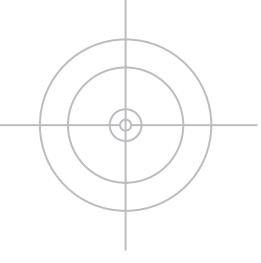


THE WAY IS IN THE TRAINING



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.

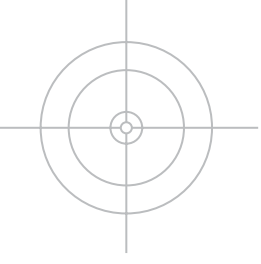
*- From Webster's New World Dictionary*



## 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

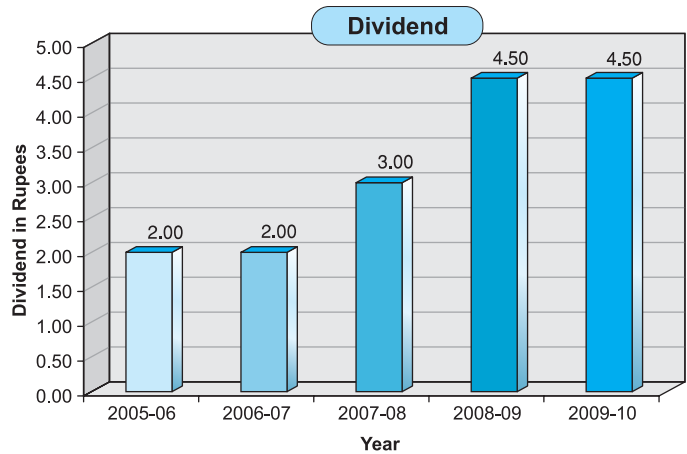
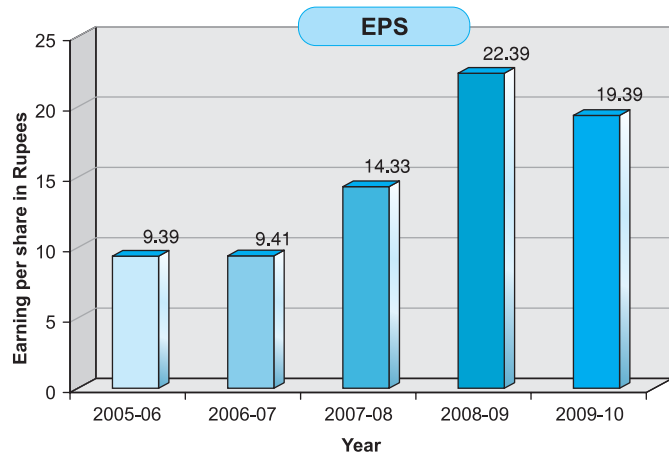
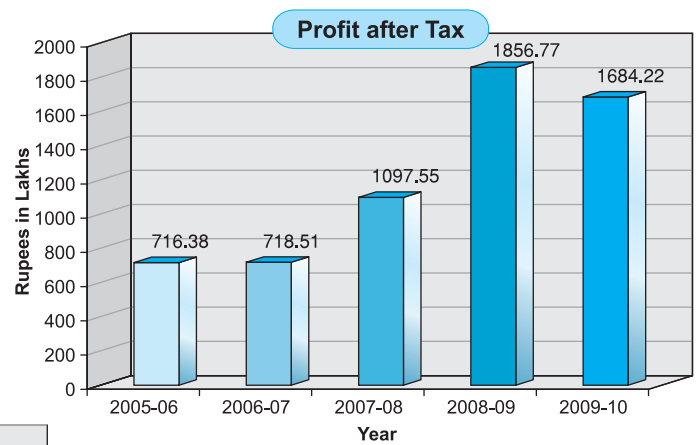
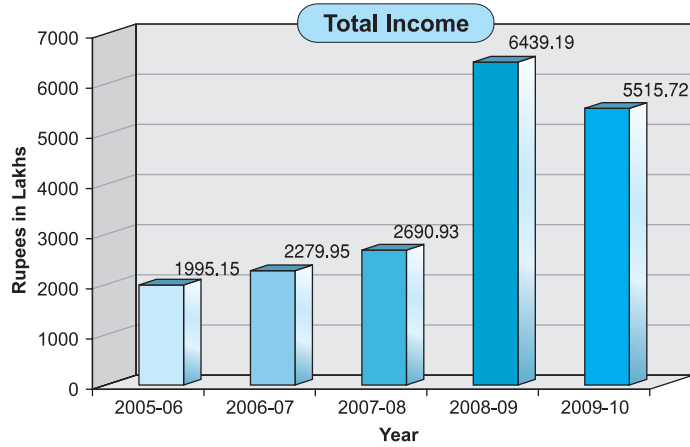
Zen has been at the forefront of applying new technologies and developing new products and is actively involved in indigenisation of technologies, which are helpful for Indian Security Forces and civilian simulation market.

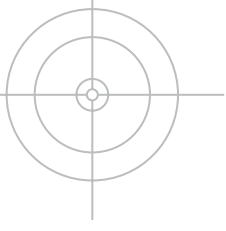
### LIST OF PRODUCTS

- Zen Advanced Weapon Simulator (Zen AWeSim)
- Zen Small Arms Training SimulatorSL (Zen SATSSL)
- 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 BMP-II Integrated Missile Simulator (Zen BMP - II IMS)
- Zen Tank Gunnery / Crew Gunnery Simulator
- Zen Tank Driving Simulator
- Zen Combat Training Simulator System (Zen CTSS)
- Zen Bus Simulator (Zen BusSim)
- Zen 81mm Integrated Mortar Simulator (Zen 81mm IMS)
- Zen Mining Equipment Training Simulator (Zen METS)



## PERFORMANCE OF THE COMPANY AT A GLANCE



**Registered Office**

B-42, 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

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**Board of Directors**

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

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**Company Secretary**

Mrs Y Shobha Rani

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**Vice President-Finance**

Mr. Vishnu Yarmaneni

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**Auditors**

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

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**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

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**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 - 4004 0554  
Email id : sta@sathguru.com

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**Listing**

Inter-connected Stock Exchange of India Limited

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**Permitted Trading**

Bombay Stock Exchange Limited, Mumbai

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## 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

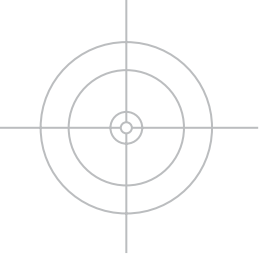
### Share Transfer & Investor

Mr Davuluri Satish Babu - Chairman

### Grievance Committee

Mr Ashok Atluri - Member  
Mr Midathala Ravi Kumar - Member





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\* The ECS Mandate form, Proxy form and Attendance Slip



## NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of the members of Zen Technologies Limited will be held on Tuesday, 7 September 2010, 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 2010, 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 2010.
3. To appoint a Director in place of Mr Utpal Sheth, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Gokhale & Co., Memb. No. 23839, Firm Regn. No. 000942S, Chartered Accountants, Hyderabad as Statutory 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.

For and on behalf of the Board

Hyderabad  
30 July 2010

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. A form of proxy is enclosed at the end of the Annual Report.
3. Voting is by show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution, or by those holding paid-up capital of at least Rs 50,000/-. A proxy shall not vote except on a poll.
4. 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 3 September 2010 to 7 September 2010 (both days inclusive).
5. Shareholders/Proxies should bring duly filled attendance slips sent along with the copies of Annual Reports to attend the Annual General Meeting.
6. In case of joint holders attending the meeting, only first joint holder will be entitled to vote.
7. 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.
8. 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.
9. 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 14 September 2010 to those members whose names appear on the Register of Members as on 3 September 2010. 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.
10. The Company has paid dividend for the financial years 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09. 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. The Dividend of year 2002-03 is due for transfer to the Investor Education and Protection Fund this year. (Last date for claiming the same is 29 September 2010).

11. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in Securities Market. Members holding shares in electronic form are therefore requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the company.

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

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

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

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

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

He is also Director in Aptech Limited, Merchant Media Limited, Tops Security Limited, Praj Industries Limited, Concord Biotech Limited, Metro Shoes Limited and Nagarjuna Construction Co., Ltd.

He is an Independent Director on the Board.

He does not hold shares of the Company

For and on behalf of the Board

Hyderabad  
30 July 2010

Y Shobha Rani  
Company Secretary



## DIRECTORS' REPORT

To

The Members

Your Directors are pleased to present their 17th 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 2010.

### FINANCIAL PERFORMANCE

(Rs in Lakhs)

Particulars	2009-10	2008-09
Total Income	5515.72	6439.19
Total Expenditure	3443.16	4073.86
<b>Operating Profit (PBIDT)</b>	<b>2072.56</b>	<b>2365.33</b>
Interest	39.65	115.13
Depreciation	58.88	52.17
<b>Profit before tax</b>	<b>1974.03</b>	<b>2198.03</b>
Provision for Tax	285.65	346.76
Deferred Tax Liability	4.16	(5.49)
<b>Profit after Tax</b>	<b>1684.22</b>	<b>1856.77</b>
<b>Appropriations:</b>		
Transferred to General Reserve	300.00	300.00
Proposed Dividend	399.98	384.93
Dividend Tax	66.43	65.42
Retained profit	917.81	1106.42
Earning Per Share (Rs)(face value of equity share of Rs.10/- each) - Basic	19.39	22.39

### RESULTS OF OPERATIONS

Your Company achieved total net revenue of Rs 5515.72 lakhs as against Rs 6439.19 lakhs for the previous year. Net Profit after tax is Rs 1684.22 lakhs compared to previous years net profit of Rs 1856.77 lakhs.

### DIVIDEND

Your Directors recommend a dividend of Rs 4.50 on the Equity Share of Rs10/- each of the Company for the financial year ended 31 March 2010. The dividend outflow will aggregate to Rs.466.41 lakhs including dividend tax.

## APPROPRIATIONS

Your Company has transferred Rs 300.00 lakhs to the General Reserve as required under Companies Act, 1956. An amount of Rs 917.81 lakhs is retained profit.

## 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 completed Phase I construction of production facilities on the land allotted to us near Hyderabad's new international airport. About 75,000 sft of the facility is ready. The construction of Phase II of the facility will be considered at a later date.

## 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 Utpal Sheth, Director retires by rotation at the Seventeenth Annual General Meeting and being eligible, offers himself for re-appointment.

## CORPORATE GOVERNANCE

Your Company has been practicing 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.

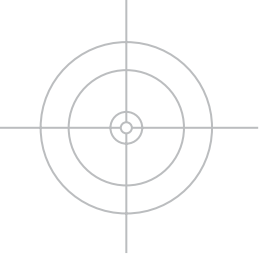
A report on Corporate Governance and Management Discussion Analysis along with a certificate from the Auditor with regard to the compliance of Corporate Governance as per Clause 49 of the Listing Agreement with the Inter-connected Stock Exchange of India Limited is annexed to this report.

## AUDITORS

Gokhale & Co., Chartered Accountants, Memb. No. 23839, Firm Regn. No. 000942S, Hyderabad 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 completed its buyback programme on 30 October 2009 and bought back 15,568 Equity Shares of Rs10/- each at a consideration of Rs 16,77,491/-. The shares bought back were extinguished in the month of 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 4,72,50,000/- (Out of which 10% amount i.e. Rs 47,25,000/- (Rupees Forty Seven Lakhs Twenty Five Thousand only) was realised at the time of allotment of warrants i.e., 15 March 2008 and Rs 4,25,25,000/- (Rupees Four Crores Twenty Five Lakhs Twenty Five Thousand only) is received on 12 September 2009) by allotting 3,00,000 Equity Shares of Rs.10/- each at a premium of Rs 125/- to Mr Kishore Dutt Atluri, President of the Company and 50,000 Equity Shares of Rs 10/- each at a premium of Rs 125/- to Mr M Ravi Kumar, Whole-Time Director of the Company in lieu of conversion of warrants issued on preferential basis for meeting the requirements of its expansion projects. Further total funds raised through preferential allotment were fully utilized for expansion projects of the company.

As a result of this Preferential Allotment, the Paid-up Equity Share Capital of the Company has increased from Rs 8,53,84,320/- (Rupees Eight Crores Fifty Three Lakhs Eighty Four Thousand Three Hundred and Twenty only) to Rs 8,88,84,320/- (Rupees Eight Crores Eighty Eight Lakhs Eighty Four Thousand Three Hundred and Twenty only) and Share Premium Reserve is increased from Rs 11,45,54,880 (Rupees Eleven Crores Forty Five Lakhs Fifty Four Thousand Eight Hundred and Eighty only) to Rs.15,83,04,880/- (Rupees Fifteen Crores Eighty Three Lakhs Four Thousand Eight Hundred and Eighty only).

## EMPLOYEE STOCK OPTION SCHEME (ESOS)

In terms of special resolution passed by the members at the Tenth Annual General Meeting held on 30 September 2003, the Company is implementing ESOS Scheme 2004. The shares/options reserved under the scheme to Employees do not exceed 5% of the paid-up Share Capital of the Company. During the financial year no options were vested nor granted to the employees of the Company.

## 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 2010.

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	:	45 Years
Qualification	:	B.Com, PGDACS
Designation	:	Chairman and Managing Director
Nature of Employment	:	Contract
Remuneration	:	Rs 77,16,498/-
Experience	:	16 Years
Date of commencement of employment	:	01-11-1994
Percentage of Equity shares held in the Company	:	27.14

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 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 2010 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  
30 July 2010

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, 2010
3. Holding Company's interest as at March 31, 2010:	
a) No. of Equity Shares held	1 Equity Share of AED One Lakh equivalent to Rs12,08,470/-
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 March 31, 2010	2,73,093
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 March 31, 2010	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. 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 6 DOF 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 SnS: Reprisal.



**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 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 871.10 Lakhs as R & D expenditure for the financial year 2009-10 for the development of various products. Out of Rs 871.10 Lakhs, Rs 868.06 Lakhs was for R&D Revenue expenditure and Rs 3.04 Lakhs for R&D Capital Expenditure.

**C. Efforts made towards Technology absorption, adoption and innovation**

S.No	Particulars	Efforts
1	Efforts, in brief, made towards technology absorption, adoption and innovation.	Company has indigenously developed significant technologies that are useful in various products. The technologies harnessed within the Company have been incorporated into various products.
2	Benefits derived as a result of the above efforts e.g., product improvement, cost reduction.	We expect 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	2009-10	2008-09
Earned during the year	152.71	Nil
Used during the year	245.09	354.65

For and on behalf of the Board

Hyderabad  
30 July 2010

Ashok Atluri  
Chairman and Managing Director



## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure and Development

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

The Simulation Industry in India is showing signs of maturity with new players 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 in the years to come. In defence simulation, we have had competition from domestic as well as international players.

Indian defence has become one of the most attractive markets for foreign companies. The budget for Indian Defence for the year 2010-11 is about US\$31.9 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 are many. Important barriers include understanding the complex and stringent procurement process, long procurement cycle, No-Cost-No-Commitment basis of trials and customization of the product to suit Indian needs.

Companies that have 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 default offset requirement is about 30%, which can be changed by the government. Offset presents a good opportunity which your Company intends to fully explore. We are in discussion with a few companies of international repute to address this opportunity.

### Opportunities and threats

We are looking at opportunities to collaborate with companies that are looking for competent and experienced partner to help them do business with the Indian Defence. Zen being a prime contractor to the Indian Army is well positioned to consider joint ventures with Foreign Defence companies. Since Zen is a 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 which increase the chance of winning the bids. Given the size of the Indian defence budget, we expect the size of such opportunities to be commensurately huge. However, realising revenues from this activity will take time given the long procurement cycle.

Your company has been exclusively focused on training simulators. The emphasis laid on training by the security forces has been proved beneficial to your company. Your company continues to design and develop simulators with heavy focus on security forces in India. The opportunity size is, fortunately, growing and we expect to benefit from it. As expected State and Central police organizations continue to induct significant number of simulators. With respect to exports, as expected new orders did not materialize as the impact of recession is yet to subside fully.

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 a new pricing strategy to match the evolving marketing realities.

Your company proposes to venture into European market for driving simulators. We expect Europe to be a big market for driving simulators due to a European directive which requires all Load carrying and Passenger carrying vehicle drivers to undergo compulsory 35 hours of driver training within a span of 5 years. A part of the driver training is expected to be accomplished by the usage of driving simulators. Your company's driving simulator is comparable to the best driving simulator available in Europe currently and is extremely cost competitive. The revenues from this venture is expected to start flowing from financial year 2011-12 in a small way. We are also open to acquiring or collaborating with existing companies in Europe to address this market opportunity.

Smash-n-Survive the console game being developed by your company is now rechristened SnS: Reprisal. It is a story based car action game with almost completely destructible world, which is unique for any car game. We plan to release the game worldwide during this financial year. The teaser of the game, showcased at GDC (San Francisco) and Game Connection (Lyon, France) received positive feedback.

### Subsidiary company

The company is forming a game subsidiary for the following reasons:

1. Games have a different development process where culturally there is a need to harness more openness. Such culture ensures creativity and innovation and attracts appropriate talent to make the games a success.
2. The outcome of game development is entertainment, not necessarily skill development - which is the case with training simulators.
3. Games have a different market and need a substantially different market strategy.
4. Games are extremely high-risk and high-reward business requiring continuous management attention to mitigate the risk and enhance the chances of success.
5. Games attract a different set of investors, partners, and other stakeholders.

### 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 17 years and has accumulated significant knowledge of 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 its 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

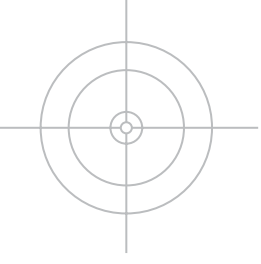
Zenists who are involved in the development and marketing of the simulators are your Company's biggest strength. We feel that their tireless efforts have contributed significantly to our success.

#### 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 range. 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 55.15 Crores (previous year Rs 64.39 Crore), EBITDA Rs 20.72 Crores (previous year Rs 23.65 Crores) and PAT was Rs 16.84 Crore (previous year Rs 18.57 Crore).

Weapon simulators contributed Rs 12.40 Crores (previous year Rs 18.26 Crores) and non-weapon simulators Rs 37.23 Crores (previous year Rs 44.08 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.

Some of the expected orders did not materialise as the customer evaluation took longer than expected time.

### 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 nine 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), 81mm Mortar Simulator, Driving Training Simulator (Zen DTS), Zen Bus Simulator, BMP II Driving Simulator (ZEN BMP-II DS) and Anti-Tank Guided Missile Simulator (Zen ATGM Sim). The first five products have Security Forces (including armed forces) as the target market, out of the five, 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 and Zen Bus Simulator are aimed at the civilian market. BMP II DS and ATGM Sim are aimed exclusively at armed forces. The non-weapon simulators include Zen DTS, Zen Bus Simulator 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 Government for business, 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 completed the Phase I construction of world-class, integrated facilities on the land allotted to us near Hyderabad's new international airport. About 75,000 sft of the facility is ready. The construction of Phase II of the facility will be considered at a later date.

### 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.

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

### Industrial Relations

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

### Disclaimer

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



## CORPORATE GOVERNANCE REPORT

### i) Corporate Governance at ZEN

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

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

### ii) Board of Directors

#### A. Composition

The Board of Directors of the Company consists of 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 2009-10 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	Nil	Nil	Nil
M Ravi Kumar	Promoter & Executive Director	29-06-1993	Nil	Nil	Nil
D Satish Babu	Independent Director	02-02-2004	Nil	Nil	Nil
Dr P Kotaiah	Independent Director	17-01-2005	05	03	02
Cmdr Sarvotham Rao	Independent Director	30-03-2005	Nil	Nil	Nil
Mr Utpal Sheth	Independent Director	30-06-2008	08	Nil	Nil

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

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

### C. Meetings and Attendance

During the Financial Year 2009-10 the Board of Directors met 4 times on the following dates:

26 June 2009	31 July 2009	31 October 2009	22 January 2010
--------------	--------------	-----------------	-----------------

Attendance of Directors at Board Meetings and at the last Annual General Meeting (AGM) held on 24 September 2009.

Name of the Director	Number of Board meetings held	Number of Board meetings attended	Attendance at the last AGM
Mr Ashok Atluri	4	4	Present
Mr M Ravi Kumar	4	3	Present
Mr D Satish Babu	4	3	Present
Dr P Kotaiah	4	4	Present
Cmde Sarvotham Rao	4	4	Present
Mr Utpal Sheth	4	0	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. Terms of reference

The Audit Committee reviews, acts and reports to the Board of Directors with respect to:  
Company's financial reporting process

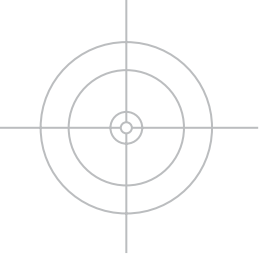
Quarterly and annual financial results of the Company

Accounting and financial policies and practices

Internal control and internal audit systems

Risk management policies and practices

Independence of auditors



### C. Powers of the Audit Committee

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

### D. 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 finding of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the shareholders (in case of non-payment of declared dividends) and creditors.
12. 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.



13. 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
14. Reviewing the financial statements and in particular the investments made by the unlisted subsidiaries of the Company.

### E. Meetings and Attendance

The Audit Committee met 4 times during the financial year 2009-10 on the following dates:

26 June 2009	31 July 2009	31 October 2009	22 January 2010
--------------	--------------	-----------------	-----------------

Attendance during the year 2009-10:

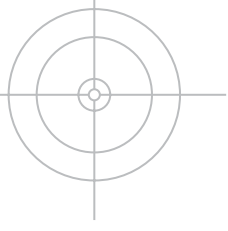
Name	Number of meetings held	Number of meetings attended
Dr P Kotaiah	4	4
Cmde Sarvotham Rao	4	4
Mr D Satish Babu	4	3

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 Sarvotham 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 2009-10

(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	18,75,000	15,50,000	—	—	—	—
HRA	7,50,000	4,00,000	—	—	—	—
Commission on profits	50,91,498	—	—	—	—	—
Sitting fee	—	—	1,20,000	1,20,000	1,00,000	—
<b>Total</b>	<b>77,16,498</b>	<b>19,50,000</b>	<b>1,20,000</b>	<b>1,20,000</b>	<b>1,00,000</b>	<b>—</b>

### 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 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 has been delegated the power to process the transfer and transmission of shares. The share transfers are processed within the time prescribed under the statute from the date of lodgment in case of shares held in physical form.

**Investor Complaints received and resolved during the year 2009-10**

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
	31 and above	1
Pending Complaints	N I L	

**Share Transfers made during the year 2009-10**

Sl.No.	No. of days taken	No. of transfers	No. of Shares
1.	01 – 15	3	901
2.	16 – 20	Nil	Nil
3.	21 – 30	Nil	Nil
4.	31 and above	Nil	Nil

**vi) Plant Locations:**

- 1 C-36, Industrial Estate  
Sanathnagar, Hyderabad-500018, A P, INDIA  
Phone : +91- 40 - 23814894, 23813294  
Fax : +91- 40 - 23813694
- 2 Plot No. 35, 36 & 37  
Kancha Imarath  
Near Ravirala Village  
Hardware Park  
Ranga Reddy District 501 510  
A.P., India
- 3 Ward No 6, Ram Shehar Road  
Nalagarh, Solan (Dist.)  
Himachal Pradesh-174101  
Phone : +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.
<b>Annual General Meetings</b>				
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
2008-09	24-09-2009	9.30 a.m.	B - 42, Industrial Estate, Sanathnagar, Hyderabad - 500018	Pursuant to the provisions of sec 314(1B) of the Companies Act 1956 a Special resolution was passed
<b>Extraordinary General Meetings</b>				
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"> <li>■ Preferential allotment in terms of Section 81(1A)</li> </ul>
				<ul style="list-style-type: none"> <li>■ Increasing Authorised Capital of the Company</li> </ul>
				<ul style="list-style-type: none"> <li>■ Altering Capital clause of Articles of Association of the Company</li> </ul>
				<ul style="list-style-type: none"> <li>■ Deleting Article 35(b) of the Articles of Association of the Company</li> </ul>

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) Code of Conduct

The Company has framed and adopted a code of conduct which is approved by Board of Directors. The code is applicable to all Directors and Senior Management of the Company. For the year under review all Directors and Senior Management have confirmed their adherence to the provisions of the said code. The Code of Conduct is posted on the Company's website: www.zentechnologies.com

### ix) Disclosures

The Company has not entered into any transaction of material nature with related parties i.e., Directors or Management or their relatives, conflicting with the Company's interest.

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.

### x) 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.

### xi) General Shareholder Information

The following information would be useful to the shareholders:

#### A. 17<sup>th</sup> Annual General Meeting

Day & Date	:	Tuesday, 7 September 2010
Time	:	9.30 a.m.
Venue	:	B-42, Industrial Estate, Sanathnagar, Hyderabad - 500 018.

#### B. Financial Calendar 2010-11 (Tentative Schedule)

Annual General Meeting (Next year): August/Sept 2011

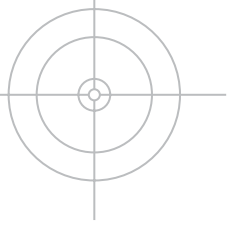
Adoption of Quarterly results for the Quarter ending	3rd/4th Week of
30 June 2010	July 2010
30 September 2010	October 2010
31 December 2010	January 2011
31 March 2011	May 2011 (audited)

#### C. Date of Book Closure

3rd September 2010 to 7th September 2010 (both days inclusive)

#### D. Dividend Payment Date

Second week of September 2010



## 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 2010-11.

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

Month & Year	High (Rs.)	Low (Rs.)	Monthly Weighted Average (Rs.)
There is no trading during Financial Year under consideration in Inter-connected Stock Exchange of India Limited			

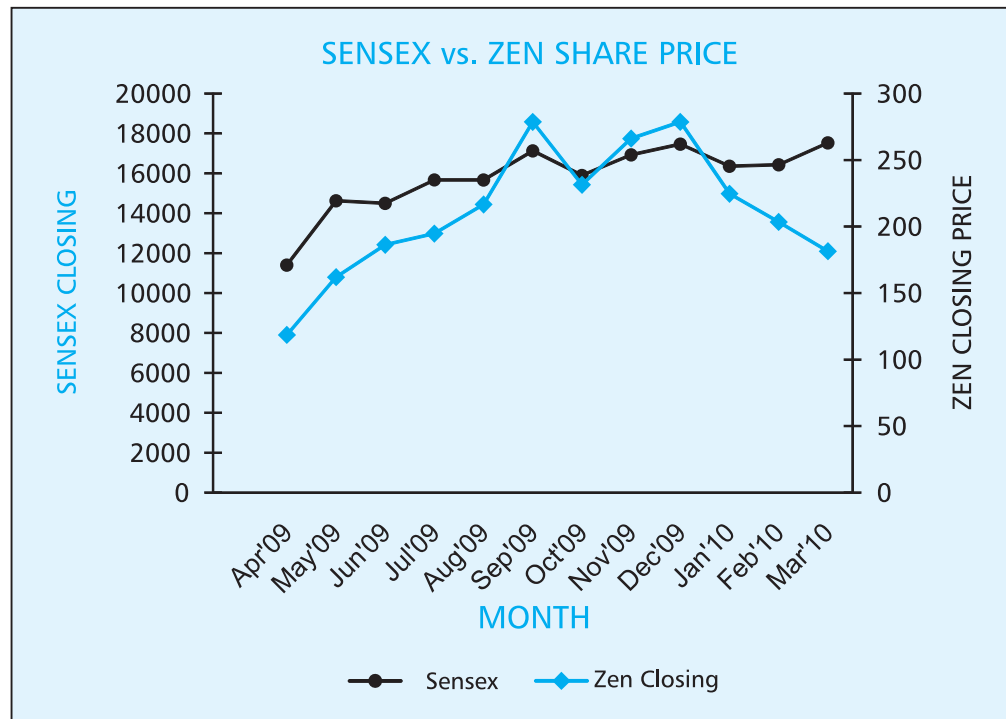
### Bombay Stock Exchange Limited

Month & Year	High (Rs.)	Low (Rs.)	Monthly Weighted Average (Rs.)
April 2009	124.50	91.90	113.17
May 2009	166.80	119.00	149.38
June 2009	215.50	153.60	179.96
July 2009	196.90	160.10	183.96
August 2009	242.80	177.50	212.23
September 2009	324.00	205.00	278.89
October 2009	291.30	226.00	262.96
November 2009	304.40	222.15	274.83
December 2009	300.00	241.00	264.39
January 2010	301.90	216.00	271.24
February 2010	239.00	196.20	213.24
March 2010	217.90	175.10	197.30

## H. Liquidity of Shares

During the Financial Year under review 77,22,917 shares were traded on Bombay Stock Exchange Limited and the Value of Shares Traded is Rs 182,05,42,897/-.

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

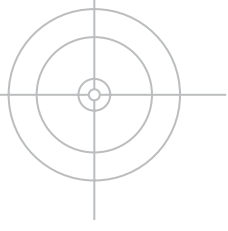


## J. Demat Registrars and Share Transfer Agents:

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 - 4004 0554  
 Email id : sta@sathguru.com

## K. Share Transfer system

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



## L. Distribution of Shareholding

Distribution of Shareholding as on 31 March 2010 is as follows:

Category (No. of Shares)		Number of Shareholders	Percentage	No. of Shares	Percentage
From	To				
Up to 500		3925	84.12	5,47,697	6.16
501	1000	291	6.24	2,36,347	2.66
1001	2000	188	4.03	2,89,458	3.26
2001	3000	89	1.91	2,26,597	2.55
3001	4000	29	0.62	1,04,798	1.18
4001	5000	28	0.60	1,30,508	1.47
5001	10000	52	1.11	3,84,914	4.33
10001 and Above		64	1.37	69,68,113	78.40
TOTAL		4666	100.00	88,88,432	100.00

## M. Shareholding Pattern as on 31 March 2010

Sl.No.	Category	No. of shareholders	Total No. of Shares	% of Equity
1.	Promoters	17	44,56,450	50.14
2.	Central Govt./State Govt.	—	—	—
3.	Foreign Institutional Investors	1	4,000	0.05
4.	Bodies Corporate	238	8,59,514	9.67
5.	Resident Individuals	4,338	34,82,697	39.18
6.	NRI/OCB	72	85,771	0.96
	Total	4,666	88,88,432	100

## N. Dematerialisation of shares

As on 31 March 2010, 64,27,320 shares were dematerialised which constitute 72.31 % 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	181	24,61,112	27.69
2	NSDL	2997	53,09,829	59.74
3	CDSL	1488	11,17,491	12.57
	TOTAL	4666	88,88,432	100.00



## O. Address for Investor correspondence

Y Shobha Rani, Company Secretary

ZEN TECHNOLOGIES LIMITED

B-42, Industrial Estate

Sanathnagar, Hyderabad-500 018

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 - 4004 0554

Email id : sta@sathguru.com

### xii) 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.

### xiii) Company's Policy on prevention of Insider Trading

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company has framed a Code of Conduct for prevention of Insider Trading.

### xiv) CEO and CFO Certification

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

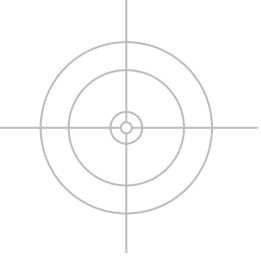
## DECLARATION

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

For and on behalf of the Board of Directors

Hyderabad  
30 July 2010

Ashok Atluri  
Chairman and Managing Director



## Managing Director and Vice President-Finance Certification

We, Ashok Atluri, Managing Director and Vishnu Yarmaneni, Vice President-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 31st March, 2010 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  
20 May 2010

Ashok Atluri  
Managing Director

Vishnu Yarmaneni  
Vice President - 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 31st March 2010, 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  
Firm Regn. No. 000942S

Hyderabad  
30 July 2010



## AUDITORS REPORT

The Members  
Zen Technologies Limited  
Hyderabad

We have audited the attached Balance Sheet of Zen Technologies Limited, Hyderabad as at March 31, 2010 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, 2010 and taken on record by the Board of Directors, we report that, none of the directors is disqualified as on March 31, 2010 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, 2010
    - ii) In the case of the Profit & Loss Account, of the Profit of the company for the year ended on March 31, 2010; and
    - iii) In the case of the Cash Flow Statement of the Cash Flows for the year ended on March 31, 2010

For Gokhale & Co  
Chartered Accountants

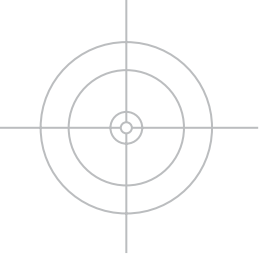
Chandrashekhar Gokhale  
Partner  
Membership No 23839  
Firm Regn. No 000942S

Hyderabad  
20 May 2010

## 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 neither granted any loans nor has it taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (iv) In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of its goods and services.
- (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, Service Tax, Customs Duty, Excise Duty and other statutory dues outstanding for a period of more than six months from the date they became payable.
- (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.
- (xvi) During the year under audit the company has made preferential allotment of shares to parties covered in the Register maintained under section 301 of the Act. The price at which these shares have been issued is not prejudicial to the interests of the company.
- (xvii) During the period covered by our audit report, the company has not issued any debentures.
- (xviii) The company has not raised any money by way of public issue during the year.
- (xix) On the basis of information and explanations given to us no fraud on or by the company has been noticed or reported during the year.

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

For Gokhale & Co  
Chartered Accountants

Hyderabad  
20 May 2010

Chandrashekhar Gokhale  
Partner  
Membership No 23839  
Firm Regn. No 0009425

## BALANCE SHEET AS AT 31 MARCH 2010

(in Rupees)

Particulars	Schedule	As at 31 March	
		2010	2009
<b>SOURCES OF FUNDS</b>			
<b>Share holders Funds</b>			
Share Capital	1	88,884,320	85,540,000
Share Warrant			
Application Money		—	4,725,000
Reserves & Surplus	2	<u>734,956,040</u>	<u>570,947,454</u>
<b>823,840,363</b>			<b>661,212,454</b>
<b>Loan Funds</b>			
Secured Loans	3		116,580,890
Deferred Tax Liability	4		18,103,338
<b>167,680,392</b>			
<b>18,518,990</b>			
<b>TOTAL</b>		<b>1,010,039,745</b>	<b>795,896,682</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Fixed Assets	5	327,497,928	157,078,528
Less : Depreciation		<u>46,423,310</u>	<u>37,801,550</u>
<b>Net Block</b>		<b>281,074,618</b>	<b>119,276,978</b>
Add: Capital Work in progress		<u>48,250,600</u>	<u>170,978,269</u>
<b>Investments</b>	6		290,255,247
<b>1,208,470</b>			5,869,770
<b>Current Assets, Loans &amp; Advances</b>	7		
a. Inventories		31,264,275	35,347,622
b. Sundry Debtors		309,916,621	217,750,483
c. Cash and Bank Balances		413,675,512	343,874,042
d. Loans and Advances		<u>102,377,217</u>	<u>112,712,220</u>
		<b>857,233,625</b>	<b>709,684,367</b>
<b>Less : Current Liabilities &amp; Provisions</b>	8		
Current Liabilities		28,564,585	61,529,441
Provisions		<u>154,256,903</u>	<u>156,778,428</u>
		<b>182,821,488</b>	<b>218,307,869</b>
<b>Net Current Assets</b>	9		
<b>Miscellaneous Expenditure</b>		<b>674,412,137</b>	<b>491,376,498</b>
<b>(To the extent not written off or adjusted)</b>		<b>5,093,920</b>	<b>8,395,167</b>
<b>TOTAL</b>		<b>1,010,039,745</b>	<b>795,896,682</b>
Notes forming part of the accounts	20		

As per our report of even date

For Gokhale & Co.,  
Chartered Accountants

Chandrashekhar Gokhale  
Partner  
M No 23839  
Firm Regn. No 000942S

Hyderabad  
20 May 2010

For and on behalf of the Board

Ashok Atluri  
Chairman & Managing Director

M Ravi Kumar  
Whole-Time Director

Y Shobha Rani  
Company Secretary

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

(in Rupees)

Particulars	Schedule	For the Year ended 31 March	
		2010	2009
<b>INCOME</b>			
Net Sales		522,342,184	630,750,220
Other Income	10	29,229,863	13,169,063
		<b>551,572,047</b>	<b>643,919,283</b>
<b>EXPENDITURE</b>			
Materials Consumed	11	92,789,137	168,170,515
Manufacturing Expenses	12	9,899,580	11,271,610
Selling and Distribution Expenses	13	21,284,729	16,095,671
Travelling Expenses	14	12,840,188	15,028,002
Payments and Benefits to Employees	15	30,339,668	25,181,635
R&D expenses	16	87,110,289	76,911,097
Administrative & General Expenses	17	74,860,791	113,747,414
Interest & Financial Charges	18	3,964,582	11,512,613
(Increase)/Decrease in Stocks	19	11,873,186	(21,065,733)
Depreciation	5	5,888,496	5,217,353
<b>Miscellaneous Expenses written off</b>			
Amortisation of R&D Expenses on Product development		3,318,240	2,045,702
		<b>354,168,886</b>	<b>424,115,879</b>
<b>Profit before tax</b>		<b>197,403,161</b>	<b>219,803,404</b>
Less : Provision for Income Tax:			
MAT Tax for current year		33,548,667	33,593,979
Excess MAT provision of 2008-09		(5,016,039)	—
Tax for earlier period		32,881	76,348
Fringe Benefit Tax		—	1,005,455
Deferred Tax Liability/ (Asset)		415,652	(549,318)
<b>Profit after tax</b>		<b>168,422,000</b>	<b>185,676,940</b>
Add : Opening Balance		286,392,574	175,750,519
		<b>454,814,574</b>	<b>361,427,459</b>
Transferred to General Reserve		30,000,000	30,000,000
Proposed Dividend		39,997,944	38,493,000
Dividend Tax		6,643,659	6,541,885
		<b>378,172,971</b>	<b>286,392,574</b>
Earning per share of Rs.10/- each-Basic		19.39	22.39
Diluted		18.95	20.85
<b>Notes forming part of the accounts</b>	20		

As per our report of even date  For Gokhale & Co., Chartered Accountants  Chandrashekhar Gokhale Partner M No 23839 Firm Regn. No 000942S  Hyderabad 20 May 2010	For and on behalf of the Board  Ashok Atluri Chairman & Managing Director	M Ravi Kumar Whole-Time Director  Y Shobha Rani Company Secretary
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## SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	As at 31 March	
	2010	2009
<b>SCHEDULE-1</b>		
<b>Share Capital</b>		
<b>Authorised</b>		
2,00,00,000 Equity Shares of Rs.10/- each	200,000,000	200,000,000
<b>Issued, Subscribed &amp; Paid up</b>		
88,88,432 Equity Shares of Rs.10/- each fully paid up (during the year 15,568 Equity shares bought back under buyback were extinguished and 3,50,000 Equity shares were allotted pursuant to the conversion of warrants issued under preferential allotment) (Previous year 8,554,000 Equity shares of Rs.10/- each)	88,884,320	85,540,000
	<u>88,884,320</u>	<u>85,540,000</u>
<b>SCHEDULE-2</b>		
<b>Reserves &amp; Surplus</b>		
General Reserve	198,478,189	170,000,000
Profit & Loss A/c	378,172,971	286,392,574
Share Premium	158,304,880	114,554,880
	<u>734,956,040</u>	<u>570,947,454</u>
<b>SCHEDULE-3</b>		
<b>Secured Loans</b>		
Indian Bank -OD (Secured by way of pledge of Fixed Deposits)	68,983,805	13,641,976
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)	86,696,587	102,754,859
TDB loan (Secured by way of hypothecation of Fixed Assets)	12,000,000	—
	<u>167,680,392</u>	<u>116,580,890</u>
<b>SCHEDULE-4</b>		
<b>Deferred Tax Liability</b>		
Opening Balance	18,103,338	18,652,656
Add: Provision for the year	415,652	(549,318)
	<u>18,518,990</u>	<u>18,103,338</u>

**SCHEDULE-5 Fixed Assets**

(in Rupees)

Sl. No.	Description	Rate %	GROSS BLOCK				DEPRECIATION				NET BLOCK		
			Opening Balance	Additions For the Period	Deletions	Total	Opening Balance	For the Period	Deletions	Total	As on 31 March		
											2010	2009	
<b>A Assets</b>													
1	Land	—	38,618,991	—	—	38,618,991	—	—	—	—	—	38,618,991	—
2	Building	1.63	5,139,289	—	—	5,139,289	83,770	—	220,988	—	—	4,918,301	5,002,072
3	Building - Maheshwaram	1.63	—	163,565,330	—	163,565,330	226,437	—	226,437	—	—	163,338,893	—
4	Vehicles	9.5	15,162,372	4,457,067	2,189,570	17,429,869	1,559,267	258,557	6,189,151	—	—	11,240,719	10,273,931
5	Furniture & Fittings	6.33	2,669,067	1,383,887	—	4,052,954	177,487	—	769,612	—	—	3,283,342	2,076,942
6	Office Equipment	16.21	9,298,399	917,408	—	10,215,807	1,400,721	—	5,057,221	—	—	5,158,586	5,641,899
7	Computers	16.21	7,889,632	1,146,024	—	9,035,656	1,409,000	—	3,449,825	—	—	5,585,831	5,848,807
8	Software	100.00	1,464,431	721,495	—	2,185,926	340,784	—	1,805,215	—	—	380,711	—
	<b>Sub Total (A)</b>		<b>80,242,181</b>	<b>172,191,210</b>	<b>2,189,570</b>	<b>250,243,822</b>	<b>5,197,465</b>	<b>258,557</b>	<b>17,718,448</b>			<b>232,525,374</b>	<b>67,462,642</b>
<b>B Assets- R &amp; D Division</b>													
1	Land	—	5,150,020	—	—	5,150,020	—	—	—	—	—	5,150,020	—
2	Building	1.63	27,664,809	—	—	27,664,809	450,936	—	1,927,198	—	—	25,737,611	26,188,547
3	Plant & Machinery	4.75	7,630,310	182,023	—	7,812,333	369,442	—	4,372,671	—	—	3,439,662	3,627,081
4	Testing Equipment	4.75	1,060,216	—	—	1,060,216	50,007	—	666,634	—	—	393,582	443,590
5	Computers	16.21	6,409,760	—	—	6,409,760	609,776	—	4,364,482	—	—	2,045,278	2,655,055
6	Software	100.00	9,813,663	122,255	—	9,935,918	269,825	—	9,874,958	—	—	60,960	208,530
7	Furniture & Fittings	6.33	3,853,150	—	—	3,853,150	842,758	—	1,086,117	—	—	2,767,033	3,010,392
8	Vehicles	9.50	818,169	—	—	818,169	77,726	—	233,391	—	—	584,778	662,504
9	Office Equipment	16.21	5,689,556	—	—	5,689,556	3,305,020	—	4,225,769	—	—	1,463,787	2,384,536
	<b>Sub Total (B)</b>		<b>68,089,654</b>	<b>304,278</b>	<b>—</b>	<b>68,393,932</b>	<b>2,991,821</b>	<b>—</b>	<b>26,751,219</b>			<b>41,642,712</b>	<b>44,330,255</b>
	<b>Sub-total (A+B)</b>		<b>148,331,836</b>	<b>172,495,488</b>	<b>2,189,570</b>	<b>318,637,754</b>	<b>8,189,287</b>	<b>258,557</b>	<b>44,469,667</b>			<b>274,168,087</b>	<b>111,792,897</b>
<b>C Himachal Pradesh Unit</b>													
1	Testing Equipment	4.75	1,581,367	—	—	1,581,367	75,115	—	155,118	—	—	1,426,249	1,501,364.00
2	Vehicles	9.5	89,400	—	—	89,400	8,493	—	14,823	—	—	74,577	83,070.00
3	Furniture & Fittings	6.33	1,060,757	—	—	1,060,757	67,146	—	135,753	—	—	925,004	992,150.00
4	Plant & Machinery	4.75	2,935,233	63,342	—	2,998,575	189,810	—	377,415	—	—	2,621,160	2,747,628.00
5	Office Equipment	16.21	330,795	50,140	—	380,935	59,913	—	90,143	—	—	290,792	300,565.00
6	Computers	16.21	1,751,938	—	—	1,751,938	283,989	—	578,262	—	—	1,173,676	1,457,665.00
7	Software	100	594,501	—	—	594,501	—	—	594,501	—	—	—	—
8	Shed	1.63	402,701	—	—	402,701	6,564	—	7,628	—	—	395,073	401,637.00
	<b>Sub Total (C)</b>		<b>8,746,692</b>	<b>113,482</b>	<b>—</b>	<b>8,860,174</b>	<b>691,030</b>	<b>—</b>	<b>1,953,643</b>			<b>6,906,531</b>	<b>7,484,079</b>
	<b>Total (A+B+C)</b>		<b>157,078,528</b>	<b>172,608,970</b>	<b>2,189,570</b>	<b>327,497,928</b>	<b>8,880,316</b>	<b>258,557</b>	<b>46,423,310</b>			<b>281,074,618</b>	<b>119,276,976</b>
	Previous year		<b>142,069,778</b>	<b>15,162,187</b>	<b>—</b>	<b>157,078,528</b>	<b>8,214,749</b>	<b>—</b>	<b>37,801,550</b>			<b>119,276,978</b>	<b>112,491,645</b>

## SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	As at 31 March	
	2010	2009
<b>SCHEDULE-6</b>		
<b>Investments</b>		
a Investment in Zen Technologies FZE (Wholly owned Subsidiary -1 Equity Share of face value of AED 1,00,000)	1,208,470	1,208,470
b 1,53,500 Equity Shares of CMTEs Informatics Limited, face value of Rs10/- each (Un-quoted-Value Shown at cost)	—	4,605,000
c Investment in own shares buyback	—	56,300
	<u>1,208,470</u>	<u>5,869,770</u>
<b>SCHEDULE-7</b>		
<b>Current Assets, Loans &amp; Advances</b>		
<b>A. Inventories</b>		
a) Raw Material	15,178,654	7,388,815
b) Finished Goods	—	1,251,503
c) Work-in-Progress (As Valued and Certified by the Management)	16,085,621	26,707,304
<b>SUB TOTAL (A)</b>	<u>31,264,275</u>	<u>35,347,622</u>
<b>B. Sundry Debtors</b> (Unsecured and considered good)		
Outstanding for a period exceeding 6 months	140,421,807	89,079,519
Others	173,814,814	139,441,915
	<u>314,236,621</u>	<u>228,521,434</u>
Less: Provision for doubtful debts	4,320,000	10,770,951
<b>SUB TOTAL (B)</b>	<u>309,916,621</u>	<u>217,750,483</u>
<b>C. Cash and Bank Balances</b>		
Cash on hand	128,193	1,363,615
<b>Balance with Scheduled Banks in</b>		
Current Accounts	44,014,815	195,555,298
Deposit Accounts	369,532,504	146,955,129
<b>SUB TOTAL (C)</b>	<u>413,675,512</u>	<u>343,874,042</u>
<b>D. Loans &amp; Advances</b> (Unsecured and considered good)		
Advance for purchases	30,215,221	14,215,390
Advances recoverable in cash or in kind or for value to be received	2,697,769	9,085,362
Loans and Advances	20,217,590	20,831,965
Input Vat	3,523,519	2,738,197
Excise Duty-PLA deposit	764,484	—
Deposits	8,955,066	6,878,893
Prepaid Expenses	5,279,375	4,373,356
Advance FBT	444,545	144,545
IT refundable	25,820,388	8,333,805
TDS	4,459,260	1,610,707
DSIR grant	—	4,500,000
Advance for Land	—	40,000,000
<b>SUB TOTAL (D)</b>	<u>102,377,217</u>	<u>112,712,220</u>
<b>TOTAL ( A+B+C+D)</b>	<u>857,233,625</u>	<u>709,684,367</u>

## SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	As at 31 March	
	2010	2009
<b>SCHEDULE-8</b>		
<b>Current Liabilities &amp; Provisions</b>		
<b>A. Current Liabilities</b>		
Sundry Creditors for goods	—	—
Dues to small scale industrial undertakings	—	—
Others (purchases)	14,860,348	9,472,818
Other liabilities	12,235,480	15,942,989
Advances from Customers	731,294	35,530,596
Unclaimed Dividend	737,463	583,038
<b>SUB TOTAL (A)</b>	<b>28,564,585</b>	<b>61,529,441</b>
<b>B. Provisions</b>		
Proposed Dividend	39,997,944	38,493,000
Dividend Tax	6,643,659	6,541,885
Provision for Income Tax/ MAT	—	19,302,956
Provision for Staff Benefits	11,362,193	10,108,718
Provision for VAT/CST	—	15,286,139
Other Provisions	96,253,107	67,045,730
<b>SUB TOTAL (B)</b>	<b>154,256,903</b>	<b>156,778,428</b>
<b>TOTAL (A+B)</b>	<b>182,821,488</b>	<b>218,307,869</b>
<b>SCHEDULE-9</b>		
<b>Miscellaneous Expenditure</b>		
(To the extent not written off or adjusted)		
R & D Expenses	5,093,920	8,395,167
	<b>5,093,920</b>	<b>8,395,167</b>

## SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	For the Year ended 31 March	
	2010	2009
<b>SCHEDULE-10</b>		
<b>Other Income</b>		
Interest Received	27,008,227	13,096,583
Foreign Exchange rate fluctuation	(173,174)	(79,703)
Rent Received	69,300	75,600
Long Term Capital Gain	2,302,500	—
Misc. Income	23,010	41,643
Others	—	34,940
	<u>29,229,863</u>	<u>13,169,063</u>
<b>SCHEDULE-11</b>		
<b>Materials Consumed</b>		
Opening Stock	7,388,815	5,888,871
Add: Purchases	100,578,966	169,670,459
	<u>107,967,781</u>	<u>175,559,330</u>
Less: Closing Stock	15,178,644	7,388,815
Material Consumed	<u>92,789,137</u>	<u>168,170,515</u>
<b>SCHEDULE-12</b>		
<b>Manufacturing Expenses</b>		
Electricity Charges	304,937	366,741
Salaries of Production team	6,763,971	4,744,963
Freight	1,326,542	2,794,562
System Installation & Maintenance	1,504,130	3,365,344
	<u>9,899,580</u>	<u>11,271,610</u>
<b>SCHEDULE-13</b>		
<b>Selling and Distribution Expenses</b>		
Business Promotion	10,251,530	10,361,814
Exhibition Expenses	8,683,635	4,447,080
Electricity Charges	13,776	109,923
Selling Expenses	—	270,085
Guest House Rent	108,000	76,500
Freight	2,227,788	830,269
	<u>21,284,729</u>	<u>16,095,671</u>

## SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	For the Year ended 31 March	
	2010	2009
<b>SCHEDULE-14</b>		
<b>Travelling Expenses</b>		
<b>Domestic Travel</b>		
Travel Expenses- Delivery	961,470	125,265
Travel Expenses- Demo	408,983	209,244
Travel Expenses- General	2,670,030	5,048,927
Travel Expenses- Installation	1,348,110	960,052
Travel Expenses- Servicing	2,196,051	2,740,291
Travel Expenses- Directors	912,810	736,419
Travel Expenses- Marketing	2,435,560	2,116,071
<b>Foreign Travel</b>		
Travel Expenses- Directors	153,588	806,151
Travel Expenses- Others	1,753,586	2,285,582
	<u>12,840,188</u>	<u>15,028,002</u>
<b>SCHEDULE-15</b>		
<b>Payments &amp; Benefits To Employees</b>		
Salaries, wages and other employee Benefits	29,497,621	24,665,929
Contribution to P F and E S I	842,047	515,706
	<u>30,339,668</u>	<u>25,181,635</u>
<b>SCHEDULE-16</b>		
<b>R&amp;D Revenue Expenses</b>		
Travelling Expenses	2,316,835	532,082
Electricity Charges	1,212,985	966,544
Salaries	34,714,103	28,316,454
Endurance trials	—	805,223
Spares & Stores	35,316,826	24,179,031
Software	—	9,964,613
Depreciation	2,991,821	2,997,396
Consultancy fee	10,081,368	3,680,507
Demo expenses	—	5,251,527
Freight	476,351	146,220
Patent filing fee	—	71,500
	<u>87,110,289</u>	<u>76,911,097</u>

## SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	For the Year ended 31 March	
	2010	2009
<b>SCHEDULE-17</b>		
<b>Administrative and General Expenses</b>		
Rent	4,955,342	4,475,086
Rates & Taxes	1,671,095	637,694
Printing & Stationery	615,221	1,092,835
Postage & Telephone	2,962,676	2,515,827
Conveyance	1,246,621	1,208,956
Insurance	1,336,230	1,018,012
Audit Fees - Internal Audit	120,000	80,000
Audit Fees - Statutory Audit	110,000	110,000
Office Maintenance	7,337,129	7,351,594
Vehicle Maintenance	2,025,801	2,070,287
Directors Remuneration	9,692,664	10,163,855
Professional charges	3,873,303	3,859,588
Membership & Subscription	2,094,714	195,641
Advertisement	408,610	811,359
Loss On Sale of Assets	1,203,303	—
Sitting fee	340,000	340,000
Incidental exp	19,160	—
Donation	69,050	—
Excess provision of last year written back (for dividend)	(81,961)	—
Software Licence fee	937,175	—
Provision for doubtful debts/Advances	378,033	27,606,359
Provision for loss of investment in Subsidiary	6,044,509	—
Provision for Installation, Training, Warranty	27,355,770	50,210,321
CST 2007-08	146,346	—
	<u>74,860,791</u>	<u>113,747,414</u>
<b>SCHEDULE-18</b>		
<b>Interest &amp; Financial Charges</b>		
Interest on Bank OD	1,405,447	7,011,319
Interest on TDB loan	464,795	—
Bank Charges, Commission	1,348,035	4,501,294
Interest on term loan	746,305	—
	<u>3,964,582</u>	<u>11,512,613</u>
<b>SCHEDULE-19</b>		
<b>(Increase)/Decrease In Stocks</b>		
<b>Opening Stock</b>		
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>
<b>Less : Closing Stock</b>		
Finished Goods	—	1,251,503
Work in Progress	16,085,621	26,707,304
	<u>16,085,621</u>	<u>27,958,807</u>
	<u>11,873,186</u>	<u>(21,065,733)</u>



## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### SCHEDULE - 20

#### 1. Basis of Financial Statements:

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

#### 2. Fixed Assets and Depreciation:

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

#### 3. Inventories:

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

#### 4. Foreign Currency Transactions:

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

#### 5. Employee Retirement Benefits:

The Company has taken a Group Gratuity Scheme with the Life Insurance Corporation of India. The premium payable under the scheme is provided in the books 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 2009-10. The amount recognized in the financial statements is given below.



(in Rupees)

	Gratuity 2009-10	Leave encashment 2009-10
<b>I Change in Present value of obligation.</b>		
PVO at beginning of the year	34,12,008	20,44,880
Interest cost	2,38,756	1,53,366
Current service cost	11,62,949	19,44,670
Actuarial (gain)/loss on obligation	(2,22,321)	(34,50,884)
PVO at the end of the period	41,34,192	6,92,032
<b>II Change in fair value of plan Assets</b>		
Fair value of plan Assets at beginning of period	19,10,313	Nil
Expected return on plan Assets	2,05,563	Nil
Contributions	12,04,640	Nil
Benefit paid	(4,57,200)	Nil
Actuarial gain/(loss) on obligation	1,739	—
Fair value of plan at the end of the period	28,65,055	—
<b>III Net status of the plan</b>	12,69,137	—
<b>IV Net amount recognized</b>	12,69,137	—

#### 6. Sales

Sales exclude Sales Tax, Excise duty.

#### 7. Research and Development Expenses:

Revenue R & D Expenditure is being charged to the Profit and Loss Account of the year in which it is incurred. The amount so charged in 2009-10 is Rs.871.10 (Previous year Rs.769.11 lakhs) and this includes depreciation of Rs.29.92 lakhs (Previous year Rs.29.97 lakhs) on R & D Fixed Assets.

#### 8. Revenue Recognition:

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

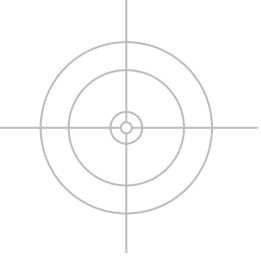
#### 9. Excise Duty:

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 payable is provided for in the year to which such dividends relate.

12. Over Draft facilities from banks are secured by way of pledge of Fixed Deposits.
13. The Term Loan facility from Indian Bank is secured by way of hypothecation of Fixed Assets of the Company.

During the year company had borrowed a Term Loan from Indian Bank and balance outstanding as at 31 March 2010 was Rs 866.96 Lakhs.

The total interest of Rs196.54 lakhs on Term Loan has been capitalized and paid to the Indian Bank during the year

The Company has availed a loan facility from Technology Development Board, Ministry of Science and Technology, Government of India for developing Driving Simulator for export market. During the year TDB has released an amount of Rs 120 lakhs. The loan is secured by way of hypothecation of Fixed Assets of the Company.

14. The Company operates in one segment i.e., simulation.
15. The Common expenses incurred at the Head Office were allocated between Head Office and Himachal Pradesh unit based on Net turnover.
16. Out of the total advance made to Auto Start 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. Provision is made for loss of investment in subsidiary Company.
19. All Fixed deposits were kept with Scheduled banks only.
20. The unclaimed dividend amount for all the earlier financial years as on 31 March 2010 is Rs 7.37 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	1,30,563
7	HDFC Bank Limited	2008-09	1,60,951
	<b>TOTAL</b>		<b>7,37,464</b>

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

Additional Information under Part II of Schedule VI

22. Payment to auditors

Particulars	2009-10 (Rs.)	2008-09 (Rs.)
Statutory Audit	1,10,000	82,725
Tax Audit fee	1,20,000	38,605
Other Services	79,000	20,205
Total	3,09,000	1,41,535

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

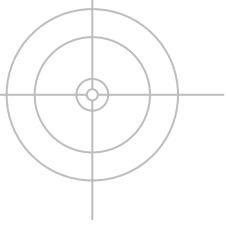
Particulars	2009-10		2008-09	
<b>Particulars of capacity</b>				
Licensed Capacity	NA		NA	
Installed Capacity	NA		NA	
<b>Actual Production</b>				
Basic Systems	96		136	
Software sets	94		122	
<b>Sales and Stock</b>	<b>Qty.</b>	<b>Value (Rs. in lakhs)</b>	<b>Qty</b>	<b>Value (Rs. in lakhs)</b>
<b>Sales</b>				
Basic Systems	100	969.20	136	1,203.70
Software Sets	94	3994.45	122	5,005.07
<b>Opening stock (System)</b>				
Basic Systems	4	12.52	4	14.36
<b>Closing Stock (System)</b>				
Basic Systems			4	12.52

24. Value of imported and indigenous raw materials and components consumed. (Rs. in lacks)

Particulars	2009-10		2008-09	
	Value	%	Value	%
Indigenous raw material and stores	927.89	100%	1,506.68	89.59%
Imported stores	—	—	175.03	10.41
<b>TOTAL</b>	<b>927.89</b>	<b>100%</b>	<b>1,681.71</b>	<b>100%</b>

25. Contingent Liabilities:

Particulars	2009-10	2008-09
Contingent Liabilities in respect of Bank Guarantees	Rs.533.17 lakhs	Rs.135.56 lakhs



26. Fixed Deposits under Cash and Bank balances includes:

Particulars	2009-10	2008-09
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.3,50,00,000

27. i) Directors Remuneration

(in Rupees)

S.No.	Particulars	2009-10	2008-09
1	<b>Directors' Remuneration</b>		
	Managing Director		
	Salary	18,75,000	15,00,000
	House Rent Allowance	7,50,000	6,00,000
	Others		67,108
	Commission	50,91,498	62,09,230
	<b>Total</b>	<b>77,16,498</b>	<b>83,76,338</b>
2	<b>Other Director</b>		
	Salary	15,50,000	13,05,000
	Allowances	4,00,000	5,22,000
	Others		5,046
	<b>Total</b>	<b>19,50,000</b>	<b>18,32,046</b>

ii) Calculation of Managerial Remuneration to the Directors

(in Rupees)

Particulars	2009-10		2008-09	
Profit before Tax (as per Profit & Loss Account)		19,74,03,161		21,98,03,404
Add: Depreciation	58,88,496		52,17,353	
Sitting Fee	3,40,000		3,40,000	
LTA	—		—	
Loss on Sale of assets	12,03,303	74,31,799	—	55,57,353
		20,48,34,960		22,53,60,756
Less: Depreciation	58,88,496		52,17,353	
Interest/ Others Received	2,92,29,863		1,31,69,063	
		16,97,16,601		20,69,74,341
Commission @ 3%		50,91,498		62,09,230

iii) Foreign Currency Expenses

(in Rupees)

Particulars	2009-10	2008-09
CIF Value of Imports		
Capital Goods	341,515	153,383
Raw materials and Components		4,823,834
Stores and Spares	33,31,609	320,247
Foreign Travel (Exclusive of tickets Purchased)	8,17,431	1,521,435
Software	67,38,453	21,895,735
Exhibition Expenses	47,027	2,541,084
London office expenses	45,04,196	19,22,526
Consultancy	74,48,204	941,911
Internet Charges	11,756	14,800
Training Charges	4,98,861	7,81,878
Membership	3,241	NIL
Advance for Purchase	NIL	NIL
Others	7,67,513	5,48,691

iv Remittance in Foreign Currency on account of Dividends

Nil

Nil

v Foreign Currency Earnings

152.71

Nil

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

vii Figures have been rounded off to the nearest rupee.

28. List of SSI Units to whom amount is due for more than 30 days as on 31st March, 2010 is Rs.NIL (Previous year Rs. NIL/-)

29. 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 Ravi Kumar Midathala	
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	2009-2010		2008-09	
		Amount of Transaction	Amount outstanding as on 31.03.2010	Amount of Transaction	Amount outstanding as on 31.03.2009
1	Key Management Personnel: Remuneration	Refer Note 27(i)	Nil	Refer Note 27(i)	Nil
2	Relatives of Key Management Personnel: Remuneration	Rs.11,19,590/-	Nil	Rs.10,87,620/-	Nil
3	Company in which the Relative of the Key Management personnel has Substantial Interest	Nil	Nil	Nil	Nil

30. The balances of Sundry Debtors, Creditors and advances in various personal accounts are subject to confirmation by and reconciliation with the concerned parties.
31. In the opinion of Board of Directors, the current assets, loans and advances are expected to realize approximately the value stated in the ordinary course of business.

As per our report of even date

For Gokhale & Co.,  
Chartered Accountants

Chandrashekhar Gokhale  
Partner  
M No 23839  
Firm Regn. No 000942S  
Hyderabad  
20 May 2010

For and on behalf of the Board

Ashok Atluri  
Chairman & Managing Director

M Ravi Kumar  
Whole-Time Director

Y Shobha Rani  
Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

(Rs. in lakhs)

Particulars	As at 31 March	
	2010	2009
<b>A Cash flow from the operations</b>		
Net profit before income tax	1974.03	2,198.03
Adjustments:		
Depreciation	88.80	82.15
Interest Paid	39.65	115.13
Miscellaneous expenses written off	33.18	20.46
Profit on sale of shares	(23.03)	—
Loss on sale of assets	12.03	—
Interest received	(270.08)	(130.97)
Operational profit before Working Capital Adjustments:	1854.59	2,284.80
Adjustments:		
(Increase) / Decrease in Trade receivable	(921.66)	370.20
(Increase) / Decrease in Inventories	40.83	(225.66)
(Increase) / Decrease in other Current assets	103.35	(368.68)
Increase / (Decrease) in Current Liabilities	(329.65)	241.13
Increase / (Decrease) in Other Liabilities	(6.26)	731.03
	741.20	3,032.82
Interest paid	(39.65)	(115.13)
<b>Net Cash flow from Operations</b>	<b>701.56</b>	<b>2,917.70</b>
<b>B Cash Flow from Investing Activities</b>		
(Increase) / Decrease in Fixed Assets	(1726.09)	(150.09)
(Increase) / Decrease in Fixed Assets	7.27	—
(Increase) / Decrease in Capital Work in Progress	1227.28	(1,418.52)
(Increase) / Decrease in Investments	69.07	(0.56)
Interest received on deposits	270.1	130.97
<b>Net Cash Flow from Investing Activities</b>	<b>(152.39)</b>	<b>(1,438.21)</b>
<b>C Cash Flow From Financing Activities</b>		
Increase / (Decrease) in Borrowings	511.00	176.02
Increase / (Decrease) in Share Capitals	33.44	45.00
Increase / (Decrease) in Share Premium	437.50	562.50
Increase / (Decrease) in Share Warrant application	(47.25)	(60.75)
MAT Paid	(335.48)	—
Dividend	(384.93)	(243.12)
Dividend Tax paid	(65.42)	(41.32)
<b>Net Cash Flow From Financing Activities</b>	<b>148.86</b>	<b>438.33</b>
Net increase in Cash & Cash equivalents	698.02	1,917.82
Cash & Cash equivalents- Opening Balance	3,438.74	1,520.92
Cash & Cash equivalents- Closing Balance	4,136.76	3,438.74

As per our report of even date

For Gokhale & Co.,  
Chartered Accountants

Chandrashekhar Gokhale  
Partner  
M No 23839  
Firm Regn. No 000942S

Hyderabad  
20 May 2010

For and on behalf of the Board

Ashok Atluri  
Chairman & Managing Director

M Ravi Kumar  
Whole-Time Director

Y Shobha Rani  
Company Secretary



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

<b>I</b>	<b>Registration Details</b>	
	Registration No.	01-15939
	State Code	1
	Balance Sheet Date	31-Mar-10
<b>II</b>	<b>Capital Raised during the year</b>	Rs.in (000)
	Public Issue	NIL
	Rights Issue	NIL
	Bonus Issue	NIL
	Private Placement	3500
	Financial Institutions	NIL
<b>III</b>	<b>Position of modification and deployment of funds Rs.in (000)</b>	
	Total Liabilities	1,010,039
	Total Assets	1,010,039
	Sources of Funds	
	Paid up Capital	88,884
	Share Application Money	—
	Secured Loans	167,680
	Unsecured Loans	—
	Deferred Tax Liability	18,519
	Reserves & Surplus	734,956
	Application of Funds	
	Net Fixed Assets	281,075
	Capital W.I.P.	48,251
	Net Current Assets	674,412
	Investments	1,208
	Miscellaneous Expenditure	5,094
	Accumulated Losses	—
<b>IV</b>	<b>Performance of the Company</b>	Rs. In (000)
	Turnover	522,342
	Profit/Loss Before Tax	197,403
	Profit/Loss After Tax	168,422
	Earning Per share in Rs. (Annualised)	19.39
	Dividend	Rs.4.50
<b>V</b>	<b>Generic name of Three Principal Products/Services of the Company</b>	
	(As per Monetary Terms)	
	Item Code No.(ITC Code)	3689
	Product Description	Training Simulator

As per our report of even date

For Gokhale & Co.,  
Chartered Accountants

Chandrashekhar Gokhale  
Partner  
M No 23839  
Firm Regn. No 000942S

Hyderabad  
20 May 2010

For and on behalf of the Board

Ashok Atluri  
Chairman & Managing Director

M Ravi Kumar  
Whole-Time Director

Y Shobha Rani  
Company Secretary



## Audit 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, 2010 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.

1. 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, 2010;
- b) the Consolidated Profit & Loss Account for the year ended March 31, 2010 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, 2010.

Hyderabad  
20 May 2010

For Gokhale & Co  
Chartered Accountants

Chandrashekar Gokhale  
Partner  
Membership No 23839  
Firm Regn. No 000942S

## CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2010

(in Rupees)

Particulars	Schedule	As at 31 March	
		2010	2009
<b>SOURCES OF FUNDS</b>			
<b>Share holders Funds</b>			
Share Capital	1	88,884,320	85,540,000
Share Warrant Application Money		—	4,725,000
Reserves & Surplus	2	728,870,419	564,635,153
		817,754,742	654,900,153
<b>Loan Funds</b>			
Secured Loans	3	167,680,393	116,580,891
Deferred Tax Liability	4	18,518,990	18,103,338
<b>TOTAL</b>		<b>1,003,954,125</b>	<b>789,584,382</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Less : Depreciation	5	46,624,258	37,918,188
Net Block		281,176,320	119,462,981
Add: Capital Work in progress		48,250,600	170,978,269
		329,426,920	290,441,250
<b>Investments</b>			
	6	—	4,661,300
<b>Current Assets, Loans &amp; Advances</b>			
a. Inventories	7	31,264,249	35,347,624
b. Sundry Debtors		309,916,621	217,750,483
c. Cash and Bank Balances		413,888,148	344,008,902
d. Loans and Advances		102,472,699	112,826,309
		857,541,718	709,933,318
Less : Current Liabilities & Provisions	8	33,802,530	67,068,225
Current Liabilities Provisions		154,305,903	156,778,428
		188,108,433	223,846,653
<b>Net Current Assets</b>		<b>669,433,285</b>	
Miscellaneous Expenditure (To the extent not written off or adjusted)	9	5,093,920	8,395,167
<b>TOTAL:</b>		<b>1,003,954,125</b>	<b>789,584,382</b>

As per our report of even date

For Gokhale & Co.,  
Chartered Accountants

Chandrashekhar Gokhale  
Partner  
M No 23839  
Firm Regn. No 000942S

Hyderabad  
20 May 2010

For and on behalf of the Board

Ashok Atluri  
Chairman & Managing Director

M Ravi Kumar  
Whole-Time Director

Y Shobha Rani  
Company Secretary

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

(in Rupees)

Particulars	Schedule	For the Year ended 31 March	
		2010	2009
<b>INCOME</b>			
Sales		522,342,184	630,750,220
Other Income	10	29,911,910	12,586,432
		<u>552,254,094</u>	<u>643,336,652</u>
<b>EXPENDITURE</b>			
Materials Consumed	11	92,789,137	168,170,515
Manufacturing Expenses	12	9,899,580	11,271,610
Selling and Distribution Exp	13	21,284,729	16,310,951
Travelling Exp.	14	12,840,188	15,098,559
Payments and Benefits to employees	15	30,400,918	25,981,192
R&D Expenses	16	87,110,289	76,911,097
Administrative & General Expenses	17	75,124,178	115,421,077
Interest & Financial Charges	18	3,964,582	11,519,788
(Increase)/Decrease in Stocks	19	11,873,186	(21,065,733)
Depreciation	5	5,972,813	5,314,454
<b>Miscellaneous Expenses written off</b>			
Amortisation of R&D Expenses on Product development		3,318,240	2,045,702
		<u>354,577,840</u>	<u>426,979,212</u>
<b>Profit before tax</b>		<b>197,676,254</b>	<b>216,357,440</b>
Less : Provision for Income Tax			
MAT Tax for current year		33,595,079	33,593,979
Excess MAT provision of 2008-09		(5,016,039)	
Tax for earlier period		32,881	76,348
Fringe Benefit Tax		—	1,005,455
Deferred Tax Liability/ (Asset)		415,652	(549,318)
<b>Profit after tax</b>		<b>168,648,680</b>	<b>182,230,976</b>
Add : Opening Balance		280,080,273	172,884,182
		<u>448,728,953</u>	<u>355,115,158</u>
Transfer to General Reserve		30,000,000	30,000,000
Proposed Dividend		39,997,944	38,493,000
Dividend Tax		6,643,659	6,541,885
		<u>372,087,350</u>	<u>280,080,273</u>
Earning per share of Rs.10/- each			
Basic		19.42	21.97
Diluted		18.97	20.47
<b>Notes forming part of the accounts</b>	20		

As per our report of even date

For Gokhale & Co.,  
Chartered Accountants

Chandrashekhar Gokhale  
Partner  
M No 23839  
Firm Regn. No 000942S

Hyderabad  
20 May 2010

For and on behalf of the Board

Ashok Atluri  
Chairman & Managing Director

M Ravi Kumar  
Whole-Time Director

Y Shobha Rani  
Company Secretary

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(in Rupees)

Particulars	As at 31 March	
	2010	2009
<b>SCHEDULE-1</b>		
<b>Share Capital Authorised</b>		
2,00,00,000 Equity Shares of Rs.10/- each	200,000,000	200,000,000
<b>Issued, Subscribed &amp; Paid up</b>		
88,88,432 Equity Shares of Rs.10/- each Fully Paid Up	88,884,320	85,540,000
(during the year 15,568 Equity shares bought back under buyback were extinguished and 3,50,000 Equity shares were allotted pursuant to the conversion of waraants issued under preferential allotment)		
	88,884,320	85,540,000
<b>SCHEDULE-2</b>		
<b>Reserves &amp; Surplus</b>		
General Reserve	198,478,189	170,000,000
Profit & Loss A/c	372,087,350	280,080,273
Share Premium	158,304,880	114,554,880
	728,870,419	564,635,153
<b>SCHEDULE-3</b>		
<b>Secured Loans</b>		
Indian Bank -OD (Secured by way of pledge of Fixed Deposits)	68,983,806	13,641,977
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)	86,696,587	102,754,859
TDB loan (Secured by way of hypothecation of Fixed Assets)	12,000,000	—
	167,680,393	116,580,891
<b>SCHEDULE-4</b>		
<b>Deferred Tax Liability</b>		
Opening Balance	18,103,338	18,652,656
Add: Provision for the year	415,652	(549,318)
	18,518,990	18,103,338



(in Rupees)

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**

**SCHEDULE-5 Fixed Assets**

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	
											2010		
<b>A Assets</b>													
1	Land	—	38,618,991	—	—	38,618,991	—	—	—	—	—	38,618,991	38,618,991
2	Building- Clok	1.63	487,791	—	—	487,791	—	—	—	7,951	—	418,650	418,650
3	Building- Cpally	1.63	4,651,498	—	—	4,651,498	—	—	—	75,819	—	4,499,651	4,499,651
4	Building - Maheswaram	1.63	—	163,565,330	—	163,565,330	—	—	—	226,437	—	163,338,893	163,338,893
5	Vehicles	9.5	15,162,372	4,457,067	2,189,570	17,429,869	4,888,441	1,559,267	258,557	177,487	6,189,151	11,240,719	10,273,931
6	Furniture & Fittings	6.33	2,669,067	1,383,887	—	4,052,954	592,125	—	—	1,400,721	—	3,283,342	2,076,942
7	Office Equipment	16.21	9,298,399	917,408	—	10,215,807	3,656,500	—	—	1,409,000	—	5,158,586	5,641,899
8	Computers	16.21	7,889,641	1,146,024	—	9,035,665	2,040,825	—	—	340,784	—	5,585,840	5,848,807
9	Software	100.00	1,464,431	721,495	—	2,185,926	1,464,431	—	—	—	—	380,711	—
	<b>Sub Total</b>		<b>80,242,191</b>	<b>172,191,210</b>	<b>2,189,570</b>	<b>250,243,831</b>	<b>12,779,540</b>	<b>5,197,465</b>	<b>258,557</b>	<b>17,718,448</b>	<b>232,525,383</b>	<b>67,462,642</b>	<b>67,462,642</b>
<b>B Assets- R &amp; D Division</b>													
1	Land	—	5,150,020	—	—	5,150,020	—	—	—	—	—	5,150,020	5,150,020
2	Building	1.63	27,664,809	—	—	27,664,809	1,476,262	450,936	—	—	—	25,737,611	26,188,547
3	Plant & Machinery	4.75	7,630,310	182,023	—	7,812,333	4,003,229	369,442	—	—	—	3,439,662	3,627,081
4	Testing Equipment	4.75	1,060,216	—	—	1,060,216	616,626	50,007	—	—	—	393,582	443,590
5	Computers	16.21	6,409,760	—	—	6,409,760	3,754,706	609,776	—	—	—	2,045,278	2,655,055
6	Software	100.00	9,813,663	122,255	—	9,935,918	9,605,133	269,825	—	—	—	60,960	208,530
7	Furniture & Fittings	6.33	3,853,150	—	—	3,853,150	842,758	243,359	—	—	—	2,767,033	3,010,392
8	Vehicles	9.50	818,169	—	—	818,169	155,665	77,726	—	—	—	584,778	662,504
9	Office Equipment	16.21	5,689,556	—	—	5,689,556	3,305,020	920,749	—	—	—	1,463,787	2,384,536
	<b>Sub Total</b>		<b>68,089,654</b>	<b>304,278</b>	<b>—</b>	<b>68,393,932</b>	<b>23,759,398</b>	<b>2,991,821</b>	<b>—</b>	<b>26,751,219</b>	<b>41,642,712</b>	<b>44,330,255</b>	<b>44,330,255</b>
	<b>Sub-total (A+B)</b>		<b>148,331,845</b>	<b>172,495,488</b>	<b>2,189,570</b>	<b>318,637,763</b>	<b>36,538,938</b>	<b>8,189,287</b>	<b>258,557</b>	<b>44,469,667</b>	<b>274,168,096</b>	<b>54,391,323</b>	<b>54,391,323</b>
<b>C Himachal Pradesh Unit</b>													
1	Testing Equipment	4.75	1,581,367	—	—	1,581,367	80,003	75,115	—	—	—	1,426,249	1,501,364.00
2	Vehicles	9.5	89,400	—	—	89,400	6,330	8,493	—	—	—	74,577	83,070.00
3	Furniture & Fittings	6.33	1,060,757	—	—	1,060,757	68,607	67,146	—	—	—	925,004	992,150.00
4	Plant & Machinery	4.75	2,935,233	63,342	—	2,998,575	187,605	189,810	—	—	—	2,621,160	2,747,628.00
5	Office Equipment	16.21	330,795	50,140	—	380,935	30,230	59,913	—	—	—	290,792	300,565.00
6	Computers	16.21	1,751,938	—	—	1,751,938	294,273	283,989	—	—	—	1,173,676	1,457,665.00
7	Software	100	594,501	—	—	594,501	594,501	—	—	—	—	—	—
8	Shed	1.63	402,701	—	—	402,701	1,064	6,564	—	—	—	395,073	401,637.00
	<b>Total</b>		<b>8,746,692</b>	<b>113,482</b>	<b>—</b>	<b>8,860,174</b>	<b>1,262,613</b>	<b>691,030</b>	<b>—</b>	<b>1,953,643</b>	<b>6,906,531</b>	<b>7,484,079</b>	<b>7,484,079</b>
	<b>Total (A+B+C)</b>		<b>157,078,537</b>	<b>172,608,970</b>	<b>2,189,570</b>	<b>327,497,937</b>	<b>37,801,551</b>	<b>8,880,316</b>	<b>258,557</b>	<b>46,423,310</b>	<b>281,074,627</b>	<b>119,276,976</b>	<b>119,276,976</b>
<b>D Dubai</b>													
1	Furniture & Fittings	25	102,253	—	—	102,253	39,534	28,729	—	—	—	33,990	62,719.00
2	Office Equipment	25	193,706	—	—	193,706	74,349	53,704	—	—	—	65,653	119,357.00
3	Computers	25	6,682	—	—	6,682	2,755	1,877	—	—	—	2,050	3,927.00
	<b>Total</b>		<b>302,641</b>	<b>—</b>	<b>—</b>	<b>302,641</b>	<b>116,638</b>	<b>84,310</b>	<b>—</b>	<b>200,948</b>	<b>101,693</b>	<b>186,003</b>	<b>186,003</b>
	<b>Total (A+B+C+D)</b>		<b>157,381,178</b>	<b>172,608,970</b>	<b>2,189,570</b>	<b>327,800,578</b>	<b>37,918,189</b>	<b>8,964,626</b>	<b>258,557</b>	<b>46,624,258</b>	<b>281,176,320</b>	<b>119,462,979</b>	<b>119,462,979</b>
	Previous year		142,361,408	15,173,198	—	157,381,169	29,606,339	8,311,850	—	37,918,188	119,462,980	112,763,742	112,763,742

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(in Rupees)

Particulars	As at 31 March	
	2010	2009
<b>SCHEDULE-6</b>		
<b>Investments</b>		
a 1,53,500 Equity Shares of CMTES Informatics Limited, face value of Rs.10/- each (Un-quoted-Value Shown at cost)	—	4,605,000
b Investment in own shares buyback	—	56,300
	—	4,661,300
<b>SCHEDULE-7</b>		
<b>Current Assets, Loans &amp; Advances</b>		
<b>A. Inventories</b>		
a) Raw Materials	15,178,628	7,388,815
b) Finished Goods	—	1,251,503
c) Work-in-progress (As Valued and Certified by the Management)	16,085,621	26,707,305
<b>SUB TOTAL (A)</b>	31,264,249	35,347,623
<b>B. Sundry Debtors</b> (Unsecured and considered good)		
Outstanding for a period exceeding 6 months	140,421,807	89,079,519
Others	173,814,814	139,441,915
	314,236,621	228,521,434
Less: Provision for doubtful debts	4,320,000	10,770,951
<b>SUB TOTAL (B)</b>	309,916,621	217,750,483
<b>C. Cash and Bank Balances</b>		
Cash on Hand	179,704	1,413,696
Balance with Scheduled Banks in:		
Current Accounts	44,077,572	195,640,077
Deposit Accounts	369,630,872	146,955,129
<b>SUB TOTAL (C)</b>	413,888,148	344,008,902
<b>D. Loans &amp; Advances</b> (Unsecured and considered good)		
Advance for purchases	30,215,235	14,215,390
Advances recoverable in cash or in kind or for value to be received	2,697,769	9,085,362
Advances for Land	—	40,000,000
Loans and Advances	20,313,057	20,831,965
Input Vat	3,523,519	2,738,197
Excise Duty-PLA deposit	764,484	—
Deposits	8,955,066	6,992,982
Prepaid Expenses	5,279,376	4,373,356
Income Tax refundable	25,820,388	8,333,805
Advance FBT	444,545	144,545
TDS	4,459,260	1,610,707
DSIR Grant	—	4,500,000
<b>SUB TOTAL (D)</b>	102,472,699	112,826,309
<b>TOTAL ( A+B+C+D)</b>	857,541,717	709,933,317

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(in Rupees)

Particulars	As at 31 March	
	2010	2009
<b>SCHEDULE-8</b>		
<b>Current Liabilities &amp; Provisions</b>		
<b>A. Current Liabilities</b>		
Sundry Creditors for goods	—	—
Dues to small scale industrial undertakings	—	—
Others (purchases)	14,860,348	9,472,818
Other liabilities	12,235,480	21,481,773
Advances from Customers	5,969,239	35,530,596
Unclaimed Dividend	737,463	583,038
<b>SUB TOTAL (A)</b>	<b>33,802,530</b>	<b>67,068,225</b>
<b>B. Provisions</b>		
Proposed Dividend	39,997,944	38,493,000
Dividend Tax	6,643,659	6,541,885
Provision for Income Tax/ MAT	—	19,302,956
Provision for staff benefits	11,362,193	10,108,718
Provision for CST	—	15,286,139
Provisions	96,302,107	67,045,730
<b>SUB TOTAL (B)</b>	<b>154,305,903</b>	<b>156,778,428</b>
<b>TOTAL (A+B)</b>	<b>188,108,433</b>	<b>223,846,653</b>
<b>SCHEDULE-9</b>		
<b>Miscellaneous Expenditure</b>		
(To the extent not written off or adjusted)		
R & D Expenses	5,093,920	8,395,167
<b>Total</b>	<b>5,093,920</b>	<b>8,395,167</b>

## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in Rupees)

Particulars	For the Year ended 31 March	
	2010	2009
<b>SCHEDULE-10</b>		
<b>Other Income</b>		
Interest Received	27,008,595	13,099,667
Foreign Exchange rate fluctuation	508,505	(665,418)
Rent Received	69,300	75,600
Long Term Capital Gain	2,302,500	—
Misc. Income	23,010	76,583
	<b>29,911,910</b>	<b>12,586,432</b>
<b>SCHEDULE-11</b>		
<b>Materials Consumed</b>		
Opening Stock	7,388,815	5,888,871
Add: Purchases	100,578,966	169,670,459
	107,967,781	175,559,330
Less: Closing Stock	15,178,644	7,388,815
Total Material Consumed	<b>92,789,137</b>	<b>168,170,515</b>
<b>SCHEDULE-12</b>		
<b>Manufacturing Expenses</b>		
Electricity Charges	304,937	366,741
Salaries of Production team	6,763,971	4,744,963
Freight	1,326,542	2,794,562
System Installation & Maint Spares & stores	1,504,130	3,365,344
	<b>9,899,580</b>	<b>11,271,610</b>
<b>SCHEDULE-13</b>		
<b>Selling and Distribution Expenses</b>		
Business Promotion	10,251,530	10,269,991
Freight	2,227,788	830,269
Electricity charges	13,776	109,923
Packing	—	270,085
Guest office rent	108,000	76,500
Exhibition Expns	8,683,635	4,662,360
Guest House Maintenance	—	40,823
Other Expns	—	51,000
	<b>21,284,729</b>	<b>16,310,951</b>



## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in Rupees)

Particulars	For the Year ended 31 March	
	2010	2009
<b>SCHEDULE-14</b>		
<b>Travelling Expenses</b>		
Domestic Travel		
Travel Expenses- Delivery	961,470	125,265
Travel Expenses- Demo	408,983	209,244
Travel Expenses- General	2,670,030	5,119,484
Travel Expenses- Installation	1,348,110	960,052
Travel Expenses- Servicing	2,196,051	2,740,291
Travel Expenses- Directors	912,810	736,419
Travel Expenses- Marketing	2,435,560	2,116,071
<b>Foreign Travel</b>		
Travel Expenses- Directors	153,588	806,151
Travel Expenses- Others	1,753,586	2,285,582
	<u>12,840,188</u>	<u>15,098,559</u>
<b>SCHEDULE-15</b>		
<b>Payments &amp; Benefits to Employees</b>		
Salaries, wages and other employees Benefits	29,558,871	25,465,486
Contribution to P F and E S I	842,047	515,706
	<u>30,400,918</u>	<u>25,981,192</u>
<b>SCHEDULE-16</b>		
<b>R&amp;D Revenue Expenses</b>		
Travelling Expenses	2,316,835	532,082
Electricity Charges	1,212,985	966,544
Salaries	34,714,103	28,316,454
Endurance Trials	—	805,223
Spares & Stores	35,316,826	24,179,031
Software	—	9,964,613
Depreciation	2,991,821	2,997,396
Professional charges	10,081,368	3,680,507
Demo expenses	—	5,251,527
Freight	476,351	146,220
Patent filing fee	—	71,500
	<u>87,110,289</u>	<u>76,911,097</u>

## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in Rupees)

Particulars	For the Year ended 31 March	
	2010	2009
<b>SCHEDULE-17</b>		
<b>Administrative and General Expenses</b>		
Rent	4,955,342	5,363,514
Rates & Taxes	1,671,095	932,496
Printing & Stationery	615,221	1,099,442
Postage & Telephone	2,962,676	2,585,120
Conveyance	1,246,621	1,430,687
Insurance	1,336,230	1,018,012
Audit Fees - Internal Audit	120,000	80,000
Audit Fees- Statutory Audit	159,000	181,040
Office Maintenance	7,600,516	7,446,517
Vehicle Maintenance	2,025,801	2,070,287
Directors Remuneration	9,692,664	10,163,855
Professional charges	3,824,303	3,859,588
Membership & Subscription	2,094,714	195,641
Advertisement	408,610	838,198
Loss on Sale of Assets	1,203,303	—
Sitting fee	340,000	340,000
Incidental exp	19,160	—
Donation	69,050	—
Excess provision for dividend of last year written back	(81,961)	—
Software Licence fee	937,175	—
Provision for doubtful Debts/Advances	378,033	27,606,359
Provision for Investment in Subsidiary	6,044,509	—
Provision for Installation, Training, Warranty	27,355,770	50,210,321
CST 2007-08	146,346	—
	<b>75,124,178</b>	<b>115,421,077</b>
<b>SCHEDULE-18</b>		
<b>Interest &amp; Financial Charges</b>		
Interest on Bank OD	1,405,447	7,011,319
Interest on TDB loan	464,795	—
Bank Charges, Commission	1,348,035	4,508,469
Interest on term loan	746,305	—
	<b>3,964,582</b>	<b>11,519,788</b>
<b>SCHEDULE-19</b>		
<b>(Increase)/Decrease In Stocks</b>		
<b>Opening Stock</b>		
Finished Goods	1,251,503	1,435,672
Work in Progress	26,707,304	5,457,402
	<b>27,958,807</b>	<b>6,893,074</b>
<b>Less : Closing Stock</b>		
Finished Goods	—	1,251,503
Work in Progress	16,085,621	26,707,304
	<b>16,085,621</b>	<b>27,958,807</b>
	<b>11,873,186</b>	<b>(21,065,733)</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED ACCOUNTS

### SCHEDULE - 20

#### 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 2010. 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 2009-10 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.

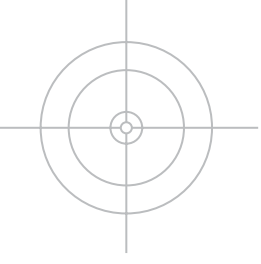
#### 7. Employee Retirement Benefits

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 and Excise Duty.



#### 9. Research and Development Expenses

Revenue R & D Expenditure is being charged to the Profit & Loss Account of the year in which it is incurred. The amount so charged in 2009-10 is Rs.871.10 lakhs(previous year Rs.769.11 lakhs) and this includes depreciation of Rs.29.92 lakhs (previous year 29.97 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 2010 was Rs 866.96 Lakhs

The total interest of Rs 196.58 Lakhs on Term Loan has been capitalized and paid to the Indian Bank during the year.

The Company has availed a loan facility from Technology Development Board, Ministry of Science and Technology, Government of India for developing Driving Simulator for export market. During the year TDB has released an amount of Rs 120 lakhs. The loan is secured by way of hypothecation of Fixed Assets of the Company.

#### 16. The Company operates in one segment 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 of Rs 874.15 lakhs on Research & Development (previous year Rs.780.87 lakhs) out of this R & D revenue expenditure is Rs 871.10 lakhs (previous year 769.11 lakhs) and R & D Capital expenditure is Rs 3.04 lakhs (previous year Rs11.76 lakhs)

#### 21. The unclaimed dividend amount for all the earlier financial years as on 31 March 2010 is Rs 7.37 lakhs, Details of Unclaimed dividend are given below:

(in Rupees)

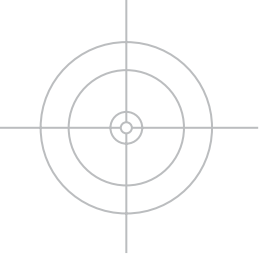
Sl.No	Name of the Bank	Year of declaration of dividend	Unclaimed Amount (Rs.)
1	Oriental Bank of Commerce	2002-03	61,307
2	Oriental Bank of Commerce	2003-04	96,032
3	Oriental Bank of Commerce	2004-05	48,275
4	Oriental Bank of Commerce	2005-06	94,862
5	Oriental Bank of Commerce	2006-07	1,45,474
6	HDFC Bank	2007-08	1,30,563
7	HDFC Bank	2008-09	1,60,951
	<b>TOTAL</b>		<b>7,37,464</b>

22. Receivables: Receivables do not include any amount due and receivable from Director's or other officer's of the Company, or Companies under the same management
23. List of SSI Units to whom amount is due for more than 30 days as on 31 March 2010 is NIL (Previous year NIL)
24. Related party transactions

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

(i) Details of Transactions with the Related Parties: (in Rupees)

Sl. No.	Nature of Relation/ Nature of Transactions	2009-10		2008-09	
		Amount Transaction	Amount outstanding as on 31.03.2010	Amount of Transaction	Amount outstanding as on 31.03.2009
1	Mr Ashok Atluri Key Management Personnel (Chairman and Managing Director) Remuneration	77,16,498	Nil	83,76,338	Nil
2	Mr Ravi Kumar Key Management Personnel (Whole-Time Director) Remuneration	19,50,000	Nil	18,32,046	Nil
3	Mr Kishore A.D. Relative of Key Management Personnel Remuneration	11,19,590	Nil	10,87,620	Nil
4	Company in which the Relative of the Key Management personnel has Substantial Interest	Nil	Nil	Nil	Nil



25. The balances of Sundry Debtors, Creditors and advances in various personal accounts are subject to confirmation by and reconciliation with the concerned parties.
26. In the opinion of Board of Directors, the current assets, loans and advances are expected to realize approximately the value stated in the ordinary course of business.
27. Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

(in Rupees)

Funds Employed	31 March 2010
1. Name of the Subsidiary	Zen Technologies FZE
2. Financial Period of the Subsidiary	1st April 2009 to 31st March 2010
3. Shares of the Subsidiary held by the Company on the above date	1 Equity Share of AED 100,000 equivalent to 12,08,470/-
Extent of holding	100%
4. Net aggregate amount of profits/(losses) of the Subsidiary for the above financial period of the Subsidiary so far as the concerned Members of the Company.	
• dealt with in the accounts of the Company for the period 31 March 2010:	Nil
• not dealt with in the accounts of the Company for the period 31 March 2010	2,73,093
5. Net aggregate amount of profits/(losses) of the Subsidiary since it became the subsidiary for the above financial period of the subsidiary so far as the concerned Members of the Company	
• dealt with in the accounts of the Company for the period 31 March 2010:	Nil
• not dealt with in the accounts of the Company for the period 31 March 2010	(60,39,209)

28. Summary of the financial information of the Subsidiary Company (In Rupees)

Funds Employed:	31 March 2010	31 March 2009
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
<b>Application of Funds:</b>		
E. Assets		
Net Block (including Capital WIP)	1,01,693	1,86,003
Investments	—	—
Net Current Assets	(49,32,430)	(52,89,833)
Miscellaneous Expenditure (to the extent not written off)	—	—
Profit & Loss Account	60,39,209	63,12,301
Total Assets (Net)	12,08,470	12,08,470
F. Turnover	—	—
G. Profit before Taxes	2,73,093	(34,45,959)
H. Provision for Taxation	—	—
I. Profit after Taxes	2,73,093	(34,45,959)
J. Proposed Dividend	—	—

As per our report of even date

**For Gokhale & Co.,**  
Chartered Accountants

**Chandrashekhar Gokhale**  
Partner  
M No 23839  
Firm Regn. No 000942S

Hyderabad  
20 May 2010

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 2010

(Rs. in lakhs)

Particulars	As at 31 March	
	2010	2009
<b>A Cash Flow from the operations</b>		
Net profit before income tax	1976.76	2,163.57
<b>Adjustments:</b>		
Depreciation	89.65	83.11
Interest Paid	39.65	115.19
Miscellaneous expenses written off	33.18	20.46
Profit on sale of shares	(23.03)	—
Loss on sale of assets	12.03	—
Interest received	(270.09)	(131.00)
Operational profit before Working Capital	1858.16	2,251.33
<b>Adjustments:</b>		
(Increase)/Decrease in Trade receivable	(921.66)	370.20
(Increase)/Decrease in Inventories	40.83	(225.66)
(Increase)/Decrease in other Current assets	103.54	(359.54)
Increase/(Decrease) in Current Liabilities	(332.66)	260.35
Increase/(Decrease) in Other Liabilities	(6.24)	731.05
	741.97	3,027.73
Interest paid	(39.65)	(115.19)
Net Cash flow from Operations	702.32	2,912.54
<b>B Cash Flow from Investing Activities</b>		
(Increase)/Decrease in Fixed Assets	(1726.09)	(150.20)
(Increase)/Decrease in Fixed Assets	7.27	
(Increase)/Decrease in		
Capital Work in Progress	1227.28	(1,418.52)
(Increase)/Decrease in Miscellaneous Exp.		—
(Increase)/Decrease in Investments	69.07	(0.56)
Interest received on deposits	270.09	131.00
Net Cash Flow from Investing Activities	(152.39)	(1,438.29)
<b>C Cash Flow From Financing Activities</b>		
Increase/(Decrease) in Borrowings	511.00	176.02
Increase/(Decrease) in Share Capital	33.44	45.00
Increase/(Decrease) in Share Premium	437.50	562.50
Increase/(Decrease) in Share		
Warrant application	(47.25)	(60.75)
MAT Paid	(335.48)	
Dividend	(384.93)	(243.12)
Dividend Tax paid	(65.42)	(41.32)
Net Cash Flow From Financing Activities	148.86	438.33
Net increase in Cash &		
Cash equivalents	698.80	1,912.58
Cash&Cash equivalents-Opening Balance	3,440.08	1,527.50
Cash&Cash equivalents-Closing Balance	4,138.88	3,440.08

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

Chandrashekhar Gokhale  
Partner  
M No 23839  
Firm Regn. No 000942S

Y Shobha Rani  
Company Secretary

Hyderabad  
20 May 2010



## DIRECTOR'S REPORT OF ZEN TECHNOLOGIES FZE

Your Director has pleasure to present the audited accounts for the year ended 31 March 2010.

### 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 under commercial license no.503537

### Operations of the company

The Company holds a commercial license. During the year under review, the company has not entered into any business transactions and has earned net profit of Rs.2,73,093/- (Rupees Two lakhs seventy three thousand ninety three rupees only) due to fluctuations in foreign exchange rates, and had an accumulated loss of Rs.60,39,209/- (Rupees Sixty lakhs thirty nine thousand two hundred and nine) as at 31 March 2010.

### Equity Share Capital

There is no change in paid-up Equity Share Capital of the Company, as at 31 March 2010 paid-up Capital is Rs.12,08,470 (One Equity Share of face value of AED100,000).

### Amount, if any, to be paid as dividend

The Board of Directors of the Company do not recommend any dividend for the financial year.

### Auditors

The Accounts for the period ended 31 March 2010 have been audited by M/s Kothari Auditors & Accountants, Sharjah (U.A.E).

### Material changes

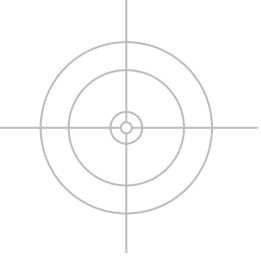
There were no material events occurring after the Balance Sheet date that would materially affect the working or the financial statements of the Company.

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

Sincerely

Ashok Atluri  
Director

30 July 2010



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 2010 comprising of Statement of Financial Position as at 31st March 2010, related Statement of Income, Changes in Equity and Cash Flows for the year ended on 31st March 2010.

**2. Respective Responsibilities**

These financial 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 require 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 2010, the result of its operations, changes in equity and cash flows for the year then ended and were prepared in conformity with International Financial Reporting Standards applied on consistent basis.

**5. Other Matters**

- a. Without qualifying our opinion, we would like to state that the company has accumulated losses of AED 486, 764/- as at 31st March 2010, which exceeds its Share Capital. The continuance of the Company's operations 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 25th March 2010. Hence the financial statements have been prepared on a going concern basis.
- b. We have obtained all information & explanations, which to the best of our knowledge and belief necessary for our audit.
- c. In our opinion proper books of accounts have been maintained by the company as far as appears from our examination of those books.
- d. We confirm, to the best of our knowledge and belief that these financial statements and the contents of the Director's Report are in agreement with the books of account.
- e. We confirm, to the best of our knowledge and belief, that there were no violation of the provisions of the U.A.E. Commercial Law No.8 of 1984 (as amended by Law No.113 of 1988, free zone regulations and Memorandum of Association of the Company that would affect materially the working of the financial statements of the company.

Date : 19 May 2010  
Place : Sharjah (U.A.E.)

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

## ZEN TECHNOLOGIES FZE BALANCE SHEET AS AT 31 MARCH 2010

Particulars	As at 31 March			
	2010		2009	
	UAE Dhs.(AED)	Rupees	UAE Dhs. (AED)	Rupees
<b>SOURCES OF FUNDS</b>				
<b>Share holders Funds</b>				
Share Capital (1 Equity share of AED 1,00,000)	100,000	1,208,470	100,000	1,208,470
<b>TOTAL</b>	<b>100,000</b>	<b>1,208,470</b>	<b>100,000</b>	<b>1,208,470</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	27,530	302,641	27,530	302,641
Less:Depreciation	15,510	200,948	8,627	116,638
Net Block	12,020	101,693	18,903	186,003
<b>Current Assets, Loans &amp; Advances</b>				
a. Cash and Bank Balances	9,328	114,268	9,492	134,860
b. Deposits	8,030	98,367	8,030	114,090
c. Loans and Advances	11,582	141,880	—	—
	28,940	354,515	17,522	248,950
<b>Less : Current Liabilities &amp; Provisions</b>				
Accured Expenses	4,000	49,000	5,000	71,040
Current Liabilities	423,724	5,237,945	384,835	5,467,744
	427,724	5,286,945	389,835	5,538,784
<b>Net Current Assets</b>	<b>(398,784)</b>	<b>(4,932,430)</b>	<b>(372,313)</b>	<b>(5,289,834)</b>
Profit & Loss account	486,764	6,039,209	453,410	6,312,301
<b>TOTAL</b>	<b>100,000</b>	<b>1,208,470</b>	<b>100,000</b>	<b>1,208,470</b>

Ashok Atluri  
Director



## ZEN TECHNOLOGIES FZE

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

Particulars	For the year ended 31 March			
	2010		2009	
	UAE Dhs.(AED)	Rupees	UAE Dhs. (AED)	Rupees
<b>INCOME</b>				
Other Income (interest received)	30	368		
Other Income (Foreign Exchange rate fluctuation)		681,679	217	3,084
<b>Total Income</b>	<b>30</b>	<b>682,047</b>	<b>217</b>	<b>3,084</b>
<b>EXPENDITURE</b>				
a. Payments and Benefits to employees	5,000	61,250	56,275	799,558
b. Administrative & General Expenses	21,501	263,387	137,940	1,959,500
c. Interest & Financial charges			480	7,175
d. Foreign Exchange rate Fluctuations				585,720
e. Depreciation	6,883	84,317	6,834	97,100
<b>Total Expenditure</b>	<b>33,384</b>	<b>408,954</b>	<b>201,529</b>	<b>3,449,053</b>
Profit before tax	(33,354)	273,093	(201,312)	(3,445,969)
Profit after tax	(33,354)	273,093	(201,312)	(3,445,969)
Add: Opening Balance	(453,410)	(6,312,301)	(252,098)	(2,866,332)
<b>Balance carried to Balance Sheet</b>	<b>(486,764)</b>	<b>(6,039,209)</b>	<b>(453,410)</b>	<b>(6,312,301)</b>

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 31.03.10	As On 31.03.09
1	Furniture & Fittings	25								
	In Rupees		102,253		102,253	39,534	28,729	68,263	33,990	62,719
	In UAE Dhs (AED)		9,381		9,381	2,915	2,345	5,260	4,121	6,466
2	Office Equipment	25								
	In Rupees		193,706	—	193,706	74,349	53,704	128,053	65,653	119,357
	In UAE Dhs (AED)		17,536		17,536	5,506	4,384	9,890	5,359	12,030
3	Computers	25								
	In Rupees		6,682		6,682	2,755	1,877	4,632	2,050	3,927
	In UAE Dhs (AED)		613		613	206	154	359	254	407
	<b>TOTAL</b>									
	In Rupees		302,641	—	302,641	116,638	84,310	200,948	101,693	186,003
	In UAE Dhs (AED)		27,530	—	27,530	8,627	6,883	15,509	12,021	18,903

Ashok Atluri  
Director



## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### Notes and Schedules to Financial Statements

#### 1. Coverage, Status and Activity

- 1.1 Zen Technologies FZE is registered as a Free Zone Establishment with limited liability with RAK Free Trade Zone in the Emirate of Ras Al Khaimah under commercial license No. 503537  
The Company was registered under Industrial licence no.0279 issued on 5th February 2007, which was changed to commercial licence on 22nd February 2009..
- 1.2 M/s Zen Technologies Limited, a limited company registered under certificate of incorporation no. 01- 15939 under Indian Companies Act 1956, India, is the sole shareholder of the company holding 1 share of AED 100,000/-. The registered address of Zen Technologies Limited is B-42, Industrial Estate, Sanathnagar, Hyderabad - 500 018. Andhra Pradesh, India.
- 1.3 The registered address of the company is post Box 10559, RAK Free Trade Zone, Ras Al Khaimah U.A.E.
- 1.4 The Company holds a commercial license and is proposing to engage in trading of computer software, computer equipment and requisites and training simulators.

#### 2. Accounting Period & Currency

The financial statement enclosed covers the period 1 April 2009 to 31 March 2010. Previous period figures are from 1 April 2008 to 31 March 2009 and have been regrouped wherever necessary.

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

#### 3. Significant Accounting Policies

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

##### 3.1 Accounting Convention

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

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

##### 3.2 Going Concern Assumption

These financial Statements are prepared on a going concern basis which assumes that the company will continue to operate as a going concern in the foreseeable future. The company has accumulated losses of AED 486,764/- as on 31 March 2010, 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 25 March 2010.

### 3.3 Property, Plant & Equipment

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

Furniture & Office Equipments 25%

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

### 3.4. Receivables

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

### 3.5 Provisions

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

### 3.6 Employee Benefits

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

### 3.7 Statutory Reserves

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

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

### 3.8 Revenue Recognition

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

### 3.9 Expenditure

Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities. Expenses are presented in the statement of comprehensive income, classified according to the function of expense.

### 3.10 Foreign Currency Transactions

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



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

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	2009-10	2008-09
Manager's remuneration & benefits	AED 5,000	AED 56,275/-

During the year under review, the Company has advanced funds to related party which is free of interest and is shown under the head 'Advance to related party'.

### 4.2 Financial Instruments

#### A. Credit, Interest & Exchange Rate Risk

##### 1. Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counter-party to a financial instrument fails to meet its contractual obligations.

##### Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as and when it falls due. The company's assets are sufficient to cover its financial obligations, and the shareholders have resolved to infuse necessary funds, incase of any shortfall in liquidity.

##### Market Risk

Market risk is the risk that changes in market prices, such as investment prices, interest rates and currency rates will affect the company's income of the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

##### Currency risk

Currency risk faced by the company is minimal as there are minimal foreign currency transactions. Most of the monetary assets and liabilities are denominated in UAE Dirhams on in United States Dollar (USD), which is pegged to AED.

##### 4.2.2 Capital management

The Company's policy is to maintain a strong capital base so as to maintain lender and creditor confidence and to sustain future development of the business. The Copany is not subject to externally imposed capital restrictions.



#### 4.2.3 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, between willing & knowledgeable parties. . In respect of all the company" financial assets viz. cash & bank balances, receivables, advances deposits, accrued income and liabilities viz. dues to banks, payables, accruals & other non current liabilities, in the opinion of the management, the book value approximates to their carrying value.

	Figures in UAE Dirham's	
	31.3.2010	31.3.2009
<b>5. Cash &amp; Bank Balances / Cash &amp; Cash Equivalents</b>		
Cash on Hand	4,205	3,525
Balance with Bank in Current Account	5,123	5,967
	<b>9,328</b>	<b>9,492</b>
<b>6. Deposits, Prepayments &amp; Advances</b>		
Deposits	8,030	8,030
	<b>8,030</b>	<b>8,030</b>

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

#### 7. Advance to related party

Advance to related party represent advance paid to Zen Technologies Limited, Hyderabad which is short term in nature. The same is free of interest.

#### 8. Advance from related party

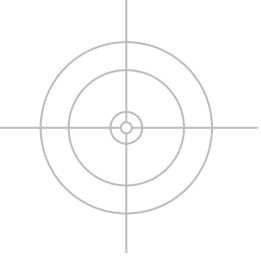
Advance from related party represent advance paid to Zen Technologies Limited, Hyderabad which is short term in nature. The same is free of interest

#### 9. Share Capital

The authorised and paid up Share Capital comprises of 1 fully paid up equity shares of AED 100,000/-(previous year 1 fully paid up equity shares of AED 100,000/-)

#### 10. Reserves & Surplus

	31.3.2010	31.3.2009
Statutory Reserve	—	—
Accumulated (Losses)	(486,764)	(453,410)
	<b>(486,764)</b>	<b>(453,410)</b>



**11. General Administrative Expenses:**

	31.3.2010	31.3.2009
Rent	—	62,530
Staff salary and benefits	5,000	56,275
Fees & Charges	17,351	20,749
Travelling & conveyance	—	20,572
Office & other expenses	4,150	34,569
Depreciation	6,883	6,834
	<b>33,384</b>	<b>201,529</b>

**12. Contingent Liabilities:**

	31.03.2010	31.03.2009
Employee Visa Guarantee	2,000	2,000

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

**13. Significant Events after the Balance Sheet Date:**

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

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

Ashok Atluri  
Director

## ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORM

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

For Shares held in physical mode  
 Please complete this form and send it to  
 Sathguru Management Consultants Pvt. Ltd  
 Plot No.15, Hindi Nagar,  
 Behind Saibaba Temple, Punjagutta,  
 Hyderabad - 500 034  
 Phone : 91- 40 - 2335 6507 / 6975 / 0586  
 Fax : 91- 40 - 4004 0554  
 Email id: sta@sathguru.com

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

For Shares held in physical mode form

Master Folio No.

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

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

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

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

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

Dated: \_\_\_\_\_ (Signature of First holder)

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

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

Bank's Stamp

Date: \_\_\_\_\_ (Signature of the Official of the Bank)

### Payment of Dividend through Electronic Clearing Service (ECS)

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

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

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

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

We request you to kindly submit the ECS / Bank details latest by Friday, 3 September 2010 to enable us to include the same for the payment of the current year's dividend.



**ZEN TECHNOLOGIES LIMITED**

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

**FORM OF PROXY**



Regd. Folio No. : ..... No of shares : .....

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

I / we ..... of ..... being a member of Zen Technologies Limited do hereby appoint ..... of ..... or failing him / her ..... of ..... or failing him / her ..... of ..... as my / our Proxy to attend and vote for me / us. on my / our behalf at the 17 Annual General Meeting of the members of the Company to be held on Tuesday, 7 September 2010 at 9.30 a.m. at B-42, Industrial Estate, Sanathnagar, Hyderabad - 500 018.

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

Sl.No.	Resolutions	For	Against
1.	Adoption of Balance sheet as at March 31, 2010 and Profit & Loss Account for the year ended on that date and the reports of the Board of Directors' and Auditors' thereon		
2.	Declare dividend for the financial year ended 31 March 2010		
3.	Re-appointment of Mr Utpal Sheth, Director		
4.	Appointment of Gokhale & Co., Chartered Accountants as Statutory Auditors of the Company.		

As witness my hand / our hand(s) this ..... day of ..... 2010

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

\* Applicable for the members holding shares in electronic form.

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

Affix a Revenue Stamp

Signature of Member



**ZEN TECHNOLOGIES LIMITED**

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

**ATTENDANCE SLIP**

(17th Annual General Meeting to be held on 7 September 2010 at 9.30 a.m.)

Name of the Shareholder : ..... \*DP ID No. : .....

Regd Folio No. : ..... \* Client ID No. : .....

No of Shares held : .....

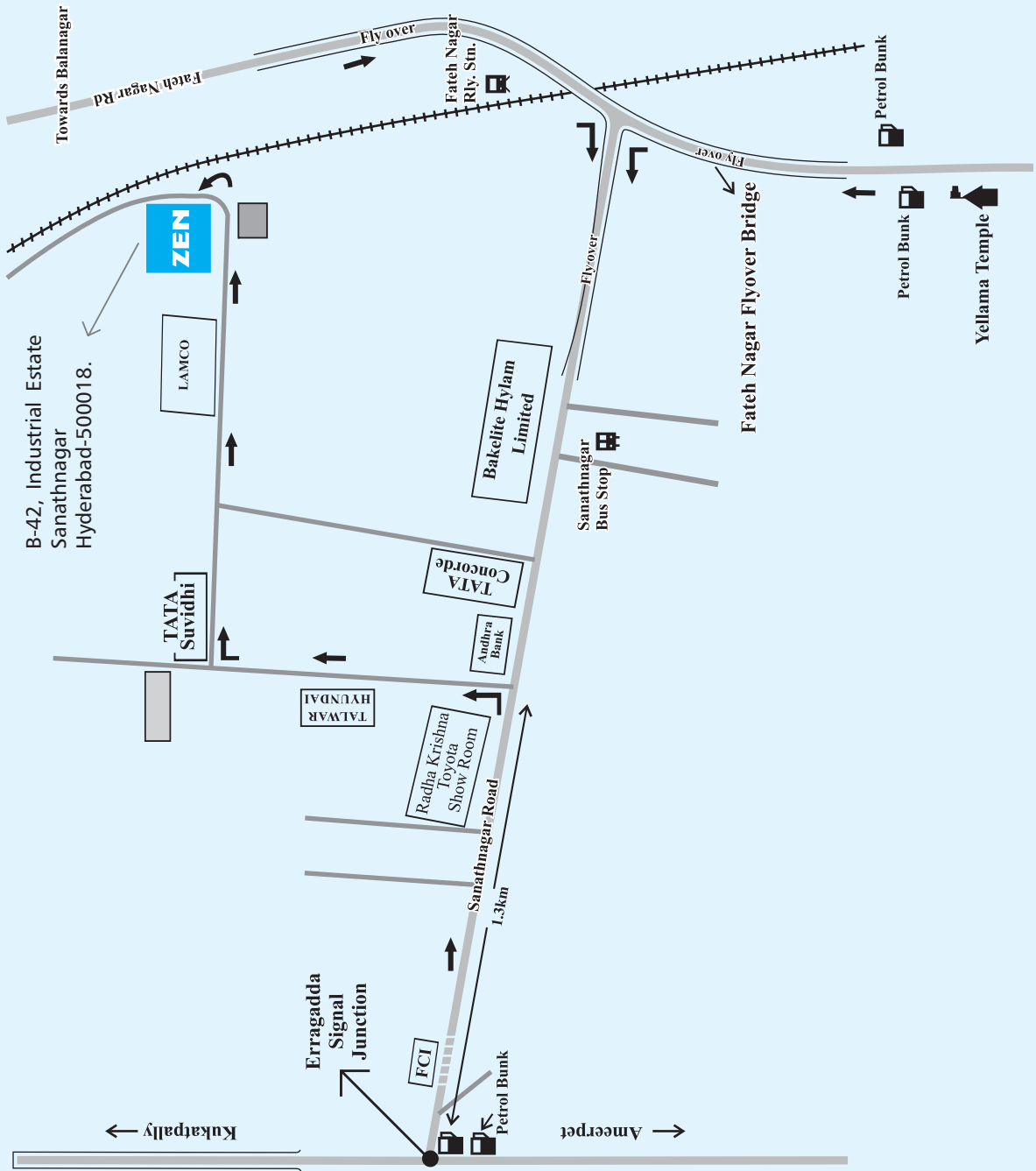


Signature of the Shareholder / Proxy

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

\* Applicable for the members holding shares in electronic form.

# ROAD MAP



Printed Matter  
Book-Post / Certificate of Posting

[www.zentechnologies.com](http://www.zentechnologies.com)

*If undelivered, Please return to:*



being there...

**ZEN TECHNOLOGIES LIMITED**

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