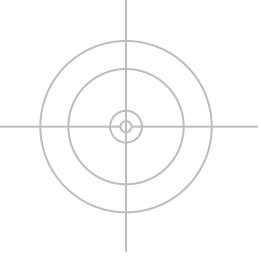


THE WAY IS IN THE TRAINING



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.

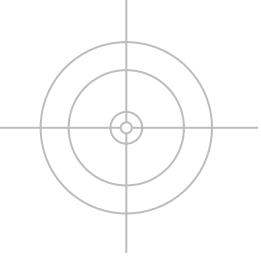
- FROM WEBSTER'S NEW WORLD DICTIONARY



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.

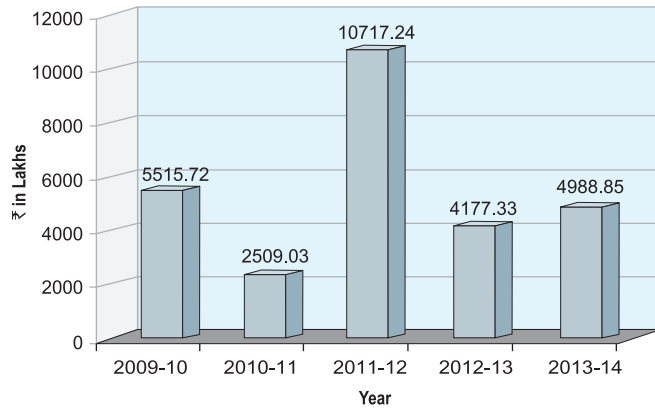
LIST OF PRODUCTS

- 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 Automated Driving Simulator (ZEN ADS)
- 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
- Zen Medium Machine Gun Simulator (ZEN MMG Sim)
- Zen Automatic Grenade Launcher Simulator (ZEN AGL Sim)
- Zen Tank Zeroing Simulator (ZEN TZS)
- Zen Armour Combat Training Systems (ZEN ACTS)

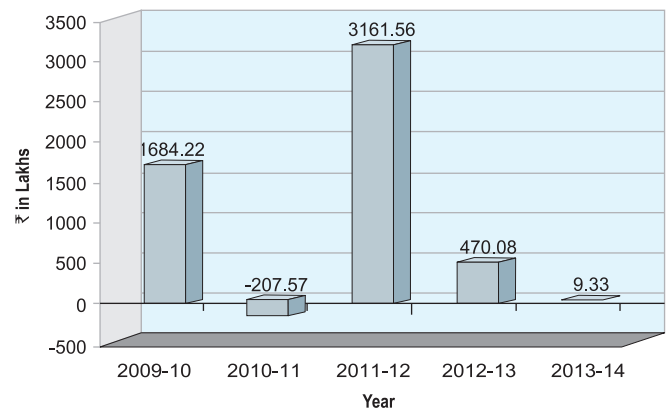


PERFORMANCE OF THE COMPANY AT A GLANCE

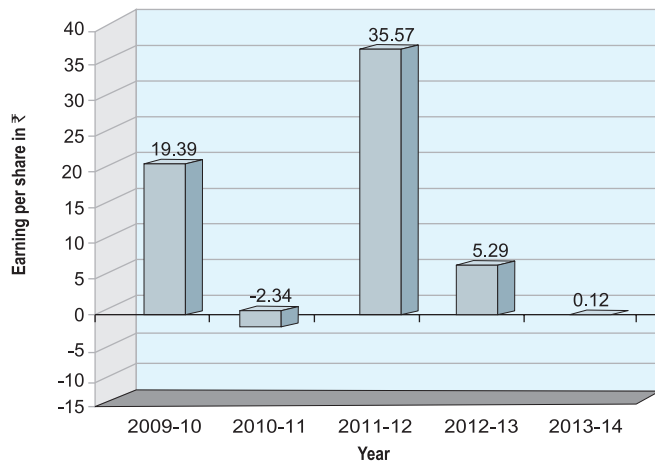
Total Income



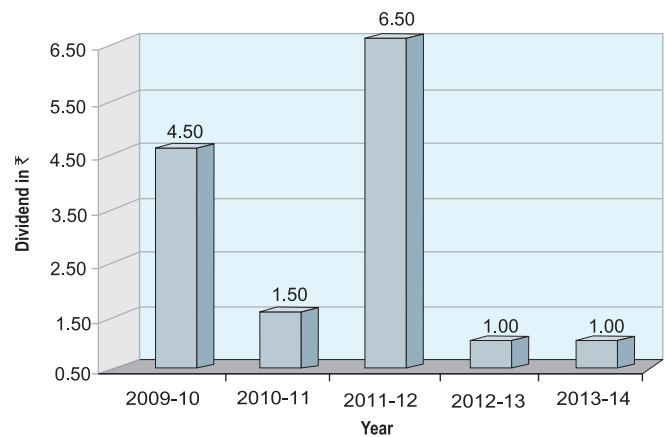
Profit after Tax

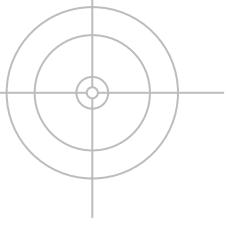


EPS



Dividend



**Registered Office**

B-42, Industrial Estate
Sanathnagar, Hyderabad-500018, Telangana, INDIA
CIN : L72200TG1993PLC015939
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
Cmde Sarvotham Rao – Director
Mr Davuluri Satish Babu – Director (up to 28 September 2013)
Mr Utpal H Sheth – Director (up to 28 September 2013)
Mr Gajjala Prasad – Director
Mrs Madati Sridevi – Additional Director (w.e.f. 5 February 2014)

President

Mr A Kishore Dutt

Company Secretary

CS 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, Telangana, INDIA
Phone : +91- 40 - 23813281, 23812894
Fax : +91- 40 - 23813694

**Registrar and Share
Transfer Agents**

Karvy Computershare Private Limited
Unit: Zen Technologies 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

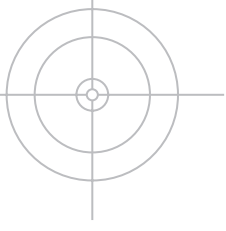
Listed with

BSE Limited, Mumbai

BOARD COMMITTEES

| | | | |
|--|-------------------------|---|--|
| Audit Committee | Mr Gajjala Prasad | - | Chairman |
| | Cmde Sarvotham Rao | - | Member |
| | Mr Davuluri Satish Babu | - | Member (up to 28 September 2013) |
| | Mr Ashok Atluri | - | Member (w.e.f. 19 October 2013) |
| Stakeholders Relationship Committee | Mr Davuluri Satish Babu | - | Chairman (up to 28 September 2013) |
| | Mr Gajjala Prasad | - | Chairman (w.e.f. 5 February 2014) |
| | Mr Ashok Atluri | - | Member |
| | Mrs Madati Sridevi | - | Member (w.e.f. 5 February 2014) |
| Nomination and Remuneration Committee | Cmde Sarvotham Rao | - | Chairman |
| | Mr Gajjala Prasad | - | Member |
| | Mr Davuluri Satish Babu | - | Member (up to 28 September 2013) |
| | Mrs Madati Sridevi | - | Member (w.e.f. 5 February 2014) |
| | Mr Ashok Atluri | - | Member (w.e.f. 24 May 2014) |
| Corporate Social Responsibility Committee | Mr Gajjala Prasad | - | Chairman (Constituted in the Board Meeting held on 24 May 2014) |
| | Mr Ashok Atluri | - | Member |
| | Mr M Ravi Kumar | - | Member |
| Compensation Committee | Mr Ashok Atluri | - | Chairman |
| | Mr Davuluri Satish Babu | - | Member (up to 28 September 2013) |
| | Mr Gajjala Prasad | - | Member |
| | Mrs Madati Sridevi | - | Member (w.e.f. 5 February 2014) |
| Selection Committee | Mr Gajjala Prasad | - | Chairman |
| | Mr Midathala Ravi Kumar | - | Member |
| | Mrs Madati Sridevi | - | Member (w.e.f. 5 February 2014) |





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NOTICE TO SHAREHOLDERS

Notice is hereby given that the 21st Annual General Meeting (AGM) of the Company will be held on Saturday the 27 September 2014 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 Financial Statements of the Company for the year ended 31 March 2014 including Audited Balance Sheet as at 31 March 2014, the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date along with the Reports of the Board of Directors' and Auditors' thereon.
2. To declare dividend for the financial year ended 31 March 2014.
3. To appoint a Director in place of Mr M Ravi Kumar (DIN: 00089921), who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Statutory Auditors of the Company.

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

"RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions, if any of the Companies Act, 2013 and the Rules made thereunder, M/s Gokhale & Co., Chartered Accountants, Hyderabad, Firm Regn No.000942S, be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this 21st AGM till the conclusion of 24th AGM (subject to ratification by the members at every AGM) and that the Board of Directors be and is hereby authorized to fix their remuneration for the period".

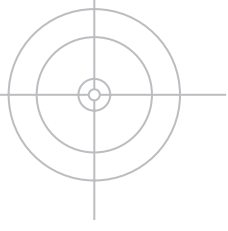
SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 152, 160 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV thereto; Cmde Sarvotham Rao (DIN: 00015530), who was appointed as Director of the Company liable to retire by rotation under erstwhile Companies Act, 1956 and holds office as Independent Director of the Company under Clause 49 of the Listing Agreement with the Stock Exchange and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office up to 29 June 2015, not liable to retire by rotation."

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 152, 160 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV thereto; Mr Gajjala Prasad (DIN: 00026718), who was appointed as Director of the Company liable to retire



by rotation under erstwhile Companies Act, 1956 and holds office as Independent Director of the Company under Clause 49 of the Listing Agreement with the Stock Exchange and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for 3 (Three) consecutive years up to 31 March 2017, not liable to retire by rotation."

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

"**RESOLVED THAT** pursuant to the provisions of Sections 149, 152, 160 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV thereto; Mrs Madati Sridevi (DIN: 02446610), who was appointed as an Additional Director of the Company by the Board of Directors in their meeting held on 5 February 2014 pursuant to the provisions of Section 161 of the Companies Act, 2013 read with Articles of Association of the Company and who holds office up to the date of this AGM, and in respect of whom the Company has received a notice in writing from a member proposing her candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for 3 (Three) consecutive years up to 31 March 2017, not liable to retire by rotation."

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

"**RESOLVED THAT** pursuant to Sections 196, 197, 198 & 203 and other applicable provisions, if any, of the Companies Act, 2013 (the 'Act') and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule V thereto and subject to such other approvals or permissions as may be necessary, consent of the members of the Company be and is hereby accorded for reappointment of Mr Ashok Atluri (DIN: 00056050), as the Managing Director of the Company for a period of 5 years with effect from 1 November 2014 (i.e., 1 November 2014 to 31 October 2019) on the following terms and conditions:

- A. BASIC SALARY:** ₹ 3,00,000/- (Rupees Three Lakhs only) per month.
- B. PERQUISITES AND ALLOWANCES:** In addition to the aforesaid salary, Mr Ashok Atluri shall also be entitled to the following perquisites and allowances classified into three categories I, II & III as follows:

CATEGORY – I

The following perquisites and allowances given in this Category will be allowed in addition to the basic salary and restricted to a maximum amount of ₹ 22,00,000/- (Rupees Twenty Two lakhs only) per annum.

- a) **House Rent Allowance:** House Rent Allowance at the rate of forty percent of basic salary (40%). The expenditure incurred by the company on gas, electricity, water and furnishing shall be evaluated as per the Income Tax Rules, 1962 or any modification thereof subject to a ceiling of ten percent of the basic salary (10%).
- b) **Mediclaim Policy Premium:** As provided by the Company group mediclaim policy, insurance coverage upto a maximum of ₹ 5,00,000/- per annum.

- c) **Leave Travel Concession:** For self and family, once in 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 the Company's policy.

CATEGORY – II

- f) 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 a month's salary for each completed year of service.

CATEGORY – III

- h) **Use of Car with Driver:** The Company shall provide a car with driver for business use. The Company will bill use of car for personal purposes.
- i) **Communication facilities:** The Company will provide all communication facilities like Telephone /Internet /Mobiles /Fax at residence of the Managing Director and will pay the bills on actual basis. Personal long distance telephone calls shall be borne by the Managing Director.

C. OTHER TERMS:

- 1) Encashment of Leave at the end of tenure shall be allowed as per the Company Rules. Leave accumulated but not availed in the previous financial year will be carried forward to next financial year as per the Company Rules.
- 2) Reimbursement of reasonable entertainment and other expenses actually and properly incurred in connection with the business of the Company.
- 3) Mr Ashok Atluri shall not, so long as he functions as the Chairman and Managing Director, be entitled to receive any fee for attending any meeting of the Board or Committee thereof.

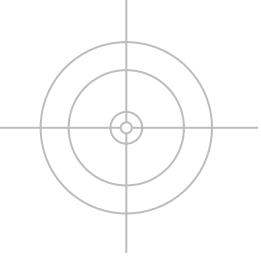
D. COMMISSION:

In addition to the above, commission @3% on the net profits of the Company calculated as per the provisions of Section 198 of the Companies Act, 2013, be paid to the Managing Director subject to the condition that the total remuneration for each year shall not exceed the overall limit as provided under Section 197 of the Companies Act, 2013 read with Schedule V of the Companies Act, 2013.

E. INCREMENTS:

Increments may be given subject to the overall limits specified under Section 197 read with Schedule V of the Companies Act, 2013.

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 Board of Directors be and is hereby authorized to alter and vary the terms and conditions of appointment and /or remuneration including annual increments based on the performance appraisal, provided the same are not exceeding the limits specified under Section 197 and other applicable provisions of the Companies Act, 2013 read with Schedule V thereto.

RESOLVED FURTHER THAT the aggregate remuneration inclusive of basic salary, perquisites and allowances and other benefits to Mr Ashok Atluri shall always be within the overall ceiling laid down in Section 197 and other applicable provisions of the Companies Act, 2013 read with Schedule V 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 Managing Director, basic salary, perquisites and allowances and other benefits shall be paid subject to the limits stipulated under Schedule V read with Section 197 of the Companies Act, 2013."

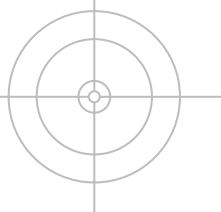
By order of the Board
For **Zen Technologies Limited**

Registered Office:
B-42, Industrial Estate
Sanath Nagar, Hyderabad -18
Date: 9 August 2014

M Amala
Company Secretary
(M.No. FCS 7611)

NOTES:

1. An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 relating to the Special Businesses to be transacted at the AGM is annexed hereto.
2. A member entitled to attend and vote at this AGM is entitled to appoint a proxy to attend and vote on a poll instead of himself / herself and such proxy need not be a member of the Company. Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as a proxy on behalf of not more than fifty members and holding in aggregate not more than ten percent of the total Share Capital of the Company. Members holding more than ten percent of the total Share Capital of the Company may appoint a single person as proxy, who shall not act as a proxy for any other Member. The instrument of Proxy, in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy Form is annexed to this Report.
3. 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 DP ID No. and Client ID and those holding in Physical form shall write their Folio No. in the attendance slip for attending the meeting. Copies of Annual Reports will not be provided at the meeting.
4. The Register of Members and Share Transfer books of the Company will remain closed from 22 September 2014 to 27 September 2014 (both days inclusive) for the purpose of payment of dividend for the financial year ended 31 March 2014 and the AGM.
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 and Share Transfer Agents, M/s Karvy Computershare Private Limited (Karvy). Members are encouraged to utilize Electronic Clearing System (ECS) for receiving dividends.
7. Subject to the provisions of the Companies Act, 2013, dividend as recommended by the Board of Directors for the year ended 31 March 2014, if declared at the meeting, will be paid within a period of 30 days from the date of declaration, 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 2005-06 in November 2013 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 2006-07 to IEPF**



in November 2014. 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 2014. Shareholders who have not so far encashed the dividend warrant(s), with regard to the dividends for the financial years 2007-08, 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13 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 2006-07 to 2011-12 is uploaded on the Company's website at

http://www.zentechologies.com/investor_relations/unpaid-unclaimed-dividend-Sept-28th-2013.php

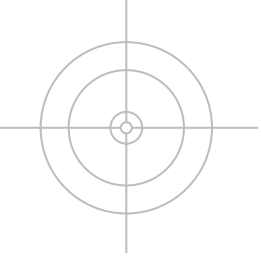
A search facility is provided for the investors to search for unclaimed amount standing to the investor's credit on the Ministry of Corporate Affairs website at

<http://iepf.gov.in/IEPFWebProject/SearchInvestorAction.do?method=gotoSearchInvestor>

9. 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.
10. The Register of Directors' and Key Management Personnel and their shareholdings shall be open for inspection Members of the Company at the AGM.
11. All relevant documents referred in the accompanying Notice and explanatory statement are open for inspection to the Members at the Registered Office of the Company during working hours between 11.00 a.m. to 1.00 p.m. on all days except Saturdays, Sundays and Public Holidays till the conclusion of the AGM.
12. The Securities and Exchange Board of India has mandated submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in demat form are, therefore, requested to submit PAN details to the Depository Participants with whom they have demat accounts. Members holding shares in physical form can submit their PAN details to Karvy.
13. Members desiring any information as regards accounts are requested to write to the Company at least seven days before the date of the meeting to enable the management to keep the information ready at the meeting.
14. To support the 'Green Initiative', the Members who have not registered their e-mail addresses are requested to register the same with Karvy/Depository Participant.
15. The Notice of the AGM along with the Annual Report 2013-14 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/ Depository Participant, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.
16. Voting through electronic means:
 - I. The Company pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, is extending e-voting facility for its Members to enable them to cast their vote electronically instead of participating and voting physically in the Annual General Meeting. The Company has appointed Mr Mahadev Tirunagari, Practicing Company

Secretary, who in the opinion of the Board is a duly qualified person, as a Scrutinizer who will collate the electronic voting process in a fair and transparent manner.

- II. The e-voting facility will be available at the link '<https://evoting.karvy.com>' during the voting period.
- III. The login ID and password for e-voting along with process, manner and instructions for e-voting is being sent to the members who have not registered their e-mail IDs with the Company / their respective Depository Participants along with physical copy of the Notice. Those members who have registered their e-mail IDs with the Company / their respective Depository Participants are being forwarded the login ID and password for e-voting along with process, manner and instructions by e-mail.
- IV. **Members are requested to note that the e-voting will commence on 17 September 2014 at 10.00 a.m. and shall remain open for 3 days i.e. upto 19 September 2014. E-voting shall not be allowed beyond 6.00 p.m. on 19 September 2014.**
- V. The procedure and instructions for e-voting are as follows:
 - i. Open your web browser during the voting period and navigate to '<https://evoting.karvy.com>'
 - ii. Enter the login credentials (i.e., user-id & password) mentioned in a separate paper sent along with the Annual Report.
 - iii. Please contact our Toll free No. 1-800-34-54-001 for any further clarifications.
 - iv. After entering these details appropriately, click on "LOGIN".
 - v. Members holding shares in Demat/Physical form will now reach Password Change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this password can be used by the Demat holders for voting for resolution of any other Company on which they are eligible to vote, provided that Company opts for e-voting through Karvy Computershare Private Limited e-Voting platform. System will prompt you to change your password and update any contact details like mobile number, email ID etc on 1st login. You may also enter the Secret Question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - vi. You need to login again with the new credentials.
 - vii. On successful login, system will prompt to select the 'Event' i.e., "Zen Technologies Limited".
 - viii. If you are holding shares in Demat form and had logged on to "<https://evoting.karvy.com>" and casted your vote earlier for any company, then your exiting login id and password are to be used.
 - ix. On the voting page, you will see Resolution Description and against the same the option 'FOR/ AGAINST' for voting. Enter the number of shares (which represents number of votes) under 'FOR/AGAINST' or alternatively you may partially enter any number in 'FOR' and partially in 'AGAINST', but the total number in 'FOR/AGAINST' taken together should not exceed your total shareholding.



- x. After selecting the resolution, if you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL "and accordingly modify your vote.
 - xi. Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote subsequently.
 - xii. Corporate / Institutional Members (corporate /Fls/Flls/ Trust/Mutual Funds/Banks, etc) are required to send scan (PDF format) of the relevant Board resolution to the Scrutinizer through e-mail: mahadev.pcs@gmail.com with copy to evoting@karvy.com. The file scanned image of the Board Resolution should be in the naming format "Corporate Name_ Event no."
 - xiii. Once the vote on the resolution is cast by the shareholder, he shall not be allowed to change it subsequently.
 - xiv. In case of any queries, please refer to be Frequently Asked Questions (FAQs) for shareholders and the e-voting User Manual for shareholders available at download section of <https://evoting.karvy.com>
- VI. During the e-voting period, shareholders of the company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 22 August 2014, may cast their vote electronically.
- VII. Since the Company is required to provide members the facility to cast their vote by electronic means, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 22 August 2014 and not casting their vote electronically, may only cast their vote at the Annual General Meeting.
- VIII. The Scrutinizer shall within a period of three working days from the date of the conclusion of e-voting period submit the report of the votes cast in favour or against, if any, to the Chairman of the Company. The result of the same will be disclosed at the Annual General Meeting proceedings.
- IX. The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.zentechologies.com and on the website of Karvy within two days of passing of the resolutions at the Annual General Meeting of the Company and will be communicated to BSE Limited, where the Equity Shares of the Company are listed.
17. Brief Profile of Mr M Ravi Kumar, Whole Time Director liable to retire by rotation and being eligible, seeking reappointment in the Annual General Meeting of the Company is provided here under:
- M Ravi Kumar is a Diploma holder in Computer Applications and has more than 20 years of experience in the software industry. 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 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.
- He is also Director on the Board of Company's Subsidiary, Version 2 Games Limited. Mr M Ravi Kumar holds 79,200 equity shares of the Company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 5 to 7

Cmde Sarvotham Rao, G Prasad were appointed as Non Executive Independent Directors of the Company, who are liable to retire by rotation under the erstwhile applicable provisions of the Companies Act, 1956. Mrs M Sridevi was appointed as an Additional Director (Non Executive Independent) of the Company with effect from 5 February 2014, pursuant to Section 161 of the Companies Act, 2013 read with Articles of Association of the Company and who holds office up to the date of this AGM.

Pursuant to the provisions of Section 149 of the Act, which came in to effect from 1 April 2014, every listed public company is required to have at least one-third of the total number of directors as Independent Directors, who are not liable to retire by rotation.

The Company has received declaration from Cmde Sarvotham Rao, G Prasad and Mrs M Sridevi stating that they meet the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Clause 49 of the Listing Agreement.

The Board of Directors of your Company, after reviewing the declaration submitted by Cmde Sarvotham Rao, G Prasad and Mrs M Sridevi are of the opinion that the said Directors meet the criteria of Independence as per Section 149(6) of the Companies Act, 2013 and the rules made thereunder and also meet with the requirements of Clause 49 of listing agreement for being Independent Director on the Board of the Company and are also independent of the management.

The Company has also received notices in writing from members along with the deposit of ₹1,00,000/- in terms of Section 160 of the Act proposing the candidature of Cmde Sarvotham Rao, G Prasad and Mrs M Sridevi respectively for the office of Director of the Company to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

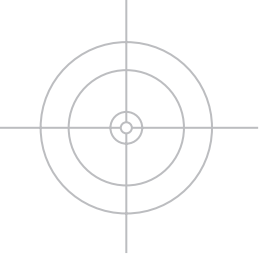
In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of these Directors as Independent Directors for a term of 3 (three) consecutive years upto 31 March 2017, not liable to retire by rotation during the said period (except Cmde Sarvotham Rao, who retires on 29 June 2015 in accordance with the retirement age policy for Directors of the Company) is now being placed before the Members for their approval.

The terms and conditions of appointment of the above Directors shall be open for inspection by the Members at the Registered Office of the Company during working hours between 11.00 a.m. to 1.00 p.m. on all days except Saturdays, Sundays and Public Holidays till the conclusion of the AGM.

Brief Profile with other details of the Independent Directors as required under Clause 49 of the Listing Agreement is given below:

Cmde Sarvotham Rao has served in Indian Navy, Ordnance Factories, Naval Armament, Missile & Torpedo Depot and Bharat Dynamics Limited (BDL).

Cmde Rao has specialized in Quality Assurance of Armament, Torpedoes and Missiles. He is a post graduate in Armament Technology and trained on Torpedoes in UK for 6 months. He was a faculty member at the Institute of Armament Technology for 3 years and served his last 4 years in the Navy



in the Research & Development establishment to develop under water weapons before joining Bharat Dynamics Limited.

Cmde Rao looked after corporate functions in BDL and was in charge of operations for 5 Production Divisions in the capacity of Director (Technical) for four years and six months. He was appointed Chairman and Managing Director of BDL in July 1994. During his tenure as Chairman and Managing Director of BDL, Cmde Rao diversified the product range and began Naval system production.

Under the able guidance and leadership of Cmde Sarvotham Rao, BDL's performance was rated as "Excellent" against MOU targets for three consecutive years from 1996-97, to 1998-99. BDL also received "Technology Assimilation Award" from Prime Minister of India. During his tenure, BDL achieved an average growth of 20%-25% per annum.

He has been on the Board of your Company as an Independent Director since 2005 and holds 3000 Equity shares of the Company.

Mr G 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 36 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 has been on the Board of your Company as an Independent Director since 2012 and does not hold any Equity shares of the Company.

Mrs M Sridevi, a Bachelor of Commerce and Fellow Member of the Institute of Company Secretaries of India is an associate of M/s G.P. Associates, Chartered Accountants, Hyderabad. She also holds a degree in Bachelor of Law and has done Masters Diploma in Business Administration. She has more than 10 years of experience in Corporate Secretarial matters. She does not hold any Equity shares of the Company.

Cmde Sarvotham Rao, G Prasad and Mrs M Sridevi, respectively to whom the resolution/s relates, are concerned or interested in the Resolutions of the accompanying Notice relating to their own appointment.

The Board recommends the resolutions set out at Item No 5 to 7 of the Notice for approval by the Members.

ITEM NO.8

As per the terms of appointment of Mr Ashok Atluri, his period of office as Managing Director will be expiring on 31 October 2014. During his tenure as Managing Director of your Company, he has made significant contribution to the growth of the Company in terms of business and profitability. Considering the immense contribution made by Mr Ashok Atluri and in the interest of efficient management and further progress of your Company, the Board of Directors based on the recommendations made by the Nomination and Remuneration Committee of the Board have decided to reappoint him as the Managing Director of the Company for another term of 5 years on the terms and conditions as set out in the resolution at Item No 8 for reappointment of Managing Director effective from 1 November 2014 subject to your approval.

Mr Ashok Atluri, a Bachelor of Commerce and a PG Diploma holder in Applied Computer Science also has experience in the field of Business Management, Strategy, Finance and Administration. He has been instrumental in helping to design the simulators so that they would be simple to use, and ensured that the products would be based on industry standards, by developing the software on the Windows-Intel platforms. He is also a recipient of the "Small Scale Entrepreneur of the Year" award from Hyderabad Management Association in 1998.

He holds 25,40,290 equity shares of the Company. He is also Director on the Board of your Company's subsidiary (Version 2 Games Limited), Zen Skillproc Private Limited and Zentech Offsets Management Services Private Limited and also Director of Young President's Organisation Hyderabad Chapter.

As per Section 196 and 197 and the rules made thereunder read with Schedule V of the Companies Act, 2013, the reappointment of Mr Ashok Atluri as the Managing Director of the Company requires your approval and hence this resolution is proposed.

No Director, Key Managerial Personnel or their relatives, except Mr Ashok Atluri, to whom the resolution relates and Mr Kishore Dutt Atluri, President (Brother of Mr Ashok Atluri), is in any way, concerned or interested in the resolution.

The Board of Directors in the interest of the Company recommend the resolution set out at Item No 8 of the Notice for the approval of the members.

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

Registered Office:
B-42, Industrial Estate
Sanath Nagar, Hyderabad -18
Date: 9 August 2014

M Amala
Company Secretary
(M.No. FCS 7611)



DIRECTORS' REPORT

(Section 134 of the Companies Act, 2013 is notified effective from 1 April 2014 which deals with the Boards' Report. However, pursuant to issue of General Circular No 8/2014 dated 4 April 2014 by the Ministry of Corporate Affairs, disclosures under this report are made as per provisions of Section 217 and other relevant rules applicable under the Companies Act, 1956).

Dear Members,

Your Directors are pleased to present the 21st Annual Report of the Company along with the Audited Financial Statements for the financial year ended 31 March 2014.

FINANCIAL RESULTS

The financial highlights of the Company are as follows:

(₹ in Cr)

| Particulars | 2013-14 | 2012-13 |
|--|---------|---------|
| Total Income | 49.89 | 41.77 |
| Total Expenditure | 45.73 | 32.55 |
| Operating Profit (PBIDT) | 4.16 | 9.23 |
| Interest | 2.48 | 1.84 |
| Depreciation & Amortization | 1.57 | 1.84 |
| Profit before tax | 0.11 | 5.55 |
| Provision for Tax | 0.02 | 0.85 |
| Deferred Tax Liability | - | - |
| Profit after Tax | 0.09 | 4.70 |
| Appropriations: | | |
| Transferred to General Reserve | - | 3.00 |
| Proposed Dividend | 0.77 | 0.89 |
| Dividend Tax | 0.13 | 0.15 |
| Retained profit | - | 0.66 |
| Earning Per Share (₹) (face value of Equity share of ₹10/- each) - Basic | 0.12 | 5.29 |

RESULTS OF OPERATIONS

During the year under review, your Company achieved total income of ₹49.89 Crores as against ₹ 41.77 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 ₹ 9.33 lakhs (₹ 4.70 Crores for the previous year). The Earnings Per Share (EPS) is ₹0.12 (previous year's EPS ₹ 5.29).

The order book size as on 31 March 2014 is about ₹ 3.84 Crores excluding AMCs as against ₹ 0.96 Crores for the previous year.

The increase in R&D expenditure caused the fall in profit. The R&D expenditure during the year 2013-14 is ₹ 14.85 crores (previous year ₹9.16 crores). The R&D products developed during the year have substantial scope for revenue generation and are expected to become commercially viable in the next two years.

DIVIDEND

Your Directors have recommended a dividend of ₹ 1.00 per Equity Share (10 percent) of face value of ₹10.00 each of the Company for the financial year ended 31 March 2014, amounting to ₹ 90.27 lakhs, (including dividend tax of ₹ 13.11 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

In accordance with the Companies Act, 1956 and the Companies (Transfer of Profits to Reserves) Rules, 1975, transfer of profits to reserves is required only if the dividend proposed exceeds 10 percent of the paid-up capital of the Company. The Board decided not to transfer any profits to reserves for the financial year 2013-14.

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 closed on 25 October 2013. Your Company has bought back 11,72,426 equity shares through electronic mode and incurred an amount of ₹ 810.70 lakhs towards Buyback of shares, which constitutes 81.07% of the total buyback offer size of ₹1,000 lakhs. The paid-up capital post buyback offer is ₹ 7,71,60,060/-.

SUB-DIVISION OF EQUITY SHARES AND CONSEQUENT AMENDMENT IN MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

The Equity Shares of the Company are listed on BSE Limited (BSE). With a view to broadbase the investor base by encouraging the participation of the small investors and also to increase the liquidity of Equity Shares of the Company, the Board of Directors at its meeting held on 9 August 2014 have recommended the sub-division of each Equity Share of face value of ₹10/- (Rupees Ten only) of the Company into 10 (Ten) Equity Shares of face value ₹1/- (Rupee One only) each for approval by the members through Postal Ballot.

Accordingly, each issued Equity Share of nominal value ₹10/- (Rupees Ten only) of the Company existing on the Record Date shall stand sub-divided into 10 (Ten) Equity Shares of nominal value ₹1/- (Rupee One only) each.

The Record Date for the aforesaid sub-division of the equity shares will be fixed by the Board of Directors after the approval of the Members is obtained through Postal Ballot.

Consequent upon sub-division of Equity Shares of the Company, the Capital Clause of Memorandum of Association and Article 4 of the Articles of Association of the Company will also require amendment. Accordingly, the Board has also recommended for approval for Members through Postal Ballot to amend Clause V of the Memorandum of Association and Article 4 of Articles of Association to reflect the alteration in the Authorised Share Capital of the Company, i.e. from ₹20,00,00,000/- (Rupees Twenty crores only) divided into 2,00,00,000 (Two crores) Equity Shares of ₹ 10/- (Rupees Ten only) each to 20,00,00,000 (Twenty crores) Equity Shares of ₹1/- (Rupee One only) each.



BORROWINGS AND CREATION OF CHARGE UNDER SECTION 180(1)(c) AND 180(1)(a) OF THE COMPANIES ACT, 2013

In view of increased scope of operations and R&D activities, the Board of Directors at its meeting held on 9 August 2014 have recommended to the Members of the Company to accord their consent through Postal Ballot, to the Board to borrow for and on behalf of the Company from time to time as they may consider fit, any sum or sums of money, on such terms and conditions as the Board may deem fit, in any manner where the monies to be borrowed together with the monies, if any, already borrowed by the Company (apart from temporary loans and credit obtained or to be obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up share capital of the Company and its free reserves such that, the total amount so borrowed by the Board of Directors and outstanding at any point of time, shall not at any time exceed, in the aggregate, the sum of ₹500 crores (Rupees Five Hundred crores only).

Further, the Board in the above said meeting held on 9 August 2014 have recommended to the Members of the Company to accord their consent through Postal Ballot, to the Board to create charge / mortgage/ hypothecate etc., in addition to the charge/mortgage/ hypothecation etc., already created, in such form, manner and ranking and on such terms as the Board deems fit in the interest of the Company, on the whole or substantially the whole of the Company's any one or more of the undertakings or all of the undertakings, whether immovable and /or movable properties of the Company, both present and future and /or any other assets or properties, either tangible or intangible, of the Company as may be agreed to in favour of the bank(s), financial institution(s) or other body(ies) corporate(s), other entity(ies), firms(s), person(s) etc. in India or abroad, to secure the borrowings availed or to be availed by the Company, up to the limits which shall not at any time exceed ₹500 crores (Rupees Five Hundred crores only).

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. 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 8 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

As per the provisions of Section 152 of the Companies Act, 2013, at every AGM, one-third of such of the Directors for the time being are liable to retire by rotation, or if their number is neither three nor a multiple of three, then the number nearest to one-third, shall retire from office. The said Act also provides that the provisions of retirement of Directors by rotation shall not be applicable to appointment of Independent Directors. To comply with the requirement of the Companies Act, 2013, the Board of Directors in their meeting held on 9 August 2014 have recommended to the Members to accord their consent through Postal Ballot to amend Article 66 of Articles of Association of the Company so as to enable the office of the Managing Director and or Manager or Whole-time Director(s) liable to determination by retirement of Directors by rotation. At the ensuing AGM, Mr M Ravi Kumar is proposed to be appointed as Director liable to retire by rotation.

In terms of the provisions of Section 149(4) of the Companies Act, 2013, which came into effect from 1 April 2014, your Company is required to have at least one-third of the total number of Directors as Independent Directors, who are not liable to retire by rotation.

The Company's non-executive Independent Directors were appointed as Directors liable to retire by rotation under the provisions of erstwhile Companies Act, 1956 and holds office as Independent Directors of the Company under Clause 49 of the listing agreement with Stock Exchange.

The above referred Independent Directors have furnished declarations under Section 149(7) of the Act to the effect that they meet the criteria of Independent Directors and in the opinion of the Board of Directors, the said Independent Directors fulfill the conditions specified in the Companies Act, 2013 and rules made thereunder and they are independent of the Management.

The Company has received notices in writing from members along with the deposit of requisite amount under Section 160 of the Act, proposing the candidatures of Cmde Sarvotham Rao, Mr G Prasad and Mrs M Sridevi for the office of Directors of the Company. In accordance with the provisions of Section 149 of the Act, these Directors are being appointed as Independent Directors to hold office as per their tenure of appointment mentioned in the Notice of the forthcoming Annual General Meeting of the Company.

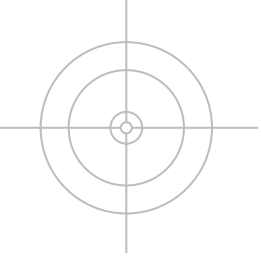
Mr Ashok Atluri is proposed to be reappointed as the Managing Director of the Company for a period of 5 years effective from 1 November 2014.

The aforesaid appointment/reappointment of Independent Directors, Managing Director and Whole-time Director are subject to your approval.

AUDITORS

Statutory Auditors:

M/s Gokhale & Co., Chartered Accountants, the Statutory Auditors of the Company will retire at the conclusion of the forthcoming 21st AGM. 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 Section 141(g) of the Companies Act, 2013.



Your Company would comply with the requirement of Rotation of Auditors within 3 years as permitted under the Companies Act, 2013.

Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the rules framed thereunder, it is proposed to appoint M/s Gokhale & Co., as Statutory Auditors of the Company from the conclusion of the forthcoming 21st AGM till the conclusion of 24th AGM to be held in the year 2017, subject to ratification of their appointment at every AGM.

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

Secretarial Auditor:

For effective corporate governance and compliance, Secretarial Audit was conducted by Mr Mahadev Tirunagari, Practicing Company Secretary for the financial year 2013-14. The Secretarial Audit Report for the financial year ended 31 March 2014, 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.

CORPORATE SOCIAL RESPONSIBILITY

As per the provisions of the Companies Act, 2013, the Board of your Company constituted a Corporate Social Responsibility (CSR) Committee to formulate and recommend CSR Policy and to comply with other requirements as mandated under the said Companies Act, 2013. Commencing from financial year 2014-15, your Company, each year, has to spend at least 2% of its average profits made during three immediate preceding financial years towards CSR Policy.

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 2014:

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 2014 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: 9 August 2014

Ashok Atluri
Chairman and Managing Director
(DIN: 00056050)



ANNEXURE - I TO THE DIRECTORS' REPORT

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 2014 |
| 3 | Holding Company's interest as at 31 March 2014 | |
| | 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 2014 | (2,47,206) |
| | ii) For previous financial years of the Subsidiary since it became subsidiary of the company | (1,64,417) |
| | b) Not dealt with in the Accounts of the Company | |
| | i) For the financial year of Subsidiary ended 31 March 2014 | Nil |
| | ii) For previous financial years of the Subsidiary since it became subsidiary of the company. | Nil |

ANNEXURE - II TO THE DIRECTORS' REPORT

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

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 Zen Medium Machine Gun Simulator (ZEN MMG Sim), Zen Automatic Grenade Launcher Simulator (ZEN AGL Sim), Zen Tank Zeroing Simulator (ZEN TZS), Zen Armour Combat Training Systems (ZEN ACTS).

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 ₹ 2066.28 lakhs as R&D expenditure for the financial year 2013-14 for the development of various products. Out of ₹ 2066.28 lakhs, ₹ 1485.49 lakhs was for R&D Revenue expenditure and ₹580.79 lakhs for R&D Capital Expenditure. The Company has incurred 45% of Sales Turnover as R&D expenditure and is a very high percentage. The Company is incurring R&D expenditure for large opportunities in future.

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

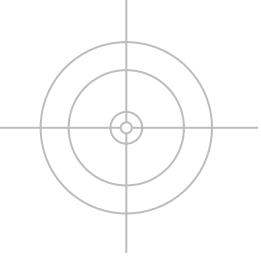
(₹ in Lakhs)

| Particulars | 2013-14 | 2012-13 |
|------------------------|---------|---------|
| Earned during the year | 109.31 | 59.98 |
| Used during the year | 669.94 | 63.47 |

For and on behalf of the Board

Place: Hyderabad
Date: 9 August 2014

Ashok Atluri
Chairman and Managing Director
(DIN: 00056050)



MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Developments

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. 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, usually, at least 3 years to know the outcome of the bid. So the offset business is fraught with many uncertainties.

Opportunities and threats

A new opportunity with no serious Indian controlled Company in contention is the Aviation Sector. We expect Aviation Sector to be the next area of focus for your Company. This represents a very huge opportunity and we are exploring the possibility for a tie-up with some big player in this segment. This would enable us to bring the latest technology to Indian Air Force (IAF) while indigenizing and customizing the technology to the specific needs of IAF.

We are also 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 all

technical compliances which increase the chance of winning the bid. 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 have started participating in major exhibitions and we expect business to be generated from these efforts in the next couple of years. Plans are also afoot to acquire some foreign brand based in Europe and leverage the brand to sell your company's products.

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 21 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.

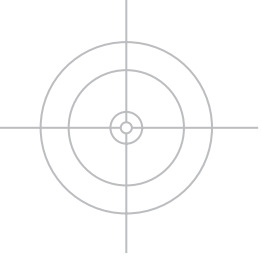
Dedicated Team

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 ₹ 49.89 Crores (previous year ₹ 41.77 Crores), EBITDA ₹ 4.16 Crores (previous year ₹ 9.23 Crores) and PAT was ₹ 0.09 Crores (previous year ₹ 4.70 Crores). Sales and Services of weapon simulators contributed ₹ 44.12 Crores (previous year ₹ 24.27 Crores) and non-weapon simulators ₹ 2.24 Crores (previous year ₹ 9.03 Crores).

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. New products that we have started demonstrating include (1) UAV Simulators for High Altitude Long Endurance (HALE) and Medium Altitude Long Endurance (MALE) and (2) Armoured Combat Training Simulator (ACTS). Both the simulators have very huge addressable market, in and outside India, worth about ₹ 3,000 Crores.

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. Incentives are now being aligned to cost savings, where possible. Profit margins are under pressure as the raw material and human resources cost continue to climb up, but our leverage to raise prices with our customer remains very limited, especially for repeat business. With the competition increasing we also expect the profit margins to suffer. However, we have been carefully identifying and investing in R&D where the potential demand is very high (in value) and where very few players have the wherewithal to develop such products.

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 told, 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.

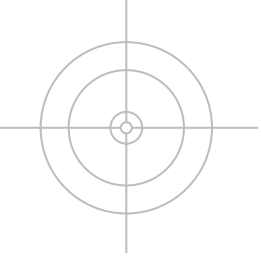
Risks and Concerns

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 246 members (previous year 243). 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

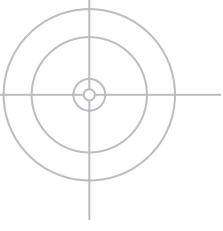
The Board of Directors of the Company consists of five (5) Directors. To ensure transparent and professional conduct of board procedures in all aspects and related thereto, more than fifty percent i.e., 3 out of 5 Directors are Independent Directors. The Chairman of the Board is an Executive Director. 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 2013-14 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 |
| Mr Sarvotham Rao | Independent Director | 30-03-2005 | Nil | Nil | Nil |
| Mr Utpal H Sheth* | Independent Director | 30-06-2008 | 06 | Nil | Nil |
| Mr G Prasad | Independent Director | 09-11-2012 | 01 | Nil | 03 |
| Mrs M Sridevi** | Independent Director | 05-02-2014 | Nil | Nil | Nil |

* Retired as Director (Non Executive Independent) with effect from 28 September 2013

** Appointed as an Additional Director (Non Executive Independent) with effect from 5 February 2014



None of the Directors on the Board is a member on more than 10 committees or Chairman of more than 5 committees as specified in Clause 49, across all the Companies in which he/she is a Director. Necessary disclosures regarding Committee positions have been made by the Directors.

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 2013-14, the Board of Directors met 5 times on the following dates:

| | | | | |
|---------------|-------------|---------------|-----------------|-----------------|
| 22 April 2013 | 30 May 2013 | 3 August 2013 | 19 October 2013 | 5 February 2014 |
|---------------|-------------|---------------|-----------------|-----------------|

The table hereunder gives the attendance record of the Directors at the five (5) Board Meetings held during the year 2013-14 and the last Annual General Meeting (AGM) held on 28 September 2013:

| Name of the Director | Number of Board meetings attended | Attendance at the last AGM |
|----------------------|-----------------------------------|----------------------------|
| Mr Ashok Atluri | 5 | Present |
| Mr M Ravi Kumar | 5 | Present |
| Mr D Satish Babu* | 3 | Absent |
| Cmdr Sarvotham Rao | 5 | Present |
| Mr Utpal H Sheth* | - | Absent |
| Mr G Prasad | 5 | Present |
| Mrs Sridevi** | 1 | Not Applicable |

* Retired as Director (Non Executive Independent) with effect from 28 September 2013

** Appointed as an Additional Director (Non Executive Independent) with effect from 5 February 2014

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 reconstituted the Audit Committee during the year, comprising of Non Executive Independent Directors forming a majority. The Chairman is a fellow member of the Institute of Chartered Accountants of India and all of the members of the Committee are financially literate and have adequate accounting knowledge. Accordingly, the Composition of the Audit Committee is in conformity with Clause 49 of the listing agreement entered with Stock Exchange.

The Composition of the Audit Committee is given below:

| Name of the Director | | Designation |
|----------------------|---|-------------|
| Mr G Prasad | — | Chairman |
| Cmdr Sarvotham Rao | — | Member |
| Mr D Satish Babu* | — | Member |
| Mr Ashok Atluri** | — | Member |

* Retired as Director (Non Executive Independent) with effect from 28 September 2013

** Appointed as Member of the Committee with effect from 19 October 2013

The Statutory Auditor, Internal Auditor, Assistant General Manager (Finance and 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:

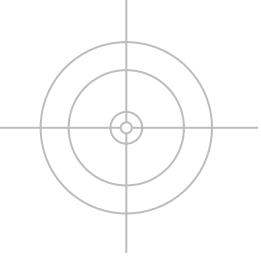
- Company's financial reporting process
- Quarterly and annual financial results of the Company
- Accounting and financial policies and practices
- Internal control and internal audit systems
- Risk management policies and practices
- Independence of auditors

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 2013-14, the Audit Committee met 4 times on the following dates:

| | | | |
|-------------|----------------|-----------------|-----------------|
| 30 May 2013 | 03 August 2013 | 19 October 2013 | 5 February 2014 |
|-------------|----------------|-----------------|-----------------|

Attendance during the year 2013-14:

| Director/Member | No. of meetings held | No. of meetings attended |
|-----------------------|----------------------|--------------------------|
| Mr G Prasad, Chairman | 4 | 4 |
| Cmde Sarvotham Rao | 4 | 4 |
| Mr D Satish Babu* | 4 | 2 |
| Mr Ashok Atluri** | 4 | 2 |

* Retired as Director (Non Executive Independent) with effect from 28 September 2013

** Appointed as Member of the Committee with effect from 19 October 2013

The Chairman of the Audit Committee is always present at the AGM to give clarifications, if any, required by the members thereat.

iv) Nomination and Remuneration Committee

During the year, your Company reconstituted Remuneration Committee with three Non-Executive Independent Directors. On 24 May 2014, the Committee was again reconstituted with induction of Mr Ashok Atluri, Chairman and Managing Director as Member and the name of the Committee was changed to Nomination and Remuneration Committee as required under the Companies Act, 2013.

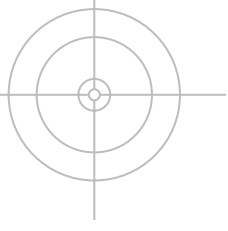
The Composition of the Committee is given below:

| Name of the Director | | Designation |
|----------------------|---|-------------|
| Cmde Sarvotham Rao | — | Chairman |
| Mr D Satish Babu* | — | Member |
| Mr G Prasad | — | Member |
| Mr Ashok Atluri | — | Member |
| Mrs M Sridevi | — | Member |

* Retired as Director (Non Executive Independent) with effect from 28 September 2013

During the year, the Remuneration Committee meeting was held for reappointment and revision in terms of reappointment of Mr M Ravi Kumar, Whole Time Director on 3 August 2013.

The object of the Nomination and Remuneration Committee is to recommend/ review the remuneration of Managing Director / Whole Time Director and Senior Management as required under the Companies Act, 2013 and Clause 49 of the Listing Agreement.



The details of remuneration paid to the Directors during the year are as follows:

Remuneration paid to Directors for the Financial Year 2013-14

(in ₹)

| Name of the Director | Designation | Sitting fee | Salary | Perquisites & Allowances | Total |
|----------------------|------------------------------------|-------------|-----------|--------------------------|-----------|
| Mr Ashok Atluri | Chairman and Managing Director | - | 24,00,000 | 10,23,781 | 34,23,781 |
| Mr M Ravi Kumar | Whole Time Director | - | 21,33,000 | 9,60,790 | 30,93,790 |
| Cmde Sarvotham Rao | Non Executive Independent Director | 1,80,000 | - | - | 1,80,000 |
| Mr D Satish Babu* | Non Executive Independent Director | 1,00,000 | - | - | 1,00,000 |
| Mr Utpal H Sheth* | Non Executive Independent Director | - | - | - | - |
| Mr G Prasad | Non Executive Independent Director | 1,80,000 | - | - | 1,80,000 |
| Mrs M Sridevi** | Non Executive Independent Director | 20,000 | - | - | 20,000 |

* Retired as Director (Non Executive Independent) with effect from 28 September 2013

** Appointed as an Additional Director (Non Executive Independent) with effect from 5 February 2014

Shares held by Non Executive Independent Directors

| Name of the Director | Number of shares |
|----------------------|------------------|
| Cmde Sarvotham Rao | 3,000 |
| Mr D Satish Babu* | Nil |
| Mr Utpal H Sheth* | 27,470 |
| Mr G Prasad | Nil |
| Mrs M Sridevi** | Nil |

* Retired as Director (Non Executive Independent) with effect from 28 September 2013

** Appointed as an Additional Director (Non Executive Independent) with effect from 5 February 2014

v) Stakeholders Relationship Committee

A. Composition

Your Company has constituted a Share Transfer and Investor Grievance Redressal Committee. To align with the requirement of the Companies Act, 2013, the name of Share Transfer and Investors' Grievance Committee was changed to "Stakeholders Relationship Committee". The Committee was reconstituted with the following Directors:

| Name of the Director | | Designation |
|----------------------|---|-------------|
| Mr G Prasad | – | Chairman |
| Mr Ashok Atluri | – | Member |
| Mrs M Sridevi | – | 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.

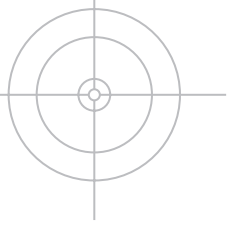
Investor complaints / requests received and resolved during the year 2013-14

| Opening Balance as on 1 April 2013 | Received during the year | Resolved during the year | Closing Balance as on 31 March 2014 |
|------------------------------------|--------------------------|--------------------------|-------------------------------------|
| Nil | 15 | 15 | Nil |

vi) Compensation Committee

Your Company has reconstituted Compensation Committee during the year consisting of:

| Name of the Director | | Designation |
|----------------------|---|----------------------------------|
| Mr Ashok Atluri | - | Chairman |
| Mr D Satish Babu | - | Member (up to 28 September 2013) |
| Mr G Prasad | - | Member |
| Mrs M Sridevi | - | Member (w.e.f. 5 February 2014) |



The Committee did not meet during the year 2013-14.

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 | | | | |
| 2010-11 | 24-09-2011 | 9.30 a.m. | B-42, Industrial Estate Sanathnagar, Hyderabad-500018 | 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. |
| 2012-13 | 28-09-2013 | 10.30 a.m. | – do– | Reappointment and revision in terms of appointment of Mr M Ravi Kumar, Whole Time Director |

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.

The Company has sought approval of Members through Postal Ballot for Sub-division of each equity share of ₹10/- into 10 equity shares of ₹1/- each fully paid-up, Amendment to Clause V of the Memorandum of Association of the Company, Alteration of Articles of Association of the Company, Authorizing Board of Directors to borrow money in excess of aggregate paid-up share capital and free reserves of the Company upto ₹ 500 Crores as per Section 180(1)(c) of the Companies Act, 2013 and Creation of Charge/ Mortgage / Hypothecation etc., on the assets of the Company upto ₹ 500 Crores as per Section 180(1)(a) of the Companies Act, 2013.

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.zentechnologies.com/about_us/zen-code-of-conduct.php

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., 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.zentechnologies.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. 21st Annual General Meeting

| | |
|------------|--|
| Day & Date | : Saturday the 27 September 2014 |
| 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 2014-15 (Tentative Schedule)

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

Adoption of Quarterly results for the Quarter ending

| | |
|-------------------|--|
| 30 June 2014 | Within 45 days from the end of quarter |
| 30 September 2014 | Within 45 days from the end of quarter |
| 31 December 2014 | Within 45 days from the end of quarter |
| 31 March 2015 | Last week of May 2015 |

C. Date of Book Closure

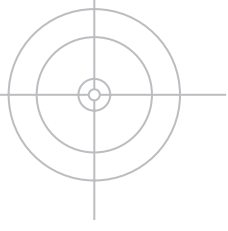
22 September 2014 to 27 September 2014 (both days inclusive)

D. Dividend Payment Date

Within 30 days from the date of declaration of dividend in AGM i.e., on or before 26 October 2014

E. Listing on Stock Exchange : BSE Limited, Mumbai

The Equity Shares of the Company are listed on BSE Limited, Mumbai. The Company confirms that it has paid annual listing fees to the Stock Exchange for the year 2014-15 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 |
|---|---|

G. Market Price Data:

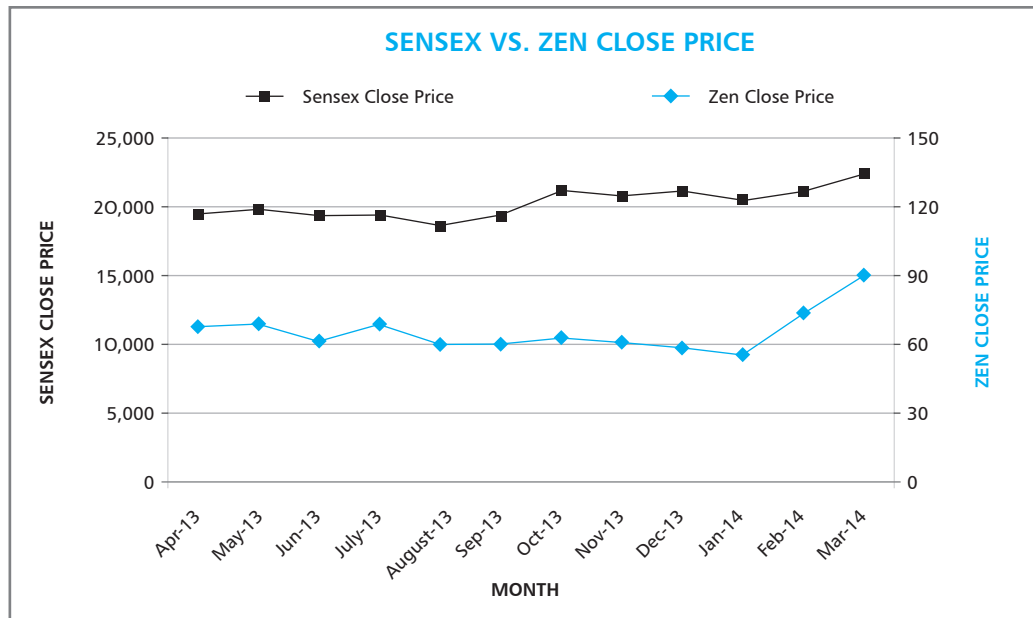
BSE Limited

| Month & Year | High (₹) | Low (₹) | Monthly Average (₹) |
|--------------|----------|---------|---------------------|
| Apr-13 | 71.70 | 64.00 | 67.85 |
| May-13 | 78.00 | 66.00 | 72.00 |
| Jun-13 | 73.50 | 57.50 | 65.50 |
| Jul-13 | 72.00 | 61.50 | 66.75 |
| Aug-13 | 70.00 | 59.05 | 64.53 |
| Sep-13 | 67.40 | 59.50 | 63.45 |
| Oct-13 | 80.00 | 59.00 | 69.50 |
| Nov-13 | 68.50 | 61.00 | 64.75 |
| Dec-13 | 63.00 | 55.10 | 59.05 |
| Jan-14 | 66.85 | 51.30 | 59.08 |
| Feb-14 | 82.50 | 53.10 | 67.80 |
| Mar-14 | 102.45 | 66.25 | 84.35 |

H. Liquidity of Shares

During the Financial Year under review 17,57,970 shares were traded on BSE Limited and the Value of Shares Traded is ₹ 12,24,43,953/-.

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



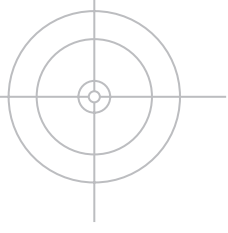
J. Registrars and Share Transfer Agents:

Karvy Computershare Private Limited
 Unit: Zen Technologies 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 2014 is as follows:

| Category (No. of Shares) | | Number of Shareholders | Percentage | No. of Shares | Percentage |
|--------------------------|-------|------------------------|------------|---------------|------------|
| From | To | | | | |
| Up to 500 | | 3,642 | 84.38 | 4,92,327 | 6.38 |
| 501 | 1000 | 275 | 6.37 | 2,24,878 | 2.91 |
| 1001 | 2000 | 166 | 3.85 | 2,50,153 | 3.24 |
| 2001 | 3000 | 87 | 2.02 | 2,21,570 | 2.87 |
| 3001 | 4000 | 36 | 0.83 | 1,27,070 | 1.65 |
| 4001 | 5000 | 22 | 0.51 | 1,02,390 | 1.33 |
| 5001 | 10000 | 45 | 1.04 | 3,32,397 | 4.31 |
| 10001 and Above | | 43 | 1.00 | 59,65,221 | 77.31 |
| TOTAL | | 4,316 | 100.00 | 77,16,006 | 100.00 |

M. Shareholding Pattern as on 31 March 2014:

| Sl. No | Category | No. of Shareholders | Total No. of Shares | % of Equity |
|--------|---------------------------------|---------------------|---------------------|---------------|
| 1 | Promoters | 14 | 45,92,257 | 59.52 |
| 2 | Central Govt./State Govt. | 0 | 0 | 0.00 |
| 3 | Foreign Institutional Investors | 1 | 2,651 | 0.03 |
| 4 | Bodies Corporate | 148 | 4,46,887 | 5.79 |
| 5 | Resident Individuals | 4,089 | 25,64,183 | 33.23 |
| 6 | NRI | 63 | 1,00,113 | 1.30 |
| 7 | Qualified Foreign Investor | 1 | 9,915 | 0.13 |
| | TOTAL | 4,316 | 7,716,006 | 100.00 |

N. Dematerialisation of shares

As on 31 March 2014, 76,58,524 equity shares were dematerialized which constitute 99.26 % of the total 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 | 0.74 |
| 2 | NSDL | 2,783 | 50,83,167 | 65.88 |
| 3 | CDSL | 1,369 | 25,75,357 | 33.38 |
| | TOTAL | 4,316 | 77,16,006 | 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 Company:

M Amala, Company Secretary
Zen Technologies Limited
B-42, Industrial Estate
Sanathnagar, Hyderabad - 500 018
Phone : +91-40 - 23814894, 23813294
Fax : +91-40 – 23813694
Email id: investors@zentechnologies.com

Registrar and Share Transfer Agents
Karvy Computershare Private Limited
Unit: Zen Technologies 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

R. Corporate Identity Number: L72200TG1993PLC015939

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 72 of the Companies Act, 2013 read with the Companies (Share Capital and Debentures) Rules, 2014 are requested to submit to the Company the prescribed Form No SH13 for this purpose. Those holding shares in dematerialized form may contact their respective Depository Participant (DP) to avail nomination facility.

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/code-of-conduct-insider-trading.pdf

xiv) CEO and CFO Certification

The Chairman and Managing Director and the Head of Finance Function 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 Head of Finance Function also give quarterly certification on financial results while placing the financial results before the Board in terms of Clause 41. The Annual Certificate given by the Chairman and Managing Director and Head of Finance function forms part of the Annual Report.



xv) Whistle Blower policy

The Company has framed a Whistle Blower Policy with a view to provide a vigil mechanism for Directors and Employees of the Company to report genuine concerns about unethical behavior, any wrongdoings, actual or suspected fraud or violation of the Company's Code of Conduct, legal or regulatory requirements and to provides direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases, to provide adequate safeguards for protection of Employees and Directors from victimization or unfair treatment and ensure that frivolous accusations are not made. The policy is available on the website of the Company.

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

Place: Hyderabad
Date: 9 August 2014

Ashok Atluri
Chairman and Managing Director
(DIN: 00056050)

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

To

The Board of Directors

Zen Technologies Limited

Hyderabad.

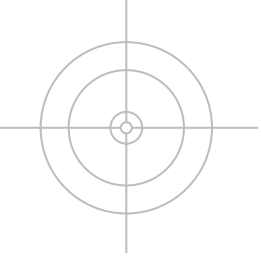
We, Ashok Atluri, Chairman and Managing Director and Y Padmavathy, Assistant General Manager (Finance & Accounts) of **Zen Technologies Limited**, certify that:

1. We have reviewed financial statements and the cash flow statements for the financial year ended 31 March 2014 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 : 24 May 2014

Ashok Atluri
Chairman and
Managing Director
(DIN: 00056050)

Y Padmavathy
Assistant General Manager
(Finance & Accounts)



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 2014, 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 0009425

Chandrashekhar Gokhale
Partner
Membership No 23839

Place : Hyderabad
Date : 9 August 2014

SECRETARIAL AUDIT 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 Association of the Company for the financial year ended on 31 March 2014. 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;

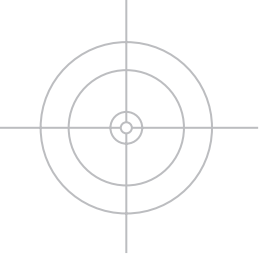
The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

The Equity Listing Agreement with BSE 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 28 September 2013 for the Financial Year ended on 31 March 2013;
- (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 Director;
- (i) has complied with all the applicable provisions with regard to payment of remuneration to the Directors including the Managing Director and Whole-time Director;
- (j) has complied with all the applicable provisions with regard to appointment and remuneration of Auditors;
- (k) has delegated power to the Registrar and Share 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 Rs 79,862/- unclaimed dividend pertaining to financial year 2005-06 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 BSE 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;

5. I further report that:

- (a) the Company has bought back and extinguished 11,72,426 equity shares under the Buyback Offer during the financial year 2013-14 (i.e., from 9 May 2013 to 25 October 2013) and the paid up capital has been reduced to that extent and the Company has complied with all the applicable provisions of the Companies Act, 1956 and SEBI (Buyback of Securities) Regulations, 1998.

Place : Hyderabad
Date : 08 July 2014

Mahadev Tirunagari
Company Secretary in Practice
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 2014, 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 notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. 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.

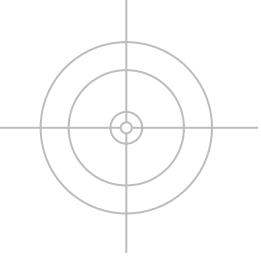
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 2014;
- (b) In the case of the Statement of Profit and Loss Account, 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 2014



Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's 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 notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
 - e. On the basis of written representations received from the Directors, as on 31 March 2014 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31 March, 2014 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

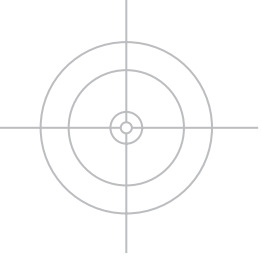
Chandrashekhar Gokhale
Partner
Membership No 23839

Place : Hyderabad
Date : 24 May 2014

Annexure

As required by the Companies (Auditor's 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 had given advances to its subsidiary Version 2 Games Limited and the balance outstanding as at the year end was NIL.
- (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 58A of the Companies Act, 1956.
- (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 has taken term loan from Technology Development Board (TDB) and the same has been utilized for the intended purpose.
- (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

Chandrashekhar Gokhale
Partner
Membership No 23839

Place : Hyderabad
Date : 24 May 2014

BALANCE SHEET AS AT 31 MARCH 2014

(in ₹)

| Particulars | Note No. | As at 31 March | |
|---|----------|----------------------|----------------------|
| | | 2014 | 2013 |
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| (a) Share capital | 3.01 | 77,160,060 | 88,884,320 |
| (b) Reserves and surplus | 3.02 | 908,450,258 | 984,320,193 |
| | | 985,610,318 | 1,073,204,513 |
| Non current liabilities | | | |
| (a) Long term borrowings | 3.03 | 44,399,836 | 18,460,630 |
| (b) Long term provisions | 3.04 | 5,238,411 | 4,083,855 |
| | | 49,638,247 | 22,544,485 |
| Current liabilities | | | |
| (a) Short term borrowings | 3.03 | 124,765,246 | 102,701,293 |
| (b) Trade payables | 3.05 | 20,933,856 | 13,042,948 |
| (c) Other current liabilities | 3.06 | 92,865,403 | 35,297,391 |
| (d) Short term provisions | 3.04 | 9,027,341 | 10,399,021 |
| | | 247,591,846 | 161,440,653 |
| TOTAL | | 1,282,840,411 | 1,257,189,651 |
| ASSETS | | | |
| Non current assets | | | |
| (a) Fixed assets | 3.07 | | |
| - Tangible assets | | 438,748,384 | 272,843,340 |
| - Intangible assets | | 49,221,452 | 19,103,373 |
| - Capital work-in-progress | | 10,355,919 | 29,006,320 |
| (b) Non current investments | 3.08 | 500,000 | 500,000 |
| (c) Long term loans and advances | 3.09 | 59,136,424 | 171,313,877 |
| (d) Other non-current assets | 3.10 | - | - |
| | | 557,962,179 | 492,766,910 |
| Current assets | | | |
| (a) Inventories | 3.11 | 98,476,010 | 52,132,765 |
| (b) Trade receivables | 3.12 | 114,649,213 | 129,095,481 |
| (c) Cash and bank balances | 3.13 | 420,229,989 | 466,237,115 |
| (d) Short term loans and advances | 3.14 | 88,371,442 | 107,494,850 |
| (e) Other current assets | 3.10 | 3,151,578 | 9,462,530 |
| | | 724,878,232 | 764,422,741 |
| TOTAL | | 1,282,840,411 | 1,257,189,651 |
| Summary of significant accounting policies | 1&2 | | |
| The accompanying notes are an integral part of financial statements | | | |

As per our Report of even date

For and on behalf of the Board

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

Chandrashekhar Gokhale
Partner
M.No: 23839

Ashok Atluri
Chairman & Managing Director
(DIN: 00056050)

M Ravi Kumar
Whole Time Director
(DIN: 00089921)

Place : Hyderabad
Date : 24 May 2014

M Amala
Company Secretary
(M.No. FCS 7611)

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2014 (in ₹)

| Particulars | Note No. | For the Year ended 31 March | |
|---|----------|-----------------------------|--------------------|
| | | 2014 | 2013 |
| INCOME | | | |
| Revenue from operations | 3.15 | 463,524,959 | 371,128,048 |
| Other income | 3.16 | 35,359,812 | 46,605,426 |
| Total (A) | | 498,884,771 | 417,733,474 |
| EXPENSES | | | |
| Cost of Materials and Components consumed | 3.17 | 125,724,090 | 96,180,371 |
| Changes in inventories of finished goods, work-in-progress and Stock-in-Trade | 3.18 | (3,680,000) | (6,310,000) |
| Manufacturing Expenses | 3.19 | 15,887,017 | 14,286,219 |
| Employee Benefits Expense | 3.20 | 60,945,842 | 56,781,616 |
| Other Expenses | 3.22 | 258,434,271 | 164,535,373 |
| Total (B) | | 457,311,220 | 325,473,579 |
| Earning Before Interest, Tax, Depreciation and Amortization (EBITDA) (A-B) | | 41,573,551 | 92,259,895 |
| Finance Costs | 3.21 | 24,753,799 | 18,392,788 |
| Depreciation and Amortization Expense | 3.23 | 15,695,927 | 18,401,282 |
| Profit/(Loss) before tax | | 1,123,825 | 55,465,825 |
| Tax Expense | 3.24 | | |
| Current tax | | 190,519 | 9,063,861 |
| Taxes for Earlier Period | | - | (606,177) |
| Total Tax Expenses | | 190,519 | 8,457,684 |
| Profit/(Loss) for the year | | 933,306 | 47,008,141 |
| Earnings per equity share | 3.25 | | |
| Basic - | | 0.12 | 5.29 |
| Diluted - | | 0.12 | 5.29 |
| Summary of significant accounting policies | 1&2 | | |
| The accompanying notes are an integral part of financial statements | | | |

| | | | | |
|---|--|---|--|--|
| <p>As per our Report of even date</p> <p>Gokhale & Co., Chartered Accountants Firm Regn. No.: 000942S</p> <p>Chandrashekhar Gokhale Partner M.No: 23839</p> <p>Place : Hyderabad Date : 24 May 2014</p> | <p>For and on behalf of the Board</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%; vertical-align: top;"> <p>Ashok Atluri Chairman & Managing Director (DIN: 00056050)</p> </td> <td style="width: 33%; vertical-align: top;"> <p>M Ravi Kumar Whole Time Director (DIN: 00089921)</p> </td> <td style="width: 33%; vertical-align: top;"> <p>M Amala Company Secretary (M.No. FCS 7611)</p> </td> </tr> </table> | <p>Ashok Atluri Chairman & Managing Director (DIN: 00056050)</p> | <p>M Ravi Kumar Whole Time Director (DIN: 00089921)</p> | <p>M Amala Company Secretary (M.No. FCS 7611)</p> |
| <p>Ashok Atluri Chairman & Managing Director (DIN: 00056050)</p> | <p>M Ravi Kumar Whole Time Director (DIN: 00089921)</p> | <p>M Amala Company Secretary (M.No. FCS 7611)</p> | | |

STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

(₹ in Lakhs)

| Particulars | For the Year ended 31 March | |
|---|-----------------------------|----------|
| | 2014 | 2013 |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 11.24 | 554.66 |
| Non-cash adjustments: | | |
| Depreciation and amortisation expenses | 503.80 | 223.86 |
| Interest expense/Finance cost | 247.54 | 183.93 |
| Interest income | (353.58) | (426.70) |
| Profit on sale asset | (0.02) | (0.02) |
| Operating profit before working capital changes | 408.97 | 535.72 |
| Changes in working capital: | | |
| Increase/(decrease) in trade payables | 78.91 | (395.35) |
| Increase/(decrease) in other current liabilities | 575.68 | (617.66) |
| Increase/(decrease) in short term provisions | (13.74) | (54.90) |
| Increase/(decrease) in long term provisions | 11.55 | 4.17 |
| Decrease/(increase) in trade receivables | 144.46 | 5829.78 |
| Decrease/(increase) in inventories | (463.43) | (102.20) |
| Decrease/(increase) in short term loans & advances | (26.26) | (384.29) |
| Decrease/(increase) in other current assets | 63.11 | (13.66) |
| Decrease/(increase) in other non-current assets | - | - |
| Cash generated from / (used in) operations | 779.24 | 4801.60 |
| Receipt from sale of Vehicle | 1.40 | - |
| Direct tax payments (net of refunds) | 215.59 | (891.43) |
| Net cash flow from/ (used in) operating activities (A) | 996.23 | 3,910.17 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| (Increase)/decrease in tangible and intangible fixed assets | (2,465.44) | (294.52) |
| (Increase)/decrease in capital work in progress | 186.50 | (208.55) |
| Interest received | 353.61 | 426.70 |
| (Increase)/decrease in non current investments | - | - |
| (Increase)/decrease in long term loans & advances | 1,121.78 | (263.51) |
| Net cash flow from/ (used in) investing activities (B) | (803.55) | (339.88) |



STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

(₹ in Lakhs)

| Particulars | For the Year ended 31 March | |
|--|-----------------------------|-------------------|
| | 2014 | 2013 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Increase/(decrease) in long term borrowings | 259.39 | (141.83) |
| Increase/(decrease) in short term borrowings | 220.65 | (1,071.44) |
| Increase/(decrease) in Share Premium & Reserves | (794.99) | - |
| Interest paid | (247.54) | (183.93) |
| Dividend tax paid | (13.11) | (93.73) |
| Dividend paid on equity shares | (77.16) | (577.75) |
| Net cash flow from/(used in) in financing activities (C) | (652.76) | (2,068.67) |
| Net increase/(decrease) in cash & cash equivalents (A+B+C) | (460.07) | 1,501.62 |
| Cash & cash equivalents at the beginning of the year | 4,662.37 | 3,160.75 |
| Cash & cash equivalents at the end of the year | 4,202.30 | 4,662.37 |
| 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 | For and on behalf of the Board | |
| Gokhale & Co., Chartered Accountants Firm Regn. No.: 0009425 | | |
| Chandrashekhar Gokhale Partner M.No: 23839 | Ashok Atluri Chairman & Managing Director (DIN: 00056050) | M Ravi Kumar Whole Time Director (DIN: 00089921) |
| Place : Hyderabad Date : 24 May 2014 | M Amala Company Secretary (M.No. FCS 7611) | |

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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 BSE Limited, Mumbai. 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.

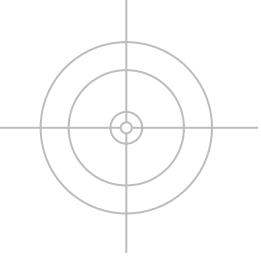
2.3 Inventories

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 include 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

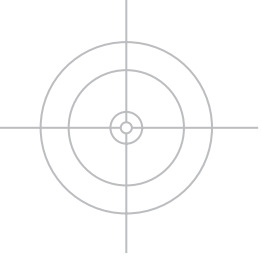
Long-term investment held in equity share capital of wholly owned subsidiary company is carried at cost.

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 year as on 31 March 2014 is ₹ 9,37,602/- details of which are given below:

| Sl. No | Name of the Bank | Year of declaration of dividend | Unclaimed Amount (₹) |
|--------|---------------------------|---------------------------------|----------------------|
| 1 | Oriental Bank of Commerce | 2006-07 | 1,63,564.00 |
| 2 | HDFC Bank | 2007-08 | 1,25,703.00 |
| 3 | HDFC Bank | 2008-09 | 1,53,211.50 |
| 4 | HDFC Bank | 2009-10 | 1,56,181.50 |
| 5 | HDFC Bank | 2010-11 | 61,276.50 |
| 6 | HDFC Bank | 2011-12 | 2,26,986.50 |
| 7 | HDFC Bank | 2012-13 | 50,679.00 |
| | TOTAL | | 9,37,602.00 |

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 | 2013-14 | 2012-13 |
|-------|--------------------------------|------------------|------------------|
| 1 | Directors' Remuneration | | |
| | Chairman & Managing Director | | |
| | Basic Salary | 24,00,000 | 24,00,000 |
| | Perquisites & Allowances | 10,23,781 | 10,12,536 |
| | Commission | - | - |
| | Total | 34,23,781 | 34,12,536 |
| 2 | Other Director | | |
| | Basic Salary | 21,33,000 | 13,32,000 |
| | Perquisites & Allowances | 9,60,790 | 8,95,998 |
| | Total | 30,93,790 | 22,27,998 |



2.27 Foreign Currency Expenses

(in ₹)

| Particulars | 2013-14 | 2012-13 |
|---|-------------|-----------|
| Capital Goods | - | 63,235 |
| Raw Materials and Components | - | 11,60,478 |
| Stores and Spares | 5,68,675 | 6,56,449 |
| Foreign Travel (Exclusive of tickets purchased) | 14,96,218 | 16,60,623 |
| Software | 5,74,85,438 | - |
| Internet Charges | 12,749 | 19,484 |
| Training Charges | - | 13,738 |
| Membership | 10,80,532 | 7,71,858 |
| Professional Charges | 14,94,626 | 9,22,665 |
| Exhibition Expenses | 31,19,544 | - |
| Others | 17,35,733 | 10,78,059 |

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 | 2013-14 | | 2012-13 | |
|------------------------------------|---------|-------|---------|-------|
| | Value | % | Value | % |
| Indigenous raw material and stores | 1251.55 | 99.55 | 943.63 | 98.11 |
| Imported stores and components | 5.69 | 0.45 | 18.17 | 1.89 |

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 | For and on behalf of the Board | |
| Gokhale & Co., Chartered Accountants Firm Regn. No.: 000942S | Ashok Atluri Chairman & Managing Director (DIN: 00056050) | M Ravi Kumar Whole Time Director (DIN: 00089921) |
| Chandrashekhhar Gokhale Partner M.No: 23839 | M Amala Company Secretary (M.No. FCS 7611) | |
| Place : Hyderabad Date : 24 May 2014 | | |

NOTES ON FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | As at 31 March 2014 | | As at 31 March 2013 | | |
|-------------|---|---------------------|-------------------|---------------------|------------|---------|
| 3.01 | SHARE CAPITAL | | | | | |
| | Authorised | | | | | |
| | 2,00,00,000 (31 March 2013: 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 | | | | | |
| | 77,16,006 (31 March 2013: 88,88,432) Equity shares of ₹10/- each, fully paid-up | 77,160,060 | | 88,884,320 | | |
| | a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period | | | | | |
| | | 31 March 2014 | | 31 March 2013 | | |
| | Particulars | Nos of Shares | ₹ | Nos of Shares | ₹ | |
| | At the beginning of the period | 8,888,432 | 88,884,320 | 8,888,432 | 88,884,320 | |
| | Changes during the year (Buyback of Shares) | (1,172,426) | (11,724,260) | - | - | |
| | Outstanding at the end of the period | 7,716,006 | 77,160,060 | 8,888,432 | 88,884,320 | |
| | 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 2014, the amount of per share dividend recognized as distributions to equity shareholders was ₹ 1.00 (previous year : ₹ 1.00)</p> | | | | | |
| | c. Details of shareholders holding more than 5% shares of ₹ 10/- each fully paid | | | | | |
| | | As at 31 March 2014 | | As at 31 March 2013 | | |
| | Name of the share holder | Nos of Shares | % | Nos of Shares | % | |
| | Ashok Atluri | 2,540,290 | 32.92 | 2,540,290 | 28.58 | |
| | Kishore Dutt Atluri | 1,232,960 | 15.98 | 1,232,960 | 13.87 | |
| | Rakesh Jhunjunwala | - | - | 450,000 | 5.06 | |
| | Rekha Jhunjunwala | - | - | 450,000 | 5.06 | |
| | <p>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.</p> | | | | | |
| | d. Aggregate number of shares bought back during the period of five years immediately preceding the reporting date: | | | | | |
| | Particulars | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 |
| | No. of Equity Shares bought back by the company during the year | 1,172,426 | - | - | - | 15,568 |
| | Aggregate Number of Equity Shares bought back by the company | 1,187,994 | 15,568 | 15,568 | 15,568 | 15,568 |

NOTES ON FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | As at 31 March 2014 | As at 31 March 2013 |
|----------|--|------------------------|------------------------|
| 3.02 | RESERVES AND SURPLUS | | |
| | Securities premium reserve (Share premium) | | |
| | Balance as per the last Balance Sheet | 158,304,880 | 158,304,880 |
| | Less: 11,72,426 Shares bought back for a premium of ₹ 58.95 | 69,119,521 | - |
| | Closing Balance | 89,185,359 | 158,304,880 |
| | General reserve | | |
| | Balance as per the last Balance Sheet | 346,478,189 | 316,478,189 |
| | Add: Amount transferred from surplus balance in the Statement of Profit and Loss | - | 30,000,000 |
| | Add: Dividend & Dividend Tax Excess Provision Reversed | 1,343,621 | - |
| | Less: Transfer to Capital Redemption reserve | 11,724,260 | - |
| | Closing Balance | 336,097,550 | 346,478,189 |
| | Capital Redemption reserve | | |
| | Balance as per the last Balance Sheet | - | - |
| | Add: Transfer from General reserve | 11,724,260 | - |
| | | 11,724,260 | - |
| | Surplus/(deficit) in the statement of profit and loss | | |
| | Balance as per last Balance Sheet | 479,537,124 | 472,928,004 |
| | Add : Net Profit/(loss) for the current period | 933,306 | 47,008,141 |
| | Balance available for appropriation | 480,470,430 | 519,936,145 |
| | Less: Appropriation | | |
| | Proposed equity dividend (amount per share ₹ 1.00 (31 March 2013: ₹ 1.00) | 7,716,006 | 8,888,432 |
| | Tax on proposed equity dividend | 1,311,335 | 1,510,589 |
| | Transfer to General Reserve | - | 30,000,000 |
| | Total appropriations | 9,027,341 | 40,399,021 |
| | Net surplus in the statement of profit and loss | 471,443,089 | 479,537,124 |
| | Total Reserves and Surplus | 908,450,258 | 984,320,193 |

NOTES ON FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | Non-current portion | | Current maturities | |
|-------------|--|---------------------|---------------------|---------------------|---------------------|
| | | As at 31 March 2014 | As at 31 March 2013 | As at 31 March 2014 | As at 31 March 2013 |
| 3.03 | LONG-TERM BORROWINGS | | | | |
| | Secured | | | | |
| | - Loan from TDB (Ref Note 1 & 2) | 43,556,000 | 17,112,000 | 8,556,000 | 8,556,000 |
| | - Interest accrued on TDB loan | 843,836 | 1,348,630 | 1,348,630 | 1,348,630 |
| | | 44,399,836 | 18,460,630 | 9,904,630 | 9,904,630 |
| | <p>Note: 1 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.</p> <p>Note: 2 The Loan taken from Technology Development Board (TDB), Ministry of Science and Technology, Govt. of India, for ₹ 1,160 lakhs (received during the financial year 2013-14 ₹ 350 lakhs as first installment towards implementation of the project) is being utilized for part financing the project "Development and Commercialization of Unmanned Aerial Vehicle Mission Simulator". The loan carries interest @ 5% (simple interest) per annum and is repayable in total nine half yearly installments commencing from 1st October 2015. The loan is secured by equitable mortgage of immovable properties and other fixed assets pari-passu with Indian Bank. The loan is also guaranteed by the Company's own guarantee and pledging of 15,00,000 equity shares owned by the Managing Director of the Company.</p> | | | | |
| Note No. | Particulars | As at 31 March 2014 | As at 31 March 2013 | | |
| 3.03 | SHORT-TERM BORROWINGS | | | | |
| | Secured | | | | |
| | Loan repayable on demand (Ref Note) | | | | |
| | - 10.00% (PY 10.00%) OD I against Fixed Deposits from Indian Bank | 84,596,954 | 83,720,194 | | |
| | - 10.00% (PY 10.25%) OD II against Fixed Deposits from Indian Bank | 40,118,161 | 18,981,099 | | |
| | - 13.25% against Indian Bank OCC account | 50,131 | - | | |
| | | 124,765,246 | 102,701,293 | | |
| | <p>Note : The above mentioned overdraft facilities are secured by way of pledge of fixed deposits. Working Capital facilities (₹ 15 Crore) from Indian Bank are secured by equitable mortgage of immovable properties and other fixed assets pari-passu charge with Technology Development Board (TDB).</p> | | | | |

NOTES ON FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | Long-term | | Short-term | |
|-------------|--|---------------------|---------------------|---------------------|---------------------|
| | | As at 31 March 2014 | As at 31 March 2013 | As at 31 March 2014 | As at 31 March 2013 |
| 3.04 | PROVISIONS | | | | |
| | Provision for employee benefit - Provision for gratuity (Ref Note) | 4,738,411 | 4,083,855 | - | - |
| | Other Provisions | | | | |
| | - Proposed dividend | - | - | 7,716,006 | 8,888,432 |
| | - Tax on dividend | - | - | 1,311,335 | 1,510,589 |
| | - Provision for decline, other than temporary, in the value of long term investments | 500,000 | - | - | - |
| | | 5,238,411 | 4,083,855 | 9,027,341 | 10,399,021 |
| | 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. | | | | |

| Note No. | Particulars | As at 31 March 2014 | As at 31 March 2013 |
|-------------|---------------------------------------|---------------------|---------------------|
| 3.05 | TRADE PAYABLES | | |
| | Trade payables | - | - |
| | - Dues to Micro and Small Enterprises | | |
| | -Others | 20,933,856 | 13,042,948 |
| | | 20,933,856 | 13,042,948 |

| S.No | Particulars | Gratuity 2013-14 |
|------------|--|------------------|
| I | Change in Present value of obligation | |
| | PVO at beginning of the year | 11,684,293 |
| | Interest cost | 940,221 |
| | Current service cost | 3,209,342 |
| | Benefits paid | (352,154) |
| | Actuarial gain/(loss) on obligation | (1,253,804) |
| | PVO at the end of the period | 14,227,898 |
| II | Change in fair value of plan Assets | |
| | Fair value of plan Assets at beginning of period | 7,600,438 |
| | Expected return on plan Assets | 748,945 |
| | Contributions | 1,521,659 |
| | Benefit paid | (352,154) |
| | Actuarial gain/(loss) on plan assets | (29,401) |
| | Fair value of plan Assets at the end of period | 9,489,487 |
| III | Net status of Plan | 4,738,411 |
| IV | Net amount recognized | 4,738,411 |

NOTES ON FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | As at 31 March 2014 | As at 31 March 2013 |
|-------------|---|------------------------|------------------------|
| 3.06 | OTHER CURRENT LIABILITIES | | |
| | Current maturities of long-term debts (Note 3.03) | 9,904,630 | 9,904,630 |
| | Unclaimed dividends | 937,602 | 981,785 |
| | Employee salaries and benefits: | | |
| | - Salaries and benefits | 1,156,331 | 1,170,972 |
| | - Bonus and incentives | 7,333,006 | 5,567,734 |
| | Other payables: | | |
| | Provision for expenses | 951,770 | 1,252,423 |
| | Taxes payable: | | |
| | - Service tax payable | 645,309 | 1,282,540 |
| | - Sales tax payable | 1,078,885 | - |
| | - TDS payable | 768,938 | 2,496,356 |
| | - Income tax payable | - | 5,587,932 |
| | Advance from customers | 70,088,931 | 7,053,019 |
| | | 92,865,403 | 35,297,391 |

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 2014 | As at 1 April 2013 | Charge for the year | Sales/ Adjustments during the year | Total 31 March 2014 | As at 31 March 2014 | As at 31 March 2013 |
| Hyderabad Unit (A.P) | | | | | | | | | | | |
| Production Division | | | | | | | | | | | |
| TANGIBLE | | | | | | | | | | | |
| Land | | 39,830,091 | - | - | 39,830,091 | - | - | - | - | 39,830,091 | 39,830,091 |
| Building - Chandralok | 1.63 | 487,791 | - | - | 487,791 | 92,994 | 7,951 | - | 100,945 | 386,846 | 394,797 |
| Building - Cherlapally | 1.63 | 4,651,498 | - | - | 4,651,498 | 379,304 | 75,819 | - | 455,124 | 4,196,374 | 4,272,194 |
| Building - New Delhi | 1.63 | - | 137,804,361 | - | 137,804,361 | - | 1,833,893 | - | 1,833,893 | 135,970,468 | - |
| Building - Maheswaram | 3.34 | 168,487,981 | 27,490,527 | - | 195,978,508 | 17,182,488 | 6,154,349 | - | 23,336,838 | 172,641,670 | 151,305,493 |
| Computers | 16.21 | 13,765,764 | 2,265,496 | - | 16,031,260 | 8,525,119 | 1,933,309 | - | 10,458,428 | 5,572,832 | 5,240,645 |
| Plant and machinery | 4.75 | 4,029,979 | 9,618,832 | - | 13,648,811 | 393,882 | 379,088 | - | 772,970 | 12,875,841 | 3,636,099 |
| Office Equipment | 16.21 | 13,898,576 | 3,075,417 | - | 16,973,993 | 9,790,600 | 1,645,831 | - | 11,436,431 | 5,537,563 | 4,107,974 |
| Furniture, fixtures | 6.33 | 8,122,835 | 858,731 | - | 8,981,566 | 1,628,077 | 524,289 | - | 2,152,366 | 6,829,200 | 6,494,758 |
| Testing Equipment | 4.75 | 95,683 | 516,287 | - | 611,970 | 875 | 11,005 | - | 11,880 | 600,090 | 94,808 |
| Vehicles | 9.5 | 15,206,406 | 711,614 | 650,056 | 15,267,964 | 8,282,115 | 1,301,951 | 508,370 | 9,075,696 | 6,192,268 | 6,924,291 |
| | | 268,576,605 | 182,341,265 | 650,056 | 450,267,813 | 46,275,454 | 13,867,486 | 508,370 | 59,634,571 | 390,633,243 | 222,301,149 |
| INTANGIBLE | | | | | | | | | | | |
| Software | 100 | 4,294,764 | - | - | 4,294,764 | 3,868,466 | 426,298 | - | 4,294,764 | - | 426,298 |
| Software | 33.33 | - | 6,107,670 | - | 6,107,670 | - | 731,840 | - | 731,840 | 5,375,830 | - |
| | | 272,871,369 | 188,448,935 | 650,056 | 460,670,247 | 50,143,920 | 15,025,625 | 508,370 | 64,661,175 | 396,009,072 | 222,727,447 |
| 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 | 345,398 | - | 28,010,207 | 3,280,007 | 452,340 | - | 3,732,347 | 24,277,861 | 24,384,802 |
| Computers | 16.21 | 7,807,831 | 132,333 | - | 7,940,165 | 6,051,380 | 682,301 | - | 6,733,681 | 1,206,483 | 1,756,451 |
| Plant and machinery | 4.75 | 14,029,291 | - | - | 14,029,291 | 5,870,966 | 664,747 | - | 6,535,713 | 7,493,578 | 8,158,325 |
| Office Equipment | 16.21 | 5,781,208 | - | - | 5,781,208 | 5,714,893 | 15,274 | - | 5,730,167 | 51,041 | 66,315 |

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 2014 | As at 1 April 2013 | Charge for the year | Sales/ Adjustments during the year | Total 31 March 2014 | As at 31 March 2014 | As at 31 March 2013 |
| Furniture, fixtures | 6.33 | 3,901,549 | 116,326 | - | 4,017,875 | 1,820,071 | 250,167 | - | 2,070,237 | 1,947,638 | 2,081,478 |
| Testing Equipment | 4.75 | 4,727,475 | - | - | 4,727,475 | 1,097,405 | 224,202 | - | 1,321,607 | 3,405,868 | 3,630,070 |
| Vehicles | 9.5 | 818,169 | - | - | 818,169 | 466,569 | 77,726 | - | 544,295 | 273,874 | 351,600 |
| INTANGIBLE | | 69,880,352 | 594,057 | - | 70,474,409 | 24,301,290 | 2,366,757 | - | 26,668,047 | 43,806,363 | 45,579,061 |
| Software | 100 | 30,600,930 | - | - | 30,600,930 | 11,923,855 | 18,677,075 | - | 30,600,930 | - | 18,677,075 |
| Software | 33.33 | - | 57,485,438 | - | 57,485,438 | - | 13,639,816 | - | 13,639,816 | 43,845,622 | - |
| | | 100,481,282 | 58,079,495 | - | 158,560,777 | 36,225,146 | 34,683,647 | - | 70,908,793 | 87,651,985 | 64,256,136 |
| Nalagarh Unit (Himachal Pradesh) | | | | | | | | | | | |
| Production Division | | | | | | | | | | | |
| TANGIBLE | | | | | | | | | | | |
| Computers | 16.21 | 1,751,938 | - | - | 1,751,938 | 1,430,230 | 274,597 | - | 1,704,827 | 47,111 | 321,708 |
| Plant and machinery | 4.75 | 3,122,715 | - | - | 3,122,715 | 813,292 | 148,329 | - | 961,621 | 2,161,094 | 2,309,422 |
| Office Equipment | 16.21 | 408,085 | 15,950 | - | 424,035 | 278,588 | 68,193 | - | 346,781 | 77,254 | 129,497 |
| Furniture, fixtures | 6.33 | 1,356,437 | - | - | 1,356,437 | 403,936 | 95,575 | - | 499,511 | 856,926 | 952,501 |
| Testing Equipment | 4.75 | 1,581,367 | - | - | 1,581,367 | 380,463 | 75,115 | - | 455,578 | 1,125,789 | 1,200,904 |
| Vehicles | 9.5 | 89,400 | - | - | 89,400 | 40,302 | 8,493 | - | 48,795 | 40,605 | 49,098 |
| | | 8,309,942 | 15,950 | - | 8,325,892 | 3,346,812 | 670,302 | - | 4,017,114 | 4,308,778 | 4,963,130 |
| INTANGIBLE | | 594,501 | - | - | 594,501 | 594,501 | - | - | 594,501 | - | - |
| Software | 100 | 8,904,443 | 15,950 | - | 8,920,393 | 3,941,313 | 670,302 | - | 4,611,615 | 4,308,778 | 4,963,130 |
| Total of Tangible Assets A | | 346,766,899 | 182,951,272 | 650,056 | 529,068,115 | 73,923,556 | 16,904,545 | 508,370 | 90,319,731 | 438,748,384 | 272,843,340 |
| Total of Intangible Assets B | | 35,490,195 | 63,593,108 | - | 99,083,303 | 16,386,822 | 33,475,029 | - | 49,861,851 | 49,221,452 | 19,103,373 |
| Total of (A+B) | | 382,257,094 | 246,544,380 | 650,056 | 628,151,418 | 90,310,378 | 50,379,574 | 508,370 | 140,181,582 | 487,969,836 | 291,946,714 |
| Previous year | | 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 |

NOTES ON FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | As at 31 March 2014 | As at 31 March 2013 |
|-------------|---|------------------------|------------------------|
| 3.08 | NON-CURRENT INVESTMENTS | | |
| | Long term at cost, unless otherwise specified | | |
| | I. Other (Unquoted) - Non trade | | |
| | Investments 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 | 36,412,780 | 153,420,045 |
| | Security deposits | 8,398,049 | 8,382,526 |
| | Loans and advances to related parties | | |
| | - Version 2 Games Limited | - | 1,173,611 |
| | Other loans and advances | | |
| | - Prepaid expenses | 1,989,146 | 761,791 |
| | - Deposits with government, public bodies and others | 12,336,449 | 7,575,904 |
| | | 59,136,424 | 171,313,877 |
| 3.10 | OTHER NON-CURRENT ASSETS | - | - |
| | OTHER CURRENT ASSETS | | |
| | Interest accrued on fixed deposits with banks and others | 3,151,578 | 9,462,530 |
| | | 3,151,578 | 9,462,530 |
| 3.11 | INVENTORIES | | |
| | Raw material (Ref Note 3.17) | 57,131,861 | 16,660,616 |
| | Finished Goods | - | - |
| | Work in progress (Ref Note 3.18) | 35,650,000 | 31,970,000 |
| | Traded goods (Ref Note 3.18) | 3,502,149 | 3,502,149 |
| | Inventory Others | 2,192,000 | - |
| | | 98,476,010 | 52,132,765 |

NOTES ON FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | Non-Current | | Current | |
|-------------|--|---------------------|---------------------|---------------------|---------------------|
| | | As at 31 March 2014 | As at 31 March 2013 | As at 31 March 2014 | As at 31 March 2013 |
| 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 | 31,318,090 | 98,444,118 | - | - |
| | - Doubtful | 10,765,113 | 11,435,587 | - | - |
| | | 42,083,203 | 109,879,705 | - | - |
| | Provision for doubtful receivables | (10,765,113) | (11,435,587) | - | - |
| | (A) | 31,318,090 | 98,444,118 | - | - |
| | Other receivables | | | | |
| | - Unsecured, considered good | - | - | 83,331,123 | 30,651,363 |
| | (B) | - | - | 83,331,123 | 30,651,363 |
| | Total (A+B) | 31,318,090 | 98,444,118 | 83,331,123 | 30,651,363 |

| Note No. | Particulars | As at 31 March 2014 | As at 31 March 2013 |
|-------------|--|---------------------|---------------------|
| 3.13 | CASH AND BANK BALANCES | | |
| | Cash and cash equivalents | | |
| | Balances with banks: | | |
| | - On current accounts | 67,449,114 | 5,691,310 |
| | Cash on hand | 662,600 | 459,839 |
| | Other bank balances: | | |
| | - Deposits with original maturity for > 3 months but < 12 months Corporation Bank | - | 50,000,000 |
| | - Deposits with original maturity for > 3 months but < 12 months Indian Bank | 2,236,959 | 36,837,900 |
| | - 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 | 28,368,701 | 12,651,490 |
| | Balances with banks to the extent held as security against OD borrowings-Indian Bank | 238,045,264 | 238,043,012 |
| | Balances with banks to the extent held as security against OD borrowings-HDFC Bank | 10,000,000 | 10,000,000 |
| | Balances with banks to the extent held as security against OD borrowings -Corporation Bank | 72,529,749 | 71,571,779 |
| | Balances with banks for unpaid dividend | 937,602 | 981,785 |
| | | 420,229,989 | 466,237,115 |

NOTES ON FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | As at 31 March 2014 | As at 31 March 2013 |
|-------------|--|------------------------|------------------------|
| 3.14 | SHORT-TERM LOANS AND ADVANCES | | |
| | Unsecured, considered good | | |
| | Advance to material suppliers | 44,482,548 | 46,236,186 |
| | Advance income tax | 29,306,134 | 51,055,967 |
| | Other loans and advances | | |
| | - Prepaid expenses | 5,006,903 | 4,352,712 |
| | - Balance with VAT, Central excise and Service tax | 7,281,671 | 2,227,254 |
| | - Loans and advances to employees | 1,928,245 | 1,823,271 |
| | - Others | 365,940 | 1,799,460 |
| | | 88,371,442 | 107,494,850 |

NOTES ON FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | Year ended 31 March 2014 | Year ended 31 March 2013 |
|-------------|--------------------------------|-----------------------------|-----------------------------|
| 3.15 | REVENUE FROM OPERATIONS | | |
| | a) Sale of Products | 435,280,361 | 343,148,396 |
| | Less : Excise duty | 2,703,254 | 7,287,413 |
| | | 432,577,107 | 335,860,983 |
| | b) Sale of Services | 30,947,852 | 35,267,065 |
| | | 463,524,959 | 371,128,048 |

| | | | |
|-------------|--|------------|------------|
| 3.16 | OTHER INCOME | | |
| | Interest income | 35,890,918 | 42,670,432 |
| | Provisions written back | - | 3,495,749 |
| | Miscellaneous income | 311 | 500,276 |
| | Net gain/(loss) on foreign currency exchange fluctuation | (529,469) | (62,649) |
| | Profit/(Loss) on Sale of Vehicle | (1,948) | 1,618 |
| | | 35,359,812 | 46,605,426 |

| | | | |
|-------------|--|-------------|-------------|
| 3.17 | COST OF MATERIALS AND COMPONENTS CONSUMED | | |
| | Opening stock of raw materials | 16,660,616 | 12,750,682 |
| | Add : Purchases | 166,195,335 | 100,090,305 |
| | | 182,855,951 | 112,840,987 |
| | Less : Closing stock | 57,131,861 | 16,660,616 |
| | | 125,724,090 | 96,180,371 |

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 | 31,970,000 | 25,660,000 |
| | Opening traded goods | 3,502,149 | 3,502,149 |
| | | 35,472,149 | 29,162,149 |
| | Closing work in progress | 35,650,000 | 31,970,000 |
| | Closing traded goods | 3,502,149 | 3,502,149 |
| | | 39,152,149 | 35,472,149 |
| | Net increase / (decrease) in stock | (3,680,000) | (6,310,000) |

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 2014 | Year ended 31 March 2013 |
|-------------|---|-----------------------------|-----------------------------|
| 3.19 | MANUFACTURING EXPENSES | | |
| | Power and fuel | 2,546,753 | 1,726,412 |
| | Spares and Stores | 2,080,900 | 1,162,678 |
| | Freight | 3,242,545 | 2,542,064 |
| | Travel expenses - Production | 355,146 | - |
| | System Installation & Maintenance | 622,503 | 1,085,307 |
| | Salaries -Production | 7,039,170 | 7,769,758 |
| | | 15,887,017 | 14,286,219 |
| 3.20 | EMPLOYEE BENEFIT EXPENSE | | |
| | Salaries, wages and bonus | 50,296,150 | 45,493,845 |
| | Contribution to provident and other funds | 1,875,499 | 1,761,431 |
| | Gratuity expense | 2,176,215 | 2,936,876 |
| | Exgratia expense | - | 651,938 |
| | Staff welfare expenses | 6,597,978 | 5,937,526 |
| | | 60,945,842 | 56,781,616 |
| 3.21 | FINANCE COSTS | | |
| | Bank Charges | 1,315,628 | 1,309,018 |
| | BG Commission | 2,644,681 | 3,091,946 |
| | Interest on borrowings | | |
| | - interest on term loan with indian bank | - | 40,908 |
| | - interest on bank OD loans | 19,626,123 | 12,346,373 |
| | - interest on TDB loan | 1,167,367 | 1,604,543 |
| | | 24,753,799 | 18,392,788 |
| 3.22 | OTHER EXPENSES | 258,434,271 | 164,535,373 |
| | Selling & Distribution expenses | 27,183,514 | 11,314,615 |
| | Business Promotion | 3,697,604 | 3,403,788 |
| | Club expenses | 461,246 | 411,418 |
| | Electricity Charges | 19,050 | 32,050 |
| | Exhibition expenses | 14,572,641 | 465,598 |
| | Freight | 2,475,557 | 1,349,608 |
| | Guest House Rent & Maintenance | 40,400 | 19,500 |
| | Hotel Boarding & Lodging | 717,016 | 432,653 |
| | Royalty | 5,200,000 | 5,200,000 |
| | Travelling expenses | 28,996,427 | 28,634,299 |
| | Domestic Travel | 24,039,472 | 22,482,811 |
| | Travel expenses - Delivery | 533,163 | 442,393 |
| | Travel expenses - Demo | 1,100,170 | 1,114,686 |
| | Travel expenses - Installation | 758,229 | 4,068,798 |

**NOTES ON FINANCIAL STATEMENTS**

(in ₹)

| Note No. | Particulars | Year ended 31 March 2014 | Year ended 31 March 2013 |
|----------|--|-----------------------------|-----------------------------|
| | Travel expenses - Servicing | 13,014,174 | 9,702,595 |
| | Travel expenses - Directors | 1,812,817 | 1,315,236 |
| | Travel expenses - Marketing | 4,276,289 | 3,606,084 |
| | Travel expenses - General | 2,544,630 | 2,233,019 |
| | Foreign Travel | 4,956,955 | 6,151,488 |
| | Travel expenses - Directors | 1,814,404 | 2,985,871 |
| | Travel expenses - Others | 3,142,551 | 3,165,617 |
| | R & D Revenue expenses (Refer Note No. 3.26) | 148,548,671 | 91,659,087 |
| | Administrative & General expenses | 53,705,659 | 32,927,372 |
| | Advertisement | 673,774 | 335,633 |
| | AGM Expenses | 26,202 | 16,861 |
| | Annual Day Expenses | - | 697,851 |
| | Bad Debts | 43,927 | - |
| | Books & periodicals | 55,508 | 128,270 |
| | Conveyance | 3,127,255 | 2,892,939 |
| | Directors' sitting fees | 480,000 | 500,000 |
| | Donation | 503,950 | 35,850 |
| | Electricity Charges | 157,204 | 153,136 |
| | Incidental expenses | 708,906 | 278,440 |
| | Listing Fee | 25,000 | 25,000 |
| | Insurance | 1,039,779 | 792,089 |
| | Membership & Subscription | 2,305,605 | 1,327,543 |
| | Office Maintenance | 5,402,288 | 7,407,628 |
| | Postage & Telephone | 3,769,835 | 3,232,998 |
| | Printing & Stationary | 1,742,943 | 1,550,867 |
| | Professional Charges | 14,706,906 | 7,635,195 |
| | Provision for doubtful Debts/Advances | (171,612) | (10,164,640) |
| | Rates & Taxes | 1,891,186 | 1,884,661 |
| | Rent | 6,861,992 | 6,286,961 |
| | Security expenses | 2,339,434 | 2,154,411 |
| | Software Licence fee | 2,756,875 | 2,029,759 |
| | Vehicle Maintenance | 2,392,702 | 2,521,291 |
| | Computer Maintenance | 1,310,273 | 878,125 |
| | Professional charges-Buy back | 1,150,847 | - |
| | Payment to Auditors | | |
| | As Auditors | | |
| | For Statutory & Tax audit fee | 205,000 | 165,000 |
| | For Internal audit - Quarterly review of accounts | 150,000 | 120,000 |
| | In other capacity | | |
| | For Certification and Advisory in respect of Income tax, Company law etc., | - | 14,650 |
| | For Certification of Cost compliance | 36,000 | 26,854 |
| | Out of pocket expenses | 13,880 | - |



NOTES ON FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | Year ended 31 March 2014 | Year ended 31 March 2013 |
|-------------|---|-----------------------------|-----------------------------|
| 3.23 | DEPRECIATION & AMORTISATION EXPENSE | | |
| | Depreciation on total Tangible assets (Ref Note 3.07) | 16,904,545 | 19,734,764 |
| | Depreciation on total Intangible assets (Ref Note 3.07) | 33,475,029 | 2,651,045 |
| | | 50,379,574 | 22,385,809 |
| | Less: Shown under R&D revenue expense (Refer Note No. 3.22) | | |
| | - Depreciation on Tangible assets used in R&D activities (Ref Note 3.26) | 2,366,757 | 2,241,102 |
| | - Depreciation on Intangible assets used in R&D activities (Ref Note 3.26) | 32,316,890 | 1,743,424 |
| | | 15,695,927 | 18,401,282 |
| 3.24 | TAX EXPENSES | | |
| | Current tax | 190,519 | 9,063,861 |
| | Tax for earlier period | - | (606,177) |
| | | 190,519 | 8,457,684 |
| | 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) | 933,306 | 47,008,141 |
| | Weighted average number of equity shares | 7,716,006 | 8,888,432 |
| | Earnings per Share (Both Basic & Diluted) | 0.12 | 5.29 |
| 3.26 | EXPENDITURE INCURRED ON RESEARCH AND DEVELOPMENT | | |
| | Salaries | 50,524,987 | 42,105,024 |
| | Bonus & Gratuity | 3,697,633 | 2,871,915 |
| | Electricity Charges | 3,363,508 | 2,320,069 |
| | Travelling expenses | 2,640,217 | 976,825 |
| | Spares & Stores | 51,578,137 | 37,166,066 |
| | Consultancy Fee | 985,000 | 2,206,180 |
| | Depreciation | 34,683,647 | 3,984,526 |
| | Interest on TDB Loan (UAV Sim) | 843,836 | - |
| | Training charges | 126,000 | 28,482 |
| | Freight | 105,706 | - |
| | | 148,548,671 | 91,659,087 |

NOTES ON FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | Year ended 31 March 2014 | Year ended 31 March 2013 |
|----------|--|--|---|
| 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 (b) Subsequent demands raised by the excise authority, pending decision of the case in (a) above, being disputed by the company | 5,171,356 74,942,371 80,113,727 | 5,171,356 74,942,371 80,113,727 |
| | <p>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.</p> | | |
| | II GUARANTEES (a) Bank Guarantees | 283,687,010 283,687,010 | 126,514,905 126,514,905 |



NOTES ON FINANCIAL STATEMENTS

3.28 RELATED PARTY DISCLOSURE

(in ₹)

| | Name of the Party | Relationship | Nature of Transaction | 2013-14 | 2012-13 |
|--|---|---|-----------------------|------------------|-----------|
| | 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 | 3,360,000 |
| | Mr. Ashok Atluri Chairman and Managing Director | Key Management Personnel | Commission | - | - |
| | 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 | 3,075,000 | 2,220,000 |
| | b. Receivables | | | | |
| | Version 2 Games Limited | Wholly owned subsidiary | Debtors | 95,136 | 900,000 |
| | Version 2 Games Limited | Wholly owned subsidiary | Investment | 500,000 | 500,000 |

As per our Report of even date

For and on behalf of the Board

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

Chandrashekhar Gokhale
Partner
M.No: 23839

Ashok Atluri
Chairman & Managing Director
(DIN: 00056050)

M Ravi Kumar
Whole Time Director
(DIN: 00089921)

Place : Hyderabad
Date : 24 May 2014

M Amala
Company Secretary
(M.No. FCS 7611)

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 2014, 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.

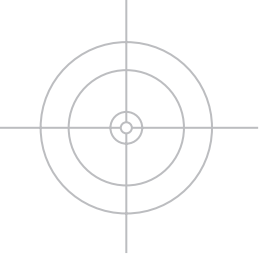
Management's Responsibility for the Consolidated Financial Statements

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.

Auditor's 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 judgment, 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 2014;
- (b) in the case of the consolidated Statement of Profit and Loss Account, 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

Chandrashekhar Gokhale
Partner
Membership No 23839

Place : Hyderabad
Date : 24 May 2014

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2014

(in ₹)

| Particulars | Note No. | As at 31 March | |
|---|----------|----------------------|----------------------|
| | | 2014 | 2013 |
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| (a) Share capital | 3.01 | 77,160,060 | 88,884,320 |
| (b) Reserves and surplus | 3.02 | 907,855,605 | 983,676,703 |
| | | 985,015,665 | 1,072,561,023 |
| Non current liabilities | | | |
| (a) Long term borrowings | 3.03 | 44,399,836 | 20,534,261 |
| (b) Long term provisions | 3.04 | 5,238,411 | 4,083,855 |
| | | 49,638,247 | 24,618,116 |
| Current liabilities | | | |
| (a) Short term borrowings | 3.03 | 124,765,246 | 102,701,293 |
| (b) Trade payables | 3.05 | 20,945,092 | 13,548,874 |
| (c) Other current liabilities | 3.06 | 92,865,403 | 35,679,839 |
| (d) Short term provisions | 3.04 | 9,027,341 | 10,399,021 |
| | | 247,603,082 | 162,329,027 |
| TOTAL | | 1,282,256,994 | 1,259,508,166 |
| ASSETS | | | |
| Non current assets | | | |
| (a) Fixed assets | 3.07 | | |
| - Tangible assets | | 438,748,384 | 275,151,510 |
| - Intangible assets | | 49,221,452 | 19,103,373 |
| - Capital work-in-progress | | 10,355,919 | 29,006,320 |
| (b) Long term loans and advances | 3.08 | 59,136,424 | 171,492,995 |
| (c) Other non-current assets | 3.09 | - | - |
| | | 557,462,179 | 494,754,198 |
| Current assets | | | |
| (a) Inventories | 3.10 | 98,476,010 | 52,132,765 |
| (b) Trade receivables | 3.11 | 114,554,077 | 129,380,237 |
| (c) Cash and bank balances | 3.12 | 420,241,708 | 466,246,492 |
| (d) Short term loans and advances | 3.13 | 88,371,442 | 107,531,944 |
| (e) Other current assets | 3.09 | 3,151,578 | 9,462,530 |
| | | 724,794,815 | 764,753,968 |
| TOTAL | | 1,282,256,994 | 1,259,508,166 |
| 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 | For and on behalf of the Board | |
| Gokhale & Co., Chartered Accountants Firm Regn. No.: 0009425 | Ashok Atluri Chairman & Managing Director (DIN: 00056050) | M Ravi Kumar Whole Time Director (DIN: 00089921) |
| Chandrashekhar Gokhale Partner M.No: 23839 | M Amala Company Secretary (M.No. FCS 7611) | |
| Place : Hyderabad Date : 24 May 2014 | | |

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2014

(in ₹)

| Particulars | Note No. | For the Year ended 31 March | |
|---|----------|-----------------------------|--------------------|
| | | 2014 | 2013 |
| INCOME | | | |
| Revenue from operations | 3.14 | 463,531,546 | 371,372,285 |
| Other income | 3.15 | 35,590,228 | 47,079,390 |
| Total (A) | | 499,121,774 | 418,451,675 |
| EXPENSES | | | |
| Cost of Materials and Components consumed | 3.16 | 125,724,090 | 96,180,371 |
| Changes in inventories of finished goods, work-in-progress and Stock-in-Trade | 3.17 | (3,680,000) | (6,310,000) |
| Manufacturing Expenses | 3.18 | 15,887,017 | 14,307,687 |
| Employee Benefits Expense | 3.19 | 60,938,564 | 56,781,616 |
| Other Expenses | 3.21 | 258,555,391 | 164,853,020 |
| Total (B) | | 457,425,062 | 325,812,694 |
| Earning Before Interest, Tax, Depreciation and Amortization (EBITDA) (A-B) | | 41,696,712 | 92,638,981 |
| Finance Costs | 3.20 | 24,754,821 | 18,396,303 |
| Depreciation and Amortization Expense | 3.22 | 16,065,272 | 18,941,269 |
| Profit/(Loss) before tax | | 876,619 | 55,301,409 |
| Tax Expense | 3.23 | | |
| Current tax | | 190,519 | 9,063,861 |
| Taxes for Earlier Period | | - | (606,177) |
| Total Tax Expenses | | 190,519 | 8,457,684 |
| Profit/(Loss) for the year | | 686,101 | 46,843,725 |
| Earnings per equity share | 3.24 | | |
| Basic - | | 0.09 | 5.27 |
| Diluted - | | 0.09 | 5.27 |
| Summary of significant accounting policies | 1&2 | | |
| The accompanying notes are an integral part of the financial statements | | | |

| | |
|---|---|
| <p>As per our Report of even date</p> <p>Gokhale & Co., Chartered Accountants Firm Regn. No.: 000942S</p> <p>Chandrashekhar Gokhale Partner M.No: 23839</p> <p>Place : Hyderabad Date : 24 May 2014</p> | <p>For and on behalf of the Board</p> <p>Ashok Atluri Chairman & Managing Director (DIN: 00056050)</p> <p>M Ravi Kumar Whole Time Director (DIN: 00089921)</p> <p>M Amala Company Secretary (M.No. FCS 7611)</p> |
|---|---|

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

(₹ in Lakhs)

| Particulars | For the Year ended 31 March | |
|--|-----------------------------|-----------------|
| | 2014 | 2013 |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 8.77 | 553.01 |
| Non-cash adjustments: | | |
| Depreciation and amortisation expenses | 507.49 | 229.26 |
| Interest expense/Finance cost | 247.55 | 183.96 |
| Interest income | (355.88) | (426.70) |
| Profit on sale asset | (0.02) | (0.02) |
| Operating profit before working capital changes | 407.91 | 539.51 |
| Changes in working capital: | | |
| Increase/(decrease) in trade payables | 73.96 | (403.78) |
| Increase/(decrease) in other current liabilities | 571.85 | (638.23) |
| Increase/(decrease) in short term provisions | (13.74) | (54.90) |
| Increase/(decrease) in long term provisions | 11.55 | 4.17 |
| Decrease/(increase) in trade receivables | 148.26 | 5827.57 |
| Decrease/(increase) in inventories | (463.43) | (102.20) |
| Decrease/(increase) in short term loans & advances | (26.26) | (380.10) |
| Decrease/(increase) in other current assets | 63.12 | (13.66) |
| Cash generated from /(used in) operations | 773.21 | 4778.37 |
| Receipt from sale of vehicle | 1.40 | - |
| Direct tax payments (net of refunds) | 217.86 | (891.43) |
| Net cash flow from/(used in) operating activities (A) | 992.47 | 3,886.94 |



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

(₹ in Lakhs)

| Particulars | For the Year ended 31 March | |
|---|--|-------------------|
| | 2014 | 2013 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| (Increase)/decrease in tangible and intangible fixed assets | (2,465.43) | (295.24) |
| (Increase)/decrease in capital work in progress | 186.50 | (208.55) |
| Interest received | 355.88 | 426.70 |
| (Increase)/decrease in long term loans & advances | 1,123.57 | (262.33) |
| Net cash flow from/(used in) investing activities (B) | (799.49) | (339.43) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Increase/(decrease) in long term borrowings | 238.66 | (121.09) |
| Increase/(decrease) in short term borrowings | 220.64 | (1,071.44) |
| Increase/(decrease) in Share Premium & Reserves | (774.49) | - |
| Interest paid | (247.55) | (183.96) |
| Dividend tax paid | (13.11) | (93.73) |
| Dividend paid on equity shares | (77.16) | (577.75) |
| Net cash flow from/(used in) in financing activities (C) | (653.02) | (2,047.97) |
| Net increase/(decrease) in cash & cash equivalents (A+B+C) | (460.04) | 1,499.54 |
| Cash & cash equivalents at the beginning of the year | 4,662.46 | 3,162.92 |
| Cash & cash equivalents at the end of the year | 4,202.42 | 4,662.46 |
| Note: | <p>1. Figures in brackets indicate cash outgo.</p> <p>2. Previous year figures have been regrouped wherever necessary to conform to the current year's classification.</p> | |

| | | |
|---|--|---|
| As per our Report of even date | For and on behalf of the Board | |
| Gokhale & Co., Chartered Accountants Firm Regn. No.: 000942S | Ashok Atluri Chairman & Managing Director (DIN: 00056050) | M Ravi Kumar Whole Time Director (DIN: 00089921) |
| Chandrashekhar Gokhale Partner M.No: 23839 | M Amala Company Secretary (M.No. FCS 7611) | |
| Place : Hyderabad Date : 24 May 2014 | | |

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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 BSE Limited, Mumbai. 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 PRINCIPAL 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 2014.

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 POLICIES

2.1 Basis of accounting and preparation of financial statements

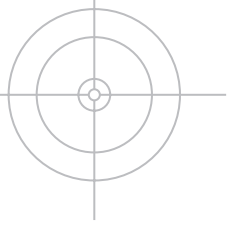
The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies 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.

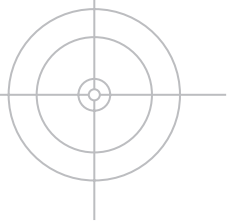
2.10 Investments

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 year as on 31 March 2014 is ₹ 9,37,602/- details of which are given below:

| Sl. No | Name of the Bank | Year of declaration of dividend | Unclaimed Amount (₹) |
|--------|---------------------------|---------------------------------|----------------------|
| 1 | Oriental Bank of Commerce | 2006-07 | 1,63,564.00 |
| 2 | HDFC Bank | 2007-08 | 1,25,703.00 |
| 3 | HDFC Bank | 2008-09 | 1,53,211.50 |
| 4 | HDFC Bank | 2009-10 | 1,56,181.50 |
| 5 | HDFC Bank | 2010-11 | 61,276.50 |
| 6 | HDFC Bank | 2011-12 | 2,26,986.50 |
| 7 | HDFC Bank | 2012-13 | 50,679.00 |
| | TOTAL | | 9,37,602.00 |

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 | 2013-14 | 2012-13 |
|-------|--------------------------------|------------------|------------------|
| 1 | Directors' Remuneration | | |
| | Chairman & Managing Director | | |
| | Basic Salary | 24,00,000 | 24,00,000 |
| | Perquisites & Allowances | 10,23,781 | 10,12,536 |
| | Commission | - | - |
| | Total | 34,23,781 | 34,12,536 |
| 2 | Other Director | | |
| | Basic Salary | 21,33,000 | 13,32,000 |
| | Perquisites & Allowances | 9,60,790 | 8,95,998 |
| | Total | 30,93,790 | 22,27,998 |

2.27 Foreign Currency Expenses

(in ₹)

| Particulars | 2013-14 | 2012-13 |
|---|-------------|-----------|
| Capital Goods | - | 63,235 |
| Raw Materials and Components | - | 11,60,478 |
| Stores and Spares | 5,68,675 | 6,56,449 |
| Foreign Travel (Exclusive of tickets purchased) | 14,96,218 | 16,60,623 |
| Software | 5,74,85,438 | - |
| Internet Charges | 12,749 | 19,484 |
| Training Charges | - | 13,738 |
| Membership | 10,80,532 | 7,71,858 |
| Professional Charges | 14,94,626 | 9,22,665 |
| Exhibition Expenses | 31,19,544 | - |
| Others | 17,35,733 | 10,78,059 |

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 | 2013-14 | | 2012-13 | |
|------------------------------------|---------|-------|---------|-------|
| | Value | % | Value | % |
| Indigenous raw material and stores | 1251.55 | 99.55 | 943.63 | 98.11 |
| Imported stores and components | 5.69 | 0.45 | 18.17 | 1.89 |

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 | For and on behalf of the Board | |
| Gokhale & Co., Chartered Accountants Firm Regn. No.: 000942S | Ashok Atluri Chairman & Managing Director (DIN: 00056050) | M Ravi Kumar Whole Time Director (DIN: 00089921) |
| Chandrashekhar Gokhale Partner M.No: 23839 | M Amala Company Secretary (M.No. FCS 7611) | |
| Place : Hyderabad Date : 24 May 2014 | | |

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | As at 31 March 2014 | As at 31 March 2013 |
|-------------|--|----------------------------|---------------------|
| 3.01 | SHARE CAPITAL | | |
| | Authorised | | |
| | 2,00,00,000 (31 March 2013: 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 | | |
| | 77,16,006 (31 March 2013: 88,88,432) Equity shares of ₹10/- each, fully paid-up | 77,160,060 | 88,884,320 |
| | a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period | | |
| | | 31 March 2014 | |
| | | 31 March 2013 | |
| | Particulars | No of Shares | ₹ |
| | | No of Shares | ₹ |
| | At the beginning of the period | 8,888,432 | 88,884,320 |
| | Changes during the year (Buyback of Shares) | (1,172,426) | (11,724,260) |
| | Outstanding at the end of the period | 7,716,006 | 77,160,060 |
| | 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 2014, the amount of per share dividend recognized as distributions to equity shareholders was ₹ 1.00 (previous year : ₹1.00) | | |
| | c. Details of shareholders holding more than 5% shares of ₹ 10/- each fully paid | | |
| | | As at 31 March 2014 | |
| | | As at 31 March 2013 | |
| | Name of the share holder | No of Shares | % |
| | | No of Shares | % |
| | Ashok Atluri | 2,540,290 | 32.92 |
| | Kishore Dutt Atluri | 1,232,960 | 15.98 |
| | Rakesh Jhunjhunwala | - | - |
| | Rekha Jhunjhunwala | - | - |
| | | 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 ₹)

| d. Aggregate number of shares bought back during the period of five years immediately preceding the reporting date: | | | | | |
|---|-----------|---------|---------|---------|---------|
| Particulars | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 |
| No. of Equity Shares bought back by the company during the year | 1,172,426 | - | - | - | 15,568 |
| Aggregate Number of Equity Shares bought back by the company | 1,187,994 | 15,568 | 15,568 | 15,568 | 15,568 |

| Note No. | Particulars | As at 31 March 2014 | As at 31 March 2013 |
|-------------|--|---------------------|---------------------|
| 3.02 | RESERVES AND SURPLUS | | |
| | Securities premium reserve (Share premium) | | |
| | Balance as per the last Balance Sheet | 158,304,880 | 158,304,880 |
| | Less: 11,72,426 Shares bought back for a premium of ₹ 58.95 | 69,119,521 | - |
| | Closing Balance | 89,185,359 | 158,304,880 |
| | General Reserve | | |
| | Balance as per the last Balance Sheet | 346,478,189 | 316,478,189 |
| | Add: Amount transferred from surplus balance in the Statement of Profit and Loss | - | 30,000,000 |
| | Add: Dividend & Dividend Tax Excess Provision Reversed | 1,343,621 | - |
| | Less: Transfer to Capital Redemption Reserve | 11,724,260 | - |
| | Closing Balance | 336,097,550 | 346,478,189 |
| | Capital Redemption Reserve | | |
| | Balance as per the last Balance Sheet | - | - |
| | Add: Transfer from General Reserve | 11,724,260 | - |
| | | 11,724,260 | - |
| | Surplus/(deficit) in the Statement of Profit and Loss | | |
| | Balance as per last Balance Sheet | 479,189,677 | 472,448,930 |
| | Add : Net Profit/(loss) for the current period | 686,100 | 46,843,725 |
| | Balance available for appropriation | 479,875,777 | 519,292,655 |
| | Less: Appropriation | | |
| | Proposed equity dividend (amount per share ₹ 1.00(31 March 2013: ₹1.00) | 7,716,006 | 8,888,432 |
| | Tax on proposed equity dividend | 1,311,335 | 1,510,589 |
| | Transfer to General Reserve | - | 30,000,000 |
| | Total appropriations | 9,027,341 | 40,399,021 |
| | Net surplus in the Statement of Profit and Loss | 470,848,436 | 478,893,634 |
| | Total Reserves and Surplus | 907,855,605 | 983,676,703 |

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | Non-current portion | | Current maturities | |
|-------------|---|---------------------|---------------------|---------------------|---------------------|
| | | As at 31 March 2014 | As at 31 March 2013 | As at 31 March 2014 | As at 31 March 2013 |
| 3.03 | LONG-TERM BORROWINGS | | | | |
| | Secured | | | | |
| | - Loan from TDB (Ref Note 1 & 2) | 43,556,000 | 17,112,000 | 8,556,000 | 8,556,000 |
| | - Interest accrued on TDB loan | 843,836 | 1,348,630 | 1,348,630 | 1,348,630 |
| | - Loan from others | - | 2,073,631 | - | - |
| | | 44,399,836 | 20,534,261 | 9,904,630 | 9,904,630 |
| | Note: 1 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. | | | | |
| | Note: 2 The Loan taken from Technology Development Board (TDB), Ministry of Science and Technology, Govt. of India, for ₹ 1,160 lakhs (received during the financial year 2013-14 ₹ 350 lakhs as first installment towards implementation of the project) is being utilized for part financing the project "Development and Commercialization of Unmanned Aerial Vehicle Mission Simulator". The loan carries interest @ 5% (simple interest) per annum and is repayable in total nine half yearly installments commencing from 01st October 2015. The loan is secured by equitable mortgage of immovable properties and other fixed assets pari-passu with Indian Bank. The loan is also guaranteed by the Company's own guarantee and pledging of 15,00,000 equity shares owned by the Managing Director of the Company. | | | | |

| Note No. | Particulars | As at 31 March 2014 | As at 31 March 2013 |
|-------------|--|---------------------|---------------------|
| 3.03 | SHORT-TERM BORROWINGS | | |
| | Secured | | |
| | Loan repayable on demand (Ref Note) | | |
| | - 10.00% (PY 10.00%) OD I against Fixed Deposits from Indian Bank | 84,596,954 | 83,720,194 |
| | - 10.00% (PY10.25%) OD II against Fixed Deposits from Indian Bank | 40,118,161 | 18,981,099 |
| | - 13.25% against Indian Bank OCC account | 50,131 | - |
| | | 124,765,246 | 102,701,293 |
| | Note : The above mentioned overdraft facilities are secured by way of pledge of fixed deposits. Working Capital facilities (₹ 15 Crore) from Indian Bank are secured by equitable mortgage of immovable properties and other fixed assets pari-passu charge with Technology Development Board (TDB) | | |

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(In ₹)

| Note No. | Particulars | Long-term | | Short-term | |
|-------------|--|---------------------|---------------------|---------------------|---------------------|
| | | As at 31 March 2014 | As at 31 March 2013 | As at 31 March 2014 | As at 31 March 2013 |
| 3.04 | PROVISIONS | | | | |
| | Provision for employee benefit | | | | |
| | - Provision for gratuity (Ref Note) | 4,738,411 | 4,083,855 | - | - |
| | Other Provisions | - | - | 7,716,006 | 8,888,432 |
| | - Proposed dividend | - | - | - | - |
| | - Tax on dividend | - | - | 1,311,335 | 1,510,589 |
| | - Provision for decline, other than temporary, in the value of long term investments | 500,000 | - | - | - |
| | | 5,238,411 | 4,083,855 | 9,027,341 | 10,399,021 |
| | 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 2013-14 |
|------------|--|------------------|
| I | Change in Present value of obligation | |
| | PVO at beginning of the year | 11,684,293 |
| | Interest cost | 940,221 |
| | Current service cost | 3,209,342 |
| | Benefits paid | (352,154) |
| | Actuarial gain/(loss) on obligation | (1,253,804) |
| | PVO at the end of the period | 14,227,898 |
| II | Change in fair value of plan Assets | |
| | Fair value of plan Assets at beginning of period | 7,600,438 |
| | Expected return on plan Assets | 748,945 |
| | Contributions | 1,521,659 |
| | Benefit paid | (352,154) |
| | Actuarial gain/(loss) on plan assets | (29,401) |
| | Fair value of plan Assets at the end of period | 9,489,487 |
| III | Net status of Plan | 4,738,411 |
| IV | Net amount recognized | 4,738,411 |

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | As at 31 March 2014 | As at 31 March 2013 |
|-------------|---------------------------------------|------------------------|------------------------|
| 3.05 | TRADE PAYABLES | | |
| | Trade payables | | |
| | - Dues to Micro and Small Enterprises | - | - |
| | - Others | 20,945,092 | 13,548,874 |
| | | 20,945,092 | 13,548,874 |

| Note No. | Particulars | As at 31 March 2014 | As at 31 March 2013 |
|-------------|---|------------------------|------------------------|
| 3.06 | OTHER CURRENT LIABILITIES | | |
| | Current maturities of long-term debts (Note 3.03) | 9,904,630 | 9,904,630 |
| | Unclaimed dividends | 937,602 | 981,785 |
| | Employee salaries and benefits: | | |
| | - Salaries and benefits | 1,156,331 | 1,170,972 |
| | - Bonus and incentives | 7,333,006 | 5,642,901 |
| | Other payables: | | |
| | Provision for expenses | 951,770 | 1,559,704 |
| | Taxes payable: | | |
| | - Service tax payable | 645,309 | 1,282,540 |
| | - Sales tax payable | 1,078,885 | - |
| | - TDS payable | 768,938 | 2,496,356 |
| | - Income tax payable | - | 5,587,932 |
| | Advance from customers | 70,088,931 | 7,053,019 |
| | | 92,865,403 | 35,679,839 |

NOTES ON CONSOLIDATED 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 1 April 2013 | Charge for the year | Sales/ Adjustments during the year | Total 31 March 2014 | As at 31 March 2014 | As at 31 March 2013 |
| Hyderabad Unit (A.P) | | | | | | | | | | |
| Production Division | | | | | | | | | | |
| TANGIBLE | | | | | | | | | | |
| Land | | 39,830,091 | - | - | - | - | - | - | 39,830,091 | 39,830,091 |
| Building -Chandralok | 1.63 | 487,791 | - | - | 92,994 | 7,951 | - | 100,945 | 386,846 | 394,797 |
| Building-Cherlapally | 1.63 | 4,651,498 | - | - | 379,304 | 75,819 | - | 455,124 | 4,196,374 | 4,272,194 |
| Building-New Delhi | 1.63 | - | 137,804,361 | - | 137,804,361 | 1,833,893 | - | 1,833,893 | 135,970,468 | - |
| Buildings -Maheswaram | 3.34 | 168,487,981 | 27,490,527 | - | 195,978,508 | 6,154,349 | - | 23,336,838 | 172,641,670 | 151,305,493 |
| Computers | 16.21 | 13,765,764 | 2,265,496 | - | 16,031,260 | 1,933,309 | - | 10,458,428 | 5,572,832 | 5,240,645 |
| Plant and machinery | 4.75 | 4,029,979 | 9,618,832 | - | 13,648,811 | 379,088 | - | 772,970 | 12,875,841 | 3,636,099 |
| Office Equipment | 16.21 | 13,898,576 | 3,075,417 | - | 16,973,993 | 1,645,831 | - | 11,436,431 | 5,537,563 | 4,107,974 |
| Furniture, fixtures | 6.33 | 8,122,835 | 858,731 | - | 8,981,566 | 524,289 | - | 2,152,366 | 6,829,200 | 6,494,758 |
| Testing Equipment | 4.75 | 95,683 | 516,287 | - | 611,970 | 11,005 | - | 11,880 | 600,090 | 94,808 |
| Vehicles | 9.5 | 15,206,406 | 711,614 | 650,056 | 15,267,964 | 1,301,951 | 508,370 | 9,075,696 | 6,192,268 | 6,924,291 |
| | | 268,576,605 | 182,341,265 | 650,056 | 450,267,813 | 13,867,486 | 508,370 | 59,634,571 | 390,633,243 | 222,301,149 |
| INTANGIBLE | | | | | | | | | | |
| Software | 100 | 4,294,764 | - | - | 4,294,764 | 426,298 | - | 4,294,764 | - | 426,298 |
| Software | 33.33 | - | 6,107,670 | - | 6,107,670 | 731,840 | - | 731,840 | 5,375,830 | - |
| | | 272,871,369 | 188,448,935 | 650,056 | 460,670,247 | 15,025,625 | 508,370 | 64,661,175 | 396,009,072 | 222,727,447 |
| 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 | 345,398 | - | 28,010,207 | 452,340 | - | 3,732,347 | 24,277,861 | 24,384,802 |
| Computers | 16.21 | 7,807,831 | 132,333 | - | 7,940,165 | 682,301 | - | 6,733,681 | 1,206,483 | 1,756,451 |
| Plant and machinery | 4.75 | 14,029,291 | - | - | 14,029,291 | 664,747 | - | 6,535,713 | 7,493,578 | 8,158,325 |
| Office Equipment | 16.21 | 5,781,208 | - | - | 5,781,208 | 15,274 | - | 5,730,167 | 51,041 | 66,315 |
| Furniture, fixtures | 6.33 | 3,901,549 | 116,326 | - | 4,017,875 | 250,167 | - | 2,070,237 | 1,947,638 | 2,081,478 |
| Testing Equipment | 4.75 | 4,727,475 | - | - | 4,727,475 | 224,202 | - | 1,321,607 | 3,405,868 | 3,630,070 |
| Vehicles | 9.5 | 818,169 | - | - | 818,169 | 77,726 | - | 544,295 | 273,874 | 351,600 |
| | | 69,880,352 | 594,057 | - | 70,474,409 | 2,366,757 | - | 26,668,047 | 43,806,363 | 45,579,062 |



NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

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 2014 | As at 1 April 2013 | Charge for the year | Sales/ Adjustments during the year | Total 31 March 2014 | As at 31 March 2014 | As at 31 March 2013 |
| INTANGIBLE | | | | | | | | | | | |
| Software | 100 | 30,600,930 | - | - | 30,600,930 | 11,923,855 | 18,677,075 | - | 30,600,930 | - | 18,677,075 |
| Software | 33.33 | - | 57,485,438 | - | 57,485,438 | - | 13,639,816 | - | 13,639,816 | 43,845,622 | - |
| | | 100,481,282 | 58,079,495 | - | 158,560,777 | 36,225,146 | 34,683,647 | - | 70,908,793 | 87,651,985 | 64,256,137 |
| Nalagarh Unit (Himachal Pradesh) | | | | | | | | | | | |
| Production Division | | | | | | | | | | | |
| TANGIBLE | | | | | | | | | | | |
| Computers | 16.21 | 1,751,938 | - | - | 1,751,938 | 1,430,230 | 274,597 | - | 1,704,827 | 47,111 | 321,708 |
| Plant and machinery | 4.75 | 3,122,715 | - | - | 3,122,715 | 813,292 | 148,329 | - | 961,621 | 2,161,094 | 2,309,422 |
| Office Equipment | 16.21 | 408,085 | 15,950 | - | 424,035 | 278,588 | 68,193 | - | 346,781 | 77,254 | 129,497 |
| Furniture, fixtures | 6.33 | 1,356,437 | - | - | 1,356,437 | 403,936 | 95,575 | - | 499,511 | 856,926 | 952,501 |
| Testing Equipment | 4.75 | 1,581,367 | - | - | 1,581,367 | 380,463 | 75,115 | - | 455,578 | 1,125,789 | 1,200,904 |
| Vehicles | 9.5 | 89,400 | - | - | 89,400 | 40,302 | 8,493 | - | 48,795 | 40,605 | 49,098 |
| | | 8,309,942 | 15,950 | - | 8,325,892 | 3,346,812 | 670,302 | - | 4,017,114 | 4,308,778 | 4,963,130 |
| INTANGIBLE | | | | | | | | | | | |
| Software | 100 | 594,501 | - | - | 594,501 | 594,501 | - | - | 594,501 | - | - |
| | | 8,904,443 | 15,950 | - | 8,920,393 | 3,941,313 | 670,302 | - | 4,611,615 | 4,308,778 | 4,963,130 |
| Version 2 Games Limited | | | | | | | | | | | |
| TANGIBLE | | | | | | | | | | | |
| Total of Tangible Assets A | | 346,766,899 | 182,951,272 | 650,056 | 529,068,115 | 73,923,556 | 16,904,545 | 508,370 | 90,319,731 | 438,748,384 | 275,151,510 |
| Total of Intangible Assets B | | 35,490,195 | 63,593,108 | - | 99,083,303 | 16,386,822 | 33,475,029 | - | 49,861,851 | 49,221,452 | 19,103,373 |
| Total of (A+B) | | 382,257,094 | 246,544,380 | 650,056 | 628,151,418 | 90,310,378 | 50,379,574 | 508,370 | 140,181,582 | 487,969,836 | 294,254,884 |
| Previous year | | 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 |

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | As at 31 March 2014 | As at 31 March 2013 |
|-------------|--|------------------------|------------------------|
| 3.08 | LONG-TERM LOANS AND ADVANCES | | |
| | Unsecured, considered good | | |
| | Capital advances | 36,412,780 | 154,593,656 |
| | Security deposits | 8,398,049 | 8,409,112 |
| | Other loans and advances | | |
| | - Prepaid expenses | 1,989,146 | 761,791 |
| | - Deposits with government, public bodies and others | 12,336,449 | 7,728,436 |
| | | 59,136,424 | 171,492,995 |

| | | | |
|-------------|--|------------------|------------------|
| 3.09 | OTHER NON-CURRENT ASSETS | | |
| | OTHER CURRENT ASSETS | | |
| | Interest accrued on fixed deposits with banks and others | 3,151,578 | 9,462,530 |
| | | 3,151,578 | 9,462,530 |

| | | | |
|-------------|----------------------------------|-------------------|-------------------|
| 3.10 | INVENTORIES | | |
| | Raw material (Ref Note 3.16) | 57,131,861 | 16,660,616 |
| | Work in progress (Ref Note 3.17) | 35,650,000 | 31,970,000 |
| | Traded goods (Ref Note 3.17) | 3,502,149 | 3,502,149 |
| | Inventory Others | 2,192,000 | - |
| | | 98,476,010 | 52,132,765 |

| Note No. | Particulars | Non-Current | | Current | |
|-------------|--|------------------------|------------------------|------------------------|------------------------|
| | | As at 31 March 2014 | As at 31 March 2013 | As at 31 March 2014 | As at 31 March 2013 |
| 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 | 31,222,954 | 98,494,365 | - | - |
| | - Doubtful | 10,765,113 | 11,435,587 | - | - |
| | | 41,988,067 | 109,929,952 | - | - |
| | Provision for doubtful receivables | (10,765,113) | (11,435,587) | - | - |
| | (A) | 31,222,954 | 98,494,365 | - | - |
| | Other receivables | | | | |
| | - Unsecured, considered good | - | 234,508 | 83,331,123 | 30,651,364 |
| | (B) | - | 234,508 | 83,331,123 | 30,651,364 |
| | Total (A+B) | 31,222,954 | 98,728,873 | 83,331,123 | 30,651,364 |

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | As at 31 March 2014 | As at 31 March 2013 |
|-------------|--|------------------------|------------------------|
| 3.12 | CASH AND BANK BALANCES | | |
| | Cash and cash equivalents | | |
| | Balances with banks: | | |
| | - On current accounts | 67,460,285 | 5,700,139 |
| | Cash on hand | 663,148 | 460,387 |
| | Other bank balances: | | |
| | - Deposits with original maturity for > 3 months but < 12 months Corporation Bank | - | 50,000,000 |
| | - Deposits with original maturity for > 3 months but < 12 months Indian Bank | 2,236,959 | 36,837,900 |
| | - 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 | 28,368,701 | 12,651,490 |
| | Balances with banks to the extent held as security against OD borrowings-Indian Bank | 238,045,264 | 238,043,012 |
| | Balances with banks to the extent held as security against OD borrowings-HDFC Bank | 10,000,000 | 10,000,000 |
| | Balances with banks to the extent held as security against OD borrowings -Corporation Bank | 72,529,749 | 71,571,779 |
| | Balances with banks for unpaid dividend | 937,602 | 981,785 |
| | | 420,241,708 | 466,246,492 |
| 3.13 | SHORT-TERM LOANS AND ADVANCES | | |
| | Unsecured, considered good | | |
| | Advance to material suppliers | 44,482,548 | 46,236,185 |
| | Advance income tax | 29,306,134 | 51,055,967 |
| | Other loans and advances | | |
| | - Prepaid expenses | 5,006,903 | 4,352,712 |
| | - Balance with VAT, Central excise and Service tax | 7,281,671 | 2,227,254 |
| | - Loans and advances to employees | 1,928,245 | 1,860,366 |
| | - Others | 365,940 | 1,799,460 |
| | | 88,371,442 | 107,531,944 |

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | Year ended 31 March 2014 | Year ended 31 March 2013 |
|-------------|--------------------------------|-----------------------------|-----------------------------|
| 3.14 | REVENUE FROM OPERATIONS | | |
| | a) Sale of Products | 435,286,948 | 343,392,633 |
| | Less : Excise duty | 2,703,254 | 7,287,413 |
| | | 432,583,694 | 336,105,220 |
| | b) Sale of Services | 30,947,852 | 35,267,065 |
| | | 463,531,546 | 371,372,285 |

| | | | |
|-------------|--|------------|------------|
| 3.15 | OTHER INCOME | | |
| | Interest income | 35,890,918 | 42,670,432 |
| | Expenses written off | 217,538 | - |
| | Provisions written back | - | 3,969,713 |
| | Miscellaneous income | 13,189 | 500,276 |
| | Net gain/(loss) on foreign currency exchange fluctuation | (529,469) | (62,649) |
| | Profit/(Loss) on Sale of Vehicle | (1,948) | 1,618 |
| | | 35,590,228 | 47,079,390 |

| | | | |
|-------------|--|-------------|-------------|
| 3.16 | COST OF MATERIALS AND COMPONENTS CONSUMED | | |
| | Opening stock of raw materials | 16,660,616 | 12,750,682 |
| | Add : Purchases | 166,195,335 | 100,090,305 |
| | | 182,855,951 | 112,840,987 |
| | Less : Closing stock | 57,131,861 | 16,660,616 |
| | | 125,724,090 | 96,180,371 |
| | 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 | 31,970,000 | 25,660,000 |
| | Opening traded goods | 3,502,149 | 3,502,149 |
| | | 35,472,149 | 29,162,149 |
| | Closing work in progress | 35,650,000 | 31,970,000 |
| | Closing traded goods | 3,502,149 | 3,502,149 |
| | | 39,152,149 | 35,472,149 |
| | Net increase / (decrease) in stock | (3,680,000) | (6,310,000) |
| | 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 2014 | Year ended 31 March 2013 |
|-------------|--|-----------------------------|-----------------------------|
| 3.18 | MANUFACTURING EXPENSES | | |
| | Power and fuel | 2,546,753 | 1,726,412 |
| | Spares and Stores | 2,080,900 | 1,162,678 |
| | Freight | 3,242,545 | 2,542,064 |
| | Travel expenses - Production | 355,146 | - |
| | System Installation & Maintenance | 622,503 | 1,106,775 |
| | Salaries -Production | 7,039,170 | 7,769,758 |
| | | 15,887,017 | 14,307,687 |
| 3.19 | EMPLOYEE BENEFIT EXPENSE | | |
| | Salaries, wages and bonus | 50,288,872 | 45,493,845 |
| | Contribution to provident and other funds | 1,875,499 | 1,761,431 |
| | Gratuity expense | 2,176,215 | 2,936,876 |
| | Exgratia expense | - | 651,938 |
| | Staff welfare expenses | 6,597,978 | 5,937,526 |
| | | 60,938,564 | 56,781,616 |
| 3.20 | FINANCE COSTS | | |
| | Bank Charges | 1,316,650 | 1,310,973 |
| | BG Commission | 2,644,681 | 3,091,946 |
| | Interest on borrowings | | |
| | - Interest on term loan with indian bank | - | 42,468 |
| | - Interest on bank OD loans | 19,626,123 | 12,346,373 |
| | - Interest on TDB loan | 1,167,367 | 1,604,543 |
| | | 24,754,821 | 18,396,303 |
| 3.21 | OTHER EXPENSES | 258,555,391 | 164,853,020 |
| | Selling & Distribution expenses | 27,183,514 | 11,381,823 |
| | Business Promotion | 3,697,604 | 3,406,787 |
| | Club expenses | 461,246 | 411,418 |
| | Electricity Charges | 19,050 | 32,050 |
| | Exhibition expenses | 14,572,641 | 465,598 |
| | Freight | 2,475,557 | 1,413,817 |
| | Guest House Rent & Maintenance | 40,400 | 19,500 |
| | Hotel Boarding & Lodging | 717,016 | 432,653 |
| | Royalty | 5,200,000 | 5,200,000 |
| | Travelling expenses | 29,033,520 | 28,634,299 |
| | Domestic Travel | 24,076,565 | 22,482,811 |
| | Travel expenses - Delivery | 533,163 | 442,393 |
| | Travel expenses - Demo | 1,100,170 | 1,114,686 |

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | Year ended 31 March 2014 | Year ended 31 March 2013 |
|----------|--|-----------------------------|-----------------------------|
| | Travel expenses - Installation | 758,229 | 4,068,798 |
| | Travel expenses - Servicing | 13,014,174 | 9,702,595 |
| | Travel expenses - Directors | 1,812,817 | 1,315,236 |
| | Travel expenses - Marketing | 4,276,289 | 3,606,084 |
| | Travel expenses - General | 2,581,723 | 2,233,019 |
| | Foreign Travel | 4,956,955 | 6,151,488 |
| | Travel expenses - Directors | 1,814,404 | 2,985,871 |
| | Travel expenses - Others | 3,142,551 | 3,165,617 |
| | R & D Revenue expenses (Refer Note No.3.25) | 148,548,671 | 91,659,087 |
| | Administrative & General expenses | 53,789,686 | 33,177,811 |
| | Advertisement | 673,774 | 335,633 |
| | AGM Expenses | 26,202 | 16,861 |
| | Annual Day Expenses | - | 697,851 |
| | Bad Debts | 43,927 | - |
| | Books & periodicals | 55,508 | 128,270 |
| | Conveyance | 3,127,255 | 2,892,939 |
| | Directors' sitting fees | 480,000 | 500,000 |
| | Donation | 503,950 | 35,850 |
| | Electricity Charges | 157,204 | 153,136 |
| | Incidental expenses | 734,006 | 278,440 |
| | Listing Fee | 25,000 | 25,000 |
| | Insurance | 1,039,779 | 792,089 |
| | Membership & Subscription | 2,305,605 | 1,327,543 |
| | Office Maintenance | 5,407,288 | 7,414,969 |
| | Postage & Telephone | 3,769,835 | 3,232,998 |
| | Printing & Stationary | 1,742,943 | 1,550,867 |
| | Professional Charges | 14,727,906 | 7,639,258 |
| | Provision for doubtful Debts/Advances | (171,612) | (10,164,640) |
| | Rates & Taxes | 1,891,291 | 1,912,254 |
| | Rent | 6,883,578 | 6,486,961 |
| | Security expenses | 2,339,434 | 2,154,411 |
| | Software Licence fee | 2,756,875 | 2,029,759 |
| | Vehicle Maintenance | 2,392,702 | 2,521,291 |
| | Computer Maintenance | 1,310,273 | 878,125 |
| | Professional charges-Buyback | 1,150,847 | - |
| | Payment to Auditors | | |
| | As Auditors | | |
| | For Statutory & Tax audit fee | 216,236 | 176,442 |
| | For Internal audit - Quarterly review of accounts | 150,000 | 120,000 |
| | In other capacity | | |
| | For Certification and Advisory in respect of Income tax, Company law etc., | - | 14,650 |
| | For Certification of Cost compliance | 36,000 | 26,854 |
| | Out of pocket expenses | 13,880 | - |

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | Year ended 31 March 2014 | Year ended 31 March 2013 |
|-------------|--|-----------------------------|-----------------------------|
| 3.22 | DEPRECIATION & AMORTISATION EXPENSE | | |
| | Depreciation on total Tangible assets (Ref Note 3.07) | 17,273,890 | 20,224,985 |
| | Depreciation on total Intangible assets (Ref Note 3.07) | 33,475,029 | 2,700,811 |
| | | 50,748,919 | 22,925,796 |
| | Less: Shown under R&D revenue expense (Ref Note 3.21) | | |
| | - Depreciation on Tangible assets used in R&D activities (Ref Note 3.25) | 2,366,757 | 2,241,102 |
| | - Depreciation on Intangible assets used in R&D activities (Ref Note 3.25) | 32,316,890 | 1,743,424 |
| | | 16,065,272 | 18,941,269 |

| | | | |
|-------------|---|----------------|------------------|
| 3.23 | TAX EXPENSES | | |
| | Current tax | 190,519 | 9,063,861 |
| | Tax for earlier period | - | (606,177) |
| | | 190,519 | 8,457,684 |
| | 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) | 686,101 | 46,843,725 |
| | Weighted average number of equity shares | 7,716,006 | 8,888,432 |
| | Earnings per Share (Both Basic & Diluted) | 0.09 | 5.27 |

| | | | |
|-------------|---|--------------------|-------------------|
| 3.25 | EXPENDITURE INCURRED ON RESEARCH AND DEVELOPMENT | | |
| | Salaries | 50,524,987 | 42,105,024 |
| | Bonus & Gratuity | 3,697,633 | 2,871,915 |
| | Electricity Charges | 3,363,508 | 2,320,069 |
| | Travelling expenses | 2,640,217 | 976,825 |
| | Spares & Stores | 51,578,137 | 37,166,066 |
| | Consultancy Fee | 985,000 | 2,206,180 |
| | Depreciation | 34,683,647 | 3,984,526 |
| | Interest on TDB Loan (UAV Sim) | 843,836 | - |
| | Training charges | 126,000 | 28,482 |
| | Freight | 105,706 | - |
| | | 148,548,671 | 91,659,087 |



NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

| Note No. | Particulars | Year ended 31 March 2014 | Year ended 31 March 2013 |
|----------|---|-----------------------------|-----------------------------|
| 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 | | |
| | (a) Bank Guarantees | 283,687,010 | 126,514,905 |
| | | 283,687,010 | 126,514,905 |

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

3.27 RELATED PARTY DISCLOSURE

| | Name of the Party | Relationship | Nature of Transaction | 2013-14 | 2012-13 |
|--|---|---|-----------------------|------------------|-----------|
| | 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 | 3,360,000 |
| | Mr Ashok Atluri Chairman and Managing Director | Key Management Personnel | Commission | - | - |
| | 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 | 2,790,000 | 2,220,000 |
| | b. Receivables | | | | |
| | Version 2 Games Limited | Wholly owned subsidiary | Debtors | 95,136 | 900,000 |
| | Version 2 Games Limited | Wholly owned subsidiary | Investment | 500,000 | 500,000 |

| | | |
|---|--|---|
| As per our Report of even date | For and on behalf of the Board | |
| Gokhale & Co., Chartered Accountants Firm Regn. No.: 000942S | Ashok Atluri Chairman & Managing Director (DIN: 00056050) | M Ravi Kumar Whole Time Director (DIN: 00089921) |
| Chandrashekhar Gokhale Partner M.No: 23839 | M Amala Company Secretary (M.No. FCS 7611) | |
| Place : Hyderabad Date : 24 May 2014 | | |



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

(in ₹)

| Funds Employed | | 31 March 2014 |
|----------------|--|---|
| 1 | Name of the Subsidiary Company | Version 2 Games Ltd |
| 2 | Financial Period of the Subsidiary | 01 April 2013 to 31 March 2014 |
| 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 2014: Nil • Dealt with in the accounts of the Company for the period 31 March 2014: (2,47,206) | |
| 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 | (1,64,417) |
| | <ul style="list-style-type: none"> • Not dealt with in the accounts of the Company for the period 31 March 2014: Nil • Dealt with in the accounts of the Company for the period 31 March 2014: Nil | |

SUMMARY OF FINANCIAL INFORMATION OF THE SUBSIDIARY

(in ₹)

| Funds Employed | Version 2 Games Limited | |
|--------------------------------------|-------------------------|------------------|
| | 31 March 2014 | 31 March 2013 |
| A. Capital | 500,000 | 500,000 |
| B. Reserves | - | - |
| C. Liabilities | - | - |
| Secured Loans | - | - |
| Unsecured Loans | 106,372 | 2,073,631 |
| Total Liabilities | 106,372 | 2,073,631 |
| D. Total funds employed | 606,373 | 2,573,631 |
| E. Assets | | |
| Net Block (including Capital WIP) | - | 2,308,170 |
| Loans and advances | - | 179,118 |
| Net Current Assets | 11,719 | (261,104) |
| Profit & Loss Account | 594,654 | 347,447 |
| Total Assets (Net) | 606,373 | 2,573,631 |
| F. Turnover | 6,587 | 244,237 |
| G. Profit/(Loss) before Taxes | (247,207) | (164,417) |
| H. Provision for Taxation | - | - |
| I. Profit after Taxes | (247,207) | (164,417) |
| J. Proposed Dividend | - | - |

As per our Report of even date

For and on behalf of the Board

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

Chandrashekhar Gokhale
Partner
M.No: 23839

Ashok Atluri
Chairman & Managing Director
(DIN: 00056050)

M Ravi Kumar
Whole Time Director
(DIN: 00089921)

Place : Hyderabad
Date : 24 May 2014

M Amala
Company Secretary
(M.No. FCS 7611)

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
Unit : Zen Technologies 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 | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;"><input type="text"/></td> <td style="width: 10%;"><input type="text"/></td> <td style="width: 10%;"><input type="text"/></td> <td style="width: 10%;"><input type="text"/></td> <td style="width: 10%;"><input type="text"/></td> <td style="width: 10%;"><input type="text"/></td> <td style="width: 10%;"><input type="text"/></td> <td style="width: 10%;"><input type="text"/></td> <td style="width: 10%;"><input type="text"/></td> <td style="width: 10%;"><input type="text"/></td> </tr> </table> <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> | <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"/> |
| <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"/> | | |

| | | | |
|--|---|---|---|
| Account type (Please tick) | <input type="checkbox"/> Savings <input style="width: 20px;" type="text"/> 10 <input style="width: 20px;" type="text"/> | <input type="checkbox"/> Current <input style="width: 20px;" type="text"/> 11 <input style="width: 20px;" type="text"/> | <input type="checkbox"/> Cash Credit <input style="width: 20px;" type="text"/> 13 <input style="width: 20px;" type="text"/> |
| A/c.No. (as appearing on the cheque book) | <input style="width: 100%;" type="text"/> | | |
| Active date of this Mandate | <input style="width: 100%;" type="text"/> | | |

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 22 September 2014 to enable us to include the same for the payment of the current year's dividend.



ZEN TECHNOLOGIES LIMITED

CIN: L72200TG1993PLC015939

Registered Office: B-42, Industrial Estate, Sanathnagar, Hyderabad – 500018, Telangana, India

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies

(Management and Administration) Rules, 2014]

PROXY FORM

| | |
|------------------------|--|
| Name of the Member(s): | |
| Registered address: | |
| Email ID: | |
| Folio No. / Client ID: | |
| DP ID: | |

I/We, being the member (s) having shares of the above named Company, hereby appoint:-

| | | |
|--------------------|------------|------------|
| 1. | Name: | E-mail id: |
| | Address: | |
| | | |
| | Signature: | |
| or failing him/her | | |
| 2. | Name: | E-mail id: |
| | Address: | |
| | | |
| | Signature: | |
| or failing him/her | | |
| 3. | Name: | E-mail id: |
| | Address: | |
| | | |
| | Signature: | |

as my / our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 21st Annual General Meeting of the Company, to be held on Saturday the 27 September 2014 at 10.30 a.m. its registered office and at any adjournment thereof in respect of such resolutions as are indicated below:

| Resolution No. | Resolution | Vote* | |
|--------------------------|--|-------|---------|
| | | For | Against |
| Ordinary Business | | | |
| 1 | Consider and adopt the Financial Statements of the Company for the year ended 31 March 2014 including Audited Balance Sheet as at 31 March 2014, the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date along with the Reports of the Board of Directors' and Auditors' thereon. | | |
| 2 | Declaration of Dividend for the financial year ended 31 March 2014. | | |
| 3 | Appoint a Director in place of Mr M Ravi Kumar (DIN: 00089921), who retires by rotation and being eligible offers himself for reappointment. | | |
| 4 | Appoint M/s Gokhale & Co., Chartered Accountants, Hyderabad as Statutory Auditors of the Company. | | |
| Special Business | | | |
| 5 | Appoint Cmde Sarvotham Rao (DIN : 00015530) as an Independent Director. | | |
| 6 | Appoint Mr G Prasad (DIN : 00026718) as an Independent Director. | | |
| 7 | Appoint Mrs M Sridevi (DIN : 02446610) as an Independent Director. | | |
| 8 | Reappointment of Mr Ashok Atluri (DIN : 00056050) as the Managing Director of the Company. | | |

Affix
Revenue
Stamp

Signed this day of 2014.

Signature of Member Signature of Proxy holder(s)

Notes:

1. The proxy duly stamped, completed, signed should be deposited at the Registered Office of the Company, not less than 48 (Forty Eight) hours before commencement of the meeting.
2. A Proxy need not be a member of the Company.
3. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
- *4. This is only optional. Please put a 'X' in the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
5. Appointing a proxy does not prevent a member from attending the meeting in person if he / she so wishes.
6. In the case of joint holders, the signature of any one holder will be sufficient, but names of all the joint holders should be stated.



ZEN TECHNOLOGIES LIMITED

CIN: L72200TG1993PLC015939

Registered Office: B-42, Industrial Estate, Sanathnagar, Hyderabad – 500018, Telangana, India

ATTENDANCE SLIP

21st Annual General Meeting

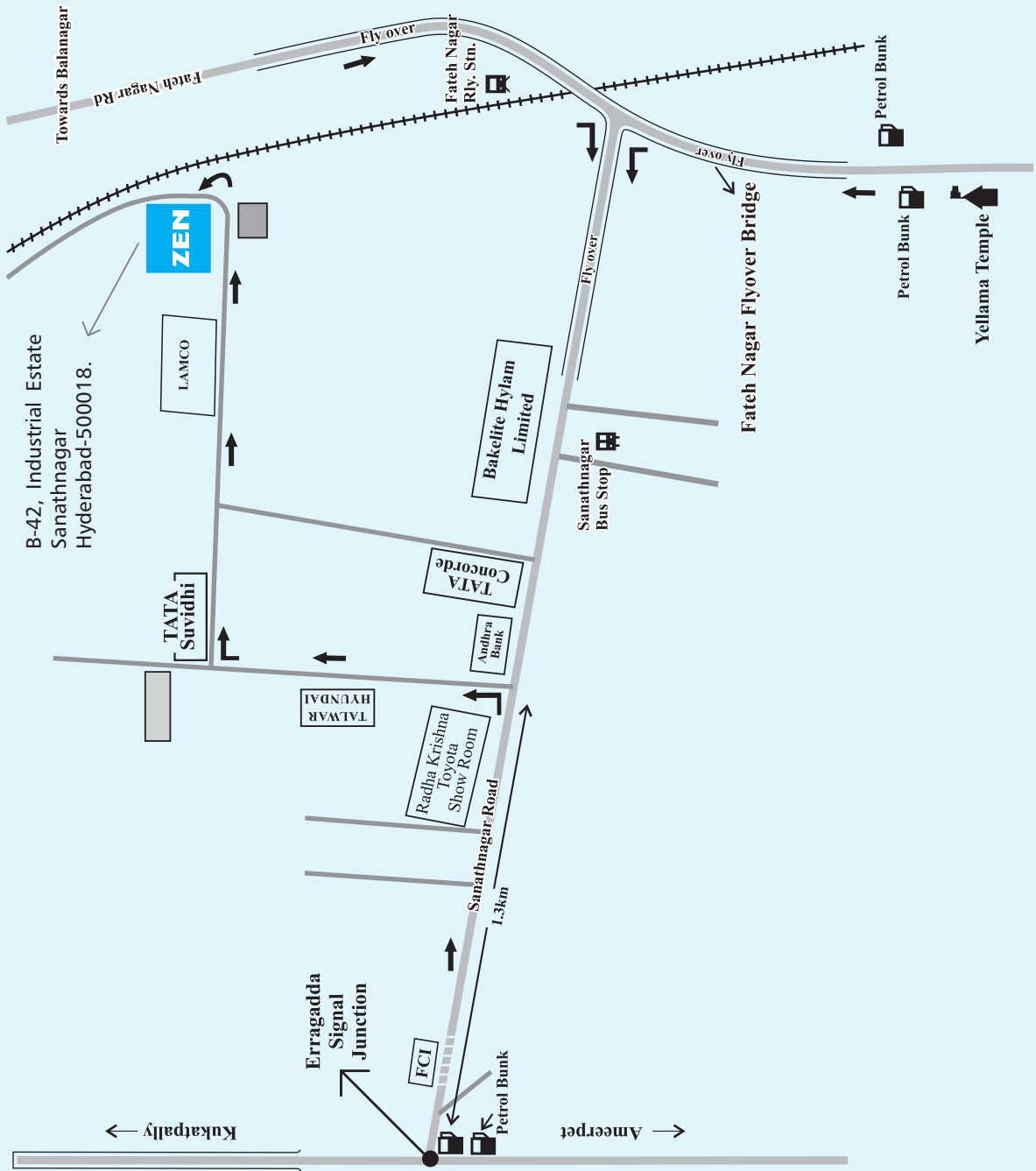
to be held on Saturday the 27 September 2014 at 10.30 a.m.

I hereby record my presence at the 21st Annual General Meeting of the Company being held on Saturday the 27 September 2014 at 10.30 a.m. at its registered office.

| | |
|---|--|
| Name of the Member : | |
| Name of the Proxy : | |
| Signature of Member / Proxy : | |
| Registered Folio no. /DP ID no. / Client ID no. : | |
| Number of Equity Shares held: | |

Note: Please fill up this attendance slip and hand it over at the entrance of the venue. Members are requested to bring their copies of the Annual Report to the AGM.

ROAD MAP



www.zentechnologies.com

If undelivered, Please return to:



being there...

ZEN TECHNOLOGIES LIMITED

Registered Office: B-42, Industrial Estate Sanathnagar

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