ₹)

1	Name of the Subsidiary Company	Version 2 Games Ltd
2	The financial year of the Subsidiary Company ended	31 March 2013
3	Holding Company's interest as at 31 March 2013	
	a) No. of Equity Shares held	5,00,000 Equity shares of ₹ 1/- each ₹ 5,00,000
	b) Percentage of shareholding	100%
4	The net aggregate amount of Profits/(Losses) of the Subsidiary so far as it concerns members of the Company	
	a) Dealt with in the Accounts of the Company	
	i) For the financial year of Subsidiary ended 31 March 2013	(1,64,417)
	ii) For previous financial years of the Subsidiary since it became subsidiary of the company	(1,83,030)
	b) Not dealt with in the Accounts of the Company	
	i) For the financial year of Subsidiary ended 31 March 2013	Nil
	ii) For previous financial years of the Subsidiary since it became subsidiary of the company.	Nil

ANNEXURE - II TO THE DIRECTORS' REPORT

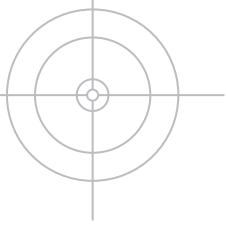
CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A. Conservation of Energy

The Company does not use energy-intensive equipment for its operations. Besides, due to significant awareness campaigns within the Company, the employees are averse to wasting power. Consequently power consumption is one of the lowest per employee. The computers, air-conditioners and other equipment being used by the Company are energy-efficient and environment-friendly.

B. Research and Development (R & D)

One of the key strengths of your Company is its ability to innovate and realize state-of-the-art products.



1. Specific areas in which R & D carried out by the Company

Significant efforts were put in for developing Unmanned Aerial Vehicle Simulator (UAV Sim), Medium Machine Gun Simulator (MMG Sim) and Tank Target Hit Detection and Analysis System (T-THiDAs).

2. Future plan of action

Your Company further plans to invest significant amount in R&D in the years to come to retain and hone the technological edge it enjoys now. The basis of arriving at the R&D expenditure is not as a percentage of the sales or any such pre-determined formula, but is based on our long-term strategy and newer opportunities that are available in the short-term. We expect that there may be wild swings in our R&D expenditure. Such opportunity-based investment is, we believe, the only way to retain our technological edge.

3. Expenditure on R & D

The Company has incurred ₹ 1132.04 lakhs as R & D expenditure for the financial year 2012-13 for the development of various products. Out of ₹ 1132.04 lakhs, ₹ 916.59 lakhs was for R&D Revenue expenditure and ₹ 215.45 lakhs for R&D Capital Expenditure.

C. Efforts made towards Technology absorption, adoption and innovation

S.No	Particulars	Efforts
1	Efforts, in brief, made towards technology absorption, adoption and innovation.	The Company has indigenously developed significant technologies that are useful in various products. The technologies nurtured within the Company have been incorporated into various products.
2	Benefits derived as a result of the above efforts e.g., product improvement, cost reduction.	We expect such technologies will give us an unbeatable edge in evolving our products into advanced, reliable, and robust simulators.
3.	Information about Technology imported	The Company has not imported any technology.

D. Foreign Exchange Earnings and Outgo

(₹ in Lakhs)

Particulars	2012-13	2011-12
Earned during the year	59.98	533.59
Used during the year	63.47	53.82

For and on behalf of the Board

Place : Hyderabad
Date : 3 August 2013

Ashok Atluri
Chairman and Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Development

Simulator is defined as a system-specific device that helps personnel train in system use and maintenance. Simulators are used in various fields and their use is not restricted to training security forces alone. A few areas where simulators are being used extensively include weapons training, aviation, medicine, power plant, bridges, ships, entertainment and maintenance. This list is not exhaustive and as technology becomes more affordable, more and better applications will be available.

The Simulation Industry in India is showing signs of maturity with new players entering this field. There are very few established players in this field who pose threat to the Company now. But we expect the scenario to change and anticipate competition in the years to come. In Defence simulation, we have had competition from domestic as well as international players.

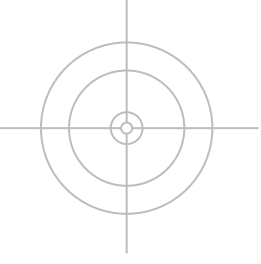
Indian defence has become one of the most attractive markets for foreign companies. Since the scope of business is huge, we expect new players to come in full force. However, only experienced players are expected to benefit more, because the barriers to the new players are many. Difficult barriers include understanding the complex and stringent procurement process, long procurement cycle, No-Cost-No-Commitment basis of trials and customization of the product to suit Indian needs.

Companies that have suitable products may find the lack of understanding of the process to be a serious barrier. Small and medium companies, especially foreign ones, will find it extremely difficult to undergo at least three years of procurement process to know the outcome. The cost to compete in the process is significantly high. With many bidders in the race, the uncertainty of winning the bid looms large to the potential bidders and, sometimes, the risk/reward ratio seems unattractive. Another complication for the foreign vendor is the Indian Defence's offset requirement for global purchases of over ₹ 300 Crores. Offset is the foreign vendor's obligation to source locally (buyer's country) some items, amounting to certain percentage of the contract value, that go into the building of the purchased product. In India the default offset requirement is about 30%, which can be changed by the government. Offset presents a good opportunity which your Company intends to fully explore. In view of this, we have incorporated the offset clauses in the main objects of the company. We continue to be in discussions with a few companies of international repute to address this opportunity. These tie-ups are usually pre-bid and the offset proposal is submitted before the product evaluation starts. Even after tie-up it would take about 2-3 years to know the outcome of the bid. And only those who have tied up with bid-winning companies will be eligible to get the offset benefits. So the offset business is fraught with many uncertainties. Recent elimination of services from the businesses eligible for offset may benefit your company as we have seen the enquiries for our simulators have increased both in frequency and seriousness.

Opportunities and threats

We are looking at opportunities to collaborate with companies that are looking for competent and experienced partner to help them do business with the Indian Defence. Zen, being a prime contractor to the Indian Army, is well positioned to consider joint ventures with Foreign Defence companies. Since Zen is a system engineering company with skill sets in the field of electronics, mechanical engineering, and software, we see a big opportunity in adding value to companies that bid for Indian defence contracts. Companies that have little or no experience with security forces in India but have a potentially saleable product represent a good fit for partnership with us. Our experience with the procurement process has helped us put systems in place that drastically reduce the cost of production, customize product for Indian defence, ensure compliance with all the technicalities which increase the chance of winning the bids. Given the size of the Indian defence budget, we expect the size of such opportunities to be commensurately huge. However, realizing revenues from this activity will take time given the long procurement cycle.

Your company has been exclusively focused on training simulators. The emphasis laid on training by the



security forces has proved beneficial to your company. Your company continues to design and develop simulators with heavy focus on security forces in India. The opportunity size is, fortunately, growing and we expect to benefit from it. As expected State and Central police organizations continue to induct significant number of simulators.

Another focus area that we will be working on is exports during the year. We expect that there is a significant export market and considerable efforts will be made to tap into these markets.

We feel that competition, both domestic and foreign, for the simulators will be a significant factor in the years to come. As such we need a continuous action plan to improve older simulators where possible and evolve a new pricing strategy to match the marketing realities.

Your company's plans to venture into Europe, as indicated last year, have been delayed due to the slow-down in Europe and we continue to be very cautious for further investment in that market as the gloomy predictions continue. However, the product that was developed for the European market has been helpful in the sales in the current year. We are still exploring options of entering that market with a local partner who could help us test those markets.

Subsidiary Company

VERSION 2 GAMES LTD

During the year under review, the Company has not done any business.

Strengths and Weaknesses

Your company's competitive advantages include:

Familiarity with the Procurement Process

Zen has been in the field of security forces marketing for the past 20 years and has accumulated significant knowledge of the procurement process of its customers. Zen is in active discussions with some companies for some upcoming tenders from the Armed forces and expect some progress during the next financial year. Zen is exercising abundant caution in choosing its partner - with an objective of ensuring the Indian forces get one of the best products available in the market with value addition from Zen in customization of the product to meet the end-user needs.

Dedicated Team

Zenists, who are involved in the development and marketing of simulators are your Company's biggest strength. We feel that their tireless efforts have contributed significantly to our success.

Short Development Project Cycle

Your Company has project methodologies in place which help develop products in a short span of time. Extensive project monitoring system ensures that all the projects are on track and completed on time.

Cross-disciplinary skills

To develop simulators, we had to acquire a range of skills including software, electronics, mechanical, and optics. For most of the products we developed, we needed these skills in different ratios for the materialization of the products.

Customer Acceptance

With a track record of having the widest penetration into the Indian security forces for simulators and having received positive reviews from our customers we are today one of the most preferred brand names in the field of training simulators.

Reliable Quality

Zen's products rank as one of the best in their range. When we factor in the price at which your company has priced them, they become an unbeatable and compelling choice for customers. Significant progress

has been made to improve quality of the simulators due to the lean process being implemented within the company. This has helped us to build very robust products and at the same time, given us the wherewithal to scale our operations.

After-Sales Support

Our customers put our after-sales support as very trust worthy and have applauded our commitment to keeping the simulators are up and running. We expect the after-sales support to generate significant revenues in the years to come.

Performance

Total Income during the year was ₹ 41.77 Crores (previous year ₹ 107.17 Crores), EBITDA ₹ 9.23 Crores (previous year ₹ 42.42 Crores) and PAT was ₹ 4.70 Crores (previous year ₹ 31.62 Crores). Sales and Services of weapon simulators contributed ₹ 24.27 Crores (previous year ₹ 88.17 Crores) and non-weapon simulators ₹ 9.03 Crores (previous year ₹ 10.92 Crores). Other income during the year includes an amount of ₹ 1.01 crores, which is received against the provision made for doubtful debts for the previous year. The remaining contribution was from activities consequential to the sale of simulators including after sales service, annual maintenance contracts and customization of the system, apart from interest.

Products and the Market

The main customers for simulators are Police and Para-military Forces, Armed Forces, Government Departments (like Transport) and, in a very limited manner, the Civilian Market. The products of the company can be divided into 3 major categories viz. Land-based Military Simulators, Driving Simulators, and Mining and Special Equipment Simulators. Some of the land based simulators are Hand Grenade Simulator (Zen HE36S), Advanced Weapons Simulator (Zen AWeSim), Tactical Engagement Simulator (Zen TacSim), 81mm Mortar Simulator, Driving Training Simulator (Zen DTS), Zen Bus Simulator, BMP II Driving Simulator (ZEN BMP-II DS) and Anti-Tank Guided Missile Simulator (Zen ATGM Sim). Driving simulators include Zen DTS and Zen Bus Simulator which are aimed at the civilian market. Special Equipment simulators include Dumper and Dozer simulators are for mining applications. We expect mining simulators to contribute to the sales in the next year.

Research and Development Efforts

Your Company continues its R & D efforts in two directions

1. Existing Products: To maintain a competitive edge, the Company has been updating existing products. The changes being made are both incremental and innovative.
2. New Products: To expand our customer base, we are developing new products. We have developed dumper and dozer mining equipment which we are marketing aggressively to the potential customers.

Profit Margins and Cost Control Exercise

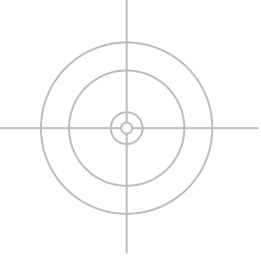
Cost-controlling is a way of life at Zen. Zenists abhor wastage of any kind and a keen sense of responsibility has been internalized. Profit margins are reasonable but may come under pressure in future when competition shows up.

Personnel Relationships

Your Company had outstanding personnel relationships last year. Zenists have internalized Zen's Final Expectation: Please don't just do what you are asked to, do what needs to be done. This understanding has resulted in some team members going beyond the call of duty and making breakthrough contributions.

Outlook

The global market for simulators presents an enormous opportunity for your Company. This multi-billion dollar market is growing exponentially and simulators are used in the field of weapons training, aviation, medicine, power plant, bridges, ships, entertainment and maintenance.



We expect the volatility in the earnings to continue in the foreseeable future. Also, given the fact that we depend on Government for business, we expect quarterly results to be quite lumpy and corresponding quarter-on-quarter results to be uneven.

Exports promotion is a priority target for Zen and ongoing efforts to promote the simulators through exhibitions and direct sales contacts are on. We expect that the results will be known in the coming couple of years.

Risks and Concerns

We are seeing more players entering the field of simulation and expect competition to be stiff and margins to drop for products that have huge market demand as this represents the segment that can be commercialized.

Your company is committed to developing cutting-edge simulators for the security forces. These simulators have been typically developed with feedback from the end-users but with no commitment from them to buy the resulting system. Such a line of action, where you develop critical simulation technologies for security forces entails definite expenditure and no promise of matching income. The government's policy of buying the system from the lowest bidder may harm us if any foreign supplier, with the development costs already amortized, competes with us and dumps the simulators at a cost far below what they have charged overseas. The Government does not have any explicit policy or procedure to encourage indigenous technology in such a situation but the recent changes in defence procurement procedures seem to be moving in the right direction.

As part of our business, we give performance guarantee to our clients. In the unlikely event that such a claim for guarantee is invoked, adequate provision for the same will be required.

The other risks that your Company faces are dependence on Government for huge chunk of business, high R&D costs with no certainty that the product will be accepted by the customer, stricter user acceptance and marketing costs, long receivables and unpredictability of earnings with, normally, a fourth quarter bias for sales.

Internal Control Systems and their Adequacy

The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded, and protected against loss from unauthorized use or disposition. The internal control system is supplemented by an extensive program of internal audits and review by management.

Human Resource Development

Zen's team strength stands at 243 members (previous year 227). The management and employees in the company regularly meet to address the areas of concern.

Industrial Relations

During the year under review, relations with customers, partners, suppliers, workers, employees, and other industries were cordial.

Disclaimer

Statements in the Annual Report describing the company's objectives and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the company operates, changes in government perception/regulations, changes in relationships with suppliers, partners and customers, tax laws and other statutes, and other unforeseen or incidental factors.

CORPORATE GOVERNANCE REPORT

i) Corporate Governance at ZEN

Zen is committed to good corporate governance. Your Company aims to achieve the objective of enhancing the shareholders' value by ensuring effective relationship with stakeholders and protecting their interests. The Company believes that the Company's business strategy and plans should be consistent with the welfare of all its stakeholders which will bring sustained corporate growth and long term benefit to all.

The Company has been practicing the principles of good corporate governance with a great zeal of commitment and sincerity. The Company's principle of corporate governance comes from the belief that the high standards of ethics, timely disclosures, accountability and transparency go a long way in preserving shareholders' trust and creating wealth.

ii) Board of Directors

A. Composition

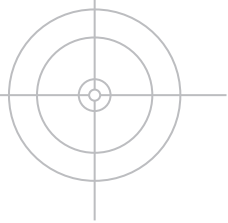
The Board of Directors of the Company consists of Six (6) Directors. To ensure transparent and professional conduct of board procedures in all aspects and related thereto, more than fifty percent i.e., 4 out of 6 Directors are Independent Directors. The Chairman of the Board is an Executive Director. The composition of the Directors is in accordance with Clause 49 of the Listing Agreement entered with the Stock Exchange.

The constitution of the Board during 2012-13 is as under:

Name of the Director	Category	Date of Appointment	Number of Directorships in other Public Companies	Committee Membership as on date (in other companies)	
				Member	Chairman
Mr Ashok Atluri (Chairman and Managing Director)	Promoter & Executive Director	14-06-1994	01	Nil	Nil
Mr M Ravi Kumar (Whole Time Director)	Promoter & Executive Director	29-06-1993	01	Nil	Nil
Mr D Satish Babu	Independent Director	02-02-2004	Nil	Nil	Nil
Dr Pamidi Kotaiah*	Independent Director	17-01-2005	11	03	03
Cmde Sarvotham Rao	Independent Director	30-03-2005	Nil	Nil	Nil
Mr Utpal H Sheth	Independent Director	30-06-2008	11	Nil	Nil
Mr G Prasad**	Independent Director	09-11-2012	01	Nil	03

* Retired as Director (Non Executive Independent) with effect from 27 September 2012

** Appointed as an Additional Director (Non Executive Independent) with effect from 9 November 2012



B. Pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Company.

None of the Non-Executive Directors has any pecuniary relationship or transactions with the Company except to the extent of sitting fees paid for attending Board and other Committee Meetings.

C. Meetings and Attendance

During the Financial Year 2012-13, the Board of Directors met 4 times on the following dates:

25 May 2012	03 August 2012	09 November 2012	09 February 2013
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The table hereunder gives the attendance record of the Directors at the Board Meeting held during the year 2012-13 and the last AGM held on 27 September 2012:

Name of the Director	Number of Board meetings		Attendance at the last AGM
	Held	Attended	
Mr Ashok Atluri	4	4	Present
Mr M Ravi Kumar	4	4	Present
Mr D Satish Babu	4	4	Present
Dr P Kotaiah*	4	2	Present
Cmde Sarvotham Rao	4	4	Present
Mr Utpal H Sheth	4	1	Absent
Mr G Prasad**	4	2	Not Applicable

* Retired as Director (Non Executive Independent) with effect from 27 September 2012

** Appointed as an Additional Director (Non Executive Independent) with effect from 9 November 2012

D. Board's Procedure

Agenda papers along with explanatory statements were circulated to the Directors in advance for each of these meetings. All relevant information as per Clause 49 of the Listing Agreement was placed before the Board from time to time.

iii) Audit Committee

A. Composition

The Company has constituted an Audit Committee comprising of Non Executive Independent Directors. The Composition of the Audit Committee is given below:

Dr P Kotaiah*	—	Chairman
Mr G Prasad**	—	Chairman
Cmde Sarvotham Rao	—	Member
Mr D Satish Babu	—	Member

* Retired as Director (Non Executive Independent) with effect from 27 September 2012

** Appointed as an Additional Director (Non Executive Independent) with effect from 9 November 2012

All the members including the Chairman have adequate financial and accounting knowledge. The Statutory Auditor, Internal Auditor, General Manager (Finance and Accounts), Manager (Accounts) are invited to the meetings of the Audit Committee. The Company Secretary acts as the Secretary to the Audit Committee.

B. Terms of reference

The Audit Committee reviews, acts and reports to the Board of Directors with respect to:

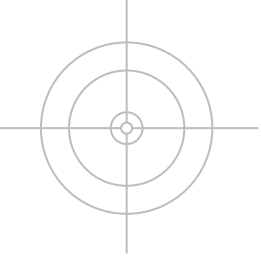
- Company's financial reporting process
- Quarterly and annual financial results of the Company
- Accounting and financial policies and practices
- Internal control and internal audit systems
- Risk management policies and practices
- Independence of auditors

C. Powers of the Audit Committee

1. To investigate any activity within its terms of reference
2. To seek information from any employee
3. To obtain outside legal or other professional advice
4. To secure attendance of outsiders with relevant expertise, if it considers necessary

D. Role of the Audit Committee:-

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of Statutory Auditors and fixation of audit fees
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors
4. Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Directors' Responsibility Statement to be included in the Directors' Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956
 - Changes, if any, in accounting policies and practices and reasons for the same
 - Major accounting entries involving estimates based on the exercise of judgment by management
 - Significant adjustments made in the financial statements arising out of audit findings
 - Compliance with listing and other legal requirements relating to financial statements
 - Disclosure of related party transactions
 - Qualifications in draft audit report
5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval



- 5A. Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for the purposes other than those stated in the offer document/prospectus/ notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter
6. Reviewing with the management, the performance of Statutory and Internal Auditors, adequacy of internal control systems
7. Reviewing the adequacy of internal audit function, reporting structure, coverage and frequency of internal audit
8. Discussion with Internal Auditors any significant findings and follow-up thereon
9. Reviewing the finding of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board
10. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern
11. To look into the reasons for substantial defaults in the payment to the shareholders (in case of non-payment of declared dividends) and creditors
12. To review the functioning of the whistle blower mechanism, in case the same is existing.
- 12A. Approval of appointment of CFO (i.e. the whole time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate
13. Carrying out such other function as may be specifically referred to the committee by the Board of Directors and/or other Committees of Directors of the Company
14. The Audit Committee shall review the financial statements, in particular, the investments made by the unlisted subsidiary company.

E. Meetings and Attendance

During the Financial Year 2012-13, the Audit Committee met 4 times on the following dates:

25 May 2012	03 August 2012	09 November 2012	09 February 2013
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Attendance during the year 2012-13:

Director/Member	No . of meetings held	No . of meetings attended
Dr P Kotaiah, Chairman*	4	2
Mr G Prasad, Chairman**	4	2
Cmde Sarvotham Rao	4	4
Mr D Satish Babu	4	4

* Retired as Director (Non Executive Independent) with effect from 27 September 2012

** Appointed as an Additional Director (Non Executive Independent) with effect from 9 November 2012

The Chairman of the Audit Committee is always present at the Annual General Meeting to give clarifications, if any, required by the members thereof.

iv) Remuneration Committee

The Company constituted Remuneration Committee comprising of three Non-Executive Independent Directors. The Composition of the Committee is given below:

Name of the Director	Designation
Cmde Sarvotham Rao	Chairman
Dr P Kotaiah*	Member
Mr D Satish Babu	Member
Mr G Prasad**	Member

* Retired as Director (Non Executive Independent) with effect from 27 September 2012

** Appointed as an Additional Director (Non Executive Independent) with effect from 9 November 2012

The object of Remuneration Committee is to recommend/review the remuneration of Managing Director/Whole Time Director. The remuneration policy of the Company is directed towards rewarding performance and attracting new talent/retaining them. While deciding the remuneration, the Committee takes into account the financial position of the Company, trend in the Industry, Appointee's qualification, experience, past performance, past remuneration etc. The details of remuneration paid to the Directors during the year are as follows:

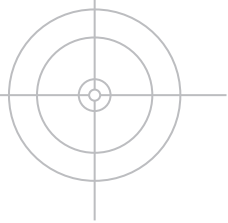
Remuneration paid to Directors for the Financial Year 2012-13

(in ₹)

Name of the Director	Designation	Sitting fee	Salary	HRA	Perqui-sites	Total
Mr Ashok Atluri	Chairman and Managing Director	-	24,00,000	9,60,000	52,536	34,12,536
Mr M Ravi Kumar	Whole Time Director	-	13,32,000	8,88,000	7,998	22,27,998
Dr P Kotaiah*	Non Executive Independent Director	80,000	-	-	-	80,000
Cmde Sarvotham Rao	Non Executive Independent Director	1,60,000	-	-	-	1,60,000
Mr D Satish Babu	Non Executive Independent Director	1,60,000	-	-	-	1,60,000
Mr Utpal H Sheth	Non Executive Independent Director	20,000	-	-	-	20,000
Mr G Prasad **	Non Executive Independent Director	80,000	-	-	-	80,000

* Retired as Director (Non Executive Independent) with effect from 27 September 2012

** Appointed as an Additional Director (Non Executive Independent) with effect from 9 November 2012



Shares held by Non Executive Independent Directors

Sl. No.	Name of the Director	Number of shares
1	Dr P Kotaiah*	1,000
2	Cmde Sarvotham Rao	3,000
3	Mr D Satish Babu	Nil
4	Mr Utpal H Sheth	27,470
5	Mr G Prasad	Nil

* Retired as Director (Non Executive Independent) with effect from 27 September 2012

v) Share Transfer and Investors' Grievance Committee

A. Composition

Your Company has constituted a Share Transfer and Investors' Grievance Committee consisting of the following Directors:

Name of the Director		Designation
Mr D Satish Babu	–	Chairman
Mr Ashok Atluri	–	Member
Mr M Ravi Kumar	–	Member

Ms M Amala, Company Secretary is appointed to act as Compliance Officer as per Clause 47(a) of the Listing Agreement entered with the Stock Exchange.

B. Powers

The Committee has been delegated with following powers:

- To review and redress shareholder / investor's complaints etc. relating to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.
- To approve transfer and transmission and issue of duplicate/fresh share certificate
- To consolidate and sub-division of share certificates etc.
- To redress, approve and dispose of any other complaint, transaction and request etc. received from any shareholder of the Company and investor in general

M/s Karvy Computershare Private Limited, the Registrar and Share Transfer Agents has been delegated the power to process the transfer and transmission of shares. The share transfers are processed within the time prescribed under the statute from the date of request in case of shares held in physical form.

Investor complaints received and resolved during the year 2012-13

Nature of Complaint	Received	Replied	Pending
Non Receipt of dividend	1	1	0
Correction/revalidation of dividend warrants	12	12	0
Issue of duplicate share certificates	1	1	0
Change of Address	-	-	0
Pending Complaints	NIL		

Share transfers made during the year 2012-13

Sl.No.	No. of days taken	No. of transfers	No. of Shares
1.	01 – 15	Nil	Nil
2.	16 – 20	Nil	Nil
3.	21 – 30	Nil	Nil
4.	31 and above	Nil	Nil

vi) Compensation Committee

Your company has constituted a compensation committee consisting of:

Name of the Director	Designation
Mr Ashok Atluri	Chairman
Mr D Satish Babu	Member
Dr P Kotaiah	Member (up to 27 September 2012)
Mr G Prasad	Member (w.e.f 09 November 2012)

The broad terms of reference of the Compensation Committee includes monitoring, administering the plan and allotment of shares pursuant to exercise of options granted in terms of ESOS 2004, to the Company's employees.

The Committee did not meet during the year 2012-13.

vii) General Body Meetings

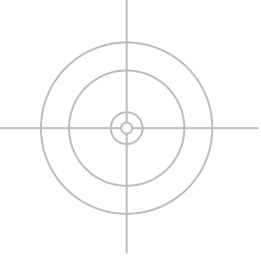
The following are the details of the last three Annual General Meetings held:

Financial Year	Date	Time	Venue	Nature of Special Resolutions, if any passed.
Annual General Meetings				
2009-10	07-09-2010	9.30 a.m.	B - 42, Industrial Estate, Sanathnagar, Hyderabad - 500018	No Special Resolution was passed.
2010-11	24-09-2011	9.30 a.m.	– do–	Delisting the equity shares of the Company at Inter Connected Stock Exchange, Mumbai.
2011-12	27-09-2012	9.00 a.m.	– do–	No Special Resolution was passed.

There was no special resolution passed last year through postal ballot. At the ensuing Annual General Meeting, there is no resolution proposed to be passed through postal ballot.

viii) Code of Conduct

The Company has framed and adopted code of conduct which is approved by Board of Directors. The code is applicable to all Directors and Senior Management of the Company. For the year under review all Directors and Senior Management have confirmed their adherence to the provisions of the said code. The code of conduct is posted on the Company's website at: http://www.zentechologies.com/investor_relations/corporate_governance.html



ix) Disclosures

The Company has not entered into any transaction of material nature with related parties' i.e., Directors or Management or their relatives, conflicting with the Company's interest. The details of the related party transactions are disclosed in the notes on accounts forming part of the Annual Report.

There were no instances of non-compliance of any matter relating to the capital markets during the year under review. Hence, there has been no penalties, strictures imposed by SEBI / Stock Exchange or any other statutory authorities on matters related to capital market.

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement entered into with the Stock Exchange.

x) Means of Communication

Quarterly financial results are published in widely circulated newspapers viz., Financial Express/ Business Standard (English daily) and Andhra Prabha (Regional Newspaper – Telugu Daily). Results are forthwith announced to designated Stock Exchange as per the proforma prescribed by the listing agreement. The annual audited accounts are likewise communicated in the prescribed proforma to the Stock Exchange and are published in the newspapers (usually) as mentioned above. Quarterly, Annual Results, Press Release, Annual Reports etc are available on the Company's website: www.zentechologies.com under the section **Investors**.

Management Discussion and Analysis is annexed to the Directors' Report and forms part of this annual report, which is circulated to the shareholders of the Company.

xi) General Shareholder Information

A. 20th Annual General Meeting

Day & Date	:	Saturday the 28 September 2013
Time	:	10.30 a.m.
Venue	:	Regd Off: B-42, Industrial Estate, Sanathnagar, Hyderabad - 500 018.

B. Financial Year : 1 April to 31 March

Financial Calendar 2013-14 (Tentative Schedule)

Annual General Meeting (Next year): August/September 2014

Adoption of Quarterly Results for the Quarter ending

30 June 2013	Within 45 days from the end of quarter
30 September 2013	Within 45 days from the end of quarter
31 December 2013	Within 45 days from the end of quarter
31 March 2014	Last week of May 2014

C. Date of Book Closure

24 September 2013 to 28 September 2013 (both days inclusive)

D. Dividend Payment Date

First Week of October 2013

E. Listing on Stock Exchange : Bombay Stock Exchange Ltd, Mumbai

The Equity Shares of the Company are listed on Bombay Stock Exchange Ltd, Mumbai. The Company confirms that it has paid annual listing fees to the Stock Exchange for the year 2013-14 and the annual custodian fee to National Securities Depository Limited and Central Depository Services (India) Limited.

F. Stock Code

(a) Trading Symbol	ZENTEC
(b) Demat ISIN number in NSDL & CDSL	INE251B01019
(c) Scrip ID	533339

Electronic Connectivity

National Securities Depository Limited Trade World, Kamala Mills Compound Senapati Bapat Marg, Lower Parel Mumbai- 400 013	Central Depository Services (India) Limited Phiroze Jeejeebhoy Towers, 28th Floor Dalal Street, Mumbai-400 023
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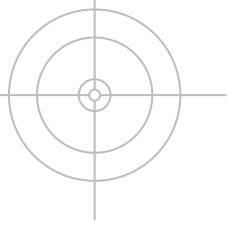
G. Market Price Data:

Bombay Stock Exchange Limited

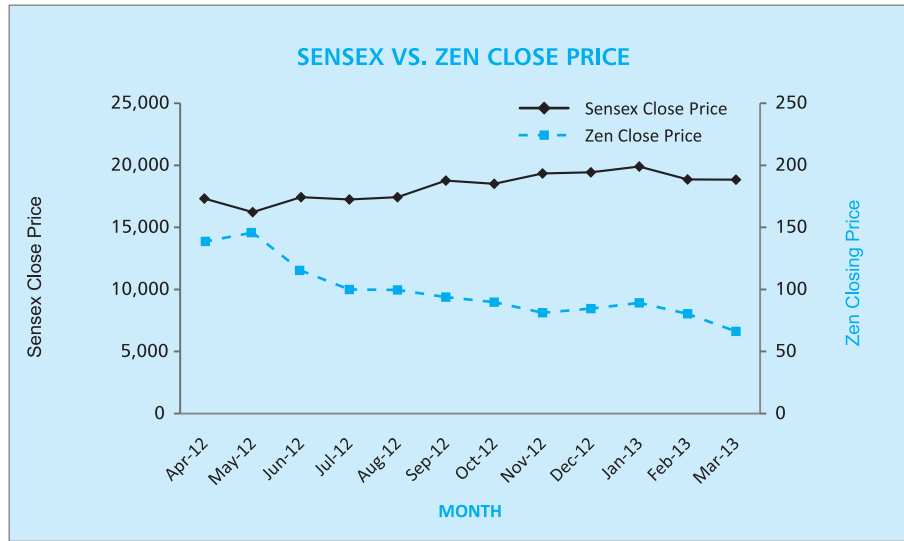
Month & Year	High (₹)	Low (₹)	Monthly Average (₹)
Apr-12	153.00	128.10	140.55
May-12	160.00	124.50	142.25
Jun-12	145.00	113.60	129.30
Jul-12	120.55	93.50	107.03
Aug-12	108.90	92.30	100.60
Sep-12	105.95	92.60	99.28
Oct-12	100.50	86.10	93.30
Nov-12	91.20	78.65	84.93
Dec-12	98.25	80.15	89.20
Jan-13	93.00	82.30	87.65
Feb-13	91.50	79.00	85.25
Mar-13	88.00	62.15	75.08

H. Liquidity of Shares

During the Financial Year under review 11,88,045 shares were traded on Bombay Stock Exchange Limited and the Value of Shares Traded is ₹ 12,16,81,800/-.



I. Zen Technologies Share Price performance in comparison to BSE SENSEX.



J. Registrars and Share Transfer Agents:

Karvy Computershare Private Limited
 Plot No. 17 to 24, Vithal Rao Nagar,
 Madhapur, Hyderabad - 500081
 Phone : 91- 40 - 44655000
 Fax : 91- 40 - 23420814
 Email id : einward.ris@karvy.com

K. Share Transfer system

The Company has appointed Karvy Computershare Private Limited, Hyderabad as Registrar and Share Transfer Agents for the purpose of carrying on the work relating to share transfers both physical and demat form. The requests received for transfer of shares from the shareholders are normally completed within prescribed time.

L. Distribution of Shareholding

Distribution of Shareholding as on 31 March 2013 is as follows:

Category (No. of Shares)		Number of Shareholders	Percentage	No. of Shares	Percentage
From	To				
Up to 500		3911	84.69	5,43,484	6.11
501	1000	270	5.85	2,20,980	2.48
1001	2000	178	3.85	2,69,961	3.04
2001	3000	96	2.08	2,44,945	2.76
3001	4000	33	0.71	1,20,673	1.36
4001	5000	29	0.63	1,35,052	1.52
5001	10000	53	1.15	3,92,847	4.42
10001and Above		48	1.04	69,60,490	78.31
TOTAL		4,618	100.00	88,88,432	100.00

M. Shareholding Pattern as on 31 March 2013:

Sl. No.	Category	No. of shareholders	Total No. of Shares	% of Equity
1.	Promoters	13	45,89,634	51.64
2.	Central Govt./State Govt.	0	0	0.00
3.	Foreign Institutional Investors	1	3,300	0.04
4.	Bodies Corporate	168	5,10,675	5.74
5.	Resident Individuals	4,373	36,88,120	41.49
6.	NRI/OCB	62	86,788	0.98
7.	Qualified Foreign Investor	1	9,915	0.11
	TOTAL	4,618	88,88,432	100.00

N. Dematerialisation of shares

As on 31 March 2013, 88,30,950 equity shares were dematerialized which constitute 99.35 % of the paid up capital.

The particulars of dematerialisation are as follows:

Sl.No.	Category	No. of Cases	Total No. of Shares	% of Equity
1	PHYSICAL	164	57,482	0.65
2	NSDL	2,993	77,02,494	86.66
3	CDSL	1,461	11,28,456	12.69
	TOTAL	4,618	88,88,432	100.00

O. Outstanding ADRs/GDRs/Warrants or any convertible instruments, conversion date and likely impact on equity: NIL

P. Plant Locations:

- | | |
|--|--|
| <p>1. Ward No 6. Ram Shehar Road
Nalagarh, Solan (Dist) -174101
Himachal Pradesh, India
Phone : +91-1795-220671,</p> | <p>2. Plot No.35, 36 & 37
Kancha Imarath, Near Ravirala Village
Hardware Park, Ranga Reddy District - 501 510
Andhra Pradesh, India.</p> |
|--|--|

Q. Address for Investor correspondence

M Amala, Company Secretary
Zen Technologies Limited
B-42, Industrial Estate, Sanathnagar, Hyderabad - 500 018
Phone: +91-40 - 23814894, 23813294, Fax:+91-40 - 23813694

Karvy Computershare Private Limited
Plot No. 17 to 24, Vithal Rao Nagar, Madhapur, Hyderabad - 500081
Phone : 91- 40 - 44655000, Fax : 91- 40 - 23420814, Email id : einward.ris@karvy.com

xii) Nomination Facility

Shareholders holding shares in physical form and desirous of making a nomination in respect to their shareholding in the Company as permitted under Section 109A of the Companies Act, 1956 are requested to submit to the Company the prescribed Form 2B for this purpose.



xiii) Company's Policy on prevention of Insider Trading

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company has framed a Code of Conduct for prevention of Insider Trading. The code for prevention of Insider Trading is available on the website of the Company at http://www.zentechnologies.com/investor_relations/corporate_governance.html

xiv) CEO and CFO Certification

The Chairman and Managing Director and the Chief Financial Officer of the Company give annual certification on financial reporting and internal controls to the Board in terms of Clause 49. The Chairman and Managing Director and Chief Financial Officer also give quarterly certification on financial results while placing the financial results before the Board in terms of Clause 41.

xv) Adoption of Mandatory and Non-Mandatory Requirements of Clause 49 of the Listing Agreement

The Company has complied with all mandatory requirements and has adopted following non-mandatory requirements of Clause 49.

a) The Board

No specific tenure has been prescribed for Independent Directors.

b) Remuneration Committee

The Company has constituted Remuneration Committee to recommend/review the remuneration of the Managing Director and Whole Time Director.

c) Shareholders' Rights

The Company's quarterly / half-yearly / annual results are published in English and Telugu newspapers and the same are posted on the Company's website on regular basis.

d) Audit Qualifications

There are no qualifications or adverse remarks by the Auditors.

e) Whistle Blower policy

The Company promotes ethical behaviour in all its business activities and has put in place a code of conduct for reporting illegal or unethical behaviour. The employees are free to report violations of laws, rules, regulations or unethical conduct to their HOD/ HR department/ or any senior member of the management. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

DECLARATION

All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct for Directors and Senior Management, as approved by the Board.

For and on behalf of the Board of Directors

Place : Hyderabad
Date : 3 August 2013

Ashok Atluri
Chairman and Managing Director

CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY

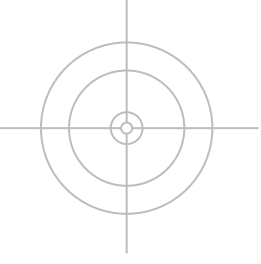
We, Ashok Atluri, Chairman and Managing Director and Satyanarayana S, General Manager-Finance of **Zen Technologies Limited**, certify that:

1. We have reviewed financial statements and the cash flow statements for the financial year ended 31 March 2013 and that to the best of our knowledge and belief:
 - These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading
 - These statements together present a true and fair view of Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or in violation of Company's Code of Conduct
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the Auditors and Audit Committee
 - a. Significant changes in internal control over financial reporting during the year
 - b. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements and
 - c. That there have been no instances of significant fraud of which we have become aware, involving of the management or an employee having a significant role in the Company's internal control system.

Place : Hyderabad
Date : 30 May 2013

Ashok Atluri
Chairman and
Managing Director

Satyanarayana S
General Manager -
Finance



AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To
The Members
Zen Technologies Limited
Hyderabad

We have examined the compliance of the requirements of Corporate Governance by **Zen Technologies Limited** for the year ended on 31 March 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange.

The compliance of the requirements is the responsibility of the Management. Our examination has been limited to the procedures and implementation thereof, adopted by the Company, for ensuring such compliance. This examination is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the requirements of Corporate Governance as stipulated in the above mentioned Listing Agreement.

The above compliance however is not an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For Gokhale & Co
Chartered Accountants
Firm Regn. No 000942S

Chandrashekhhar Gokhale
Partner
Membership No 23839

Place : Hyderabad
Date : 3 August 2013

SECRETARIAL AUDITORS' REPORT

To
The Members
Zen Technologies Limited
Hyderabad

I have examined the registers, records, books and papers of **Zen Technologies Limited** as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of the Company for the financial year ended on 31 March 2013. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, according to the provisions of:

The Companies Act, 1956;

The Depositories Act, 1996 and the Regulations and Bye-laws framed under that Act;

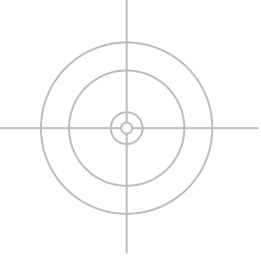
The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

The Equity Listing Agreement with Bombay Stock Exchange Limited

I report the following:

1. The Company :
 - (a) has maintained various statutory registers and documents;
 - (b) has closed its Register of Members during the Financial Year for the purpose of Annual General Meeting and Dividend;
 - (c) has filed Forms, returns, documents and resolutions required to be filed with the Registrar of Companies and Central Government;
 - (d) has duly conducted Board meetings/Committee Meetings;
 - (e) has sent the notices as required to its Members;
 - (f) has duly conducted the Annual General Meeting on 27 September 2012 for the financial year ended on 31 March 2012;
 - (g) has maintained minutes of proceedings of Board Meetings/Committee Meetings and General Meetings;
 - (h) has complied with all the applicable provisions with regard to constitution of the Board of Directors/Committee(s) of directors and appointment, retirement and their re-appointment including that of Managing Director/Whole-time Directors;
 - (i) has complied with all the applicable provisions with regard to payment of remuneration to the Directors including the Managing Director and Whole-time Directors;
 - (j) has complied with all the applicable provisions with regard to appointment and remuneration of Auditors;



- (k) has delegated power to the Registrar and Transfer Agent to process the transfers and transmissions of the Company's shares;
 - (l) has complied with the provisions of the Companies Act, with regard to declaration and payment of dividends;
 - (m) has transferred ₹ 46,099/- unclaimed dividend pertaining to financial year 2004-05 to the Investor Education and Protection Fund during the financial year;
 - (n) has complied with the provisions of Section 372A of the Companies Act, 1956;
2. I further report that:
- (a) the Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings/debenture holdings and directorships in other companies and interests in other entities;
 - (b) the Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the code of Business Conduct & Ethics for Directors and Management Personnel as per Clause 49 of the Listing Agreement;
 - (c) there was no prosecution initiated against or show cause notice received by the Company and no fines or penalties were imposed on the Company during the year under review under the Companies Act, SEBI Act, SCRA, Depositories Act, Listing Agreement and Rules, Regulations and Guidelines framed under these Acts against the Company, its Directors and Officers;
3. I further report that the Company has complied with the provisions of the Depositories Act, 1996 and the Byelaws framed thereunder by the Depositories with regard to dematerialisation/rematerialisation of securities and reconciliation of records of dematerialised securities with all securities issued by the Company.
4. I further report that:
- (a) the Company has filed the requisite returns, documents, information as per the requirements under the Equity Listing Agreement entered into with the Bombay Stock Exchange Limited;
 - (b) the Company has duly complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 including the provisions with regard to disclosures and maintenance of records required under the Regulations;
 - (c) the Company has filed returns, documents, information as required under the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

Mahadev Tirunagari
Company Secretary in Practice

Place : Hyderabad
Date : 18 April 2013

FCS: 6681
CP No. : 7350

INDEPENDENT AUDITORS' REPORT

To
The Members
Zen Technologies Limited
Hyderabad.

Report on the Financial Statements

We have audited the accompanying financial statements of **Zen Technologies Limited**, which comprise the Balance Sheet as at 31 March 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

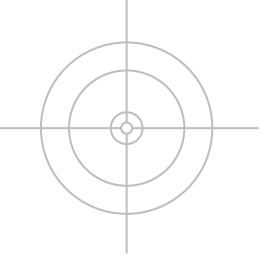
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;
- (b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date, and
- (c) In the case of the Cash Flow Statement of the Cash Flows for the year ended on 31 March 2013



Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order 2003, issued by the Central Government of India in terms of Subsection (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. **As required by section 227(3) of the Act, we report that:**
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - c. The Balance Sheet and Statement of Profit and Loss dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet and Statement of Profit and Loss comply with the accounting standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received from the Directors, as on 31 March 2013 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31 March 2013 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For **Gokhale & Co**
Chartered Accountants
Firm Regn. No.: 000942S

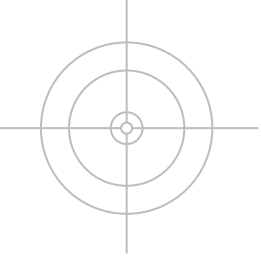
Chandrashekhhar Gokhale
Partner
Membership No. 023839

Place : Hyderabad
Date : 30 May 2013

Annexure

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Subsection (4A) of Section 227 of the Companies Act, 1956 (1 of 1956) and on the basis of such checks, as we considered appropriate, we further report that:

- (i) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management according to the phased programme designed to cover all assets on rotation basis. In respect of assets verified according to this programme, which is reasonable, no material discrepancies were noticed. The company has not disposed off substantial part of its fixed assets during the year.
- (ii) Inventories have been physically verified during the year by the management and in our opinion the frequency of verification is reasonable. According to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. On the basis of our examination of the records the company is maintaining proper records of inventories and the discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The company has given advances to its subsidiary Version 2 Games Limited and the balance outstanding as at the year end was ₹ 11.74 Lakhs.
- (iv) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (v) In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of its goods and services.
- (vi) Transactions that need to be entered into a register in pursuance of Section 301 of the Act have been entered. In our opinion and based on information and explanations given to us transactions of the value of ₹ 5 lakhs or more have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vii) The company has not accepted deposits from the public covered by the provisions of section 58 A of the Companies Act.
- (viii) The company has an internal audit system commensurate with its size and nature of its business.
- (ix) We have broadly reviewed the cost records maintained by the company and prima facie, the company has complied with the maintenance of cost records as per clause (d) of sub-section (1) of section 209 of the Act.
- (x) The company is regular in depositing its undisputed statutory dues. According to the explanations and information given to us there were no undisputed statutory dues including towards Investor Education and Protection Fund, Provident Fund, ESI, Income-tax, Sales-tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and other statutory dues outstanding for a period of more than six months from the date they became payable.
- (xi) The company had no accumulated losses and has not incurred cash losses during the financial year covered by our audit or in the preceding financial year.



- (xii) The company has not defaulted in repayment of dues to its Bank in respect of Loans taken by it. There were no dues payable to any financial institution/s.
- (xiii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) The company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xv) No term loans have been taken from Banks or Financial Institutions by the company during the year under audit. The company had taken term loans from Bank and the Technology Development Board (TDB) in the earlier years. Both these loans have been utilized for the intended purposes.
- (xvi) According to the information and explanations given to us and on an overall examination of the financial statements, we report that no part of the funds raised on short-term basis have been used for long-term investments.
- (xvii) During the year under audit the company has not made any preferential allotment of shares.
- (xviii) During the period covered by our audit report, the company has not issued any debentures.
- (xix) The company has not raised any money by way of public issue during the year.
- (xx) On the basis of information and explanations given to us no fraud on or by the company has been noticed or reported during the year.

The other clauses of the order are not applicable to the company for the year under audit.

For **Gokhale & Co**
Chartered Accountants
Firm Regn. No 000942S

Place : Hyderabad
Date : 30 May 2013

Chandrashekhar Gokhale
Partner
Membership No 23839

BALANCE SHEET AS AT 31 MARCH 2013

(in ₹)

Particulars	Note No.	As at 31 March	
		2013	2012
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	3.01	88,884,320	88,884,320
(b) Reserves and surplus	3.02	984,320,193	947,711,073
		1,073,204,513	1,036,595,393
Non current liabilities			
(a) Long term borrowings	3.03	18,460,630	32,643,260
(b) Long term provisions	3.04	4,083,855	3,667,154
		22,544,485	36,310,414
Current liabilities			
(a) Short term borrowings	3.03	102,701,293	209,845,600
(b) Trade payables	3.05	13,042,948	52,577,738
(c) Other current liabilities	3.06	35,297,391	126,692,612
(d) Short term provisions	3.04	10,399,021	72,637,233
		161,440,653	461,753,183
TOTAL		1,257,189,651	1,534,658,990
ASSETS			
Non current assets			
(a) Fixed assets	3.07		
- Tangible assets		272,843,340	284,750,827
- Intangible assets		19,103,373	127,768
- Capital work-in-progress		29,006,320	8,151,109
(b) Non current investments	3.08	500,000	500,000
(c) Long term loans and advances	3.09	171,313,877	144,962,655
(d) Other non-current assets	3.10	-	-
		492,766,910	438,492,359
Current assets			
(a) Inventories	3.11	52,132,765	41,912,831
(b) Trade receivables	3.12	129,095,481	712,073,192
(c) Cash and bank balances	3.13	466,237,115	316,074,901
(d) Short term loans and advances	3.14	107,494,850	18,009,501
(e) Other current assets	3.10	9,462,530	8,096,206
		764,422,741	1,096,166,631
TOTAL		1,257,189,651	1,534,658,990
Summary of significant accounting policies		1&2	
The accompanying notes are an integral part of the financial statements			

As per our Report of even date

Gokhale & Co.,
Chartered Accountants
Firm Regn. No.: 000942S

Chandrashekhhar Gokhale
Partner
M.No: 23839

Place : Hyderabad
Date : 30 May 2013

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole Time Director

M Amala
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2013

(in ₹)

Particulars	Note No.	For the Year ended 31 March	
		2013	2012
INCOME			
Revenue from operations	3.15	371,128,048	1,018,228,086
Other income	3.16	46,605,426	53,495,722
Total (A)		417,733,474	1,071,723,808
EXPENSES			
Cost of Materials and Components consumed	3.17	96,180,371	255,806,870
Purchase of Stock-in-Trade	3.18	-	3,502,149
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	3.18	(6,310,000)	(1,856,024)
Manufacturing Expenses	3.19	14,286,219	23,793,486
Employee Benefits Expense	3.20	56,781,616	62,717,847
Other Expenses	3.22	164,535,373	303,526,268
Total (B)		325,473,579	647,490,596
Earning Before Interest, Tax, Depreciation and Amortization (EBITDA) (A-B)		92,259,895	424,233,212
Finance Costs	3.21	18,392,788	19,012,610
Depreciation and Amortization Expense	3.23	18,401,282	11,016,625
Profit/(Loss) before tax		55,465,825	394,203,978
Tax Expense	3.24		
Current tax		9,063,861	78,048,328
Taxes for Earlier Period		(606,177)	-
Total Tax Expenses		8,457,684	78,048,328
Profit/(Loss) for the year		47,008,141	316,155,650
Earnings per equity share	3.25		
Basic -		5.29	35.57
Diluted -		5.29	35.57
Summary of significant accounting policies	1&2		
The accompanying notes are an integral part of the financial statements			

As per our Report of even date

Gokhale & Co.,
Chartered Accountants
Firm Regn. No.: 0009425

Chandrashekhar Gokhale
Partner
M.No: 23839

Place : Hyderabad
Date : 30 May 2013

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole Time Director

M Amala
Company Secretary

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2013	As at 31 March 2012			
3.01	SHARE CAPITAL					
	Authorised					
	2,00,00,000 (31 March 2012: 2,00,00,000) Equity shares of ₹ 10 each	200,000,000	200,000,000			
		200,000,000	200,000,000			
	Issued, subscribed and paid-up					
	88,88,432 (31 March 2012: 88,88,432) Equity shares of ₹ 10 each, fully paid-up	88,884,320	88,884,320			
	a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period					
		31 March 2013		31 March 2012		
	Particulars	No of Shares	₹	No of Shares	₹	
	At the beginning of the period	8,888,432	88,884,320	8,888,432	88,884,320	
	Changes during the year	-	-	-	-	
	Outstanding at the end of the period	8,888,432	88,884,320	8,888,432	88,884,320	
	b. Terms/rights attached to equity shares					
	The Company has only one class of equity shares having a par value of ₹ 10 each. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.					
	During the year ended 31 March 2013, the amount of per share dividend recognized as distributions to equity shareholders was ₹ 1.00 (previous year : ₹ 6.50)					
	c. Details of shareholders holding more than 5% shares in the Company of ₹ 10 each fully paid					
		As at 31 March 2013		As at 31 March 2012		
	Name of the share holder	No of Shares	%	No of Shares	%	
	Ashok Atluri	2,540,290	28.58	2,412,461	27.14	
	Kishore Dutt Atluri	1,232,960	13.87	1,232,960	13.87	
	Rakesh Jhunjunwala	450,000	5.06	450,000	5.06	
	Rekha Jhunjunwala	450,000	5.06	450,000	5.06	
	As per records of the Company, including its register of shareholders/members and the declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.					

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2013	As at 31 March 2012
3.02	RESERVES AND SURPLUS		
	Securities premium reserve (Share premium)		
	Balance as per the last Balance Sheet	158,304,880	158,304,880
	Add: Received during the year	-	-
	Closing Balance	158,304,880	158,304,880
	General Reserve		
	Balance as per the last Balance Sheet	316,478,189	216,478,189
	Add: Amount transferred from surplus balance in the Statement of Profit and Loss	30,000,000	100,000,000
	Closing Balance	346,478,189	316,478,189
	Surplus/(deficit) in the Statement of Profit and Loss		
	Balance as per last Balance Sheet	472,928,004	323,919,680
	Add : Net Profit/(loss) for the current period	47,008,141	316,155,650
	Balance available for appropriation	519,936,145	640,075,330
	Less: Appropriation		
	Proposed equity dividend (amount per share ₹ 1.00 (31 March 2012: ₹ 6.50))	8,888,432	57,774,808
	Tax on proposed equity dividend	1,510,589	9,372,518
	Transfer to General Reserve	30,000,000	100,000,000
	Total appropriations	40,399,021	167,147,326
	Net surplus in the Statement of Profit and Loss	479,537,124	472,928,004
	Total Reserves and Surplus	984,320,193	947,711,073

Note No.	Particulars	Non-current portion		Current maturities	
		As at 31 March 2013	As at 31 March 2012	As at 31 March 2013	As at 31 March 2012
3.03	LONG TERM BORROWINGS				
	Secured				
	- Term Loan from Indian Bank	-	-	-	446,970
	- Loan from TDB (Ref Note)	17,112,000	29,946,000	8,556,000	8,554,000
	- Interest accrued on TDB loan	1,348,630	2,697,260	1,348,630	674,315
		18,460,630	32,643,260	9,904,630	9,228,315
	Note: The Loan taken from Technology Development Board (TDB), Ministry of Science and Technology, Govt. of India, was utilised as part-finance for design, development and commercialization of Zen Driving Training Simulator for Overseas market. The loan carries interest @5% p.a and is repayable in 9 half yearly installments commencing from 01-04-2012. The loan is secured by equitable mortgage of immovable properties and other fixed assets pari-passu charge with Indian Bank. The loan is also guaranteed by the company's own guarantee and pledging of 3,11,140 equity shares owned by the Managing Director of the company.				

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2013	As at 31 March 2012
3.03	SHORT-TERM BORROWINGS		
	Secured		
	Loan repayable on demand		
	- 10.00% (PY 10.25%) OD I against Fixed Deposits from Indian Bank	83,720,194	119,473,483
	- 10.25% (PY10.25%) OD II against Fixed deposits from Indian Bank	18,981,099	81,174,941
	- 10.60% OD against Fixed Deposits from Corporation Bank	-	8,956,018
	- 18% Special OD from Indian Bank	-	241,158
		102,701,293	209,845,600
	Note : The above mentioned overdraft facilities are secured by way of pledge of fixed deposits		

Note No.	Particulars	Long-term		Short-term	
		As at 31 March 2013	As at 31 March 2012	As at 31 March 2013	As at 31 March 2012
3.04	PROVISIONS				
	Provision for employee benefit				
	- Provision for gratuity (Refer Note)	4,083,855	3,667,154	-	-
	- Provision for leave encashment	-	-	-	2,239,907
	Other Provisions				
	- Proposed dividend	-	-	8,888,432	57,774,808
	- Tax on dividend	-	-	1,510,589	9,372,518
	- Provision for installation	-	-	-	3,250,000
		4,083,855	3,667,154	10,399,021	72,637,233
	Note: The company operates Group Gratuity Scheme for its employees. Under the scheme of gratuity, every employee who has completed minimum 5 years of service gets gratuity on departure @ 15 days last month's drawn basic salary for each completed year of service. The gratuity scheme is funded with Life Insurance Corporation of India in the form of Group Gratuity Scheme (GGS). The provision is estimated by an independent consulting actuary as per requirements of (AS) 15 (Revised 2005) as prescribed under The Companies (Accounting Standard) Rules, 2006.				

S.No	Particulars	Gratuity 2012-13
I	Change in Present value of obligation	
	PVO at beginning of the year	9,179,401
	Interest cost	748,710
	Current service cost	2,653,554
	Benefits paid	(885,986)
	Actuarial gain/(loss) on obligation	(11,386)
	PVO at the end of the period	11,684,293

NOTES ON FINANCIAL STATEMENTS

(in ₹)

S.No	Particulars	Gratuity 2012-13
II	Change in fair value of plan Assets	
	Fair value of plan Assets at beginning of period	5,512,247
	Expected return on plan Assets	573,884
	Contributions	2,405,400
	Benefits paid	(885,986)
	Actuarial gain/(loss) on obligation	(5,107)
	Fair value of plan Assets at the end of period	7,600,438
III	Net status of Plan	4,083,855
IV	Net amount recognized	4,083,855

Note No.	Particulars	As at 31 March 2013	As at 31 March 2012
3.05	TRADE PAYABLES		
	Trade payables		
	- Dues to Micro and Small Enterprises	-	-
	- Others	13,042,948	52,577,738
		13,042,948	52,577,738

3.06	OTHER CURRENT LIABILITIES		
	Current maturities of long-term debts (Note 3.03)	9,904,630	9,675,285
	Unclaimed dividends	981,785	800,093
	Employee salaries and benefits:		
	- Salaries and benefits	1,170,972	883,863
	- Bonus and incentives	5,567,734	12,898,980
	Other payables:		
	Provision for expenses	1,252,423	10,748,721
	Taxes payable:		
	- Service tax payable	1,282,540	1,803,988
	- Sales tax payable	-	13,344,147
	- TDS payable	2,496,356	2,616,601
	- Income tax payable	5,587,932	35,216,986
	Advance from customers	7,053,019	38,703,949
		35,297,391	126,692,613



NOTES ON FINANCIAL STATEMENTS

3.07 FIXED ASSETS

(in ₹)

Description	Rate %	Gross block			Accumulated depreciation			Net block			
		Opening Balance	Additions during the year	Sales/ Adjustments during the year	As at 31 March 2013	As at 1 April 2012	Charge for the year	Sales/ Adjustments during the year	Total 31 March 2013	As at 31 March 2013	As at 31 March 2012
Hyderabad Unit (A.P)											
Production Division											
TANGIBLE											
Land		38,618,991	1,211,100	-	39,830,091	-	-	-	-	39,830,091	38,618,991
Building Chandralok	1.63	487,791	-	-	487,791	85,043	7,951	-	92,994	394,797	402,748
Building-Cherlapally	1.63	4,651,498	-	-	4,651,498	303,485	75,819	-	379,304	4,272,194	4,348,013
Buildings Maheswaram*	3.34	168,487,981	-	-	168,487,981	5,639,127	11,543,362	-	17,182,488	151,305,493	162,848,855
Computers	16.21	12,519,740	1,246,024	-	13,765,764	6,757,735	1,767,384	-	8,525,119	5,240,645	5,762,004
Plant and machinery	4.75	3,443,305	586,674	-	4,029,979	226,835	167,046	-	393,880	3,636,099	3,216,469
Office Equipment	16.21	13,088,710	809,867	-	13,898,576	8,248,092	1,542,510	-	9,790,601	4,107,974	4,840,616
Furniture, fixtures	6.33	5,308,221	2,814,614	-	8,122,835	1,295,749	332,328	-	1,628,077	6,494,758	4,012,472
Testing Equipment	4.75	-	95,683	-	95,683	-	875	-	875	94,808	-
Vehicles	9.5	15,878,766	-	672,360	15,206,406	7,420,600	1,380,034	518,519	8,282,115	6,924,291	8,458,166
INTANGIBLE											
Software	100	3,028,714	1,266,050	-	4,294,764	2,960,845	907,620	-	3,868,466	426,298	67,869
		265,513,716	8,030,012	672,360	272,871,368	32,937,511	17,724,929	518,519	50,143,921	222,727,447	232,576,203
Hyderabad Unit (A.P)											
R&D Division											
TANGIBLE											
Land		5,150,020	-	-	5,150,020	-	-	-	-	5,150,020	5,150,020
Building - Sanathnagar	1.63	27,664,809	-	-	27,664,809	2,829,071	450,936	-	3,280,007	24,384,802	24,835,738
Computers	16.21	6,846,461	961,370	-	7,807,831	5,483,580	567,800	-	6,051,380	1,756,451	1,362,881
Plant and machinery	4.75	13,941,014	88,277	-	14,029,291	5,208,981	661,985	-	5,870,966	8,158,325	8,732,033
Office Equipment	16.21	5,742,008	39,200	-	5,781,208	5,699,034	15,859	-	5,714,893	66,315	42,974
Furniture, fixtures	6.33	3,901,549	-	-	3,901,549	1,573,648	246,423	-	1,820,071	2,081,478	2,327,901
Testing Equipment	4.75	4,632,167	95,308	-	4,727,475	877,032	220,373	-	1,097,405	3,630,070	3,755,135
Vehicles	9.5	818,169	-	-	818,169	388,843	77,726	-	466,569	351,600	429,326

NOTES ON FINANCIAL STATEMENTS

3.07 FIXED ASSETS

(in ₹)

Description	Rate %	Gross block			Accumulated depreciation			Net block			
		Opening Balance	Additions during the year	Sales/ Adjustments during the year	As at 31 March 2013	As at 1 April 2012	Charge for the year	Sales/ Adjustments during the year	Total 31 March 2013	As at 31 March 2013	As at 31 March 2012
INTANGIBLE											
Software	100	68,696,197	1,184,155	-	69,880,352	22,060,188	2,241,102	-	24,301,290	45,579,062	46,636,008
		10,240,330	20,360,600	-	30,600,930	10,180,431	1,743,424	-	11,923,855	18,677,075	59,899
		78,936,527	21,544,755	-	100,481,282	32,240,619	3,984,527	-	36,225,146	64,256,136	46,695,907
Nalagarh Unit (Himachal Pradesh)											
Production Division											
TANGIBLE											
Computers	16.21	1,751,938	-	-	1,751,938	1,146,240	283,989	-	1,430,230	321,708	605,698
Plant and machinery	4.75	3,122,715	-	-	3,122,715	664,964	148,329	-	813,293	2,309,422	2,457,751
Office Equipment	16.21	380,935	27,150	-	408,085	213,642	64,946	-	278,588	129,497	167,293
Furniture, fixtures	6.33	1,350,587	5,850	-	1,356,437	308,455	95,481	-	403,936	952,501	1,042,132
Testing Equipment	4.75	1,581,367	-	-	1,581,367	305,348	75,115	-	380,463	1,200,904	1,276,019
Vehicles	9.5	89,400	-	-	89,400	31,809	8,493	-	40,302	49,098	57,591
		8,276,942	33,000	-	8,309,942	2,670,459	676,353	-	3,346,812	4,963,130	5,606,484
INTANGIBLE											
Software	100	594,501	-	-	594,501	594,501	-	-	594,501	-	-
		8,871,443	33,000	-	8,904,443	3,264,960	676,353	-	3,941,313	4,963,130	5,606,484
Total of Tangible Assets A		339,458,141	7,981,117	672,360	346,766,898	54,707,312	19,734,764	518,519	73,923,558	272,843,340	284,750,826
Total of Intangible Assets B		13,863,545	21,626,650	-	35,490,195	13,735,777	2,651,045	-	16,386,822	19,103,373	127,768
Total of (A+B)		353,321,686	29,607,767	672,360	382,257,093	68,443,090	22,385,809	518,519	90,310,380	291,946,714	284,878,594
Previous year		338,415,582	14,906,105	-	353,321,686	56,514,906	11,928,185	-	68,443,091	284,878,595	281,945,779

* Includes prior period depreciation of ₹ 59,15,893.00

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2013	As at 31 March 2012
3.08	NON-CURRENT INVESTMENTS		
	Long term at cost, unless otherwise specified		
	I. Other (Unquoted) - Non trade		
	Investment in equity instrument (fully paid-up) of Subsidiary		
	5,00,000 (previous year: 5,00,000) 5,00,000 Equity shares of Version 2 Games Limited, Wholly owned Subsidiary, face value of ₹ 1 each	500,000	500,000
	Total investments	500,000	500,000
3.09	LONG TERM LOANS AND ADVANCES		
	Unsecured, considered good		
	Capital advances	153,420,045	131,585,192
	Security deposits	8,382,526	6,116,490
	Loans and advances to related parties		
	- Version 2 Games Limited	1,173,611	-
	Other loans and advances		
	- Prepaid expenses	761,791	1,532,147
	- Deposits with government, public bodies and others	7,575,904	5,728,826
		171,313,877	144,962,655
3.10	OTHER NON-CURRENT ASSETS	-	-
	OTHER CURRENT ASSETS		
	Interest accrued on fixed deposits with banks	9,462,530	8,096,206
		9,462,530	8,096,206
3.11	INVENTORIES		
	Raw material (Ref Note 3.17)	16,660,616	12,750,682
	Finished Goods	-	-
	Work in progress (Ref Note 3.18)	31,970,000	25,660,000
	Traded goods (Ref Note 3.18)	3,502,149	3,502,149
		52,132,765	41,912,831

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Non-Current		Current	
		As at 31 March 2013	As at 31 March 2012	As at 31 March 2013	As at 31 March 2012
3.12	TRADE RECEIVABLES				
	Unsecured, considered good				
	Outstanding for a period exceeding 6 months from the date they are due for payment				
	- Unsecured, considered good	98,444,118	64,616,269	-	-
	- Doubtful	11,435,587	21,601,365	-	-
		109,879,705	86,217,634	-	-
	Provision for doubtful receivables	(11,435,587)	(21,601,365)	-	-
	(A)	98,444,118	64,616,269	-	-
	Other receivables				
	- Unsecured, considered good	-	-	30,651,363	647,456,923
	(B)	-	-	30,651,363	647,456,923
	Total (A+B)	98,444,118	64,616,269	30,651,363	647,456,923

Note No.	Particulars	As at 31 March 2013	As at 31 March 2012
3.13	CASH AND BANK BALANCES		
	Cash and cash equivalents		
	Balances with banks:		
	- On current accounts	5,691,310	18,353,068
	- Deposits with original maturity less than 3 months	-	10,000,000
	Cash on hand	459,839	1,847,538
	Other bank balances:		
	- Deposits with original maturity for > 3 months but < 12 months HDFC Bank	-	10,000,000
	- Deposits with original maturity for > 3 months but < 12 months Corporation Bank	50,000,000	48,869
	- Deposits with original maturity for > 3 months but < 12 months Indian Bank	36,837,900	11,860,067
	- Deposits with original maturity for > 3 months but < 12 months State Bank of Hyderabad	40,000,000	-
	Balances with banks to the extent held as margin money for guarantees - Indian Bank	12,651,490	29,271,442
	Balances with banks to the extent held as margin money for LCs - Indian Bank	-	1,000,000
	Balances with banks to the extent held as security against OD borrowings-Indian Bank	238,043,012	222,942,693
	Balances with banks to the extent held as security against OD borrowings-HDFC Bank	10,000,000	-
	Balances with banks to the extent held as security against OD borrowings -Corporation Bank	71,571,779	9,951,131
	Balances with banks for unpaid dividend	981,785	800,093
		466,237,115	316,074,901

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2013	As at 31 March 2012
3.14	SHORT-TERM LOANS AND ADVANCES		
	Unsecured, considered good		
	Advance to material suppliers	46,236,186	8,064,601
	Advance income tax	51,055,967	-
	Other loans and advances:		
	- Prepaid expenses	4,352,712	4,586,074
	- Balance with VAT, Central excise and Service tax	2,227,254	3,132,512
	- Loans and advances to employees	1,823,271	2,217,314
	- Food Coupons	-	9,000
	- Others	1,799,460	-
		107,494,850	18,009,501

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2013	Year ended 31 March 2012
3.15	REVENUE FROM OPERATIONS		
	a) Sale of Products	343,148,396	994,388,845
	Less : Excise duty	7,287,413	2,570,880
		335,860,983	991,817,965
	b) Sale of Services	35,267,065	26,410,121
		371,128,048	1,018,228,086
3.16	OTHER INCOME		
	Interest income	42,670,432	24,336,964
	Provisions written back	3,495,749	28,969,738
	Miscellaneous income	500,276	-
	Net gain/(loss) on foreign currency exchange fluctuation	(62,649)	189,020
	Profit/(Loss) on Sale of Vehicle	1,618	-
		46,605,426	53,495,722
3.17	COST OF MATERIALS AND COMPONENTS CONSUMED		
	Opening stock of raw materials	12,750,682	18,121,180
	Add : Purchases	100,090,305	250,436,372
		112,840,987	268,557,552
	Less : Closing stock	16,660,616	12,750,682
		96,180,371	255,806,870
	Note: As the items of raw material purchased and consumed are dissimilar in nature, type and numerous in quantity, it is not possible to give details under different heads as required under para 5(II) and para 5(III) of the general instructions for preparation of the Statement of Profit and Loss as per the Revised Schedule VI of the Companies Act, 1956.		
3.18	CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
	Opening work in progress	25,660,000	27,306,125
	Opening traded goods	3,502,149	-
		29,162,149	27,306,125
	Closing work in progress	31,970,000	25,660,000
	Closing traded goods	3,502,149	3,502,149
		35,472,149	29,162,149
		(6,310,000)	(1,856,024)
	Note: As the items of finished goods produced or under production are heterogeneous in nature, model, type and specification, it is not possible to give details under different heads as required under para 5(II) and para 5(III) of the general instructions for preparation of the Statement of Profit and Loss as per the Revised Schedule VI of the Companies Act, 1956.		

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2013	Year ended 31 March 2012
3.19	MANUFACTURING EXPENSES		
	Power and fuel	1,726,412	1,838,973
	Freight	2,542,064	4,156,509
	System Installation & Maintenance	2,247,985	3,838,293
	Salaries -Production	7,769,758	5,710,391
	Services for Tank simulators	-	8,249,320
		14,286,219	23,793,486
3.20	EMPLOYEE BENEFITS EXPENSE		
	Salaries, wages and bonus	45,493,845	48,873,379
	Contribution to provident and other funds	1,761,431	1,480,622
	Gratuity expense	2,936,876	2,619,087
	Leave encashment expense	-	83,862
	Exgratia expense	651,938	2,575,061
	Staff welfare expenses	5,937,526	7,085,836
		56,781,616	62,717,847
3.21	FINANCE COSTS		
	Bank Charges	1,309,018	1,084,852
	BG Commission	3,091,946	3,489,597
	Interest on borrowings		
	- interest on term loan with indian bank	40,908	53,392
	- interest on bank OD loans	12,346,373	12,877,982
	- interest on TDB loan	1,604,543	1,506,787
		18,392,788	19,012,610
3.22	OTHER EXPENSES	164,535,373	303,526,268
	Selling & Distribution expenses	11,314,615	34,094,554
	Business Promotion	3,403,788	10,193,800
	Club expenses	411,418	368,637
	Electricity Charges	32,050	28,272
	Exhibition expenses	465,598	12,484,133
	Freight	1,349,608	4,528,116
	Guest House Rent & Maintenance	19,500	78,000
	Hotel Boarding & Lodging	432,653	1,213,596
	Royalty	5,200,000	5,200,000
	Travelling expenses	28,634,299	22,011,081
	Domestic Travel	22,482,811	19,460,721
	Travel expenses - Delivery	442,393	722,741
	Travel expenses - Demo	1,114,686	233,751

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2013	Year ended 31 March 2012
	Travel expenses - Installation	4,068,798	2,346,657
	Travel expenses - Servicing	9,702,595	7,905,710
	Travel expenses - Directors	1,315,236	934,725
	Travel expenses - Marketing	3,606,084	3,735,883
	Travel expenses - General	2,233,019	3,581,254
	Foreign Travel	6,151,488	2,550,360
	Travel expenses - Directors	2,985,871	341,304
	Travel expenses - Others	3,165,617	2,209,056
	R & D Revenue expenses (Refer Note No. 3.26)	91,659,087	71,843,812
	Administrative & General expenses	32,927,372	175,576,821
	Advertisement	335,633	1,073,260
	AGM Expenses	16,861	52,828
	Annual Day Expenses	697,851	651,842
	Bad Debts	-	88,750,256
	Books & periodicals	128,270	135,919
	Conveyance	2,892,939	3,381,308
	Directors' sitting fees	500,000	500,000
	Donation	35,850	68,631
	Electricity Charges	153,136	97,694
	Incidental expenses	278,440	818,369
	Installation and Training	-	3,250,000
	Listing Fee	50,000	55,000
	Insurance	792,089	1,875,375
	Membership & Subscription	1,327,543	486,774
	Office Maintenance	7,407,628	7,801,318
	Postage & Telephone	3,232,998	2,993,926
	Printing & Stationary	1,550,867	1,937,027
	Professional Charges	7,635,195	13,967,466
	Provision for doubtful Debts/Advances	(10,164,640)	22,485,977
	Rates & Taxes	1,859,661	10,483,211
	Rent	6,286,961	5,464,731
	Security expenses	2,154,411	1,999,500
	Software Licence fee	2,029,759	3,563,163
	Vehicle Maintenance	2,521,291	2,437,558
	Computer Maintenance	878,125	819,385
	Payment to auditors		
	As Auditors		
	For Statutory & Tax audit fee	165,000	140,000
	For Internal audit - Quarterly review of accounts	120,000	120,000
	In other capacity		
	For Certification and Advisory in respect of Income tax, Company law etc.,	14,650	76,303
	For Certification of Cost compliance	26,854	90,000

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2013	Year ended 31 March 2012
3.23	DEPRECIATION & AMORTISATION EXPENSE		
	Depreciation on total Tangible Assets (Ref Note 3.07)	19,734,764	11,228,391
	Depreciation on total Intangible Assets (Ref Note 3.07)	2,651,045	699,794
	Amortisation of Intangible Assets	-	1,775,681
		22,385,809	13,703,866
	Less: Shown under R&D revenue expense (Ref Note 3.22)		
	- Depreciation on Tangible Assets used in R&D activities (Ref Note 3.26)	2,241,102	2,469,641
	- Depreciation on Intangible Assets used in R&D activities (Ref Note 3.26)	1,743,424	217,600
		18,401,282	11,016,625
3.24	TAX EXPENSE		
	Current tax	9,063,861	78,048,328
	Tax for earlier period	(606,177)	-
		8,457,684	78,048,328
	Note: Tax expense comprises current and deferred tax. The current tax represents the Minimum Alternate Tax (MAT) payable by the company on the book profits for the year. Current tax expense is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 and the tax rates and tax laws used to compute the tax amount are prevailing at the reporting date.		
3.25	EARNINGS PER SHARE (EPS)		
	Total operations for the year		
	Profit after tax (PAT)	47,008,141	316,155,650
	Weighted average number of equity shares	8,888,432	8,888,432
	Earnings per Share (Both Basic & Diluted)	5.29	35.57
3.26	EXPENDITURE INCURRED ON RESEARCH AND DEVELOPMENT		
	Salaries	42,105,024	32,845,668
	Bonus & Gratuity	2,871,915	6,714,135
	Electricity Charges	2,320,069	1,349,599
	Travelling expenses	976,825	3,235,355
	Spares & Stores	37,166,066	24,458,614
	Consultancy Fee	2,206,180	460,000
	Leave Encashment	-	93,200
	Training charges	28,482	-
	Depreciation	3,984,526	2,687,241
		91,659,087	71,843,812

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2013	Year ended 31 March 2012
3.27	COMMITMENTS AND CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF		
	I. DISPUTED MATTERS		
	(a) Appeal filed by the Excise Department before the Customs, Excise and Service Tax Appellate Tribunal (CESTAT) Bangalore against the decision of adjudication by Commissioner of Customs and Central Excise Hyderabad - II Commissionerate, in favour of the company pertaining to Excise matter in Order No: 02/2006-C.Ex	5,171,356	5,171,356
	(b) Subsequent demands raised by the excise authority, pending decision of the case in (a) above, being disputed by the company	74,942,371	74,942,371
		80,113,727	80,113,727
	Note: The dispute in the matter (a) above was relating to inclusion of customized software in the valuation of simulators supplied by the company during the period from F.Y 2005-06 to 2010-11 (upto 31-07-2011). The matter was first adjudicated by the Commissioner of Customs and Central Excise Hyderabad - II Commissionerate and decided in favour of the company. However, the Excise Department has filed an appeal before the Appellate Tribunal challenging the order passed by Commissioner of Customs and Central Excise. The Company, based on discussions with its solicitors and tax advisors, believes that there is a fair chance of winning the case in its favour in the appellate process and hence, no provision has been considered necessary against the same.		
	II. GUARANTEES/LETTER OF CREDITS		
	(a) Bank Guarantees	126,514,905	292,714,421
	(b) Letter of Credits	-	8,950,309
		126,514,905	301,664,730

NOTES ON FINANCIAL STATEMENTS

3.28 RELATED PARTY DISCLOSURE

(in ₹)

	Name of the Party	Relationship	Nature of Transaction	2012-13	2011-12
	Related party disclosures as required by AS-18 are given below :				
	a. Transactions during the year				
	Mr Ashok Atluri Chairman and Managing Director	Key Management Personnel	Remuneration	3,360,000	3,406,640
	Mr Ashok Atluri Chairman and Managing Director	Key Management Personnel	Commission	-	10,236,248
	Mr Kishore Dutt Atluri President	Key Management Personnel (Brother of Mr Ashok Atluri)	Remuneration	2,280,000	2,280,000
	Mr M Ravi Kumar Whole-Time Director	Key Management	Remuneration	2,220,000	1,506,721
	b. Receivables				
	Version 2 Games Limited	Wholly owned subsidiary	Debtors	900,000	900,000
	Version 2 Games Limited	Wholly owned subsidiary	Investment	500,000	500,000

As per our Report of even date

Gokhale & Co.,
Chartered Accountants
Firm Regn. No.: 0009425

Chandrashekhar Gokhale
Partner
M.No: 23839

Place: Hyderabad
Date: 30 May 2013

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole Time Director

M Amala
Company Secretary



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

1 CORPORATE INFORMATION

Zen Technologies Limited is a public company incorporated under the provisions of the Companies Act, 1956 having corporate office at B-42, Industrial Estate, Sanathnagar, Hyderabad-500018, India. The Equity Shares of the Company are listed on Bombay Stock Exchange (BSE) in India. The company is engaged in design, development and manufacture of Training Simulators for Police and Para-military Forces, Armed Forces, Security Forces, Government Departments like Transport, Mining, Infrastructure and Civilian market. The company caters to both domestic and international market. The Company is having two manufacturing units- 1) Hardware Park, Maheswaram Mandal, Andhra Pradesh, India and 2) Nalagarh, Dist Solan, Himachal Pradesh, India.

2 SIGNIFICANT ACCOUNTING POLICES

2.1 Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year unless otherwise stated.

2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

2.3 Inventories

Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above the cost. Cost of raw materials, components and stores and spares is determined on a weighted average basis.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty and is determined on a weighted average basis.

2.4 Cash and cash equivalents

Cash and cash equivalent for the purposes of cash flow statement comprise cash at bank, cash in hand, demand deposits and other bank balances.

2.5 Cash flow statement

Cash flows are reported using the indirect method in accordance with 'Accounting Standard -3' issued under the Companies (Accounting Standards) Rules, 2006, whereby profit /(loss) before the extraordinary items and tax, is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.6 Depreciation and amortization

Depreciation on fixed assets is provided on straight-line method for single shift in accordance with Schedule XIV to the Companies Act, 1956.

The following rates have been used for providing the depreciation on the tangible & intangible fixed assets:

Asset Description	Rates (SLM) Single Shift (%)
Buildings	1.63
Factory Buildings	3.34
Plant and Machinery	4.75
Office Equipment	16.21
Computers	16.21
Vehicles	9.50
Furniture & Fixtures	6.33
Testing Equipment	4.75
Software	100.00

Amounts spent for capital work-in-progress including advance given for capital goods are grouped under capital work-in-progress.

2.7 Tangible fixed assets

Fixed assets are carried at cost less accumulated depreciation. The cost of fixed assets includes interest on borrowings attributable to acquisition of fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. Subsequent expenditure relating to fixed assets is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Capital work-in-progress:

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses.

2.8 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following recognition criteria is applied before revenue is recognized:

Sale of goods

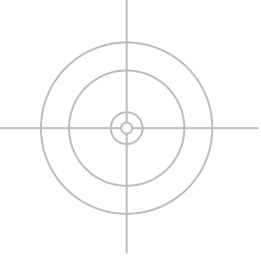
Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on dispatch of goods. The Company collects sales tax and value added tax (VAT) on behalf of the government and therefore, these are not economic benefits flowing to the Company, hence they are excluded from the revenue. Excise duty deducted from revenue (gross) is the amount that was included in the revenue (gross).

Excise duty

Excise duty has been accounted as and when goods are dispatched and no provision is made for the goods lying at the year end. This accounting treatment has been followed consistently and has no impact on the profitability of the company.

Sale of Services

Revenue from Annual Maintenance Contracts (AMC) is recognized on pro-rata basis over the period in which such services are rendered. The Company collects service tax on behalf of the government and therefore, it is not an economic benefit flowing to the company. Hence, it is excluded from the revenue.



Interest on bank deposits

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

2.9 Foreign currency transactions

Expenses and income are recorded at the exchange rate prevailing on the date of transaction. Assets and liabilities on the date of the balance sheet are restated at the exchange rate prevailing on the balance sheet date. Exchange rate differences arising on settlement of the transaction and on account of restatement of assets and liabilities are dealt with in the Statement of Profit and Loss.

2.10 Investments

Long-term investment held in equity share capital of wholly owned subsidiary company is carried at cost.

2.11 Employee Retirement and other benefits

The Company operates defined benefit plan of Group Gratuity for its employees. The Company has taken a Group Gratuity Scheme with Life Insurance Corporation of India. The premium payable under the scheme is provided in the books on accrual basis. The present value of the defined benefit obligation and the related current service cost were measured using actuarial valuation carried out by an independent actuary consultant at each year end. Actuarial valuation is carried out using the projected unit credit method. Gratuity is calculated as per the Payment of Gratuity Act, 1972 on actual liability basis.

The Company does not have any scheme for leave encashment in place.

In respect of retirement benefits in the form of provident fund, the contribution payable by the company for the year is charged to the Statement of Profit and Loss. The Company has no obligation other than the contribution payable to the provident fund.

2.12 Earnings Per Share

Basic earnings per share are computed by dividing the net profit / (loss) after tax attributable to equity share holders by the weighted average number of equity shares outstanding during the year.

2.13 Taxes on income

Minimum Alternate Tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax.

2.14 Provisions

A provision is recognized when the company has a present obligation as a result of past events and it is probable that an out flow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

2.15 Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an out flow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

2.16 Research and development costs

Revenue costs are expensed in the year in which they are incurred and the capital expenditure is added to fixed assets and are depreciated in accordance with depreciation policy of the Company.

2.17 Dividends

Provision made in the accounts for the dividends payable by the Company as recommended by the Board of Directors, pending approval of the shareholders at the Annual General Meeting. Income tax on dividends payable is provided for in the year to which such dividends relate.

2.18 Overdraft facilities from banks are secured by way of pledge of Fixed Deposits.

2.19 The Company operates in one segment i.e., Training and Simulation.

2.20 The Common expenses incurred at Head Office were allocated between Head Office and Himachal Pradesh unit based on Net Turnover.

2.21 All Fixed deposits were kept with Scheduled Banks only.

2.22 The unclaimed dividend amount for all the earlier financial years as on 31 March 2013 is ₹ 9,81,785.00, details of which are given below:

Sl. No	Name of the Bank	Year of declaration of dividend	Unclaimed Amount (₹)
1	Oriental Bank of Commerce	2005-06	87,262.00
2	Oriental Bank of Commerce	2006-07	1,63,564.00
3	HDFC Bank	2007-08	1,27,203.00
4	HDFC Bank	2008-09	1,53,886.50
5	HDFC Bank	2009-10	1,56,406.50
6	HDFC Bank	2010-11	63,226.50
7	HDFC Bank	2011-12	2,30,236.50
	TOTAL		9,81,785.00

2.23 Receivables do not include any amount due and recoverable from Directors' or other Officers' of the Company, or Companies under the same management.

2.24 The balances of Sundry Debtors, Creditors and advances in various personal accounts are subject to reconciliation and conformation with the concerned parties.

2.25 There are no disclosures required to be made under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 as there are no outstanding amounts remaining unpaid at the end of the year.

2.26 Directors' Remuneration

(in ₹)

Sl.No	Particulars	2012-13	2011-12
1	Directors' Remuneration		
	Chairman & Managing Director		
	Salary and other allowances	33,60,000	33,60,000
	Other perquisites	52,536	46,640
	Commission	-	1,02,36,248
	Total	34,12,536	1,36,42,888
2	Other Director		
	Salary and other allowances	22,20,000	15,00,000
	Other perquisites	7,998	6,721
	Total	22,27,998	15,06,721

2.27 Foreign Currency Expenses

(in ₹)

Particulars	2012-13	2011-12
Capital Goods	63,235	-
Raw Materials and Components	11,60,478	15,31,688
Stores and Spares	6,56,449	15,07,847
Foreign Travel (Exclusive of tickets purchased)	16,60,623	7,40,097
Software	-	2,72,107
Internet Charges	19,484	9,745
Training Charges	13,738	7,02,943
Membership	7,71,858	-
Professional Charges	9,22,665	-
Others	10,78,059	6,17,210

2.28 The company measures EBITDA on the basis of profit/(loss) from continuing operations and the company does not include depreciation and amortization expense, finance costs and tax expense in the measurement of EBITDA.

2.29 Value of Imported and indigenous raw materials and components consumed.

(₹ in lakhs)

Particulars	2012-13		2011-12	
	Value	%	Value	%
Indigenous raw material and stores	943.63	98.11	2527.67	98.81
Imported stores and components	18.17	1.89	30.40	1.19

2.30 In the opinion of Board of Directors, the current assets, loans and advances are expected to realize approximately the value stated in the ordinary course of business.

As per our Report of even date

Gokhale & Co.,
Chartered Accountants
Firm Regn. Number: 0009425

Chandrashekhar Gokhale
Partner
M.No: 23839

Place: Hyderabad
Date: 30 May 2013

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole Time Director

M Amala
Company Secretary

STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

(₹ in Lakhs)

Particulars	For the Year ended 31 March	
	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	554.66	3942.04
Non-cash adjustments:		
Depreciation and amortisation expenses	223.86	137.04
Interest expense/Finance cost	183.93	190.13
Interest income	(426.70)	(243.37)
Profit on sale asset	(0.02)	-
Provisions written back	-	(289.70)
Operating profit before working capital changes	535.72	3736.14
Changes in working capital:		
Increase/(decrease) in trade payables	(395.35)	382.15
Increase/(decrease) in other current liabilities	(617.66)	332.11
Increase/(decrease) in short term provisions	(54.90)	17.20
Increase/(decrease) in long term provisions	4.17	-
Decrease/(increase) in trade receivables	5829.78	(5,097.83)
Decrease/(increase) in inventories	(102.20)	35.14
Decrease/(increase) in short term loans & advances	(384.29)	480.64
Decrease/(increase) in other current assets	(13.66)	(32.48)
Cash generated from /(used in) operations	4801.60	(146.94)
Direct tax payments (net of refunds)	(891.43)	(237.45)
Net cash flow from/(used in) operating activities (A)	3,910.17	(384.39)
CASH FLOW FROM INVESTING ACTIVITIES		
(Increase)/decrease in tangible and intangible fixed assets	(294.52)	(149.06)
(Increase)/decrease in captial work in progress	(208.55)	(81.51)
Interest received	426.70	243.37
(Increase)/decrease in non current investments	-	12.08
(Increase)/decrease in long term loans & advances	(263.51)	89.92
Net cash flow from/(used in) investing activities (B)	(339.88)	114.80

STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

(₹ in Lakhs)

Particulars	For the Year ended 31 March	
	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in long term borrowings	(141.83)	19.46
Increase/(decrease) in short term borrowings	(1,071.44)	1071.96
Interest paid	(183.93)	(190.13)
Dividend tax paid	(93.73)	(21.63)
Dividend paid on equity shares	(577.75)	(133.33)
Net cash flow from/(used in) in financing activities (C)	(2,068.67)	746.34
Net increase/(decrease) in cash & cash equivalents (A+B+C)	1501.62	476.75
Cash & cash equivalents at the beginning of the year	3160.75	2684.00
Cash & cash equivalents at the end of the year	4662.37	3160.75
Note:	1. Figures in brackets indicate cash outgo. 2. Previous year figures have been regrouped wherever necessary to conform to the current year's classification.	

As per our Report of even date

Gokhale & Co.,
Chartered Accountants
Firm Regn. No.: 000942S

Chandrashekhar Gokhale
Partner
M.No: 23839

Place: Hyderabad
Date: 30 May 2013

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole Time Director

M Amala
Company Secretary

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To
The Members
Zen Technologies Limited
Hyderabad

We have audited the accompanying consolidated financial statements of **Zen Technologies Limited** ("the Company") and its subsidiary Version 2 Games Limited, which comprise the consolidated Balance Sheet as at 31 March 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company as at 31 March 2013;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

We did not audit the financial statements of the company's wholly owned subsidiary Version 2 Games Limited. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors.

For Gokhale & Co
Chartered Accountants
Firm Regn. No 000942S

Chandrashekhara Gokhale
Partner
Membership No 23839

Place : Hyderabad
Date : 30 May 2013

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2013

(in ₹)

Particulars	Note No.	As at 31 March	
		2013	2012
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	3.01	88,884,320	88,884,320
(b) Reserves and surplus	3.02	983,676,703	947,231,999
		1,072,561,023	1,036,116,319
Non current liabilities			
(a) Long term borrowings	3.03	20,534,261	32,643,260
(b) Long term provisions	3.04	4,083,855	3,667,154
		24,618,116	36,310,414
Current liabilities			
(a) Short term borrowings	3.03	102,701,293	209,845,600
(b) Trade payables	3.05	13,548,874	53,927,349
(c) Other current liabilities	3.06	35,679,839	171,667,512
(d) Short term provisions	3.04	10,399,021	72,637,233
		162,329,026	508,077,694
TOTAL		1,259,508,166	1,580,504,427
ASSETS			
Non current assets			
(a) Fixed assets	3.07		
- Tangible assets		275,151,510	287,477,083
- Intangible assets		19,103,373	177,535
- Capital work-in-progress		29,006,320	8,151,109
(b) Long term loans and advances	3.08	171,492,995	144,962,655
(c) Other non-current assets	3.09	-	-
		494,754,198	440,768,382
Current assets			
(a) Inventories	3.10	52,132,765	41,912,831
(b) Trade receivables	3.11	129,380,237	712,136,932
(c) Cash and bank balances	3.12	466,246,492	316,293,167
(d) Short term loans and advances	3.13	107,531,944	61,296,909
(e) Other current assets	3.09	9,462,530	8,096,206
		764,753,968	1,139,736,045
TOTAL		1,259,508,166	1,580,504,427
Summary of significant accounting policies	1&2		
The accompanying notes are an integral part of the financial statements			

As per our Report of even date

Gokhale & Co.,
Chartered Accountants
Firm Regn. No.: 000942S

Chandrashekhar Gokhale
Partner
M.No: 23839

Place: Hyderabad
Date: 30 May 2013

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole Time Director

M Amala
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2013

(in ₹)

Particulars	Note No.	For the Year ended 31 March	
		2013	2012
INCOME			
Revenue from operations	3.14	371,372,285	1,018,374,573
Other income	3.15	47,079,390	53,495,722
Total (A)		418,451,675	1,071,870,295
EXPENSES			
Cost of Materials and Components consumed	3.16	96,180,371	255,806,870
Purchase of Stock-in-Trade	3.17	-	3,502,149
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	3.17	(6,310,000)	(1,856,024)
Manufacturing Expenses	3.18	14,307,687	24,009,078
Employee Benefits Expense	3.19	56,781,616	108,043,927
Other Expenses	3.21	164,853,020	257,934,650
Total (B)		325,812,694	647,440,650
Earning Before Interest, Tax, Depreciation and Amortization (EBITDA) (A-B)		92,638,981	424,429,645
Finance Costs	3.20	18,396,303	19,119,564
Depreciation and Amortization Expense	3.22	18,941,269	11,585,178
Profit/(Loss) before tax		55,301,409	393,724,903
Tax Expense	3.23		
Current tax		9,063,861	78,048,328
Taxes for Earlier Period		(606,177)	-
Total Tax Expenses		8,457,684	78,048,328
Profit/(Loss) for the year		46,843,725	315,676,575
Earnings per equity share	3.24		
Basic -		5.27	35.52
Diluted -		5.27	35.52
Summary of significant accounting policies	1&2		
The accompanying notes are an integral part of the financial statements			

As per our Report of even date

Gokhale & Co.,
Chartered Accountants
Firm Regn. No.: 000942S

Chandrashekhar Gokhale
Partner
M.No: 23839

Place: Hyderabad
Date: 30 May 2013

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole Time Director

M Amala
Company Secretary

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2013		As at 31 March 2012	
3.01	SHARE CAPITAL				
	Authorised				
	2,00,00,000 (31 March 2012: 2,00,00,000) Equity shares of ₹ 10 each	200,000,000		200,000,000	
		200,000,000		200,000,000	
	Issued, subscribed and paid-up				
	88,88,432 (31 March 2012: 88,88,432) Equity shares of ₹ 10 each, fully paid-up	88,884,320		88,884,320	
a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period					
	Particulars	31 March 2013		31 March 2012	
		No of Shares	₹	No of Shares	₹
	At the beginning of the period	8,888,432	88,884,320	8,888,432	88,884,320
	At the beginning of the period (Subsidiary: Version 2 Games Limited)	500,000	500,000	500,000	500,000
	Changes during the year	-	-	-	-
	Outstanding at the end of the period	9,388,432	89,384,320	9,388,432	89,384,320
b. Terms/rights attached to equity shares					
<p>The Company has only one class of equity shares having a par value of ₹ 10 each. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.</p> <p>During the year ended 31 March 2013, the amount of per share dividend recognized as distributions to equity shareholders was ₹ 1.00 (previous year : ₹ 6.50)</p>					
c. Details of shareholders holding more than 5% shares in the Company of ₹ 10 each fully paid					
Name of the share holder	As at 31 March 2013		As at 31 March 2012		
	No of Shares	%	No of Shares	%	
Ashok Atluri	2,540,290	28.58	2,412,461	27.14	
Kishore Dutt Atluri	1,232,960	13.87	1,232,960	13.87	
Rakesh Jhunjunwala	450,000	5.06	450,000	5.06	
Rekha Jhunjunwala	450,000	5.06	450,000	5.06	
As per records of the Company, including its register of shareholders/members and the declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.					

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2013	As at 31 March 2012
3.02	RESERVES AND SURPLUS		
	Securities premium reserve (Share premium)		
	Balance as per the last Balance Sheet	158,304,880	158,304,880
	Add: Received during the year	-	-
	Closing Balance	158,304,880	158,304,880
	General Reserve		
	Balance as per the last Balance Sheet	316,478,189	216,478,189
	Add: Amount transferred from surplus balance in the Statement of Profit and Loss	30,000,000	100,000,000
	Closing Balance	346,478,189	316,478,189
	Surplus/(deficit) in the Statement of Profit and Loss		
	Balance as per last Balance Sheet	472,448,930	323,919,680
	Add : Net Profit/(loss) for the current period	46,843,725	315,676,576
	Balance available for appropriation	519,292,655	639,596,256
	Less: Appropriation		
	Proposed equity dividend (amount per share ₹1.00(31 March 2012: ₹ 6.50)	8,888,432	57,774,808
	Tax on proposed equity dividend	1,510,589	9,372,518
	Transfer to General Reserve	30,000,000	100,000,000
	Total appropriations	40,399,021	167,147,326
	Net surplus in the Statement of Profit and Loss	478,893,634	472,448,930
	Total Reserves and Surplus	983,676,703	947,231,999

Note No.	Particulars	Non-current portion		Current maturities	
		As at 31 March 2013	As at 31 March 2012	As at 31 March 2013	As at 31 March 2012
3.03	LONG TERM BORROWINGS				
	Secured				
	- Term Loan from Indian Bank	-	-	-	446,970
	- Loan from TDB (Ref Note)	17,112,000	29,946,000	8,556,000	8,554,000
	- Interest accrued on TDB loan	1,348,630	2,697,260	1,348,630	674,315
	- Loan from others	2,073,631	-	-	-
		20,534,261	32,643,260	9,904,630	9,675,285
	Note: The Loan taken from Technology Development Board (TDB), Ministry of Science and Technology, Govt. of India, was utilised as part-finance for design, development and commercialization of Zen Driving Training Simulator for Overseas market. The loan carries interest @5% p.a and is repayable in 9 half yearly installments commencing from 01-04-2012. The loan is secured by equitable mortgage of immovable properties and other fixed assets pari-passu charge with Indian Bank. The loan is also guaranteed by the company's own guarantee and pledging of 3,11,140 equity shares owned by the Managing Director of the company.				

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2013	As at 31 March 2012
3.03	SHORT-TERM BORROWINGS		
	Secured		
	Loan repayable on demand		
	- 10.00% (PY 10.25%) OD I against Fixed Deposits from Indian Bank	83,720,194	119,473,483
	- 10.25% (PY10.25%) OD II against Fixed deposits from Indian Bank	18,981,099	81,174,941
	- 10.60% OD against Fixed Deposits from Corporation Bank	-	8,956,018
	- 18% Special Over Draft Loan from Indian Bank	-	241,158
		102,701,293	209,845,600
	Note : The above mentioned overdraft facilities are secured by way of pledge of fixed deposits		

Note No.	Particulars	Long-term		Short-term	
		As at 31 March 2013	As at 31 March 2012	As at 31 March 2013	As at 31 March 2012
3.04	PROVISIONS				
	Provision for employee benefit				
	- Provision for gratuity (Refer Note)	4,083,855	3,667,154	-	-
	- Provision for leave encashment	-	-	-	2,239,907
	Other Provisions				
	- Proposed dividend	-	-	8,888,432	57,774,808
	- Tax on dividend	-	-	1,510,589	9,372,518
	- Provision for installation	-	-	-	3,250,000
		4,083,855	3,667,154	10,399,021	72,637,233
	Note: The company operates Group Gratuity Scheme for its employees. Under the scheme of gratuity, every employee who has completed minimum 5 years of service gets gratuity on departure @ 15 days last month's drawn basic salary for each completed year of service. The gratuity scheme is funded with Life Insurance Corporation of India in the form of Group Gratuity Scheme (GGS). The provision is estimated by an independent consulting actuary as per requirements of (AS) 15 (Revised 2005) as prescribed under The Companies (Accounting Standard) Rules, 2006.				

S.No	Particulars	Gratuity 2012-13
I	Change in Present value of obligation	
	PVO at beginning of the year	9,179,401
	Interest cost	748,710
	Current service cost	2,653,554
	Benefits paid	(885,986)
	Actuarial gain/(loss) on obligation	(11,386)
	PVO at the end of the period	11,684,293

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

S.No	Particulars	Gratuity 2012-13
II	Change in fair value of plan Assets	
	Fair value of plan Assets at beginning of period	5,512,247
	Expected return on plan Assets	573,884
	Contributions	2,405,400
	Benefits paid	(885,986)
	Actuarial gain/(loss) on obligation	(5,107)
	Fair value of plan Assets at the end of period	7,600,438
III	Net status of Plan	4,083,855
IV	Net amount recognized	4,083,855

Note No.	Particulars	As at 31 March 2013	As at 31 March 2012
3.05	TRADE PAYABLES		
	Trade payables		
	- Dues to Micro and Small Enterprises	-	-
	- Others	13,548,874	53,927,349
		13,548,874	53,927,349

3.06	OTHER CURRENT LIABILITIES		
	Current maturities of long-term debts (Note 3.03)	9,904,630	9,675,285
	Unclaimed dividends	981,785	800,093
	Employee salaries and benefits:		
	- Salaries and benefits	1,170,972	1,995,724
	- Bonus and incentives	5,642,901	13,752,905
	Other payables:		
	Provision for expenses	1,559,704	10,748,721
	Taxes payable:		
	- Service tax payable	1,282,540	1,803,988
	- Sales tax payable	-	13,345,334
	- TDS payable	2,496,356	2,793,187
	- Income tax payable	5,587,932	78,048,328
	Advance from customers	7,053,019	38,703,947
		35,679,839	171,667,512

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Description	Rate %	Gross block			Accumulated depreciation			Net block		
		Opening Balance	Additions during the year	Sales/ Adjustments during the year	As at 31 March 2013	Charge for the year	Sales/ Adjustments during the year	Total 31 March 2013	As at 31 March 2013	As at 31 March 2012
Hyderabad Unit (A.P) Production Division TANGIBLE										
Land		38,618,991	1,211,100	-	39,830,091	-	-	-	39,830,091	38,618,991
Building Chandralok	1.63	487,791	-	-	487,791	7,951	-	92,994	394,797	402,748
Building-Cherlapally	1.63	4,651,498	-	-	4,651,498	75,819	-	379,304	4,272,194	4,348,013
Buildings Maheswaram*	3.34	168,487,981	-	-	168,487,981	11,543,362	-	17,182,488	151,305,493	162,848,855
Computers	16.21	12,519,740	1,246,024	-	13,765,764	1,767,384	-	8,525,119	5,240,645	5,762,004
Plant and machinery	4.75	3,443,305	586,674	-	4,029,979	167,046	-	393,880	3,636,099	3,216,469
Office Equipment	16.21	13,088,710	809,867	-	13,898,576	1,542,510	-	9,790,601	4,107,974	4,840,616
Furniture, fixtures	6.33	5,308,221	2,814,614	-	8,122,835	332,328	-	1,628,077	6,494,758	4,012,472
Testing Equipment	4.75	-	95,683	-	95,683	875	-	875	94,808	-
Vehicles	9.5	15,878,766	-	672,360	15,206,406	1,380,034	518,519	8,282,115	6,924,291	8,458,166
		262,485,002	6,763,962	672,360	268,576,604	16,817,309	518,519	46,275,455	222,301,149	232,508,334
INTANGIBLE										
Software	100	3,028,714	1,266,050	-	4,294,764	907,620	-	3,868,466	426,298	67,869
		265,513,716	8,030,012	672,360	272,871,368	17,724,929	518,519	50,143,921	222,727,447	232,576,203
Hyderabad Unit (A.P) R&D Division TANGIBLE										
Land		5,150,020	-	-	5,150,020	-	-	-	5,150,020	5,150,020
Building - Sanathnagar	1.63	27,664,809	-	-	27,664,809	450,936	-	3,280,007	24,384,802	24,835,738
Computers	16.21	6,846,461	961,370	-	7,807,831	567,800	-	6,051,380	1,756,451	1,362,881
Plant and machinery	4.75	13,941,014	88,277	-	14,029,291	661,985	-	5,870,966	8,158,325	8,732,033
Office Equipment	16.21	5,742,008	39,200	-	5,781,208	15,859	-	5,714,893	66,315	42,974
Furniture, fixtures	6.33	3,901,549	-	-	3,901,549	246,423	-	1,820,071	2,081,478	2,327,901
Testing Equipment	4.75	4,632,167	95,308	-	4,727,475	220,373	-	1,097,405	3,630,070	3,755,135
Vehicles	9.5	818,169	-	-	818,169	77,726	-	466,569	351,600	429,326
		68,696,197	1,184,155	-	69,880,352	2,241,102	-	24,301,290	45,579,062	46,636,008



(in ₹)

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

3.07 FIXED ASSETS

Description	Rate %	Gross block			Accumulated depreciation			Net block			
		Opening Balance	Additions during the year	Sales/Adjustments during the year	As at 31 March 2013	As at 1 April 2012	Charge for the year	Adjustments during the year	Total 31 March 2013	As at 31 March 2013	As at 31 March 2012
INTANGIBLE											
Software	100	10,240,330	20,360,600	-	30,600,930	10,180,431	1,743,424	-	11,923,855	18,677,075	59,899
Nalagarh Unit (Himachal Pradesh) Production Division											
TANGIBLE											
Computers	16.21	1,751,938	-	-	1,751,938	1,146,240	283,989	-	1,430,230	321,708	605,698
Plant and machinery	4.75	3,122,715	-	-	3,122,715	664,964	148,329	-	813,293	2,309,422	2,457,751
Office Equipment	16.21	380,935	27,150	-	408,085	213,642	64,946	-	278,588	129,497	167,293
Furniture, fixtures	6.33	1,350,587	5,850	-	1,356,437	308,455	95,481	-	403,936	952,501	1,042,132
Testing Equipment	4.75	1,581,367	-	-	1,581,367	305,348	75,115	-	380,463	1,200,904	1,276,019
Vehicles	9.5	89,400	-	-	89,400	31,809	8,493	-	40,302	49,098	57,591
		8,276,942	33,000	-	8,309,942	2,670,459	676,353	-	3,346,812	4,963,130	5,606,484
INTANGIBLE											
Software	100	594,501	-	-	594,501	594,501	-	-	594,501	-	-
		8,871,443	33,000	-	8,904,443	3,264,960	676,353	-	3,941,313	4,963,130	5,606,484
Version 2 Games Limited											
TANGIBLE											
Computers	16.21	2,058,371	-	-	2,058,371	608,149	333,662	-	941,811	1,116,560	1,450,222
Office Equipment	16.21	696,202	-	-	696,202	135,889	112,854	-	248,743	447,459	560,313
Electrical Equipment	4.75	552,385	-	-	552,385	34,257	26,238	-	60,495	491,890	518,129
Furniture & Fixtures	6.33	203,800	72,135	-	275,935	6,207	17,467	-	23,674	252,261	197,592
		3,510,758	72,135	-	3,582,893	784,502	490,221	-	1,274,723	2,308,170	2,726,256
INTANGIBLE											
Software	100	967,021	-	-	967,021	917,255	49,766	-	967,021	-	49,766
		4,477,779	72,135	-	4,549,914	1,701,757	539,987	-	2,241,744	2,308,170	2,776,022
Total of Tangible Assets A		342,968,899	8,053,252	672,360	350,349,791	55,491,814	20,224,985	518,519	75,198,281	275,151,510	287,477,082
Total of Intangible Assets B		14,830,566	21,626,650	-	36,457,216	14,653,032	2,700,811	-	17,353,843	19,103,373	177,534
Total of (A+B)		357,799,465	29,679,902	672,360	386,807,007	70,144,847	22,925,796	518,519	92,552,124	294,254,884	287,654,616
Previous year		341,988,728	15,810,738	-	357,799,465	57,719,257	12,425,591	-	70,144,848	287,654,617	284,314,460

* Includes prior period depreciation of ₹ 59,15,893.00

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2013	As at 31 March 2012
3.08	LONG TERM LOANS AND ADVANCES		
	Unsecured, considered good		
	Capital advances	154,593,656	131,585,192
	Security deposits	8,409,112	6,116,490
	Other loans and advances		
	- Prepaid expenses	761,791	1,532,147
	- Deposits with government, public bodies and others	7,728,436	5,728,826
		171,492,995	144,962,655

3.09	OTHER NON-CURRENT ASSETS	-	-
	OTHER CURRENT ASSETS		
	Interest accrued on fixed deposits with banks	9,462,530	8,096,206
		9,462,530	8,096,206

3.10	INVENTORIES		
	Raw material (Ref Note 3.16)	16,660,616	12,750,682
	Work in progress (Ref Note 3.17)	31,970,000	25,660,000
	Traded goods (Ref Note 3.17)	3,502,149	3,502,149
		52,132,765	41,912,831

Note No.	Particulars	Non-Current		Current	
		As at 31 March 2013	As at 31 March 2012	As at 31 March 2013	As at 31 March 2012
3.11	TRADE RECEIVABLES				
	Unsecured, considered good				
	Outstanding for a period exceeding 6 months from the date they are due for payment				
	- Unsecured, considered good	98,494,365	64,616,269	-	-
	- Doubtful	11,435,587	21,601,365	-	-
		109,929,952	86,217,634	-	-
	Provision for doubtful receivables	(11,435,587)	(21,601,365)	-	-
	(A)	98,494,365	64,616,269	-	-
	Other receivables				
	- Unsecured, considered good	234,508	-	30,651,364	647,520,663
	(B)	234,508	-	30,651,364	647,520,663
	Total (A+B)	98,728,873	64,616,269	30,651,364	647,520,663

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2013	As at 31 March 2012
3.12	CASH AND BANK BALANCES		
	Cash and cash equivalents		
	Balances with banks:		
	- On current accounts	5,700,139	18,569,441
	- Deposits with original maturity less than 3 months	-	10,000,000
	Cash on hand	460,387	1,849,431
	Other bank balances:		
	- Deposits with original maturity for > 3 months but < 12 months HDFC Bank	-	10,000,000
	- Deposits with original maturity for > 3 months but < 12 months Corporation Bank	50,000,000	48,869
	- Deposits with original maturity for > 3 months but < 12 months Indian Bank	36,837,900	11,860,067
	- Deposits with original maturity for > 3 months but < 12 months State Bank of Hyderabad	40,000,000	-
	Balances with banks to the extent held as margin money for guarantees - Indian Bank	12,651,490	29,271,442
	Balances with banks to the extent held as margin money for LCs - Indian Bank	-	1,000,000
	Balances with banks to the extent held as security against OD borrowings-Indian Bank	238,043,012	222,942,693
	Balances with banks to the extent held as security against OD borrowings-HDFC Bank	10,000,000	-
	Balances with banks to the extent held as security against OD borrowings -Corporation Bank	71,571,779	9,951,131
	Balances with banks for unpaid dividend	981,785	800,093
		466,246,492	316,293,167
3.13	SHORT-TERM LOANS AND ADVANCES		
	Unsecured, considered good		
	Advance to material suppliers	46,236,185	8,064,601
	Advance income tax	51,055,967	42,831,342
	Other loans and advances:		
	- Prepaid expenses	4,352,712	4,586,074
	- Balance with VAT, Central excise and Service tax	2,227,254	3,132,512
	- Loans and advances to employees	1,860,366	2,673,380
	- Food Coupons	-	9,000
	- Others	1,799,460	-
		107,531,944	61,296,909

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2013	Year ended 31 March 2012
3.14	REVENUE FROM OPERATIONS		
	a) Sale of Products	343,392,633	994,535,332
	Less : Excise duty	7,287,413	2,570,880
		336,105,220	991,964,452
	b) Sale of Services	35,267,065	26,410,121
		371,372,285	1,018,374,573
3.15	OTHER INCOME		
	Interest income	42,670,432	24,336,964
	Provisions written back	3,969,713	28,969,738
	Miscellaneous income	500,276	-
	Net gain/(loss) on foreign currency exchange fluctuation	(62,649)	189,020
	Profit/(Loss) on Sale of Vehicle	1,618	-
		47,079,390	53,495,722
3.16	COST OF MATERIALS AND COMPONENTS CONSUMED		
	Opening stock of raw materials	12,750,682	18,121,180
	Add : Purchases	100,090,305	250,436,372
		112,840,987	268,557,552
	Less : Closing stock	16,660,616	12,750,682
		96,180,371	255,806,870
	Note: As the items of raw material purchased and consumed are dissimilar in nature, type and numerous in quantity, it is not possible to give details under different heads as required under para 5(II) and para 5(III) of the general instructions for preparation of the Statement of Profit and Loss as per the Revised Schedule VI of the Companies Act, 1956.		
3.17	CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
	Opening work in progress	25,660,000	27,306,125
	Opening traded goods	3,502,149	-
		29,162,149	27,306,125
	Closing work in progress	31,970,000	25,660,000
	Closing traded goods	3,502,149	3,502,149
		35,472,149	29,162,149
		(6,310,000)	(1,856,024)
	Note: As the items of finished goods produced or under production are heterogeneous in nature, model, type and specification, it is not possible to give details under different heads as required under para 5(II) and para 5(III) of the general instructions for preparation of the Statement of Profit and Loss as per the Revised Schedule VI of the Companies Act, 1956.		

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2013	Year ended 31 March 2012
3.18	MANUFACTURING EXPENSES		
	Power and fuel	1,726,412	1,992,509
	Freight	2,542,064	4,157,709
	System Installation & Maintenance	2,269,453	3,899,149
	Salaries -Production	7,769,758	5,710,391
	Services for Tank simulators	-	8,249,320
		14,307,687	24,009,078
3.19	EMPLOYEE BENEFITS EXPENSE		
	Salaries, wages and bonus	45,493,845	92,006,892
	Contribution to provident and other funds	1,761,431	4,099,709
	Gratuity expense	2,936,876	2,619,087
	Leave encashment expense	-	83,862
	Exgratia expense	651,938	2,575,061
	Staff welfare expenses	5,937,526	6,659,316
		56,781,616	108,043,927
3.20	FINANCE COSTS		
	Bank Charges	1,310,973	1,191,806
	BG Commission	3,091,946	3,489,597
	Interest on borrowings		
	- Interest on term loan with Indian bank	42,468	53,392
	- Interest on bank OD loans	12,346,373	12,877,982
	- Interest on TDB loan	1,604,543	1,506,787
		18,396,303	19,119,564
3.21	OTHER EXPENSES	164,535,373	257,934,650
	Selling & Distribution expenses	11,381,823	34,110,614
	Business Promotion	3,406,787	10,209,860
	Club expenses	411,418	368,637
	Electricity Charges	32,050	28,272
	Exhibition expenses	465,598	12,484,133
	Freight	1,413,817	4,528,116
	Guest House Rent & Maintenance	19,500	78,000
	Hotel Boarding & Lodging	432,653	1,213,596
	Royalty	5,200,000	5,200,000
	Travelling expenses	28,634,299	22,295,467
	Domestic Travel	22,482,811	19,486,205
	Travel expenses - Delivery	442,393	722,741
	Travel expenses - Demo	1,114,686	233,751
	Travel expenses - Installation	4,068,798	2,346,657
	Travel expenses - Servicing	9,702,595	7,905,710
	Travel expenses - Directors	1,315,236	934,725
	Travel expenses - Marketing	3,606,084	3,735,883
	Travel expenses - General	2,233,019	3,606,738
	Foreign Travel	6,151,488	2,809,262

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2013	Year ended 31 March 2012
	Travel expenses - Directors	2,985,871	600,206
	Travel expenses - Others	3,165,617	2,209,056
	R & D Revenue expenses (Refer Note No. 3.25)	91,659,087	71,843,812
	Administrative & General expenses	33,177,811	129,684,757
	Advertisement	335,633	1,073,260
	AGM Expenses	16,861	52,828
	Annual Day Expenses	697,851	651,842
	Bad Debts	-	34,835,284
	Books & periodicals	128,270	135,919
	Conveyance	2,892,939	3,388,700
	Directors' sitting fees	500,000	500,000
	Donation	35,850	68,631
	Electricity Charges	153,136	97,694
	Incidental expenses	278,440	847,103
	Installation and Training	-	3,250,000
	Listing Fee	50,000	55,000
	Insurance	792,089	2,451,048
	Membership & Subscription	1,327,543	486,774
	Office Maintenance	7,414,969	9,438,138
	Postage & Telephone	3,232,998	3,197,716
	Printing & Stationary	1,550,867	1,936,948
	Professional Charges	7,639,258	15,293,015
	Provision for doubtful Debts/Advances	(10,164,640)	22,485,977
	Rates & Taxes	1,887,254	10,523,964
	Rent	6,486,961	9,390,018
	Security expenses	2,154,411	2,267,459
	Software Licence fee	2,029,759	3,563,163
	Vehicle Maintenance	2,521,291	2,437,558
	Computer Maintenance	878,125	819,385
	Payment to auditors		
	As Auditors		
	For Statutory & Tax audit fee	176,442	151,030
	For Internal audit - Quarterly review of accounts	120,000	120,000
	In other capacity		
	For Certification and Advisory in respect of Income tax, Company law etc.,	14,650	76,303
	For Certification of Cost compliance	26,854	90,000

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2013	Year ended 31 March 2012
3.22	DEPRECIATION & AMORTISATION EXPENSE		
	Depreciation on total Tangible Assets (Ref Note 3.07)	20,224,985	11,670,804
	Depreciation on total Intangible Assets (Ref Note 3.07)	2,700,811	754,787
	Amortisation of Intangible Assets	-	1,775,681
		22,925,796	14,201,272
	Less: Shown under R&D revenue expense (Ref Note 3.21)		
	- Depreciation on Tangible Assets used in R&D activities (Ref Note 3.25)	2,241,102	2,469,641
	- Depreciation on Intangible Assets used in R&D activities (Ref Note 3.25)	1,743,424	217,600
		18,941,269	11,514,031
3.23	TAX EXPENSE		
	Current tax	9,063,861	78,048,328
	Tax for earlier peirod	(606,177)	-
		8,457,684	78,048,328
	Note: Tax expense comprises current and deferred tax. The current tax represents the Minimum Alternate Tax (MAT) payable by the company on the book profits for the year. Current tax expense is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 and the tax rates and tax laws used to compute the tax amount are prevailing at the reporting date.		
3.24	EARNINGS PER SHARE (EPS)		
	Total operations for the year		
	Profit after tax (PAT)	46,843,725	315,676,575
	Weighted average number of equity shares	8,888,432	8,888,432
	Earnings per Share (Both Basic & Diluted)	5.27	35.52
3.25	EXPENDITURE INCURRED ON RESEARCH AND DEVELOPMENT		
	Salaries	42,105,024	32,845,668
	Bonus & Gratuity	2,871,915	6,714,135
	Electricity Charges	2,320,069	1,349,599
	Travelling expenses	976,825	3,235,355
	Spares & Stores	37,166,066	24,458,614
	Consultancy Fee	2,206,180	460,000
	Leave Encashment	-	93,200
	Training charges	28,482	-
	Depreciation	3,984,526	2,687,241
		91,659,087	71,843,812

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No	Particulars	Year ended 31 March 2013	Year ended 31 March 2012
3.26	COMMITMENTS AND CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF		
	I. DISPUTED MATTERS		
	(a) Appeal filed by the Excise Department before the Customs, Excise and Service Tax Appellate Tribunal (CESTAT) Bangalore against the decision of adjudication by Commissioner of Customs and Central Excise Hyderabad - II Commissionerate, in favour of the company pertaining to Excise matter in Order No: 02/2006-C.Ex	5,171,356	5,171,356
	(b) Subsequent demands raised by the excise authority, pending decision of the case in (a) above, being disputed by the company	74,942,371	74,942,371
		80,113,727	80,113,727
	Note: The dispute in the matter (a) above was relating to inclusion of customized software in the valuation of simulators supplied by the company during the period from F.Y 2005-06 to 2010-11 (upto 31-07-2011). The matter was first adjudicated by the Commissioner of Customs and Central Excise Hyderabad - II Commissionerate and decided in favour of the company. However, the Excise Department has filed an appeal before the Appellate Tribunal challenging the order passed by Commissioner of Customs and Central Excise. The Company, based on discussions with its solicitors and tax advisors, believes that there is a fair chance of winning the case in its favour in the appellate process and hence, no provision has been considered necessary against the same.		
	II. GUARANTEES/LETTER OF CREDITS		
	(a) Bank Guarantees	126,514,905	292,714,421
	(b) Letter of Credits	-	8,950,309
		126,514,905	301,664,730

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

3.27 RELATED PARTY DISCLOSURE

Name of the Party	Relationship	Nature of Transaction	2012-13	2011-12
Related party disclosures as required by AS-18 are given below:				
a. Transactions during the year				
Mr Ashok Atluri Chairman and Managing Director	Key Management Personnel	Remuneration	3,360,000	3,406,640
Mr Ashok Atluri Chairman and Managing Director	Key Management Personnel	Commission	-	10,236,248
Mr Kishore Dutt Atluri President	Key Management Personnel (Brother of Mr Ashok Atluri)	Remuneration	2,280,000	2,280,000
Mr M Ravi Kumar Whole-Time Director	Key Management Personnel	Remuneration	2,220,000	1,506,721
b. Receivables				
Version 2 Games Limited	Wholly owned subsidiary	Debtors	900,000	900,000
Version 2 Games Limited	Wholly owned subsidiary	Investment	500,000	500,000

As per our Report of even date

Gokhale & Co.,
Chartered Accountants
Firm Regn. No.: 000942S

Chandrashekhar Gokhale
Partner
M.No: 23839

Place: Hyderabad
Date: 30 May 2013

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole Time Director

M Amala
Company Secretary



NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

CORPORATE INFORMATION

Zen Technologies Limited is a public company incorporated under the provisions of the Companies Act, 1956 having corporate office at B-42, Industrial Estate, Sanathnagar, Hyderabad-500018, India. The Equity Shares of the Company are listed on Bombay Stock Exchange (BSE) in India. The company is engaged in design, development and manufacture of Training Simulators for Police and Para-military Forces, Armed Forces, Security Forces, Government Departments like Transport, Mining, Infrastructure and Civilian market. The company caters to both domestic and international market. The Company is having two manufacturing units- 1) Hardware Park, Maheswaram Mandal, Andhra Pradesh, India and 2) Nalagarh, Dist Solan, Himachal Pradesh, India.

The Company owns a 100% subsidiary, Version 2 Games Limited, India.

1 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements present the accounts of the Company and wholly owned subsidiary Version 2 Games Limited, India. The consolidation is based on the audited financial statements of Zen Technologies Limited and its subsidiary for the year ended 31 March 2013.

The consolidated financial statements are prepared in Indian rupees. The Indian rupee is the functional currency of Zen Technologies Limited and Version 2 Games Limited.

2 SIGNIFICANT ACCOUNTING POLICES

2.1 Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year unless otherwise stated.

2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

2.3 Inventories

Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above the cost. Cost of raw materials, components and stores and spares is determined on a weighted average basis.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty and is determined on a weighted average basis.

2.4 Cash and cash equivalents

Cash and cash equivalent for the purposes of cash flow statement comprise cash at bank, cash in hand, demand deposits and other bank balances.

2.5 Cash flow statement

Cash flows are reported using the indirect method in accordance with 'Accounting Standard -3' issued under the Companies (Accounting Standards) Rules,2006, whereby profit /(loss) before the extraordinary items and tax, is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.6 Depreciation and amortization

Depreciation on fixed assets is provided on straight-line method for single shift in accordance with Schedule XIV to the Companies Act, 1956.

The following rates have been used for providing the depreciation on the tangible & intangible fixed assets:

Asset Description	Rates (SLM) Single Shift (%)
Buildings	1.63
Factory Buildings	3.34
Plant and Machinery	4.75
Office Equipment	16.21
Computers	16.21
Vehicles	9.50
Furniture & Fixtures	6.33
Testing Equipment	4.75
Software	100.00

Amounts spent for capital work-in-progress including advance given for capital goods are grouped under capital work-in-progress.

2.7 Tangible fixed assets

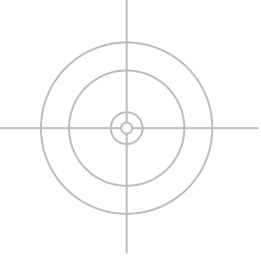
Fixed assets are carried at cost less accumulated depreciation. The cost of fixed assets includes interest on borrowings attributable to acquisition of fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. Subsequent expenditure relating to fixed assets is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Capital work-in-progress:

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses.

2.8 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following recognition criteria is applied before revenue is recognized:



Sale of goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on dispatch of goods. The Company collects sales tax and value added tax (VAT) on behalf of the government and therefore, these are not economic benefits flowing to the Company, hence they are excluded from the revenue. Excise duty deducted from revenue (gross) is the amount that was included in the revenue (gross).

Excise duty

Excise duty has been accounted as and when goods are dispatched and no provision is made for the goods lying at the year end. This accounting treatment has been followed consistently and has no impact on the profitability of the company.

Sale of Services

Revenue from Annual Maintenance Contracts (AMC) is recognized on pro-rata basis over the period in which such services are rendered. The Company collects service tax on behalf of the government and therefore, it is not an economic benefit flowing to the company. Hence, it is excluded from the revenue.

Interest on bank deposits

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

2.9 Foreign currency transactions

Expenses and income are recorded at the exchange rate prevailing on the date of transaction. Assets and liabilities on the date of the balance sheet are restated at the exchange rate prevailing on the balance sheet date. Exchange rate differences arising on settlement of the transaction and on account of restatement of assets and liabilities are dealt with in the Statement of Profit and Loss.

2.10 Investments

Long-term investment held in equity share capital of wholly owned subsidiary company is carried at cost.

2.11 Employee Retirement and other benefits

The Company operates defined benefit plan of Group Gratuity for its employees. The Company has taken a Group Gratuity Scheme with Life Insurance Corporation of India. The premium payable under the scheme is provided in the books on accrual basis. The present value of the defined benefit obligation and the related current service cost were measured using actuarial valuation carried out by an independent actuary consultant at each year end. Actuarial valuation is carried out using the projected unit credit method. Gratuity is calculated as per the Payment of Gratuity Act, 1972 on actual liability basis.

The Company does not have any scheme for leave encashment in place.

In respect of retirement benefits in the form of provident fund, the contribution payable by the company for the year is charged to the Statement of Profit and Loss. The Company has no obligation other than the contribution payable to the provident fund.

2.12 Earnings per share

Basic earnings per share are computed by dividing the net profit / (loss) after tax attributable to equity share holders by the weighted average number of equity shares outstanding during the year.

2.13 Taxes on income

Minimum Alternate Tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax.

2.14 Provisions

A provision is recognized when the company has a present obligation as a result of past events and it is probable that an out flow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

2.15 Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an out flow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

2.16 Research and development costs

Revenue costs are expensed in the year in which they are incurred and the capital expenditure is added to fixed assets and are depreciated in accordance with depreciation policy of the Company.

2.17 Dividends

Provision made in the accounts for the dividends payable by the Company as recommended by the Board of Directors, pending approval of the shareholders at the Annual General Meeting. Income tax on dividends payable is provided for in the year to which such dividends relate.

2.18 Overdraft facilities from banks are secured by way of pledge of Fixed Deposits.

2.19 The Company operates in one segment i.e., Training and Simulation.

2.20 The Common expenses incurred at Head Office were allocated between Head Office and Himachal Pradesh unit based on Net Turnover.

2.21 All Fixed Deposits were kept with Scheduled Banks only.

2.22 The unclaimed dividend amount for all the earlier financial years as on 31 March 2013 is ₹ 9,81,785.00, details of which are given below:

Sl. No	Name of the Bank	Year of declaration of dividend	Unclaimed Amount (₹)
1	Oriental Bank of Commerce	2005-06	87,262.00
2	Oriental Bank of Commerce	2006-07	1,63,564.00
3	HDFC Bank	2007-08	1,27,203.00
4	HDFC Bank	2008-09	1,53,886.50
5	HDFC Bank	2009-10	1,56,406.50
6	HDFC Bank	2010-11	63,226.50
7	HDFC Bank	2011-12	2,30,236.50
	TOTAL		9,81,785.00

2.23 Receivables do not include any amount due and recoverable from Directors' or other Officers' of the Company, or Companies under the same management.

2.24 The balances of Sundry Debtors, Creditors and advances in various personal accounts are subject to reconciliation and conformation with the concerned parties.

2.25 There are no disclosures required to be made under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 as there are no outstanding amounts remaining unpaid at the end of the year.

2.26 Directors' Remuneration

(in ₹)

S. No	Particulars	2012-13	2011-12
1	Directors' Remuneration		
	Chairman & Managing Director		
	Salary and other allowances	33,60,000	33,60,000
	Other perquisites	52,536	46,640
	Commission	-	1,02,36,248
	Total	34,12,536	1,36,42,888
2	Other Director		
	Salary and other allowances	22,20,000	15,00,000
	Other perquisites	7,998	6,721
	Total	22,27,998	15,06,721

2.27 Foreign Currency Expenses

(in ₹)

Particulars	2012-13	2011-12
Capital Goods	63,235	-
Raw Materials and Components	11,60,478	15,31,688
Stores and Spares	6,56,449	15,07,847
Foreign Travel (Exclusive of tickets purchased)	16,60,623	7,40,097
Software	-	2,72,107
Internet Charges	19,484	9,745
Training Charges	13,738	7,02,943
Membership	7,71,858	-
Professional Charges	9,22,665	-
Others	10,78,059	6,17,210

2.28 The company measures EBITDA on the basis of profit/(loss) from continuing operations and the company does not include depreciation and amortization expense, finance costs and tax expense in the measurement of EBITDA.

2.29 Value of Imported and indigenous raw materials and components consumed.

(₹ in lakhs)

Particulars	2012-13		2011-12	
	Value	%	Value	%
Indigenous raw material and stores	943.63	98.11	2527.67	98.81
Imported stores and components	18.17	1.89	30.40	1.19

2.30 In the opinion of Board of Directors, the current assets, loans and advances are expected to realize approximately the value stated in the ordinary course of business.

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATED TO SUBSIDIARY COMPANY

(in ₹)

Funds Employed		31 March 2013
1	Name of the Subsidiary Company	Version 2 Games Ltd
2	Financial Period of the Subsidiary	01 April 2012 to 31 March 2013
3	Shares of the Subsidiary held by the Company on the above date	5,00,000 Equity Shares of ₹ 1/- each ₹ 5,00,000
	Extent of holding	100%
4	Net aggregate amount of Profits / (losses) of the Subsidiary for the above financial period of Subsidiary so far as the concerned Members of the Company	
	<ul style="list-style-type: none"> Not dealt with in the accounts of the Company for the period 31 March 2013: 	Nil
	<ul style="list-style-type: none"> Dealt with in the accounts of the Company for the period 31 March 2013: 	(1,64,417)
5	Net aggregate amount of Profits / (losses) of the Subsidiary since it became the Subsidiary for the above financial period of Subsidiary so far as the concerned Members of the Company	(1,83,030)
	<ul style="list-style-type: none"> Not dealt with in the accounts of the Company for the period 31 March 2013: 	Nil
	<ul style="list-style-type: none"> Dealt with in the accounts of the Company for the period 31 March 2013: 	Nil

SUMMARY OF FINANCIAL INFORMATION OF THE SUBSIDIARY (In ₹)

Funds Employed	Version 2 Games Ltd	
	31 March 2013	31 March 2012
A. Capital	500,000	500,000
B. Reserves	-	-
C. Liabilities	-	-
Secured Loans	-	-
Unsecured Loans	2,073,631	-
Deferred Tax Liability	-	-
Total Liabilities	2,073,631	-
D. Total funds employed	2,573,631	500,000
E. Assets		
Net Block (including Capital WIP)	2,308,170	2,766,022
Loans and advances	179,118	335,000
Net Current Assets	(261,104)	(2,784,052)
Miscellaneous Expenditure (to the extent not written off)	-	-
Profit & Loss Account	347,447	183,030
Total Assets (Net)	2,573,631	500,000
F. Turnover	2,44,237	146,487
G. Profit/(Loss) before Taxes	(164,417)	(183,030)
H. Provision for Taxation	-	-
I. Profit after Taxes	(164,417)	(183,030)
J. Proposed Dividend	-	-

As per our Report of even date

Gokhale & Co.,
Chartered Accountants
Firm Regn. No.: 000942S

Chandrashekhar Gokhale
Partner
M.No: 23839

Place: Hyderabad
Date: 30 May 2013

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole Time Director

M Amala
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

(₹ in Lakhs)

Particulars	For the Year ended 31 March	
	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	553.01	3937.25
Non-cash adjustments:		
Depreciation and amortisation expenses	229.26	142.72
Interest expense/Finance cost	183.96	191.19
Interest income	(426.70)	(243.37)
Profit on sale asset	(0.02)	-
Provisions written back	-	(289.70)
Operating profit before working capital changes	539.51	3738.10
Changes in working capital:		
Increase/(decrease) in trade payables	(403.78)	327.77
Increase/(decrease) in other current liabilities	(638.23)	260.40
Increase/(decrease) in short term provisions	(54.90)	17.20
Increase/(decrease) in long term provisions	4.17	-
Decrease/(increase) in trade receivables	5827.57	(5,098.47)
Decrease/(increase) in inventories	(102.20)	350.05
Decrease/(increase) in short term loans & advances	(380.10)	463.86
Decrease/(increase) in other current assets	(13.66)	(32.48)
Cash generated from /(used in) operations	4778.36	26.43
Direct tax payments (net of refunds)	(891.43)	(237.45)
Net cash flow from/(used in) operating activities (A)	3,886.94	(211.02)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/decrease in tangible and intangible fixed assets	(295.24)	(158.11)
(Increase)/decrease in capital work in progress	(208.55)	(81.51)
Interest received	426.70	243.37
(Increase)/decrease in long term loans & advances	(262.33)	(62.53)
Net cash flow from/(used in) investing activities (B)	(339.43)	(58.78)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

(₹ in Lakhs)

Particulars	For the Year ended 31 March	
	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in long term borrowings	(121.09)	19.46
Increase/(decrease) in short term borrowings	(1,071.44)	1071.96
Interest paid	(183.96)	(191.19)
Dividend tax paid	(93.73)	(21.63)
Dividend paid on equity shares	(577.75)	(133.33)
Net cash flow from/(used in) in financing activities (C)	(2,047.97)	745.27
Net increase/(decrease) in cash & cash equivalents (A+B+C)	1499.54	475.47
Cash & cash equivalents at the beginning of the year	3162.92	2687.45
Cash & cash equivalents at the end of the year	4662.46	3162.92
Note:	1. Figures in brackets indicate cash outgo. 2. Previous year figures have been regrouped wherever necessary to conform to the current year's classification.	

As per our Report of even date

Gokhale & Co.,
Chartered Accountants
Firm Regn. No.: 000942S

Chandrashekhar Gokhale
Partner
M.No: 23839

Place: Hyderabad
Date: 30 May 2013

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole Time Director

M Amala
Company Secretary

ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORM

To
ZEN TECHNOLOGIES LIMITED
 B-42, Industrial Estate,
 Sanathnagar,
 Hyderabad - 500 018.

For Shares held in physical mode
 Please complete this form and send it to
 Karvy Computershare Private Limited
 Plot No. 17 to 24, Vithal Rao Nagar,
 Madhapur, Hyderabad - 500 081.
 Phone : 91- 40 - 44655000
 Fax : 91- 40 - 23420814
 Email id: einward.ris@karvy.com

For Shares held in Demat mode
 Please inform your DP's directly.

For Shares held in physical mode form

Master Folio No.

FOR OFFICE USE ONLY
ECS Ref. No. <input style="width: 80%;" type="text"/>

Name of First holder	<input style="width: 80%;" type="text"/>
Bank Name	<input style="width: 80%;" type="text"/>
Branch Name & Address	<input style="width: 80%;" type="text"/>
Branch Code	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <p style="font-size: small;">(9 Digits Code Number appearing on the MICR Band of the cheque supplied by the Bank) (In lieu of the bank certificate to be obtained as under, please attach a blank cancelled cheque or photocopy of a cheque or front page of your savings bank passbook issued by your bank for verification of the above particulars)</p>

Account type (Please tick)	→ <input type="checkbox"/> Savings 10 <input type="checkbox"/> Current 11 <input type="checkbox"/> Cash Credit 13
--------------------------------------	---

A/c.No. (as appearing on the cheque book) →

Active date of this Mandate →

I, hereby, declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, Zen Technologies Limited and Karvy Computershare Private Limited, will not be held responsible. I have read the optional invitation letter and agree to discharge the responsibility expected of me as a participant under the scheme.

I further undertake to inform the Company any change in my Bank/ Branch and Account number.

Dated: _____ (Signature of First holder)

Note: On Dematerialisation of existing physical shares, for which you have availed ECS facility, the above form needs to be re-submitted.

Certified that the particulars furnished above are correct as per our records

Bank's Stamp

Date: _____ (Signature of the Official of the Bank)



Payment of Dividend through Electronic Clearing Service (ECS)

The Securities Exchange Board of India (SEBI) has advised the Companies to mandatorily use ECS facility wherever available for distributing dividends or other cash benefits, etc., to the investors. This facility provides instant credit of dividend amount to your Bank Account electronically at no extra cost. ECS also eliminates the delay in postal transit and fraudulent encashment of warrants. Only individual transactions upto ₹ 5,00,000/- would be covered under the Scheme.

Under this facility the amount of dividend payable to you would be directly credited to your bank account. Your bank's branch will credit your account and indicate the credit entry as 'ECS' in your pass book/statement account. We would be issuing an advice to you directly after the transaction is effected.

In case you wish to have your dividends paid through ECS and are holding the Company's shares in electronic form you may kindly fill in the enclosed ECS mandate Form and submit it to your Depository Participant. However, in case you are holding the company shares in physical form and wish to have your future dividends paid through ECS you may kindly return the said ECS mandate form duly completed and signed by you at our Registered Office address mentioned elsewhere in this report.

If you do not wish to opt for ECS facility, we strongly recommend that you provide the details of your Bank's Name, Bank's Branch, type of Account and Account Number to your depository participant, in cases where shares are held in electronic form and to us in cases where shares are held in physical form for printing the same on the dividend warrants which will be dispatched to you. In the event of any change or correction in the details that might have been provided by you earlier, kindly send revised particulars to your depository participants or to us as the case may be at an early date.

We request you to kindly submit the ECS / Bank details latest by Monday the 23 September 2013 to enable us to include the same for the payment of the current year's dividend.



ZEN TECHNOLOGIES LIMITED

Registered Office: B-42, Industrial Estate, Sanathnagar,
Hyderabad - 500 018.

FORM OF PROXY

Regd. Folio No. : No of shares :

*DP ID No. : * Client ID No.:

I / we of being a member of
Zen Technologies Limited do hereby appoint of or failing him / her
..... of or failing him / her of
...as my / our Proxy to attend and vote for me / us. on my / our behalf at the 20th Annual General Meeting of the members
of the Company to be held on Saturday the 28 September 2013 at 10.30 a.m. at B-42, Industrial Estate, Sanathnagar,
Hyderabad-500 018.

** I / We direct my / our proxy to vote on the resolution(s) in the manner as indicated below:

SI No.	Resolutions	For	Against
1	Adoption of Balance sheet as at 31 March 2013 and Statement of Profit & Loss for the year ended on that date and the reports of the Board of Directors' and Auditors' thereon		
2	Declare dividend for the financial year ended 31 March 2013		
3	Resolve not to fill the vacancy for the time being in the Board caused by the retirement of Mr D Satish Babu who retires by rotation and does not seek reappointment.		
4	Resolve not to fill the vacancy for the time being in the Board caused by the retirement of Mr Utpal H Sheth who retires by rotation and does not seek reappointment.		
5	Appointment of Gokhale & Co., Chartered Accountants as Statutory Auditors of the Company		

As witness my hand / our hand(s) this day of 2013

Note: In case a member wishes his/her votes to be used differently he/she should indicate the number of shares under the column "For" or "Against" as appropriate

* Applicable for the members holding shares in electronic form.

** This is optional. Please put a tick mark (✓) in the appropriate column against the Resolutions indicated in the Box if a member leaves the "For" or "Against" column blank against any or all the Resolutions, the proxy will be entitled to vote in the manner he/she thinks appropriate. If a member wishes to abstain from voting on a particular resolution, he/she should write "Abstain" across the boxes against the Resolution.

Affix a
Revenue
Stamp

Signature of Member



ZEN TECHNOLOGIES LIMITED

Registered Office: B-42, Industrial Estate, Sanathnagar,
Hyderabad - 500 018.

ATTENDANCE SLIP

(20th Annual General Meeting to be held on Saturday the 28 September 2013 at 10.30 a.m.)

Name of the Shareholder : *DP ID No. :

Regd Folio No. : * Client ID No. :

No of Shares held :

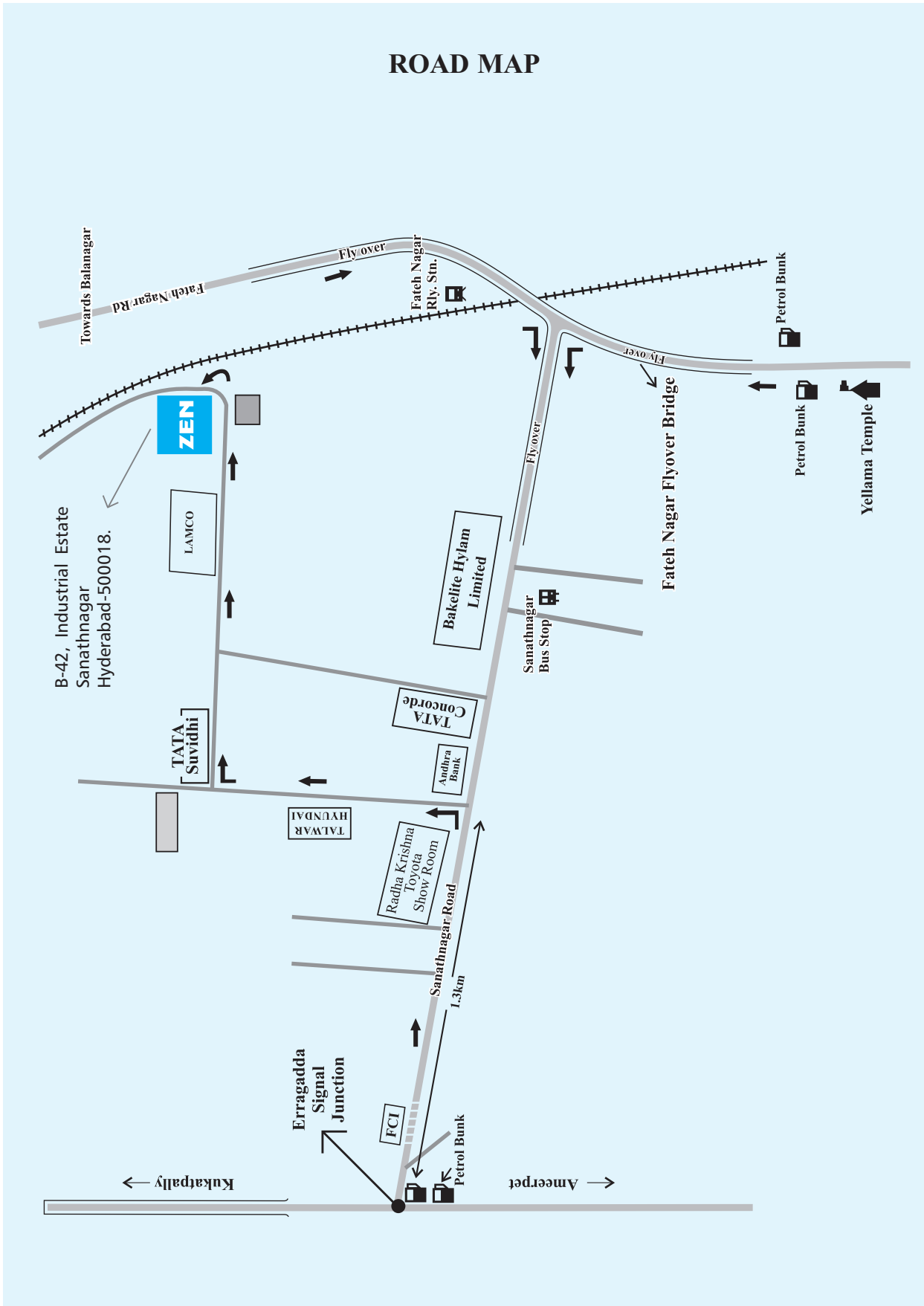
Signature of the Member / Proxy

Note: Shareholder / Proxy must hand over the duly signed attendance slip at the venue.

* Applicable for the members holding shares in electronic form.



ROAD MAP



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being there...

ZEN TECHNOLOGIES LIMITED

Registered Office: B-42, Industrial Estate, Sanathnagar
Hyderabad - 500 018, A.P., INDIA



being there...

ZEN TECHNOLOGIES LIMITED

(ISO : 9001 : 2008 & ISO 27001 : 2005 Certified)
Regd. Office : B-42, Industrial Estate, Sanathnagar
Hyderabad - 500 018, Andhra Pradesh, INDIA
Phone : +91 40 23813281, 23811205, 23811206
Phone : +91 40 23812894, Fax : +91 40 23813694/4894
E-mail : info@zentechnologies.com
Website : www.zentechnologies.com

FORM A

Covering letter of the Annual Audit Report to be filed with the Stock Exchange


1	Name of the company	Zen Technologies Limited
2	Annual financial statements for the year ended	31 March 2013
3	Type of Audit observation	Nil
4	Frequency of observation	Not Applicable

Signed by

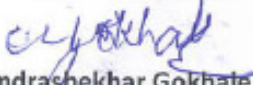
For Zen Technologies Limited


Ashok Atluri
Chairman and Managing Director

For Zen Technologies Limited


Satyanarayanan S
GM (Finance)

For Gokhale & Co
Chartered Accountants


Chandrashekhar Gokhale
Partner

For Zen Technologies Limited


G Prasad
Audit Committee Chairman

Works : Plot No. 34 part, 35, 36 & 37, Kanchari Imlarath, Near Ravirala Village, Hardware Park, Ranga Reddy District - 501 510, A.P., INDIA

