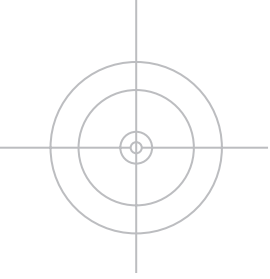


THE WAY IS IN THE TRAINING



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.

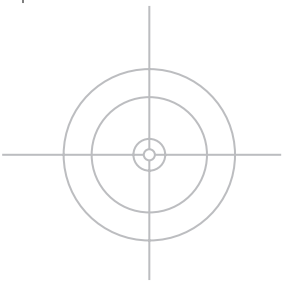
- *From Webster's New World Dictionary*



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

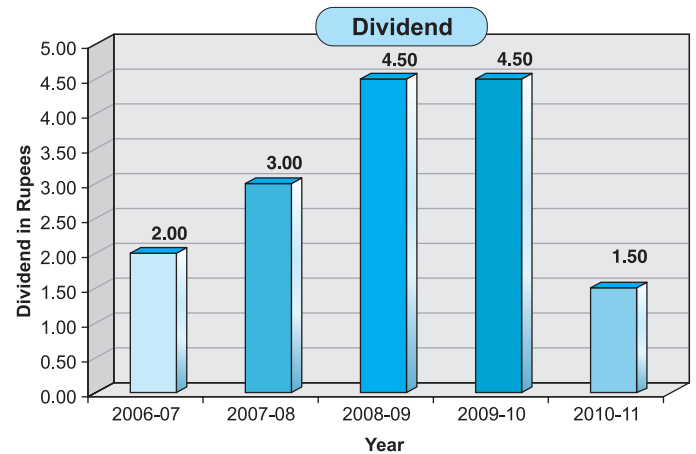
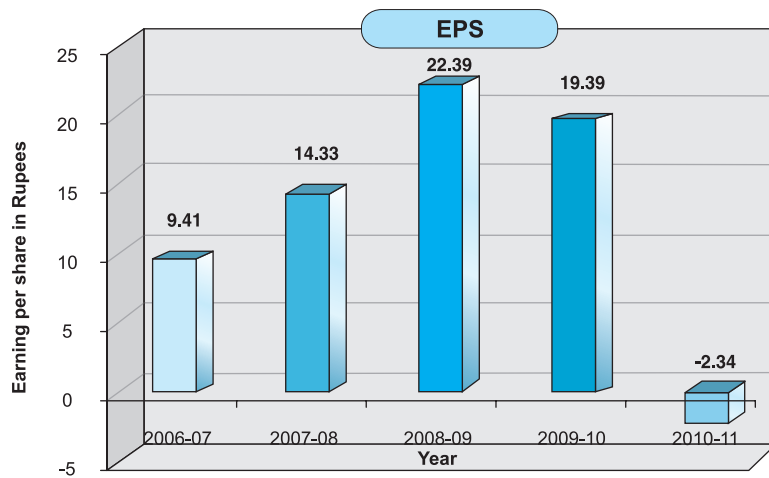
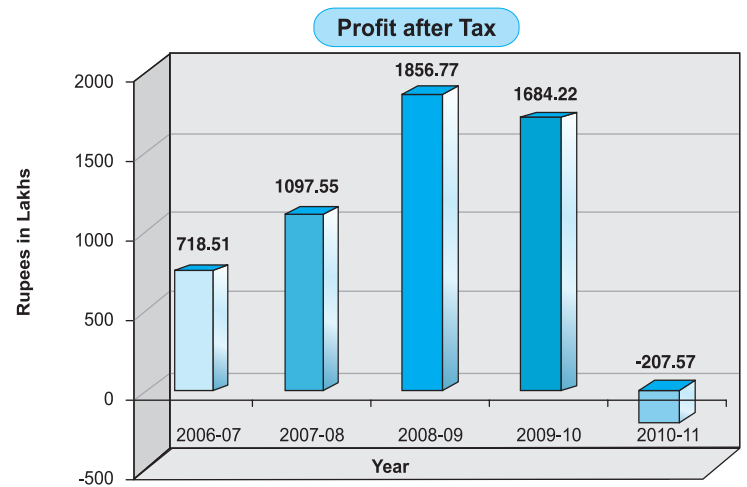
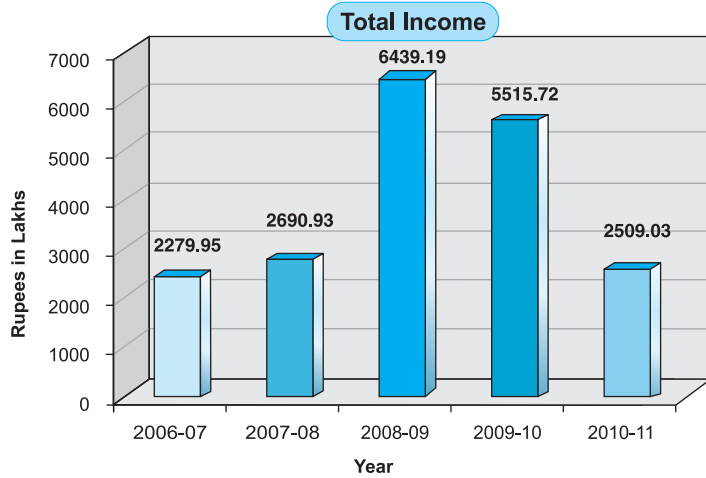
Zen has been at the forefront of applying new technologies and developing new products and is actively involved in indigenisation of technologies, which are helpful for Indian Security Forces and civilian simulation market.

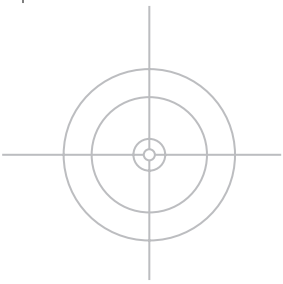
LIST OF PRODUCTS

- [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

Board of Directors

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

President

A. Kishore Dutt

Vice President - Marketing

Col. Sanjay Pande

Vice President-Finance

Mr. Vishnu Yarmaneni (resigned w.e.f Feb. 2011)

General Manager - Finance

Mr. Satyanarayana .S. (w.e.f . May 30, 2011)

Company Secretary

Mrs Ritu Tiwary

Auditors

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

Bankers

Indian Bank

R & D Division

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

Registrars

Sathguru Management Consultants Private Limited
Plot No.15, Hindi Nagar
Behind Saibaba Temple
Punjagutta, Hyderabad - 500 034
Phone : +91- 40 - 2335 6507 / 6975 / 0586
Fax : +91- 40 - 4004 0554
Email id : sta@sathguru.com

Listing

Inter-connected Stock Exchange of India Limited
Bombay Stock Exchange Limited, Mumbai

BOARD COMMITTEES

Audit Committee

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

Selection Committee

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

Share Transfer & Investor Grievance Committee

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

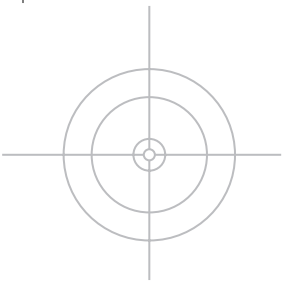
Remuneration Committee

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

Compensation Committee

- Mr Ashok Atluri - Chairman
- Mr Davuluri Satish Babu - Member
- Dr Pamidi Kotaiah - Member





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NOTICE

Notice is hereby given that the 18th Annual General Meeting of Company will be held on Saturday, September 24, 2011 at 9.30 a.m. at B-42, Industrial Estate, Sanathnagar, Hyderabad - 500 018, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2011 and Profit and Loss account for the year ended on that date along with the reports of Directors and Auditors thereon
2. To declare dividend for the financial year ended March 31, 2011
3. To appoint a Director in place of Cmde Sarvotham Rao, who retires by rotation and being eligible, offers himself for re-appointment
4. To appoint M/s Gokhale & Co. Memb No.23839, Firm Regn No.000942S Chartered Accountants, Hyderabad as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorize the Board of Directors to fix their remuneration

SPECIAL BUSINESS:

5. Delisting of Equity shares from Inter Connected Stock Exchange Ltd., Mumbai
To consider and, if thought fit, to pass with or without modification(s), the following resolution as a special resolution:-

"RESOLVED THAT pursuant to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactments thereof for the time being in force), Securities Contracts (Regulation) Act, 1956, and the Rules framed thereunder, Listing agreements, and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, the Company (hereinafter referred to as "the Board", which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by the resolution), the consent of the company be and is hereby accorded to the Board to delist the Equity shares of the Company from Inter Connected Stock Exchange Ltd., Mumbai.

RESOLVED FURTHER THAT Mr. Ashok Atluri, Chairman and Managing Director, and / or Ms Ritu Tiwary, Company Secretary, be and are hereby authorized severally to do all such acts, deeds, matters and things and execute all documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto."

By order of the Board
for Zen Technologies Limited

Hyderabad
Date: August 10, 2011

Ritu Tiwary
Company Secretary

Important Communiqué to Members - Green Initiative in Corporate Governance

The Ministry of Corporate Affairs (MCA) has taken a Green Initiative in Corporate Governance by allowing paperless compliances by the companies and has issued a Circular stating that service of all documents including Annual Reports can be sent by e-mail to their Members. Your Company believes that this is a remarkable and environment friendly initiative by MCA and requests all Members to support in this noble cause.

The Company has already embarked on this initiative and proposes to send documents including Annual Reports in electronic form, to the Members via email. The email addresses have been provided by the R&T Agent/the Depositories.

The Members who hold shares in physical form are requested to intimate/update their email address to the Company/R&T Agent while Members holding shares in demat form can intimate/update their email address to their respective Depository Participants.

Members are requested to further note that they will be entitled to be furnished, free of cost, the physical copy of the documents sent by e-mail, upon receipt of a requisition from them, any time.



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 himself / herself. A proxy need not be a member of the Company. Proxy form duly filled in should be deposited at the Company's registered office at least 48 hours before the commencement of the meeting.
2. Members/proxies are requested to bring their copies of Annual Report and the attendance slip duly filled in. Members holding shares in D-mat form shall write their Client ID and DP ID No. and those holding in Physical form to write their Folio No. in the attendance slip for attending the meeting. Copies of Annual Reports will not be provided at the meeting.
3. An explanatory statement pursuant to section 173(2) of the Companies Act, 1956 relating to items of Special Business to be transacted at the meeting is annexed hereto.
4. Voting by show of hands unless a poll is demanded by a member/members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution, or by those holding paid up capital of at least Rs 50,000/-. A proxy shall not vote except on poll.
5. The Register of Members and Share Transfer books of the Company will remain closed from September 21, 2011 to September 24, 2011 (both the days inclusive).
6. Members holding shares in physical form are requested to notify/send any change in their address and update the 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.
7. 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 October 03, 2011 to those members whose names appear on the Register of Members as on September 21, 2011. In respect of shares held in electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.
8. The Company has transferred the unpaid/unclaimed dividend to the "Investors Education and Protection Fund in December, 2010 for the financial year 2002-03. The Company will be transferring the unpaid/unclaimed dividend declared for the financial year 2003-04 in October 2011. Please note that once the unclaimed dividend is transferred to the aforesaid 'Investors Education and Protection Fund' of the Central Government, no claim shall lie in respect thereof. Last date for claiming the same is September 29, 2011. Shareholders who have not encashed the dividend warrant(s) so far, with regard to the final dividends for the financial years 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 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.
9. Additional information on the Directors seeking re-appointment at the ensuing Annual General Meeting.

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

Cmde Rao has specialized in Quality Assurance of Armament, Torpedoes and Missiles. He is a post graduate in Armament Technology and trained on Torpedoes in UK for 6 months. He was a faculty member at the Institute of Armament Technology for 3 years and served his last 4 years in the Navy in the Research & Development establishment to develop under water weapons before joining Bharat Dynamics Limited.

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

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

He is an Independent Director on the Board and holds 3000 Equity shares of the Company.

ANNEXURE TO THE NOTICE

Explanatory statement pursuant to section 173(2) of the Companies Act, 1956.

Item No 5.

Zen Technologies Ltd., was listed at Hyderabad Stock Exchange Limited on October 20, 2000. The company thereafter received permission from Bombay Stock Exchange, Mumbai to trade its securities under the "Permitted Securities" w.e.f October 25, 2004 and later in January 25, 2008, it was listed at Inter Connected Stock Exchange subsequent to derecognition of Hyderabad Stock Exchange.

The shares of the company were traded on BSE under permitted listing till March 22, 2011 and on March 23, 2011 the securities were listed under direct listing route with a new scrip code (533339). The liquidity of trading in the Company's shares at Interconnected Stock Exchange is nil.

With the equity shares of the Company being listed at Stock Exchange, Mumbai, it is hereby proposed to delist the securities at Inter Connected Stock Exchange as there is no trading activity carried on at present and also the company would be able to save the listing fee.

The SEBI (Delisting of Equity Shares) Regulations, 2009, Chapter III provides that a company may delist its equity shares from one or more recognized stock exchanges where they are listed and continue its listing on one or more other recognized stock exchanges subject to the condition that even after the proposed delisting, the equity shares would remain listed on any one recognized stock exchange and in such case no exit opportunity is required.

Our Company post delisting at Inter Connected Stock Exchange would continue to be listed on Bombay Stock Exchange, Mumbai and hence there is no need of exit opportunity.

The proposed delisting of Company's Equity Shares from Inter Connected Stock Exchange, as and when the same takes place, will not adversely affect the investors. Our Company post delisting at Inter Connected Stock Exchange would continue to be listed on BSE. The delisting will take effect after all approvals, permissions and sanctions are received.

Your Directors hereby recommend the special resolution for approval of members.

None of the Directors of the Company is, in any way, concerned or interested in the above resolution.

By order of the Board
for Zen Technologies Limited

Hyderabad
Date: August 10, 2011

Ritu Tiwary
Company Secretary



DIRECTORS' REPORT

To

The Members

Your Directors present to you their 18th Annual Report along with the Audited Accounts of the Company for the year ended March 31, 2011. The financial highlights of the Company are as follows:-

FINANCIAL PERFORMANCE

(Rs in Lakhs)

Particulars	2010-11	2009-10
Total Income	2509.03	5515.72
Total Expenditure	2584.87	3443.16
Operating Profit (PBIDT)	(75.84)	2072.56
Interest	126.23	39.65
Depreciation	91.41	58.88
Profit before tax	(293.48)	1974.03
Provision for Tax	99.28	285.65
Deferred Tax Liability	(185.19)	4.16
Profit after Tax	(207.58)	1684.22
Appropriations:		
Transferred to General Reserve	180.00	300.00
Proposed Dividend	133.33	399.98
Dividend Tax	21.63	66.43
Retained profit	-	917.81
Earning Per Share (Rs)(face value of equity share of Rs.10/- each) - Basic	(2.34)	19.39

RESULTS OF OPERATIONS

Your Company passed through a lean phase during the year under review because of delay in realizing the orders from customers due to which the income was Rs. 2509.03 lakhs as against Rs. 5515.72 lakhs for the previous year. Consequently, there was a net loss after tax of Rs. 207.58 lakhs as against profit of Rs. 1684.22 lakhs for the previous year. The orders were received at the end of the year and we expect to execute, at least, a part of these pending orders by the end of the next financial year.

Your Company is, however, hopeful that with a significant order size of Rs. 110 crores (previous year Rs.4.33 Crores), the next financial year is expected to be profitable.

DIVIDEND

Your Directors recommend a dividend of Rs. 1.50/- on the Equity Share of Rs. 10/- each of the Company for the financial year ended March 31, 2011. The dividend out flow will aggregate to Rs. 154.96 lakhs, including dividend tax.

APPROPRIATIONS

Your Company has transferred Rs 180.00 lakhs to the General Reserve as required under the Companies Act, 1956.

DEPOSITS

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

WORLD-CLASS OFFICE AT MAHESWARAM

The world-class 75,000 sft production facility built on the land allotted to us near Hyderabad International Airport is operational.

SUBSIDIARIES

ZEN TECHNOLOGIES FZE

Zen Technologies FZE, is a wholly owned subsidiary of the Company, registered in RAK Free Trade Zone, Ras Al Khaimah, U.A.E. During the year under review the Company has not done any business. The statement of Holding Company's interest in Subsidiary Company pursuant to Section 212(3) of the Companies Act 1956, is given in Annexure I, which forms part of this Report. Relevant details have been disclosed in the Consolidated Balance Sheet, as a part of Annual Report.

VERSION 2 GAMES LTD

Version 2 Games Ltd is a newly incorporated wholly owned subsidiary of the Company, registered in Andhra Pradesh, India. 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. Relevant details have been disclosed in the Consolidated Balance Sheet, as a part of Annual Report.

ACCOUNTS OF THE SUBSIDIARIES

Pursuant to the provisions of Section 212 of the Companies Act, 1956 (Act), documents in respect of the various subsidiaries viz., Directors' Report, Auditor's Report, Balance Sheet and Profit and Loss Account, are required to be attached to the Balance sheet of the holding company. However, in terms of the provisions of Section 212(8) of the Act, the Government of India, Ministry of Corporate Affairs, has vide letter No. 51/12/2007-CL-III dated February 08, 2011 granted exemption from the provisions of Section 212(1) of the Act. Accordingly, the annual report does not contain the financial statements of the subsidiaries of the Company, but contains audited consolidated financial statements of the Company and its Subsidiaries. However, the Company will make available the audited annual accounts and related detailed information of the subsidiaries to the shareholders upon request in accordance with the applicable law. These documents are also available for inspection at the Registered Office of the Company during business hours. The details of accounts of individual subsidiary companies will also be available on the website of the Company.

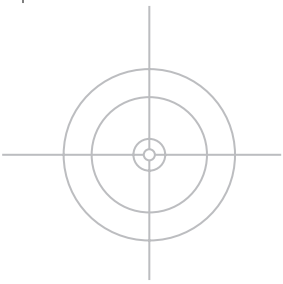
A statement of Company's interest in the subsidiaries and a summary of the financials of the subsidiaries are given along with the consolidated accounts.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Cmde. S. Rao, Director retires by rotation at the 18th Annual General Meeting and being eligible offers himself for re-appointment.

AUDITORS

M/s Gokhale & Co., Chartered Accountants, the Statutory Auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting. The Company is in receipt of confirmation from the Statutory Auditors that in the event of their 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



CORPORATE GOVERNANCE

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 is annexed to this report.

EMPLOYEE STOCK OPTION SCHEME (ESOS)

Your Company believes that its greatest strength is its human resources and it is this resource, which makes your Company a force to reckon with in the highly competitive environment. Accordingly, the Company has instituted an Employee Stock Option Scheme viz. ESOS 2004 by means of a special resolution passed by the members at the Tenth Annual General Meeting held on September 30, 2003, for the employees including Directors. Pursuant to the provisions of Clause 12 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, the required disclosures regarding Employee Stock Options is set out as Annexure-III of this report. 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 10,000 options were granted to Mr. Vishnu V Yarmaneni, Vice President (Finance) of the Company at market price but lapsed as he left the company before the vesting period.

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 March 31, 2011.

There were no employees who were in the Company's employment for whole or a part of the year and were in receipt of remuneration for any part of the financial year at a rate, at which the aggregate was not less than Rs 5,00,000/- 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 II) and forms part of this Report.
- B) Directors Responsibility Statement as required under Section 217(2AA) of the Companies Act, 1956 The Directors confirm that:
 - i) In the preparation of Annual Accounts, applicable accounting standards had been followed along with proper explanation relating to material departures.
 - ii) The accounting policies adopted are consistent and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2011 and of the profit of the Company for the year ended as on that date.
 - iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
 - iv) The annual accounts have been prepared on a going concern basis.

ACKNOWLEDGMENTS

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

For and on behalf of the Board

Hyderabad
August 10, 2011

Ashok Atluri
Chairman and Managing Director

ANNEXURE - I TO THE DIRECTORS' REPORT

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

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

(in Rupees)

1	Name of the Subsidiary Company	Zen Technologies FZE	Version 2 Games Ltd
2	The financial year of the Subsidiary Company ended	March 31, 2011	March 31, 2011
3	Holding Company's interest as at March 31, 2011		
	a) No. of Equity Shares held	1 Equity share of AED one lakh equivalent to Rs 12,08,470/-	5,00,000 Equity shares of Rs 1/- each Rs. 5,00,000
	b) Percentage of shareholding	100%	100%
4	The net aggregate amount of Profits/(Losses) of the Subsidiary so far as it concerns members of the Company		
	a) Dealt with in the Accounts of the Company		
	i) for the financial year of Subsidiary ended March 31, 2011	(1,92,983)	Nil
	ii) For previous financial years of the Subsidiary since it became subsidiary of the company	(6,039,209)	Nil
	b) Not dealt with in the Accounts of the Company		
	i) for the financial year of Subsidiary ended March 31, 2011	Nil	Nil
	ii) For previous financial years of the Subsidiary since it became subsidiary of the company.	Nil	Nil

ANNEXURE - II TO THE DIRECTORS' REPORT

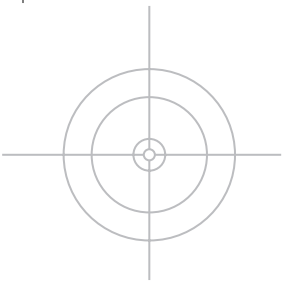
CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A. Conservation of Energy

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

B. Research and Development (R & D)

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



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

Significant efforts were put in for developing heavy equipment simulators, mission tracker and flight simulator.

b. Future plan of action

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

c. Expenditure on R & D

The Company has incurred Rs 806.80 lakhs as R & D expenditure for the financial year 2010-11 for the development of various products. Out of Rs 806.80 lakhs, Rs 786.60 Lakhs was for R&D Revenue expenditure and Rs 20.20 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

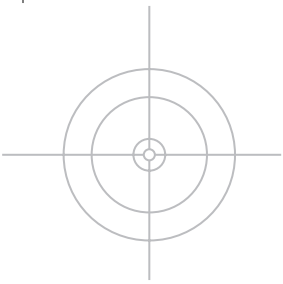
(Rs in Lakhs)

Particulars	2010-11	2009-10
Earned during the year	Nil	152.71
Used during the year	78.07	245.09

ANNEXURE - III TO THE DIRECTORS' REPORT

Disclosure pursuant to the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

S.No	Description	ESOP-2004
1	No. of shares available under the Scheme	3,81,500
2	Total No. of options granted & accepted during the year	10,000
3	Pricing formula	The closing prices for the Company's Equity shares quoted on the Bombay Stock Exchange on the day previous day of grant date
4	Options vested during FY 2010-11	Nil
5	Options exercised during FY2009-10	Nil
6	Options lapsed/refunded during FY 2009-10	10,000
7	Variations of terms of Options	Nil
8	Money realized by exercise of options	Nil
9	Grant Price	207.45
10	Total No. of options in force as on 31st March, 2011	Nil
11	Grant details to members of Senior Management Team-Mr. Vishnu Yarmaneni	10,000
12	No. of associates holding 5% or more of the total number of options granted during the year	Nil
13	No. of associates with 1% or more of paid up capital	Nil
14	Diluted EPS as per Accounting Standard 20	(2.34)
15	i) Method of calculation of employee compensation cost	The company has calculated the employee compensation cost using the intrinsic value of stock options
	ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of options	44,289
	iii) The impact of this difference on profits and on EPS of the company on current year profits (Amortized amount)	Profit (Loss) after Tax Rs.(lakhs) (207.57) Less: Additional Employee (for the year) compensation cost of Fair Value over Intrinsic value Rs (0.15) Adjusted PAT(loss) Rs. (207.72) Adjusted EPS (2.34)
	iv) Weighted average exercise price and fair value of stock options granted:	
	Weighted average exercise price (in Rs)	207.45
	Weighted average fair value (in Rs)	228.90
	Closing market price at BSE on the date of grant (in Rs)	207.45



	v) Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information.	The Black scholes option-pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since option-pricing models require use of substantive assumptions, Changes therein can materially affect fair value of options. The option pricing models do not necessarily provide a reliable measure of fair value of options.
	vi) The main assumptions used in the Black Scholes option pricing model during the year were as follows:- Risk free interest rate	7.00%
	Expected life of options from the date(s) of grant	3 years
	Expected volatility	1.11%
	Avg Dividend yield	2.31%

For and on behalf of the Board

Hyderabad
August 10, 2011

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 entering this field. There are very few established players in this field who pose threat to the Company now. But we expect the scenario to change and anticipate competition in the years to come. In Defence simulation, we have had competition from domestic as well as international players.

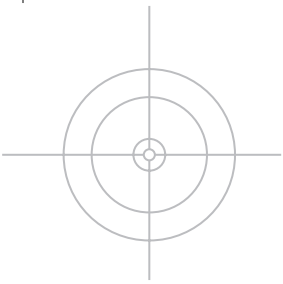
Indian defence has become one of the most attractive markets for foreign companies. The budget for Indian defence for the year 2011-12 is about US\$36.28 billion. Since the scope of business is huge, we expect new players to come in full force. However, only experienced players are expected to benefit more, because the barriers to the new players are many. 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 suitable products may find the lack of understanding of the process to be a serious barrier. Small and medium companies, especially foreign ones, will find it extremely difficult to undergo at least three years of procurement process to know the outcome. The cost to compete in the process is significantly high. With many bidders in the race, the uncertainty of winning the bid looms large to the potential bidders and, sometimes, the risk/reward ratio seems unattractive. Another complication for the foreign vendor is the Indian Defence's offset requirement for global purchases of over 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. In view of this, we have incorporated the offset clauses in the main objects of the company. We continue to be in discussions with a few companies of international repute to address this opportunity. These tie-ups are usually pre-bid and the offset proposal is submitted before the product evaluation starts. Even after tie-up it would take about 2-3 years to know the outcome of the bid - as only those who have tied up with bid-winning companies will be eligible to get the offset benefits.

Opportunities and threats

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

Your company has been exclusively focused on training simulators. The emphasis laid on training by the security forces has proved beneficial to your company. Your company continues to design and develop simulators with heavy focus on security forces in India. The opportunity size is, fortunately, growing and we expect to benefit from it. As expected State and Central police organizations continue to induct significant number of simulators. There was no income from exports during the year.



The company has been working on improving the simulators to the evolving needs of end-users.

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

Your company's plans to venture into Europe have been delayed due to the slow-down in Europe. However, we are still exploring options of entering that market with a local partner who could help us test those markets.

Subsidiary company

Version 2 Games Limited, during its first year of incorporation focused on the Intellectual Property- Smash 'n' Survive (SnS). Efforts were made to get SnS on as many platforms as possible. SnS was released on iPhone and iPad and the game was ported for Play Station Network (PSN) which is a new playing field for the majority of the game development companies. SnS will be available as digital downloadable game from PSN. The game will be quality checked by Sony Europe in the next financial year.

The Company is presently working on iPhone and iPad game called Splash 3D scheduled to be released in the first quarter of next financial year 2011-12. Simultaneously it is working on next PSN titled "Jay's Quest" to feature this game in Electronic Entertainment Expo (E3) in the financial year 2011-12. It is also creating a framework for a shooter on iPhone/iPad which is going to be first of its kind. There are 3 console, two Facebook and 5 iPhone ideas on table being evaluated internally.

The main aim of the Company is to attain expertise on all console platforms and get the approved developer status while focusing on building capabilities for Facebook and motion control enabled games.

Version 2 Games has created a lot of assets which can be reused in various projects like Various art work for city, interstate, vegetation and lot of code base to support networking, physics, sound etc which can be used across all the games. It is continuously identifying key areas where reusable assets can be created.

Its main emphasis is on understanding digital downloadable market, the tools required for it and reward system as Digital downloadable market is a thing of future and relatively new for all.

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

Dedicated Team

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

Short Development Project Cycle

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

Cross-disciplinary skills

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

Customer Acceptance

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

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 company will be embarking upon 'Lean' process journey starting next financial year. We expect this to help build very robust products and also, at the same time, give an opportunity to scale our operations when need arises.

Performance

Total Income during the year was Rs 25.09 Crores (previous year Rs 55.15 Crores), EBITDA (Rs 0.75 Crores) (previous year Rs 20.72 Crores) and PAT was (Rs. 2.07 Crores) (previous year Rs 16.84 Crores). Sales and Services of weapon simulators contributed Rs 5.26 Crores (previous year Rs 12.40 Crores) and non-weapon simulators Rs 6.81 Crores (previous year Rs 37.23 Crores). Other income during the year was Rs 7.67 Crores (previous year Rs 2.92 Crores) as a provision made on the sales made to Ministry of Defence for installation, training and maintenance expenses during the financial years 2008-09 & 2009-10 has been reversed to the extent of Rs 5.72 Crores and is reported under "Other Income" in current year. The remaining contribution was from activities consequential to the sale of simulators including after sales service, annual maintenance contracts and customization of the system, apart from interest. Some of the expected orders did not materialize as the customer evaluation took longer time than expected.

Products and the Market

The main markets are Police and Para-military Forces, Armed Forces, Government Departments (like Transport) and Civilian Market. The products of the company can be divided into 3 major categories viz. Land-based Military Simulators, Driving Simulators, and Mining and Special Equipment Simulators. Some of the land based simulators are 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). Driving simulators include Zen DTS and Zen Bus Simulator which are aimed at the civilian market. Special Equipment simulators include Dumper and Dozer simulators for mining applications.

Research and Development Efforts

Your Company continues its R & D efforts in two directions

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

We are also developing operational equipment for the Armed Forces which we intend to introduce during the next financial year.

Profit Margins and Cost Control Exercise

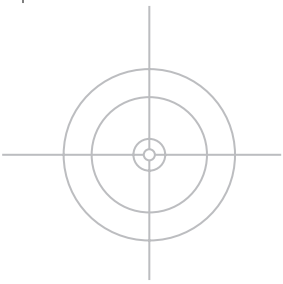
Cost-controlling is a way of life at Zen. Zenists abhor wastage of any kind and a keen sense of responsibility has been internalized. Profit margins are reasonable but may come under pressure in future when competition shows up.

Personnel Relationships

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

Outlook

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

The world-class 75,000 sft production facility built on the land allotted to us near Hyderabad International Airport is operational.

Risks and Concerns

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

Your company is committed to developing cutting-edge simulators for the security forces. These simulators have been typically developed with feedback from the end-users but with no commitment from them to buy the resulting system. Such a 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 a situation.

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

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

Internal Control Systems and their Adequacy

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

Human Resource Development

Zen's team strength stands at 220 members (previous year 233). There is a drop in the number of employees as about 26 employees were shifted to your company's subsidiary Version 2 Games Ltd. 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

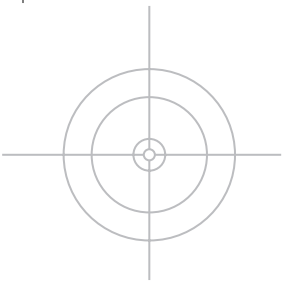
A. Composition

The Board of Directors of the Company consists of a majority of non-executive Directors. The Board has the composition of two executive Directors and four non-executive Directors. Four out of six are Independent Directors. The Chairman of the Board is an Executive Director. The constitution of the Board during 2010-11 is as under:

Name of the Director	Category	Date of Appointment	Number of Directorships in other Public Companies	Committee Membership as on date. (in other companies)	
				Member	Chairman
Mr. Ashok Atluri (Chairman and Managing Director)	Promoter & Executive Director	01-11-1994	1	Nil	Nil
Mr. M Ravi Kumar (Whole Time Director)	Promoter & Executive Director	29-06-1993	1	Nil	Nil
Mr. D Satish Babu	Independent Director	02-02-2004	Nil	Nil	Nil
Dr. P Kotaiah	Independent Director	17-01-2005	08	03	03
Cmdr Sarvotham Rao	Independent Director	30-03-2005	Nil	Nil	Nil
Mr. Utpal Sheth	Independent Director	30-06-2008	09	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 2010-11 the Board of Directors met 4 times on the following dates:

May 20, 2010	July 30, 2010	November 09, 2010	February 11, 2011
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The table hereunder gives the attendance record of the Directors at the Board Meeting held during the year 2010-11 and the last AGM held on September 07, 2010

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	4	Present
Mr. D. Satish Babu	4	4	Present
Dr. P. Kotaiah	4	4	Present
Cmde. S. Rao	4	3	Present
Mr. Utpal Sheth	4	1	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:

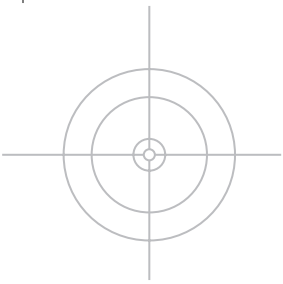
- Company's financial reporting process
- Quarterly and annual financial results of the Company
- Accounting and financial policies and practices
- Internal control and internal audit systems
- Risk management policies and practices
- Independence of auditors

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. Role of the Audit Committee:-

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of Statutory Auditors and fixation of audit fees
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors
4. Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Directors' Responsibility Statement to be included in the Directors' Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956
 - Changes, if any, in accounting policies and practices and reasons for the same
 - Major accounting entries involving estimates based on the exercise of judgment by management
 - Significant adjustments made in the financial statements arising out of audit findings
 - Compliance with listing and other legal requirements relating to financial statements
 - Disclosure of related party transactions
 - Qualifications in draft audit report
5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval
- 5A. Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for the purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter
6. Reviewing with the management, the performance of Statutory and Internal Auditors, adequacy of internal control systems
7. Reviewing the adequacy of internal audit function, reporting structure, coverage and frequency of internal audit
8. Discussion with Internal Auditors any significant findings and follow-up thereon



9. Reviewing the finding of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board
10. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern
11. To look into the reasons for substantial defaults in the payment to the shareholders (in case of non-payment of declared dividends) and creditors
12. To review the functioning of the whistle blower mechanism, in case the same is existing.
- 12A. Approval of appointment of CFO (i.e. ,the whole time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate
13. Carrying out such other function as may be specifically referred to the committee by the Board of Directors and/or other Committees of Directors of the Company

E. Meetings and Attendance

During the Financial Year 2010-11 the Audit Committee met 4 times on the following dates:

May 20, 2010	July 30, 2010	November 09, 2010	February 11, 2011
--------------	---------------	-------------------	-------------------

Attendance during year 2010-11:

Director/Member	Category	No . of meetings attended
Dr P. Kotaiah, Chairman	Independent, Non Executive	4
Cmde. Sarvotham Rao	Independent, Non Executive	3
Mr. D. Satish Babu	Independent, Non Executive	4

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 constituted Remuneration Committee comprising three Non-Executive Independent Directors. Cmde. S. Rao is the Chairman of the Committee and Dr. P. Kotaiah, Mr. D. Satish Babu are the members.

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

Remuneration paid to Directors for the Financial Year 2010-11

(in Rupees)

Name of the Director	Mr. Ashok Atluri	Mr. M. Ravi Kumar	Dr. P. Kotaiah	Cmde. Sarvotham Rao	Mr. D. Satish Babu	Mr. Utpal Sheth
Designation	Chairman Managing Director	Whole-time Director	Non Executive Independent Director	Non Executive Independent Director	Non Executive Independent Director	Non Executive Independent Director
Salary	14,39,636	10,79,911	—	—	—	—
HRA	5,65,716	4,28,571	—	—	—	—
Commission on profits	—	—	—	—	—	—
Sitting fee	-	-	1,60,000	1,20,000	1,60,000	20,000
Total	20,05,352	15,08,482	1,60,000	1,20,000	1,60,000	20,000

Shares held by Non executive independent Directors

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

v) Share Transfer and Investors' Grievance Committee

A. Composition

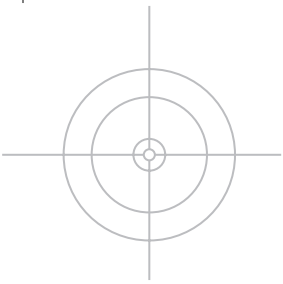
Your Company has constituted a Share Transfer and Investor Grievance Committee consisting of

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
- To consolidate and sub-division of share certificates etc.
- To redress, approve and dispose of any other complaint, transaction and request etc. received from any shareholder of the Company and investor in general



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 request in case of shares held in physical form.

Investor complaints received and resolved during the year 2010-11

Nature of Complaint	Received	Replied	Pending
Non Receipt of dividend	2	2	0
Correction/revalidation of dividend	5	5	0
Others	12	12	0
Pending Complaints	NIL		

Share transfers made during the year 2010-11

Sl.No.	No. of days taken	No. of transfers	No. of Shares
1.	01 – 15	1	100
2.	16 – 20	Nil	Nil
3.	21 – 30	Nil	Nil
4.	31 and above	Nil	Nil

vi) Plant Locations:

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

vii) Compensation Committee

Your company has constituted a compensation committee consisting of :

1. Mr. Ashok Atluri - Chairman
2. Mr. D. Satish Babu - Member
3. Dr P. Kotaiah - Member

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

The Committee met only once during the year on May 20, 2010 to approve the grant of 10,000 equity shares to Mr. Vishnu V Yarmaneni, Vice President (Finance) under ESOS-2004 at a market price of Rs 207.45/- per share. The vesting period as per ESOS-2004 is 24 months from the date of options awarded. Mr. Yarmaneni resigned from the office of Vice President in the month of February, 2011 and since the vesting period is 24 months from the date of options, the options so granted stands cancelled.

viii) General Body Meetings

The following are the details of General Body Meetings:

Financial Year	Date	Time	Venue	Nature of Special Resolutions, if any passed.
Annual General Meetings				
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, Special resolution was passed
2009-10	07-09-2010	9.30 a.m.	B - 42, Industrial Estate, Sanathnagar, Hyderabad - 500018	No Special Resolution was passed
Extraordinary General Meetings				
2007-08	19-02-2008	10.30 a.m.	B - 42, Industrial Estate, Sanathnagar, Hyderabad - 500018	Special Resolutions were passed with respect to the following matters:
				<ul style="list-style-type: none"> ■ Preferential allotment in terms of Section 81(1A)
				<ul style="list-style-type: none"> ■ Increasing Authorised Capital of the Company
				<ul style="list-style-type: none"> ■ Altering Capital clause of Articles of Association of the Company
<ul style="list-style-type: none"> ■ Deleting Article 35(b) of the Articles of Association of the Company 				

A special resolution for inclusion of 4 new objects in the Main objects of Memorandum of Association was put through postal ballot by dispatch of notice on March 30, 2011 during the financial year under report. Mr. T.T. Mahadev, a practicing Company Secretary, was appointed as a scrutinizer to conduct the postal ballot proceedings. The resolution was passed with majority on May 02, 2011. All the provisions of postal ballot under the Companies Act, 1956 were complied with.



ix) 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.zentechtechnologies.com

x) Disclosures

The Company has not entered into any transaction of material nature with related parties' i.e, Directors or Management or their relatives, conflicting with the Company's interest. The details of transactions considered to be related party transactions are given elsewhere in this Annual Report.

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

xi) Means of Communication

Quarterly un-audited financial results are published in leading newspapers viz., Business Standard and Andhra Prabha (Regional Newspaper). Results are forthwith announced to designated stock exchanges as per the proforma prescribed by the listing agreement. The annual audited accounts 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 this 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. 18th Annual General Meeting

Day & Date : Saturday, September 24, 2011
Time : 9.30 a.m.
Venue : B-42, Industrial Estate, Sanathnagar, Hyderabad - 500 018.

B. Financial Calendar 2011-12 (Tentative Schedule)

Annual General Meeting (Next year): August/Sept 2012

Adoption of Quarterly results for the Quarter ending	
June 30, 2011	Within 45 days from the end of quarter
September 30, 2011	Within 45 days from the end of quarter
December 31, 2011	Within 45 days from the end of quarter
March 31, 2012	Last week of May 2012.

C. Date of Book Closure

September 21, 2011 to September 24, 2011 (both days inclusive)

D. Dividend Payment Date

First Week of October, 2011

E. Listing on Stock Exchanges : Inter Connected Stock Exchange of India Ltd
: The Stock Exchange Ltd, Mumbai

The Equity Shares of the Company are listed on Inter-connected Stock Exchange of India Limited (ISE) and on the Stock Exchange Ltd, Mumbai. The Company confirms that it has paid annual listing fees to the Stock Exchanges for the year 2011-12 and the annual custodian fee to National Securities Depository Limited and Central Depository Services (India) Limited.

F. Stock Code

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

Electronic Connectivity

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

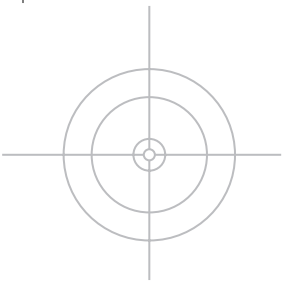
G. Market Price Data:

Inter-connected Stock Exchange of India Limited

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

Bombay Stock Exchange Limited

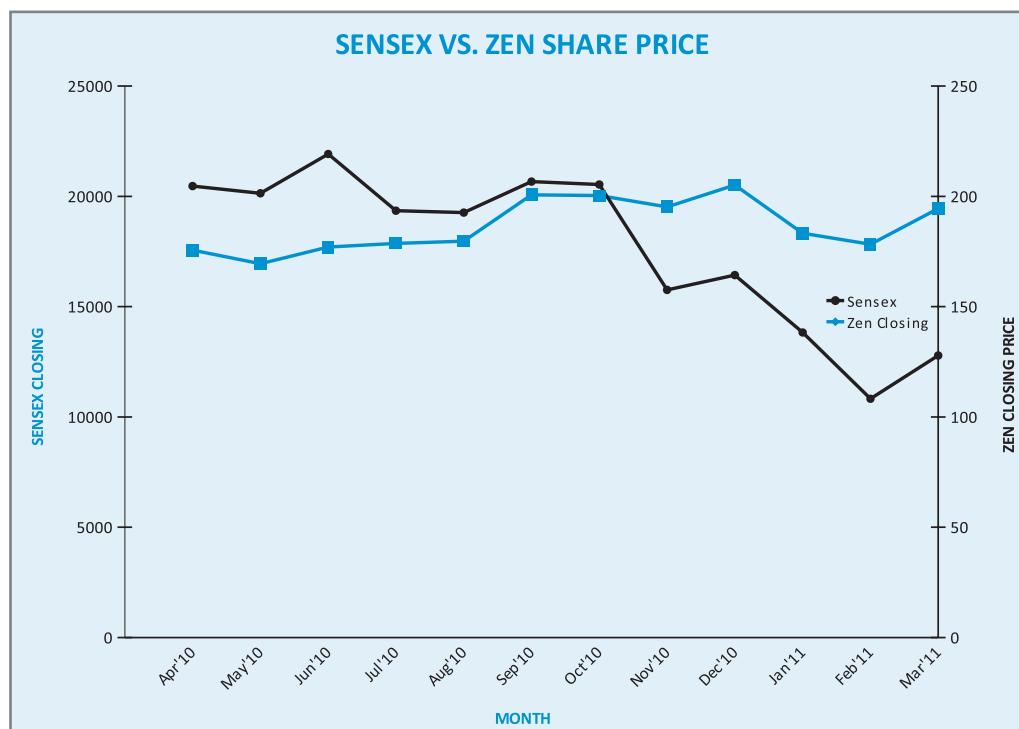
Month & Year	High (Rs.)	Low (Rs.)	Monthly Average (Rs.)
April 2010	206.90	177.00	191.95
May 2010	244.20	190.00	217.10
June 2010	244.00	188.00	216.00
July 2010	224.65	183.10	203.87
August 2010	232.00	176.25	204.12
September 2010	223.00	184.45	203.72
October 2010	226.00	192.60	209.30
November 2010	207.00	149.00	178.00
December 2010	195.00	138.00	166.50
January 2011	168.80	137.50	153.15
February 2011	142.00	103.05	122.52
March 2011	145.00	106.05	125.52



H. Liquidity of Shares

During the Financial Year under review 47,70,335 shares were traded on Bombay Stock Exchange Limited and the Value of Shares Traded is Rs 94,70,86,126/-.

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 - 30160225/333
Fax : 91- 40 - 40040554
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 prescribed time.

L. Distribution of Shareholding

Distribution of Shareholding as on March 31, 2011 is as follows:

Category (No. of Shares)		Number of Shareholders	Percentage	No. of Shares	Percentage
From	To				
Up to 500		4,175	84.58	5,81,517	6.54
501	1000	292	5.92	2,39,380	2.69
1001	2000	192	3.89	2,90,917	3.27
2001	3000	96	1.94	2,44,111	2.75
3001	4000	36	0.73	1,30,646	1.47
4001	5000	22	0.45	1,02,791	1.16
5001	10000	61	1.24	4,51,384	5.08
10001 and Above		62	1.26	68,47,686	77.04
TOTAL		4,936	100.00	88,88,432	100.00

M. Shareholding Pattern as on March 31, 2011:

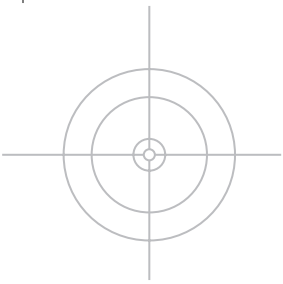
Sl.No.	Category	No. of shareholders	Total No. of Shares	% of Equity
1.	Promoters	19	44,76,934	50.37
2.	Central Govt./State Govt.	0	0	0.00
3.	Foreign Institutional Investors	1	4,000	0.05
4.	Bodies Corporate	217	6,12,469	6.89
5.	Resident Individuals	4,602	36,60,427	41.18
6.	NRI/OCB	97	1,34,602	1.51
	TOTAL	4,936	88,88,432	100.00

N. Dematerialisation of shares

As on March 31, 2011, 65,22,250 shares were dematerialized which constitute 73.38 % 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	175	23,66,182	26.62
2	NSDL	3,200	56,15,545	63.18
3	CDSL	1,603	9,06,705	10.20
	TOTAL	4,978	88,88,432	100.00



O. Address for Investor correspondence

Ritu Tiwary, 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 - 2335 4042
Email id : sta@sathguru.com

xii) Nomination Facility

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

xiii) Company's Policy on prevention of Insider Trading

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

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
August 10, 2011

Ashok Atluri
Chairman and Managing Director

Certification by Chief Executive Officer and Chief Financial Officer of the Company

We, Ashok Atluri, Chairman and Managing Director and Satyanarayana. S. General Manager-Finance of **ZEN TECHNOLOGIES LIMITED**, 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 March 31, 2011 and that to the best of our knowledge:
 - The statements do not contain any materially untrue or misleading statement or omit any material fact or contain statements that might be misleading
 - The statements present a true and fair view of Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations
2. To the best of our knowledge and belief, 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

Ashok Atluri
Chairman and Managing Director

Satyanarayana. S.
General Manager - Finance

Place : Hyderabad
Date : August 10, 2011



AUDITOR'S 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 March 31, 2011, 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

Hyderabad
August 10, 2011

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

AUDITOR'S REPORT

The Members
Zen Technologies Limited
Hyderabad

We have audited the attached Balance Sheet of Zen Technologies Limited, Hyderabad as at March 31, 2011 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, 2011 and taken on record by the Board of Directors, we report that, none of the directors is disqualified as on March 31, 2011 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, 2011
 - ii) In the case of the Profit & Loss Account, of the Loss of the company for the year ended on March 31, 2011; and
 - iii) In the case of the Cash Flow Statement of the Cash Flows for the year ended on March 31, 2011

Hyderabad
May 30, 2011

For Gokhale & Co
Chartered Accountants
Chandrashekhhar Gokhale
Partner
Membership No 23839
Firm Regn. No 000942S



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 of substantial part of its fixed assets during the year.
- (ii) Inventories have been physically verified during the year by the management and in our opinion the frequency of verification is reasonable. According to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. On the basis of our examination of the records the company is maintaining proper records of inventories and the discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The company has given advances to its wholly owned subsidiary Version 2 Games Limited and the balance outstanding as at the year end was Rs. 175.10 Lakhs. No interest has been charged on this amount and no repayment terms have been fixed. Apart from the above the company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (iv) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (v) In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of its goods and services.
- (vi) Transactions that need to be entered into a register in pursuance of Section 301 of the Act have been entered. In our opinion and based on information and explanations given to us transactions of the value of Rs 5 lakhs or more have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vii) The company has not accepted deposits from the public covered by the provisions of section 58 A of the Companies Act.
- (viii) The company has an internal audit system commensurate with its size and nature of its business.
- (ix) The company is not required to maintain any cost records under clause (d) of sub-section (1) of section 209 of the Act.
- (x) The company is regular in depositing its undisputed statutory dues. According to the explanations and information given to us there were no undisputed statutory dues including towards Investor Education and Protection Fund, Provident Fund, ESI, Income-tax, Sales-tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and other statutory dues outstanding for a period of more than six months from the date they became payable.
- (xi) The company had no accumulated losses but incurred cash loss during the financial year covered by our audit or in the immediately preceding financial year.

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

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

For Gokhale & Co
Chartered Accountants

Hyderabad
May 30, 2011

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

BALANCE SHEET AS AT MARCH 31, 2011

(in Rupees)

Particulars	Schedule	As at March 31	
		2011	2010
SOURCES OF FUNDS			
Share holders Funds			
Share Capital	1	88,884,320	88,884,320
Reserves & Surplus	2	698,702,866	787,587,186
Loan Funds :			
Secured Loans	3	131,043,303	167,680,392
Deferred Tax Liability	4	-	18,518,990
TOTAL		918,630,489	1,010,039,745
APPLICATION OF FUNDS:			
Fixed Assets	5	338,415,570	327,497,928
Less : Depreciation		56,514,908	46,423,310
Net Block		281,900,662	281,074,618
Add: Capital Work in progress		84,328,150	48,250,600
		366,228,812	329,325,218
Investments	6	1,708,470	1,208,470
Current Assets, Loans & Advances	7		
a. Inventories		45,427,305	31,264,275
b. Sundry Debtors		202,289,722	309,916,621
c. Cash and Bank Balances		274,264,478	413,675,512
d. Loans and Advances		133,411,730	102,377,217
		655,393,235	857,233,625
Less : Current Liabilities & Provisions	8		
Current Liabilities		64,465,476	75,206,188
Provisions		42,010,233	107,615,300
		106,475,709	182,821,488
Net Current Assets	9	548,917,526	674,412,137
Miscellaneous Expenditure (To the extent not written off or adjusted)		1,775,681	5,093,920
TOTAL		918,630,489	1,010,039,745
Notes forming part of the accounts	20		

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
Hyderabad
May 30, 2011

Ritu Tiwary
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(in Rupees)

Particulars	Schedule	For the Year ended March 31	
		2011	2010
INCOME			
Net Sales		174,124,542	522,342,184
Other Income	10	76,778,723	29,229,863
		<u>250,903,265</u>	<u>551,572,047</u>
EXPENDITURE			
Materials Consumed	11	64,002,575	92,789,137
Manufacturing Expenses	12	13,835,311	9,899,580
Selling and Distribution Expenses	13	19,027,941	21,284,729
Travelling Expenses	14	16,538,975	12,840,188
Payments and Benefits to Employees	15	34,475,234	30,339,668
R&D Expenses	16	78,660,550	87,110,289
Administrative & General Expenses	17	39,848,633	74,860,791
Interest & Financial Charges	18	12,623,287	3,964,582
(Increase)/Decrease in Stocks	19	(11,220,504)	11,873,186
Depreciation	5	9,140,851	5,888,496
Miscellaneous Expenses written off:			
Amortisation of R&D Exp. on Product development		3,318,240	3,318,240
		<u>280,251,093</u>	<u>354,168,886</u>
Profit/(Loss) before tax		(29,347,828)	197,403,161
Less : Provision for Income Tax:			
MAT Tax for current year		-	33,548,667
Excess MAT provision of 2008-09		-	(5,016,039)
Tax for earlier period		9,928,799	32,881
Deferred Tax Liability/ (Asset)		(18,518,990)	415,652
Profit/(Loss) after tax		(20,757,637)	168,422,000
Add : Opening Balance		378,172,971	286,392,574
		<u>357,415,334</u>	<u>454,814,574</u>
Transferred to General Reserve		18,000,000	30,000,000
Proposed Dividend		13,332,648	39,997,944
Dividend Tax		2,162,889	6,643,659
		<u>323,919,797</u>	<u>378,172,971</u>
Earning per Share of Rs. 10/- each			
		- Basic	(2.34)
		- Diluted	(2.34)
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
May 30, 2011

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole-Time Director

Ritu Tiwary
Company Secretary

SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	As at March 31	
	2011	2010
SCHEDULE-1		
Share Capital Authorised		
2,00,00,000 Equity Shares of Rs.10/- each	<u>200,000,000</u>	200,000,000
Issued, Subscribed & Paid up		
88,88,432 Equity Shares of Rs.10/- each fully paid up	<u>88,884,320</u>	<u>88,884,320</u>
	<u>88,884,320</u>	<u>88,884,320</u>
SCHEDULE-2		
Reserves & Surplus		
General Reserve	216,478,189	198,478,189
Profit & Loss A/c	323,919,797	378,172,971
Share Premium	<u>158,304,880</u>	<u>158,304,880</u>
	<u>698,702,866</u>	<u>734,956,040</u>
SCHEDULE-3		
Secured Loans		
Indian Bank -OD (Secured by way of pledge of Fixed Deposits)	102,649,725	68,983,805
Term Loan from Indian Bank (Secured by way of hypothecation of Fixed Assets)	<u>393,578</u>	<u>86,696,587</u>
TDB loan (Secured by way of hypothecation of Fixed Assets)	<u>28,000,000</u>	<u>12,000,000</u>
	<u>131,043,303</u>	<u>167,680,392</u>
SCHEDULE-4		
Deferred Tax Liability		
Opening Balance	18,518,990	18,103,338
Add/(Less): Provision for the year	<u>(18,518,990)</u>	<u>415,652</u>
	<u>-</u>	<u>18,518,990</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 March 31	2010	
											2011		
A Assets													
1	Land	-	38,618,991	-	-	38,618,991	-	-	-	-	-	38,618,991	38,618,991
2	Building - C Lok	1.63	487,791	-	-	487,791	69,141	7,951	-	77,092	-	410,699	410,699
3	Building - C Pally	1.63	4,651,498	-	-	4,651,498	151,847	75,819	-	227,666	-	4,423,832	4,918,301
4	Building - Maheswaram	1.63	163,565,330	4,922,651	-	168,487,981	226,437	2,666,335	-	2,892,772	-	165,595,209	163,338,893
5	Vehicles	9.5	17,429,869	1,200,000	2,751,103	15,878,766	6,189,151	1,634,651	1,869,752	5,980,555	-	9,898,212	11,240,719
6	Furniture & Fittings	6.33	4,052,953	178,643	-	4,231,596	769,632	253,735	-	1,023,367	-	3,208,229	3,283,342
7	Plant & Machinery	4.75	-	1,880,187	-	1,880,187	-	94,677	-	94,677	-	1,785,510	-
8	Office Equipment	16.21	10,215,807	1,624,282	-	11,840,089	5,057,221	1,555,286	-	6,612,506	-	5,227,582	5,158,586
9	Computers	16.21	9,035,656	1,611,977	-	10,647,633	3,449,825	1,526,580	-	4,976,405	-	5,671,228	5,585,831
10	Software	100.00	2,185,926	484,696	-	2,670,622	1,805,215	673,437	-	2,478,652	-	191,970	380,711
	Sub Total (A)		250,243,821	11,902,436	2,751,103	259,395,154	17,718,468	8,488,472	1,869,752	24,363,692		235,031,462	232,525,374
B Assets- R & D Division													
1	Land	-	5,150,020	-	-	5,150,020	-	-	-	-	-	5,150,020	5,150,020
2	Building -Sanathnagar R&D	1.63	27,664,809	-	-	27,664,809	1,927,198	450,936	-	2,378,135	-	25,286,675	25,737,611
3	Plant & Machinery	4.75	7,812,333	16,895	-	7,829,228	4,372,671	369,572	-	4,742,242	-	3,086,986	3,439,662
4	Testing Equipment	4.75	1,060,216	1,730,350	-	2,790,566	666,634	77,959	-	744,593	-	2,045,973	393,582
5	Computers	16.21	6,409,760	186,635	-	6,596,395	4,364,482	573,719	-	4,938,201	-	1,658,194	2,045,278
6	Software	100.00	9,935,918	33,412	-	9,969,330	9,874,958	87,873	-	9,962,831	-	6,499	60,960
7	Furniture & Fittings	6.33	3,853,150	-	-	3,853,150	1,086,117	243,359	-	1,329,475	-	2,523,675	2,767,033
8	Vehicles	9.50	818,169	-	-	818,169	233,391	77,726	-	311,117	-	507,052	584,778
9	Office Equipment	16.21	5,689,556	52,451	-	5,742,007	4,225,769	921,016	-	5,146,785	-	595,222	1,463,787
	Sub Total (B)		68,393,932	2,019,743	2,751,103	70,413,674	26,751,219	2,802,159	1,869,752	29,553,379		40,860,295	41,642,711
	Sub-total (A+B)		318,637,753	13,922,178	2,751,103	329,808,828	44,469,687	11,290,631	1,869,752	53,917,071		275,891,757	274,168,085
C Himachal Pradesh Unit													
1	Testing Equipment	4.75	1,581,367	-	-	1,581,367	155,118	75,115	-	230,233	-	1,351,134	1,426,249
2	Vehicles	9.5	89,400	-	-	89,400	14,823	8,493	-	23,316	-	66,084	74,577
3	Furniture & Fittings	6.33	1,060,757	149,269	-	1,210,026	135,753	80,043	-	215,796	-	994,230	925,004
4	Plant & Machinery	4.75	2,998,575	-	-	2,998,575	377,415	142,432	-	519,847	-	2,478,728	2,621,160
5	Office Equipment	16.21	380,935	-	-	380,935	90,143	61,750	-	151,892	-	229,043	290,792
6	Computers	16.21	1,751,938	-	-	1,751,938	578,262	283,989	-	862,251	-	889,687	1,173,676
7	Software	100	594,501	-	-	594,501	594,501	-	-	594,501	-	-	-
8	Shed	1.63	402,701	-	402,701	-	7,628	557	8,185	-	-	-	395,073
	Sub Total (C)		8,860,174	149,269	402,701	8,606,742	1,953,643	652,379	8,185	2,597,837		6,008,906	6,906,531
	Total (A+B+C)		327,497,927	14,071,447	3,153,804	338,415,570	46,423,310	11,943,010	1,877,937	56,514,908		281,900,663	281,074,616
	Previous year		157,078,528	172,608,970	2,189,570	327,497,928	37,801,551	8,880,316	258,557	46,423,310		281,074,618	119,276,976

SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	As at March 31	
	2011	2010
SCHEDULE-6		
Investments		
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
Investment in Version 2 Games Ltd (Wholly owned Subsidiary - 5,00,000 Equity Shares of face value of Rs. 1/- each)	500,000	-
	1,708,470	1,208,470
SCHEDULE-7		
Current Assets, Loans & Advances		
A. Inventories		
a) Raw Material	18,121,180	15,178,654
b) Finished Good	-	-
c) Work-in-Progress (As Valued and Certified by the Management)	27,306,125	16,085,621
SUB TOTAL (A)	45,427,305	31,264,275
B. Sundry Debtors (Unsecured and considered good)		
Outstanding for a period exceeding 6 months	147,192,246	140,421,807
Others	59,417,476	173,814,814
	206,609,722	314,236,621
Less: Provision for doubtful debts	4,320,000	4,320,000
SUB TOTAL (B)	202,289,722	309,916,621
C. Cash and Bank Balances		
Cash on hand	128,968	128,193
Balance with Scheduled Banks in		
Current Accounts	23,818,036	44,014,815
Deposit Accounts	250,317,474	369,532,504
SUB TOTAL (C)	274,264,478	413,675,512
D. Loans & Advances (Unsecured and considered good)		
Advance for purchases	19,962,882	30,215,221
Advances recoverable in cash or in kind or for value to be received	4,325,790	2,697,769
Loans and Advances	67,011,800	20,217,590
Input VAT/Service tax	2,332,273	3,523,519
Excise Duty-PLA deposit	-	764,484
Deposits	8,970,064	8,955,066
Prepaid Expenses	7,631,348	5,279,375
Advance Income Tax / Refundable	17,751,885	26,264,933
TDS	5,425,688	4,459,260
SUB TOTAL (D)	133,411,730	102,377,217
TOTAL (A+B+C+D)	655,393,235	857,233,625

SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	As at March 31	
	2011	2010
SCHEDULE-8		
Current Liabilities & Provisions		
A. Current Liabilities		
Sundry Creditors for goods		
Dues to small scale "Industrial undertakings	-	-
Others (purchases)	2,29,80,573	14,860,348
Other liabilities	2,882,699	12,235,480
Advances from Customers	7,846,284	731,294
Unclaimed Dividend	837,862	737,463
Duties & Taxes	14,422,521	-
Proposed Dividend	13,332,648	39,997,944
Dividend Tax	2,162,889	6,643,659
SUB TOTAL (A)	<u>64,465,476</u>	<u>75,206,188</u>
B. Provisions		
Provision for Staff Benefits	14,574,951	11,362,193
Other Provisions	27,435,282	96,253,107
SUB TOTAL (B)	<u>42,010,233</u>	<u>107,615,300</u>
TOTAL (A+B)	<u>106,475,709</u>	<u>182,821,488</u>
SCHEDULE-9		
Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
R & D Expenses	1,775,681	5,093,920
TOTAL	<u>1,775,681</u>	<u>5,093,920</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	For the Year ended March 31	
	2011	2010
SCHEDULE-10		
Other Income		
Interest Received	19,201,290	27,008,227
Foreign Exchange rate fluctuation	258,706	(173,174)
Rent Received	-	69,300
Long Term Capital Gain	-	2,302,500
Provision written back	57,281,820	-
Miscellaneous Income	36,907	23,010
	76,778,723	29,229,863
SCHEDULE-11		
Materials Consumed		
Opening Stock	15,178,644	7,388,815
Add: Purchases	66,945,111	100,578,966
	82,123,755	107,967,781
Less: Closing Stock	18,121,180	15,178,644
Material Consumed	64,002,575	92,789,137
SCHEDULE-12		
Manufacturing Expenses		
Electricity Charges	1,332,409	304,937
Salaries of Production team	6,174,341	6,763,971
Freight	631,220	1,326,542
System Installation & Maintenance	5,697,341	1,504,130
	13,835,311	9,899,580
SCHEDULE-13		
Selling and Distribution Expenses		
Business Promotion	8,017,918	10,251,530
Exhibition Expenses	2,758,776	8,683,635
Electricity Charges	23,662	13,776
Royalty	5,200,000	-
Hotel Boarding & lodging	1,304,882	-
Club expenses	350,673	-
Guest House Rent	-	108,000
Freight	1,372,030	2,227,788
	19,027,941	21,284,729

SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	For the Year ended March 31	
	2011	2010
SCHEDULE-14		
Travelling Expenses		
Domestic Travel		
Travel Expenses- Delivery	601,991	961,470
Travel Expenses- Demo	564,179	408,983
Travel Expenses- General	1,811,013	2,670,030
Travel Expenses- Installation	1,379,801	1,348,110
Travel Expenses- Servicing	7,049,522	2,196,051
Travel Expenses- Directors	790,961	912,810
Travel Expenses- Marketing	2,714,778	2,435,560
	<u>14,912,245</u>	<u>10,933,014</u>
Foreign Travel		
Travel Expenses- Directors	401,386	153,588
Travel Expenses- Others	1,225,344	1,753,586
	<u>1,626,730</u>	<u>1,907,174</u>
	<u>16,538,975</u>	<u>12,840,188</u>
SCHEDULE-15		
Payments & Benefits To Employees		
Salaries, Wages and Other Employee Benefits	33,396,398	29,497,621
Contribution to P F and E S I	1,078,836	842,047
	<u>34,475,234</u>	<u>30,339,668</u>
SCHEDULE-16		
R&D Revenue Expenses		
Travelling Expenses	3,460,463	2,316,835
Electricity Charges	1,356,358	1,212,985
Bonus & Gratuity	2,195,931	2,946,371
Salaries	34,014,020	30,152,732
Spares & Stores	29,160,670	35,316,826
Software	896,204	-
Depreciation	2,802,159	2,991,821
Consultancy fee	1,991,133	10,081,368
Employees Compensation Expenses	403,549	-
Freight	35,416	476,351
Exgratia	2,344,647	1,615,000
	<u>78,660,550</u>	<u>87,110,289</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

(in Rupees)

Particulars	For the Year ended March 31	
	2011	2010
SCHEDULE-17		
Administrative and General Expenses		
Rent	4,357,088	4,955,342
Rates & Taxes	7,050,965	1,671,095
Printing & Stationery	747,070	615,221
Postage & Telephone	2,752,126	2,962,676
Conveyance	1,458,081	1,246,621
Insurance	2,145,231	1,336,230
Audit Fees- Statutory Audit	140,000	110,000
Audit Fees- Internal Audit	120,000	120,000
Office Maintenance	4,738,991	7,337,129
Vehicle Maintenance	1,931,195	2,025,801
Directors Remuneration	3,540,949	9,692,664
Professional charges	4,531,799	3,873,303
Membership & Subscription	929,775	2,094,714
Advertisement	537,150	408,610
Loss On Sale of Assets	680,256	1,203,303
Listing Fee	55,000	-
Sitting fee	460,000	340,000
Incidental expenses	11,000	19,160
Donation	66,611	69,050
Excess provision of last year written back	-	(81,961)
Software Licence fee	2,978,671	937,175
Provision for doubtful debts/Advances	319,500	378,033
Provision for loss of investment in Subsidiary	187,675	6,044,509
Provision for Installation, Training, Warranty	-	27,355,770
CST 2007-08	-	146,346
Testing charges	109,500	-
	39,848,633	74,860,791
SCHEDULE-18		
Interest & Financial Charges		
Interest on Bank OD	5,166,745	1,405,447
Interest on TDB loan	1,399,993	464,795
Bank Charges, Commission	1,620,998	1,348,035
Interest on term loan	3,600,926	746,305
Interest - Others	834,625	-
	12,623,287	3,964,582
SCHEDULE-19		
(Increase)/Decrease In Stocks		
Opening Stock		
Finished Goods	-	1,251,503
Work in Progress	16,085,621	26,707,304
	16,085,621	27,958,807
Less : Closing Stock		
Finished Goods	-	-
Work in Progress	27,306,125	16,085,621
	27,306,125	16,085,621
	(11,220,504)	11,873,186

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:

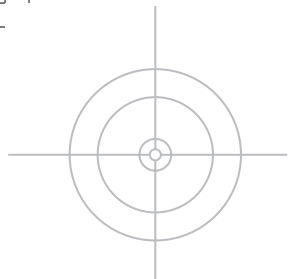
Stores, spare parts and Raw material are valued at cost, Work-in-Progress and Finished Goods are valued at cost of production or realizable value whichever is lower.

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 rate 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 2010-11. The amount recognized in the financial statements is given below:



(in Rupees)

		Gratuity 2010-11	Leave encashment 2010-11
I	Change in Present value of obligation.		
	PVO at beginning of the year	41,34,192	6,92,032
	Interest cost	3,24,920	55,363
	Current service cost	15,44,549	31,68,613
	Actuarial gain/(loss) on obligation	(7,88,736)	(30,46,007)
	PVO at the end of the period	69,57,699	8,70,001
II	Change in fair value of plan Assets		
	Fair value of plan Assets at beginning of period	28,65,055	Nil
	Expected return on plan Assets	3,48,366	Nil
	Contributions	20,29,842	Nil
	Benefits paid	(1,45,385)	Nil
	Actuarial gain/(loss) on obligation	4,599	-
	Fair value of plan at the end of the period	51,02,477	-
III	Net status of the Plan	18,55,222	-
IV	Net amount recognized	18,55,222	-

6. Sales

Sales exclude Sales Tax, Excise duty.

7. Research and Development Expenses:

R & D Revenue Expenditure is being charged to the Profit and Loss Account of the year in which it is incurred. The amount so charged in 2010-11 is Rs.786.61 (Previous year Rs. 871.10 lakhs) and this includes depreciation of Rs.28.02 lakhs (Previous year Rs.29.92 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 31st March 2011 was Rs 3.94 Lakhs.

The total interest of Rs.36.00 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 160.00 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 provision made on the sales made to Ministry of Defence for installation, training and maintenance expenses during the financial years 2008-09 & 2009-10 has been reversed to the extent of Rs 572.81 lakhs and is reported under "Other Income" in current year.
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 31st March 2011 is Rs. 8.37 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	2003-04	96,707
2	Oriental Bank of Commerce	2004-05	54,229
3	Oriental Bank of Commerce	2005-06	86,709
4	Oriental Bank of Commerce	2006-07	1,55,684
5	HDFC Bank	2007-08	1,28,103
6	HDFC Bank	2008-09	1,55,326
7	HDFC Bank	2009-10	1,61,104
	TOTAL		8,37,862

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	2010-11 (Rs.)	2009-10 (Rs.)
Statutory Audit & Tax audit fee	1,40,000	1,10,000
Internal Audit fee	1,20,000	1,20,000
Other Services	72,790	79,000
TOTAL	3,32,790	3,09,000

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

Particulars	2010-11		2009-10	
	Qty.	Value (Rs. in lakhs)	Qty.	Value (Rs. in lakhs)
Particulars of capacity				
Licensed Capacity	NA		NA	
Installed Capacity	NA		NA	
Actual Production				
Basic Systems	50		96	
Software sets	24		94	
Sales and Stock				
Sales				
Basic Systems	50	823.20	100	969.20
Software Sets	24	612.00	94	3994.45
Opening stock (System)				
Basic Systems			4	12.52
Closing Stock (System)				
Basic Systems				

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

(Rs. in lakhs)

Particulars	2010-11		2009-10	
	Value	%	Value	%
Indigenous raw material and stores	640.03	100%	927.89	100%
Imported stores	-	-	-	-
TOTAL	640.03	100%	927.89	100%

25. Contingent Liabilities:

Particulars	2010-11	2009-10
Contingent Liabilities in respect of Bank Guarantees	Rs.500 lakhs	Rs.533.17 lakhs

26. Fixed Deposits under Cash and Bank balances includes:

Particulars	2010-11	2009-10
Lodged as security with authorities	Rs. 500	Rs.500
Towards margin money deposits for Overdrafts	Rs.19,00,00,000	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	2010-11	2009-10
1.	Directors' Remuneration •		
	Chairman & Managing Director		
	Salary and other allowances	20,05,352	26,25,000
	Other perquisites	-	-
	Commission	-	50,91,498
	Total	20,05,352	77,16,498
2.	Other Director		
	Salary and other allowances	15,08,482	15,50,000
	Other perquisites	-	4,00,000
	Others	-	-
	Total	15,08,482	19,50,000

- In view of inadequacy of profits, the minimum remuneration is paid for the year.

ii) Calculation of Managerial Remuneration to the Directors

(in Rupees)

Particulars	2010-11	2009-10
Profit before Income Tax		19,74,03,161
Add: Depreciation		58,88,496
Sitting Fee		3,40,000
LTA		-
Loss on Sale of assets		12,03,303
		20,48,34,960
Less: Depreciation		58,88,496
Interest/ Others Received		2,92,29,863
		16,97,16,601
Commission @ 3%		50,91,498

iii) Foreign Currency Expenses

(in Rupees)

Particulars	2010-11	2009-10
CIF Value of Imports		
Capital Goods	1,22,426	3,41,515
Raw materials and Components		
Stores and Spares	49,86,105	33,31,609
Foreign Travel (Exclusive of tickets Purchased)	98,134	8,17,431
Software	8,96,204	67,38,453
Exhibition Expenses	-	47,027
London office expenses	-	45,04,196
Consultancy	-	74,48,204
Internet Charges	21,487	11,756
Training Charges	8,51,789	4,98,861
Membership	2,90,859	3,241
Advance for Purchase	NIL	NIL
Others	5,40,025	7,67,513

- iv Remittance in Foreign Currency on Account of Dividends (Rs. in Lakhs) Nil Nil
- v Foreign Currency Earnings Nil 152.71
- vi Previous year's figures are regrouped and rearranged wherever necessary.
- vii Figures have been rounded off to the nearest rupee.

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

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: (in Rupees)

Sl. No.	Nature of Relation / Nature of Transactions	2010-11		2009-10	
		Amount of Transaction	Amount outstanding as on 31.03.2011	Amount of Transaction	Amount outstanding as on 31.03.2010
1	Key Management Personnel: Remuneration	Refer Note 26(i)	Nil	Refer Note 26(i)	Nil
2	Relatives of Key Management Personnel: Remuneration	Rs.14,32,000	Nil	11,19,590	Nil
3	Company in which the Relative of the Key Management personnel has Substantial Interest	Nil	Nil	Nil	Nil
4	Advance given to Version 2 Games Ltd, a Subsidiary	3,34,10,000	3,18,20,000	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 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 Hyderabad May 30, 2011		Ritu Tiwary Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Rs. in lakhs)

Particulars	As at March 31	
	2011	2010
A. Cash flow from the operations		
Net profit/loss before income tax	(293.48)	1974.03
Adjustments:		
Depreciation	119.43	88.80
Interest paid	126.23	39.65
Miscellaneous Expenses w/off	33.18	33.18
Provisions written back	(572.82)	0.00
Profit on sales of shares	0.00	(23.03)
Loss on sale of assets	6.80	12.03
Interest received	(192.01)	(270.08)
Operational profit before Working Capital	(479.19)	(119.45)
Adjustments:		
(Increase)/Decrease in Trade receivables	(772.67)	1854.58
(Increase)/Decrease in Inventories	1076.27	(921.66)
(Increase)/Decrease in other current assets	(141.63)	40.83
Increase/(Decrease) in current liabilities	(310.35)	103.35
Increase/(Decrease) in other current liabilities	(107.41)	(329.65)
Interest paid	150.75	(6.26)
Net cash flow from operations	667.63	(1113.39)
B. Cash flow from Investing Activities		
(Increase)/Decrease in Fixed Assets	(105.04)	741.19
(Increase)/Decrease in Fixed Assets	(126.23)	(39.65)
(Increase)/Decrease in CWIP	(231.27)	701.54
(Increase)/Decrease in Investments	(140.71)	(1726.09)
Interest received on deposits	5.95	7.27
Net Cash from investing activities	(360.78)	1227.28
C. Cash flow from Financing activities		
Increase/(Decrease) in Borrowings	(5.00)	69.07
Increase/(Decrease) in share capital	192.01	270.08
Increase/(Decrease) in share premium	(308.53)	(152.39)
Increase/(Decrease) in share warrant applications	(366.37)	511.00
MAT paid/Advance tax paid	0.00	33.44
Dividend paid	0.00	437.50
Dividend tax paid	(21.53)	(47.25)
Net Cash flow from financing activities	(399.98)	(384.93)
Net increase/decrease in Cash & Cash equivalents	(66.44)	(65.42)
Cash & Cash equivalents- Opening balance	(854.32)	148.86
Cash & Cash equivalents- Closing balance	(1394.12)	698.01

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

Ritu Tiwary
Company Secretary

Hyderabad
May 30, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details	
Registration No.	01-15939
State Code	1
Balance Sheet Date	31-Mar-11
II Capital Raised during the year	Rs.in (000)
Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL
Financial Institutions	NIL
III Position of modification and deployment of funds Rs.in (000)	
Total Liabilities	918,630
Total Assets	918,630
Sources of Funds	
Paid up Capital	88,884
Share Application Money	-
Secured Loans	131,043
Unsecured Loans	-
Deferred Tax Liability	-
Reserves & Surplus	698,702
Application of Funds	
Net Fixed Assets	281,901
Capital W.I.P.	84,328
Net Current Assets	548,918
Investments	1,708
Miscellaneous Expenditure	1,776
Accumulated Losses	-
IV Performance of the Company	Rs. In (000)
Turnover	174,125
Profit/(Loss) Before Tax	(29,348)
Profit/(Loss) After Tax	(20,758)
Earning Per share in Rs. (Annualised)	(2.34)
Dividend	Rs.1.50
V Generic name of Three Principal Products/Services of the Company	
(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
May 30, 2011

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole-Time Director

Ritu Tiwary
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 subsidiaries Version 2 Games Limited, India and Zen Technologies FZE, United Arab Emirates as at March 31, 2011 and the Profit and Loss Account as well as the Cash Flow statements 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 The financial statements of the company's wholly owned subsidiaries Version 2 Games Limited, India and Zen Technologies FZE, UAE have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of other auditors.

Subject to what is stated in Para No 1 above, 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.

On the basis of the information and explanations given to us and on the consideration of the audited financial statements of Zen Technologies Limited, audited statements of its wholly owned subsidiaries Version 2 Games Limited and Zen Technologies FZE, UAE 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 subsidiaries Version 2 Games Limited and Zen Technologies FZE, UAE as at March 31, 2011.
- b) the Consolidated Profit & Loss Account for the year ended March 31, 2011 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, 2011.

For Gokhale & Co
Chartered Accountants

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

Hyderabad
May 30, 2011

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011

(in Rupees)

Particulars	Schedule	As at March 31	
		2011	2010
SOURCES OF FUNDS			
Share holders Funds			
Share Capital	1	88,884,320	88,884,320
Reserves & Surplus	2	<u>698,702,867</u>	<u>728,870,419</u>
787,587,187			817,754,739
Loan Funds			
Secured Loans	3	131,043,303	167,680,393
Unsecured Loans		-	-
Deferred Tax Liability	4	-	18,518,990
TOTAL		918,630,490	1,003,954,122
APPLICATION OF FUNDS			
Fixed Assets	5	342,336,358	327,800,578
Less : Depreciation		<u>58,003,413</u>	<u>46,624,258</u>
Net Block		284,332,945	281,176,320
Add: Capital Work in progress		<u>84,328,150</u>	<u>48,250,600</u>
368,661,095			329,426,920
Investments	6	-	-
Current Assets, Loans & Advances	7		
a. Inventories		76,917,577	31,264,249
b. Sundry Debtors		202,289,721	309,916,621
c. Cash and Bank Balances		274,609,703	413,888,148
d. Loans and Advances		<u>118,216,803</u>	<u>102,472,699</u>
		<u>672,033,804</u>	<u>857,541,717</u>
Less : Current Liabilities & Provisions	8		
Current Liabilities		88,001,236	80,444,133
Provisions		<u>42,071,046</u>	<u>107,664,300</u>
		<u>130,072,282</u>	<u>188,108,433</u>
Net Current Assets		541,961,522	669,433,282
Miscellaneous Expenditure (To the extent not written off or adjusted)	9	8,007,873	5,093,920
TOTAL		918,630,490	1,003,954,122

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

Ritu Tiwary
Company Secretary

Hyderabad
May 30, 2011

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(in Rupees)

Particulars	Schedule	For the Year ended March 31	
		2011	2010
INCOME			
Sales		174,124,542	522,342,184
Other Income	10	76,933,477	29,911,910
		<u>251,058,019</u>	<u>552,254,094</u>
EXPENDITURE			
Materials Consumed	11	64,002,575	92,789,137
Manufacturing Expenses	12	13,835,311	9,899,580
Selling and Distribution Exp	13	19,966,010	21,284,729
Travelling Expenses	14	16,716,474	12,840,188
Payments and Benefits to Employees	15	42,251,711	30,400,918
R&D Expenses	16	78,660,550	87,110,289
Administrative & General Expenses	17	61,498,330	75,124,178
Interest & Financial Charges	18	12,631,996	3,964,582
(Increase)/Decrease in Stocks	19	(42,710,776)	11,873,186
Depreciation	5	10,428,407	5,972,813
Miscellaneous Expenses written off			
Amortisation of R&D Exp. on Product development		3,318,240	3,318,240
		<u>280,598,829</u>	<u>354,577,840</u>
Profit/(Loss) before tax		(29,540,810)	197,676,254
Less : Provision for Income Tax			
MAT Tax for current year		-	33,595,079
Excess MAT provision of 2008-09		-	(5,016,039)
Tax for earlier period		9,928,799	32,881
Deferred Tax Liability/ (Asset)		(18,518,990)	415,652
Profit/(Loss) after tax		(20,950,619)	168,648,680
Add : Opening Balance		372,133,762	280,080,273
		<u>351,183,143</u>	<u>448,728,953</u>
Transfer to General Reserve		18,000,000	30,000,000
Proposed Dividend		13,332,648	39,997,944
Dividend Tax		2,162,889	6,643,659
		<u>317,687,606</u>	<u>372,133,762</u>
Earning per Share of Rs.10/- each			
- Basic		(2.36)	19.42
- Diluted		(2.36)	18.97
Notes forming part of the accounts	20		

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

Ritu Tiwary
Company Secretary

Hyderabad
May 30, 2011

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(in Rupees)

Particulars	As at March 31	
	2011	2010
SCHEDULE-1		
Share Capital Authorised		
2,00,00,000 Equity Shares of Rs.10/- each	200,000,000	200,000,000
Issued, Subscribed & Paid up		
88,88,432 Equity Shares of Rs.10/- each Fully Paid Up	88,884,320	88,884,320
	<u>88,884,320</u>	<u>88,884,320</u>
SCHEDULE-2		
Reserves & Surplus		
General Reserve	216,478,189	198,478,189
Profit & Loss A/c	323,919,798	372,087,350
Share Premium	158,304,880	158,304,880
	<u>698,702,867</u>	<u>728,870,419</u>
SCHEDULE-3		
Secured Loans		
Indian Bank -OD (Secured by way of pledge of Fixed Deposits)	102,649,725	68,983,806
Term Loan from Indian Bank (Secured by way of hypothecation of Fixed Assets)	393,578	86,696,587
TDB loan (Secured by way of hypothecation of Fixed Assets)	28,000,000	12,000,000
	<u>131,043,303</u>	<u>167,680,393</u>
SCHEDULE-4		
Deferred Tax Liability		
Opening Balance	18,518,990	18,103,338
Add/(Less) : Provision for the year	(18,518,990)	415,652
	<u>-</u>	<u>18,518,990</u>

SCHEDULE-5 Fixed Assets

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(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 March 31	2010	
											2011		
A Assets													
1	Land	-	38,618,991	-	-	38,618,991	-	-	-	-	-	38,618,991	38,618,991
	Building - C Lok	1.63	487,791	-	-	487,791	7,951	-	-	77,092	-	418,650	418,650
3	Building - C Pally	1.63	4,651,498	-	-	4,651,498	75,819	-	-	227,666	-	4,423,832	4,499,651
4	Building - Maheswaram	1.63	163,565,330	4,922,651	-	168,487,981	2,666,335	-	-	2,892,772	-	165,595,209	163,338,893
5	Vehicles	9.5	17,429,869	1,200,000	2,751,103	15,878,766	1,634,651	-	1,843,085	5,980,555	-	9,898,212	11,240,719
6	Furniture & Fittings	6.33	4,052,953	178,643	-	4,231,596	253,735	-	-	1,023,367	-	3,208,229	3,283,342
7	Plant & Machinery	4.75	-	1,880,187	-	1,880,187	94,677	-	-	94,677	-	1,785,510	-
8	Office Equipment	16.21	10,215,807	1,624,282	-	11,840,089	5,057,221	1,555,286	6,612,506	5,227,582	-	5,158,586	5,158,586
9	Computers	16.21	9,035,656	1,611,977	-	10,647,633	3,449,825	1,526,580	4,976,405	5,671,228	-	5,885,840	5,885,840
10	Software	100.00	2,185,926	529,696	-	2,715,622	1,805,215	673,437	2,478,652	236,970	-	380,711	380,711
	Sub Total (A)		250,243,822	11,947,436	2,751,103	259,440,155	17,718,468	8,488,471	1,843,085	24,363,691	235,076,464	232,525,383	232,525,383
B Assets- R & D Division													
1	Land	-	5,150,020	-	-	5,150,020	-	-	-	-	-	5,150,020	5,150,020
2	Building -Sanathnagar R&D	1.63	27,664,809	-	-	27,664,809	1,927,198	-	-	2,378,135	-	25,286,675	25,737,611
3	Plant & Machinery	4.75	7,812,333	16,895	-	7,829,228	4,372,671	369,572	4,742,242	3,086,986	-	3,439,662	3,439,662
4	Testing Equipment	4.75	1,060,216	1,730,350	-	2,790,566	666,634	77,959	744,593	2,045,973	-	393,582	393,582
5	Computers	16.21	6,409,760	186,635	-	6,596,395	4,364,482	573,719	4,938,201	1,658,194	-	2,045,278	2,045,278
6	Software	100.00	9,935,918	33,412	-	9,969,330	9,874,958	87,873	9,962,831	6,499	-	60,960	60,960
7	Furniture & Fittings	6.33	3,853,150	-	-	3,853,150	1,086,117	243,359	1,329,475	2,523,675	-	2,767,033	2,767,033
8	Vehicles	9.50	818,169	-	-	818,169	233,391	77,726	311,117	507,075	-	584,778	584,778
9	Office Equipment	16.21	5,689,556	52,451	-	5,742,007	4,225,769	921,016	5,146,785	595,222	-	1,463,787	1,463,787
	Sub Total (B)		68,393,932	2,019,743	2,751,103	70,413,674	26,751,219	2,802,159	29,553,379	40,860,295	41,642,711	41,642,711	41,642,711
	Sub-total (A+B)		318,637,754	13,967,178	2,751,103	329,853,829	44,469,687	11,290,630	1,843,085	53,917,070	275,936,759	274,168,096	274,168,096
C Himachal Pradesh Unit													
1	Testing Equipment	4.75	1,581,367	-	-	1,581,367	155,118	75,115	-	230,233	-	1,351,134	1,426,249
2	Vehicles	9.5	89,400	-	-	89,400	14,823	8,493	-	23,316	-	74,577	74,577
3	Furniture & Fittings	6.33	1,060,757	149,269	-	1,210,026	135,753	80,043	-	215,796	-	925,004	925,004
4	Plant & Machinery	4.75	2,998,575	-	-	2,998,575	377,415	142,432	-	519,847	-	2,621,160	2,621,160
5	Office Equipment	16.21	380,935	-	-	380,935	90,143	61,750	-	151,892	-	229,043	229,043
6	Computers	16.21	1,751,938	-	-	1,751,938	578,262	283,989	-	862,251	-	889,687	889,687
7	Software	100	594,501	-	-	594,501	594,501	-	594,501	-	-	-	-
8	Shed	1.63	402,701	-	402,701	-	7,628	557	8,185	-	-	395,073	395,073
	Sub Total (C)		8,860,174	149,269	402,701	8,606,742	1,953,643	652,379	8,185	2,597,836	6,008,906	6,906,531	6,906,531
	Total (A+B+C)		327,497,928	14,116,447	3,153,804	338,460,571	46,423,310	11,943,009	1,851,270	56,514,906	281,945,665	281,074,627	281,074,627
D Version 2 Games													
1	Computers	16.21	-	1,834,683	-	1,834,683	-	284,403	-	284,403	-	1,550,280	-
2	Office Equipment	16.21	-	416,019	-	416,019	-	47,490	-	47,490	-	368,529	-
3	Electrical Equipment	4.75	-	460,182	-	460,182	-	10,196	-	10,196	-	449,986	-
4	Software	100	-	862,262	-	862,262	-	862,262	-	862,262	-	-	-
	Sub Total (D)		-	3,573,146	-	3,573,146	-	1,204,351	-	1,204,351	-	2,368,795	-
	Total (A+B+C+D)		327,497,928	17,689,593	3,153,804	342,033,717	46,423,310	13,147,360	1,851,270	57,719,257	284,314,460	281,074,627	281,074,627
E Dubai													
1	Furniture & Fittings	25	102,253	-	-	102,253	68,263	28,354	-	96,617	-	5,636	33,990
2	Office Equipment	25	193,706	-	-	193,706	128,053	53,002	-	181,055	-	12,651	65,653
3	Computers	25	6,682	-	-	6,682	4,632	1,852	-	6,484	-	198	2,050
	Sub Total (E)		302,641	-	-	302,641	200,948	83,208	-	284,156	-	18,485	101,693
	Total (A+B+C+D+E)		327,800,569	17,689,593	3,153,804	342,336,358	46,624,258	13,230,568	1,851,270	58,003,413	284,332,945	281,176,320	281,176,320
	Previous Year		157,381,178	172,608,970	2,189,570	327,800,578	37,918,189	8,964,626	258,557	46,624,258	281,176,320	119,462,979	119,462,979

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(in Rupees)

Particulars	As at March 31	
	2011	2010
SCHEDULE-6		
Investments	-	-
	<u>-</u>	<u>-</u>
SCHEDULE-7		
Current Assets, Loans & Advances		
A. Inventories		
a) Raw Materials	18,121,180	15,178,628
b) Finished Goods	-	-
c) Work-in-Progress	58,796,397	16,085,621
(As Valued and Certified by the Management)		
SUB TOTAL (A)	<u>76,917,577</u>	<u>31,264,249</u>
B. Sundry Debtors		
(Unsecured and considered good)		
Outstanding for a period exceeding 6 months	151,512,246	140,421,807
Others	55,097,476	173,814,814
Less: Provision for doubtful debts	4,320,000	4,320,000
SUB TOTAL (B)	<u>202,289,722</u>	<u>309,916,621</u>
C. Cash and Bank Balances		
Cash on Hand	128,968	179,704
Balance with Scheduled Banks in:		
Current Accounts	24,163,261	44,077,572
Deposit Accounts	250,317,474	369,630,872
SUB TOTAL (C)	<u>274,609,703</u>	<u>413,888,148</u>
D. Loans & Advances		
(Unsecured and considered good)		
Advance for purchases	20,001,438	30,215,235
Advances recoverable in cash		
or in kind or for value to be received	4,337,087	2,697,769
Loans and Advances	49,501,790	20,313,057
Input VAT/Service tax	2,332,273	3,523,519
Excise Duty-PLA deposit	-	764,484
Deposits	11,235,294	8,955,066
Prepaid Expenses	7,631,348	5,279,376
IT refundable	-	25,820,388
Advance FBT	-	444,545
Advance Income Tax / Refundable	17,751,885	
TDS	5,425,688	4,459,260
SUB TOTAL (D)	<u>118,216,803</u>	<u>102,472,699</u>
TOTAL (A+B+C+D)	<u>672,033,805</u>	<u>857,541,717</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(in Rupees)

Particulars	As at March 31	
	2011	2010
SCHEDULE-8		
Current Liabilities & Provisions		
A. Current Liabilities		
Sundry Creditors for goods dues to small scale Industrial undertakings	-	-
Others (purchases)	3,94,45,991	14,860,348
Other liabilities	9,953,041	12,235,480
Advances from Customers	7,846,284	5,969,239
Unclaimed Dividend	837,862	737,463
Duties & Taxes	14,422,521	
Proposed Dividend	13,332,648	39,997,944
Dividend Tax	2,162,889	6,643,659
SUB TOTAL (A)	<u>88,001,236</u>	<u>80,444,133</u>
B. Provisions		
Provision for Staff Benefits	14,574,951	11,362,193
Other Provisions	27,496,095	96,302,107
SUB TOTAL (B)	<u>42,071,046</u>	<u>107,664,300</u>
TOTAL (A+B)	<u>130,072,282</u>	<u>188,108,433</u>
SCHEDULE-9		
Miscellaneous Expenditure (To the extent not written off or adjusted)	8,007,873	5,093,920
TOTAL	<u>8,007,873</u>	<u>5,093,920</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in Rupees)

Particulars	For the Year ended March 31	
	2011	2010
SCHEDULE-10		
Other Income		
Foreign Exchange rate fluctuation	413,460	508,505
Interest Received	19,201,290	27,008,595
Long Term Capital Gain	-	2,302,500
Provision written back	57,281,820	-
Rent Received	-	69,300
Miscellaneous Income	36,907	23,010
	<u>76,933,477</u>	<u>29,911,910</u>
SCHEDULE-11		
Materials Consumed		
Opening Stock	15,178,644	7,388,815
Add: Purchases	66,945,111	100,578,966
	<u>82,123,755</u>	<u>107,967,781</u>
Less: Closing Stock	18,121,180	15,178,644
Material Consumed	<u>64,002,575</u>	<u>92,789,137</u>
SCHEDULE-12		
Manufacturing Expenses		
Electricity Charges	1,332,409	304,937
Freight	631,220	1,326,542
Salaries of Production team	6,174,341	6,763,971
System Installation & Maintenance	5,697,341	1,504,130
	<u>13,835,311</u>	<u>9,899,580</u>
SCHEDULE-13		
Selling and Distribution Expenses		
Business Promotion	8,015,546	10,251,530
Club expenses	350,673	-
Electricity Charges	23,662	13,776
Exhibition Expenses	2,758,776	8,683,635
Freight	1,372,030	2,227,788
Guest House Rent	-	108,000
Hotel Boarding & lodging	1,307,254	-
Marketing Expenses	938,069	-
Royalty	5,200,000	-
	<u>19,966,010</u>	<u>21,284,729</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

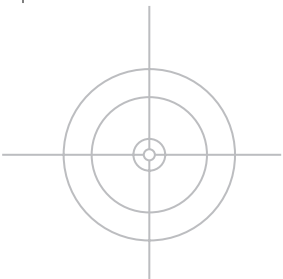
(in Rupees)

Particulars	For the Year ended March 31	
	2011	2010
SCHEDULE-14		
Travelling Expenses		
Domestic Travel		
Travel Expenses- Delivery	601,991	961,470
Travel Expenses- Demo	564,179	408,983
Travel Expenses- Directors	790,961	912,810
Travel Expenses- General	1,816,443	2,670,030
Travel Expenses- Installation	1,379,801	1,348,110
Travel Expenses- Marketing	2,714,778	2,435,560
Travel Expenses- Servicing	7,049,522	2,196,051
	<u>14,917,675</u>	<u>10,933,014</u>
Foreign Travel		
Travel Expenses- Directors	401,386	153,588
Travel Expenses- Others	1,397,413	1,753,586
	<u>1,798,799</u>	<u>1,907,174</u>
	<u>16,716,474</u>	<u>12,840,188</u>
SCHEDULE-15		
Payments & Benefits to Employees		
Salaries, Wages and Other Employees Benefits	41,172,875	29,558,871
Contribution to P F and E S I	1,078,836	842,047
	<u>42,251,711</u>	<u>30,400,918</u>
SCHEDULE-16		
R&D Revenue Expenses		
Bonus & Gratuity	2,195,931	2,946,371
Consultancy fee	1,991,133	10,081,368
Depreciation	2,802,159	2,991,821
Electricity Charges	1,356,358	1,212,985
Employees Compensation Expenses	403,549	-
Exgratia	2,344,647	1,615,000
Freight	35,416	476,351
Salaries	34,014,020	30,152,732
Software	896,204	-
Spares & Stores	29,160,670	35,316,826
Travelling Expenses	3,460,463	2,316,835
	<u>78,660,550</u>	<u>87,110,289</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in Rupees)

Particulars	For the Year ended March 31	
	2011	2010
SCHEDULE-17		
Administrative and General Expenses		
Advertisement	537,150	408,610
Audit Fees- Internal Audit	140,000	120,000
Audit Fees- Statutory Audit	131,030	159,000
Conveyance	1,458,081	1,246,621
Cost of Game under development	15,900,000	-
CST 2007-08	-	146,346
Directors Remuneration	3,540,949	9,692,664
Donation	66,611	69,050
Excess provision of last year written back	-	(81,961)
Incidental exp	11,000	19,160
Incorporation Expenses	438,606	-
Insurance	2,145,231	1,336,230
Listing Fee	55,000	-
Loss On Sale of Assets	680,256	1,203,303
Membership & Subscription	973,836	2,094,714
Office Maintenance	6,267,629	7,600,516
Postage & Telephone	2,920,357	2,962,676
Printing & Stationery	751,489	615,221
Professional charges	5,260,689	3,824,303
Provision for doubtful Debts/Advances	319,500	378,033
Provision for Installation, Training, Warranty	-	27,355,770
Provision for loss of investment in Subsidiary	187,675	6,044,509
Rates & Taxes	7,086,227	1,671,095
Rent	7,145,148	4,955,342
Sitting fee	460,000	340,000
Software Licence fee	2,978,671	937,175
Testing charges	109,500	-
Vehicle Maintenance	1,933,695	2,025,801
	<u>61,498,330</u>	<u>75,124,178</u>
SCHEDULE-18		
Interest & Financial Charges		
Bank Charges, Commission	1,629,707	1,348,035
Interest - Others	834,625	-
Interest on Bank OD	5,166,745	1,405,447
Interest on TDB loan	1,399,993	464,795
Interest on term loan	3,600,926	746,305
	<u>12,631,996</u>	<u>3,964,582</u>
SCHEDULE-19		
(Increase)/Decrease In Stocks		
Opening Stock		
Finished Goods	-	1,251,503
Work in Progress	16,085,621	26,707,304
	<u>16,085,621</u>	<u>27,958,807</u>
Less : Closing Stock		
Finished Goods	-	-
Work in Progress	58,796,397	16,085,621
	<u>58,796,397</u>	<u>16,085,621</u>
	<u>(42,710,776)</u>	<u>11,873,186</u>



SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED ACCOUNTS

SCHEDULE - 20

1. Basis of Financial Statements

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.

The Company generally follows Mercantile System of Accounting and recognizes significant items of Income and Expenditure on accrual basis.

2. The Company owns two 100% subsidiaries, Zen Technologies FZE incorporated in UAE and Version 2 Games Limited incorporated in India.

3. Principles of Consolidation

The consolidated financial statements present the accounts of the Company and its wholly owned subsidiaries Zen Technologies FZE, UAE and Version 2 Games Limited, India. The consolidation is based on the audited financial statements of Zen Technologies FZE, UAE, Version 2 Games Limited, India and Zen Technologies Limited, India for the year ended 31st March 2011.

The consolidated financial statements are prepared in Indian Rupees. The Indian Rupee is the functional currency of Zen Technologies Limited, Version 2 Games 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 2010-11 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 rate 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

R & D Revenue Expenditure is being charged to the Profit & Loss Account of the year in which it is incurred. The amount so charged in 2010-11 is Rs.786.60 lakhs(previous year Rs.871.10 lakhs) and this includes depreciation of Rs.28.02 lakhs (previous year 29.92 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 31st March 2011 was Rs.3.94 Lakhs

The total interest of Rs.36.00 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 160.00 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.

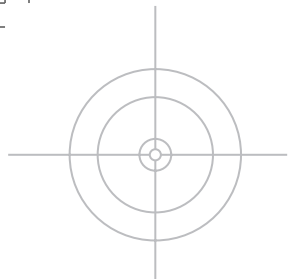
17. Out of the total advances made to Autostart Driving School Pvt Ltd., a provision has been made for 90% of the advance amount towards advances doubtful for recovery.

18. A provision made on the sales made to Ministry of Defence for installation, training and maintenance expenses during the financial years 2008-09 and 2009-10 has been reversed to the extent of Rs. 572.81 lakhs and is reported under other income in current year.

19. All fixed deposits were kept with Scheduled Banks only.

20. During the year the company has incurred an expenditure of Rs.806.80 lakhs on Research & Development (previous year Rs.874.15 lakhs) out of this R & D revenue expenditure is Rs.786.60 lakhs (previous year 871.10 lakhs) and R & D Capital expenditure is Rs.20.20 lakhs (previous year Rs.3.04 lakhs)

21. The unclaimed dividend amount for all the earlier financial years as on 31st March 2011 is Rs. 8.37 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	2003-04	96,707
2	Oriental Bank of Commerce	2004-05	54,229
3	Oriental Bank of Commerce	2005-06	86,709
4	Oriental Bank of Commerce	2006-07	1,55,684
5	HDFC Bank	2007-08	1,28,103
6	HDFC Bank	2008-09	1,55,326
7	HDFC Bank	2009-10	1,61,104
	TOTAL		8,37,862

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. There are no disclosures required to be made under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 as there is no outstanding amount remaining unpaid at the end of the year.
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	2010-11		2009-10	
		Amount Transaction	Amount outstanding as on 31.03.2011	Amount of Transaction	Amount outstanding as on 31.03.2010
1	Mr Ashok Atluri Key Management Personnel (Chairman and Managing Director) Remuneration	Rs.20,05,352	Nil	Rs..77,16,498	Nil
2	Mr Ravi Kumar Key Management Personnel (Whole-Time Director) Remuneration	Rs.15,08,482	Nil	Rs.19,50,000	Nil
3	Mr Kishore A.D. Relative of Key Management Personnel Remuneration	Rs.14,32,000	Nil	Rs.11,19,590	Nil
4	Company in which the Relative of the Key Management personnel has Substantial Interest	Nil	Nil	Nil	Nil
5	Advance given to Version 2 Games Ltd.	3,34,10,000	3,18,20,000	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 related to Subsidiary Companies

(in Rupees)

Funds Employed	March 31, 2011	March 31, 2011
1. Name of the Subsidiary	Zen Technologies FZE	Version 2 Games Ltd
2. Financial Period of the Subsidiary	April 01, 2010 to March 31, 2011	April 01, 2010 to March 31, 2011
3. Shares of the Subsidiary held by the Company on the above date	1 Equity Share of AED one lakh equivalent to Rs 12,08,470/-	5,00,000 Equity Shares of Rs 1/- each
Extent of holding	100%	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.		
• Not dealt with in the accounts of the Company for the period March 31, 2011:	Nil	Nil
• Dealt with in the accounts of the Company for the period March 31, 2011	(1,92,983)	Nil
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		
• Not dealt with in the accounts of the Company for the period March 31, 2011:	Nil	Nil
• Dealt with in the accounts of the Company for the period March 31, 2011	(62,32,192)	Nil

28. Summary of financial information of the Subsidiaries (in Rupees)

Funds employed	Zen Technologies FZE		Version 2 Games Ltd	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
A. Capital	12,08,470	12,08,470	5,00,000	-
B. Reserves	-	-	-	-
C. Liabilities	-	-	-	-
Secured Loans	-	-	-	-
Unsecured Loans	-	-	1,75,10,010	-
Deferred Tax Liability	-	-	-	-
Total Liabilities	-	-	1,75,10,010	-
D. Total Funds Employed	12,08,470	12,08,470	1,80,10,010	-
E. Assets				
Net Block(including Capital WIP)	18,485	1,01,693	23,68,795	-
Investments	-	-	-	-
Net Current Assets	(50,42,207)	(49,32,430)	1,56,41,215	-
Miscellaneous Expenditure (to the extent not written off)	-	-	-	-
Profit & Loss Account	62,32,192	60,39,209	-	-
Total Assets (net)	12,08,470	12,08,470	1,80,10,010	-
F. Turnover	-	-	-	-
G. Profit before Taxes	(1,92,983)	2,73,093	-	-
H. Provision for Taxation	-	-	-	-
I. Profit after Taxes	(1,92,983)	2,73,093	-	-
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
May 30, 2011

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole-Time Director

Ritu Tiwary
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Rs. in lakhs)

Particulars	As at March 31	
	2011	2010
A Cash Flow from the operations		
Net profit/loss before income tax	(295.41)	1976.76
Adjustments:		
Depreciation	132.30	89.65
Interest paid	126.32	39.65
Miscellaneous Expenses w/off	33.18	33.18
Provisions written back	(572.82)	0.00
Profit on sales of shares	0.00	(23.03)
Loss on sale of assets	6.80	12.03
Interest received	(192.01)	(270.09)
Operational profit before Working Capital	(761.64)	1858.15
Adjustments:		
(Increase)/Decrease in Trade receivables	1076.27	(921.66)
(Increase)/Decrease in Inventories	(456.53)	40.83
(Increase)/Decrease in other current assets	(157.44)	103.54
Increase/(Decrease) in current liabilities	75.57	(332.66)
Increase/(Decrease) in other current liabilities	150.89	(6.24)
	(72.88)	741.96
Interest paid	(126.32)	(39.65)
Net cash flow from operations	(199.20)	702.31
B. Cash flow from Investing Activities		
(Increase)/Decrease in Fixed Assets	(176.45)	(1726.09)
(Increase)/Decrease in Fixed Assets	5.95	7.27
(Increase)/Decrease in CWIP	(360.78)	1227.28
(Increase)/Decrease in Investments	0.00	69.07
Interest received on deposits	192.01	270.09
Net Cash from investing activities	(339.27)	(152.38)
C. Cash flow from Financing activities		
Increase/(Decrease) in Borrowings	(366.37)	511.00
Increase/(Decrease) in share capital	0.00	33.44
Increase/(Decrease) in share premium	0.00	437.50
Increase/(Decrease) in share warrant applications	0.00	(47.25)
MAT paid/Advance tax paid	(21.53)	(335.48)
Dividend paid	(399.98)	(384.93)
Dividend tax paid	(66.44)	(65.42)
Net Cash flow from financing activities	(854.32)	148.86
Net increase/decrease in Cash & Cash equivalents	(1392.79)	698.79
Cash & Cash equivalents-Opening balance	4138.88	3440.08
Cash & Cash equivalents-Closing balance	2746.09	4138.88

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

Ritu Tiwary
Company Secretary

Hyderabad
May 30, 2011

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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.

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

Name of First holder	<input style="width: 95%;" type="text"/>
Bank Name	<input style="width: 95%;" type="text"/>
Branch Name & Address	<input style="width: 95%;" 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"/> <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="checkbox"/> 10 <input type="checkbox"/>	<input type="checkbox"/> Current <input type="checkbox"/> 11 <input type="checkbox"/>	<input type="checkbox"/> Cash Credit <input type="checkbox"/> 13 <input type="checkbox"/>
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A/c.No. (as appearing on the cheque book) →

Active date of this Mandate →

I, hereby, declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, Zen Technologies Limited and 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 Wednesday, September 21, 2011. 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 18 Annual General Meeting of the members of the Company to be held on Saturday, September 24, 2011 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, 2011 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 2011		
3.	Re-appointment of Cmde. S. Rao, Director		
4.	Appointment of Gokhale & Co., Chartered Accountants as Statutory Auditors of the Company		
5	Special Business : Delisting of Equity Shares from Inter Connected Stock Exchange Ltd., Mumbai.		

As witness my hand / our hand(s) this day of 2011

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

(18th Annual General Meeting to be held on September 24, 2011 at 9.30 a.m.)

Name of the Shareholder : *DP ID No. :

Regd Folio No. : * Client ID No. :

No of Shares held :

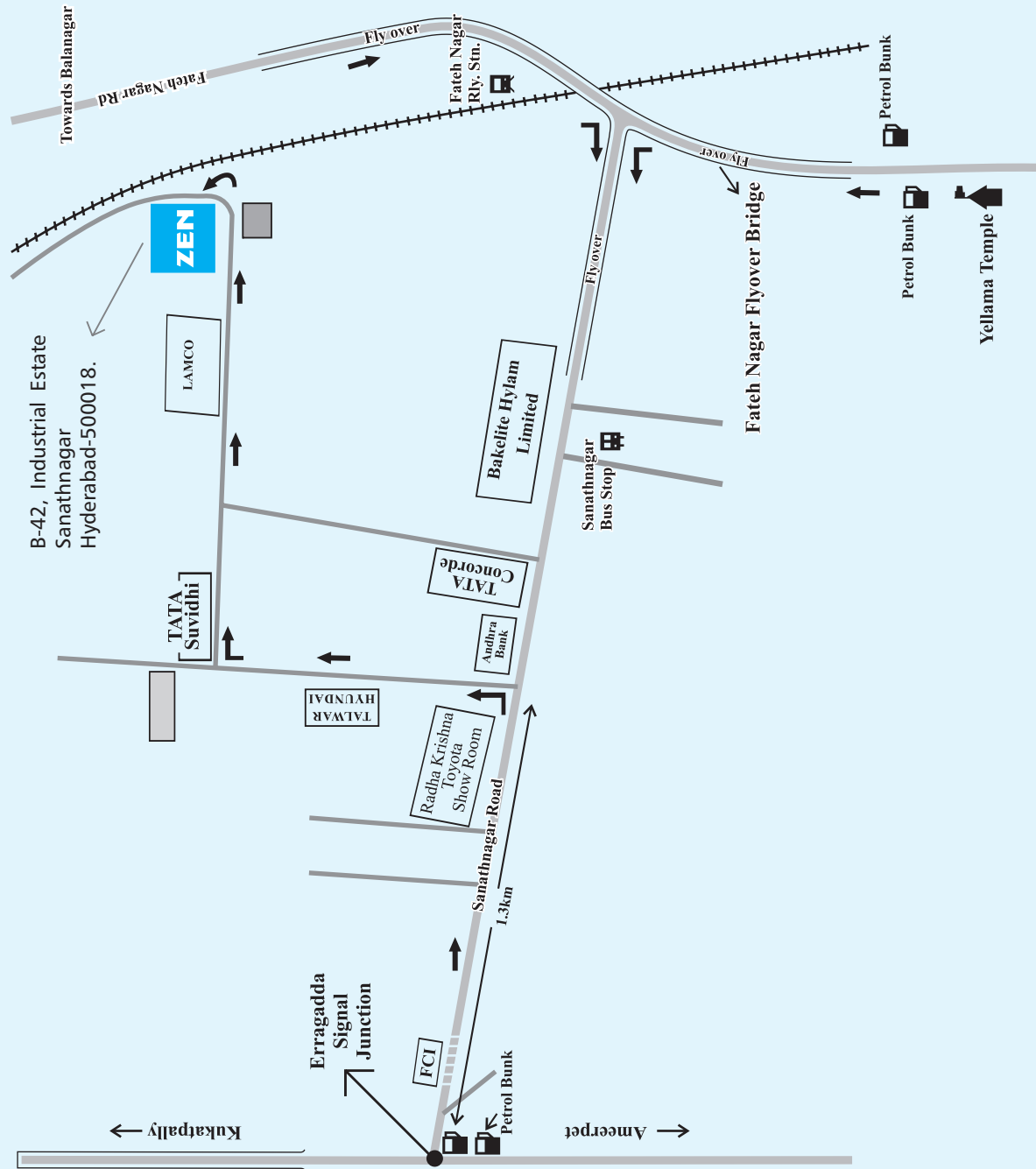
Signature of the Shareholder / Proxy



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

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