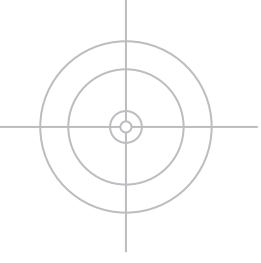


"THE WAY IS IN THE TRAINING"



being there...

ZEN TECHNOLOGIES LIMITED



"The Way is in the Training"



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

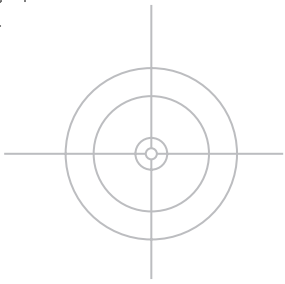
- From Webster's New World Dictionary



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...**





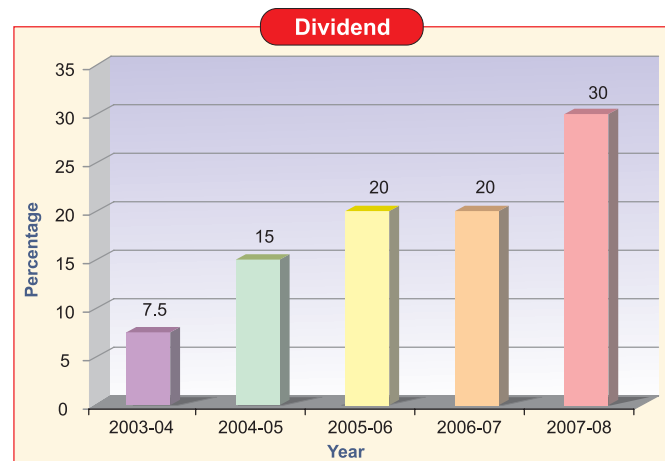
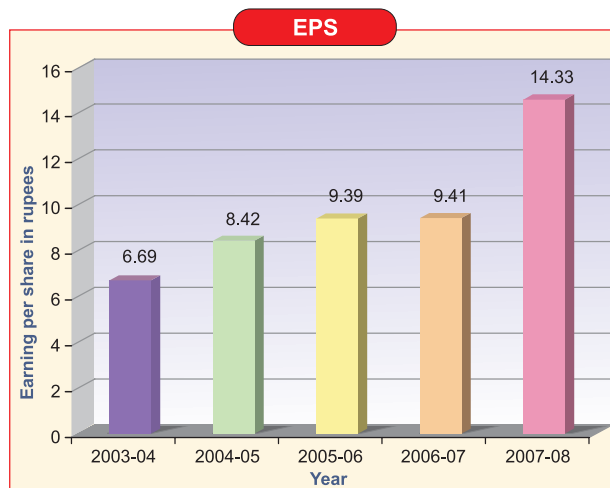
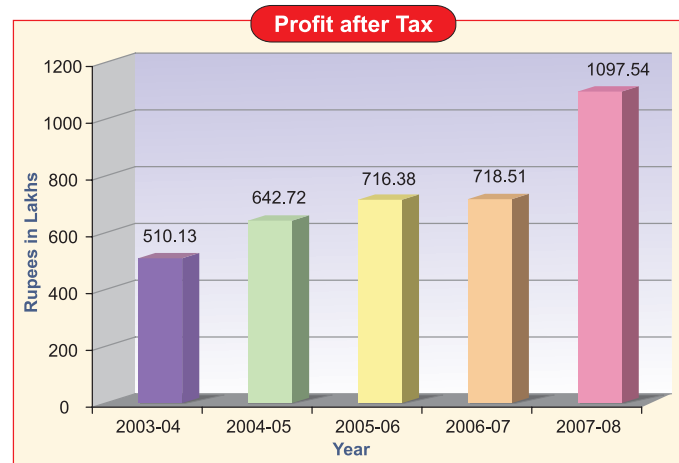
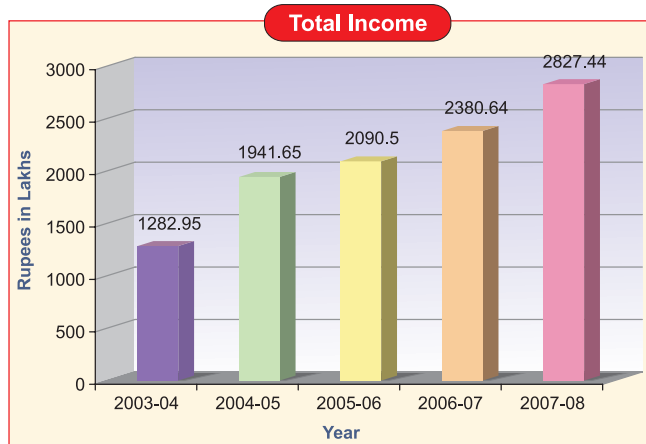
OUR PRODUCTS

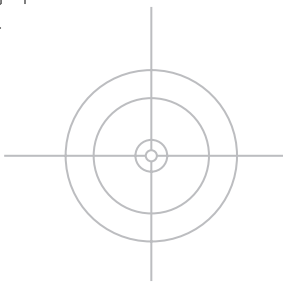
Zen has been at the forefront of applying new technologies and developing new products and is actively involved in indigenisation of technologies, which are helpful for Indian Security Forces and civilian simulation market.

LIST OF PRODUCTS

- [Zen Advanced Weapon Simulator \(Zen AWeSim\)](#)
- [Zen Small Arms Training Simulator \(Zen SATS\)](#)
- [Zen Hand Grenade Simulator \(Zen HE36S\)](#)
- [Zen Driving Training Simulator \(Zen DTS\)](#)
- [Zen BMP-II Driving Simulator \(Zen BMP - II DS\)](#)
- [Zen Forward Observer Simulator \(Zen FOS\)](#)
- [Zen Driving Simulator \(Zen DS\)](#)
- [Zen Tactical Engagement Simulator \(Zen TacSim\)](#)
- [Zen Anti-Tank Guided Missile Simulator \(ATGM Sim\)](#)
- [Zen Radar Scan Converter \(Zen RSC\)](#)
- [Zen BMP-II Integrated Missile Simulator \(Zen BMP - II IMS\)](#)

PERFORMANCE OF THE COMPANY AT A GLANCE



**Registered Office**

C-63, Industrial Estate
Sanathnagar, Hyderabad-500018, A.P., INDIA
Phone : 91- 40 - 23814894, 23813294
Fax : 91- 40 - 23813694
Email id : info@zentechnologies.com
Website : www.zentechnologies.com

Board of Directors

Mr Ashok Atluri	-	Chairman and Managing Director
Mr Midathala Ravi Kumar	-	Whole-Time Director
Dr Pamidi Kotaiah	-	Director
Cmdr Sarvotham Rao	-	Director
Mr Davuluri Satish Babu	-	Director
Mr Utpal Sheth	-	Director

Company Secretary

Mrs Y Shobha Rani

Auditors

Gokhale & Co.,
Chartered Accountants
Basheerbagh, Hyderabad-500 029

Bankers

Indian Bank
Oriental Bank of Commerce

R & D Division

B-42, Industrial Estate
Sanathnagar, Hyderabad-500018, A.P., INDIA
Phone : 91- 40 - 23814894, 23813294
Fax : 91- 40 - 23813694

Registrars

Sathguru Management Consultants Private Limited
Plot No.15, Hindi Nagar
Behind Saibaba Temple
Punjagutta, Hyderabad - 500 034
Phone : 91- 40 - 2335 6507 / 6975 / 0586
Fax : 91- 40 - 2335 4042
Email id: sta@sathguru.com

Listing

The Inter-connected Stock Exchange of India Limited

Permitted Trading

The Bombay Stock Exchange Limited, Mumbai

BOARD COMMITTEES

Audit Committee

Dr Pamidi Kotaiah - Chairman
Cmde Sarvotham Rao - Member
Mr Davuluri Satish Babu - Member

Compensation/Selection Committee

Mr Davuluri Satish Babu - Chairman
Dr Pamidi Kotaiah - Member
Mr Midathala Ravi Kumar - Member

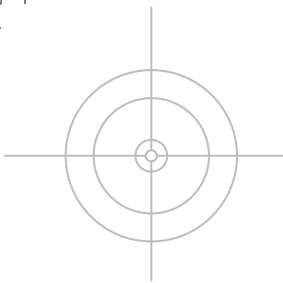
Share Transfer & Investor

Mr Davuluri Satish Babu - Chairman

Grievance Committee

Mr Ashok Atluri - Member
Mr Midathala Ravi Kumar - Member





CONTENTS	PAGE NO.
Notice	1
Directors' Report	5
Management Discussion and Analysis	11
Corporate Governance Report	14
Certification by Managing Director and General Manager - Finance	24
Auditors' Certification on Corporate Governance	25
Auditors' Report	26
Balance Sheet as at 31 March 2008	29
Profit and Loss Account for the year ended 31 March 2008	30
Schedules Forming part of the Accounts	31
Significant Accounting Policies and Notes to Accounts	38
Cash Flow Statements for the year ended 31 March 2008	44
Balance Sheet Abstract and Companies General Business Profile	45
Auditors' Report on the Consolidated Financial Statements	46
Consolidated Balance Sheet as at 31 March 2008	47
Consolidated Profit and Loss Account for the year ended 31 March 2008	48
Schedules Forming part of the Consolidated Accounts	49
Significant Accounting Policies and Notes to Consolidated Accounts	56
Consolidated Cash Flow Statement for the year ended 31 March 2008	60
Directors' Report on Subsidiary Company	61
Subsidiary Company Accounts	62
ECS Mandate form	

* The Proxy Form and Attendance Slip are sent along with Annual Report

NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of the members of **Zen Technologies Limited** will be held on Friday, the 12 September 2008 at 10.30 a.m. at B-42, Industrial Estate, Sanathnagar, Hyderabad - 500 018, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31 March 2008, the Profit and Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To declare dividend for the financial year ended 31 March 2008.
3. To appoint a Director in place of Dr Pamidi Kotaiah who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Cmde Sarvotham Rao who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s Gokhale & Co., Chartered Accountants as Statutory Auditors, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration.

SPECIAL BUSINESS

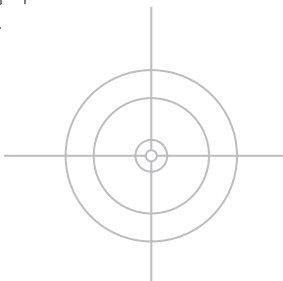
6. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED THAT Mr. Utpal Sheth who was appointed as an Additional Director of the Company by the Board of Directors with effect from 30 June 2008, and holds office up to the commencement of 15 Annual General Meeting of members of the Company, be and is hereby appointed as a Director of the Company whose office is subject to retirement by rotation."

By Order of the Board

Hyderabad
25 July 2008

Ashok Atluri
Chairman and Managing Director



ANNEXURE TO THE NOTICE

NOTES

ANNEXURE TO THE NOTICE

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and to vote on a poll. A proxy need not be a member of the Company.
2. An instrument appointing proxy to be effective must be lodged at the Registered Office of the Company at least 48 hours before the commencement of the meeting. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person, if he or she so wishes. A form of proxy is sent along with the Annual Report.
3. Voting is by show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution, or by those holding paid-up capital of at least Rs 50,000. A proxy shall not vote except on a poll.
4. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed herewith
5. Pursuant to Section 154 of the Companies Act, 1956, the Share Transfer Books and the Register of Members of the Company will be closed from Wednesday, 10 September 2008 to Friday, 12 September 2008 (both days inclusive).
6. Shareholders / Proxies should bring duly filled attendance slips sent herewith along with the copies of Annual Reports to attend the Annual General Meeting.
7. In case of joint holders attending the meeting, only first joint holder will be entitled to vote.
8. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID numbers and those who hold shares in Physical Form are requested to write their Folio No. in the attendance slip for attending the meeting.
9. Members holding shares in physical form are requested to notify / send any change in their address and updation of bank account details to the Company's Share Transfer Agents or to the Company at its Registered Office. Members having shares in electronic form may inform the same to their depository participants immediately so as to enable the Company to dispatch dividend warrants to their correct address.
10. Subject to the provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if declared at the meeting, will be paid on or after 18 September 2008 to those members whose names appear on the Register of Members as on 12 September 2008. 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.
11. The Company has paid dividend for the financial years 2002-03, 2003-04, 2004-05, 2005-06 and 2006-07. Members who wish to claim dividend, which remain unclaimed, are requested to either correspond with the Company's Registrar and Share Transfer Agent (Sathguru Management Consultants Pvt. Ltd) or the Company at its Registered Office. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 205C of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.

12. Information of Directors seeking reappointment as required under Clause 49 of the Listing Agreement.

A. Dr Pamidi Kotaiah

He has served in various capacities in the Reserve Bank of India, National Bank for Agriculture and Rural Development (NABARD) and retired from NABARD as an Executive Chairman in 1998. He has also worked as a consultant to Food and Agriculture Organisation (FAO) of UNO, International Fund for Agriculture Development, World Bank and United Nations Development Board.

He is a gold medalist in his post graduation from Andhra University in Economics. He has wide experience in Management, Finance and Banking.

Dr Pamidi Kotaiah was awarded the Doctor of Letters (D.Litt) by Andhra University in 1997, received Special Honour Award-1996 by World Association of Small and Medium Enterprises and also received Kinnera-UB Raghavendra Rao Memorial Award in 1996 for his special contribution and outstanding services.

He is an Independent Director on the Board.

Dr Pamidi Kotaiah holds 2,000 Equity Shares of Zen Technologies Limited.

B. Cmde Sarvotham Rao

He has served in various capacities in Indian Navy, Ordnance Factories, Naval Armament, Missile & Torpedo Depot and Bharat Dynamics Limited (BDL).

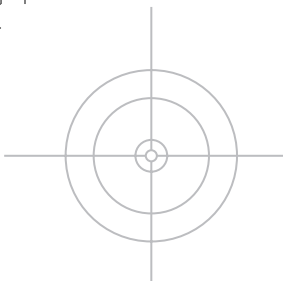
Cmde Sarvotham Rao specialised in Quality Assurance of Armament, Torpedoes and Missiles. He is a Post Graduate in Armament Technology and trained on Torpedoes in UK for 6 months. He was also a faculty member in the Institute of Armament Technology for 3 years and served last 4 years in the Navy in the Research and Development establishment to develop under water weapons before joining Bharat Dynamics Limited.

Cmde Sarvotham Rao looked after corporate functions in BDL and was incharge of operations for 5 Production Divisions in the capacity of Director (Technical) for 4.5 years. He was appointed as Chairman and Managing Director of BDL in July, 1994. During his tenure as Chairman and Managing Director of BDL, Cmde Sarvotham Rao diversified the product range and entered into 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 is an Independent Director on the Board.

Cmde Sarvotham Rao holds 2,000 Equity Shares of Zen Technologies Ltd.



EXPLANATORY STATEMENT

(As required under Section 173 (2) of the Companies Act 1956)

Item No.6

Mr. Utpal Sheth was appointed as an Additional Director on the Board of the Company on 30th June 2008. In order to benefit from his experience and avail his expert advice, Board of Directors of the Company has co-opted him on the Board. Mr. Utpal Sheth holds office only till the commencement of this 15th Annual General Meeting of the members of the Company. The Company has received a notice under Section 257 of the Companies Act 1956 proposing his candidature as a Director along with the requisite deposit. The Board of Directors recommends his appointment.

Mr. Sheth has around two decades of experience in the areas of investment management, risk management, fundamental research, portfolio management etc.

In 1991, he became the Director of Insight Asset Management (India) Private Limited, an Equity Research and Portfolio advisory firm, and served HRS Insight Financial intermediaries Pvt Ltd, a broking firm, till March 2001. Then he joined Enam Financial Consultants Pvt Ltd as a Principal Relationship Manager. In 2003, he joined the legendary investor Rakesh Jhunjhunwala as CEO of Rare Enterprises, a proprietary Asset Management firm.

Mr. Sheth is a regular faculty member at the BSE Training Institute, UTI Institute of Capital Markets, National Institute of Financial Management, etc.

Mr. Sheth is a qualified Cost Accountant (Grad. CWA) and a Chartered Financial Analyst. He also has a Diploma in Systems Management (DSM) from NIIT.

None of the Directors except Mr. Utpal Sheth is interested or concerned in this item.

By Order of the Board

Hyderabad
25 July 2008

Ashok Atluri
Chairman and Managing Director

DIRECTORS' REPORT

To

The Members

Your Directors are pleased to present their Fifteenth Report on the business and operations of your Company along with the audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the financial year ended 31 March 2008.

FINANCIAL PERFORMANCE

(Rs in Lakhs)

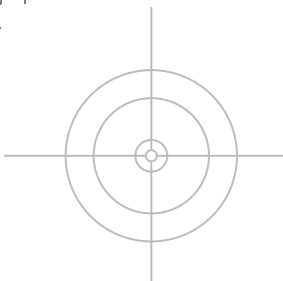
Particulars	2007-08	2006-07
Total Income	2,827.44	2,380.64
Total Expenditure	1,473.77	1,300.13
Operating Profit (PBIDT)	1,353.67	1,080.51
Interest	58.21	51.74
Depreciation	30.03	24.47
Profit before tax	1,265.43	1,004.30
Provision for Tax	159.43	282.79
Fringe Benefit Tax	8.07	5.53
Deferred Tax Liability	0.39	(2.53)
Profit after Tax	1,097.54	718.51
Appropriations		
Transferred to General Reserve	300.00	300.00
Proposed Dividend	243.12	152.79
Dividend Tax	41.32	25.97
Retained profit	513.10	239.75
Earning Per Share (Rs) (face value of equity share - Rs. 10/- each) – Basic	14.33	9.41

RESULTS OF OPERATIONS

Your Company has performed creditably this year, with a total revenue of Rs 2,827.44 lakhs compared to previous year's revenue of Rs 2,380.64 lakhs. Net Profit after tax has increased to Rs 1,097.54 lakhs from Rs 718.51 lakhs of previous year. In line with the profit, the Basic Earnings Per Share (EPS) has also increased to Rs 14.33 compared to previous year's EPS of Rs 9.41.

DIVIDEND

Your Directors recommend a dividend of 30% per Equity Share of Rs.10/- each of the Company for the financial year ended 31 March 2008 as against 20% in the previous year. The amount of dividend outflow is Rs 243.12 lakhs excluding dividend tax of Rs 41.32 lakhs.



APPROPRIATIONS

Your Company has proposed to transfer Rs 300.00 lakhs to the General Reserve. An amount of Rs 513.10 lakhs is retained in the Profit and Loss Account.

Zen Technologies FZE

Zen Technologies FZE, is a wholly owned subsidiary of the Company, registered in Rak Free Trade Zone, Ras Al Khaimah, U.A.E. During the year under review the Company has 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 a part of this Report. The Accounts, Auditors' Report and Directors' Report of the Subsidiary Company are attached to the Report and Accounts of the Company.

DEPOSITS

Your Company has not accepted any 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.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Dr Pamidi Kotiah, and Cmde Sarvotham Rao, Directors, retire by rotation at the Fifteenth Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Utpal Sheth was appointed as an additional director on the Board of the Company on 30 June 2008 and his term expires at the commencement of Fifteenth Annual General Meeting. He is proposed to be appointed as a Director at this Annual General Meeting.

CORPORATE GOVERNANCE

Your Company has been practising the principles of sound corporate governance since its inception. In addition to this, the Board lays strong emphasis on transparency, accountability and integrity.

A report on Corporate Governance and Management Discussion and Analysis along with a certificate from the Auditor and a certificate from Managing Director and General Manager - Finance with regard to the compliance of Corporate Governance as per Clause 49 of the Listing Agreement are published in this Report.

AUDITORS

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

LISTING ON INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED (ICSE)

During the year under review your Company's equity shares have been listed on ICSE. Though the company was listed in Hyderabad Stock Exchange (HSE), there was no trading as the HSE was derecognised by the SEBI.

PREFERENTIAL ALLOTMENT

During the year under review your Company has raised funds to meet the requirements for its expansion projects. The Company has on preferential basis in aggregate allotted 4,50,000 equity shares of Rs 10/- each at a premium of Rs 125/ per share to Mr Rakesh Jhunjunwala and Mrs Rekha Jhunjunwala. The Company has also allotted a total of 8,00,000 Share Warrants: out of which 2,25,000 Warrants to Mr Rakesh Jhunjunwala, 2,25,000 Warrants to Mrs Rekha Jhunjunwala, 3,00,000 Warrants to Mr Kishore Dutt A, and 50,000 Warrants to Mr Midathala Ravi Kumar. The allotment was done as per the terms & conditions approved by members of the Company in the EGM held on 19 February 2008.

EMPLOYEE STOCK OPTION SCHEME (ESOP)

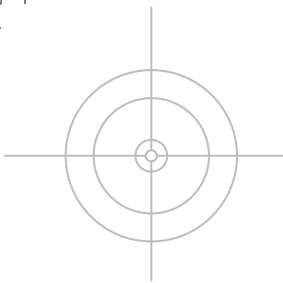
In terms of special resolution passed by the members at the Tenth Annual General Meeting held on 30 September 2003, the Company is implementing ESOS Scheme 2004. The Company has granted 27,000 options based on performance appraisal by the management. Out of which 10,800 options were vested with the employees during the financial year 2006-07, including 1,200 options which lapsed. The remaining 16,200 options were vested with the employees during the financial year 2007-08. The employees exercised 14,400 options and 1,800 options lapsed due to non-exercise. As a result of the exercising of options 14,400 Equity Shares of Rs 10/- each were allotted and an amount of Rs 1,44,000 (Rupees One lakh forty four thousand only) was realised from the employees. No single employee/allottee has been issued shares under this scheme in excess of 1% of the paid up share capital of the Company. No single employee/allottee has been issued shares under this scheme in excess of 50,000 Equity Shares. The Shares/options reserved under the scheme to Employees do not exceed 5% of the paid-up Share Capital of the Company.

EMPLOYEE PARTICULARS

Information as per Section 217(2A) of the Companies Act, 1956, read alongwith the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of Directors Report for the year ended 31 March 2008.

The Employees who were in the Company's employment throughout the year and were in receipt of remuneration for the year which in the aggregate, was not less than Rs 24,00,000/- including perquisites, if any.

(a) Name of the Employee	:	Ashok Atluri
(b) Age	:	43 Years
(c) Qualification	:	B.Com, PGDACS
(d) Designation	:	Chairman and Managing Director
(e) Nature of Employment	:	Contract
(f) Remuneration	:	Rs 52,72,185
(g) Experience	:	14 Years
(h) Date of commencement of employment	:	01-11-1994
(i) Percentage of Equity shares held by the Employee in the Company	:	29.77



There were no employees who were in the Company's employment for 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 Rs 2,00,000/- per month.

DISCLOSURES

- A) Disclosures in terms of Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 in respect of Conservation of Energy, Technology Absorption, and Foreign Exchange Earnings & Outgo are attached (Annexure II) and form part of this Report.
- B) Directors Responsibility Statement as required under Section 217(2AA) of the Companies Act, 1956

The Directors hereby confirm that:

- In the preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- The Directors had taken proper and sufficient care 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.
- The Directors had prepared the annual accounts on a going-concern basis.

ACKNOWLEDGMENTS

Your Directors thank the company's Customers, Partners, Suppliers, Dealers, Banks, Financial Institutions, Department of Scientific and Industrial Research, Government Authorities and Consultants for their continued support. Your Directors express their sincere gratitude to the shareholders and place on record their appreciation of the contribution made by all the employees of the Company.

For and on behalf of the Board

Hyderabad
25 July 2008.

Ashok Atluri
Chairman & Managing Director

ANNEXURE - I TO THE DIRECTORS' REPORT

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary Companies
(in Rupees)

1. Name of the Subsidiary	Zen Technologies FZE
2. Financial Year Period of the Subsidiary ended	31 March 2008
3. Holding Company's interest at 31 March 2008	
a. Number of Equity Share held	1 Equity share of AED one lakh Equivalent to Rs.12,08,470
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. Not dealt with in the Accounts of the Company	
i) for the financial year of the Subsidiary ended 31 March 2008	(15,21,487)
ii) For previous financial years of the Subsidiary since it became subsidiary of the Company	(13,44,845)
b. Dealt with in the Accounts of the Company	
i) for the financial year of the Subsidiary ended 31 March 2008	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 Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

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

A. Conservation of Energy

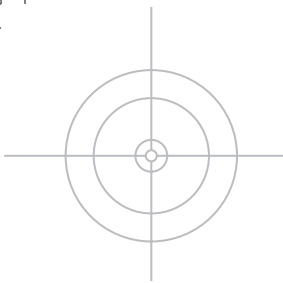
The Company does not use energy-intensive equipment for its operations. However, due to significant awareness campaigns within the Company the employees are averse to wasting power. Consequently Power consumption is one of the lowest per employee. The computers, air-conditioners and other equipment being 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 innate ability to innovate and realize state-of-the-art products.

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

Significant efforts were involved in developing Motion Platform, tank simulation, mining simulation, driving simulation, etc.



b. Future plan of action

Your Company plans to invest significant amount in R&D in the years to come to retain 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 strategies for the long-term 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 the technological edge.

c. Expenditure on R & D

The Company has incurred Rs 321.55 lakhs as R&D expenditure for the financial year 2007-08 for the development of various products. Out of Rs 321.55 lakhs, Rs 285.03 lakhs was for R&D Revenue expenditure and Rs 36.52 lakhs for R&D Capital Expenditure.

C. Efforts made towards Technology absorption, adoption and innovation

S.No	Particulars	Efforts
1	Efforts, in brief, made towards technology absorption, adoption and innovation.	Company has indigenously developed significant technologies that are useful in various products. The technologies harnessed 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 that such technologies will give us an unbeatable edge in evolving our products into more technologically rich, reliable, sustainable and robust.
3	Information about Technology imported	The Company has not imported any technology.

D. Foreign Exchange Earnings and Outgo

(Rs in Lakhs)

Particulars	2007-08	2006-07
Earned during the year	469.76	137.34
Used during the year	137.95	107.12

For and on behalf of the Board

Hyderabad
25 July 2008

Ashok Atluri
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development

Wikipedia defines simulator 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, maintenance, medicine, power plant, bridges, ships and entertainment. This list is not exhaustive and as technology becomes more affordable, inventive minds are finding more and better applications.

The Simulation Industry in India is showing signs of initial maturity with a few players expressing keen interest to enter 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 to come up in the years to come, especially in the civilian simulation market. In defence simulation, we have had competition from domestic and international players in a limited way. The growing capital expenditure allocation for Indian Armed Forces reinforces the emphasis the Government is putting on modernization which should benefit your company.

Opportunities and threats

The emphasis laid on training by the defence forces has proved beneficial to your company. Your company continues to design and develop simulators that cater to the defence market in India and we do feel that it provides us a big opportunity.

We expected the company to make big inroads into the driving school market but found the demand in that segment was limited. We feel that enforcing the regulations strictly will result in demand for better driving schools with scientific and proven teaching methodologies.

The other area where we are pursuing orders is the Security Forces market. This market is very elusive and unpredictable. Typically, with all the checks and balances in place, the time we get the order is towards the fag-end of the financial year, when the urgency to spend the budget becomes real for the Security Forces. This year-end rush causes significant lumpiness in our sales, heavily skewed towards the last quarter.

Last year we had referred to some big opportunities being pursued and they look real now. We do expect to get these orders sooner than later. With respect to exports, we see the opportunity to be a little away and widely dispersed than we expected. However, serious efforts are on to tap this big market.

The company has been working on improving the simulators to the evolving needs of the end-users. However, we feel that competition, both domestic and foreign, for the simulators will be a significant factor in the years to come. So, we plan to bring down the prices of our older simulators drastically as their development costs have been amortized. Consequently, we expect the lower price to stimulate demand for our products, but the margin of profit will be lower.

Strengths

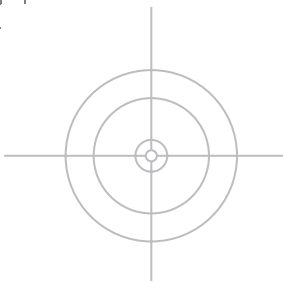
Your company's competitive advantages include

Dedicated Team

Zenists who are involved in the development and marketing of the 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 have developed, we needed these skills in different ratios. Nevertheless, they were indispensable for the materialisation 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.

Formidable 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 the customers.

Performance

Total Income during the year was 28.27 Crores (previous year: 23.80 Crores), EBITDA was 13.53 Crores (previous year: 10.80 Crores), and Profit after tax was 10.97 Crores (previous year: 7.18 Crores).

Weapon simulators contributed Rs 878.90 lakhs (previous year Rs 1,643.25 lakhs) and non-weapon simulator's contribution was Rs 1,613.20 lakhs (previous year Rs 578.40 lakhs). The remaining contribution was from activities consequential to the sale of simulators including after sales service, annual maintenance contracts and customisation of the system, apart from interest.

The Company started a Production Unit at Nalagarh, Himachal Pradesh, during the year.

Products and the Market

The main markets are Police and Para-military Forces, Armed Forces, Government Departments (like Transport) and Civilian Market.

Your company has five major products already in the market, viz., Small Arms Training Simulator (Zen SATS), Hand Grenade Simulator (Zen HE36S), Advanced Weapons Simulator (Zen AWeSim), Driving Training Simulator (Zen DTS) and BMP II DS. The first three products have Security Forces as the target market. Out of the three Zen SATS and Zen AWeSim have a limited market in the civilian sector (with private security agencies requiring to train their guards in arms handling). Zen DTS is aimed at the civilian market. BMP II DS is aimed at the Armed Forces. FOS is the sixth product that we launched during the year. The non-weapon simulators include Zen DTS and BMP II DS.

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 to their next level. The changes being made are both incremental and innovative.
2. New Products: To expand our customer base, we are developing new products. A new area that we are targeting at this time is the mining simulation market. We are in the process of developing simulators for excavators, dozers, and dumpers. These simulators are expected to have a significant market in India and abroad.

Profit Margins and Cost Control Exercise

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

Personnel Relationships

Your Company had outstanding personnel relationships last year. Zenists have internalised Zen's Final Expectation **Always Do What Needs to be Done without Waiting to be Asked**. 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, maintenance, medicine, power plant, bridges, ships, and entertainment. The list is not complete and as technology becomes more affordable, inventive minds are finding more and better applications.

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

We have started construction of world-class, integrated facilities on the land allotted to us near Hyderabad's new international airport. About 70,000 sft of the proposed facility is expected to be ready by 2008-end. The remaining facility should be completed in 2009. With this facility in place we will be able to streamline our operations and we will have one integrated facility for all our operations.

Risks and Concerns

We are seeing more and more players entering the field of simulation and expect the competition to be stiff and margin to drop for products that have huge market demand.

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 commitment to develop critical simulation technologies for Security Forces will bring definite expenditure with 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. The Government does not have any explicit policy or procedure to encourage indigenous technology in such situations. Our problem will be compounded if such a foreign supplier ties up with organizations (like a PSU) which are given a price advantage over us by the Security Forces.

As part of business, we give performance guarantee to our clients. These guarantees are contingent liabilities that may be revoked by customers if they are not satisfied with the performance of products.

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

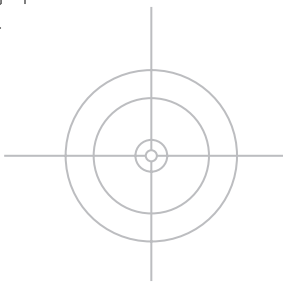
Zen's team strength stands at 148 members (previous year 116). The management and employees in the company regularly meet to address the areas of concern.

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 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 benefits 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 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 a majority of non-executive independent directors. The Board has two Executive Directors and four Non-executive Directors. Four out of six are Independent Directors.

Composition and category of Directors as on date are given below:

Name of the Director	Category	Date of Appointment	Number of Directorships in other Companies	Committee Membership as on date. (in other companies)	
				Member	Chairman
Ashok Atluri	Promoter & Managing Director	01-11-1994	01	-	-
Midathala Ravi Kumar	Promoter & Executive Director	29-06-1993	-	-	-
Davuluri Satish Babu	Independent Director	02-02-2004	-	-	-
Dr Pamidi Kotaiah	Independent Director	17-01-2005	08	02	03
Cmde. Sarvotham Rao	Independent Director	30-03-2005	-	-	-
Utpal Sheth	Independent Director	30-06-2008	13	01	-

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

None of the Non-Executive Directors have any pecuniary relationship or transactions with the Company except to the extent of sitting fees.

C. Meetings and Attendance

During the Financial Year 2007-08 the Board of Directors have met 7 times on the following dates:

19 May 2007	20 July 2007	29 October 2007
14 November 2007	14 January 2008	18 January 2008
17 March 2008.		

Attendance of Directors at Board Meetings, last Annual General Meeting (AGM) held on 28 September 2007 and Extraordinary General Meeting (EGM) held on 19 February 2008.

Name of the Director	Number of Board meetings held	No. of Board meetings attended	Attendance at the last AGM	Attendance at the last EGM
Ashok Atluri	7	7	Present	Present
Midathala Ravi Kumar	7	7	Present	Present
Davuluri Satish Babu	7	1	Present	Absent
Dr. Pamidi Kotaiah	7	7	Present	Present
Cmde Sarvotham Rao	7	7	Present	Present

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.

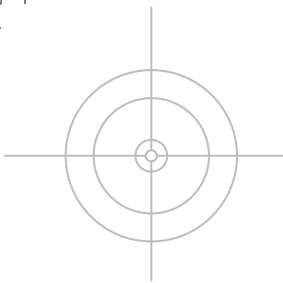
iii) Audit Committee

A. Composition

The Audit Committee consists of three Non-Executive Independent Directors. Dr Pamidi Kotaiah is the Chairman of the Committee and its constitution is as follows:

1. Dr Pamidi Kotaiah – Chairman
2. Cmde Sarvotham Rao – Member
3. Mr Davuluri Satish Babu – Member

All the members including the Chairman have adequate financial and accounting knowledge.



B. The power of the Audit Committee are as follows:

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.

C. The role of the Audit Committee is as follows:

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.
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 findings 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.
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. To review the following information:
 - The management discussion and analysis of financial condition and results of operations;
 - Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
 - Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
 - Internal audit reports relating to internal control weaknesses; and
 - The appointment, removal and terms of remuneration of Internal Auditors.
15. Reviewing the financial statements and in particular the investments made by the unlisted subsidiaries of the Company.

D. Meetings and Attendance

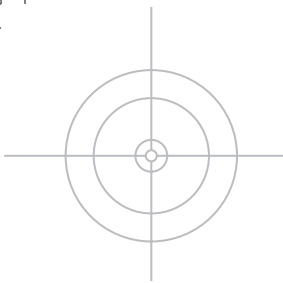
The Audit Committee met 4 times during the year under review on the following dates:

19 May 2007	20 July 2007
29 October 2007	14 January 2008

Attendance during the year 2007-08:

Name	Number of meetings held	Number of meetings attended
Dr Pamidi Kotaiah	4	4
Cmde Sarvotham Rao	4	4
Davuluri Satish Babu	4	1

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



iv) Remuneration of Directors

The remuneration of Managing Director and Whole-time Director for the Financial Year ended 31 March 2008 are as follows:

(in Rupees)

Name of the Director	Ashok Atluri	Midathala Ravi Kumar	Pamidi Kotaiah	Sarvotham Rao	Davuluri Satish Babu
Designation	Chairman & Managing Director	Whole-time Director	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
Salary	12,00,000	7,20,000	–	–	–
Perquisites	5,31,881	3,10,092	–	–	–
Commission on profits	33,70,938	–	–	–	–
Leave Travel Allowance	1,69,366	–	–	–	–
Sitting fee	–	–	1,05,000	81,500	20,000
Total	52,72,185	10,30,092	1,05,000	81,500	20,000

v) Share Transfer and Investor Grievance Committee

A. Composition

Your Company has constituted a Share Transfer and Investor Grievance Committee consisting of

- Mr Davuluri Satish Babu – Chairman
- Mr Ashok Atluri – Member
- Mr Midathala Ravi Kumar – Member

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 dividends etc.
- To approve transfer and transmission and issue of duplicate/fresh share certificates.
- To approve consolidation 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.

Sathguru Management Consultants Private Limited, the Registrar and Share Transfer Agent, have 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 lodgement in case of shares held in physical form.

Investor Complaints received and resolved during the year 2007-08

Nature of Complaint	No. of days taken	Received and Resolved
a) Relating to change of address, revalidation of dividend and non receipt of dividend	1 - 10	27
	11 - 20	0
	21 - 30	1
b) Others	31 and above	1

Share Transfers (in physical mode) made during the year 2007-08

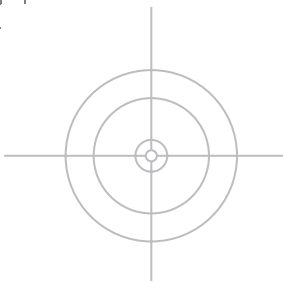
Sl.No.	No. of days taken	No. of transfers	No.of Shares
1.	1-15	6	2,309
2.	16-20	1	400
3.	21-30	0	0
4.	31 and above	Nil	Nil

vi) General Body Meetings

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

Financial Year	Date	Time	Venue	Nature of special resolutions, if any passed
2004-05	30-09-2005	10.30 a.m.	Gayatri Gardens 26 Part, Sikh Road Sikh Village, Near Diamond Point Hotel Secunderabad-500 009	Revision of Remuneration to Mr Kishore A D, a relative of Mr Ashok Atluri, Managing Director and Mr Satish Atluri, Director to hold an office or place of profit
2005-06	29-09-2006	10.30 a.m.	B - 42, Industrial Estate, Sanathnagar Hyderabad - 500018	No Special Resolution was passed
2006-07	28-09-2007	10.30 a.m.	B - 42, Industrial Estate, Sanathnagar Hyderabad - 500018	Revision of Remuneration to Mr. Ashok Atluri, Managing Director.

No Special Resolution was put through postal ballot last year. The Company shall comply with the provisions of postal ballot under the Companies Act, 1956 as and when required.



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

viii) Means of Communication

1. The Board of Directors of the Company approves and takes on record the quarterly unaudited financial results in the proforma prescribed by the Listing Agreement, within one month of the close of the quarter and announces forthwith the results to the Stock Exchanges and usually publishes the results in Business Standard (English) and in Andhra Bhoomi (Telugu).
2. The annual audited Accounts of the Company are likewise communicated in the prescribed proforma to the Stock Exchanges and are published in the newspapers as mentioned above.
3. Management Discussion and Analysis forms part of the annual report, which is posted to the shareholders of the Company.

ix) General Shareholder Information

The following information would be useful to the shareholders:

A. 15th Annual General Meeting

Date : Friday, 12 September 2008
Time : 10.30 a.m.
Venue : B-42, Industrial Estate, Sanathnagar, Hyderabad 500018.

B. Financial Calendar 2008-09 (Tentative Schedule)

Annual General Meeting (Next year) : July / August 2009

Adoption of quarterly results for the quarter ending	3rd/4th Week of
30 June 2008	July 2008
30 September 2008	October 2008
31 December 2008	January 2009
31 March 2009	June 2009 (audited)

C. Dates of Book Closure

Wednesday, 10 September 2008 to Friday, 12 September 2008 (both days inclusive)

D. Dividend Payment Date

First week of October 2008

E. Listing on Stock Exchanges

The Company's equity shares have been listed on Inter-Connected Stock Exchange of India Limited. Further, the Company's shares are also traded under permitted category on The Bombay Stock Exchange Limited, Mumbai. The Company confirms that it has paid annual listing fees to the Stock Exchanges for the year 2008-09.

F. Stock Code

- | | | |
|--------------------------------------|---|--------------|
| (a) Trading Symbol | : | ZENTEC |
| (b) Demat ISIN number in NSDL & CDSL | : | INE251B01019 |
| (c) Scrip ID on BOLT in BSE | : | 590032 |
| (d) Scrip code on finance.yahoo.com | : | 590032.BO |

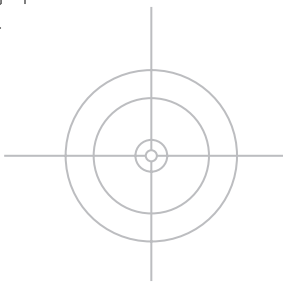
Electronic Connectivity

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

The Bombay Stock Exchange Limited, Mumbai

Month & Year	High (Rs.)	Low (Rs.)	Monthly Weighted Average (Rs.)
April 2007	75.15	55.80	67.94
May 2007	78.40	62.00	71.45
June 2007	87.50	66.00	76.26
July 2007	86.40	63.00	74.64
August 2007	70.00	60.00	64.71
September 2007	71.65	59.00	65.32
October 2007	75.00	56.00	61.81
November 2007	91.30	65.00	81.34
December 2007	132.20	73.00	105.37
January 2008	166.30	101.00	138.46
February 2008	192.45	140.10	170.57
March 2008	179.95	111.00	144.85



H. Demat Registrars and Share Transfer Agents

Communication regarding transfers in Physical/Electronic form and other related correspondence

Sathguru Management Consultants Private Limited

Plot No.15, Hindi Nagar

Behind Saibaba Temple

Punjagutta, Hyderabad - 500 034

Phone : 91 - 40 - 2335 6507 / 6975 / 0586

Fax : 91 - 40 - 2335 4042

Email id : sta@sathguru.com

I. Share Transfer System

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

J. Distribution of Shareholding

Distribution of Shareholding as on 31 March 2008 is as follows:

Category (No. of Shares)		Number of Shareholders	Percentage	No. of Shares	Percentage
From	To				
Up to 500		3,225	85.02	4,74,216	5.85
501	1000	238	6.27	1,94,836	2.40
1001	2000	136	3.58	2,11,135	2.61
2001	3000	60	1.58	1,51,963	1.88
3001	4000	28	0.74	99,770	1.23
4001	5000	18	0.47	86,087	1.06
5001	10000	32	0.84	2,36,550	2.92
10001 and Above		57	1.50	66,49,443	82.05
TOTAL		3,794	100.00	81,04,000	100.00

K. Shareholding Pattern as on 31 March 2008

SI No	Particulars	No of Shareholders	No of shares	% of Equity
1.	Promoters	17	41,06,450	50.67
2.	United India Insurance Company Limited	01	46,035	0.57
3.	Foreign Institutional Investors	01	15,000	0.19
4.	Bodies Corporate	159	6,49,472	8.01
5.	Resident Individuals	3,553	32,14,673	39.67
6.	NRI/OCB	63	72,370	0.89
	Total	3,794	81,04,000	100.00

L. Dematerialisation of Shares

As on 31 March 2008, 51,57,348 shares were dematerialised which constitute 63.64% of the paid up capital. The particulars of dematerialisation are as follows:

Sl.No.	Category	No. of shareholders	Total Shares	% of Equity
1	Physical	212	29,46,652	36.36
2	NSDL	2,735	40,56,406	50.05
3	CDSL	847	11,00,942	13.59
	Total	3,794	81,04,000	100.00

M. Address for Investor Correspondence

Mrs Y Shobha Rani, Company Secretary & Compliance Officer
 ZEN TECHNOLOGIES LIMITED
 C-63, Industrial Estate
 Sanathnagar, Hyderabad-500018
 Phone : 91- 40 - 23814894, 23813294
 Fax : 91- 40 - 23813694
 Email id : shobharani.y@zentechnologies.com

x) Nomination Facility

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

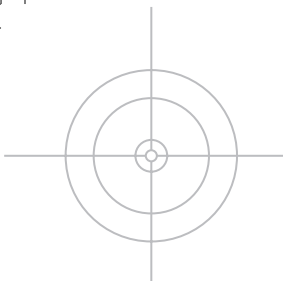
xi) Company's Policy on Prevention of Insider Trading

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.

For and on behalf of the Board

Hyderabad
 25 July 2008

Ashok Atluri
 Chairman & Managing Director



Certification by Managing Director and General Manager - Finance

We, Ashok Atluri, Managing Director and Y R S Murty, General Manager - Finance of *Zen Technologies Limited*, to the best of our knowledge and belief, certify that:

1. We have reviewed the Balance Sheet as at 31st March 2008, Profit and Loss Account and Cash Flow Statement ("Financial Statements") for the year ended on that date and that to the best of our knowledge:
 - The Financial Statements do not contain any materially untrue or misleading statement or omit any material fact.
 - The Financial Statements present a true and fair view of Company's affairs and are in compliance of applicable laws, regulations and accounting standards.
2. To the best of our knowledge, no transactions the Company entered into during the year are fraudulent, illegal or in violation of Company's Code of Conduct.
3. We are responsible for establishing and maintaining internal controls and we have:
 - a. Evaluated effectiveness of internal control system
 - b. Disclosed deficiencies in the design or operation of internal controls we are aware of
 - c. Taken steps to rectify the internal control deficiencies
4. We have indicated to the auditors and Audit Committee
 - a. Significant changes in internal control 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. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.
5. We further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

Hyderabad
25 July 2008

Ashok Atluri
Managing Director

Y R S Murty
General Manager - Finance

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members

Zen Technologies Limited

We have examined the compliance of the requirements of Corporate Governance by Zen Technologies Limited for the year ended on 31 March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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.

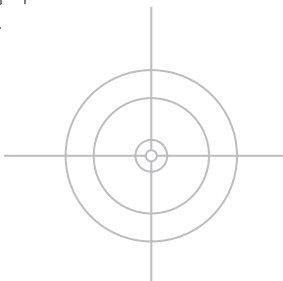
In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the requirements of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

The above compliance however is not an assurance of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For Gokhale & Co
Chartered Accountants

Chandrashekhar Gokhale
Partner
Memb. No 23839

Hyderabad
25 July 2008



AUDITORS' REPORT

The Members
Zen Technologies Limited
Hyderabad

We have audited the attached Balance Sheet of Zen Technologies Limited, Hyderabad as at March 31, 2008 and the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Subsection (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with books of account.
 - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of written representation received from the Directors, as on March 31, 2008 and taken on record by the Board of Directors, we report that, none of the directors is disqualified as on March 31, 2008 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008
 - ii) In the case of the Profit & Loss Account, of the Profit of the company for the year ended on March 31, 2008; and
 - iii) In the case of the Cash Flow Statement of the Cash Flows for the year ended on March 31, 2008

For Gokhale & Co
Chartered Accountants

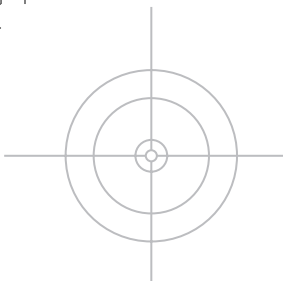
Chandrashekhar Gokhale
Partner
Memb. No 23839

Hyderabad
30 June 2008

ANNEXURE

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

- (i) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management according to the phased programme designed to cover all assets on rotation basis. In respect of assets verified according to this programme, which is reasonable, no material discrepancies were noticed. The company has not disposed off substantial part of its fixed assets during the year.
- (ii) Inventories have been physically verified during the year by the management and in our opinion the frequency of verification is reasonable. According to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. On the basis of our examination of the records the company is maintaining proper records of inventories and the discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of Clauses 4 (iii)(b), 4 (iii)(c) and 4 (iii)(d) of the Order are not applicable for the year under audit.
- (iv) In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures 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 products.
- (v) In our opinion and according to the information and explanations given to us the company had no transactions that need to be entered into a register in pursuance of section 301 of the Act.
- (vi) The company has not accepted deposits from the public covered by the provisions of section 58 A of the Companies Act.
- (vii) The company has an internal audit system commensurate with its size and nature of its business.
- (viii) The company is not required to maintain any cost records under clause (d) of sub-section (1) of section 209 of the Act.
- (ix) 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 Investor Education and Protection Fund, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty etc outstanding for a period of more than six months from the date they became payable.
- (x) The company had no accumulated losses and has not incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- (xi) 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.



- (xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xiv) The company has taken a term loan of Rs. 400 Lakhs for its new facility at Hardware park, Maheshwaram, Hyderabad and has utilized part of the loan for the intended purpose. Unutilised portion of the term loan was lying in the Bank Account of the company as at the yearend.
- (xv) 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 and vice-versa.
- (xvi) The company has made preferential allotment of fully convertible share warrants to parties covered in the Register maintained under section 301 of the Act. The price at which these warrants have been issued is not prejudicial to the interests of the company.
- (xvii) During the period covered by our audit report, the company has not issued any debentures.
- (xviii) the company has not raised any money by way of public issue during the year.
- (xix) 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

Chandrashekhhar Gokhale
Partner
Memb. No 23839

Hyderabad
30 June 2008

BALANCE SHEET AS AT 31 MARCH 2008

(in Rupees)

Particulars	Schedule	As at 31 March	
		2008	2007
SOURCES OF FUNDS:			
Share holders Funds :			
Share Capital	1	81,040,000	76,396,000
Share Warrant			
Application Money		10,800,000	
Reserves & Surplus	2	374,055,399	465,895,399
			234,439,840
310,835,840			
Loan Funds :			
Secured Loans	3	98,979,167	97,918,970
Deferred Tax Liability	4	18,652,656	18,613,362
TOTAL		583,527,222	427,368,172
APPLICATION OF FUNDS:			
Fixed Assets	5	142,069,800	123,002,399
Less : Depreciation		29,578,156	25,065,516
Net Block		112,491,644	97,936,883
Add: Capital Work in Progress		29,125,918	5,852,132
		141,617,562	103,789,015
Investments	6	5,813,470	5,813,470
Current Assets, Loans & Advances	7		
a. Inventories		12,781,945	11,312,964
b. Sundry Debtors		254,770,293	137,121,138
c. Cash and Bank Balances		152,091,750	207,256,526
d. Loans and Advances		75,843,960	11,497,920
		495,487,948	367,188,548
Less : Current Liabilities & Provisions	8		
Current Liabilities		37,415,974	41,336,852
Provisions		32,317,084	20,617,044
		69,733,058	61,953,896
Net Current Assets		425,754,890	305,234,652
Miscellaneous Expenditure (To the extent not written off or adjusted)	9	10,341,300	12,531,035
TOTAL		583,527,222	427,368,172
Notes forming part of the accounts	19		

As per our report of even date

For Gokhale & Co.,
Chartered Accountants

C Gokhale
Partner

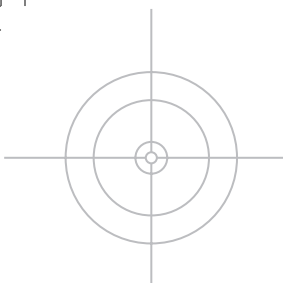
Hyderabad
30 June 2008

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole-Time Director

Y Shobha Rani
Company Secretary



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

(in Rupees)

Particulars	Schedule	For the Year ended 31 March	
		2008	2007
INCOME			
Sales		265,559,800	224,581,242
Other Income	10	17,184,342	13,483,209
		<u>282,744,142</u>	<u>238,064,451</u>
EXPENDITURE			
Materials Consumed	11	30,207,832	20,291,811
Manufacturing Expenses	12	5,024,606	2,041,580
Taxes & Duties	13	13,650,631	10,141,117
Payments and Benefits to employees	14	17,174,661	12,485,399
R&D expenses	15	28,502,957	34,781,278
Administrative & General Expenses	16	50,527,600	42,587,567
Interest & Financial Charges	17	5,821,510	5,173,596
(Increase)/Decrease in Stocks	18	98,717	4,114,373
Depreciation	5	3,002,693	2,446,971
Miscellaneous Expenses written off:			
Amortisation of R&D Exp. on Product development		2,006,061	3,386,720
Preliminary and Pre-operative Expenses		183,674	183,576
		<u>156,200,942</u>	<u>137,633,988</u>
Profit for the year before tax		126,543,200	100,430,463
Less Provision for Income Tax			
Current year Tax Liability		16,316,842	27,931,785
Tax for earlier period		(374,082.00)	347,080
Fringe Benefit Tax		806,643	553,794
Deferred Tax Liability/ (Asset)		39,294	(253,259)
Profit after tax		<u>109,754,504</u>	<u>71,851,063</u>
Add Opening Balance		124,439,840	100,464,677
		234,194,344	172,315,740
Transferred to General Reserve		30,000,000	30,000,000
Proposed Dividend		24,312,000	15,279,200
Dividend Tax		4,131,824	2,596,700
		<u>175,750,519</u>	<u>124,439,840</u>
Earning Per Share of Rs. 10/- each - Basic		14.33	9.41
- Diluted		12.33	-
Notes forming part of the accounts	19		

As per our report of even date

For Gokhale & Co.,
Chartered Accountants

C Gokhale
Partner

Hyderabad
30 June 2008

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole-Time Director

Y Shobha Rani
Company Secretary

**SCHEDULES FORMING PART OF THE ACCOUNTS**

(in Rupees)

Particulars	As at 31 March	
	2008	2007
SCHEDULE-1		
Share Capital		
Authorised :		
2,00,00,000 Equity Shares of Rs.10/- each (Previous Year 1,00,00,000 Equity Shares of Rs.10/- each)	200,000,000	100,000,000
Issued, Subscribed & Paid up :		
81,04,000 (Previous Year 76,39,600) Equity Shares of Rs 10/- each fully paid up	81,040,000	76,396,000
SCHEDULE-2		
Reserves & Surplus		
General Reserve	140,000,000	110,000,000
Share Premium Account	58,304,880	-
Profit & Loss A/c	175,750,519	124,439,840
	<u>374,055,399</u>	<u>234,439,840</u>
SCHEDULE-3		
Secured Loans		
Indian Bank -OD (Secured by way of pledge of fixed deposits)	58,505,234	82,126,538
Corporation Bank - OD (Secured by way of pledge of fixed deposits)	-	15,702,039
Term Loan from Indian Bank (Secured by way of Hyphotication of fixed Assets)	40,473,933	-
Vehicle Loans from ICICI Bank (Secured by Hyphotication of Vehicle)	-	90,393
	<u>98,979,167</u>	<u>97,918,970</u>
SCHEDULE-4		
Deferred Tax Liability:		
Opening Balance	18,613,362	18,866,621
Add Provision for the year	39,294	(253,259)
	<u>18,652,656</u>	<u>18,613,362</u>



SCHEDULE-5
Fixed Assets

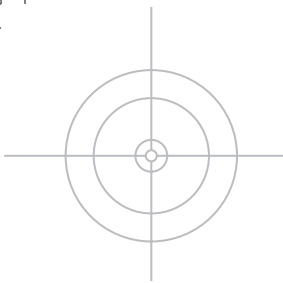
(in Rupees)

Sl. No.	Description	Rate %	GROSS BLOCK				DEPRECIATION				NET BLOCK		
			Opening Balance	Additions For the Period	Deletions	Total	Opening Balance	For the Period	Deletions	Total	As on 31 March	2007	
											2008		
A Assets													
1	Land	0.00	38,618,991	-	-	38,618,991	-	-	-	-	-	38,618,991	1,528,011
2	Building	1.63	487,791	4,651,498	-	5,139,289	45,288	8,159	-	53,447	-	5,085,842	450,454
3	Vehicles	9.50	10,184,181	-	40,983	10,143,198	2,846,362	966,671	38,401	3,774,632	-	6,368,566	8,202,010
4	Furniture & Fittings	6.33	2,060,125	348,388	396,758	2,011,755	645,247	126,296	324,854	446,689	-	1,565,066	1,325,290
5	Office Equipment	16.21	5,107,814	1,654,288	437,411	6,324,691	2,108,017	785,452	422,947	2,470,522	-	3,854,169	2,459,272
6	Computers	16.21	2,852,947	2,115,786	681,537	4,287,196	1,172,205	515,630	620,673	1,067,162	-	3,220,034	1,567,517
7	Software	100.00	429,000	1,032,931	-	1,461,931	403,215	549,325	-	952,540	-	509,391	246,832
	Sub Total (A)		59,740,849	9,802,892	1,556,689	67,987,052	7,220,334	2,951,533	1,406,875	8,764,992		59,222,060	15,779,385
B Assets-R& D Division													
1	Land	0.00	5,150,020	-	-	5,150,020	-	-	-	-	-	5,150,020	5,150,020
2	Building	1.63	25,958,187	1,686,622	-	27,644,809	602,132	423,194	-	1,025,326	-	26,619,484	17,916,203
3	Plant & Machinery	4.75	7,630,310	-	-	7,630,310	3,281,637	360,796	-	3,642,433	-	3,987,877	4,709,469
4	Testing Equipment	4.75	1,060,216	-	-	1,060,216	516,612	50,007	-	566,619	-	493,597	593,612
5	Computers	16.21	3,513,630	1,958,336	-	5,471,966	2,939,241	227,030	-	3,166,271	-	2,305,695	608,780
6	Software	100.00	9,595,847	-	-	9,595,847	8,685,714	614,101	-	9,299,815	-	296,032	40,869
7	Furniture & Fittings	6.33	3,853,150	-	-	3,853,150	356,040	243,359	-	599,399	-	3,253,751	4,454,959
8	Vehicles	9.50	818,169	-	-	818,169	213	77,726	-	77,939	-	740,230	-
9	Office Equipment	16.21	5,682,021	7,535	-	5,689,556	1,463,593	920,608	-	2,384,201	-	3,305,355	5,138,026
	Sub Total (B)		63,261,550	3,652,493	-	66,914,043	17,845,182	2,916,821	-	20,762,003		46,152,040	38,611,937
	Sub-total (A+B)		123,002,399	13,455,385	1,556,689	134,901,095	25,065,516	5,868,354	1,406,875	29,526,995		105,374,100	54,391,323
C Himachal Pradesh unit													
1	Testing Equipment	4.75	-	1,581,367	-	1,581,367	-	4,888	-	4,888	-	1,576,479	-
2	Vehicles	9.50	-	42,970	-	42,970	-	1,678	-	1,678	-	41,292	-
3	Furniture & Fittings	6.33	-	412,537	-	412,537	-	1,461	-	1,461	-	411,076	-
4	Plant & Machinery	4.75	-	2,713,781	-	2,713,781	-	10,539	-	10,539	-	2,703,242	-
5	Office Equipment	16.21	-	94,075	-	94,075	-	1,588	-	1,588	-	92,487	-
6	Computers	16.21	-	1,729,474	-	1,729,474	-	11,461	-	11,462	-	1,718,012	-
7	Software	100.00	-	594,501	-	594,501	-	19,545	-	19,545	-	574,956	-
	Total (C)		-	7,168,705	-	7,168,705	-	51,160	-	51,161		7,117,546	-
	Total (A+B+C)		123,002,399	20,624,090	1,556,689	142,069,800	25,065,516	5,919,514	1,406,875	29,578,156		112,491,644	54,391,322
	Previous year		74,385,990	49,513,735	897,348	123,002,399	19,994,681	5,091,864	21,029	25,065,516		97,936,884	54,391,323

SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	As at 31 March	
	2008	2007
SCHEDULE-6		
Investments		
Investment in Zen Technologies FZE (Wholly owned Subsidiary - 1 Equity Share of face value of AED1,00,000) 1,53,500 Equity Shares of CMTES informatics Limited face value of Rs.10/- each (Un-quoted - Value Shown at cost)	1,208,470	1,208,470
	4,605,000	4,605,000
	<u>5,813,470</u>	<u>5,813,470</u>
SCHEDULE-7		
Current Assets, Loans & Advances		
A. Inventories		
(a) Raw Material	5,888,871	4,321,173
(b) Finished Goods	1,435,672	2,541,926
(c) Work-in-progress (Inventories as valued and Certified by Management)	5,457,402	4,449,865
SUB TOTAL (A)	<u>12,781,945</u>	<u>11,312,964</u>
B. Sundry Debtors (Unsecured and considered good) Outstanding for a period exceeding 6 months Others	30,474,208 224,296,085	40,345,608 96,775,530
SUB TOTAL (B)	<u>254,770,293</u>	<u>137,121,138</u>
C. Cash And Bank Balances		
Cash on hand	248,598	83,180
Balance with Scheduled Banks in Current Accounts	4,764,706	23,800,010
Deposit Accounts	147,078,446	183,373,336
SUB TOTAL (C)	<u>152,091,750</u>	<u>207,256,526</u>
D. Loans & Advances (Unsecured and considered good)		
Advance for purchases	6,755,664	3,898,369
Advances recoverable in cash or in kind or for value to be received	5,817,100	2,356,940
Loans and Advances	16,823,735	1,163,200
Advance for Land	40,000,000	-
Input Credit	804,155	125,587
Deposits	3,755,474	3,053,503
Prepaid Expenses	1,887,832	246,661
Income Tax refundable	-	653,660
SUB TOTAL (D)	<u>75,843,960</u>	<u>11,497,920</u>
TOTAL (A+B+C+D)	<u>495,487,948</u>	<u>367,188,548</u>



SCHEDULES FORMING PART OF THE ACCOUNTS

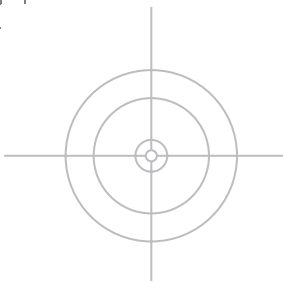
(in Rupees)

Particulars	As at 31 March	
	2008	2007
SCHEDULE-8		
Current Liabilities & Provisions		
A. Current Liabilities		
Sundry Creditors for goods		
Dues to Small Scale Industrials undertakings	–	2,597,549
Others (Purchases)	926,207	3,761,966
for other liabilities	34631727	31,149,979
Advances from Customers	1,386,712	3,506,112
Unclaimed Dividend	471,328	321,246
SUB TOTAL (A)	<u>37,415,974</u>	<u>41,336,852</u>
B. Provisions		
Proposed Dividend	24,312,000	15,279,200
Dividend Tax	4,131,824	2,596,700
Provision for F B T	206,643	98,794
Provision for staff benefits	3,666,617	2,642,350
SUB TOTAL (B)	<u>32,317,084</u>	<u>20,617,044</u>
TOTAL (A+B)	<u>69,733,058</u>	<u>61,953,896</u>
SCHEDULE-9		
Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
Marketing Development Expenses	–	165,755
Preliminary Expenses	–	17,919
R & D Expenses	10,341,300	12,347,361
	<u>10,341,300</u>	<u>12,531,035</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	For the Year ended 31 March	
	2008	2007
SCHEDULE-10		
Other Income		
Interest Received	14,479,556	8,647,802
Foreign Exchange rate fluctuation	161,246	461,692
Rent Received	74,700	69,000
Others	29,796	4,304,715
Misc. Income	312,566	–
Service Charges	2,126,478	–
	<u>17,184,342</u>	<u>13,483,209</u>
SCHEDULE-11		
Materials Consumed		
Opening Stock	4,321,173	2,017,586
Add: Purchases	31,775,530	22,595,398
	<u>36,096,703</u>	<u>24,612,984</u>
Less: Closing Stock	5,888,871	4,321,173
Materials Consumed	<u>30,207,832</u>	<u>20,291,811</u>
SCHEDULE-12		
Manufacturing Expenses		
Electricity Charges	205,138	155,667
Systems installation & maintenance	4,819,468	1,885,913
	<u>5,024,606</u>	<u>2,041,580</u>
SCHEDULE-13		
Taxes & Duties		
Excise Duty	–	2,102,320
Sales Tax	13,650,631	8,038,797
	<u>13,650,631</u>	<u>10,141,117</u>
SCHEDULE-14		
Payments & Benefits To Employees		
Salaries, wages and other employees Benefits	16,716,644	12,117,790
Contribution to P F and E S I	458,017	367,609
	<u>17,174,661</u>	<u>12,485,399</u>



SCHEDULES FORMING PART OF THE ACCOUNTS

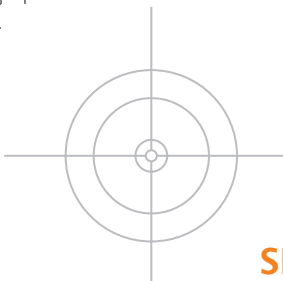
(in Rupees)

Particulars	For the Year ended 31 March	
	2008	2007
SCHEDULE-15		
R&D Revenue Expenses		
Travelling	268,438	1,631,922
Electrical Charges	642,034	983,223
Rates & Taxes	-	141,368
Professional Charges	-	420,000
Salaries and Benefits	16,227,708	12,253,566
Spares & Stores	6,850,598	14,807,273
Depreciation	2,916,821	2,644,893
R&D Radar Scan Converter	1,470,333	1,619,667
Freight	127,025	208,005
R&D Office Expenses	-	62,361
Testing Charges	-	9,000
	28,502,957	34,781,278
SCHEDULE-16		
Administrative Selling And General Expenses		
Rent	2,044,273	1,608,140
Rates & Taxes	1,221,601	323,658
Printing & Stationery	312,803	320,008
Postage & Telephone	2,013,920	2,523,663
Travelling Expenses	9,022,609	5,507,585
Conveyance	613,806	658,207
Insurance	454,493	656,317
Audit Fees - Internal Audit	50,000	20,000
Audit Fees - Statutory Audit	60,000	50,000
Office Maintenance	5,469,728	3,652,433
Vehicle Maintenance	1,369,005	1,004,786
Directors Remuneration	6,302,277	5,224,534
Selling Expenses	17,812,831	16,726,765
Professional Charges	2,502,385	596,185
Membership and Subscription	343,631	537,774
Advertisement	526,890	508,145
Loss on Sale of Assets	72,828	1,623
Listing Fee	108,520	21,500
Sitting Fee	220,000	95,000
Incidental exp	6,000	13,000
Bad Debts	-	2,538,244
	50,527,600	42,587,567

SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	For the Year ended 31 March	
	2008	2007
SCHEDULE-17		
Interest & Financial Charges		
Interest on Bank OD	4,976,881	4,703,643
Bank Charges, Commission	844,629	469,953
	<u>5,821,510</u>	<u>5,173,596</u>
SCHEDULE-18		
(Increase)/Decrease In Stocks		
Opening Stock		
Finished Goods	2,541,926	2,850,124
Work in Progress	4,449,865	8,256,040
	<u>6,991,791</u>	<u>11,106,164</u>
Less Closing Stock		
Finished Goods	1,435,672	2,541,926
Work-in-progress	5,457,402	4,449,865
	<u>6,893,074</u>	<u>6,991,791</u>
	<u>98,717</u>	<u>4,114,373</u>



SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

SCHEDULE-19

1. Basis of Financial Statements:

- a. Financial statements have been prepared under the historical cost convention method in accordance with the Generally Accepted Accounting Principles and Provisions of the Companies Act, 1956.
- b. The Company generally follows Mercantile System of Accounting and recognizes significant items of Income and Expenditure on accrual basis.

2. Fixed Assets and Depreciation:

- a. Fixed Assets are stated at cost less accumulated depreciation. All costs directly attributable to bringing the assets to their working conditions for the intended use are capitalized.
- b. Depreciation on the Fixed Assets of the Company is provided on straight line method in accordance with Schedule XIV of the Companies Act, 1956.
- c. Amounts spent for capital work-in-progress including advance given for capital goods are grouped as capital work-in-progress.

3. Inventories:

Stores, spare parts and Raw material are valued at cost, Work-in-Progress and Finished Goods are valued at cost of production or realizable value whichever is lower.

4. 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 differences arising on settlement of the transaction and on account of restatement of assets and liabilities are dealt with in the Profit and Loss Account.

5. Employee Retirement Benefits:

The Company has taken a Group Gratuity Scheme with the Life Insurance Corporation of India. The premium payable under the scheme is provided in the books.

Liability towards Leave encashment benefits is provided in the books as per Company's rules on accrual basis.

6. Sales:

Sales include Sales Tax, Excise duty.

7. Research and Development Expenses:

Revenue R & D Expenditure is being charged to the Profit and Loss Account of the year in which it is incurred. The amount so charged in 2007-08 is Rs. 285.02 Lakhs (Previous year Rs. 347.81 Lakhs) and this includes depreciation of Rs.29.17 Lakhs (Previous year Rs. 26.45 Lakhs) on R & D Fixed Assets

8. Revenue Recognition:

Revenue from sales is recognized when the goods have been dispatched.

9. Excise Duty:

Excise Duty has been accounted as and when goods are dispatched and no provision has been made for goods lying at the year end. This accounting treatment has no impact on the profitability of the Company.

10. Deferred Tax:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, subject to the consideration of prudence on timing difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more periods.

Deferred tax asset and Liability are measured at the rates that have been enacted or substantively enacted at the Balance Sheet date.

11. Dividends:

Provision is 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.

12. Over Draft facilities from banks are secured by way of pledge of Fixed Deposits.

13. The Term Loan

- a. During the year the Company had borrowed a Term Loan from India Bank and balance outstanding as at 31 March 2008 was Rs 404.73 lakhs, which includes Rs 4.73 lakhs towards interest.
- b. Term Loan from Indian Bank is secured against hypothecation of Fixed Assets of the Company
- c. The total interest of Rs 14.24 Lakhs on Term Loan has been Capitalised as per AS-16.

14. The Company operates in one segment i.e., simulation.

15. During the year the Company has started a new Production Unit at Nalagarh, Himachal Pradesh.

16. During the year the company has incurred an expenditure Rs.321.55 lakhs on Research and Development. (Previous year Rs. 451.00 lakhs) Out of this R & D Revenue Expenditure is Rs. 285.03 lakhs (Previous year Rs. 347.81 lakhs) and R & D Capital Expenditure is Rs.36.52 lakhs (Previous year Rs. 103.19 lakhs).

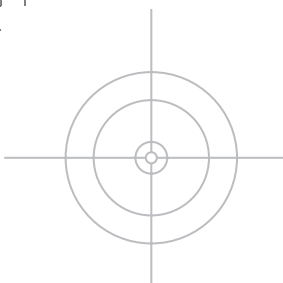
17. Estimated amount of contracts remaining to be executed on capital account (net of advances) not provided for Rs.459.57 lakhs (previous year Rs. 147.04 lakhs).

18. Breakup of Capital Work In Progress is: (Rs in Lakhs)

	2007-08	2006-07
a. Building work at Cherlapalli	-	43.23
b. Building work at Hardware Park, Maheswaram	291.26	15.29
Total	291.26	58.52

19. The Unclaimed Dividend for all the earlier financial years as on 31 March 2008 is Rs. 4.71 lakhs, which is lying in various unpaid Dividend accounts being maintained in the Oriental Bank of Commerce, Secunderabad.

20. Receivables: Receivables do not include any amount due and receivable from Directors' or other officers' of the Company, or Companies under the same management.



Additional Information under Part II of Schedule VI

21. Payment to auditors (in Rupees)

Particulars	2007-08	2006-07
Statutory Audit	67,416	56,120
Tax Audit fee	33,708	25,000
Other Services	18,403	33,450
Total	1,19,527	1,14,750

22. Particulars of capacity, Production, Sales and Stocks (in number)

Particulars	2007-08		2006-07	
Particulars of capacity				
Licensed Capacity	NA		NA	
Installed Capacity	NA		NA	
Actual Production				
Basic Systems	23		48	
Software sets	39		49	
Sales and Stock	Qty.	Value (Rs. in lakhs)	Qty	Value (Rs. in lakhs)
Sales				
Basic Systems	26	344.78	49	302.14
Software Sets	39	1,971.30	50	1,920.51
Opening stock (System)				
Basic Systems	7	25.41	8	28.50
Closing Stock (System)				
Basic Systems	4	14.31	7	25.41

23. Value of imported and indigenous raw materials and components consumed.

Particulars	2007-08		2006-07	
	Value (Rs.)	%	Value (Rs.)	%
Indigenous raw material and stores	3,02,07,832	100%	2,02,91,811	100%
Imported stores	-	-	-	-
Total	3,02,07,832	100%	2,02,91,811	100%

24. Contingent Liabilities:

	2007-08	2006-07
Contingent Liabilities in respect of		
Bank Guarantees	Rs.4,59,56,894	Rs.1,47,03,814

25. Fixed Deposits under Cash and Bank balances includes: (in Rupees)

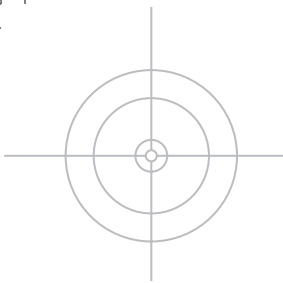
Particulars	2007-08	2006-07
Lodged as security with authorities	500	500
Towards Security for Overdrafts	11,00,00,000	12,40,00,000
Towards margin money deposits for B G's	3,00,00,000	60,00,000

26 i) Directors Remuneration (in Rupees)

S.No.	Particulars	2007-08	2006-07
1	Directors' Remuneration		
	Managing Director		
	Salary	12,00,000	9,00,000
	House Rent Allowance	4,80,000	3,60,000
	Others	2,21,247	2,02,819
	Commission	33,70,938	27,48,282
	Total	52,72,185	42,11,101
2	Other Director		
	Salary	7,20,000	7,20,000
	Allowances	2,88,000	2,88,000
	Others	22,092	5,433
	Total	10,30,092	10,13,433

ii) Calculation of Managerial Remuneration to the Directors (in Rupees)

Particulars	2007-08		2006-07	
Net profit as per Profit and Loss A/c		12,65,43,200		10,04,30,463
Add: Depreciation	30,02,693		24,46,971	
Sitting Fee	2,20,000		95,000	
LTA	1,69,366		1,91,792	
Loss on Sale of assets	72,828	34,64,887	1,623	27,35,386
		13,00,08,087		10,31,65,849
Less: Depreciation	30,02,693		24,46,971	
Interest/ Others Received	1,44,79,556		86,47,802	
Foreign Exchange fluctuations	1,61,246	1,76,43,495	4,61,692	1,15,56,465
		11,23,64,592		9,16,09,384
Commission @ 3%		33,70,938		27,48,282



(in Rupees)

iii) Foreign Currency Expenses	2007-08	2006-07
CIF Value of Imports Capital Goods	Nil	Nil
Raw materials and Components	80,480	Nil
Stores and Spares	16,80,000	6,02,467
Foreign Travel (Exclusive of tickets Purchased)	6,45,967	10,82,593
London office expenses	22,56,289	13,55,405
Retainer fee	Nil	30,31,200
Internet Charges	3,17,937	33,42,392
Training charges	3,00,000	Nil
Membership	139,772	Nil
Advance for Purchase	63,76,131	Nil
Exhibitions	19,98,631	Nil
iv Remittance in Foreign Currency on account of Dividends	Nil	Nil
v Foreign Currency Earnings	4,69,75,784	1,37,33,996

vi Previous year's figures are regrouped and rearranged wherever necessary.

vii Figures have been rounded off to the nearest rupee.

27. List of SSI Units to whom amount is due for more than 30 days as on 31st March 2008 is Rs.NIL
(Previous year Rs.NIL)

28. Related party transactions

As per Accounting Standard - 18 on Related Party disclosures issued by the Institute of Chartered Accountants of India the disclosure of transactions with the Related Party as defined in the Accounting Standard are given below:

(i) List of Related Parties and Nature of Relationship:

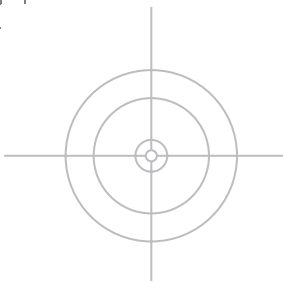
S. No	Name of the Party	Nature of Relationship
1	Mr Ashok Atluri	Key Management Personnel
2	Mr Midathala Ravi Kumar	Key Management Personnel
3	Mr Kishore A D	Relative of Key Management Personnel

(ii) Details of Transactions with the Related Parties:

Sl. No.	Nature of Relation / Nature of Transactions	2007-2008		2006-07	
		Amount of Transaction	Amount outstanding as on 31.03.2008	Amount of Transaction	Amount outstanding as on 31.03.2007
1	Key Management Personnel: Remuneration	Refer Note 26(i)	Nil	Refer Note 26(i)	Nil
2	Relatives of Key Management Personnel: Remuneration	Rs. 10,73,809/-	Nil	Rs. 10,59,386/-	Nil
3	Company in which the Relative of the Key Management personnel has Substantial Interest	Nil	Nil	Nil	Nil

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

<p>As per our report of even date</p> <p>For Gokhale & Co., Chartered Accountants</p> <p>C Gokhale Partner</p> <p>Hyderabad 30 June 2008</p>	<p>For and on behalf of the Board</p> <p>Ashok Atluri Chairman & Managing Director</p>	<p>M Ravi Kumar Whole-Time Director</p> <p>Y Shobha Rani Company Secretary</p>
---	--	--



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

(Rs. in lakhs)

Particulars	As at 31 March	
	2008	2007
A Cash flow from the operations		
Net profit before income tax	1,265.43	1,004.30
Adjustments:		
Depreciation	59.20	50.92
Interest Paid	58.21	51.73
Miscellaneous expenses written off	21.90	35.70
Loss on sale of assets	0.73	0.02
Interest received	(144.79)	(86.47)
	(4.75)	51.90
Operational profit before Working Capital Adjustments:	1,260.68	1,056.20
(Increase)/Decrease in Trade receivable	(1,176.49)	(434.19)
(Increase)/Decrease in Inventories	(14.69)	18.11
(Increase)/Decrease in other Current assets	(643.46)	(12.90)
Increase/(Decrease) in Current Liabilities	(39.21)	(60.65)
Increase/(Decrease) in Other Liabilities	(156.17)	(326.69)
	(2,030.02)	(816.32)
Interest paid	(769.34)	239.88
	(58.21)	(51.74)
Net Cash flow from Operations	(827.55)	188.14
B Cash Flow from Investing Activities		
(Increase)/Decrease in Fixed Assets	(206.24)	(495.13)
(Increase)/Decrease in Capital Work in Progress	(232.74)	0.83
(Increase)/Decrease in Investments	-	(58.13)
Interest received on deposits	144.79	86.47
Sale of Assets	0.77	8.76
Net Cash Flow from Investing Activities	(292.42)	(457.20)
C Cash Flow From Financing Activities		
Increase/(Decrease) in Borrowings	10.60	628.45
Increase/(Decrease) in Share Capitals	46.44	0.96
Increase/(Decrease) in Share Premium	583.05	-
Increase/(Decrease) in Share Warrant application	108.00	-
Dividend	(152.79)	(152.60)
Dividend Tax paid	(25.97)	(21.40)
Net Cash Flow From Financing Activities	569.33	455.41
Net increase in Cash & Cash equivalents (A+(C-B))	(551.64)	186.35
Cash & Cash equivalents- Opening Balance	2,072.56	1,886.21
Cash & Cash equivalents- Closing Balance	1,520.92	2,072.56

As per our report of even date

For Gokhale & Co.,
Chartered Accountants

C Gokhale
Partner

Hyderabad
30 June 2008

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

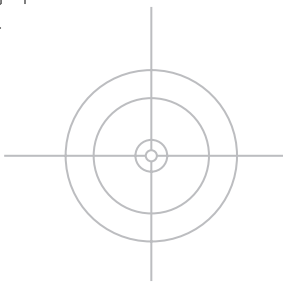
M Ravi Kumar
Whole-Time Director

Y Shobha Rani
Company Secretary

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I Registration Details	
Registration No.	01-15939
State Code	01
Balance Sheet Date	31-Mar-08
II Capital Raised during the year	Rs.in (000)
Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	71,694
Financial Institutions	NIL
III "Position of Modification and "deployment of Funds Rs.in (000)"	
Total Liabilities	583,527
Total Assets	583,527
Sources of Funds	
Paid up Capital	81,040
Share Warrant Application Money	10,800
Secured Loans	98,979
Unsecured Loans	-
Deferred Tax Liability	18,653
Reserves & Surplus	374,055
Application of Funds	
Net Fixed Assets	112,492
Capital W.I.P.	29,126
Net Current Assets	425,755
Investments	5,813
Miscellaneous Expenditure	10,341
Accumulated Losses	-
IV Performance of the Company Rs.in (000)	
Turnover	265,560
Profit/Loss Before Tax	126,543
Profit/Loss After Tax	109,754
Earning Per share in Rs. (Basic)	14.33
Dividend	30%
V "Generic name of Three Principal Products/"services of the Company "	
(As per Monetary Terms)	
Item Code No.(ITC Code)	3689.00
Product Description	Training Simulator

As per our report of even date	For and on behalf of the Board	
For Gokhale & Co.,	Ashok Atluri	M Ravi Kumar
Chartered Accountants	Chairman & Managing Director	Whole-Time Director
C Gokhale		Y Shobha Rani
Partner		Company Secretary
Hyderabad		
30 June 2008		



Auditors' Report on the Consolidated Financial Statements

The Members
Zen Technologies Limited
Hyderabad

We have examined the attached Consolidated Balance Sheet of Zen Technologies Limited and its wholly owned subsidiary Zen Technologies FZE, United Arab Emirates as at March 31, 2008 and the Profit and Loss Account as well as the Cash Flow statement for the year ended on that date.

These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 on Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Zen Technologies Limited and the audited financial statements of its wholly owned subsidiary Zen Technologies FZE, United Arab Emirates.

On the basis of the information and explanations given to us and on the consideration of the audited financial statements of Zen Technologies Limited and the audited financial statements of its wholly owned subsidiary, we are of the opinion that:

- a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Zen Technologies Limited and its wholly owned subsidiary Zen Technologies FZE, UAE as at March 31, 2008 ;
- b) the Consolidated Profit & Loss Account for the year ended March 31, 2008 gives a true and fair view of the consolidated results of operations of the company and
- c) the consolidated cash flow statement shows a true and fair view of the consolidated cash flows for the year ended on March 31, 2008.

For Gokhale & Co
Chartered Accountants

Chandrashekhar Gokhale
Partner
Membership No 23839

Hyderabad
30 June 2008

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2008

(in Rupees)

Particulars	Schedule	As at 31 March	
		2008	2007
SOURCES OF FUNDS:			
Share holders Funds :			
Share Capital	1	81,040,000	76,396,000
Share Warrant			
Application Money		10,800,000	–
Reserves & Surplus	2	371,189,066	233,094,996
Loan Funds :			
Secured Loans	3	98,979,167	97,918,970
Unsecured Loans		–	1,313,753
Deferred Tax Liability	4	18,652,656	18,613,362
TOTAL		580,660,889	427,337,081
APPLICATION OF FUNDS:			
Fixed Assets	5	142,361,429	123,002,399
Less : Depreciation		29,597,687	25,065,516
Net Block		112,763,742	97,936,883
Add: Capital Work in progress		29,125,912	5,852,132
Investments	6	4,605,000	4,605,000
Current Assets, Loans & Advances	7		
a. Inventories		12,781,945	11,312,964
b. Sundry Debtors		254,770,294	137,121,138
c. Cash and Bank Balances		152,750,350	208,523,657
d. Loans and Advances		76,872,408	11,408,167
		497,174,997	368,365,926
Less : Current Liabilities & Provisions	8		
Current Liabilities		41,032,978	41,336,852
Provisions		32,317,084	20,617,044
		73,350,062	61,953,896
Net Current Assets		423,824,935	306,412,030
Miscellaneous Expenditure (To the extent not written off or adjusted)	9	10,341,300	12,531,035
TOTAL		580,660,889	427,337,081
Notes forming part of the accounts	19		

As per our report of even date

For and on behalf of the Board

For Gokhale & Co.,
Chartered Accountants

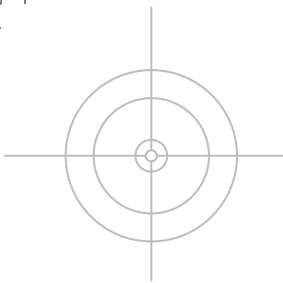
Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole-Time Director

C Gokhale
Partner

Y Shobha Rani
Company Secretary

Hyderabad
30 June 2008



CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

(in Rupees)

Particulars	Schedule	For the Year ended 31 March	
		2008	2007
INCOME			
Sales		265,559,800	224,581,242
Other Income	10	17,196,787	13,455,067
		282,756,587	238,036,309
EXPENDITURE			
Materials Consumed	11	30,207,832	20,291,811
Manufacturing Expenses	12	5,024,606	2,041,580
Taxes & Duties	13	13,650,631	10,141,117
Payments and Benefits to employees	14	17,711,459	12,519,383
R&D expenses	15	28,502,957	34,781,278
Administrative & General Expenses	16	51,495,933	43,865,920
Interest & Financial Charges	17	5,830,775	5,177,962
(Increase)/Decrease in Stocks	18	98,717	4,114,373
Depreciation	5	3,022,231	2,446,971
Miscellaneous Expenses written off			
Amortisation of R&D Exp. on Product dev.		2,006,061	3,386,720
Preliminary and Pre-operative Expenses		183,674	183,576
		157,734,876	138,950,691
Profit before tax		125,021,711	99,085,618
Less : Provision for Income Tax:			
Current year Tax Liability		16,316,842	27,931,785
Tax for earlier period		(374,082)	347,080
Fringe Benefit Tax		806,643	553,794
Deferred Tax Liability/ (Asset)		39,294	(253,259)
Profit after tax		108,233,015	70,506,218
Add : Opening Balance		123,094,995	100,464,677
		231,328,010	170,970,895
Transferred to General Reserve		30,000,000	30,000,000
Proposed Dividend		24,312,000	15,279,200
Dividend Tax		4,131,824	2,596,700
		172,884,186	123,094,995
Earning Per Share of Rs. 10/- each		14.13	9.29
- Basic			
- Diluted		12.16	-
Notes forming part of the accounts	19		

As per our report of even date

For Gokhale & Co.,
Chartered Accountants

C Gokhale
Partner

Hyderabad
30 June 2008

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole-Time Director

Y Shobha Rani
Company Secretary

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(in Rupees)

Particulars	As at 31 March	
	2008	2007
SCHEDULE-1		
Share Capital		
Authorised :		
2,00,00,000 Equity Shares of Rs.10/- each	200,000,000	100,000,000
(Previous Year 1,00,00,000 Equity Shares of Rs.10/- each)		
Issued, Subscribed & Paid up :		
81,04,000 (Previous Year 76,39,600) Equity Shares	81,040,000	76,396,000
of Rs.10/- each Fully Paid Up	<u>81,040,000</u>	<u>76,396,000</u>
SCHEDULE-2		
Reserves & Surplus		
General Reserve	140,000,000	110,000,000
Share Premium	58,304,880	-
Profit & Loss A/c	172,884,186	123,094,996
	<u>371,189,066</u>	<u>233,094,996</u>
SCHEDULE-3		
Secured Loans		
Indian Bank -OD	58,505,234	82,126,538
(Secured by way of pledge of fixed deposits)		
Corporation Bank-OD	-	15,702,039
(Secured by way of pledge of fixed deposits)		
Term Loan from Indian Bank	40,473,933	
(Secured by Hypothecation of Fixed Assets)		
Vehicle Loans from ICICI Bank	-	90,393
(Secured by Hypothecation of Vehicle)		
	<u>98,979,167</u>	<u>97,918,970</u>
SCHEDULE-4		
Deferred Tax Liability		
Opening Balance	18,613,362	18,866,621
Add: Provision for the year	39,294	(253,259)
	<u>18,652,656</u>	<u>18,613,362</u>

SCHEDULE-5
Fixed Assets

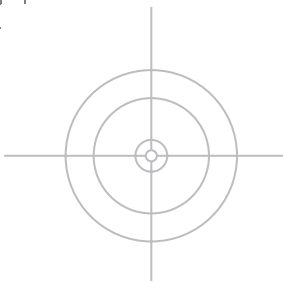
(in Rupees)

Sl. No.	Description	Rate %	GROSS BLOCK				DEPRECIATION				NET BLOCK			
			Opening Balance	Additions For the Period	Deletions	Total	Opening Balance	For the Period	Deletions	Total	2008	As at 31 March 2007		
A ASSETS														
1	Land	0	38,618,991	-	-	38,618,991	-	-	-	-	-	38,618,991	1,528,011	
2	Building	1.63	487,791	4,651,498	-	5,139,289	-	45,288	53,447	8,159	53,447	5,085,842	450,454	
3	Vehicles	9.5	10,184,181	-	40,983	10,143,198	38,401	2,846,362	3,774,632	966,671	3,774,632	6,368,566	8,202,010	
4	Furniture & Fittings	6.33	2,060,125	348,388	396,758	2,011,755	324,854	645,247	446,689	126,296	446,689	1,565,066	1,325,290	
5	Plant & Machinery													
6	Office Equipment	16.21	5,107,814	1,654,288	437,411	6,324,691	422,947	2,108,017	2,470,522	785,452	2,470,522	3,854,169	2,459,272	
7	Computers	16.21	2,852,947	2,115,786	681,537	4,287,196	620,673	1,172,205	1,067,162	515,630	1,067,162	3,220,034	1,567,517	
8	Software	100	429,000	1,032,931	-	1,461,931	-	403,215	952,540	549,325	952,540	509,391	246,832	
	Sub Total (A)		59,740,849	9,802,892	1,556,689	67,987,052	1,406,875	7,220,334	8,764,992	2,951,533	1,406,875	59,222,059	15,779,385	
B ASSETS-R&D DIVISION														
1	Land	0	5,150,020	-	-	5,150,020	-	-	-	-	-	5,150,020	5,150,020	
2	Building	1.63	25,958,187	1,686,622	-	27,644,809	-	602,132	1,025,325	423,194	1,025,325	26,619,484	17,916,203	
3	Plant & Machinery	4.75	7,630,310	-	-	7,630,310	-	3,281,637	3,642,433	360,796	3,642,433	3,987,877	4,709,469	
4	Testing Equipment	4.75	1,060,216	-	-	1,060,216	-	516,612	566,619	50,007	566,619	493,597	593,612	
5	Computers	16.21	3,513,630	1,958,336	-	5,471,966	-	2,939,241	3,166,271	227,030	3,166,271	2,305,695	608,780	
6	Software	100	9,595,847	-	-	9,595,847	-	8,685,714	9,299,815	614,101	9,299,815	296,032	40,869	
7	Furniture & Fittings	6.33	3,853,150	-	-	3,853,150	-	356,040	599,399	243,359	599,399	3,253,751	4,454,959	
8	Vehicles	9.5	818,169	-	-	818,169	-	213	77,939	77,726	77,939	740,230	-	
9	Office Equipment	16.21	5,682,021	7,535	-	5,689,556	-	1,463,593	2,384,201	920,608	2,384,201	3,305,355	5,138,026	
	Sub Total (B)		63,261,550	3,652,493	-	66,914,043	-	17,845,181	20,762,002	2,916,821	-	46,152,041	38,611,937	
	Sub Total (A+B)		123,002,399	13,455,385	1,556,689	134,901,095	1,406,875	25,065,516	29,526,994	5,868,354	1,406,875	105,374,100	54,391,322	
C ASSETS-Himachal Pradesh														
1	Testing Equipment	4.75	-	1,581,367	-	1,581,367	-	-	4,888	4,888	-	1,576,479	-	
2	Vehicles	9.5	-	42,970	-	42,970	-	-	1,678	1,678	-	41,292	-	
3	Furniture & Fittings	6.33	-	412,537	-	412,537	-	-	1,461	1,461	-	411,076	-	
4	Plant & Machinery	4.75	-	2,713,781	-	2,713,781	-	-	10,539	10,539	-	2,703,242	-	
5	Office Equipment	16.21	-	94,075	-	94,075	-	-	1,588	1,588	-	92,487	-	
6	Computers	16.21	-	1,729,474	-	1,729,474	-	-	11,461	11,461	-	1,718,013	-	
7	Software	100	-	594,501	-	594,501	-	-	19,545	19,545	-	574,956	-	
	Sub Total (C)		-	7,168,705	-	7,168,705	-	-	51,160	51,160	-	7,117,545	-	
D ASSETS-Dubai														
1	Furniture & Fittings	20	-	102,253	-	102,253	-	-	6,213	6,213	-	96,040	-	
2	Office Equipment	20	-	182,695	-	182,695	-	-	12,742	12,742	-	169,953	-	
3	Computers	20	-	6,682	-	6,682	-	-	578	578	-	6,104	-	
	Sub Total (D)		-	291,630	-	291,630	-	-	19,533	19,533	-	272,097	-	
	Total (A+B+C+D)		123,002,399	20,915,720	1,556,689	142,361,429	1,406,875	25,065,516	29,597,687	5,939,047	1,406,875	112,763,742	54,391,322	
	Previous year		74,385,990	49,513,735	897,348	123,002,399	21,029	19,994,681	25,065,516	5,091,864	21,029	97,936,884	54,391,323	

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(in Rupees)

Particulars	As at 31 March	
	2008	2007
SCHEDULE-6		
Investments		
1,53,500 Equity Shares of CMTES Informatics Limited, face value of Rs.10/- each (Un-quoted value shown at cost)	4,605,000	4,605,000
	<u>4,605,000</u>	<u>4,605,000</u>
SCHEDULE-7		
Current Assets, Loans & Advances		
A. Inventories		
(a) Raw Material	5,888,871	4,321,173
(b) Finished Goods	1,435,672	2,541,926
(c) Work-in-progress	5,457,402	4,449,865
(Inventories as valued and Certified by Management)		
SUB TOTAL (A)	<u>12,781,945</u>	<u>11,312,964</u>
B. Sundry Debtors		
(Unsecured and considered good)		
Outstanding for a period exceeding 6 months	30,474,209	40,345,608
Others	224,296,085	96,775,530
SUB TOTAL (B)	<u>254,770,294</u>	<u>137,121,138</u>
C. Cash And Bank Balances		
Cash on hand	250,569	83,180
Balance with Scheduled Banks in		
Current Accounts	5,421,335	25,067,141
Deposit Accounts	147,078,446	183,373,336
SUB TOTAL (C)	<u>152,750,350</u>	<u>208,523,657</u>
D. Loans & Advances		
(Unsecured and considered good)		
Advance for purchases	6,755,664	3,898,369
Advances recoverable in cash or in kind or for value to be received	5,817,100	2,356,940
Loans and Advances	16,823,735	1,073,447
Advance for Land	40,000,000	-
Input Credit	804,155	125,587
Deposits	3,843,001	3,053,503
Prepaid Expenses	1,887,832	246,661
Income Tax refundable	-	653,660
SUB TOTAL (D)	<u>76,872,408</u>	<u>11,408,167</u>
TOTAL (A+B+C+D)	<u>497,174,997</u>	<u>368,365,926</u>



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

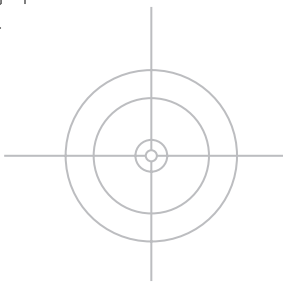
(in Rupees)

Particulars	As at 31 March	
	2008	2007
SCHEDULE-8		
Current Liabilities & Provisions		
A. Current Liabilities		
Sundry Creditors for goods		
Dues to Small Scale Industrial undertakings	–	2,597,549
Others (purchases)	926,207	3,761,966
for other liabilities	38,248,731	31,149,979
Advances from Customers	1,386,712	3,506,112
Unclaimed Dividend	471,328	321,246
SUB TOTAL (A)	<u>41,032,978</u>	<u>41,336,852</u>
B. Provisions		
Proposed Dividend	24,312,000	15,279,200
Dividend Tax	4,131,824	2,596,700
Provision for F B T	206,643	98,794
Provision for staff benefits	3,666,617	2,642,350
SUB TOTAL (B)	<u>32,317,084</u>	<u>20,617,044</u>
TOTAL (A+B)	<u>73,350,062</u>	<u>61,953,896</u>
SCHEDULE-9		
Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
Marketing Development Expenses	–	165,755
Preliminary Expenses	–	17,919
R & D Expenses	10,341,300	12,347,361
	<u>10,341,300</u>	<u>12,531,035</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in Rupees)

Particulars	For the Year ended 31 March	
	2008	2007
SCHEDULE-10		
Other Income		
Interest Received	14,481,248	8,648,510
Foreign Exchange rate fluctuation	171,999	432,842
Rent Received	74,700	69,000
Others	342,362	4,304,715
Service Charges	2,126,478	—
	<u>17,196,787</u>	<u>13,455,067</u>
SCHEDULE-11		
Materials Consumed		
Opening Stock	4,321,173	2,017,586
Add: Purchases	31,775,530	22,595,398
	<u>36,096,703</u>	<u>24,612,984</u>
Less: Closing Stock	5,888,871	4,321,173
MATERIALS CONSUMED	<u>30,207,832</u>	<u>20,291,811</u>
SCHEDULE-12		
Manufacturing Expenses		
Electricity Charges	205,138	155,667
Systems installation & maintenance	4,819,468	1,885,913
	<u>5,024,606</u>	<u>2,041,580</u>
SCHEDULE-13		
Taxes & Duties		
Excise Duty	—	2,102,320
Sales Tax	13,650,631	8,038,797
	<u>13,650,631</u>	<u>10,141,117</u>
SCHEDULE-14		
Payments & Benefits To Employees		
Salaries, wages and other employees Benefits	17,253,442	12,151,774
Contribution to P F and E S I	458,017	367,609
	<u>17,711,459</u>	<u>12,519,383</u>



SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

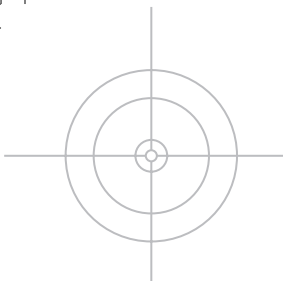
(in Rupees)

Particulars	For the Year ended 31 March	
	2008	2007
SCHEDULE-15		
R&D Revenue Expenses		
Travelling	268,438	1,631,922
Electricity Charges	642,034	983,223
Rates and Taxes	-	141,368
Professional Charges	-	420,000
Bonus & Gratuity	1,387,844	660,110
Leave Encashment	362,636	265,907
Employee Compensation Expenses	1,018,878	-
Salaries	13,458,350	11,327,549
Spares & Stores	6,850,598	14,807,273
Rent	-	-
Depreciation	2,916,821	2,644,893
R&D Development expenses	1,470,333	1,619,667
R&D office exps	-	62,361
Freight	127,025	208,005
Testing Charges	-	9,000
	28,502,957	34,781,278
SCHEDULE-16		
Administrative Selling And General Expenses		
Rent	2,647,250	1,608,140
Rates & Taxes	1,261,495	1,087,944
Printing & Stationery	329,548	322,049
Postage & Telephone	2,050,187	2,552,538
Travelling Expenses	9,024,462	5,749,520
Conveyance	739,971	685,017
Insurance	454,493	656,317
Audit Fees-Internal Audit	50,000	20,000
Audit Fees-Statutory Audit	114,500	50,000
Office Maintenance	5,532,410	3,666,310
Vehicle Maintenance	1,369,005	1,004,786
Directors Remuneration	6,302,277	5,224,534
Selling Expenses	17,812,831	16,726,765
Professional charges	2,529,635	796,714
Membership & Subscription	343,631	537,774
Advertisement	526,890	508,145
Loss on Sale of Assets	72,828	1,623
Listing Fee	108,520	21,500
Sitting fee	220,000	95,000
Incidental exp	6,000	13,000
Bad Debts	-	2,538,244
	51,495,933	43,865,920

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in Rupees)

Particulars	For the Year ended 31 March	
	2008	2007
SCHEDULE-17		
Interest & Financial Charges		
Interest on Bank OD	4,976,881	4,703,643
Bank Charges, Commission	853,894	474,319
	<u>5,830,775</u>	<u>5,177,962</u>
SCHEDULE-18		
(Increase)/Decrease In Stocks		
Opening Stock		
Finished Goods	2,541,926	2,850,124
Work in Progress	4,449,865	8,256,040
	<u>6,991,791</u>	<u>11,106,164</u>
Less : Closing Stock		
Finished Goods	1,435,672	2,541,926
Work in Progress	5,457,402	4,449,865
	<u>6,893,074</u>	<u>6,991,791</u>
	<u>98,717</u>	<u>4,114,373</u>



SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED ACCOUNTS

SCHEDULE - 19

1. Basis of Financial Statements:

- a. Financial statements have been prepared under the historical cost convention method in accordance with the Generally Accepted Accounting Principles and Provisions of the Companies Act, 1956.
- b. The Company generally follows Mercantile System of Accounting and recognizes significant items of Income and Expenditure on accrual basis.

2. The Company owns a 100% subsidiary, Zen Technologies FZE incorporated in UAE.

3. Principles of Consolidation:

The consolidated financial statements present the accounts of the Company and its wholly owned subsidiary Zen Technologies FZE, UAE. The consolidation is based on the audited financial statements of Zen Technologies FZE, UAE and Zen Technologies Limited, India for the year ended 31st March 2008. The consolidated financial statements are prepared in Indian Rupees. The Indian Rupee is the functional currency of Zen Technologies Limited and AED is the functional currency of Zen Technologies FZE, UAE. The translation of the functional currencies into Indian Rupees (reporting currency) is performed for fixed assets acquired during the year 2007-08 the exchange rate in effect on the transaction date, other assets and liabilities using the exchange rate in effect at the Balance Sheet date, for revenues, costs and expenses using the average exchange rates prevailing during the reporting period.

4. Fixed Assets and Depreciation:

- a. Fixed Assets are stated at cost less accumulated depreciation. All costs directly attributable to bringing the assets to their working conditions for the intended use are capitalized.
- b. Depreciation on the Fixed Assets of the Company is provided on straight line method in accordance with Schedule XIV of the Companies Act, 1956.
- c. Amounts spent for capital work-in-progress including advance given for capital goods are grouped as capital work-in-progress.

5. Inventories:

Stores, spare parts and Raw material are valued at cost, Work-in-Progress and Finished Goods are valued at cost of production or realizable value whichever is lower.

6. 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 differences arising on settlement of the transaction and on account of restatement of assets and liabilities are dealt with in the Profit and Loss Account.

7. Employee Retirement Benefits:

The Company has taken a Group Gratuity Scheme with the Life Insurance Corporation of India. The premium payable under the scheme is provided in the books.

Liability towards Leave encashment benefits is provided in the books as per Company's rules on accrual basis.

8. Sales:

Sales include Sales Tax, Excise duty.

9. Research and Development Expenses:

Revenue R & D Expenditure is being charged to the Profit and Loss Account of the year in which it is incurred. The amount so charged in 2007-08 is Rs. 285.02 Lakhs (Previous year Rs. 347.81 Lakhs) and this includes depreciation of Rs.29.17 Lakhs (Previous year Rs. 26.45 Lakhs) on R & D Fixed Assets

10. Revenue Recognition:

Revenue from sales is recognized when the goods have been dispatched.

11. Excise Duty:

Excise Duty has been accounted as and when goods are dispatched and no provision has been made for goods lying at the year end. This accounting treatment has no impact on the profitability of the Company.

12. Deferred Tax:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, subject to the consideration of prudence on timing difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more periods.

Deferred tax asset and Liability are measured at the rates that have been enacted or substantively enacted at the Balance Sheet date.

13. Dividends:

Provision is 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.

14. Over Draft facilities from banks are secured by way of pledge of Fixed Deposits.

15. The Term Loan

- a. During the year the Company had borrowed a Term Loan from India Bank and balance outstanding as at 31 March 2008 was Rs.404.73 lakhs, which includes Rs.4.73 lakhs towards interest.
- b. Term Loan from Indian Bank is secured against hypothecation of Fixed Assets of the Company
- c. The total interest of Rs.14.24 Lakhs on Term Loan has been Capitalised as per AS-16.

16. The Company operates in one segment i.e., simulation.

17. During the year the Company has started a new Production unit at Nalagarh, Himachal Pradesh

18. During the year the company has incurred an expenditure Rs.321.55 lakhs on Research and Development. (Previous year Rs.451.00 lakhs) Out of this R&D Revenue Expenditure is Rs.285.03 lakhs (Previous year Rs.347.81 lakhs) and R&D Capital Expenditure is Rs.36.52 lakhs (Previous year Rs.103.19 lakhs).

19. Breakup of Capital Work In Progress is: (Rs in Lakhs)

	2007-08	2006-07
a. Building work at Cherlapalli	-	43.23
b. Building work at Hardware Park, Maheswaram	291.26	15.29
Total	291.26	58.52

20. The Unclaimed Dividend for all the earlier financial years as on 31 March 2008 is Rs. 4.71 lakhs, which is lying in various unpaid Dividend accounts being maintained in the Oriental Bank of Commerce, Secunderabad.

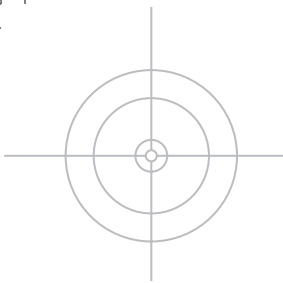
21. Receivables: Receivables do not include any amount due and receivable from Directors' or other officers' of the Company, or Companies under the same management.

22. Estimated amount of contracts remaining to be executed on capital account (net of advances) not provided for Rs.459.57 lakhs (previous year Rs.147.04 lakhs).

23. List of SSI Units to whom amount is due for more than 30 days as on 31 March 2008 is Rs. NIL (Previous year Rs. NIL/-)

24. Related party transactions

As per Accounting Standard-18 on Related Party disclosures issued by the Institute of Chartered



Accountants of India the disclosure of transactions with the Related Party as defined in the Accounting Standard are given below:

(i) Details of Transactions with the Related Parties: (Rs.)

Sl. No.	Nature of Relation/ Nature of Transactions	2007-08		2006-07	
		Amount Transaction	Amount outstanding as on 31.03.2008	Amount of Transaction	Amount outstanding as on 31.03.2007
1	Mr Ashok Atluri Key Management Personnel (Chairman and Managing Director) Remuneration	Rs.52,72,185	Nil	Rs.42,11,101	Nil
2	Mr Midathala Ravi Kumar Key Management Personnel (Whole-Time Director) Remuneration	Rs.10,30,092	Nil	Rs.10,13,433	Nil
3	Mr Kishore A D Relative of Key Management Personnel Remuneration	Rs.10,73,809	Nil	Rs.10,59,386	Nil
4	Company in which the Relative of the Key Management personnel has Substantial Interest	Nil	Nil	Nil	Nil

25. The balances of Sundry Debtors, Creditors and advances in various personal accounts are subject to confirmation by and reconciliation with the concerned parties.
26. 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.
27. **Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary Companies**
(in Rupees)

1. Name of the Subsidiary	Zen Technologies FZE
2. Financial Year Period of the Subsidiary ended	31 March 2008
3. Holding Company's interest at 31 March 2008	
a. Number of Equity Share held	1 Equity share of AED one lakh equivalent to Rs.12,08,470
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. Not dealt with in the Accounts of the Company	
i) for the financial year of the Subsidiary ended 31 March 2008	(15,21,487)
ii) For previous financial years of the Subsidiary since it became subsidiary of the Company	(13,44,845)
b. Dealt with in the Accounts of the Company	
i) for the financial year of the Subsidiary ended 31 March 2008	Nil
ii) for previous financial years of the Subsidiary since it became subsidiary of the Company	Nil

28. Summary of the financial information of the Subsidiary Company, Zen Technologies FZE, UAE
(in Rupees)

Funds Employed:	31 March 2008	31 March 2007
A. Capital	12,08,470	12,08,470
B. Reserves	–	–
C. Liabilities		
Secured Loans	–	–
Unsecured Loans	–	89,753
Deferred Tax Liability	–	–
Total Liabilities	–	89,753
D. Total Funds Employed	12,08,470	12,98,223
Application of Funds:		
E. Assets		
Net Block (including Capital WIP)	2,72,091	–
Investments	–	–
Net Current Assets	(19,29,954)	(46,622)
Miscellaneous Expenditure (To the extent not written off)	–	–
Profit & Loss Account	28,66,333	13,44,845
Total Assets (Net)	12,08,470	12,98,223
F. Turnover	–	–
G. Profit before Taxes	(15,21,487)	(13,44,845)
H. Provision for Taxation	–	–
I. Profit after Taxes	(15,21,487)	(13,44,845)
J. Proposed Dividend	–	–

As per our report of even date

For Gokhale & Co.,
Chartered Accountants

C Gokhale
Partner

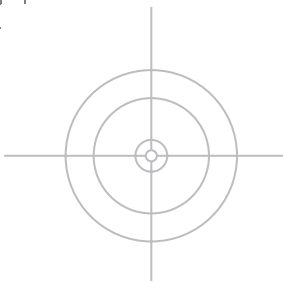
Hyderabad
30 June 2008

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole-Time Director

Y Shobha Rani
Company Secretary



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

(Rs. in lakhs)

Particulars	As at 31 March	
	2008	2007
A Cash Flow from the operations		
Net profit before income tax	1,250.21	990.85
Adjustments:		
Depreciation	59.39	50.92
Interest Paid	58.31	51.78
Miscellaneous Expenses written off	21.90	35.70
Loss on sale of assets	0.73	0.02
Interest received	(144.81)	(86.48)
	(4.49)	51.94
Operations profit before Working Capital Adjustments:	1,245.72	1,042.79
Adjustments:		
(Increase)/Decrease in Trade receivable	(1,176.49)	(434.19)
(Increase)/Decrease in Inventories	(14.69)	18.11
(Increase)/Decrease in other Current assets	(654.64)	(12.00)
Increase/(Decrease) in Current Liabilities	(16.17)	(47.51)
Increase/(Decrease) in Other Liabilities	(156.17)	(326.69)
	(772.44)	240.50
Interest paid	(58.31)	(51.78)
Net Cash Flow from Operations	(830.75)	188.72
B Cash Flow from Investing Activities		
(Increase)/Decrease in Fixed Assets	(209.16)	(495.13)
(Increase)/Decrease in Capital Work in Progress	(232.74)	0.83
(Increase)/Decrease in Investments	-	(46.05)
Interest received on deposits	144.81	86.49
Sale of Assets	0.77	8.76
Net Cash Flow from Investing Activities	(296.32)	(445.11)
C Cash Flow From Financing Activities		
Increase/(Decrease) in Borrowings	10.60	628.45
Increase/(Decrease) in Share Capitals	46.44	0.96
Increase/(Decrease) in Share Warrant Application Money	108.00	-
Increase/(Decrease) in Share Premium	583.05	-
Dividend	(152.79)	(152.60)
Dividend Tax paid	(25.97)	(21.40)
Net Cash Flow From Financing Activities	569.33	455.41
Net increase in Cash & Cash equivalents	(557.74)	199.03
Cash&Cash equivalents-Opening Balance	2,085.24	1886.21
Cash&Cash equivalents-Closing Balance	1,527.50	2085.24

<p>As per our report of even date</p> <p>For Gokhale & Co., Chartered Accountants</p> <p>C Gokhale Partner</p> <p>Hyderabad 30 June 2008</p>	<p style="text-align: center;">For and on behalf of the Board</p> <table style="width: 100%;"> <tr> <td style="width: 33%;"> <p>Ashok Atluri Chairman & Managing Director</p> </td> <td style="width: 33%;"> <p>M Ravi Kumar Whole-Time Director</p> </td> <td style="width: 33%;"> <p>Y Shobha Rani Company Secretary</p> </td> </tr> </table>	<p>Ashok Atluri Chairman & Managing Director</p>	<p>M Ravi Kumar Whole-Time Director</p>	<p>Y Shobha Rani Company Secretary</p>
<p>Ashok Atluri Chairman & Managing Director</p>	<p>M Ravi Kumar Whole-Time Director</p>	<p>Y Shobha Rani Company Secretary</p>		

DIRECTORS REPORT OF ZEN TECHNOLOGIES FZE

Your Director has pleasure to present the audited accounts for the year ended 31 March 2008.

Legal Status

Zen Technologies FZE is registered as a Free Zone Establishment with limited liability at RAK Free Trade Zone in the Emirate of Ras Al Khaimah.

Financial Results

During the year under review the Company has not done any business. Company incurred a Net Loss of Rs 15.21 lakhs during the year, and had an accumulated Loss of Rs 28.66 lakhs as at 31 March 2008.

Equity Share Capital

There is no change in paid-up Equity Share Capital of the Company, as at 31 March 2008 paid-up Capital is Rs.12,08,470 (One Equity Share of face value of AED 1,00,000).

Auditors

The Accounts for the year ended 31 March 2008 have been audited by M/s Kothari Auditors & Accountants, Sharjah (U.A.E).

Amount, if any, to be paid as dividend

The Board of Directors of the Company has not recommended any dividend for the year ended 31 March 2008.

Material changes

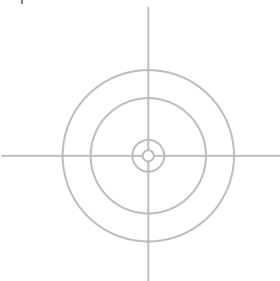
There were no material events occurring after the Balance Sheet date that would materially affect the working or the financial statements of the company.

The Directors have prepared the annual accounts on a going concern basis.

Sincerely

Ashok Atluri
Director

25 July 2008



Independent Auditor's Report of
Zen Technologies FZE
RAK Free Trade Zone, Ras Al Khaimah U.A.E

To,
The Shareholder
Zen Technologies FZE
Rak Free Trade Zone, Ras Al Khaimah U.A.E.

1. Scope

We have audited the accompanying financial statements of Zen Technologies FZE, RAK Free Trade Zone, Ras Al Khaimah U.A.E., for the financial period ended on 31st March 2008 comprising of Balance Sheet as at 31st March 2008, related Statement of Income, Changes in Equity and cash flows for the period ended on 31st March 2008 as set out on pages 4 to 7 read along with Notes to the financial statements on pages 8 to 13.

2. Respective Responsibilities:

These statements are the responsibility of the management and our responsibility is to express an opinion on these financial statements based on our audit and information & explanations that were considered necessary for the purpose of our audit

3. Basis of Opinion:

Our audit was conducted in accordance with International Auditing Standards, which requires that we carry out the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

Our Audit thus included such tests of the accounting records and other auditing procedures, as we considered necessary in the circumstances. It also included assessment of the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

4. Opinion:

In our opinion, the aforesaid financial statements read along with the notes to the statements represent fairly, in all material respect, the financial position of Zen Technologies FZE, Rak Free Trade Zone, Ras Al Khaimah U.A.E. as at 31st March 2008, the result of its operations changes in equity and cash flows for the period ended 31st March 2008 and were prepared in conformity with International Financial Reporting Standards applied on consistent basis.

5. Other Matters:

Without qualifying our opinion, we would like to state that the company has accumulated losses of AED 252,098 as at 31st March 2008, which exceeds 50% of its Share Capital. The continuance of the Company's operation is dependent on sufficient funds being made available by the shareholder. The shareholder has confirmed that necessary financial assistance will be provided to the company vide resolution passed at Extra Ordinary General Meeting dated 15th May 2008. Hence the financial statements have been prepared on a going concern basis.

We confirm that, in our opinion proper books of accounts have been maintained by the company and these financial statement and the contents of the Manager's Report are in agreement with the books of accounts.

We have obtained all information & explanations necessary for our audit and to the best of our knowledge and belief, there was no violation of the provisions of the U.A.E. commercial Companies Law No.8 of 1984 (as amended by Law No.13 of 1988), Free Zone Regulations and Memorandum of Association of the Company and that would effect materially the working or the financial statements of the Company.

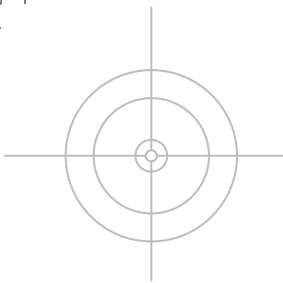
Date : 28 May 2008
Place : Sharjah U.A.E.

Kothari Auditors & Accountants
Kothari Vipul R
Ministry of Economy
Reg.No.159

ZEN TECHNOLOGIES FZE'S BALANCE SHEET AS AT 31 MARCH 2008

Particulars	As at 31 March			
	2008		2007	
	UAE Dhs.(AED)	Rupees	UAE Dhs. (AED)	Rupees
SOURCES OF FUNDS:				
Share holders Funds				
Share Capital	100,000	1,208,470	100,000	1,208,470
Loan Funds				
Unsecured Loans	–	–	7,574	89,753
TOTAL	100,000	1,208,470	107,574	1,298,223
APPLICATION OF FUNDS:				
Fixed Assets				
Gross Block	26,755	291,630	–	–
Less: Depreciation	1,793	19,538	–	–
Net Block	24,962	272,092	–	–
Current Assets, Loans & Advances				
a. Cash and Bank Balances	60,422	658,600	107,384	1,267,131
b. Loans and Advances	94,353	1,028,448	2,000	23,600
	154,775	1,687,048	109,384	1,290,731
Less : Current Liabilities & Provisions				
Accrued Expenses	5,000	54,500	2000	23,600
Current Liabilities	326,835	3,562,502	111,335	1,313,753
	331,835	3,617,002	113,335	1,337,353
Net Current Assets	(177,060)	(1,929,954)	(3,951)	(46,622)
Profit and Loss account	252,098	2,866,332	111,525	1,344,845
TOTAL	100,000	1,208,470	107,574	1,298,223

Ashok Atluri
Director



ZEN TECHNOLOGIES FZE'S PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

Particulars	For the year ended 31 March			
	2008		2007	
	UAE Dhs.(AED)	Rupees	UAE Dhs. (AED)	Rupees
INCOME :				
Other Income (Interest Received)	155	1,692	60	708
Foreign Exchange Rate fluctuations	–	10,753	–	(28,850)
Total Income	155	12,445	60	(28,142)
EXPENDITURE				
a. Payments and Benefits to employees	79,747	536,798	2,880	33,984
b. Administrative & General Expenses	59,188	968,331	108,705	1,278,353
c. Interest & Financial Charges		9265		4366
d. Depreciation	1,793	19,538	–	–
Total Expenditure	140,728	1,533,932	111,585	1,316,703
Profit before tax	(140,573)	(1,521,487)	(111,525)	(1,344,845)
Profit after tax	(140,573)	(1,521,487)	(111,525)	(1,344,845)
Add: Opening Balance	(111,525)	(1,344,845)	–	–
Balance carried to Balance Sheet	(252,098)	(2,866,332)	(111,525)	(1,344,845)

FIXED ASSETS SCHEDULE

Sl. No.	Description	Rate %	GROSS BLOCK		DEPRECIATION		NET BLOCK
			Additions For the Period	Total	For the Period	Total	As on 31 March 2008
Assets							
1	Furniture & Fittings	25					
	In Rupees		102,253	102,253	6,213	6,213	96,040
	In UAE Dhs(AED)		9,381	9,381	570	570	8,811
2	Office Equipment	25					
	In Rupees		182,695	182,695	12,742	12,742	169,953
	In UAE Dhs(AED)		16,761	16,761	1,170	1,170	15,591
3	Computers	25					
	In Rupees		6,682	6,682	578	578	6,104
	In UAE Dhs(AED)		613	613	53	53	560
TOTAL							
	In Rupees		291,630	291,630	19,533	19,533	272,097
	In UAE Dhs(AED)		26,755	26,755	1,793	1,793	24,962

Ashok Atluri
Director

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Notes and Schedules to Financial Statements.

1. Coverage, Status and Activity:

- 1.1 Zen Technologies FZE is registered as a Free Zone Establishment with limited liability with RAK Free Trade Zone in the Emirate of Ras Al Khaimah under industrial license no. 0279.
- 1.2 M/s Zen Technologies Limited, a limited company registered under certificate of incorporation no. 01- 15939 under Indian Companies Act 1956, India, is the sole shareholder of the company holding 1 share of AED 100,000/-. The registered address of M/s Zen Technologies Limited is C-63, Industrial Estate, Sanathnagar, Hyderabad - 500 018. Andhra Pradesh, India.
- 1.3 The registered address of the company is post Box 10559, RAK Free Trade Zone, Ras Al Khaimah U.A.E.
- 1.4 The Company holds a industrial license and is proposing to engage in manufacturing of amusement centers equipment, driving training simulator and its related products.

2. Accounting Period & Currency:

The financial statement enclosed covers the period 1st April 2007 to 31st March 2008. Previous period figure are from 5th February 2007 (from the date of company's incorporation) to 31st March 2007 and have been regrouped wherever necessary.

The figures of the statements are in UAE Dirham's and have been rounded off to the nearest UAE Dirham.

3. Significant Accounting Policies:

The following accounting policies have been consistently applied by the management in preparation of the financial statements except where stated here-under.

3.1 Accounting Convention:

The enclosed financial statements have been prepared under historical cost convention and on a going-concern basis in accordance with International Financial Reporting Standards.

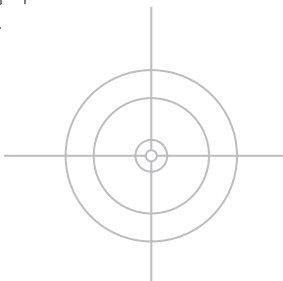
The company follows accrual basis of accounting wherein transactions and events are recognized as & when they occur and are recorded & reported in the financial statements of the year to which they relate to.

3.2 Going Concern Assumption:

These financial Statements are prepared on a going concern basis which assumes that the company will continue to operate as a going concern in the foreseeable future. The company has accumulated losses of AED 252,098/- as at 31st March 2008, which exceeds its Share Capital. The continuance of the Company's operation is dependent on sufficient funds being made available by the shareholders. The shareholders have confirmed that necessary financial assistance will be provided to the company vide resolution passed at Extra Ordinary General Meeting dated 15th May 2008.

3.3 Property, Plant & Equipment:

Property, Plant & Equipment is stated at their cost of acquisition including any incidental expenses. Depreciation on property, plant & equipment has been provided based on straight line methods at the understated annual rates which is estimated to write off the cost of the assets over its expected useful life:



Furniture & Office Equipment 25%

Where any indication of impairment exists, the carrying amount of property, plant & equipment is assessed and written down to its recoverable amount.

3.4. Receivables:

Receivables, if any, are carried at anticipated realizable values. Bad Debts are being written off as and when same arises.

3.5 Provisions:

Provisions are recognized when the company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle these obligations and a reliable estimate of the same can be made.

3.6 Employee Benefits:

Staff benefits have been provided for in accordance with UAE Labour Law requirements.

3.7 Statutory Reserves:

In view of the losses, appropriation to Statutory Reserve has not been proposed which has to be @ 10.00% of the net profit as per the provisions of UAE Commercial Companies Law No. 8 of 1984 (as amended by Law No. 13 of 1988).

Statutory Reserve is not a free reserve and is not available for distribution.

3.8 Revenue Recognition:

During the period under review, the company had not undertaken any trading or manufacturing activities and so the company has not generated any revenue.

3.9 Foreign Currency Transactions:

- a) Transactions in foreign currency if any are converted into UAE Dirham's at prevailing exchange rate on the date such transactions are entered into.
- b) Foreign currency assets and/or liabilities outstanding as at the close of the year are recorded at exchange rate prevailing at the close of business on the balance sheet date.
- c) Resultant loss or gain has been accounted in the year in which such assets are realized or liabilities are discharged.

3.10 Cash & Cash Equivalent:

Cash & Cash Equivalent for the purpose of cash flow statement comprise of cash on hand and balances in bank current account.

4. Other Significant Disclosures:

4.1 Related Party Transactions:

The company enters into transactions with another firm & / or persons that falls within the definitions of related party as contained in International Financial Reporting Standards. Related party comprises of Shareholder.

The shareholders consider that the terms of trade with such related party are similar to those extended to or received from third parties and are on an arm's length basis.

During the period under review, the company has received an unsecured loan from the related party which is free of interest and is shown under Non Current Liabilities.

4.2 Financial Instruments:

A. Credit, Interest & Exchange Rate Risk:

1. Credit Risk:

Financial assets which potentially subject the company to credit risk comprises mainly of bank balances, receivables from related parties, other trade receivables, advances, deposits and accrued income.

Bank balances are with regulated financial institutions.

Receivables, if any, are realizable in the regular course of the business.

Advances & deposits are expected to be settled in the normal course of business.

2. Interest Risk:

The company does not have any interest bearing borrowings as on Balance Sheet date.

3. Exchange Rate Risk:

There were no significant exchange rate risks as most of the financial assets and financial liabilities are denominated in UAE Dirham's and / or US Dollars.

B. Fair Value Information:

Fair Value represents the amount at which an asset could be exchanged or a liability settled in an arm's length transaction. In respect of all the company financial assets viz. cash & bank balances, receivables, advances deposits, accrued income and liabilities viz. dues to banks, payables, accruals & other non current liabilities, in the opinion of the management, the book value approximates to their carrying value.

4.3 Number of Employees:

Number of employees as on balance sheet date was 1.

Figures in UAE Dirham's

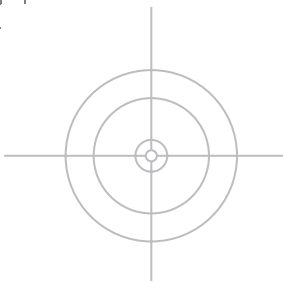
	31.3.2008	31.3.2007
5. Cash & Bank Balances / Cash & Cash Equivalents		
Cash on Hand	181	-
Balance with Bank in Current Account	60,241	107,384
	60,422	107,384
6. Deposits, Prepayments & Advances		
Deposits	8,000	2,000
Advance to Others	86,323	-
	94,323	2,000

Deposit includes AED 2,000/- (previous period AED 2,000/-) placed with Ras Al Khaimah Free Zone towards Employee Visa Guarantees.

Advance to others represents advance given to Zen Technologies Limited, Hyderabad which is recoverable within one year. The same is free of interest.

7. Unsecured Loan:

Unsecured Loan represented loan received from Zen Technologies Limited - Hyderabad in the



previous year. The same was paid off during the current year and was free of interest.

8. Share Capital:

Share Capital comprises of 1 fully paid up equity shares of AED 100,000/-.

	Figures in UAE Dirham's	
	31.3.2008	31.3.2007
9. Reserves & Surplus:		
Statutory Reserve	-	-
Accumulated (Losses)	(252,098)	(111,525)
	(252,098)	(111,525)
10. General Administrative Expenses:		
Communication Expenses	3,327	2,447
Free & Charges	12,418	17,670
Traveling & Conveyance Expenses	11,745	22,775
Office & Other Expenses	16,005	20,713
	43,495	63,605

11. Contingent Liabilities:

Employee Visa Guarantee	2,000	2,000
-------------------------	-------	-------

Except for the above & other ongoing business commitments against which no loss is expected, there has been no known contingent liability or commitments.

12. Significant Events after the Balance Sheet Date:

There were no significant events occurring after the balance sheet date, which will have any material effect on the working or the financial statements of the company.

Signature to Notes and schedule to the financial statements
For Zen Technologies FZE

Haresh Asrani
Manager

ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORM

To
ZEN TECHNOLOGIES LIMITED
 C-63, Industrial Estate,
 Sanathnagar,
 Hyderabad - 500 018.

For Shares held in physical mode
 Please complete this form and send it to
 Sathguru Management Consultants Pvt. Ltd
 Plot No.15, Hindi Nagar,
 Behind Saibaba Temple, Punjagutta,
 Hyderabad - 500 034
 Phone : 91- 40 - 2335 6507 / 6975 / 0586
 Fax : 91- 40 - 2335 4042
 Email id: sta@sathguru.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.	

Name of First holder										
Bank Name										
Branch Name & Address										
Branch Code	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> </table> <p style="font-size: small; margin-top: 5px;">(9 Digits Code Number appearing on the MICR Band of the cheque supplied by the Bank) (In lieu of the bank certificate to be obtained as under, please attach a blank cancelled cheque or photocopy of a cheque or front page of your savings bank passbook issued by your bank for verification of the above particulars)</p>									

Account type (Please tick)	→	Savings 10 <input type="checkbox"/>	Current 11 <input type="checkbox"/>	Cash Credit 13 <input type="checkbox"/>									
A/c.No. (as appearing on the cheque book)	→	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> </table>											
Active date of this Mandate	→	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> </table>											

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 Sathguru Management Consultants 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)

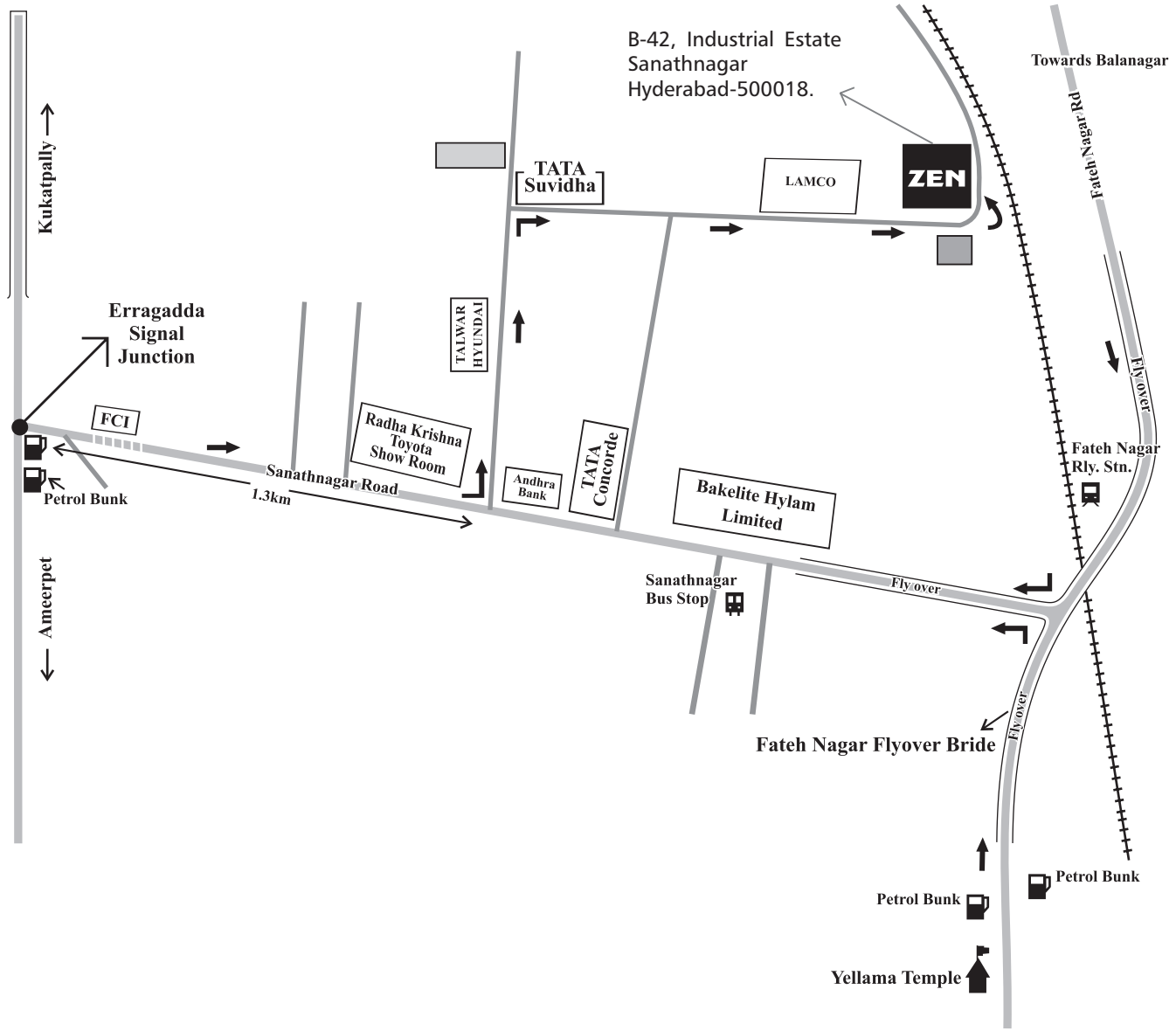
The Securities Exchange Board of India (SEBI) has advised the Companies to mandatorily use ECS facility wherever available for distributing dividends or other cash benefits, etc., to the investors. This facility provides instant credit of dividend amount to your Bank Account electronically at no extra cost. ECS also eliminates the delay in postal transit and fraudulent encashment of warrants. Only individual transactions upto Rs 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 Tuesday, the 25 September 2007 to enable us to include the same for the payment of the current year's dividend.



ROAD MAP

www.zentechnologies.com



being there...

ZEN TECHNOLOGIES LIMITED

Registered Office: C-63, Industrial Estate, Sanathnagar
Hyderabad - 500 018, A.P., INDIA