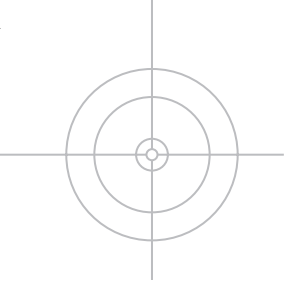


THE WAY IS IN THE TRAINING



being there...

ZEN TECHNOLOGIES LIMITED



THE WAY IS IN THE TRAINING



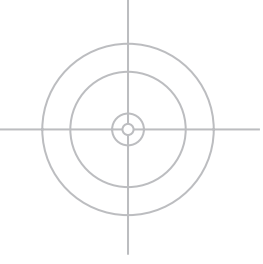
Zen (zen) n. [[Jpn <Chin ch'an, ult. <Sans dhyāna, thinking, meditation]] a sect of Buddhism, seeks to attain an intuitive illumination of mind and spirit through meditation.

- From Webster's New World Dictionary

being there...

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





OUR PRODUCTS

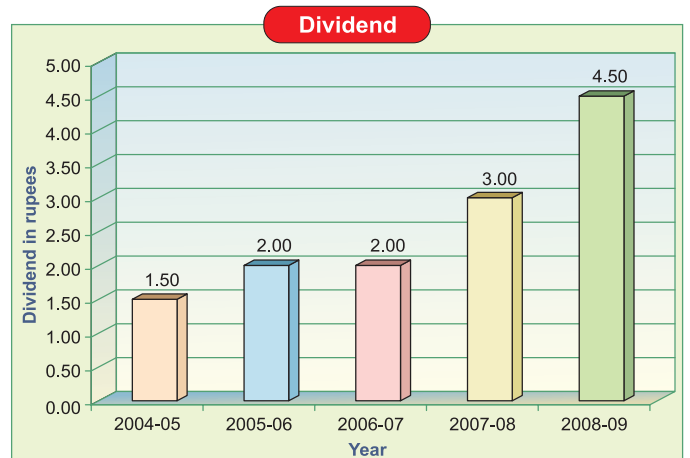
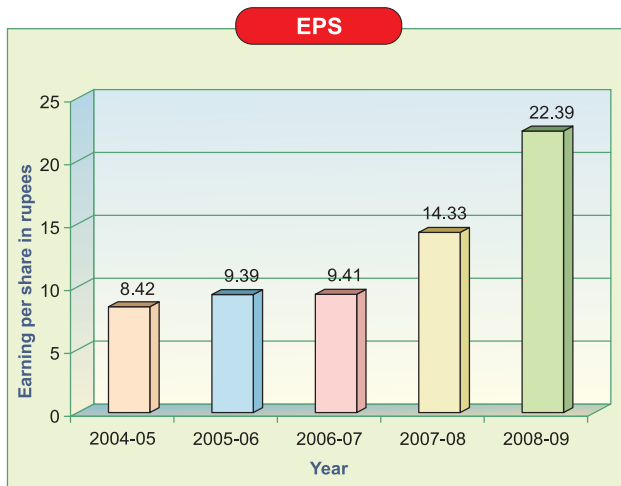
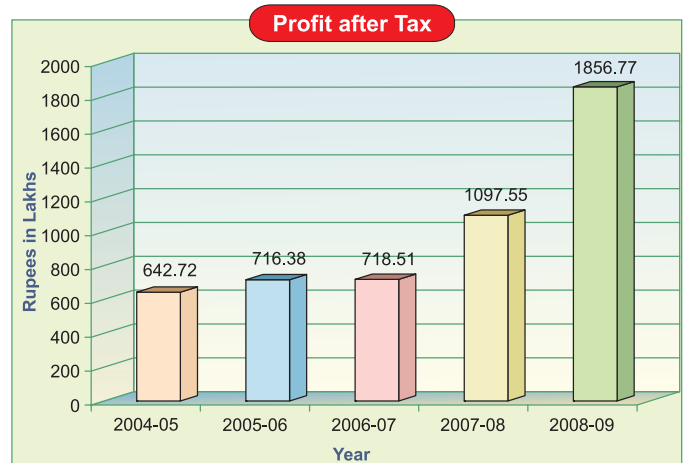
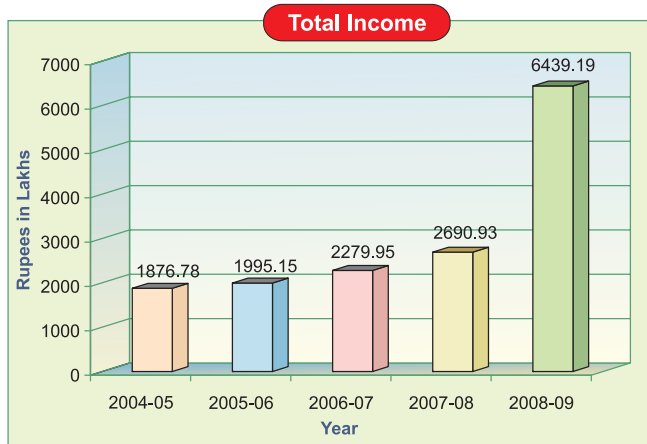
Zen has been at the forefront of applying new technologies and developing new products and is actively involved in indigenisation of technologies, which are helpful for Indian Security Forces and civilian simulation market.

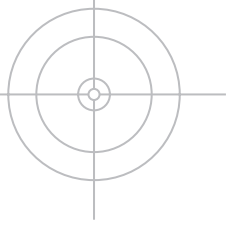
LIST OF PRODUCTS

- Zen Advanced Weapon Simulator (Zen AWeSim)
- Zen Small Arms Training Simulator (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 (Zen ATGM Sim)
- Zen Tank Simulator (Zen TankSim)
- 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

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

Inter-connected Stock Exchange of India Limited

Permitted Trading

Bombay Stock Exchange Limited, Mumbai

BOARD COMMITTEES

Audit Committee

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

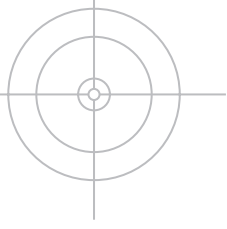
Selection Committee

Mr Davuluri Satish Babu - Chairman
Dr Pamidi Kotaiah - Member
Mr Midathala Ravi Kumar - Member
Mr Feroz Bhote - External Expert

Share Transfer & Investor Grievance Committee

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





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* The ECS Mandate form, Proxy form and Attendance Slip are sent along with Annual Report

NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of the Members of Zen Technologies Limited will be held on Thursday, 24 September 2009, at 9.30 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 2009, 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 2009.
3. To appoint a Director in place of Mr D Satish Babu, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s Gokhale & Co., Chartered Accountants, Hyderabad as Auditors of the Company who shall 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

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII to the Companies Act, 1956, consent of the Company be and is hereby accorded, for the re-appointment of Mr M Ravi Kumar as Whole-time Director, made by the Board of Directors at their Meeting held on 30 October 2008 for a period of five years with effect from 29 June 2008 as per the following terms and conditions.

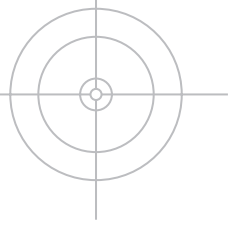
SALARY : Rs 1,25,000/- (Rupees one lakh twenty five Thousand only) per month.

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

CATEGORY – A

The following perquisites given in this Category will be allowed in addition to the salary and restricted to a maximum amount of Rs 10,00,000/- (Rupees Ten lakhs only) per annum.

- a) House Rent Allowance: House Rent Allowance at the rate of forty percent of salary (40%). The expenditure incurred by the company on gas, electricity, water and furnishing shall be evaluated as per the Income Tax Rules, 1962 subject to a ceiling of ten percent of the salary (10%).
- b) Medical Reimbursement: Expenses incurred for self and family, subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- c) Leave Travel Concession: For self and family, once in a year incurred in accordance with the rules specified by the Company.
- d) Club Fee: Fee of clubs subject to maximum of two clubs. This will not include admission and life membership fees.
- e) Personal Accident Insurance: As per company's policy.



CATEGORY – B

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

CATEGORY – C

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

OTHER TERMS:

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

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

RESOLVED FURTHER THAT the aggregate remuneration inclusive of salary and other benefits to Mr M Ravi Kumar shall always be within the overall ceiling laid down in Section 198, 309 and other applicable provisions of the Companies Act 1956.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits, in any financial year during the tenure of Whole-time Director, salary, perquisites and other allowances subject to the limits stipulated under Schedule XIII read with Section 269 and 309 of the Companies Act 1956, is payable.

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded for the re-appointment of Mr Ashok Atluri as Managing Director for a further period of five years with effect from 1 November 2009, on the following terms and conditions:

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

COMMISSION : Commission @ 3% on the net profits of the Company calculated as per the provisions of Section 349 & 350 of the Companies Act, 1956.

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

CATEGORY – A

The following allowances and perquisites given in this Category shall be allowed in addition to the salary and restricted to a maximum amount of Rs 14,00,000/- (Rupees Fourteen lakhs only) per annum.

- a. House Rent Allowance: House Rent Allowance at the rate of forty percent (40%) of salary. The expenditure incurred by the company on gas, electricity, water and furnishing shall be evaluated as per the Income Tax Rules, 1962 subject to a ceiling of ten percent (10%) of the salary.
- b. Medical Reimbursement: Expenses incurred for self and family, subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- c. Leave Travel Concession: For self and family, once in a year incurred in accordance with the rules specified by the Company.
- d. Club Fee: Fee of clubs subject to maximum of two clubs. This will not include admission and life membership fees.
- e. Personal Accident Insurance: As per company's policy.

CATEGORY – B

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

CATEGORY – C

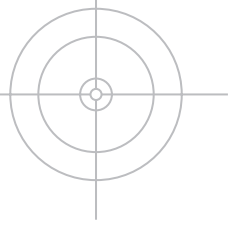
- h. Car for the purpose of Company's business and telephone(s) at residence will be provided. The Company will bill personal long distance calls on the telephone(s) and use of car for personal purposes. The provisions for car and telephone will not be considered as perquisites.

OTHER TERMS:

- i. One month's leave with full pay and perquisites, for every eleven months of service. Leave accumulated but not availed at the time of retirement or superannuation or otherwise shall be allowed to be encashed.
- j. Reimbursement of reasonable entertainment and other expenses actually and properly incurred in connection with the business of the Company.
- k. Mr Ashok Atluri shall not, so long as he functions as the Managing Director, be entitled to receive any fee for attending any meeting of the Board or Committee thereof.

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

RESOLVED FURTHER THAT the aggregate remuneration inclusive of salary and other benefits to Mr Ashok Atluri shall always be within the overall ceiling laid down in the Section 198, 309 and other applicable provisions of the Companies Act 1956.



RESOLVED FURTHER THAT in the event of loss or inadequacy of profits, in any financial year during the tenure of Managing Director, salary, perquisites and other allowances subject to the limits stipulated under Schedule XIII read with Section 269 and 309 of the Companies Act 1956, is payable.

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

"RESOLVED THAT pursuant to the provisions of Section 314(1B) and other applicable provisions, if any of the Companies Act, 1956 and the rules and regulations thereto, including any statutory modification(s) or re-enactment thereof, for the time being in force and subject to the approval of the Central Government or such other approvals of such authorities as may be necessary and subject to such terms, conditions and modifications as may be prescribed by any of them in granting any such approvals and which may be agreed to by the Board of Directors, the consent of the Company be and is hereby accorded to Mr Kishore Dutt Atluri, brother of Mr Ashok Atluri, Chairman and Managing Director of the Company, to hold and continue to hold an office or place of profit as President of the Company on such remuneration and terms and conditions as may be decided by the Board, subject to an overall limit of Rs 6,00,000/- per month.

RESOLVED FURTHER THAT the Board be and is hereby authorised to decide within the overall limits specified in this regard, the exact remuneration to be paid to Mr Kishore Dutt Atluri, with the intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

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

By Order of the Board

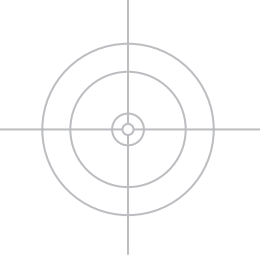
Hyderabad
31 July 2009

Y Shobha Rani
Company Secretary

ANNEXURE TO THE NOTICE

NOTES:

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 instead of him or her. 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.
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 22 September 2009 to 24 September 2009 (both days inclusive).
6. Shareholders/Proxies should bring duly filled attendance slips sent along with the copies of Annual Report 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 dematerialized 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 payable on or after 29 September 2009 to those members whose names appear on the Register of Members as on 22 September 2009. 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, 2006-07 and 2007-08. 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 205A of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.



12. Information of Directors seeking re-appointment as required under clause 49 of the Listing Agreement.

Mr D Satish Babu did course work for Ph.D. program in Business and Industrial Anthropology from Wayne State University, Detroit.

He has over ten years of experience in Enterprise Resources Planning Systems implementations, rollouts, divestitures, upgrades and maintenance & support projects in automotive, pharmaceutical, industrial machinery and components, electronics and cement industries.

He was associated with companies like Auto Industry Action Group (AIAG, Michigan), Siemens Energy & Automation, Warner Lamber Company, Bristo-Myers Squibb, SharpUSA and DSM Anti-Infectives.

He became Director of the company in 2004. He is the Chairman of Share Transfer and Investor Grievance Committee and member of Audit and Remuneration Committees of the Company.

Mr D Satish Babu does not hold any shares of the Company.

He does not hold any other directorships.

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

Item No.5:

Re-appointment of Mr M Ravi Kumar as Whole-time Director of the Company

The Board of Directors, at their meeting held on 30 October 2008, reappointed Mr M Ravi Kumar as Whole-time Director of the Company with effect from 29 June 2008 pursuant to Sections 260, 269, 198, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 for a period of 5 years (five years) subject to the approval of the shareholders in the General Meeting on the terms and conditions as set out in the resolution for re-appointment of Mr M Ravi Kumar as Whole-time Director.

Mr M Ravi Kumar is one of the first directors of the Company and has been whole time director since then and has played an important role in the growth of Zen Technologies Limited.

He has over 20 years of experience in Software Industry. He worked in Bureau of Data Processing Services (BDPS), Nova Computers Private Limited and at the Institute of Engineers.

Mr M Ravi Kumar holds 28,800 equity shares and also holds 50,000 convertible Share Warrants.

Apart from being on the Board of Zen Technologies Limited, Mr M Ravi Kumar do not hold directorship in any company.

None of the Directors except Mr M Ravi Kumar is interested or concerned in item no.5.

Item No.6:

Re-appointment of Mr Ashok Atluri as Managing Director of the Company

Mr Ashok Atluri, aged about 44 years, having experience in the field of Business Management, Strategy, Finance and administration was re-appointed as the Managing Director of the Company w.e.f.01 November 2004, for a period of five years and his tenure would expire on 31 October 2009.

Mr Ashok Atluri holds a bachelors degree in Commerce and also PG Diploma in Applied Computer Science.

During his tenure as Managing Director of your Company, he has made significant contribution to the growth of the Company in terms of business and profitability. In the interest of efficient management and further progress of your Company the Board of Directors of the Company at their meeting held on 31 July 2009 have re-appointed and revised the remuneration payable to Mr. Ashok Atluri as the Managing Director of the Company w.e.f.01 November 2009 for a further period of five years on the terms and conditions as set out in the resolution for re-appointment of Managing Director.

The appointment and revision of remuneration are subject to the approval of members, hence the Board recommends the resolution set forth in item no 5 for your approval.

This explanatory statement may also be read and treated as disclosure in compliance with the requirements of section 302 of the Companies Act 1956.

None of the Directors except Mr Ashok Atluri is interested or concerned in item no.6.

Item No.7:

The members of the Company at their meeting held on 30 September 2005 approved the holding of an office or place of profit in the Company by Mr Kishore Dutt Atluri, as President of the Company, and payment of a salary of Rs.60,000/- per month plus forty percent (40%) of salary as HRA and other perquisites as those applicable to other employees of the Company in the same grade as of Mr Kishore Dutt Atluri. Approval of the Central Government has also been obtained for the same.

In recognition of excellent performance by Mr Kishore Dutt Atluri as President of the Company, the Selection Committee and Remuneration Committee have recommended enhancement of the present limit of his remuneration to Rs 6,00,000/-(Rupees Six lakh only) per month (inclusive of Salary, Allowances, contribution of Provident Fund, Superannuation Fund, reimbursement of Medical Expenses, Premium for Insurance Policy, Car with Driver as per Company's Policy, and Leave Travel Concession).The Board will be authorised to decide the exact remuneration to be paid to Mr Kishore Dutt Atluri within the overall limit of Rs 6,00,000/- per month (Rupees Six lakh only) .

Payment of remuneration to a relative of director exceeding Rs 50,000/- per month attracts provisions of Section 314(1B) of the Companies Act, 1956 and requires prior consent of the shareholders of the Company by way of a Special Resolution and approval of the Central Government.

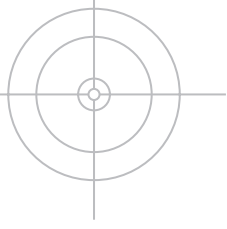
Since Mr Kishore Dutt Atluri is the brother of Mr Ashok Atluri, Chairman and Managing Director of the Company, consent of shareholders is being sought by way of Special Resolution as proposed in the Notice for increase in the overall limit and to authorize the Board for payment of remuneration to Mr Kishore Dutt Atluri within the enhanced limit. All other terms and conditions shall be on the same lines as those applicable to other employees of the Company in the same grade as of Mr Kishore Dutt Atluri.

None of the Directors except Mr Ashok Atluri is interested or concerned in item no.7.

By Order of the Board

Hyderabad
31 July 2009

Y Shobha Rani
Company Secretary



DIRECTORS' REPORT

To

The Members

Your Directors are pleased to present their 16th Annual Report on the business and operations of your Company together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the financial year ended 31 March 2009.

FINANCIAL PERFORMANCE

(Rs in Lakhs)

Particulars	2008-09	2007-08
Total Income	6,439.19	2,690.93
Total Expenditure	4,073.86	1,337.26
Operating Profit (PBIDT)	2,365.33	1,353.67
Interest	115.13	58.21
Depreciation	52.17	30.03
Profit before tax	2,198.03	1,265.43
Provision for Tax	336.70	159.43
Fringe Benefit Tax	10.05	8.07
Deferred Tax Liability	(5.49)	0.39
Profit after Tax	1,856.77	1,097.54
Appropriations:		
Transferred to General Reserve	300.00	300.00
Proposed Dividend	384.93	243.12
Dividend Tax	65.42	41.32
Retained profit	1,106.42	513.10
Earning Per Share (Rs)(face value of equity share of Rs 10/- each) - Basic	22.39	14.33

RESULTS OF OPERATIONS

Your Company achieved good performance this year with total net revenue of Rs 6439.19 lakhs compared to the previous year's net revenue of Rs 2690.93 lakhs. Net Profit after tax is Rs 1856.77 lakhs as against Rs 1097.54 lakhs for the previous year. In line with the profit, the Earnings Per Share (EPS) has also increased to Rs 22.39 compared to previous year's EPS of Rs 14.33

DIVIDEND

Your Directors recommend a dividend of Rs.4.50 on the Equity Share of Rs.10/- each of the Company for the financial year ended 31 March 2009. The amount of dividend outflow is Rs 3,84,93,000/- excluding dividend tax of Rs 65,41,885/-.

APPROPRIATIONS

Your Company has transferred Rs 300.00 lakhs to the General Reserve as required under Companies Act, 1956. An amount of Rs.1106.42 lakhs is retained.

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 there under are not applicable to the Company.

WORLD-CLASS OFFICE AT MAHESWARAM

We have started construction of world-class, integrated facilities on the land allotted to us near Hyderabad's new international airport. About 75,000 sft of the proposed facility is ready and the production activity is expected to start in October 2009. The construction of the Phase II of the facility is expected to start in the second half of 2009-10.

ZEN TECHNOLOGIES FZE (Wholly Owned Subsidiary)

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 part of this Report. The Accounts, Auditors' Report and Directors' Report of the Subsidiary Company forms part of this Annual Report.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Mr D Satish Babu, Director, retires by rotation at the Sixteenth Annual General Meeting and being eligible offers himself for re-appointment.

CORPORATE GOVERNANCE

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

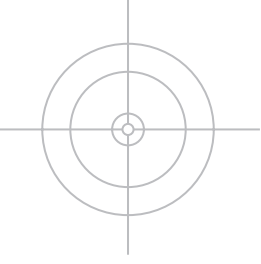
A report on Corporate Governance and Management Discussion Analysis along with a certificate from the Auditor with regard to the compliance of Corporate Governance as per Clause 49 of the Listing Agreement with the Inter-connected Stock Exchange of India Limited is annexed to this report.

AUDITORS

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 re-appointment as Statutory Auditors of the Company, such re-appointment will be in accordance with the limits specified in sub-section (1B) of Section 224 of the Companies Act, 1956.

BUYBACK

Pursuant to the public announcement made on 13 March 2009, the Company has commenced its buyback programme on 23 March 2009 and bought back 15,568 Equity Shares of Rs 10/- each at a consideration of Rs 16,77,491/-. The shares bought back were extinguished in the month of April 2009.



As the market price is higher than the maximum price fixed for buy back i.e.Rs 110/-, no order has been placed since 9 April 2009.

PREFERENTIAL ALLOTMENT OF SHARES

During the Financial Year under review, in terms of the approval received from the Members of the Company at the Extraordinary General Meeting held on 19 February 2008 and in accordance with terms and conditions of SEBI (Disclosure & Investor Protection) Guidelines, 2000 on Preferential Allotment, the Company has successfully raised Rs 6,07,50,000/- (Rupees Six crore Seven lakh Fifty thousand only) by allotting 4,50,000 Equity Shares of Rs 10/- each at a premium of Rs 125/- each in lieu of conversion of warrants on preferential basis for meeting the requirements of its expansion projects. Further 3,50,000 warrants issued to promoters convertible into equal number of Equity Shares of Rs 10/- each at a premium of Rs 125/- are pending for conversion.

As a result of this Preferential Allotment, the Paid-up Equity Share Capital of the Company has increased from Rs 8,10,40,000/- to Rs 8,55,40,000/- and Share Premium Reserve from Rs 5,83,04,880/- to Rs 11,45,54,880/-

EMPLOYEE PARTICULARS

Information as per Section 217(2A) of the Companies Act, 1956 read along with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of Directors Report for the year ended 31 March 2009.

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.

Name of the Employee	:	Mr Ashok Atluri
Age	:	44 Years
Qualification	:	B.Com, PGDACS
Designation	:	Chairman and Managing Director
Nature of Employment	:	Contract
Remuneration	:	Rs.83,76,338/-
Experience	:	15 Years
Date of commencement of employment	:	01-11-1994
Percentage of Equity shares held in the Company	:	28.20

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 I) and forms part of this Report.

B) Directors' Responsibility Statement as required under Section 217(2AA) of the Companies Act, 1956

The Directors hereby confirm that:

- i) In the preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31 March 2009 and of the profit of the Company for the year ended as on that date.
- iii) 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.
- iv) The Directors had prepared the annual accounts on a going concern basis.

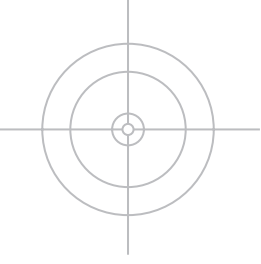
ACKNOWLEDGMENTS

Your Directors thank the company's customers, 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 for the contribution made by all the employees of the Company.

For and on behalf of the Board of Directors

Hyderabad
31 July 2009

Ashok Atluri
Chairman and Managing Director



ANNEXURE-I TO THE DIRECTORS' REPORT

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

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

(in Rupees)

1. Name of the Subsidiary Company	Zen Technologies FZE
2. The Financial year of the Subsidiary Company ended	March 31, 2009
3. Holding Company's interest as at March 31, 2009:	
a) No. of Equity Shares 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 on March 31, 2009	(34,45,961)
ii) For previous financial years of the Subsidiary since it became subsidiary of the Company	(28,66,332)
b) Dealt with in the Accounts of the Company	
i) for the financial year of the Subsidiary ended March 31, 2009	Nil
ii) for previous financial years of the Subsidiary since it became subsidiary of the Company	Nil

ANNEXURE - II TO THE DIRECTORS' REPORT

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

A. Conservation of Energy

The Company does not use energy-intensive equipment for its operations. 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 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 put in for developing Motion Platform, tank simulators and heavy equipment simulators. Your Company is also developing a game for the playstation platform for global audience under the name Smash N' Survive.

b. Future plan of action

Your Company plans to invest significant amount in R&D in the years to come to retain and hone the technological edge it enjoys now. The basis of arriving at the R&D expenditure is not as a percentage of the sales or any such pre-determined formula, but is based on our 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 780.87 Lakhs as R & D expenditure for the financial year 2008-09 for the development of various products. Out of Rs 780.87 Lakhs, Rs 769.11 Lakhs was for R&D Revenue expenditure and Rs 11.76 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.
		There has been no transfer of technology to the Company, consequently there is no absorption of technologies.
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 technologically rich, reliable, sustainable and robust.
3	Information about Technology imported	The Company has not imported any technology.

D. Foreign Exchange Earnings and Outgo

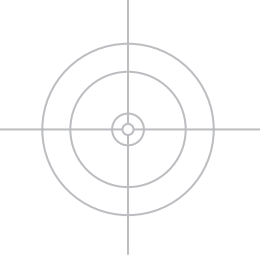
(Rs in Lakhs)

Particulars	2008-09	2007-08
Earned during the year	Nil	469.76
Used during the year	354.65	137.95

For and on behalf of the Board

Hyderabad
31 July 2009

Ashok Atluri
Chairman and 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 maturity with new 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. In defence simulation, we have had competition from both domestic as well as international players.

Indian defence has become one of the most attractive markets for foreign companies. The budget for Indian Defence for the year 2009-10 is estimated to be about US\$29.58 billion. With the recession-proof nature of this business we expect new players to come in full force. However, only experienced players are expected to benefit more, because the barriers to the new players will be many. Important barriers include understanding the complex and stringent procurement process, long procurement cycle, No-Cost-No-Commitment basis of trials and specific customization requirements of the product to suit Indian needs.

Companies that have commendable products may find the lack of understanding of the process to be a serious barrier. Small and medium companies, especially foreign ones, will find it extremely difficult to weather almost three years of procurement process. The cost to compete in the process is significantly high. With many bidders in the race the uncertainty of winning the bid looms large to the potential bidders and, sometimes, the risk/reward ratio seems unattractive. Another complication for the foreign vendor is the Indian Defence's offset requirement for global purchases over Rs 300 Crores. [Offset is the foreign vendor's obligation to source locally (buyer's country) some items, amounting to certain percentage of the contract value, that go into the building of the purchased product]. In India the normal offset requirement is about 30%, it presents a good opportunity which your Company intends to fully explore.

Opportunities and threats

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

Till last year, your company has been exclusively focused on training simulators. The emphasis laid on training by the defence forces has proved beneficial to your company. Your company continues to design and develop simulators with heavy focus on security forces in India. The opportunity size is, fortunately, growing and we expect to benefit from it. We expect the State and Central police organizations to continue to induct significant number of simulators. Last year we had referred to some big opportunities materializing and, as expected, we did get the orders. With respect to exports, we are pursuing the overseas market with greater vigour and we expect some orders to materialize next year.

The company has been working on improving the simulators to the evolving needs of end-users. However, we feel that competition, both domestic and foreign, for the simulators will be a significant factor in the years to come. As such we need a continuous action plan to improve older simulators where possible and evolve new pricing strategy to match the evolving marketing realities.

One question that you have been asking continuously is that given the capability that Zen has in simulation isn't gaming business the next logical step? . We are gratified to share with you that the team is developing a game called Smash-n-Survive for the PlayStation platform. The initial feedback about the concept of the game has been very encouraging. Sony Europe has approved the story and we expect the game to hit the market by end-2010.

Strengths and Weaknesses

Your company's competitive advantages include

Familiarity with the Procurement Process

Zen has been in the field of security forces marketing for the past 16 years and has accumulated significant knowledge about the procurement process of its customers. The customers that your Company serves range from the basic (driving school) to the very sophisticated (Indian Armed Forces). We feel that any overseas vendor who would like to offer their products to the Indian security forces would find us a compelling joint-venture partner. In turn, we have to be extraordinarily careful about choosing our partner - with an objective of ensuring the Indian forces get one of the best products available in the market with value addition from us in customization of the product.

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.

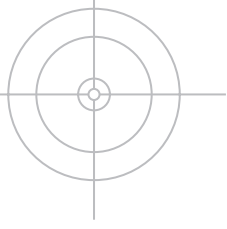
Customer Acceptance

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 ranges. When we factor in the price at which your company has priced them, they become an unbeatable and compelling choice for customers.

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



Performance

Total Income during the year was Rs.64.39 Crores (previous year Rs 26.91 Crore), EBITDA Rs 23.65 Crores (previous year Rs 13.53 Crores) and PAT was Rs 18.57 Crore (previous year Rs 10.97 Crore).

Weapon simulators contributed Rs 18.26 Crores (previous year Rs 8.79 Crores) and non-weapon simulators Rs 44.08 Crores (previous year Rs16.13 Crores). 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.

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 seven major products already in the market, viz., Small Arms Training Simulator (Zen SATS SL), Hand Grenade Simulator (Zen HE36S), Advanced Weapons Simulator (Zen AWeSim), Tactical Engagement Simulator (Zen TacSim), Driving Training Simulator (Zen DTS), BMP II Driving Simulator (ZEN BMP-II DS) and Anti-Tank Guided Missile Simulator (Zen ATGM Sim). The first four products have Security Forces (including armed forces) as the target market. Out of the three, Zen SATS SL 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 and ATGM Sim are aimed exclusively at armed forces. 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. 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 developing simulators for the mining industry. These simulators are expected to have a significant market in India as well as 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 are reasonable but may come under pressure in future when competition shows up.

Personnel Relationships

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

Outlook

The global market for simulators presents an enormous opportunity for your Company. This multi-billion dollar market is growing exponentially and simulators are used in the field of weapons training, aviation, 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 year's 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 are still in the race for some new big opportunities and expect some of them to benefit Zen.

We have started construction of world-class, integrated facilities on the land allotted to us near Hyderabad's new international airport. About 75,000 sft of the proposed facility is ready and the production activity is expected to start in October 2009. The construction of Phase II of the facility is expected to start in the year 2009-10.

Risks and Concerns

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

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.

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

As we develop new products continually, there is a risk of the product failing after supplying the same to the customer, and the recall costs of such products may prove to be huge.

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 215 members (previous year 148). The management and employees in the company regularly meet to address the areas of concern.

Industrial Relations

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

Disclaimer

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



CORPORATE GOVERNANCE REPORT

i) Corporate Governance at ZEN

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

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

ii) Board of Directors

A. Composition

The Board of Directors of the Company consists of a majority of non-executive Directors. The Board has composition of two executive Directors and four non-executive Directors. Four out of six are Independent Directors.

Composition and category of Directors on the Board for the year 2008-09 are given below:

Name of the Director	Category	Date of Appointment	Number of Directorships in other Public Companies	Committee Membership as on date. (in other companies)	
				Member	Chairman
Ashok Atluri	Promoter & Managing Director	01-11-1994	-	-	-
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	07	06	02
Cmde. Sarvotham Rao	Independent Director	30-03-2005	-	-	-
Utpal Sheth	Independent Director	30-06-2008	05	-	-

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 2008-09 the Board of Directors met 5 times on the following dates:

30 June 2008	25 July 2008	30 October 2008
17 January 2009	06 March 2009	

Attendance of Directors at Board Meetings and at the last Annual General Meeting (AGM) held on 12 September 2008.

Name of the Director	Number of Board meetings held	Number of Board meetings attended	Attendance at the last AGM
Mr Ashok Atluri	5	5	Present
Mr M Ravi Kumar	5	5	Present
Mr D Satish Babu	5	5	Present
Dr P Kotaiah	5	5	Present
Cmde S Rao	5	5	Present
Mr Utpal Sheth	5	4	Absent

D. Board's Procedure

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

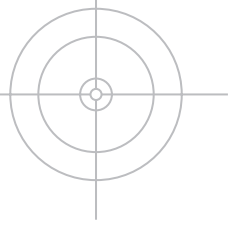
iii) Audit Committee

A. Composition

The Company has constituted an Audit Committee comprising the following three Non-Executive Independent Directors. Further, Dr P Kotaiah has been appointed as the Chairman of the Committee and its constitution is as follows:

Dr P Kotaiah	–	Chairman
Cmde S Rao	–	Member
Mr D 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

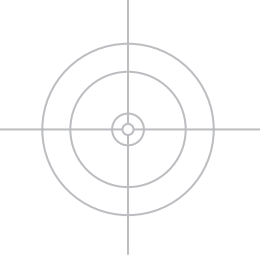
The Audit Committee met 5 times during the financial year 2008-09 on the following dates:

30 June 2008	25 July 2008	30 October 2008
17 January 2009	06 March 2009	

Attendance during the year 2008-09:

Name	Number of meetings held	Number of meetings attended
Dr P Kotaiah	5	5
Cmde S Rao	5	5
Mr D Satish Babu	5	5

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 Committee

The Company has constituted Remuneration Committee comprising three Non-Executive Independent Directors. Further, Cmde S Rao has been appointed as the Chairman of the Committee, Dr P Kotaiah and Mr D Satish Babu are the members of the Committee.

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

Remuneration paid to Directors for the Financial Year 2008-09

The remuneration of Managing Director and Whole-time Director for the Financial Year ended 31 March 2009 are as follows:

(in Rupees)

Name of the Director	Ashok Atluri	M Ravi Kumar	P Kotaiah	Sarvotham Rao	D Satish Babu	Utpal Sheth
Designation	Managing Director	Whole-time Director	Non Executive Independent Director	Non Executive Independent Director	Non Executive Independent Director	Non Executive Independent Director
Salary	15,00,000	13,05,000	-	-	-	-
Perquisites	6,67,108	5,27,046	-	-	-	-
Commission on profits	62,09,230	-	-	-	-	-
Sitting fee	-	-	1,00,000	1,00,000	1,00,000	40,000
Total	83,76,338	18,32,046	1,00,000	1,00,000	1,00,000	40,000

Shares held by Non executive independent Directors

Sl. No.	Name of the Director	Number of shares
1	Dr P Kotaiah	2000
2	Cmde Sarvotham Rao	2000
3	Mr D Satish Babu	Nil
4	Mr Utpal Sheth	Nil

v) Share Transfer and Investor Grievance Committee

A. Composition

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

Mr D Satish Babu	–	Chairman
Mr Ashok Atluri	–	Member
Mr M Ravi Kumar	–	Member

B. Powers

The Committee has been delegated with the following powers:

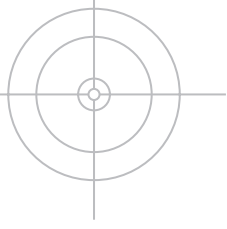
- To review and redress shareholder/investor's complaints etc. relating to transfer of shares, non-receipt of balance sheet, non-receipt of dividends etc.
- To approve transfer and transmission and issue of duplicate/fresh share certificate Consolidate and sub-division of share certificates etc
- To redress, approve and dispose off 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 lodgment in case of shares held in physical form.

Investor Complaints received and resolved during the year 2008-09

Nature of Complaint	No. of days taken	Resolved
Relating to change of address, revalidation of dividend non receipt of dividend and others	1 – 10	21
	11 – 20	0
	21 – 30	01
Pending Complaints	Nil	Nil

Share Transfers made during the year 2008-09

Sl.No.	No. of days taken	No. of transfers	No. of Shares
1.	01 – 15	3	900
2.	16 – 20	Nil	Nil
3.	21 – 30	Nil	Nil
4.	31 and above	Nil	Nil



vi) Plant Locations:

- 1 C-36 and C-63, Industrial Estate
Sanathnagar, Hyderabad-500018, A P, INDIA
Phone : +91- 40 - 23814894, 23813294
Fax : +91- 40 - 23813694
- 2 Ward No 6, Ram Shehar Road
Nalagarh, Solan (Dist.)
Himachal Pradesh-174101
Ph : +91-1795 - 220671

vii) General Body Meetings

The following are the details of General Body Meetings:

Financial Year	Date	Time	Venue	Nature of Special Resolutions, if any passed.
Annual General Meetings				
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	No Special Resolution was passed
2007-08	12-09-2008	10.30 a.m.	B - 42, Industrial Estate, Sanathnagar, Hyderabad - 500018	No Special Resolution was passed
Extraordinary General Meetings				
2007-08	19-02-2008	10.30 a.m.	B - 42, Industrial Estate, Sanathnagar, Hyderabad - 500018	Special Resolutions were passed with respect to the following matters: <ul style="list-style-type: none"> ■ Preferential allotment in terms of Section 81(1A) ■ Increasing Authorised Capital of the Company ■ Altering Capital clause of Articles of Association of the Company ■ Deleting Article 35(b) of the Articles of Association of the Company

No Special Resolution was put through postal ballot last year. All the resolutions were passed unanimously by show of hands.

The Company shall comply with the provisions of postal ballot under the Companies Act, 1956 as and when required.

viii) 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.

ix) Means of Communication

The Board of Directors of the Company approves and takes on record the quarterly un-audited 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 and Andhra Prabha (Regional Newspaper).

The annual audited Accounts of the Company are likewise communicated in the prescribed proforma to the Stock Exchanges and are published in the newspapers (usually) as mentioned above.

Management Discussion and Analysis forms part of the annual report, which is posted to the shareholders of the Company.

x) General Shareholder Information

The following information would be useful to the shareholders:

A. 16th Annual General Meeting

Day & Date : Thursday, 24 September 2009
 Time : 9.30 a.m.
 Venue : B-42, Industrial Estate, Sanathnagar, Hyderabad - 500 018.

B. Financial Calendar 2009-10 (Tentative Schedule)

Annual General Meeting (Next year): August/Sept 2010

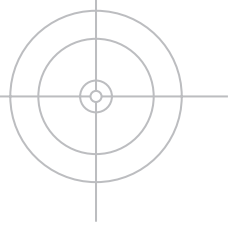
Adoption of Quarterly results for the Quarter ending	3rd/4th Week of
30 June 2009	July 2009
30 September 2009	October 2009
31 December 2009	January 2010
31 March 2010	June 2010 (audited)

C. Date of Book Closure

22 September 2009 to 24 September 2009 (both days inclusive)

D. Dividend Payment Date

First week of October 2009



E. Listing on Stock Exchanges

The Equity Shares of the Company are listed on Inter-connected Stock Exchange of India Limited (ISE). Further, the Company's shares are also traded under permitted category on Bombay Stock Exchange Limited. The Company confirms that it has paid annual listing fees to the Stock Exchange for the year 2009-10.

The Company has paid annual custodian fee to National Securities Depository Limited and Central Depository Services (India) Limited.

F. Stock Code

(a)	Trading Symbol	ZENTEC
(b)	Demat ISIN number in NSDL & CDSL	INE251B01019
(c)	Scrip ID on BOLT in BSE	590032

Electronic Connectivity

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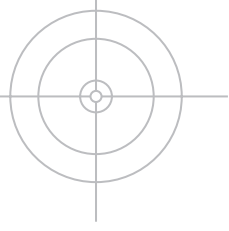
G. Market Price Data:

Inter-connected Stock Exchange of India Limited

There is no trading during Financial Year under consideration in Inter-connected Stock Exchange of India Limited

Bombay Stock Exchange Limited

Month & Year	High (Rs.)	Low (Rs.)	Monthly Weighted Average (Rs.)
April 2008	178.00	140.00	163.41
May 2008	195.00	145.10	168.90
June 2008	170.00	136.05	157.47
July 2008	174.45	130.00	150.97
August 2008	197.70	143.55	165.67
September 2008	167.95	130.15	150.63
October 2008	149.95	71.05	99.64
November 2008	132.30	76.05	107.87
December 2008	108.00	84.50	93.77
January 2009	110.00	84.20	99.75
February 2009	100.65	85.20	91.59
March 2009	100.00	81.30	92.16



L. Distribution of Shareholding

Distribution of Shareholding as on 31 March 2009 is as follows:

Category (No. of Shares)		Number of Shareholders	Percentage	No. of Shares	Percentage
From	To				
Up to 500		3,099	84.79	4,44,840	5.20
501	1000	214	5.85	1,75,190	2.05
1001	2000	148	4.05	2,28,740	2.67
2001	3000	56	1.53	1,42,470	1.67
3001	4000	23	0.63	81,910	0.96
4001	5000	18	0.49	83,410	0.98
5001	10000	39	1.07	2,80,760	3.28
10001 and Above		58	1.59	71,16,680	83.20
TOTAL		3,655	100.00	85,54,000	100.00

M. Shareholding Pattern as on 31st March 2009

Sl.No.	Category	No. of shareholders	Total No. of Shares	% of Equity
1.	Promoters	17	41,06,450	48.01
2.	Central Govt./State Govt.	01	46,035	0.54
3.	Foreign Institutional Investors	0	0	0
4.	Bodies Corporate	144	6,40,513	7.49
5.	Resident Individuals	3429	36,76,631	42.97
6.	NRI/OCB	64	84,371	0.99
	TOTAL	3655	85,54,000	100

N. Outstanding GDRs/ADRs/Warrants or any convertible instruments

As on 31 March 2009, 3,50,000 Warrants convertible into equal number of Equity Shares of Rs 10/- each at a premium of Rs 125/- are pending for conversion. These warrants are convertible on exercising of option by warrant holders. The due date for exercising the option is on or before 16 September 2009.

O. Dematerialisation of shares

As on 31 March 2009, 56,15,488 shares were dematerialised which constitute 65.65 % of the paid up capital.

The particulars of dematerialisation are as follows:

Sl.No.	Category	No. of Cases	Total No. of Shares	% of Equity
1	PHYSICAL	198	29,38,512	34.35
2	NSDL	2553	43,58,057	50.95
3	CDSL	904	12,57,431	14.70
	TOTAL	3655	85,54,000	100.00

P. Address for Investor correspondence

Y Shobha Rani, Company Secretary
ZEN TECHNOLOGIES LIMITED
C-63, Industrial Estate
Sanathnagar, Hyderabad-500018
Phone : +91 - 40 - 23814894, 23813294
Fax : +91 - 40 - 23813694

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

xi) 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.

xii) 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.

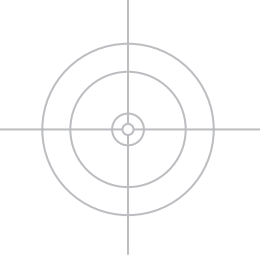
DECLARATION

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

For and on behalf of the Board

Hyderabad
31 July 2009

Ashok Atluri
Chairman and Managing Director



Managing Director and General Manager-Finance Certification

We, Ashok Atluri, Managing Director and Y R Satyanarayana Murty, General Manager-Finance of **ZEN TECHNOLOGIES LIMITED**, to the best of our knowledge and belief, certify that:

1. We have reviewed financial statements and the cash flow statements for the financial year ended 31 March 2009 and that to the best of our knowledge:
 - The statements do not contain any materially untrue or misleading statement or omit any material fact.
 - The statements present a true and fair view of Company's affairs and are in compliance with applicable laws, regulations and accounting standards.
2. To the best of our knowledge, no transactions entered into by the Company 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
31 July 2009

Ashok Atluri
Managing Director

Y R Satyanarayana Murty
General Manager - Finance

Auditors Certificate on Compliance with the condition of Corporate Governance under clause 49 of the listing agreement

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 2009, 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
31 July 2009



AUDITORS' REPORT

The Members
Zen Technologies Limited
Hyderabad

We have audited the attached Balance Sheet of Zen Technologies Limited, Hyderabad as at March 31, 2009 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, 2009 and taken on record by the Board of Directors, we report that, none of the directors is disqualified as on March 31, 2009 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, 2009
 - ii) In the case of the Profit & Loss Account, of the Profit of the company for the year ended on March 31, 2009; and
 - iii) In the case of the Cash Flow Statement of the Cash Flows for the year ended on March 31, 2009

For Gokhale & Co
Chartered Accountants

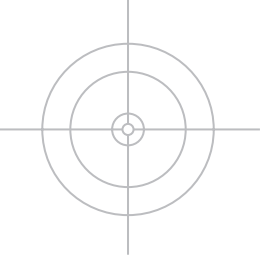
Chandrashekhar Gokhale
Partner
Memb. No 23839

Hyderabad
26 June 2009

ANNEXURE

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

- (i) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management according to the phased programme designed to cover all assets on rotation basis. In respect of assets verified according to this programme, which is reasonable, no material discrepancies were noticed. The company has not disposed off substantial part of its fixed assets during the year.
- (ii) Inventories have been physically verified during the year by the management and in our opinion the frequency of verification is reasonable. According to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. On the basis of our examination of the records the company is maintaining proper records of inventories and the discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The company 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) Transactions that need to be entered into a register in pursuance of Section 301 of the Act have been entered. In our opinion and based on information and explanations given to us transactions of the value of Rs 5 lakhs or more have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (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 from a Bank for its new facility at Hardware park, Maheshwaram, Hyderabad and has utilized the same for the intended purpose.
- (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 not made any preferential allotment of shares to parties covered in the Register maintained under section 301 of the Act during the year under audit.
- (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

Hyderabad
26 June 2009

Chandrashekhhar Gokhale
Partner
Memb. No 23839

BALANCE SHEET AS AT 31 MARCH 2009

(in Rupees)

Particulars	Schedule	As at 31 March	
		2009	2008
SOURCES OF FUNDS:			
Share holders Funds :			
Share Capital	1	85,540,000	81,040,000
Share Warrant			
Application Money		4,725,000	10,800,000
Reserves & Surplus	2	<u>570,947,454</u>	<u>374,055,399</u>
		661,212,454	465,895,399
Loan Funds :			
Secured Loans	3	116,580,890	98,979,167
Deferred Tax Liability	4	18,103,338	18,652,656
TOTAL		795,896,682	583,527,222
APPLICATION OF FUNDS:			
Fixed Assets	5	157,078,528	142,069,800
Less : Depreciation		<u>37,801,550</u>	<u>29,578,156</u>
Net Block		119,276,978	112,491,644
Add: Capital Work in Progress		<u>170,978,269</u>	<u>29,125,918</u>
		290,255,247	141,617,562
Investments	6	5,869,770	5,813,470
Current Assets, Loans & Advances	7		
a. Inventories		35,347,622	12,781,945
b. Sundry Debtors		217,750,483	254,770,293
c. Cash and Bank Balances		343,874,042	152,091,750
d. Loans and Advances		<u>112,712,220</u>	<u>75,843,960</u>
		709,684,367	495,487,948
Less : Current Liabilities & Provisions	8		
Current Liabilities		61,529,441	37,415,974
Provisions		<u>156,778,428</u>	<u>32,317,084</u>
		218,307,869	69,733,058
Net Current Assets		491,376,498	425,754,890
Miscellaneous Expenditure (To the extent not written off or adjusted)	9	8,395,167	10,341,300
TOTAL		795,896,682	583,527,222
Notes forming part of the accounts	18		

As per our report of even date

For and on behalf of the Board

For Gokhale & Co.,
Chartered Accountants

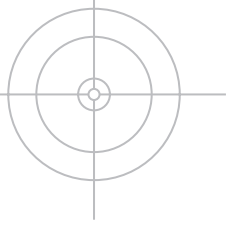
Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole-Time Director

C Gokhale
Partner
M No 23839

Y Shobha Rani
Company Secretary

Hyderabad
26 June 2009



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

(in Rupees)

Particulars	Schedule	For the Year ended 31 March	
		2009	2008
INCOME			
Net Sales		630,750,220	251,909,169
Other Income	10	13,169,063	17,184,342
		643,919,283	269,093,511
EXPENDITURE			
Materials Consumed	11	168,170,515	30,207,832
Manufacturing Expenses	12	6,526,647	5,024,606
Payments and Benefits to employees	13	29,926,598	17,174,661
R&D expenses	14	76,911,098	28,502,957
Administrative & General Expenses	15	144,871,087	50,527,600
Interest & Financial Charges	16	11,512,613	5,821,510
(Increase)/Decrease in Stocks	17	(21,065,733)	98,717
Depreciation	5	5,217,353	3,002,693
Miscellaneous Expenses written off:			
Amortisation of R&D Exp. on Product development		2,045,702	2,006,061
Preliminary and Pre-operative Expenses		–	183,674
		424,115,879	142,550,311
Profit before tax		219,803,404	126,543,200
Less	Provision for Income Tax	–	16,316,842
	Current year MAT	33,593,979	–
	Tax for earlier period	76,348	(374,082)
	Fringe Benefit Tax	1,005,455	806,643
	Deferred Tax Liability/ (Asset)	(549,318)	39,294
Profit after tax		185,676,940	109,754,503
Add	Opening Balance	175,750,519	124,439,840
		361,427,459	234,194,343
	Transferred to General Reserve	30,000,000	30,000,000
	Proposed Dividend	38,493,000	24,312,000
	Dividend Tax	6,541,885	4,131,824
		286,392,574	175,750,519
Earning per share of Rs.10/- each	– Basic	22.39	14.33
	– Diluted	20.85	12.33
Notes forming part of the accounts		18	

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
M No 23839

Y Shobha Rani
Company Secretary

Hyderabad
26 June 2009

SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	As at 31 March	
	2009	2008
SCHEDULE-1		
Share Capital		
Authorised		
20,000,000 Equity Shares of Rs.10/- each	200,000,000	200,000,000
Issued, Subscribed & Paid up		
8,554,000 Equity Shares of Rs 10/- each fully paid up (Previous Year 8,104,000 Equity Shares of Rs.10/- each)	85,540,000	81,040,000
	85,540,000	81,040,000
SCHEDULE-2		
Reserves & Surplus		
General Reserve	170,000,000	140,000,000
Share Premium Account	114,554,880	58,304,880
Profit & Loss A/c	286,392,574	175,750,519
	570,947,454	374,055,399
SCHEDULE-3		
Secured Loans		
Indian Bank - OD (Secured by way of pledge of fixed deposits)	13,641,976	58,505,234
Indian Bank - OCC (Secured by way of hypothecation of Current Assets)	184,055	-
Term Loan from Indian Bank (Secured by way of hypothecation of Fixed Assets)	102,754,859	40,473,933
	116,580,890	98,979,167
SCHEDULE-4		
Deferred Tax Liability		
Opening Balance	18,652,656	18,613,362
Add: Provision for the year	(549,318)	39,294
	18,103,338	18,652,656

SCHEDULE-5
Fixed Assets

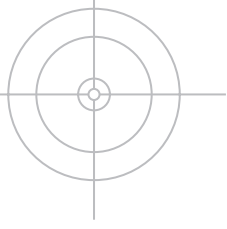
(in Rupees)

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	2008	
											2009		
A Assets													
1	Land	-	38,618,991	-	-	38,618,991	-	-	-	-	-	38,618,991	38,618,991
2	Building	1.63	5,139,289	-	-	5,139,289	53,447	83,770	-	137,217	-	5,002,072	5,085,842
3	Vehicles	9.50	10,143,176	5,019,196	-	15,162,372	3,774,632	1,113,810	-	4,888,441	-	10,273,931	6,368,566
4	Furniture & Fittings	6.33	2,011,755	657,312	-	2,669,067	455,338	136,787	-	592,125	-	2,076,942	1,565,066
5	Office Equipment	16.21	6,324,691	2,973,708	-	9,298,399	2,470,522	1,185,978	-	3,656,500	-	5,641,899	3,854,169
6	Computers	16.21	4,287,196	3,602,436	-	7,889,632	1,067,160	973,665	-	2,040,825	-	5,848,807	3,220,034
7	Software	100.00	1,461,931	2,500	-	1,464,431	952,540	511,891	-	1,464,431	-	-	509,391
	Sub Total (A)		67,987,030	12,255,152	-	80,242,182	8,773,639	4,005,901	-	12,779,540	-	67,462,643	59,222,059
B Assets- R&D Division													
1	Land	-	5,150,020	-	-	5,150,020	-	-	-	-	-	5,150,020	5,150,020
2	Building	1.63	27,644,809	20,000	-	27,644,809	1,025,325	450,936	-	1,476,262	-	26,188,547	26,619,484
3	Plant & Machinery	4.75	7,630,310	-	-	7,630,310	3,642,433	360,796	-	4,003,229	-	3,627,081	3,987,877
4	Testing Equipment	4.75	1,060,216	-	-	1,060,216	566,619	50,007	-	616,626	-	443,590	493,597
5	Computers	16.21	5,471,966	937,794	-	6,409,760	3,166,271	588,435	-	3,754,706	-	2,655,055	2,305,695
6	Software	100.00	9,595,847	217,816	-	9,813,663	9,299,815	305,318	-	9,605,133	-	208,530	296,032
7	Furniture & Fittings	6.33	3,853,150	-	-	3,853,150	599,399	243,359	-	842,758	-	3,010,392	3,253,751
8	Vehicles	9.50	818,169	-	-	818,169	77,939	77,726	-	155,665	-	662,504	740,230
9	Office Equipment	16.21	5,689,556	-	-	5,689,556	2,384,201	920,819	-	3,305,020	-	2,384,536	3,305,355
	Sub Total (B)		66,914,043	1,175,610	-	68,089,654	20,762,002	2,997,396	-	23,759,398	-	44,330,255	46,152,041
	Sub-total (A+B)		134,901,073	13,430,762	-	148,331,836	29,535,641	7,003,297	-	36,538,938	-	111,792,898	105,374,100
C Assets H P unit													
1	Testing Equipment	4.75	1,581,367	-	-	1,581,367	4,888	75,115	-	80,003	-	1,501,364	1,576,479
2	Vehicles	9.50	42,970	46,430	-	89,400	1,678	4,652	-	6,330	-	83,070	41,292
3	Furniture & Fittings	6.33	259,099	801,658	-	1,060,757	1,461	67,146	-	68,607	-	992,150	411,076
4	Plant & Machinery	4.75	2,713,781	221,452	-	2,935,233	10,539	177,066	-	187,605	-	2,747,628	2,703,242
5	Office Equipment	16.21	94,075	236,720	-	330,795	1,588	28,642	-	30,230	-	300,565	92,487
6	Computers	16.21	1,729,474	22,464	-	1,751,938	11,461	282,812	-	294,273	-	1,457,665	1,718,013
7	Software	100.00	594,501	-	-	594,501	19,545	574,956	-	594,501	-	-	574,956
8	Shed	1.63	-	402,701	-	402,701	-	1,064	-	1,064	-	401,637	-
	Total (C)		7,168,705	1,731,425	-	8,746,692	51,160	1,211,452	-	1,262,612	-	7,484,080	7,117,545
	Total (A+B+C)		142,069,778	15,162,187	-	157,078,528	29,586,801	8,214,749	-	37,801,550	-	119,276,978	112,491,645
	Previous year		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

SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	As at 31 March	
	2009	2008
SCHEDULE-6		
Investments		
Investment in Zen Technologies FZE (Wholly owned Subsidiary - 1 Equity Share of face value of AED1,00,000)	1,208,470	1,208,470
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
Investment in Own Shares - Buy back	56,300	-
	<u>5,869,770</u>	<u>5,813,470</u>
SCHEDULE-7		
Current Assets, Loans & Advances		
A. Inventories		
(a) Raw Material	7,388,815	5,888,871
(b) Finished Goods	1,251,503	1,435,672
(c) Work-in-Progress (Inventories as valued and Certified by the Management)	26,707,304	5,457,402
SUB TOTAL (A)	<u>35,347,622</u>	<u>12,781,945</u>
B. Sundry Debtors (Unsecured and considered good)		
Outstanding for a period exceeding 6 months	89,079,519	30,474,208
Others	139,441,915	224,296,085
	228,521,434	254,770,293
Less: Provision for doubtful debts	10,770,951	-
SUB TOTAL (B)	<u>217,750,483</u>	<u>254,770,293</u>
C. Cash and Bank Balances		
Cash on hand	1,363,615	248,598
Balance with Scheduled Banks in		
Current Accounts	195,555,298	4,764,706
Deposit Accounts	146,955,129	147,078,446
SUB TOTAL (C)	<u>343,874,042</u>	<u>152,091,750</u>
D. Loans & Advances (Unsecured and considered good)		
Advance for purchases	14,215,390	6,755,664
Advances recoverable in cash or in kind or for value to be received	9,085,362	5,817,100
Loans and Advances	20,831,965	16,823,735
Advance for Land	40,000,000	40,000,000
Input Vat	2,738,197	804,155
Deposits	6,878,893	3,755,474
Prepaid Expenses	4,373,356	1,887,832
TDS	1,610,707	-
Advance for FBT	144,545	-
Income Tax refundable	8,333,805	-
DSIR Grant	4,500,000	-
SUB TOTAL (D)	<u>112,712,220</u>	<u>75,843,960</u>
TOTAL (A+B+C+D)	<u>709,684,367</u>	<u>495,487,948</u>



SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	As at 31 March	
	2009	2008
SCHEDULE-8		
Current Liabilities & Provisions		
A. Current Liabilities		
Sundry Creditors for goods		
Dues to Small Scale Industrial undertakings	–	–
Others (Purchases)	9,472,818	926,207
For other liabilities	15,942,989	34,631,727
Advances from Customers	35,530,596	1,386,712
Unclaimed Dividend	583,038	471,328
SUB TOTAL (A)	<u>61,529,441</u>	<u>37,415,974</u>
B. Provisions		
Proposed Dividend	38,493,000	24,312,000
Dividend Tax	6,541,885	4,131,824
Provision for MAT	19,302,956	–
Provision for F B T	–	206,643
Provision for staff benefits	10,108,718	3,666,617
Provision for VAT/CST	15,286,139	–
Other Provisions	67,045,730	–
SUB TOTAL (B)	<u>156,778,428</u>	<u>32,317,084</u>
TOTAL (A+B)	<u>218,307,869</u>	<u>69,733,058</u>
SCHEDULE-9		
Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
R & D Expenses	8,395,167	10,341,300
	<u>8,395,167</u>	<u>10,341,300</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	For the Year ended 31 March	
	2009	2008
SCHEDULE-10		
Other Income		
Interest Received	13,096,583	14,479,556
Foreign Exchange rate fluctuation	(79,703)	161,246
Rent Received	75,600	74,700
Others	34,940	29,796
Misc.Income	41,643	312,566
Service Charges	–	2,126,478
	<u>13,169,063</u>	<u>17,184,342</u>
SCHEDULE-11		
Materials Consumed		
Opening Stock	5,888,871	4,321,173
Add: Purchases	169,670,459	31,775,530
	<u>175,559,330</u>	<u>36,096,703</u>
Less: Closing Stock	7,388,815	5,888,871
Material Consumed	<u>168,170,515</u>	<u>30,207,832</u>
SCHEDULE-12		
Manufacturing Expenses		
Electricity Charges	366,741	205,138
Systems installation & maintenance	3,365,344	4,819,468
Freight	2,794,562	–
	<u>6,526,647</u>	<u>5,024,606</u>
SCHEDULE-13		
Payments & Benefits To Employees		
Salaries, wages and other employee Benefits	29,410,892	16,716,644
Contribution to P F and E S I	515,706	458,017
	<u>29,926,598</u>	<u>17,174,661</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	For the Year ended 31 March	
	2009	2008
SCHEDULE-14		
R&D Revenue Expenses		
Travelling	532,082	268,438
Electricity Charges	966,544	642,034
Salaries	28,316,454	16,227,708
Spares & Stores	24,179,031	6,850,598
Depreciation	2,997,396	2,916,821
Freight	146,220	127,025
Endurance Trials	805,223	-
Professional Charges	3,680,507	1,470,333
Demo Exp	5,251,527	-
Software	9,964,613	-
Patent filing fee	71,500	-
	76,911,098	28,502,957
SCHEDULE-15		
Administrative Selling and General Expenses		
Rent	4,475,086	2,044,273
Rates & Taxes	637,694	1,221,601
Printing & Stationery	1,092,835	312,803
Postage & Telephone	2,515,827	2,013,920
Conveyance	1,208,956	613,806
Insurance	1,018,012	454,493
Audit Fees - Internal Audit	80,000	50,000
Audit Fees - Statutory Audit	110,000	60,000
Office Maintenance	7,351,594	5,475,729
Vehicle Maintenance	2,070,287	1,369,005
Directors Remuneration	10,163,855	6,302,277
Professional Charges	3,859,588	2,502,385
Membership & Subscription	195,641	343,631
Advertisement	811,359	526,890
Travel Expenses	15,028,002	9,022,609
Selling and distribution Exp	16,095,671	17,812,831
Loss On Sale of Assets	-	72,828
Listing Fee	-	108,520
Sitting fee	340,000	220,000
Provision for Doubtful Debts/advances	27,606,359	-
Provision for Installation, Training and Maint. Exp.	50,210,321	-
	144,871,087	50,527,600

SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	For the Year ended 31 March	
	2009	2008
SCHEDULE-16		
Interest & Financial Charges		
Interest on Bank OD	7,011,319	4,976,881
Bank charges, Commission	4,501,294	844,629
	<u>11,512,613</u>	<u>5,821,510</u>
SCHEDULE-17		
(Increase) / Decrease In Stocks		
Opening 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>
Less: Closing Stock		
Finished Goods	1,251,503	1,435,672
Work in Progress	26,707,304	5,457,402
	<u>27,958,807</u>	<u>6,893,074</u>
	<u>(21,065,733)</u>	<u>98,717</u>



SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

SCHEDULE - 18

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. Liability towards Leave encashment benefits is provided in the books as per Company's rules on accrual basis. The present value of the defined benefit obligation and related current service cost were measured using actuarial valuation carried by independent Actuary consultant at the end of the year 2008-09. The amount recognized in the financial statements is given below.

(in Rupees)

	Gratuity 2008-09	Leave encashment 2008-09
I Change in present value of obligation.		
PVO at beginning of the year	24,20,055	(26,060)
Interest cost	1,93,604	24,75,486
Current service cost	10,00,876	(6,51,497)
Actuarial gain/(loss) on obligation	(2,02,527)	246,951
PVO at the end of the period	34,12,008	20,44,880
II Change in fair value of plan Assets		
Fair value of plan Assets at beginning of period	13,76,491	–
Expected return on plan Assets	1,41,477	–
Contributions	3,90,947	651,497
Benefit paid	–	(651,497)
Actuarial gain/(loss) on obligation	1,398	–
Fair value of plan at the end of the period	19,10,313	–
III Net status of the plan	15,01,695	20,44,880
IV Net amount recognized	15,01,695	20,44,880

6. Sales

Sales exclude Sales Tax.

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 2008-09 is Rs. 769.11 lakhs (Previous year Rs. 285.03 Lakhs) and this includes depreciation of Rs.29.97 lakhs (Previous year Rs. 29.17 lakhs) on R & D Fixed Assets

8. Revenue Recognition:

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

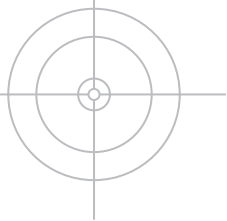
9. Excise Duty:

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. Working Capital facilities from Bank are secured by way of hypothecation of Current Assets
13. The Term Loan facility from Indian Bank is secured by way of hypothecation of Fixed Assets of the Company.
During the year the company had borrowed a Term Loan from Indian Bank and balance outstanding as at 31 March 2009 was Rs 1027.55 Lakhs,
The total interest of Rs 94.24 lakhs on Term Loan has been capitalized and paid to the Indian Bank during the year
14. The Company operates in one segment only i.e., simulation.
15. The common expenses incurred at Head office were allocated between Head office and Himachal Pradesh unit based on Net turnover.
16. Out of the total advance made to AutoStart Driving School Private Limited a provision has been made for 90% of the advance amount towards advances doubtful of recovery.
17. A suitable provision is made on the sales made to Ministry of Defence for installation, training and maintenance expenses.
18. All Fixed deposits were kept with Scheduled banks only.
19. During the year the company has incurred an expenditure of Rs 780.87 lakhs on Research and Development. (Previous year Rs 321.55 lakhs) Out of this R&D Revenue Expenditure is Rs. 769.11 lakhs (Previous year Rs 285.03 lakhs) and R&D Capital Expenditure is Rs 11.76 lakhs (Previous year Rs 36.52 lakhs).
20. Estimated amount of contracts remaining to be executed on capital account (net of advances) not provided for Rs.135.56 lakhs (previous year Rs. 459.57 lakhs).
21. Capital Work in Progress represents Building work at Hardware Park, Maheswaram. Value of Capital Work in Progress as at 31 March 2009 is Rs 1709.78 Lakhs (previous year was Rs.291.26 Lakhs)
22. The unclaimed dividend amount for all the earlier financial years as on 31 March 2009 is Rs 5.83 lakhs, Details of Unclaimed dividend are given below:

Sl.No	Name of the Bank	Year of declaration of dividend	Unclaimed Amount (Rs.)
1	Oriental Bank of Commerce	2002-03	61,307
2	Oriental Bank of Commerce	2003-04	96,032
3	Oriental Bank of Commerce	2004-05	48,275
4	Oriental Bank of Commerce	2005-06	94,862
5	Oriental Bank of Commerce	2006-07	1,45,474
6	HDFC Bank Limited	2007-08	1,37,088
	TOTAL		5,83,038

23. 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

24. Payment to auditors

Particulars	2008-09 (Rs.)	2007-08 (Rs.)
Statutory Audit	82,725	67,416
Tax Audit fee	38,605	33,708
Other Services	20,205	18,403
TOTAL	1,41,535	1,19,527

25. Particulars of Capacity, Production, Sales and Stocks (in number)

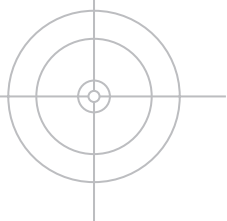
Particulars	2008-09		2007-08	
Particulars of capacity				
Licensed Capacity	NA		NA	
Installed Capacity	NA		NA	
Actual Production				
Basic Systems	136		23	
Software sets	122		39	
Sales and Stock	Qty.	Value (Rs. in lakhs)	Qty	Value (Rs. in lakhs)
Sales				
Basic Systems	136	1,203.70	23	302.14
Software Sets	122	5,005.07	39	1,920.51
Opening stock (System)				
Basic Systems	4	14.36	7	25.41
Closing Stock (System)				
Basic Systems	3	12.52	4	14.36

26. Value of imported and indigenous raw material and components consumed. (Rs. in lacks)

Particulars	2008-09		2007-08	
	Value	%	Value	%
Indigenous raw material and stores	1,506.68	89.59	302.08	100.00
Imported stores	175.03	10.41	–	–
TOTAL	1,681.71	100.00	302.08	100.00

27. Contingent Liabilities:

	2008-09	2007-08
a. Contingent Liabilities in respect of Bank Guarantees	Rs. 135.56 lakhs	Rs. 459.57 lakhs



28. Fixed Deposits under Cash and Bank balances includes:

	2008-09	2007-08
Lodged as security with authorities	Rs. 500	Rs.500
Towards margin money deposits for Overdrafts	Rs. 11,00,00,000	Rs. 11,00,00,000
Towards margin money deposits for B G's	Rs. 3,50,00,000	Rs. 3,00,00,000

29. i) Directors Remuneration (in Rupees)

S.No.	Particulars	2008-09	2007-08
1	Directors' Remuneration		
	Managing Director		
	Salary	15,00,000	12,00,000
	House Rent Allowance	6,00,000	4,80,000
	Others	67,108	2,21,247
	Commission	62,09,230	33,70,938
	Total	83,76,338	52,72,185
2	Other Director		
	Salary	13,05,000	7,20,000
	Allowances	5,22,000	2,88,000
	Others	5,046	22,092
	Total	18,32,046	10,30,092

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

Particulars	2008-09	2007-08
Net profit as per Profit and Loss A/c	21,98,03,404	12,65,43,200
Add: Depreciation	52,17,353	30,02,693
Sitting Fee	3,40,000	2,20,000
LTA	0	1,69,366
Loss on Sale of assets	55,57,353	72,828
	22,53,60,756	13,00,08,087
Less: Depreciation	52,17,353	30,02,693
Interest/ Others Received	1,31,69,063	1,44,79,556
Foreign Exchange fluctuations	1,83,86,416	1,61,246
	20,69,74,341	11,23,64,592
Commission @ 3%	62,09,230	33,70,938

(in Rupees)

iii) Foreign Currency Expenses

Particulars	2008-09	2007-08
CIF Value of Imports		
Capital Goods	153,383	Nil
Raw materials and Components	4,823,834	80,480
Stores and Spares	320,247	16,80,000
Foreign Travel (Exclusive of tickets Purchased)	1,521,435	6,45,967
Software	21,895,735	Nil
Exhibition Expenses	2,541,084	Nil
London office expenses	19,22,526	22,56,289
Consultancy	941,911	Nil
Internet Charges	14,800	3,17,937
Training charges	7,81,878	3,00,000
Membership	NIL	139,772
Advance for Purchase	NIL	63,76,131
Others	5,48,691	19,98,631

- iv Remittance in Foreign Currency on account of Dividends Nil Nil
- v Foreign Currency Earnings Nil 4,69,75,784
- vi Previous year's figures are regrouped and rearranged wherever necessary.
- vii Figures have been rounded off to the nearest rupee.

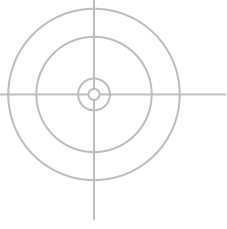
30. List of SSI Units to whom amount is due for more than 30 days as on 31st March, 2009 is NIL (Previous year NIL)

31. 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	
3	Mr Kishore Dutt Atluri	Relative of Key Management Personnel



(ii) Details of Transactions with the Related Parties:

Sl. No.	Nature of Relation / Nature of Transactions	2008-2009		2007-08	
		Amount of Transaction	Amount outstanding as on 31.03.2009	Amount of Transaction	Amount outstanding as on 31.03.2008
1	Key Management Personnel: Remuneration	Refer Note 29(i)	Nil	Refer Note 29(i)	Nil
2	Relatives of Key Management Personnel: Remuneration	Rs. 10,87,620/-	Nil	Rs. 10,73,809/-	Nil
3	Company in which the Relative of the Key Management personnel has Substantial Interest	Nil	Nil	Nil	Nil

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

33. 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 M No 23839</p> <p>Hyderabad 26 June 2009</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>
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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

(Rs. in lakhs)

Particulars	As at 31 March	
	2009	2008
A Cash flow from the operations		
Net profit before income tax	2,198.03	1,265.43
Adjustments:		
Depreciation	82.15	59.20
Interest Paid	115.13	58.21
Miscellaneous expenses written off	20.46	21.90
Loss on sale of assets	0.00	0.73
Interest received	(130.97) 86.77	(144.79) (4.75)
Operational profit before Working Capital	2,284.80	1,260.68
Adjustments:		
(Increase)/Decrease in Trade receivable	370.20	(1,176.49)
(Increase)/Decrease in Inventories	(225.66)	(14.69)
(Increase)/Decrease in other Current assets	(368.68)	(643.46)
Increase/(Decrease) in Current Liabilities	241.13	(39.21)
Increase/(Decrease) in Other Liabilities	731.03 748.02	(156.17) (2,030.02)
Interest paid	3,032.82 (115.13)	(769.34) (58.21)
Net Cash flow from Operations	2,917.70	(827.55)
B Cash Flow from Investing Activities		
(Increase)/Decrease in Fixed Assets	(150.09)	(206.24)
(Increase)/Decrease in Capital Work in Progress	(1,418.52)	(232.74)
(Increase)/Decrease in Investments	(0.56)	0.00
Interest received on deposits	130.97	144.79
Sale of Assets	0.00	0.77
Net Cash Flow from Investing Activities	(1,438.21)	(293.42)
C Cash Flow From Financing Activities		
Increase/(Decrease) in Borrowings	176.02	10.60
Increase/(Decrease) in Share Capital	45.00	46.44
Increase/(Decrease) in Share Premium	562.50	583.05
Increase/(Decrease) in Share Warrants Application	(60.75)	108.00
Dividend	(243.12)	(152.79)
Dividend Tax	(41.32)	(25.97)
Net Cash Flow from Financing Activities	438.33	569.33
Net increase in Cash & Cash equivalents (A+(C-B))	1,917.82	(551.64)
Cash & Cash equivalents- Opening Balance	1,520.92	2,072.56
Cash & Cash equivalents- Closing Balance	3,438.74	1,520.92

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
M No 23839

Y Shobha Rani
Company Secretary

Hyderabad
26 June 2009



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details	
Registration No.	01-15939
State Code	1
Balance Sheet Date	31-Mar-09
II Capital Raised during the year	Rs.in (000)
Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	450
Financial Institutions	NIL
III Position of Modification and deployment of Funds Rs.in (000)	
Total Liabilities	795,897
Total Assets	795,897
Sources of Funds	
Paid up Capital	85,540
Share Warrant Application Money	4,725
Secured Loans	116,581
Unsecured Loans	-
Deferred Tax Liability	18,103
Reserves & Surplus	570,947
Application of Funds	
Net Fixed Assets	119,277
Capital W.I.P.	170,978
Net Current Assets	491,376
Investments	5,870
Miscellaneous Expenditure	8,395
Accumulated Losses	-
IV Performance of the Company Rs.in (000)	
Turnover	630,750
Profit/Loss Before Tax	219,803
Profit/Loss After Tax	185,677
Earning Per share in Rs. (Basic)	22.39
Dividend per Equity Share of Rs 10/- each	Rs 4.50
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 Gokhale & Co.,
Chartered Accountants

C Gokhale
Partner
M No 23839

Hyderabad
26 June 2009

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole-Time Director

Y Shobha Rani
Company Secretary

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, 2009 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, 2009;
- b) the Consolidated Profit & Loss Account for the year ended March 31, 2009 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, 2009.

For Gokhale & Co
Chartered Accountants

Chandrashekhar Gokhale
Partner
Membership No 23839

Hyderabad
26 June 2009

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009

(in Rupees)

Particulars	Schedule	As at 31 March			
		2009		2008	
SOURCES OF FUNDS					
Share holders Funds					
Share Capital	1	85,540,000		81,040,000	
Share Warrant					
Application Money		4,725,000		10,800,000	
Reserves & Surplus	2	<u>564,635,153</u>	654,900,153	<u>371,189,066</u>	463,029,066
Loan Funds					
Secured Loans	3		116,580,890		98,979,167
Deferred Tax Liability	4		18,103,338		18,652,656
TOTAL			789,584,381		580,660,889
APPLICATION OF FUNDS					
Fixed Assets					
Less : Depreciation	5	157,381,169		142,361,429	
		<u>37,918,188</u>		<u>29,597,687</u>	
Net Block		119,462,981		112,763,742	
Add: Capital Work in Progress		170,978,269	290,441,250	29,125,912	141,889,654
Investments	6		4,661,300		4,605,000
Current Assets, Loans & Advances					
a. Inventories	7	35,347,623		12,781,945	
b. Sundry Debtors		217,750,483		254,770,293	
c. Cash and Bank Balances		344,008,902		152,750,350	
d. Loans and Advances		112,826,309		76,872,408	
		<u>709,933,317</u>		<u>497,174,997</u>	
Less : Current Liabilities & Provisions					
Current Liabilities	8	67,068,225		41,032,978	
Provisions		156,778,428		32,317,084	
		<u>223,846,653</u>		<u>73,350,062</u>	
Net Current Assets			486,086,664		423,824,935
Miscellaneous Expenditure (To the extent not written off or adjusted)	9		8,395,167		10,341,300
TOTAL			789,584,381		580,660,889
Notes forming part of the accounts	18				

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
M No 23839

Y Shobha Rani
Company Secretary

Hyderabad
26 June 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

(in Rupees)

Particulars	Schedule	For the Year ended 31 March	
		2009	2008
INCOME			
Net Sales		630,750,220	251,909,169
Other Income	10	12,586,432	17,196,787
		643,336,652	269,105,956
EXPENDITURE			
Materials Consumed	11	168,170,515	30,207,832
Manufacturing Expenses	12	6,526,647	5,024,606
Payments and Benefits to employees	13	30,726,155	17,711,459
R&D expenses	14	76,911,097	28,502,957
Administrative & General Expenses	15	146,830,587	51,495,933
Interest & Financial Charges	16	11,519,788	5,830,775
(Increase)/Decrease in Stocks	17	(21,065,733)	98,717
Depreciation	5	5,314,454	3,022,231
Miscellaneous Expenses written off:			
Amortisation of R&D Exp. on Product development		2,045,702	2,006,061
Preliminary and Pre-operative Expenses		–	183,674
		426,979,212	144,084,245
Profit before tax		216,357,440	125,021,711
Less : Provision for Income Tax		–	16,316,842
Current year MAT		33,593,979	–
Tax for earlier period		76,348	(374,082)
Fringe Benefit Tax		1,005,455	806,643
Deferred Tax Liability/ (Asset)		(549,318)	39,294
Profit after tax		182,230,976	108,233,014
Add : Opening Balance		172,884,182	123,094,995
		355,115,158	231,328,009
Transferred to General Reserve		30,000,000	30,000,000
Proposed Dividend		38,493,000	24,312,000
Dividend Tax		6,541,885	4,131,824
		280,080,273	172,884,185
Earning per share of Rs.10/- each – Basic		21.97	14.13
– Diluted		20.47	12.16
Notes forming part of the accounts	18		

As per our report of even date

For and on behalf of the Board

For Gokhale & Co.,
Chartered Accountants

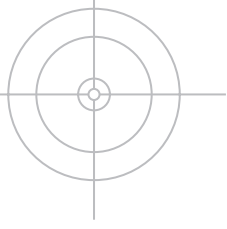
Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole-Time Director

C Gokhale
Partner
M No 23839

Y Shobha Rani
Company Secretary

Hyderabad
26 June 2009



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(in Rupees)

Particulars	As at 31 March	
	2009	2008
SCHEDULE-1		
Share Capital		
Authorised		
20,000,000 Equity Shares of Rs.10/- each	200,000,000	200,000,000
Issued, Subscribed & Paid up :		
8,554,000 Equity Shares of Rs 10/- each fully paid up	85,540,000	81,040,000
(Previous Year 8,104,000 Equity Shares of Rs.10/- each)	<u>85,540,000</u>	<u>81,040,000</u>
SCHEDULE-2		
Reserves & Surplus		
General Reserve	170,000,000	140,000,000
Share Premium Account	114,554,880	58,304,880
Profit & Loss A/c	280,080,273	172,884,186
	<u>564,635,153</u>	<u>371,189,066</u>
SCHEDULE-3		
Secured Loans		
Indian Bank -OD (Secured by way of pledge of fixed deposits)	13,641,976	58,505,234
Indian Bank -OCC (Secured by way of hypothecation of Current Assets)	184,055	-
Term Loan from Indian Bank (Secured by way of hypothecation of Fixed Assets)	102,754,859	40,473,933
	<u>116,580,890</u>	<u>98,979,167</u>
SCHEDULE-4		
Deferred Tax Liability		
Opening Balance	18,652,656	18,613,362
Add: Provision for the year	(549,318)	39,294
	<u>18,103,338</u>	<u>18,652,656</u>

SCHEDULE-5 Fixed Assets (in Rupees)
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

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		
											2009	2008	
A Assets													
1	Land	-	38,618,991	-	-	38,618,991	-	-	-	-	-	38,618,991	38,618,991
2	Building	1.63	5,139,289	-	-	5,139,289	-	-	-	83,770	-	5,002,072	5,085,842
3	Vehicles	9.50	10,143,176	5,019,196	-	15,162,372	-	-	-	1,113,810	-	10,273,931	6,368,566
4	Furniture & Fittings	6.33	2,011,755	657,312	-	2,669,067	-	-	-	136,787	-	2,076,942	1,565,066
5	Office Equipment	16.21	6,324,691	2,973,708	-	9,298,399	-	-	-	1,185,978	-	5,641,899	3,854,169
6	Computers	16.21	4,287,196	3,602,436	-	7,889,632	-	-	-	973,665	-	5,848,807	3,220,034
7	Software	100.00	1,461,931	2,500	-	1,464,431	-	-	-	511,891	-	-	509,391
	Sub Total (A)		67,987,030	12,255,152	-	80,242,182	-	-	-	4,005,901	-	67,462,643	59,222,059
B Assets R&D Division													
1	Land	-	5,150,020	-	-	5,150,020	-	-	-	-	-	5,150,020	5,150,020
2	Building	1.63	27,644,809	20,000	-	27,644,809	-	-	-	450,936	-	26,188,547	26,619,484
3	Plant & Machinery	4.75	7,630,310	-	-	7,630,310	-	-	-	360,796	-	3,627,081	3,987,877
4	Testing Equipment	4.75	1,060,216	-	-	1,060,216	-	-	-	50,007	-	443,590	493,597
5	Computers	16.21	5,471,966	937,794	-	6,409,760	-	-	-	588,435	-	2,655,055	2,305,695
6	Software	100.00	9,595,847	217,816	-	9,813,663	-	-	-	305,318	-	208,530	296,032
7	Furniture & Fittings	6.33	3,853,150	-	-	3,853,150	-	-	-	243,359	-	3,010,392	3,253,751
8	Vehicles	9.50	818,169	-	-	818,169	-	-	-	77,726	-	662,504	740,230
9	Office Equipment	16.21	5,689,556	-	-	5,689,556	-	-	-	920,819	-	2,384,536	3,305,355
	Sub Total (B)		66,914,043	1,175,610	-	68,089,654	-	-	-	2,997,396	-	44,330,255	46,152,041
	Sub-total (A+B)		134,901,073	13,430,762	-	148,331,836	-	-	-	7,003,297	-	111,792,898	105,374,100
C Assets H P unit													
1	Testing Equipment	4.75	1,581,367	-	-	1,581,367	-	-	-	75,115	-	1,501,364	1,576,479
2	Vehicles	9.50	42,970	46,430	-	89,400	-	-	-	4,652	-	83,070	41,292
3	Furniture & Fittings	6.33	259,099	801,658	-	1,060,757	-	-	-	67,146	-	992,150	411,076
4	Plant & Machinery	4.75	2,713,781	221,452	-	2,935,233	-	-	-	177,066	-	2,747,628	2,703,242
5	Office Equipment	16.21	94,075	236,720	-	330,795	-	-	-	28,642	-	300,565	92,487
6	Computers	16.21	1,729,474	22,464	-	1,751,938	-	-	-	282,812	-	1,457,665	1,718,013
7	Software	100.00	594,501	-	-	594,501	-	-	-	574,956	-	-	574,956
8	Shed	1.63	-	402,701	-	402,701	-	-	-	1,064	-	401,637	-
	Total (C)		7,168,705	1,731,425	-	8,746,692	-	-	-	1,211,452	-	7,484,080	7,117,545
D Assets Dubai													
1	Furniture & Fittings	25.00	102,253	-	-	102,253	-	-	-	33,321	-	62,719	96,040
2	Office Equipment	25.00	182,695	11,011	-	193,706	-	-	-	61,602	-	119,357	169,953
3	Computers	25.00	6,682	-	-	6,682	-	-	-	2,177	-	3,927	6,104
	Total (D)		291,630	11,011	-	302,641	-	-	-	97,101	-	186,002	272,097
	Total (A+B+C+D)		142,361,408	15,173,198	-	157,381,169	-	-	-	8,311,850	-	119,462,980	112,763,742
	Previous year		123,002,399	20,915,720	1,556,689	142,361,429	1,406,875	29,597,687	5,939,047	25,065,516	1,406,875	112,763,742	54,391,322

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

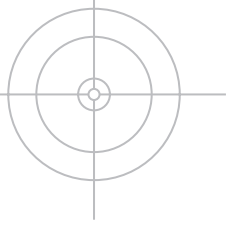
(in Rupees)

Particulars	As at 31 March	
	2009	2008
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
Investment in Own Shares - Buy back	56,300	-
	<u>4,661,300</u>	<u>4,605,000</u>
SCHEDULE-7		
Current Assets, Loans & Advances		
A. Inventories		
(a) Raw Material	7,388,815	5,888,871
(b) Finished Goods	1,251,503	1,435,672
(c) Work-in-Progress	26,707,305	5,457,402
(Inventories as valued and Certified by the Management)		
SUB TOTAL (A)	<u>35,347,623</u>	<u>12,781,945</u>
B. Sundry Debtors		
(Unsecured and considered good)		
Outstanding for a period exceeding 6 months	89,079,519	30,474,208
Others	139,441,915	224,296,085
	228,521,434	254,770,293
Less: Provision for doubtful debts	10,770,951	-
SUB TOTAL (B)	<u>217,750,483</u>	<u>254,770,293</u>
C. Cash and Bank Balances:		
Cash on hand	1,413,696	250,569
Balance with Scheduled Banks in		
Current Accounts	195,640,077	5,421,335
Deposit Accounts	146,955,129	147,078,446
SUB TOTAL (C)	<u>344,008,902</u>	<u>152,750,350</u>
D. Loans & Advances		
(Unsecured and considered good)		
Advance for purchases	14,215,390	6,755,664
Advances recoverable in cash or in kind or for value to be received	9,085,362	6,758,021
Loans and Advances	20,831,965	16,823,735
Advance for Land	40,000,000	40,000,000
Input Vat	2,738,197	804,155
Deposits	6,992,982	3,843,001
Prepaid Expenses	4,373,356	1,887,832
TDS	1,610,707	-
Advance for FBT	144,545	-
Income Tax refundable	8,333,805	-
DSIR Grant	4,500,000	-
SUB TOTAL (D)	<u>112,826,309</u>	<u>76,872,408</u>
TOTAL (A+B+C+D)	<u>709,933,317</u>	<u>497,174,997</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(in Rupees)

Particulars	As at 31 March	
	2009	2008
SCHEDULE-8		
Current Liabilities & Provisions		
A. Current Liabilities		
Sundry Creditors for goods		
Dues to Small Scale Industrial undertakings	-	-
Others (Purchases)	9,472,818	926,207
For other liabilities	21,481,773	38,248,731
Advances from Customers	35,530,596	1,386,712
Unclaimed Dividend	583,038	471,328
SUB TOTAL (A)	67,068,225	41,032,978
B. Provisions		
Proposed Dividend	38,493,000	24,312,000
Dividend Tax	6,541,885	4,131,824
Provision for Income Tax	19,302,956	-
Provision for F B T	-	206,643
Provision for staff benefits	10,108,718	3,666,617
Provision for VAT/CST	15,286,139	-
Other Provisions	67,045,730	-
SUB TOTAL (B)	156,778,428	32,317,084
TOTAL (A+B)	223,846,653	73,350,062
SCHEDULE-9		
Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
R & D Expenses	8,395,167	10,341,300
	8,395,167	10,341,300



SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

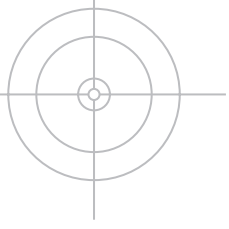
(in Rupees)

Particulars	For the Year ended 31 March	
	2009	2008
SCHEDULE-10		
Other Income		
Interest Received	13,099,667	14,481,248
Foreign Exchange rate fluctuation	(665,418)	171,999
Rent Received	75,600	74,700
Others	34,940	29,796
Misc.Income	41,643	312,566
Service Charges	–	2,126,478
	12,586,432	17,196,787
SCHEDULE-11		
Materials Consumed		
Opening Stock	5,888,871	4,321,173
Add: Purchases	169,670,459	31,775,530
	175,559,330	36,096,703
Less: Closing Stock	7,388,815	5,888,871
Material Consumed	168,170,515	30,207,832
SCHEDULE-12		
Manufacturing Expenses		
Electricity Charges	366,741	205,138
Systems installation & maintenance	3,365,344	4,819,468
Frieght	2,794,562	–
	6,526,647	5,024,606
SCHEDULE-13		
Payments & Benefits To Employees		
Salaries, wages and other employee Benefits	30,210,449	17,253,442
Contribution to P F and E S I	515,706	458,017
	30,726,155	17,711,459

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in Rupees)

Particulars	For the Year ended 31 March	
	2009	2008
SCHEDULE-14		
R&D Revenue Expenses		
Travelling	532,082	268,438
Electricity Charges	966,544	642,034
Salaries	28,316,454	16,227,708
Spares & Stores	24,179,031	6,850,598
Depreciation	2,997,396	2,916,821
Freight	146,220	127,025
Endurance Trials	805,223	–
Professional Charges	3,680,507	1,470,333
Demo Exp	5,251,527	–
Software	9,964,613	–
Patent filing fee	71,500	–
	76,911,098	28,502,957
SCHEDULE-15		
Administrative Selling And General Expenses		
Rent	5,363,514	2,647,250
Rates & Taxes	932,496	1,261,495
Printing & Stationery	1,099,442	329,548
Postage & Telephone	2,585,120	2,050,187
Conveyance	1,430,687	739,971
Insurance	1,018,012	454,493
Audit Fees - Internal Audit	80,000	50,000
Audit Fees - Statutory Audit	181,040	114,500
Office Maintenance	7,446,517	5,538,410
Vehicle Maintenance	2,070,287	1,369,005
Directors Remuneration	10,163,855	6,302,277
Professional Charges	3,859,588	2,529,635
Membership & Subscription	195,641	343,631
Advertisement	838,198	526,890
Travel Expenses	15,098,559	9,024,462
Selling and distribution Exp	16,310,951	17,812,831
Loss On Sale of Assets	–	72,828
Listing Fee	–	108,520
Sitting fee	340,000	220,000
Provision for Doubtful Debts/advances	27,606,359	–
Provision for Installation, Training and Maint. Exp.	50,210,321	–
	146,830,587	51,495,933



SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in Rupees)

Particulars	For the Year ended 31 March	
	2009	2008
SCHEDULE-16		
Interest & Financial Charges		
Interest on Bank OD	7,011,319	4,976,881
Bank Charges, Commission	4,508,469	853,894
	11,519,788	5,830,775
SCHEDULE-17		
(Increase)/Decrease In Stocks		
Opening Stock		
Finished Goods	1,435,672	2,541,926
Work in Progress	5,457,402	4,449,865
	6,893,074	6,991,791
Less: Closing Stock		
Finished Goods	1,251,503	1,435,672
Work in Progress	26,707,304	5,457,402
	27,958,807	6,893,074
	(21,065,733)	98,717

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED ACCOUNTS

SCHEDULE - 18

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 2009. 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 2008-09 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.

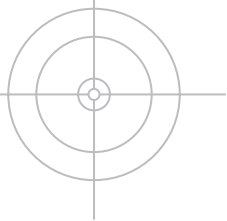
7. Employee Retirement Benefits:

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 exclude Sales Tax.



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 2008-09 is Rs. 769.11 lakhs (Previous year Rs. 285.03 lakhs) and this includes depreciation of Rs.29.97 lakhs (Previous year Rs. 29.17 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. Working Capital facilities from Bank are secured by way of hypothecation of Current Assets.

15. Term Loan facility from Indian Bank is secured by way of hypothecation of Fixed Assets. During the year the company had borrowed a Term Loan from Indian Bank and balance outstanding as at 31 March 2009 was Rs 1027.55 Lakhs,

The total interest of Rs 94.24 lakhs on Term Loan has been capitalized and paid to the Indian Bank during the year

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

17. Out of the total advances made to Autostart Driving School Pvt Ltd a provision has been made for 90% of the advance amount towards advances doubtful of recovery.

18. A suitable provision is made on the sales made to Ministry of Defence for installation, training and maintenance expenses.

19. All Fixed deposits were kept with Scheduled banks only

20. During the year the company has incurred an expenditure Rs.780.87 lakhs on Research and Development. (Previous year Rs. 321.55 lakhs) Out of this R&D Revenue Expenditure is Rs. 769.11 lakhs (Previous year Rs. 285.03 lakhs) and R&D Capital Expenditure is Rs.11.76 lakhs (Previous year Rs. 36.52 lakhs).

21. Estimated amount of contracts remaining to be executed on capital account (net of advances) not provided for Rs. 135.56 lakhs (previous year Rs. 459.57 lakhs).

22. Capital Work in Progress represents Building work at Hardware Park, Maheswaram. Value of Capital Work in Progress as at 31 March 2009 is Rs 1709.78 Lakhs (previous year was Rs.291.26 Lakhs).

23. The unclaimed dividend amount for all the earlier financial years as on 31 March 2009 is Rs 5.83 lakhs, Details of Unclaimed dividend are given below:

(in Rupees)

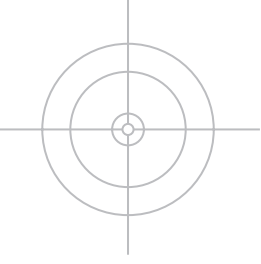
Sl.No	Name of the Bank	Year of declaration of dividend	Unclaimed Amount (Rs.)
1	Oriental Bank of Commerce	2002-03	61,307
2	Oriental Bank of Commerce	2003-04	96,032
3	Oriental Bank of Commerce	2004-05	48,275
4	Oriental Bank of Commerce	2005-06	94,862
5	Oriental Bank of Commerce	2006-07	1,45,474
6	HDFC Bank Limited	2007-08	1,37,088
	Total		5,83,038

24. Receivables: Receivables do not include any amount due and receivable from Directors' or other officers' of the Company, or Companies under the same management
25. List of SSI Units to whom amount is due for more than 30 days as on 31st March, 2009 is NIL (Previous year NIL/-)
26. 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: (in Rupees)

Sl. No.	Nature of Relation/ Nature of Transactions	2008-09		2007-08	
		Amount Transaction	Amount outstanding as on 31.03.2009	Amount of Transaction	Amount outstanding as on 31.03.2008
1	Mr Ashok Atluri Key Management Personnel (Chairman and Managing Director) Remuneration	83,76,338	Nil	52,72,185	Nil
2	Mr Midathala Ravi Kumar Key Management Personnel (Whole-Time Director) Remuneration	18,32,046	Nil	10,30,092	Nil
3	Mr Kishore Dutt Atluri Relative of Key Management Personnel Remuneration	10,87,620	Nil	10,73,809	Nil
4	Company in which the Relative of the Key Management personnel has Substantial Interest	Nil	Nil	Nil	Nil



27. The balances of Sundry Debtors, Creditors and advances in various personal accounts are subject to confirmation by and reconciliation with the concerned parties.
28. 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.
29. 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 2009
3. Holding Company's interest at 31 March 2009	
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 2009	(34,45,969)
ii) For previous financial years of the Subsidiary since it became subsidiary of the Company	(63,12,301)
b. Dealt with in the Accounts of the Company	
i) for the financial year of the Subsidiary ended 31 March 2009	Nil
ii) for previous financial years of the Subsidiary since it became subsidiary of the Company	Nil

30. Summary of the financial information of the Subsidiary Company, Zen Technologies FZE, UAE

(in Rupees)

Funds Employed:	31 March 2009	31 March 2008
A. Capital	12,08,470	12,08,470
B. Reserves	-	-
C. Liabilities		
Secured Loans	-	-
Unsecured Loans	-	-
Deferred Tax Liability	-	-
Total Liabilities	-	-
D. Total Funds Employed	12,08,470	12,08,470
Application of Funds:		
E. Assets		
Net Block (including Capital WIP)	1,86,003	2,72,091
Investments	-	-
Net Current Assets	(52,89,833)	(19,29,954)
Miscellaneous Expenditure (To the extent not written off)	-	-
Profit & Loss Account	63,12,301	28,66,333
Total Assets (Net)	12,08,470	12,08,470
F. Turnover	-	-
G. Profit before Taxes	(34,45,959)	(15,21,487)
H. Provision for Taxation	-	-
I. Profit after Taxes	(34,45,959)	(15,21,487)
J. Proposed Dividend	-	-

As per our report of even date

For Gokhale & Co.,
Chartered Accountants

C Gokhale
Partner
M No 23839

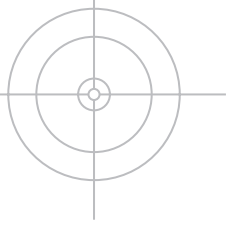
Hyderabad
26 June 2009

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 2009

(Rs. in lakhs)

Particulars	As at 31 March	
	2009	2008
A Cash Flow from the operations		
Net profit before income tax	2,163.57	1,250.21
Adjustments:		
Depreciation	83.11	59.39
Interest Paid	115.19	58.31
Miscellaneous expenses written off	20.46	21.90
Loss on sale of assets	0.00	0.73
Interest received	(131.00)	(144.81)
Operational profit before Working Capital Adjustments:	87.76	(4.48)
Working Capital Adjustments:	2,251.33	1,245.73
(Increase)/Decrease in Trade receivable	370.20	(1,176.49)
(Increase)/Decrease in Inventories	(225.66)	(14.69)
(Increase)/Decrease in other Current assets	(359.54)	(654.64)
Increase/(Decrease) in Current Liabilities	260.35	(16.17)
Increase/(Decrease) in Other Liabilities	731.05	(156.17)
	776.40	(2,018.16)
Interest paid	(115.19)	(58.31)
Net Cash flow from Operations	2,912.55	(830.74)
B Cash Flow from Investing Activities		
(Increase)/Decrease in Fixed Assets	(150.20)	(209.16)
(Increase)/Decrease in Capital Work in Progress	(1,418.52)	(232.74)
(Increase)/Decrease in Investments	(0.56)	0.00
Interest received on deposits	131.00	144.81
Sale of Assets	0.00	0.77
Net Cash Flow from Investing Activities	(1,438.28)	(296.32)
C Cash Flow From Financing Activities		
Increase/(Decrease) in Borrowings	176.02	10.60
Increase/(Decrease) in Share Capital	45.00	46.44
Increase/(Decrease) in Share Premium	562.50	583.05
Increase/(Decrease) in Share Warrants Application	(60.75)	108.00
Dividend	(243.12)	(152.79)
Dividend Tax paid	(41.32)	(25.98)
Net Cash Flow From Financing Activities	438.33	569.32
Net increase in Cash & Cash equivalents (A+(C-B))	1,912.59	(557.74)
Cash & Cash equivalents- Opening Balance	1,527.50	2,085.24
Cash & Cash equivalents- Closing Balance	3,440.09	1,527.50

As per our report of even date

For Gokhale & Co.,
Chartered Accountants

C Gokhale
Partner
M No 23839

Hyderabad
26 June 2009

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole-Time Director

Y Shobha Rani
Company Secretary

DIRECTOR'S REPORT OF ZEN TECHNOLOGIES FZE

Your Director has pleasure to present the audited accounts for the year ended 31 March 2009.

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 34,45,969 during the year, and had an accumulated Loss of Rs 63,12,301 as at 31 March 2009.

Equity Share Capital

There is no change in paid-up Equity Share Capital of the Company, as at 31 March 2009 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 2009 have been audited by M/s Kothari Auditors & Accountants, Sharjah (U.A.E).

Amount, if any, to be paid as dividend

The Board has not recommended any dividend for the year ended 31 March 2009.

Material changes

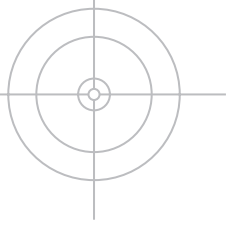
There were no material events occurring after the Balance Sheet date that would materially affect the working or the financial statements of the company.

The Board has prepared the annual accounts on a going concern basis.

Sincerely

Ashok Atluri
Director

31 July 2009



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 2009 comprising of Statement of Financial Position as at 31st March 2009, related Statement of Income, Changes in Equity and Cash Flows for the year ended on 31st March 2009 as set out on pages 4 to 7 read along with notes & schedule 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 enclosed notes & schedule 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 2009, the result of its operations, changes in equity and cash flows for the year ended 31st March 2009 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 453,410/- as at 31st March 2009, which exceeds 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 2009. 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.

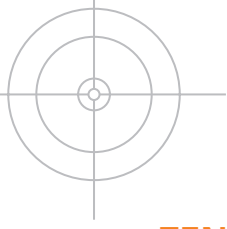
Date : 28 May 2009
Place : Sharjah U.A.E.

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

ZEN TECHNOLOGIES FZE'S BALANCE SHEET AS AT 31 MARCH 2009

Particulars	As at 31 March			
	2009		2008	
	UAE Dhs.(AED)	Rupees	UAE Dhs. (AED)	Rupees
SOURCES OF FUNDS:				
Share holders Funds				
Share Capital (1 Equity share of AED 1,00,000)	100,000	1,208,470	100,000	1,208,470
TOTAL	100,000	1,208,470	100,000	1,208,470
APPLICATION OF FUNDS:				
Fixed Assets				
Gross Block	27,530	302,641	26,755	291,630
Less: Depreciation	8,627	116,638	1,793	19,538
Net Block	18,903	186,003	24,962	272,092
Current Assets, Loans & Advances				
a. Cash and Bank Balances	9,492	134,860	60,422	658,600
b. Loans and Advances	8,030	114,090	94,353	1,028,448
	17,522	248,951	154,775	1,687,048
Less : Current Liabilities & Provisions				
Accrued Expenses	5,000	71,040	5,000	54,500
Current Liabilities	384,835	5,467,744	326,835	35,62,502
	389,835	5,538,784	331,835	36,17,002
Net Current Assets	(372,313)	(5,289,833)	(177,060)	(1,929,954)
Profit and Loss account	453,410	6,312,301	252,098	2,866,332
TOTAL	100,000	1,208,470	100,000	1,208,470

Ashok Atluri
Director



ZEN TECHNOLOGIES FZE'S PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

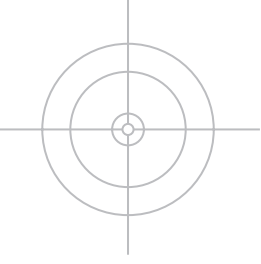
Particulars	For the year ended 31 March			
	2009		2008	
	UAE Dhs.(AED)	Rupees	UAE Dhs. (AED)	Rupees
INCOME				
Other Income (Interest Received)	217	3,084	155	1,692
Total Income	217	3,084	155	1,692
EXPENDITURE				
a. Payments and Benefits to employees	56,275	799,558	78,898	536,798
b. Administrative & General Expenses	137,940	1,959,500	59,188	968,331
c. Interest & Financial Charges	480	7,175	849	9265
d. Foreign Exchange Rate fluctuations	–	585,720	–	(10,753)
e. Depreciation	6,834	97,100	1,793	19,538
Total Expenditure	201,529	3,449,053	140,728	1,523,179
Profit before tax	(201,312)	(3,445,969)	(140,573)	(1,521,487)
Profit after tax	(201,312)	(3,445,969)	(140,573)	(1,521,487)
Add: Opening Balance	(252,098)	(2,866,332)	(111,525)	(1,344,845)
Balance carried to Balance Sheet	(453,410)	(6,312,301)	(252,098)	(2,866,332)

Ashok Atluri
Director

FIXED ASSETS SCHEDULE

Description	Rate%	GROSS BLOCK			DEPRECIATION			NET BLOCK SLIM	
		Opening Balance	Additions For the Period	Total	Opening Balance	For the Period	Total	As On 31.03.09	As On 31.03.08
1 Furniture & Fittings	25								
In Rupees		102,253	-	102,253	6,213	33,321	39,534	62,719	96,040
In UAE Dhs(AED)		9,381	-	9,381	570	2,345	2,915	6,466	8,811
2 Office Equipment	25								
In Rupees		182,695	11,011	193,706	12,747	61,602	74,349	119,357	169,953
In UAE Dhs(AED)		16,761	775	17,536	1,170	4,336	5,506	12,030	15,591
3 Computers	25								
In Rupees		6,682	-	6,682	578	2,177	2,755	3,927	6,104
In UAE Dhs(AED)		613	-	613	53	153	206	407	560
TOTAL									
In Rupees		291,630	11,011	302,641	19,538	97,100	116,638	186,003	272,097
In UAE Dhs(AED)		26,755	775	27,530	1,793	6,834	8,627	18,903	24,962
<i>Previous year</i>									
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 at RAK Free Trade Zone in the Emirate of Ras Al Khaimah under commercial license no. 503537.

The company was registered under industrial license No.0279 issued on 5th February 2007, which was changed to commercial license on 22nd February 2009.

1.2 Zen Technologies Limited, a limited company registered under certificate of incorporation no. 01- 15939 under Indian Companies Act of 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 1.3 The registered address of the company is post Box 10559, RAK Free Trade Zone, Ras Al Khaimah U.A.E.

1.4 1.4 The Company holds a commercial license and is proposing to engage in trading of computer software, computer equipment & requisites & training simulators.

2. Accounting Period & Currency:

The financial statement enclosed covers the year 1st April 2008 to 31st March 2009. Previous period figure are from 1st April 2007 to 31st March 2008 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 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 453,410/- as at 31st March 2009, 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 2009.

3.3 Property, Plant & Equipment:

Property, Plant & Equipment are 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 realisable 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, if any, 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 income 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 statement of financial position 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 Equivalents:

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

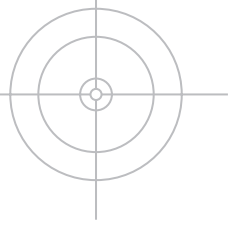
4. Other Significant Disclosures:

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 Manager. During the year under review, following was paid to Related party which is subject to the approval of the shareholder's at the shareholder's meeting:

Nature of Transactions	2008 – 09
Manger's Remuneration & Benefits	AED 56,275

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



During the year under review, the company has received an advance from related party which is free of interest and is shown under the head 'Advance from Related Party'.

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, advances & deposits.

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 statement of financial position 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's financial assets viz. cash & bank balances, advances, deposits and liabilities viz. accruals in the opinion of the management, the book value approximates to their carrying value.

4.3 Number of Employees:

Number of employees as on statement of financial position date was 1 (previous year 1)

Figures in UAE Dirham's

	31.3.2009	31.3.2008
5. Cash & Bank Balances / Cash & Cash Equivalents		
Cash on Hand	3,525	181
Balance with Bank in Current Account	5,967	60,241
	9,492	60,422
6. Deposits, Prepayments & Advances		
	31.3.2008	31.3.2007
Deposits	8,030	8,030
Advance to Others	-	86,323
	8,030	94,353

Deposit includes AED 2,000/- (previous year AED 2,000/-) placed with Ras A1 Khaimah Free Zone towards Employee Visa Guarantees issued.

Advance to others for previous year represented advance given to Zen Technologies Limited, Hyderabad which was short term in nature & free of interest.

7. Advance from Related Party:

Advance from Related Party represents advance received from Zen Technologies Limited, Hyderabad which is short term in nature & 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	
	31.3.2009	31.3.2008
9. Reserves & Surplus:		
Statutory Reserve	–	–
Accumulated (Losses)	(453,410)	(252,098)
	(453,410)	(252,098)
10. General Administrative Expenses:	1.04.2008 to	1.04.2007 to
	31.03.2009	31.03.2008
Communication Expenses	4,877	3,327
Free & Charges	20,749	12,418
Traveling & Conveyance Expenses	20,572	11,745
Office & Other Expenses	29,692	16,005
	75,890	43,495

11. Contingent Liabilities:

Employee Visa Guarantee	2,000	2,000
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Except for the above & other ongoing business commitments against which no loss is expected, there has been no known contingent liability or commitments as at statement of financial position date.

12. Significant Events after the Balance Sheet Date:

There were no significant events occurring after the Statement of Financial Position 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

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www.zentechnologies.com



being there...

ZEN TECHNOLOGIES LIMITED

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