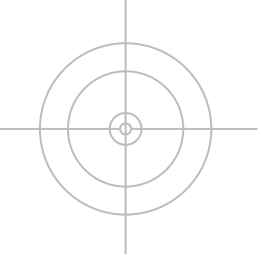


THE WAY IS IN THE TRAINING



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.

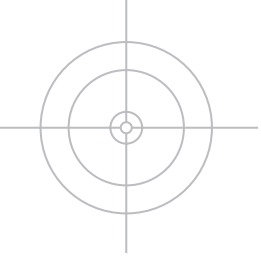
- FROM WEBSTER'S NEW WORLD DICTIONARY



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.

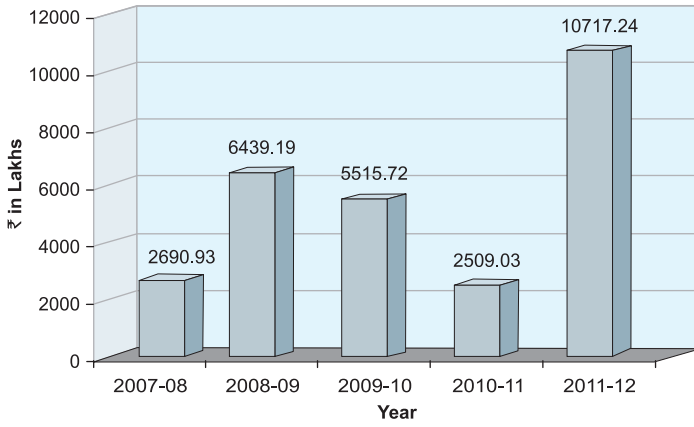
LIST OF PRODUCTS

- 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)
- Zen Smart Target System (Zen STS)
- Zen Multi Mode Hand Grenade (Zen MMHG)
- Zen Infantry Weapon Training Simulator (Zen IWTS)
- Zen Un-manned Aerial Vehicle Simulator (Zen UAV)

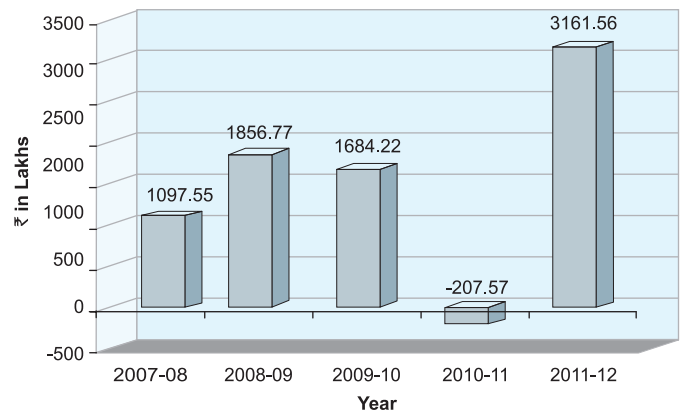


PERFORMANCE OF THE COMPANY AT A GLANCE

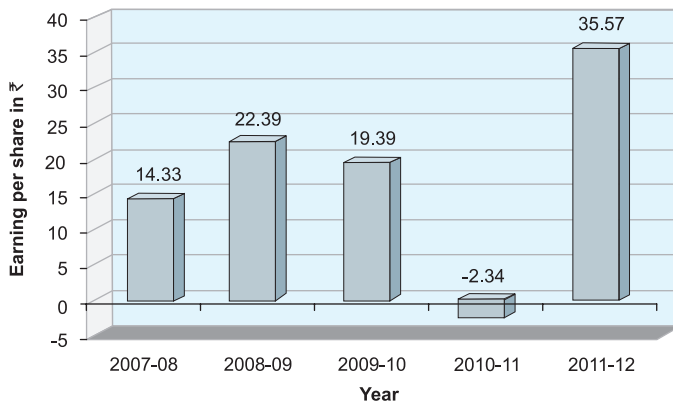
Total Income



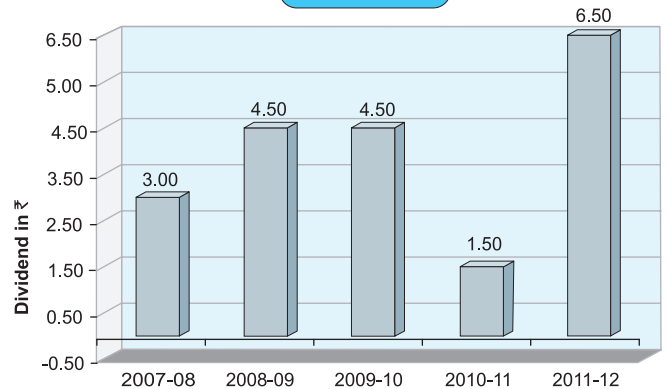
Profit after Tax

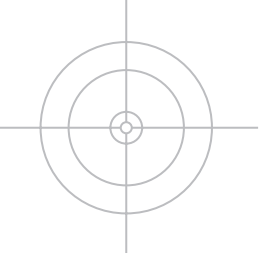


EPS



Dividend



**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
Cmde Sarvotham Rao	-	Director
Mr Davuluri Satish Babu	-	Director
Mr Utpal H Sheth	-	Director

President

A. Kishore Dutt

General Manager - Finance

Mr. Satyanarayana S

Company Secretary

M Amala (w.e.f . 2 July 2012)

Auditors

Gokhale & Co.,
Chartered Accountants
3-6-322, Off. 306, Mahavir House
Basheerbagh, Hyderabad-500 029.
Phone : +91- 40 - 23221167 / 23228874
e-mail : gokhaleandco@vsnl.net

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 and
Share Transfer
Agents**

Karvy Computershare Private Limited
Plot No. 17 to 24, Vithal Rao Nagar,
Madhapur, Hyderabad - 500 081.
Phone : +91- 40 - 44655000
Fax : +91- 40 - 23420814
Email id : einward.ris@karvy.com

Listed with

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 & Investors' Grievance Redressal Committee

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

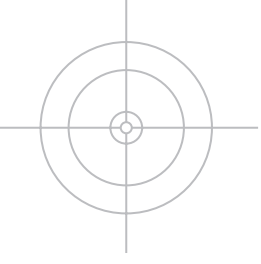
Remuneration Committee

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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* The ECS Mandate form, Proxy form, Attendance Slip and Road Map

NOTICE

Notice is hereby given that the 19 Annual General Meeting of the Company will be held on 27 September 2012 at 9.00 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 31 March 2012 and Statement of Profit and Loss 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 31 March 2012.
3. To resolve not to fill the vacancy for the time being in the Board caused by the retirement of Dr. Pamidi Kotaiah who retires by rotation and doesn't seek reappointment.
4. To appoint M/s Gokhale & Co. Membership 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.

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

Place: Hyderabad
Date: 3 August 2012

M. Amala
Company Secretary



NOTES:

1. A member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy or proxies to attend and to vote on a poll instead of himself / herself and such proxy need not be a member of the Company. The instrument appointing the Proxy should be duly filled in, stamped, signed and should be deposited at the Registered Office of the Company at least Forty Eight hours before the commencement of the meeting.
2. Members/proxies are requested to bring their copies of Annual Report and produce duly filled in attendance slip at the entrance of the Venue. Members holding shares in Demat form shall write their 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. Voting is 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 ₹ 50,000/-. A proxy shall not vote except on poll. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
4. The Register of Members and Share Transfer books of the Company will remain closed from 24 September 2012 to 27 September 2012 (both the days inclusive).
5. The International Securities Identification Number (ISIN) allotted to the Company's equity shares is INE251B01019. Trading in the equity shares of the Company through Stock Exchanges was made compulsory in dematerialized form. Shareholders are advised to open demat accounts with any of the Depository Participants (DPs) of their choice registered with NSDL and CDSL and convert their physical holding into electronic holding.
6. Members holding shares in electronic form are requested to intimate immediately any change in their address or bank mandates to their depository participants with whom they are maintaining their demat accounts, so as to enable the Company to dispatch dividend warrants to their correct address. Members holding shares in physical form are requested to notify/send any change in their address and bank account details to the Company / Registrar & Share Transfer Agents, M/s. Karvy Computershare Private Limited (Karvy).
7. The dividend as recommended by the Board of Directors for the year ended 31 March 2012, if declared at the meeting, will be payable to those members whose names appear on the Register of Members of the Company as on record date after giving effect to all valid share transfers in physical form which would be received by the Company upto the end of business hours on record date. In respect of shares held in electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.
8. Subject to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid/unclaimed dividend for the financial year 2003-04 in November 2011 to the "Investor Education and Protection Fund" (IEPF) established by the Central Government. The Company will be transferring the unpaid/unclaimed dividend declared for the financial year 2004-05 to IEPF in October 2012. Please note that once the unclaimed dividend is transferred to the aforesaid 'Investor Education and Protection Fund', no claim shall lie in respect thereof. Last

date for claiming the same is 29 September 2012. Shareholders who have not so far encashed the dividend warrant(s), with regard to the final dividends for the financial years 2005-06, 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11 are requested to either correspond with the Company's Registrar and Share Transfer Agent (Karvy) or the Company at its Registered Office.

9. Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a Certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
10. Non-Resident Indian Members are requested to inform Karvy, immediately of:
 - a. Change in their residential status on return to India for permanent settlement
 - b. Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the Bank with pin code number, if not furnished earlier.
11. The Register of Director's shareholdings shall be open for inspection to any Member of the Company during the period beginning fourteen days before the date of Company's Annual General Meeting and ending three days after the date of its conclusion. The said register shall also remain open and accessible during the Meeting to any person having right to attend the Meeting.
12. Relevant documents referred in the accompanying Notice will be available to the Members at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m. upto the date of the Meeting.
13. Investors are requested to note that in terms of SEBI Directives, in case of private transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of self-attested PAN Card to the Company/Karvy for registration of such transfer of shares. Without PAN Card, the transfer of shares shall not be entertained.
14. The Ministry of Corporate Affairs (MCA) has taken a Green Initiative in Corporate Governance by allowing paperless compliances by the Companies and has issued Circulars stating that service of notice / all documents including Annual Reports can be sent by e-mail to their Members. To support the 'Green Initiative' in the Corporate Governance and to contribute towards greener environment, we are sending all official documents to the email address provided by you with your depositories. We request you to register / update your e-mail addresses with Karvy, if shares are in physical mode or with your DP, if the holding is in electronic mode.
15. As per Section 255, 256 and other applicable provisions of the Companies Act, 1956, Dr. Pamidi Kotaiah, Director, retires by rotation at the ensuing Annual General Meeting and though eligible for reappointment has expressed his intention not to seek reappointment.

By order of the Board
For Zen Technologies Limited

Place: Hyderabad
Date: 3 August 2012

M. Amala
Company Secretary



DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 19 Annual Report along with the Audited Accounts of the Company for the year ended 31 March 2012.

FINANCIAL RESULTS

The financial performance of the Company is summarized below:-

(₹ in Cr)

Particulars	2011-12	2010-11
Total Income	107.17	25.09
Total Expenditure	64.75	25.52
Operating Profit (PBIDT)	42.42	(0.43)
Interest	1.90	1.26
Depreciation & Amortisation	1.10	1.25
Profit before tax	39.42	(2.93)
Provision for Tax	7.80	0.99*
Deferred Tax Liability	-	(1.85)
Profit after Tax	31.62	(2.08)
Appropriations:		
Transferred to General Reserve	10.00	1.80
Proposed Dividend	5.77	1.33
Dividend Tax	0.94	0.21
Retained profit	14.91	-
Earnings Per Share (₹) (face value of Equity share of ₹10/- each) - Basic	35.57	(2.34)

*Tax for earlier period

RESULTS OF OPERATIONS

During the year under review, your Company performed well with a total income of ₹ 107.17 Crores against ₹ 25.09 Crores during the previous year. The Net profit after tax is of ₹ 31.62 Crores against a net loss of ₹ 2.08 Crores for the previous year. In line with the profit, the Earnings per Share (EPS) has also considerably increased to ₹ 35.57 compared to previous year's negative EPS of ₹ 2.34.

The order book size as on 31 March 2012 is about ₹ 31.49 Crores as against ₹ 110 Crores for the previous year.

DIVIDEND

Your Directors have recommended a dividend of ₹ 6.50/- per Equity Share (65 percent) of face value of ₹ 10/- each of the Company for the financial year ended 31 March 2012, amounting to ₹ 671.16 lakhs, (including dividend tax of ₹ 93.69 lakhs). The dividend, if approved, at the ensuing Annual General Meeting will be paid to all eligible equity shareholders of the Company.

APPROPRIATIONS

Your Company has voluntarily transferred ₹ 10.00 Crores to the General Reserve, which is higher than the limits as prescribed under the Companies (Transfer of Profits to Reserves) Rules, 1975.

FIXED DEPOSITS

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

SUBSIDIARIES

ZEN TECHNOLOGIES FZE

Zen Technologies FZE, 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

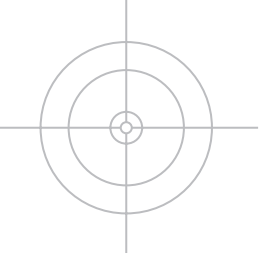
Due to very little strategic advantage and support that the Company has got locally and owing to the global economic slowdown, no significant operations had been carried on at Zen Technologies FZE, U.A.E, since its inception. Consequently the same was de-registered from RAK Free Zone and closed.

VERSION 2 GAMES LTD

Version 2 Games Ltd is a wholly owned subsidiary of the Company, registered in the State of Andhra Pradesh, India. During the year under review, the company released the SnS game in February 2012. However, the sales of the game were far below expectation. 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 (the 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 General Circular No. 2/2011 dated 08 February 2011 granted exemption from the provisions of Section 212(1) of the Act. Accordingly, the annual report does not contain the financial statements of the 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.



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 Sections 255, 256 and other applicable provisions of the Companies Act, 1956, Dr. Pamidi Kotaiah, Director of the Company retires by rotation at the 19 Annual General Meeting and though eligible for reappointment has not offered himself for reappointment. The vacancy in the Board caused by his retirement will not be filled up for the time being. The Members of the Board place on record their deep sense of appreciation and immense gratitude for the services rendered by Dr. Pamidi Kotaiah for being a valuable source to the Company as Director on the Board and Chairman of the Audit Committee.

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.

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

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.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read along with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of Directors Report for the year ended 31 March 2012.

The Employees who were in the Company's employment throughout the financial year and were in receipt of remuneration, which in the aggregate, was not less than ₹ 60,00,000/- for the year including perquisites, if any.

Name of the Employee	: Mr Ashok Atluri
Age	: 46 Years
Qualification	: B.Com, PGDACS
Designation	: Chairman and Managing Director
Nature of Employment	: Contract
Remuneration	: ₹ 1,36,42,888/-
Experience	: 18 Years
Date of commencement of employment	: 01-11-1994
Percentage of Equity shares held in the Company	: 27.14

There were no employees who were in the Company's employment for a part of the year and were in receipt of remuneration for any part of the financial year at a rate, which in the aggregate was not less than ₹ 5,00,000/- per month.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

Disclosures in terms of Companies (Disclosure of Particulars in report of the Board of Directors) Rules, 1988 in respect of Conservation of Energy, Technology Absorption, and Foreign Exchange Earnings & Outgo are provided in Annexure II and form part of this Report.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- i) In the preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31 March 2012 and of the profit of the Company for that period.
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The annual accounts have been prepared on a going concern basis.

ACKNOWLEDGMENTS

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

For and on behalf of the Board

Place: Hyderabad
Date: 3 August 2012

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 ₹)

1	Name of the Subsidiary Company	Zen Technologies FZE	Version 2 Games Ltd
2	The financial year of the Subsidiary Company ended	31 March 2012	31 March 2012
3	Holding Company's interest as at 31 March 2012		
	a) No. of Equity Shares held	Nil	5,00,000 Equity shares of ₹ 1/- each ₹ 5,00,000
	b) Percentage of shareholding	Nil	100%
4	The net aggregate amount of Profits/(Losses) of the Subsidiary so far as it concerns members of the Company		
	a) Dealt with in the Accounts of the Company		
	i) For the financial year of Subsidiary ended 31 March 2012	Nil	(1,83,030)
	ii) For previous financial years of the Subsidiary since it became subsidiary of the company	Nil	Nil
	b) Not dealt with in the Accounts of the Company		
	i) For the financial year of Subsidiary ended 31 March 2012	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.

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

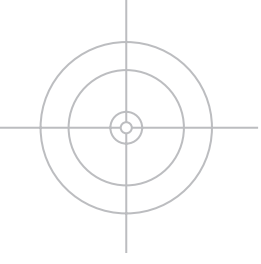
Significant efforts were put in for developing Combat Training Simulator System (CTSS), Smart Target System (STS), BMP II Integrated Missile Simulator (BMP - II IMS) and Un-manned Aerial Vehicle Simulator (UAV Sim).

2. Future plan of action

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

3. Expenditure on R & D

The Company has incurred ₹ 803.67 lakhs as R & D expenditure for the financial year 2011-12 for the development of various products. Out of ₹ 803.67 lakhs, ₹ 718.44 lakhs was for R&D Revenue expenditure and ₹ 85.23 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.	The Company has indigenously developed significant technologies that are useful in various products. The technologies nurtured within the Company have been incorporated into various products.
2	Benefits derived as a result of the above efforts e.g., product improvement, cost reduction.	We expect such technologies will give us an unbeatable edge in evolving our products into advanced, reliable, and robust simulators.
3.	Information about Technology imported	The Company has not imported any technology.

D. Foreign Exchange Earnings and Outgo

(₹ in Lakhs)

Particulars	2011-12	2010-11
Earned during the year	533.59	Nil
Used during the year	53.82	78.07

For and on behalf of the Board

Place: Hyderabad
Date: 3 August 2012

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, medicine, power plant, bridges, ships, entertainment and maintenance. This list is not exhaustive and as technology becomes more affordable, more and better applications will be available.

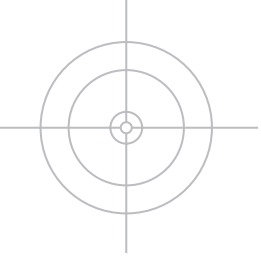
The Simulation Industry in India is showing signs of maturity with new players entering this field. There are very few established players in this field who pose threat to the Company now. But we expect the scenario to change and anticipate competition in the years to come. In Defence simulation, we have had competition from domestic as well as international players.

Indian defence has become one of the most attractive markets for foreign companies. The budget for Indian defence for the year 2012-13 is about US\$ 40.44 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. Difficult barriers include understanding the complex and stringent procurement process, long procurement cycle, No-Cost-No-Commitment basis of trials and customization of the product to suit Indian needs.

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

Another focus area that we will be working on is exports. During the current year, the earnings from export have been ₹ 533.59 lakhs. We expect that there is a significant export market and considerable efforts will be made to tap into this market.

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

Your company's plans to venture into Europe, as indicated last year, have been delayed due to the slow-down in Europe and we continue to be very cautious for further investment in that market as the gloomy predictions continue. However, the product that was developed for the European market has been helpful in the sales in the current year. We are still exploring options of entering that market with a local partner who could help us test those markets.

Subsidiary Companies

ZEN TECHNOLOGIES FZE

During the year under review, the Company has not done any business. Due to very little strategic advantage and support that the Company has got locally and owing to the global economic slowdown, no significant operations had been carried on at Zen Technologies FZE, U.A.E, since its inception. Consequently the same was de-registered from RAK Free Zone and closed.

VERSION 2 GAMES LTD

During the year under review, the Company launched its first digital downloadable game, Smash 'n' Survive (SnS). The sales of the game were far below expectation. Given the response, it was decided that Zen should not invest in the game business. Substantial expenditure incurred for the game business has been written off during the year. The Intellectual Property (IP) developed till now continues to vest with Version 2 Games Limited.

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 19 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

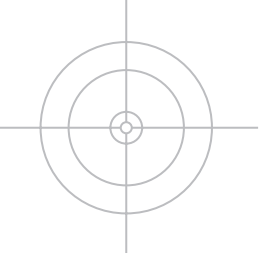
Zen's products rank as one of the best in their range. When we factor in the price at which your company has priced them, they become an unbeatable and compelling choice for customers. Significant progress has been made to improve the quality of simulators including the lean process being implemented within the company. This has helped us build very robust products and at the same time, the wherewithal to scale our operations.

Performance

Total Income during the year was ₹ 107.17 Crores (previous year ₹ 25.09 Crores), EBITDA ₹ 42.42 Crores (previous year ₹ 0.43 Crores) and PAT was ₹ 31.62 Crores (previous year net loss of ₹ 2.08 Crores). Sales and Services of weapon simulators contributed ₹ 88.17 Crores (previous year ₹ 5.26 Crores) and non-weapon simulators ₹ 10.92 Crores (previous year ₹ 6.81 Crores). Other income during the year was ₹ 5.35 Crores (previous year ₹ 7.68 Crores) as a provision made for bad and doubtful debts for the earlier years and provision made for loss in subsidiary has been reversed to the extent of ₹ 2.90 Crores and is reported under "Other Income" in current year. The remaining contribution was from interest on fixed deposits.

Products and the Market

The main customers for simulators are Police and Para-military Forces, Armed Forces, Government Departments (like Transport) and, in a very limited manner, the Civilian Market. The products of the company can be divided into 3 major categories viz. Land-based Military Simulators, Driving Simulators, and Mining and Special Equipment Simulators. Some of the land based simulators are Hand Grenade Simulator (Zen HE36S), Advanced Weapons Simulator (Zen AWeSim), Tactical Engagement Simulator (Zen TacSim), 81mm Mortar Simulator, Driving Training Simulator (Zen DTS), Zen Bus Simulator, BMP II Driving Simulator (Zen BMP-II DS) and Anti-Tank Guided Missile Simulator (Zen ATGM Sim). Driving simulators include Zen DTS and Zen Bus Simulator which are aimed at the civilian market. Special Equipment simulators include Dumper and Dozer simulators which are for mining applications. We expect mining simulators to contribute to the sales next year.



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 simulators which are being marketed aggressively.

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, medicine, power plant, bridges, ships, entertainment and maintenance.

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

We are keen on a major thrust in the area of exports but we will need some time – up to two years - before benefits of our efforts are translated into revenues.

Risks and Concerns

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

Your company is committed to developing cutting-edge simulators for the security forces. These simulators have been typically developed with feedback from the end-users but with no commitment from them to buy the resulting system. Such a line of action, where you develop critical simulation technologies for security forces entails definite expenditure and no promise of matching income. The government's policy of buying the system from the lowest bidder may harm us if any foreign supplier, with the development costs already amortized, competes with us and dumps the simulators at a cost far below what they have charged overseas. The Government does not have any explicit policy or procedure to encourage indigenous technology in such a situation.

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 227 members (previous year 220). 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 Six (6) Directors. To ensure transparent and professional conduct of board procedures in all aspects and related thereto, more than fifty percent i.e., 4 out of 6 Directors are Independent Directors. The Chairman of the Board is an Executive Director. The composition of the Directors is in accordance with Clause 49 of the Listing Agreement entered with the Stock Exchange.

The constitution of the Board during 2011-12 is as under:

Name of the Director	Category	Date of Appointment	Number of Directorships in other Public Companies	Committee Membership as on date (in other companies)	
				Member	Chairman
Mr. Ashok Atluri (Chairman and Managing Director)	Promoter & Executive Director	14-06-1994	3	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. Pamidi Kotaiah	Independent Director	17-01-2005	09	03	03
Cmdr Sarvotham Rao	Independent Director	30-03-2005	Nil	Nil	Nil
Mr. Utpal H Sheth	Independent Director	30-06-2008	23	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 paid for attending Board and other Committee Meetings.

C. Meetings and Attendance

During the Financial Year 2011-12, the Board of Directors met 4 times on the following dates:

30 May 2011	10 August 2011	22 October 2011	09 February 2012
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The table hereunder gives the attendance record of the Directors at the Board Meeting held during the year 2011-12 and the last AGM held on 24 September 2011

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

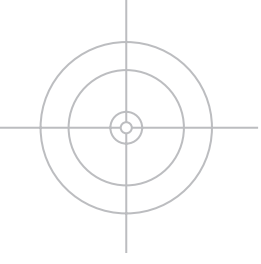
iii) Audit Committee

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.
14. The Audit Committee shall review the Financial Statements in particular, the investments made by the Unlisted Subsidiary Company.

E. Meetings and Attendance

During the Financial Year 2011-12 the Audit Committee met 4 times on the following dates:

30 May 2011	10 August 2011	22 October 2011	09 February 2012
-------------	----------------	-----------------	------------------

Attendance during the year 2011-12:

Director/Member	Category of Directorship	No . of meetings attended
Dr P Kotaiah, Chairman	Independent, Non Executive	4
Cmdr Sarvotham Rao	Independent, Non Executive	4
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 Director/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 2011-12 (in ₹)

Name of the Director	Mr. Ashok Atluri	Mr. M. Ravi Kumar	Dr. P. Kotaiah	Cmde. Sarvotham Rao	Mr. D. Satish Babu	Mr. Utpal H Sheth
Designation	Chairman and Managing Director	Whole-time Director	Non Executive Independent Director	Non Executive Independent Director	Non Executive Independent Director	Non Executive Independent Director
Salary	24,46,640	9,06,721	—	—	—	—
HRA	9,60,000	6,00,000	—	—	—	—
Commission on profits	1,02,36,248	—	—	—	—	—
Sitting fee	—	—	1,60,000	1,60,000	1,60,000	20,000
Total	1,36,42,888	15,06,721	1,60,000	1,60,000	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	2,000
3	Mr. D. Satish Babu	Nil
4	Mr. Utpal H Sheth	27,470

v) Share Transfer and Investors' Grievance Redressal Committee

A. Composition

Your Company has constituted a Share Transfer and Investor Grievance Redressal 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 declared dividends etc.
- To approve transfer and transmission and issue of duplicate/fresh share certificate
- To consolidate and sub-division of share certificates etc.
- To redress, approve and dispose of any other complaint, transaction and request etc. received from any shareholder of the Company and investor in general

Sathguru Management Consultants Private Limited, the Registrar and Share Transfer Agents had withdrawn their RTA services and have made formal arrangements with Karvy Computershare Private Limited (Karvy) for smooth takeover of the Company account. Presently, Karvy, the Registrar and Share Transfer Agents has been delegated the power to process the transfer and transmission of shares. The share transfers are processed within the time prescribed under the statute from the date of request in case of shares held in physical form.

Investor complaints received and resolved during the year 2011-12

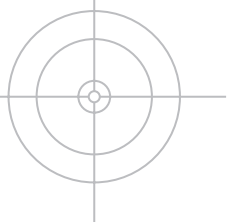
Nature of Complaint	Received	Replied	Pending
Non Receipt of dividend	1	1	0
Correction/revalidation of dividend	2	2	0
Issue of duplicate share certificates	2	2	0
Change of Address	1	1	0
Pending Complaints	NIL		

Share transfers made during the year 2011-12

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

vi) Plant Locations:

1. Ward No 6. Ram Shehar Road
Nalagarh, Solan (Dist) -174101
Himachal Pradesh, India
Phone : +91-1795-220671
2. Plot No.35, 36 & 37
Kancha Imarath
Near Ravirala Village
Hardware Park
Ranga Reddy District - 501 510
Andhra Pradesh, 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 did not meet during the year 2011-12.

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.
(a) Annual General Meetings				
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.
2010-11	24-09-2011	9.30 a.m.	B - 42, Industrial Estate, Sanathnagar Hyderabad - 500018	Delisting the equity shares of the Company at Inter-Connected Stock Exchange, Mumbai.

(b) Special Resolution passed through Postal Ballot

A Special Resolution was passed with majority, through Postal Ballot on 2 May 2011 for inclusion of four new objects in the Main objects of the Memorandum of Association. Mr T Mahadev, a Practicing Company Secretary was appointed as a Scrutinizer to conduct the Postal Ballot proceedings. All the provision of Postal Ballot under the Companies Act, 1956 were complied with.

ix) Code of Conduct

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

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 Unaudited financial results are published in leading newspapers viz., Business Standard, Financial Express and Andhra Prabha (Regional Newspaper). Results are forthwith announced to designated stock exchange/s as per the proforma prescribed by the listing agreement. The annual audited accounts are likewise communicated in the prescribed proforma to the Stock Exchange/s 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.

xii) General Shareholder Information

The following information would be useful to the shareholders:

A. 19 Annual General Meeting

Day & Date	: Thursday the 27 September 2012
Time	: 9.00 a.m.
Venue	: B-42, Industrial Estate, Sanathnagar, Hyderabad - 500 018.

B. Financial Calendar 2012-13 (Tentative Schedule)

Annual General Meeting (Next year): August/Sept 2013

Adoption of Quarterly results for the Quarter ending

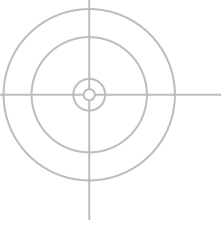
30 June 2012	: Within 45 days from the end of quarter
30 September 2012	: Within 45 days from the end of quarter
31 December 2012	: Within 45 days from the end of quarter
31 March 2013	: Last week of May 2013

C. Date of Book Closure

24 September 2012 to 27 September 2012 (both days inclusive)

D. Dividend Payment Date

First Week of October 2012



E. Listing on Stock Exchange : Bombay Stock Exchange Ltd, Mumbai

The Equity Shares of the Company are listed on the Stock Exchange Ltd, Mumbai. The Company confirms that it has paid annual listing fees to the Stock Exchange for the year 2012-13 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
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G. Market Price Data:

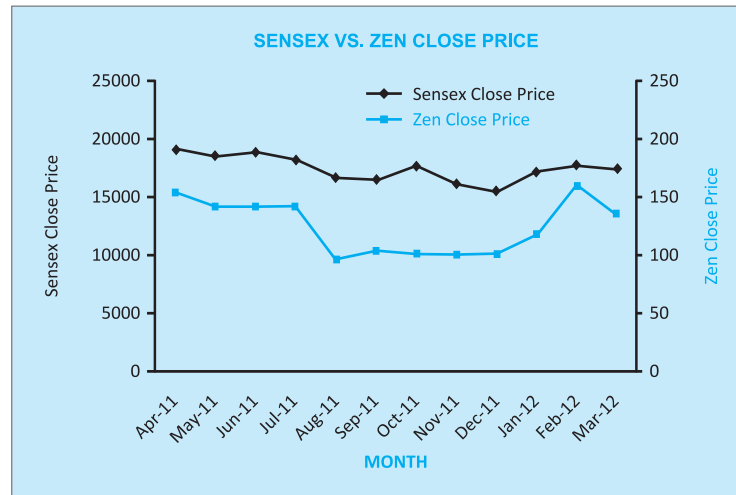
Bombay Stock Exchange Limited

Month & Year	High (₹)	Low (₹)	Monthly Average (₹)
April 2011	176.40	129.00	152.70
May 2011	169.80	133.25	151.53
June 2011	150.50	130.00	140.25
July 2011	155.00	133.25	144.13
August 2011	144.40	93.15	118.78
September 2011	110.30	94.50	102.40
October 2011	103.95	94.15	99.05
November 2011	133.00	92.00	112.50
December 2011	126.90	94.00	110.45
January 2012	123.85	93.05	108.45
February 2012	199.60	114.70	157.15
March 2012	164.90	133.00	148.95

H. Liquidity of Shares

During the Financial Year under review 13,40,529 shares were traded on Bombay Stock Exchange Limited and the Value of Shares Traded is ₹ 17,65,93,437/-.

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



J. Registrars and Share Transfer Agents:

Karvy Computershare Private Limited
 Plot No. 17 to 24, Vithal Rao Nagar,
 Madhapur, Hyderabad - 500081
 Phone : 91- 40 - 44655000
 Fax : 91- 40 - 23420814
 Email id : einward.ris@karvy.com

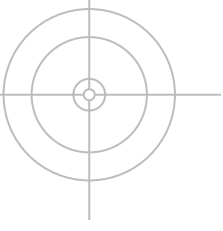
K. Share Transfer system

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

L. Distribution of Shareholding

Distribution of Shareholding as on 31 March 2012 is as follows:

Category (No. of Shares)		Number of Shareholders	Percentage	No. of Shares	Percentage
From	To				
Up to 500		3860	84.10	5,38,721	6.06
501	1000	279	6.08	2,29,170	2.58
1001	2000	182	3.97	2,78,776	3.14
2001	3000	91	1.98	2,32,599	2.62
3001	4000	37	0.81	1,34,321	1.51
4001	5000	19	0.41	88,084	0.99
5001	10000	55	1.20	3,87,923	4.36
10001 and Above		67	1.46	69,98,838	78.74
TOTAL		4,590	100.00	88,88,432	100.00



M. Shareholding Pattern as on 31 March 2012:

Sl. No.	Category	No. of shareholders	Total No. of Shares	% of Equity
1.	Promoters	14	45,89,634	51.64
2.	Central Govt./State Govt.	0	0	0.00
3.	Foreign Institutional Investors	1	4,000	0.05
4.	Bodies Corporate	183	6,67,338	7.51
5.	Resident Individuals	4,316	35,34,535	39.76
6.	NRI/OCB	76	92,925	1.04
	TOTAL	4,590	88,88,432	100.00

N. Dematerialisation of shares

As on 31 March 2012, 88,29,550 shares were dematerialized which constitute 99.34 % 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	166	58,882	0.66
2	NSDL	3008	76,00,217	85.51
3	CDSL	1416	12,29,333	13.83
	TOTAL	4590	88,88,432	100.00

O. Address for Investor correspondence

M. Amala, Company Secretary
Zen Technologies Limited
B-42, Industrial Estate
Sanathnagar, Hyderabad - 500 018
Phone : +91-40 - 23814894, 23813294
Fax : +91-40 - 23813694

Karvy Computershare Private Limited
Plot NO. 17 to 24, Vithal Rao Nagar,
Madhapur, Hyderabad - 500081
Phone : 91- 40 - 44655000
Fax : 91- 40 - 23420814
Email id : einward.ris@karvy.com

xiii) 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.

xiv) 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.

xv) 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.

xvi) Adoption of Mandatory and Non-Mandatory Requirements of Clause 49 of the Listing Agreement

The Company has complied with all mandatory requirements and has adopted following non-mandatory requirements of Clause 49.

a) The Board

No specific tenure has been prescribed for Independent Directors.

b) Remuneration Committee

The Company has constituted Remuneration Committee to recommend/review the remuneration of the Managing Director and Whole Time Director.

c) Shareholders' Rights

The Company's quarterly / half-yearly / annual results are published in English and Telugu newspapers and the same are posted on the Company's website on regular basis.

d) Audit Qualifications

There are no qualifications or adverse remarks by the Auditors.

e) Whistle Blower policy

The Company promotes ethical behaviour in all its business activities and has put in place a code of conduct for reporting illegal or unethical behaviour. The employees are free to report violations of laws, rules, regulations or unethical conduct to their HOD/ HR department/ or any senior member of the management. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

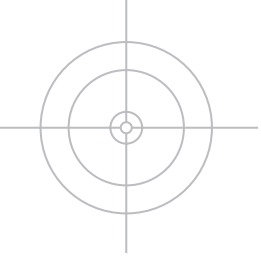
DECLARATION

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

Place: Hyderabad
Date: 3 August 2012

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 31 March 2012 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.

Place : Hyderabad
Date : 3 August 2012

Ashok Atluri
Chairman and
Managing Director

Satyanarayana S
General Manager -
Finance

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To
The Members
Zen Technologies Limited

We have examined the compliance of the requirements of Corporate Governance by Zen Technologies Limited for the year ended on 31 March 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange.

The compliance of the requirements is the responsibility of the Management. Our examination has been limited to the procedures and implementation thereof, adopted by the Company, for ensuring such compliance. This examination is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

For Gokhale & Co
Chartered Accountants

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

Place: Hyderabad
Date: 3 August 2012



AUDITORS' REPORT

The Members
ZEN TECHNOLOGIES LIMITED
Hyderabad

We have audited the attached Balance Sheet of Zen Technologies Limited, Hyderabad as at 31 March 2012 and the Statement of Profit and Loss as well as 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with books of account.
 - d) In our opinion, the Balance Sheet, Statement of Profit & Loss 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 31 March 2012 and taken on record by the Board of Directors, we report that, none of the directors is disqualified as on 31 March 2012 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 31 March 2012
 - ii) In the case of the Statement of Profit & Loss, of the Profit of the company for the year ended on 31 March 2012; and
 - iii) In the case of the Cash Flow Statement of the Cash Flows for the year ended on 31 March 2012

For Gokhale & Co
Chartered Accountants

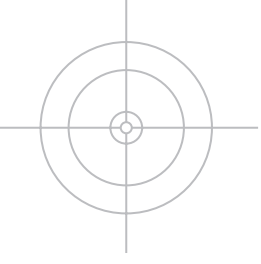
Chandrashekhar Gokhale
Partner
Membership No 23839
Firm Regn. No 000942S

Place: Hyderabad
Date: 25 May 2012

ANNEXURE

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

- (i) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management according to the phased programme designed to cover all assets on rotation basis. In respect of assets verified according to this programme, which is reasonable, no material discrepancies were noticed. The company has not disposed off substantial part of its fixed assets during the year.
- (ii) Inventories have been physically verified during the year by the management and in our opinion the frequency of verification is reasonable. According to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. On the basis of our examination of the records the company is maintaining proper records of inventories and the discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The company had given advances totaling to ₹ 405.05 Lakhs to its wholly owned subsidiary Version 2 Games Limited. No interest was charged on this amount. This entire advance has been written off as unrecoverable at the end of the year. 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 ₹ 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) We have broadly reviewed the cost records maintained by the company and prima facie, the company has complied with the maintenance of cost records as per clause (d) of sub-section (1) of Section 209 of the Act.
- (x) The company is regular in depositing its undisputed statutory dues. According to the explanations and information given to us there were no undisputed statutory dues including towards Investor Education and Protection Fund, Provident Fund, ESI, Income-tax, Sales-tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and other statutory dues outstanding for a period of more than six months from the date they became payable.



- (xi) The company had no accumulated losses and has not incurred cash losses during the financial year covered by our audit. However, the Company had incurred Cash Losses 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

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

Place: Hyderabad
Date: 25 May 2012

BALANCE SHEET AS AT 31 MARCH 2012

(in ₹)

Particulars	Note No.	As at 31 March	
		2012	2011
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	3.01	88,884,320	88,884,320
(b) Reserves and surplus	3.02	947,711,073	698,702,866
		1,036,595,393	787,587,186
Non current liabilities			
(a) Long term borrowings	3.03	29,946,000	28,000,000
		29,946,000	28,000,000
Current liabilities			
(a) Short term borrowings	3.03	209,845,600	102,649,725
(b) Short term provisions	3.04	76,304,387	22,932,201
(c) Trade payables	3.05	52,577,738	14,363,203
(d) Other current liabilities	3.06	129,389,872	60,962,160
		468,117,597	200,907,289
TOTAL		1,534,658,990	1,016,494,476
ASSETS			
Non Current assets			
(a) Fixed assets			
- Tangible assets	3.07	284,750,827	281,702,194
- Intangible assets		127,768	243,584
- Capital work-in-progress		8,151,109	-
(b) Non current investments	3.08	500,000	1,708,470
(c) Long term loans and advances	3.09	144,962,655	153,954,555
(d) Other non current assets	3.10	-	1,775,681
		438,492,359	439,384,484
Current assets			
(a) Inventories	3.11	41,912,831	45,427,305
(b) Trade receivables	3.12	712,073,192	202,289,722
(c) Cash and bank balances	3.13	316,074,901	268,400,495
(d) Short term loans and advances	3.14	18,009,501	56,144,732
(e) Other current assets	3.10	8,096,206	4,847,738
		1,096,166,631	577,109,992
TOTAL		1,534,658,990	1,016,494,476
Summary of significant accounting policies	1&2		
The accompanying notes are an integral part of the financial statements			

As per our Report of even date

Gokhale & Co.,
Chartered Accountants
Firm Registration Number: 000942S

Chandrashekhar Gokhale
Partner
M.No: 23839

Place: Hyderabad
Date: 25 May 2012

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole Time Director

M Amala
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012 (in ₹)

Particulars	Note No.	For the Year ended 31 March	
		2012	2011
INCOME			
Revenue from operations	3.15	1,018,228,086	174,124,542
Other income	3.16	53,495,722	76,778,723
Total (A)		1,071,723,808	250,903,266
EXPENSES			
Cost of Materials and Components consumed	3.17	255,806,870	64,002,575
Purchases of Stock-In-Trade	3.18	3,502,149	-
Changes in Inventories of Finished Goods, Work-In-Progress and Stock-in-Trade	3.18	(1,856,024)	(11,220,504)
Manufacturing Expenses	3.19	24,612,871	13,835,311
Employee Benefits Expense	3.20	62,142,601	38,016,183
Other Expenses	3.22	303,282,129	150,535,150
Total (B)		64,74,90,596	25,51,68,715
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) (A-B)		42,42,33,212	(42,65,449)
Finance Costs	3.21	19,012,610	12,623,287
Depreciation and Amortization Expense	3.23	11,016,625	12,459,090
Profit/(Loss) before tax		394,203,978	(29,347,827)
Tax Expense	3.24		
Current Tax		78,048,328	-
Taxes for Earlier Period		-	9,928,799
Deferred Tax		-	(18,518,990)
Total Tax Expenses		78,048,328	(8,590,191)
Profit/(Loss) for the year		316,155,650	(20,757,636)
Earnings per Equity Share	3.25		
- Basic		35.57	(2.34)
- Diluted		35.57	(2.34)
Summary of significant accounting policies	1&2		
The accompanying notes are an integral part of the financial statements			

As per our Report of even date

Gokhale & Co.,
Chartered Accountants
Firm Registration Number: 0009425

Chandrashekhar Gokhale
Partner
M.No: 23839

Place: Hyderabad
Date: 25 May 2012

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole Time Director

M Amala
Company Secretary

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2012	As at 31 March 2011		
3.01	SHARE CAPITAL				
	Authorised				
	2,00,00,000 (31 March 2011: 2,00,00,000) Equity shares of ₹ 10 each	200,000,000	200,000,000		
		200,000,000	200,000,000		
	Issued, subscribed and paid-up				
	88,88,432 (31 March 2011: 88,88,432) Equity shares of ₹ 10 each, fully paid-up	88,884,320	88,884,320		
	a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period				
		31 March 2012		31 March 2011	
	Particulars	No of Shares	₹	No of Shares	₹
	At the beginning of the period	8,888,432	88,884,320	8,888,432	88,884,320
	Changes during the year	-	-	-	-
	Outstanding at the end of the period	8,888,432	88,884,320	8,888,432	88,884,320
	b. Terms/rights attached to equity shares				
	<p>The Company has only one class of equity shares having a par value of ₹ 10 each. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.</p> <p>During the year ended 31 March 2012, the amount of per share dividend recognized as distributions to equity shareholders was ₹6.50 (previous year : ₹1.50)</p>				
	c. Details of shareholders holding more than 5% shares in the Company of ₹ 10 each fully paid				
	Name of the share holder	As at 31 March 2012		As at 31 March 2011	
		No of Shares	%	No of Shares	%
	Ashok Atluri	2,412,461	27.14	2,412,461	27.14
	Kishore Dutt Atluri	1,232,960	13.87	1,232,960	13.87
	Rakesh Jhunjunwala	450,000	5.06	450,000	5.06
	Rekha Jhunjunwala	450,000	5.06	450,000	5.06
	As per records of the Company, including its register of shareholders/members and the declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.				

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2012	As at 31 March 2011
3.02	RESERVES AND SURPLUS		
	Securities premium reserve (Share premium)		
	Balance as per the last Balance Sheet	158,304,880	158,304,880
	Closing Balance	158,304,880	158,304,880
	General Reserve		
	Balance as per the last Balance Sheet	216,478,189	198,478,189
	Add: Amount transferred from surplus balance in the statement of profit and loss	100,000,000	18,000,000
	Closing Balance	316,478,189	216,478,189
	Surplus/(deficit) in the statement of profit and loss		
	Balance as per last Balance Sheet	323,919,680	378,172,971
	Add : Net Profit/(loss) for the current period	316,155,650	(20,757,636)
	Balance available for appropriation	640,075,330	357,415,335
	Less: Appropriation		
	Proposed Equity dividend (amount per share ₹ 6.50 (31 March 2011: ₹ 1.50))	57,774,808	13,332,648
	Tax on proposed Equity dividend	9,372,518	2,162,889
	Transfer to General Reserve	100,000,000	18,000,000
	Total appropriations	167,147,326	33,495,537
	Net surplus in the statement of profit and loss	472,928,004	323,919,797
	Total Reserves and Surplus	947,711,073	698,702,866

(in ₹)

Note No.	Particulars	Non-current portion		Current maturities	
		As at 31 March 2012	As at 31 March 2011	As at 31 March 2012	As at 31 March 2011
3.03	LONG TERM BORROWINGS				
	Secured				
	- Term Loan from Indian Bank (Ref Note 1)	-	-	446,970	393,578
	- Loan from TDB (Ref Note 2)	29,946,000	28,000,000	8,554,000	-
		29,946,000	28,000,000	9,000,970	393,578
	Note:1 Term loan facility from Indian Bank is secured by equitable mortgage of Company's immovable properties and hypothecation of other fixed assets with respective loan agreements. The term loan was utilised for the purpose of constructing factory premises at Hardware Park in Maheswaram Mandal, Hyderabad. The loan carries interest @13% p.a. The loan is guaranteed by personal guarantee of the Managing Director of the Company.				

NOTES ON FINANCIAL STATEMENTS

	<p>Note:2 The company has availed term loan from Technology Development Board (TDB), Ministry of Science and Technology, Govt of India as a part-finance for design, development and commercialization of Zen Driving Training Simulator for Overseas market. The loan carries interest @5% p.a and is repayable in 9 half yearly installments commencing from 01-04-2012. The loan is secured by equitable mortgage of immovable properties and other fixed assets pari-passu charge with Indian Bank. The loan is also guaranteed by corporate own guarantee and pledging of company's equity shares of 3,11,140 nos owned by the Managing Director of the company.</p>
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(in ₹)

Note No.	Particulars	As at	As at
		31 March 2012	31 March 2011
3.03	SHORT TERM BORROWINGS		
	Secured		
	Loan repayable on demand		
	- 10.25% OD against Fixed Deposits from Indian Bank	200,648,424	102,649,725
	- 18% Special Over Draft Loan from Indian Bank	241,158	-
	- 10.60% OD against Fixed Deposits from Corporation Bank	8,956,018	-
		209,845,600	102,649,725
	Note: The above mentioned overdraft facilities are secured by way of pledge of fixed deposits		

(in ₹)

Note No.	Particulars	Short-term	
		As at	As at
		31 March 2012	31 March 2011
3.04	PROVISIONS		
	Provision for employee benefit		
	- Provision for gratuity (Refer Note)	3,667,154	1,790,580
	- Provision for leave encashment	2,239,907	2,062,845
	Other Provisions		
	- Proposed dividend	57,774,808	13,332,648
	- Tax on dividend	9,372,518	2,162,889
	- Provision for installation	3,250,000	3,583,239
		76,304,387	22,932,201

Note: The company operates Employees Gratuity Scheme for its employees. Under the scheme of gratuity, every employee who has completed minimum 5 years of service gets gratuity on departure @ 15 days last month's drawn basic salary for each completed year of service. The gratuity scheme is funded with Life Insurance Corporation of India in the form of Group Gratuity Scheme (GGS). The provision is estimated by an independent consulting actuary as per requirements of (AS) 15 (Revised 2005) as prescribed under The Companies (Accounting Standard) Rules, 2006.

NOTES ON FINANCIAL STATEMENTS

(in ₹)

S.No.	Particulars	Gratuity 2011-12	Leave encashment 2011-12
I	Change in Present value of obligation		
	PVO at beginning of the year	6,957,699	2,062,845
	Interest cost	540,118	71,079
	Current service cost	2,078,392	3,119,256
	Benefits paid	(693,405)	-
	Actuarial gain/(loss) on obligation	296,597	(3,013,273)
	PVO at the end of the period	9,179,401	2,239,907
II	Change in fair value of plan Assets		
	Fair value of plan Assets at beginning of period	5,102,477	-
	Expected return on plan Assets	464,376	-
	Contributions	638,752	-
	Benefits paid	(693,405)	-
	Actuarial gain/(loss) on obligation	47	-
	Fair value of plan Assets at the end of period	5,512,247	-
III	Net status of Plan	3,667,154	2,239,907
IV	Net amount recognized	3,667,154	2,239,907

(in ₹)

Note No.	Particulars	As at 31 March 2012	As at 31 March 2011
3.05	TRADE PAYABLES		
	Trade payables		
	- Dues to Micro and Small Enterprises	-	-
	- Others	52,577,738	14,363,203
		52,577,738	14,363,203

3.06	OTHER CURRENT LIABILITIES		
	Current maturities of long-term debts (Note 3.03)	9,000,970	393,578
	Interest accrued but not due on borrowings	3,371,575	1,864,788
	Unearned revenue on AMC services	-	181,699
	Unclaimed dividends	800,093	837,862
	Employee salaries and benefits:		
	- Salaries and benefits	883,863	5,848,717
	- Bonus and incentives	12,898,980	4,100,274
	Other payables:		
	Provision for expenses	512,473	763,118
	Taxes payable:		
	- Service tax payable	1,803,988	7,084,862
	- Sales tax payable	13,344,147	6,544,318
	- TDS payable	2,616,601	1,731,534
	- Income tax payable (net of advance tax)	35,216,986	-
	Advance from customers	38,703,949	7,846,284
	Commission	10,236,248	-
	Provision for Loss in Subsidiary	-	6,232,184
	Provision for Bad & Doubtful (Advances)	-	17,532,942
		129,389,872	60,962,160



NOTES ON FINANCIAL STATEMENTS

3.07 FIXED ASSETS

(in ₹)

Description	Rate %	Gross block			Accumulated depreciation			Net block			
		Opening Balance	Additions during the year	Sales/ Adjustments during the year	As at 31 March 2012	As at 1 April 2011	Charge for the year	Sales/ Adjustments during the year	Total 31 March 2012	As at 31 March 2012	As at 31 March 2011
Hyderabad Unit (A.P)											
Production Division											
TANGIBLE											
Land		38,618,991	-	-	38,618,991	-	-	-	-	38,618,991	38,618,991
Building Chandralok	1.63	487,791	-	-	487,791	77,092	7,951	-	85,043	402,748	410,699
Building-C'pally	1.63	4,651,498	-	-	4,651,498	227,666	75,819	-	303,485	4,348,013	4,423,832
Buildings Maheswaram	1.63	168,487,981	-	-	168,487,981	2,892,772	2,746,354	-	5,639,126	162,848,855	165,595,209
Computers	16.21	10,647,640	1,872,100	-	12,519,740	4,976,405	1,781,330	-	6,757,735	5,762,004	5,671,228
Plant and machinery	4.75	1,880,187	1,563,118	-	3,443,305	94,677	132,159	-	226,836	3,216,469	1,785,510
Office Equipment	16.21	11,840,096	1,248,614	-	13,088,710	6,612,505	1,635,587	-	8,248,093	4,840,616	5,227,582
Furniture, fixtures	6.33	4,231,598	1,076,623	-	5,308,221	1,023,367	272,382	-	1,295,749	4,012,472	3,208,229
Vehicles	9.5	15,878,766	-	-	15,878,766	5,980,555	1,440,045	-	7,420,600	8,458,166	9,898,212
		256,724,548	5,760,455	-	262,485,002	21,885,040	8,091,627	-	29,976,667	232,508,336	234,839,492
INTANGIBLE											
Software	100	2,670,622	358,092	-	3,028,714	2,478,652	482,193	-	2,960,845	67,869	237,085
		259,395,170	6,118,547	-	265,513,716	24,363,691	8,573,820	-	32,937,512	232,576,205	235,076,577
Hyderabad Unit (A.P)											
R&D Division											
TANGIBLE											
Land		5,150,020	-	-	5,150,020	-	-	-	-	5,150,020	5,150,020
Building-Sanathnagar R&D	1.63	27,664,809	-	-	27,664,809	2,378,135	450,936	-	2,829,071	24,835,738	25,286,675
Computers	16.21	6,596,389	250,072	-	6,846,461	4,938,201	545,379	-	5,483,580	1,362,881	1,658,194
Plant and machinery	4.75	7,829,228	6,111,786	-	13,941,014	4,742,242	466,739	-	5,208,981	8,732,033	3,086,986
Office Equipment	16.21	5,742,008	-	-	5,742,008	5,146,785	552,249	-	5,699,034	42,974	595,222
Furniture, fixtures	6.33	3,853,150	48,399	-	3,901,549	1,329,475	244,173	-	1,573,648	2,327,901	2,523,675
Testing Equipment	4.75	2,790,567	1,841,600	-	4,632,167	744,593	132,439	-	877,032	3,755,135	2,045,973
Vehicles	9.5	818,169	-	-	818,169	311,117	77,726	-	388,843	429,326	507,052
		60,444,340	8,251,857	-	68,696,197	19,590,548	2,469,641	-	22,060,189	46,636,008	40,853,797

NOTES ON FINANCIAL STATEMENTS

3.07 FIXED ASSETS

(in ₹)

Description	Rate %	Gross block			Accumulated depreciation			Net block			
		Opening Balance	Additions during the year	Sales/ Adjustments during the year	As at 31 March 2012	As at 1 April 2011	Charge for the year	Sales/ Adjustments during the year	Total 31 March 2012	As at 31 March 2012	As at 31 March 2011
INTANGIBLE											
Software	100	9,969,330	271,000	-	10,240,330	9,962,831	217,600	-	10,180,431	59,899	6,499
		70,413,670	8,522,857	-	78,936,527	29,553,379	2,687,241	-	32,240,620	46,695,907	40,860,296
Nalagarh Unit (Himachal Pradesh) Production Division											
TANGIBLE											
Computers	16.21	1,751,938	-	-	1,751,938	862,251	283,989	-	1,146,240	605,698	889,687
Plant and machinery	4.75	2,998,575	124,140	-	3,122,715	519,847	145,117	-	664,964	2,457,751	2,478,728
Office Equipment	16.21	380,935	-	-	380,935	151,892	61,750	-	213,642	167,293	229,043
Furniture, fixtures	6.33	1,210,026	140,561	-	1,350,587	215,796	92,660	-	308,455	1,042,132	994,230
Testing Equipment	4.75	1,581,367	-	-	1,581,367	230,233	75,115	-	305,348	1,276,019	1,351,134
Vehicles	9.5	89,400	-	-	89,400	23,316	8,493	-	31,809	57,591	66,084
		8,012,241	264,701	-	8,276,942	2,003,335	667,123	-	2,670,459	5,606,483	6,008,906
INTANGIBLE											
Software	100	594,501	-	-	594,501	594,501	-	-	594,501	-	-
		8,606,742	264,701	-	8,871,443	2,597,836	667,123	-	3,264,960	5,606,483	6,008,906
Total of Tangible Assets A		325,181,129	14,277,013	-	339,458,141	43,478,923	11,228,391	-	54,707,314	284,750,827	281,702,195
Total of Intangible Assets B		13,234,453	629,092	-	13,863,545	13,035,984	699,794	-	13,735,777	127,768	243,584
Total of (A+B)		338,415,582	14,906,105	-	353,321,686	56,514,906	11,928,185	-	68,443,091	284,878,595	281,945,779
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

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2012	As at 31 March 2011
3.08	NON CURRENT INVESTMENTS		
	Long term at cost, unless otherwise specified		
	I. Other (Unquoted) - Non trade		
	Investments in equity instrument (fully paid-up) of Subsidiaries		
	(a) 1,00,000 (previous year: 1,00,000 AED) Equity Shares of Zen Technologies FZE, Wholly owned Subsidiary, face value of AED 1,00,000.	-	1,208,470
	(b) 5,00,000 (previous year: 5,00,000) Equity Shares of Version 2 Games Limited, Wholly owned Subsidiary, face value of ₹1/- each.	500,000	500,000
	Total investments	500,000	1,708,470
3.09	LONG TERM LOANS AND ADVANCES		
	Unsecured, considered good		
	Capital advances	131,585,192	105,322,905
	Security deposits	6,116,490	9,278,952
	Loans and advances to related parties		
	- Version 2 Games Limited	-	17,510,010
	Other loans and advances		
	- Auto Start Driving School Pvt Ltd	-	19,456,804
	- Prepaid expenses	1,532,147	1,678,526
	- Deposits with government, public bodies and others	5,728,826	707,358
		144,962,655	153,954,555
3.10	OTHER NON CURRENT ASSETS		
	Others		
	Miscellaneous expenditure (To the extent not written off or adjusted)	-	1,775,681
		-	1,775,681
	OTHER CURRENT ASSETS		
	Interest accrued on fixed deposits with banks	8,096,206	4,847,738
		8,096,206	4,847,738
3.11	INVENTORIES		
	Raw Material (Ref Note 3.17)	12,750,682	18,121,180
	Work in progress (Ref Note 3.18)	25,660,000	27,306,125
	Traded goods (Ref Note 3.18)	3,502,149	-
		41,912,831	45,427,305

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Non-Current		Current	
		As at 31 March 2012	As at 31 March 2011	As at 31 March 2012	As at 31 March 2011
3.12	TRADE RECEIVABLES				
	Unsecured, considered good				
	Outstanding for a period exceeding 6 months from the date they are due for payment				
	- Unsecured, considered good	64,616,269	142,872,246	-	-
	- Doubtful	21,601,365	4,320,000	-	-
		86,217,634	147,192,246	-	-
	Provision for doubtful receivables	(21,601,365)	(4,320,000)	-	-
	(A)	64,616,269	142,872,246	-	-
	Other receivables				
	- Unsecured, considered good	-	-	647,456,923	59,417,476
	(B)	-	-	647,456,923	59,417,476
	Total (A+B)	64,616,269	142,872,246	647,456,923	59,417,476

Note No.	Particulars	As at 31 March 2012	As at 31 March 2011
3.13	CASH AND BANK BALANCES		
	Cash and cash equivalents		
	Balances with banks:		
	- On current accounts	18,353,068	22,980,136
	- Deposits with original maturity less than 3 months	10,000,000	-
	Cash on hand	1,847,538	128,968
	Other bank balances:		
	- Deposits with original maturity for > 3 months but < 12 months HDFC Bank	10,000,000	10,000,000
	- Deposits with original maturity for > 3 months but < 12 months Corporation Bank	48,869	-
	- Deposits with original maturity for > 3 months but < 12 months Indian Bank	11,860,067	8,453,491
	- Deposits with original maturity for > 3 months but < 12 months ING Vysya Bank	-	1,000,000
	Balances with banks to the extent held as margin money for guarantees Indian Bank	29,271,442	35,000,000
	Balances with banks to the extent held as margin money for LCs - Indian Bank	1,000,000	-
	Balances with banks to the extent held as security against OD borrowings-Indian Bank	222,942,693	190,000,000
	Balances with banks to the extent held as security against OD borrowings Corporation Bank	9,951,131	-
	Balances with banks for unpaid dividend	800,093	837,900
		316,074,901	268,400,495

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2012	As at 31 March 2011
3.14	SHORT TERM LOANS AND ADVANCES		
	Unsecured, considered good		
	Advance to material suppliers	8,064,601	11,318,792
	Advance income tax (net of provision for taxation)	-	25,331,567
	Other loans and advances:		
	- Prepaid expenses	4,586,074	5,952,823
	- Balance with VAT, Central excise and Service tax	3,132,512	2,332,275
	- Loans and advances to employees	2,217,314	11,209,275
	- Food Coupons	9,000	-
		18,009,501	56,144,732

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2012	Year ended 31 March 2011
3.15	REVENUE FROM OPERATIONS		
	a) Sale of Products	994,388,845	144,346,952
	Less : Excise duty	2,570,880	826,575
		991,817,965	143,520,377
	b) Sale of Services	26,410,121	30,604,165
		1,018,228,086	174,124,542
3.16	OTHER INCOME		
	Interest income	24,336,964	19,201,290
	Provisions written back	28,969,738	57,281,820
	Miscellaneous income	-	36,907
	Net gain on foreign currency exchange fluctuation	189,020	258,706
		53,495,722	76,778,723
3.17	COST OF MATERIALS AND COMPONENTS CONSUMED		
	Opening stock of raw materials	18,121,180	15,178,644
	Add : Purchases	250,436,372	66,945,111
		268,557,552	82,123,755
	Less : Closing stock	12,750,682	18,121,180
		255,806,870	64,002,575
	Note: As the items of raw material purchased and consumed are dissimilar in nature, type and numerous in quantity, it is not possible to give details under different heads as required under para 5(II) and para 5(III) of the general instructions for preparation of the statement of profit and loss as per the Revised Schedule VI of the Companies Act, 1956.		
3.18	CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
	Opening work in progress	27,306,125	16,085,621
		27,306,125	16,085,621
	Closing work in progress	25,660,000	27,306,125
	Closing finished goods	-	-
	Closing traded goods	3,502,149	-
		29,162,149	27,306,125
		(1,856,024)	(11,220,504)
	Note: As the items of finished goods produced or under production are heterogeneous in nature, model, type and specification, it is not possible to give details under different heads as required under para 5(II) and para 5(III) of the general instructions for preparation of the statement of profit and loss as per the Revised Schedule VI of the Companies Act, 1956.		

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2012	Year ended 31 March 2011
3.19	MANUFACTURING EXPENSES		
	Power and fuel	1,838,973	1,332,409
	Freight	4,156,509	631,220
	System Installation & Maintenance	4,657,678	5,697,341
	Salaries -Production	5,710,391	6,174,341
	Services for Tank simulators	8,249,320	-
		24,612,871	13,835,311
3.20	EMPLOYEE BENEFITS EXPENSE		
	Salaries, wages and bonus	49,448,625	29,781,600
	Contribution to provident and other funds	1,480,622	1,078,836
	Gratuity expense	2,619,087	2,438,767
	Leave encashment expense	83,862	466,415
	Exgratia expense	2,575,061	1,380,854
	Staff welfare expenses	5,935,344	2,869,711
		62,142,601	38,016,183
3.21	FINANCE COSTS		
	Bank Charges	1,084,852	1,173,532
	BG Commission	3,489,597	447,466
	Interest on borrowings		
	- interest on term loan with Indian Bank	53,392	3,600,926
	- interest on bank OD loans	12,877,982	6,001,370
	- interest on TDB loan	1,506,787	1,399,993
		19,012,610	12,623,287
3.22	OTHER EXPENSES	303,282,129	150,535,150
	Selling & Distribution expenses	34,094,554	19,732,310
	Business Promotion	10,193,800	8,017,918
	Club expenses	368,637	350,673
	Electricity Charges	28,272	23,662
	Exhibition expenses	12,484,133	2,758,776
	Freight	4,528,116	1,372,030
	Guest House Rent & Maintenance	78,000	-
	Hotel Boarding & Lodging	1,213,596	1,304,882
	Royalty	5,200,000	5,200,000

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2012	Year ended 31 March 2011
	Travelling expenses	22,011,081	16,538,975
	Domestic Travel	19,460,721	14,912,245
	Travel expenses - Delivery	722,741	601,991
	Travel expenses - Demo	233,751	564,179
	Travel expenses - Installation	2,346,657	1,379,801
	Travel expenses - Servicing	7,905,710	7,049,522
	Travel expenses - Directors	934,725	790,961
	Travel expenses - Marketing	3,735,883	2,714,778
	Travel expenses - General	3,581,254	1,811,013
	Foreign Travel	2,550,360	1,626,730
	Travel expenses - Directors	341,304	401,386
	Travel expenses - Others	2,209,056	1,225,344
	R & D Revenue expenses (Refer Note No. 3.26)	71,843,812	78,660,550
	Administrative & General expenses	175,332,682	35,603,315
	Advertisement	1,073,260	537,150
	Conveyance	3,381,308	1,458,081
	Donation	68,631	66,611
	Incidental expenses	818,369	11,000
	Insurance	2,057,511	2,145,231
	Insurance on Vehicles	269,770	-
	Insurance on Fire & Special Perils	97,694	-
	AGM Expenses	52,828	-
	Insurance on Assets	123,340	-
	Listing Fee	55,000	55,000
	Annual Day Expenses	651,842	-
	Membership & Subscription	486,774	929,775
	Office Maintenance	7,801,318	4,732,201
	Postage & Telephone	2,993,926	2,752,126
	Printing & Stationary	1,937,027	747,070
	Professional Charges	13,967,466	4,531,799
	Rates & Taxes	10,483,211	7,050,965
	Rent	5,464,731	4,357,088
	Security expenses	1,999,500	-
	Directors' sitting fees	500,000	460,000
	Software Licence fee	3,563,163	2,978,671
	Books & periodicals	135,919	109,500
	Vehicle Maintenance	2,437,558	1,931,195
	Provision for doubtful Debts/Advances	22,485,977	319,500
	Provision for loss of Investment in Subsidiary	-	187,675

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2012	Year ended 31 March 2011
	Loss on Sale of Assets	-	680,256
	Bad Debts	88,750,256	-
	Installation and Training	3,250,000	-
	Payment to auditors		
	As Auditors		
	For Statutory & Tax audit fee	140,000	140,000
	For Internal audit - Quarterly review of accounts	120,000	120,000
	In other capacity		
	For Certification and Advisory in respect of Income tax, Company law etc.,	76,303	-
	For Certification of Cost compliance	90,000	-
	Out of pocket expenses	-	6,790
3.23	DEPRECIATION & AMORTISATION EXPENSE		
	Depreciation on total Tangible assets (Ref Note 3.07)	11,228,391	11,181,700
	Depreciation on total Intangible assets (Ref Note 3.07)	699,794	761,310
	Amortisation of Intangible assets (Ref Note 3.10)	1,775,681	3,318,240
		13,703,866	15,261,250
	Less: Shown under R&D revenue expense (Ref Note 3.22)		
	- Depreciation on Tangible assets used in R&D activities (Ref Note 3.22)	2,469,641	2,714,286
	- Depreciation on Intangible assets used in R&D activities (Ref Note 3.22)	217,600	87,873
		11,016,625	12,459,090
3.24	TAX EXPENSE		
	Current tax	78,048,328	-
	Tax for earlier period	-	9,928,799
	Deferred tax expenses	-	(18,518,990)
		78,048,328	(8,590,191)
	Note: Tax expense comprises current and deferred tax. The current tax represents the Minimum Alternate Tax (MAT) payable by the company on the book profits for the year. Current tax expense is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 and the tax rates and tax laws used to compute the tax amount are prevailing at the reporting date. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years.		
3.25	EARNINGS PER SHARE (EPS)		
	Total operations for the year		
	Profit after tax (PAT)	316,155,650	(20,757,636)
	Weighted average number of equity shares	8,888,432	8,888,432
	Earnings per Share (Both Basic & Diluted)	35.57	(2.34)

NOTES ON FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2012	Year ended 31 March 2011
3.26	EXPENDITURE INCURRED ON RESEARCH AND DEVELOPMENT		
	Salaries	32,845,668	34,014,020
	Bonus & Gratuity	6,714,135	2,195,931
	Employees Compensation expense	-	403,549
	Electricity Charges	1,349,599	1,356,358
	Travelling expenses	3,235,355	3,460,463
	Spares & Stores	24,918,614	29,160,670
	Software	-	896,204
	Consultancy Fee	-	1,991,133
	Freight	-	35,416
	Exgratia	-	2,344,647
	Leave Encashment	93,200	-
	Depreciation	2,687,241	2,802,159
		71,843,812	78,660,550

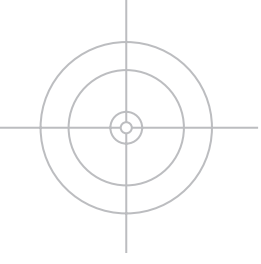
3.27	COMMITMENTS AND CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF		
	I. DISPUTED MATTERS		
	(a) Appeal filed by the Excise Department before the Customs, Excise and Service Tax Appellate Tribunal (CESTAT) Bangalore against the decision of adjudication by Commissioner of Customs and Central Excise Hyderabad - II Commissionerate, in favour of the company pertaining to Excise matter in Order No: 02/2006-C.Ex	5,171,356	5,171,356
	(b) Subsequent demands raised by the excise authority, pending decision of the case in (a) above, being disputed by the company	74,942,371	69,029,843
		80,113,727	74,201,199
	<p>The dispute in the matter (a) above was relating to inclusion of customized software in the valuation of simulators supplied by the company during the period from F.Y 2005-06 to 2010-11 (upto 31-07-2011). The matter was first adjudicated by the Commissioner of Customs and Central Excise, Hyderabad - II Commissionerate and decided in favour of the company. However, the Excise Department has filed an appeal before the Appellate Tribunal challenging the order passed by Commissioner of Customs and Central Excise. The Company, based on discussions with its solicitors and tax advisors, believes that there is a fair chance of winning the case in its favour in the appellate process and hence, no provision has been considered necessary against the same.</p>		
	II. GUARANTEES/LETTER OF CREDITS		
	(a) Bank Guarantees	292,714,421	187,670,425
	(b) Letter of Credits	8,950,309	-
		301,664,730	187,670,425

NOTES ON FINANCIAL STATEMENTS

(in ₹)

3.28 RELATED PARTY DISCLOSURE					
Name of the Party	Relationship	Nature of Transaction	2011- 12	2010 - 11	
Related party disclosures as required by AS-18 are given below :					
a. Transactions during the year					
Mr. Ashok Atluri Chairman and Managing Director	Key Management personnel	Remuneration	3,406,640	2,005,352	
Mr. Ashok Atluri Chairman and Managing Director	Key Management personnel	Commission	10,236,248	-	
Mr. Kishore Dutt Atluri President	Key Management personnel (Brother of Mr Ashok Atluri)	Remuneration	2,280,000	1,432,000	
Mr. M Ravi Kumar Whole-Time Director	Key Management personnel	Remuneration	1,506,721	1,508,482	
b. Receivables					
Version 2 Games Limited	Wholly owned subsidiary	Debtors	900,000	31,820,010	
Version 2 Games Limited	Wholly owned subsidiary	Investment	500,000	500,000	
Zen Technologies FZE	Wholly owned subsidiary	Investment	-	1,208,470	

As per our Report of even date	For and on behalf of the Board	
Gokhale & Co., Chartered Accountants Firm Registration Number: 000942S		
Chandrashekhar Gokhale Partner M.No: 23839 Place: Hyderabad Date: 25 May 2012	Ashok Atluri Chairman & Managing Director	M Ravi Kumar Whole Time Director
		M Amala Company Secretary



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1 CORPORATE INFORMATION

Zen Technologies Limited is a public company incorporated under the provisions of the Companies Act, 1956 having corporate office at B-42, Industrial Estate, Sanathnagar, Hyderabad-500018, India. The Equity Shares of the Company are listed on Bombay Stock Exchange (BSE) in India. The company is engaged in design, development and manufacture of PC based Training Simulators for Police and Para-military Forces, Armed Forces, Other Security Forces, Government Departments (like Transport) and Civilian market etc., The company caters to both domestic and international market. The Company is having two manufacturing units located in India: 1) Hardware Park, Maheswaram Mandal, Andhra Pradesh and 2) Nalagarh District Solan, Himachal Pradesh.

2 SIGNIFICANT ACCOUNTING POLICES

2.1 Basis of accounting and preparation of financial statements

The financial statements of the company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP) to comply with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year unless otherwise stated.

2.2 Change in accounting policy (Presentation and disclosure of financial statements)

As notified under the Companies Act, 1956 the financial statements for the year ended 31 March 2012 are prepared as prescribed under Revised Schedule VI. The adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has regrouped/reclassified the previous year figures wherever necessary in accordance with the requirements applicable in the current year.

2.3 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

2.4 Inventories

Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above the cost. Cost of raw materials, components and stores and spares is determined on a weighted average basis.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty and is determined on a weighted average basis.

2.5 Cash and cash equivalents

Cash and cash equivalent for the purposes of cash flow statement comprise cash at bank, cash in hand, demand deposits and other bank balances.

2.6 Cash flow statement

Cash flows are reported using the indirect method in accordance with 'Accounting Standard-3' issued under the Companies (Accounting Standards) Rules, 2006, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the company are segregated based on the available information.

2.7 Depreciation and amortization

Depreciation on fixed assets is provided on straight-line method for single shift in accordance with Schedule XIV to the Companies Act, 1956.

The following rates have been used for providing the depreciation on the tangible fixed assets:

Asset Description	Rates (SLM) Single Shift (%)
Buildings	1.63
Plant and Machinery	4.75
Office Equipment	16.21
Computers	16.21
Vehicles	9.5
Furniture & Fixtures	6.33
Software	100

Amounts spent for capital work-in-progress including advance given for capital goods are grouped as capital work-in-progress.

2.8 Tangible fixed assets

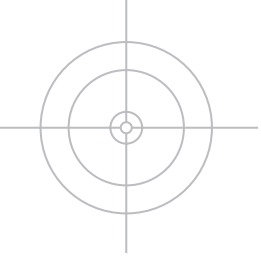
Fixed assets are carried at cost less accumulated depreciation. The cost of fixed assets includes interest on borrowings attributable to acquisition of fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. Subsequent expenditure relating to fixed assets is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Capital work-in-progress:

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses.

2.9 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following recognition criteria is applied before revenue is recognized:



Sale of goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on dispatch of the goods. The company collects sales tax and value added tax (VAT) on behalf of the government and therefore, these are not economic benefits flowing to the company hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross).

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 been followed consistently and has no impact on the profitability of the company.

Sale of Services

Revenue from annual maintenance contracts (AMC) is recognized on pro-rata basis over the period in which such services are rendered. The company collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the company. Hence, it is excluded from revenue.

Interest on bank deposits

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

2.10 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 Statement of Profit and Loss.

2.11 Investments

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

2.12 Employee Retirement and other benefits

The company operates two defined benefit plans for its employees, viz. Group Gratuity and Leave Encashment Benefit. In respect of gratuity, the company has taken a Group Gratuity Scheme with Life Insurance Corporation of India. The premium payable under the scheme is provided in the books on accrual basis. The present value of the defined benefit obligation and the related current service cost were measured using actuarial valuation carried out by an independent actuary consultant at each year end. Separate actuarial valuation is carried out for each plan of gratuity and leave encashment using the projected unit credit method.

Gratuity benefit is applicable to all employees of the company having service more than five years. Gratuity paid out is based on last drawn basic salary at the time of termination or retirement. The scheme takes into account each completed year of service or part thereof in excess of 6 months. Gratuity is calculated as per the Payment of Gratuity Act, 1972 on actual liability basis.

In respect of retirement benefits in the form of provident fund, the contribution payable by the company for the year is charged to the Statement of Profit and Loss. The company has no obligation other than the contribution payable to the provident fund.

2.13 Earnings per share

Basic earnings per share are computed by dividing the net profit / (loss) after tax attributable to equity share holders by the weighted average number of equity shares outstanding during the year.

2.14 Taxes on income

Minimum alternate tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax.

2.15 Provisions

A provision is recognized when the company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

2.16 Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

2.17 Research and development costs

Revenue costs are expensed in the year in which they are incurred and the capital expenditure is added to fixed assets and are depreciated in accordance with depreciation policy of the company.

2.18 Dividends

Provision made in the accounts for the dividends payable by the company as recommended by the Board of Directors, pending approval of the shareholders at the Annual General Meeting. Income Tax on dividends is provided for in the year to which such dividends payable is provided for in the year to which such dividends relate.

2.19 Overdraft facilities from banks are secured by way of pledge of Fixed Deposits.

2.20 The Company operates in one segment i.e., Training simulation.

2.21 The Common expenses incurred at the Head Office were allocated between Head Office and Himachal Pradesh unit based on Net turnover.

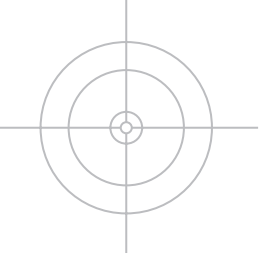
2.22 The advances totaling to ₹ 155.30 lakhs given to Autostart Driving School Pvt Ltd has been written-off as unrecoverable.

2.23 The advances totaling to ₹ 405.05 lakhs given to wholly owned subsidiary Version 2 Games Limited has been written-off as unrecoverable.

2.24 Sundry debtors totaling to ₹ 254.56 lakhs including the amount due from the wholly owned subsidiary Version 2 Games Limited ₹ 134.10 lakhs has been written-off as unrecoverable.

2.25 The advances totaling to ₹ 72.60 lakhs given to wholly owned subsidiary Zen Technologies FZE, UAE has been written-off as unrecoverable.

2.26 A provision has been made for an amount of ₹ 216.01 lakhs being doubtful of recovery against sale of customized software.



2.27 A provision has been made for an amount of ₹ 32.50 lakhs on the sale of Tanks made to Ministry of Defence for installation, training and maintenance.

2.28 All Fixed deposits were kept with Scheduled banks only.

2.29 The unclaimed dividend amount for all earlier financial years as on 31 March 2012 is ₹ 8,00,093, details of which are given below:

Sl. No	Name of the Bank	Year of declaration of dividend	Unclaimed Amount (₹)
1	Oriental Bank of Commerce	2004-05	54,229.50
2	Oriental Bank of Commerce	2005-06	86,507.00
3	Oriental Bank of Commerce	2006-07	1,55,634.00
4	HDFC Bank	2007-08	1,27,503.00
5	HDFC Bank	2008-09	1,54,336.50
6	HDFC Bank	2009-10	1,57,756.50
7	HDFC Bank	2010-11	64,126.50
	TOTAL		8,00,093.00

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

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

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

2.33 Directors' Remuneration

(in ₹)

Sl. No	Particulars	2011-12	2010-11
1	Directors' Remuneration		
	Chairman & Managing Director		
	Salary and other allowances	33,60,000	20,05,352
	Other perquisites	46,640	-
	Commission	1,02,36,248	-
	Total	1,36,42,888	20,05,352
2	Other Director		
	Salary and other allowances	15,00,000	15,00,000
	Other perquisites	6,721	8,482
	Total	15,06,721	15,08,482

2.34 Foreign Currency Expenses

(in ₹)

Particulars	2011-12	2010-11
CIF Value of Imports	-	-
Capital Goods	-	1,22,426
Raw materials and Components	15,31,688	-
Stores and Spares	15,07,847	49,86,105
Foreign Travel (Exclusive of tickets Purchased)	7,40,097	98,134
Software	2,72,107	8,96,204
Internet Charges	9,745	21,487
Training Charges	7,02,943	8,51,789
Membership	-	2,90,859
Others	6,17,210	5,40,025

2.35 The company measures EBITDA on the basis of profit/(loss) from continuing operations and the company does not include depreciation and amortization expense, finance costs and tax expense in the measurement of EBITDA.

2.36 Value of Imported and indigenous raw materials and components consumed.

(in ₹)

Particulars	2011-12		2010-11	
	Value	%	Value	%
Indigenous raw material and stores	2527.67	98.81	640.03	100
Imported stores	30.40	1.19	-	-

2.37 In the opinion of Board of Directors, the current assets, loans and advances are expected to realize approximately the value stated in the ordinary course of business.

As per our Report of even date	For and on behalf of the Board	
Gokhale & Co., Chartered Accountants Firm Registration Number: 000942S		
Chandrashekhar Gokhale Partner M.No: 23839 Place: Hyderabad Date: 25 May 2012	Ashok Atluri Chairman & Managing Director	M Ravi Kumar Whole Time Director M Amala Company Secretary



STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012 (₹ in Lakhs)

Particulars	For the Year ended 31 March	
	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	3942.04	(293.48)
Non-cash adjustments:		
- Depreciation and amortisation expenses	137.04	152.61
Interest expense	190.13	126.23
Interest income	(243.37)	(192.01)
Loss on sale of asset		6.80
Provisions written back	(289.70)	(572.82)
Operating profit before working capital changes	3736.14	(772.67)
Changes in working capital:		
Increase/(decrease) in trade payables	382.15	81.21
Increase/(decrease) in other current liabilities	332.11	(37.87)
Increase/(decrease) in short term provisions	17.20	
Decrease/(increase) in trade receivables	(5,097.83)	1076.27
Decrease/(increase) in inventories	35.14	(141.63)
Decrease/(increase) in short term loans & advances	480.64	
Decrease/(increase) in other current assets	(32.48)	(368.99)
Decrease/(increase) in other non-current assets	(0.00)	
Cash generated from /(used in) operations	(146.94)	(163.68)
Direct tax payments (net of refunds)	(237.45)	(21.53)
Net cash flow from/(used in) operating activities (A)	(384.40)	(185.21)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/decrease in tangible and intangible fixed assets	(149.06)	(134.76)
(Increase)/decrease in captial work in progress	(81.51)	(360.78)
Interest received	243.37	192.01
(Increase)/decrease in non current investments	12.08	(5.00)
(Increase)/decrease in long term loans & advances	89.92	-
Net cash flow from/(used in) investing activities (B)	114.80	(308.53)

STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012 (₹ in Lakhs)

Particulars	For the Year ended 31 March	
	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in long term borrowings	19.46	-
Increase/(decrease) in short term borrowings	1071.96	(366.37)
Interest paid	(190.13)	(126.23)
Dividend tax paid	(21.63)	(66.44)
Dividend paid on equity shares	(133.33)	(399.98)
Net cash flow from/(used in) in financing activities (C)	746.34	(959.02)
Net increase/(decrease) in cash & cash equivalents (A+B+C)	476.74	(1,452.76)
Cash & cash equivalents at the beginning of the year	2684.00	4136.76
Cash & cash equivalents at the end of the year	3160.75	2684.00
<p>Note:1. Figures in brackets indicate cash outgo.</p> <p>2. Previous year figures have been re-grouped wherever necessary to conform to the current year's classification.</p>		

As per our Report of even date

Gokhale & Co.,
Chartered Accountants
Firm Registration Number: 000942S

Chandrashekhar Gokhale
Partner
M.No: 23839

Place: Hyderabad
Date: 25 May 2012

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole Time Director

M Amala
Company Secretary



Auditors' Report on the Consolidated Financial Statements

The Members

Zen Technologies Limited

Hyderabad

We have examined the attached Consolidated Balance Sheet as at 31 March 2012 and the Statement of Profit & Loss as well as the Cash Flow statement for the year ended on 31 March 2012 of Zen Technologies Limited and its wholly owned subsidiaries Version 2 Games Limited and Zen Technologies FZE, United Arab Emirates (closed as of 31 March 2012).

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 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 subsidiary Version 2 Games Limited as at 31 March 2012 ;
- b) the Consolidated Statement of Profit & Loss for the year ended 31 March 2012 gives a true and fair view of the consolidated results of operations of Zen Technologies Limited and its wholly owned subsidiaries Zen Technologies FZE, UAE (closed as of 31 March 2012) and Version 2 Games Limited and
- c) the consolidated cash flow statement shows a true and fair view of the consolidated cash flows for the year ended on 31 March 2012.

For Gokhale & Co
Chartered Accountants

Chandrashekhhar Gokhale
Partner

Membership No 23839
Firm Regn. No 000942S

Place: Hyderabad
Date: 25 May 2012

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2012

(in ₹)

Particulars	Note No.	As at 31 March	
		2012	2011
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	3.01	88,884,320	88,884,320
(b) Reserves and surplus	3.02	947,231,999	698,702,867
		1,036,116,319	787,587,187
Non current liabilities			
(a) Long term borrowings	3.03	29,946,000	28,000,000
		29,946,000	28,000,000
Current liabilities			
(a) Short term borrowings	3.03	209,845,600	102,649,725
(b) Short term provisions	3.04	76,304,387	22,932,201
(c) Trade payables	3.05	53,927,349	39,400,991
(d) Other current liabilities	3.06	174,364,773	62,827,112
		514,442,109	227,810,029
TOTAL		1,580,504,427	1,043,397,216
ASSETS			
Non Current assets			
(a) Fixed assets			
- Tangible assets	3.07	287,477,083	284,070,990
- Intangible assets		177,535	243,469
- Capital work-in-progress		8,151,109	-
(b) Long term loans and advances	3.08	144,962,655	138,709,775
(c) Other non current assets	3.09	-	8,007,873
		440,768,382	431,032,107
Current assets			
(a) Inventories	3.10	41,912,831	76,917,577
(b) Trade receivables	3.11	712,136,932	202,289,722
(c) Cash and bank balances	3.12	316,293,167	268,745,720
(d) Short term loans and advances	3.13	61,296,908	59,564,352
(e) Other current assets	3.09	8,096,206	4,847,738
		1,139,736,044	612,365,109
TOTAL		1,580,504,427	1,043,397,216
Summary of significant accounting policies		1&2	
The accompanying notes are an integral part of the financial statements			

As per our Report of even date

Gokhale & Co.,
Chartered Accountants
Firm Registration Number: 000942S

Chandrashekhar Gokhale
Partner
M.No: 23839

Place: Hyderabad
Date: 25 May 2012

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole Time Director

M Amala
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012 (in ₹)

Particulars	Note No.	For the Year ended 31 March	
		2012	2011
INCOME			
Revenue from operations	3.14	1,018,374,573	174,124,542
Other income	3.15	53,495,722	76,933,477
Total (A)		1,071,870,295	251,058,019
EXPENSES			
Cost of materials and components consumed	3.16	255,806,870	64,002,575
Purchases Stock-In-Trade	3.17	3,502,149	-
Changes in inventories of finished goods, work-in-progress and Stock-In-Trade	3.17	(1,856,024)	(42,710,776)
Manufacturing expenses	3.18	24,828,463	13,835,311
Employee benefits expense	3.19	107,468,681	45,792,661
Other expenses	3.21	257,690,511	173,300,415
Total (B)		647,440,650	254,220,186
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) (A-B)		424,429,645	(3,162,167)
Finance Costs	3.20	19,119,564	12,631,996
Depreciation and Amortization Expense	3.22	11,585,178	13,746,647
Profit/(Loss) before tax		393,724,903	(29,540,810)
Tax expense	3.23		
Current tax		78,048,328	-
Taxes for earlier period		-	9,928,799
Deferred tax		-	(18,518,990)
Total tax expenses		78,048,328	(8,590,191)
Profit/(Loss) for the year		315,676,575	(20,950,619)
Earnings per equity share	3.24		
- Basic		35.52	(2.36)
- Diluted		35.52	(2.36)
Summary of significant accounting policies	1&2		
The accompanying notes are an integral part of the financial statements			

As per our Report of even date	For and on behalf of the Board	
Gokhale & Co., Chartered Accountants Firm Registration Number: 000942S	Ashok Atluri Chairman & Managing Director	M Ravi Kumar Whole Time Director
Chandrashekhar Gokhale Partner M.No: 23839 Place: Hyderabad Date: 25 May 2012		M Amala Company Secretary

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2012	As at 31 March 2011
3.01	SHARE CAPITAL		
	Authorised		
	2,00,00,000 (31 March 2011: 2,00,00,000) Equity shares of ₹ 10 each	200,000,000	200,000,000
		200,000,000	200,000,000
	Issued, subscribed and paid-up		
	88,88,432 (31 March 2011: 88,88,432) Equity shares of ₹ 10 each, fully paid-up	88,884,320	88,884,320
	a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period		
		As at 31 March 2012	
		As at 31 March 2011	
	Particulars	No of Shares	₹
		No of Shares	₹
	At the beginning of the period	8,888,432	88,884,320
	At the beginning of the period (Subsidiary: Version 2 Games Limited)	500,000	500,000
	Changes during the year	-	-
	Outstanding at the end of the period	9,388,432	89,384,320
	b. Terms/rights attached to equity shares		
	The Company has only one class of equity shares having a par value of ₹ 10 each. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.		
	During the year ended 31 March 2012, the amount of per share dividend recognized as distributions to equity shareholders was ₹ 6.50 (previous year : ₹ 1.50)		

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

c. Details of shareholders holding more than 5% shares in the Company of ₹ 10 each fully paid				
Name of the share holder	As at 31 March 2012		As at 31 March 2011	
	No of Shares	%	No of Shares	%
Ashok Atluri	2,412,461	27.14	2,412,461	27.14
Kishore Dutt Atluri	1,232,960	13.87	1,232,960	13.87
Rakesh Jhunjunwala	450,000	5.06	450,000	5.06
Rekha Jhunjunwala	450,000	5.06	450,000	5.06
As per records of the Company, including its register of shareholders/members and the declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.				

(in ₹)

Note No.	Particulars	As at 31 March 2012	As at 31 March 2011
3.02	RESERVES AND SURPLUS		
	Securities premium reserve (Share premium)		
	Balance as per the last Balance Sheet	158,304,880	158,304,880
	Closing Balance	158,304,880	158,304,880
	General Reserve		
	Balance as per the last Balance Sheet	216,478,189	198,478,189
	Add: Amount transferred from surplus balance in the statement of profit and loss	100,000,000	18,000,000
	Closing Balance	316,478,189	216,478,189
	Surplus/(deficit) in the statement of profit and loss		
	Balance as per last Balance Sheet	323,919,680	378,365,955
	Add : Net Profit/(loss) for the current period	315,676,576	(20,950,619)
	Balance available for appropriation	639,596,256	357,415,336
	Less: Appropriation		
	Proposed Equity dividend (amount per share ₹ 6.50 (31 March 2011: ₹ 1.50))	57,774,808	13,332,648
	Tax on proposed Equity dividend	9,372,518	2,162,889
	Transfer to General Reserve	100,000,000	18,000,000
	Total appropriations	167,147,326	33,495,537
	Net surplus in the statement of profit and loss	472,448,930	323,919,798
	Total Reserves and Surplus	947,231,999	698,702,867

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Non-current portion		Current maturities	
		As at 31 March 2012	As at 31 March 2011	As at 31 March 2012	As at 31 March 2011
3.03	LONG TERM BORROWINGS				
	Secured				
	- Term Loan from Indian Bank (Ref Note 1)	-	-	446,970	393,578
	- Loan from TDB (Ref Note 2)	29,946,000	28,000,000	8,554,000	-
		29,946,000	28,000,000	9,000,970	393,578
	<p>Note:1 Term loan facility from Indian Bank is secured by equitable mortgage of Company's immovable properties and hypothecation of other fixed assets with respective loan agreements. The term loan was utilised for the purpose of constructing factory premises at Hardware Park in Maheswaram Mandal, Hyderabad. The loan carries interest @13% p.a. The loan is guaranteed by personal guarantee of the Managing Director of the Company.</p> <p>Note:2 The company has availed term loan from Technology Development Board (TDB), Ministry of Science and Technology, Govt of India as a part-finance for design, development and commercialization of Zen Driving Training Simulator for Overseas market. The loan carries interest @5% p.a and is repayable in 9 half yearly installments commencing from 01-04-2012. The loan is secured by equitable mortgage of immovable properties and other fixed assets pari-passu charge with Indian Bank. The loan is also guaranteed by corporate own guarantee and pledging of company's equity shares of 3,11,140 nos owned by the Managing Director of the company.</p>				

Note No.	Particulars	As at 31 March 2012	As at 31 March 2011
3.03	SHORT TERM BORROWINGS		
	Secured		
	Loan repayable on demand		
	- 10.25% OD against Fixed Deposits from Indian Bank	200,648,424	102,649,725
	- 18% Special Over Draft Loan from Indian Bank	241,158	-
	- 10.60% OD against Fixed Deposits from Corporation Bank	8,956,018	-
		209,845,600	102,649,725
	<p>Note: The above mentioned overdraft facilities are secured by way of pledge of fixed deposits</p>		

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Short-term	
		As at 31 March 2012	As at 31 March 2011
3.04	PROVISIONS		
	Provision for employee benefit		
	- Provision for gratuity (Refer Note)	3,667,154	1,790,580
	- Provision for leave encashment	2,239,907	2,062,845
	Other Provisions	-	
	- Proposed dividend	57,774,808	13,332,648
	- Tax on dividend	9,372,518	2,162,889
	- Provision for installation	3,250,000	3,583,239
		76,304,387	22,932,201
	Note: The company operates Employees Gratuity Scheme for its employees. Under the scheme of gratuity, every employee who has completed minimum 5 years of service gets gratuity on departure @ 15 days last month's drawn basic salary for each completed year of service. The gratuity scheme is funded with Life Insurance Corporation of India in the form of Group Gratuity Scheme (GGS). The provision is estimated by an independent consulting actuary as per requirements of (AS) 15 (Revised 2005) as prescribed under The Companies (Accounting Standard) Rules, 2006.		

Sl. No.	Particulars	Gratuity 2011-12	Leave encashment 2011-12
I	Change in Present value of obligation		
	PVO at beginning of the year	6,957,699	2,062,845
	Interest cost	540,118	71,079
	Current service cost	2,078,392	3,119,256
	Benefits paid	(693,405)	-
	Actuarial gain/(loss) on obligation	296,597	(3,013,273)
	PVO at the end of the period	9,179,401	2,239,907
II	Change in fair value of plan Assets		
	Fair value of plan Assets at beginning of period	5,102,477	-
	Expected return on plan Assets	464,376	-
	Contributions	638,752	-
	Benefits paid	(693,405)	-
	Actuarial gain/(loss) on obligation	47	-
	Fair value of plan Assets at the end of period	5,512,247	-
III	Net status of Plan	3,667,154	2,239,907
IV	Net amount recognized	3,667,154	2,239,907

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2012	As at 31 March 2011
3.05	TRADE PAYABLES		
	Trade payables		
	- Dues to Micro and Small Enterprises	-	-
	- Others	53,927,349	39,400,991
		53,927,349	39,400,991
3.06	OTHER CURRENT LIABILITIES		
	Current maturities of long-term debts (Note 3.03)	9,000,970	393,578
	Interest accrued but not due on borrowings	3,371,575	1,864,788
	Unearned revenue on AMC services	-	181,699
	Unclaimed dividends	800,093	837,862
	Employee salaries and benefits:		
	- Salaries and benefits	1,995,724	5,136,514
	- Bonus and incentives	13,752,905	4,913,746
	Other payables:		
	Provision for expenses	512,473	763,027
	Taxes payable:		
	- Service tax payable	1,803,988	7,084,862
	- Sales tax payable	13,345,334	6,544,318
	- TDS payable	2,793,187	3,408,393
	- Income tax payable (net of advance tax)	78,048,328	-
	Advance from customers	38,703,949	7,846,284
	Commission	10,236,248	-
	Provision for Loss in Subsidiary	-	6,232,184
	Provision for Bad & Doubtful (Advance)	-	17,619,857
		174,364,773	62,827,112

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

3.07 FIXED ASSETS

(in ₹)

Description	Rate %	Gross block			Accumulated depreciation			Net block			
		Opening Balance	Additions during the year	Sales/ Adjustments during the year	As at 31 March 2012	As at 1 April 2011	Charge for the year	Sales/ Adjustments during the year	Total 31 March 2012	As at 31 March 2012	As at 31 March 2011
Hyderabad Unit (A.P)											
Production Division											
TANGIBLE											
Land		38,618,991	-	-	38,618,991	-	-	-	-	-	38,618,991
Building Chandralok	1.63	487,791	-	-	487,791	77,092	7,951	-	85,043	402,748	410,699
Building-C'pally	1.63	4,651,498	-	-	4,651,498	227,666	75,819	-	303,485	4,348,013	4,423,832
Buildings Maheshwaram	1.63	168,487,981	-	-	168,487,981	2,892,772	2,746,354	-	5,639,126	162,848,855	165,595,209
Computers	16.21	10,647,640	1,872,100	-	12,519,740	4,976,405	1,781,330	-	6,757,735	5,762,004	5,671,228
Plant and machinery	4.75	1,880,187	1,563,118	-	3,443,305	94,677	132,159	-	226,836	3,216,469	1,785,510
Office Equipment	16.21	11,840,096	1,248,614	-	13,088,710	6,612,505	1,635,587	-	8,248,093	4,840,616	5,227,582
Furniture, fixtures	6.33	4,231,598	1,076,623	-	5,308,221	1,023,367	272,382	-	1,295,749	4,012,472	3,208,229
Vehicles	9.5	15,878,766	-	-	15,878,766	5,980,555	1,440,045	-	7,420,600	8,458,166	9,898,212
		256,724,548	5,760,455	-	262,485,002	21,885,040	8,091,627	-	29,976,667	232,508,336	234,839,492
INTANGIBLE											
Software	100	2,670,622	358,092	-	3,028,714	2,478,652	482,193	-	2,960,845	67,869	236,970
		259,395,170	6,118,547	-	265,513,716	24,363,691	8,573,820	-	32,937,512	232,576,205	235,076,464
Hyderabad Unit (A.P)											
R&D Division											
TANGIBLE											
Land		5,150,020	-	-	5,150,020	-	-	-	-	-	5,150,020
Building - Sanathnagar R&D	1.63	27,664,809	-	-	27,664,809	2,378,135	450,936	-	2,829,071	24,835,738	25,286,675
Computers	16.21	6,596,389	250,072	-	6,846,461	4,938,201	545,379	-	5,483,580	1,362,881	1,658,194
Plant and machinery	4.75	7,829,228	6,111,786	-	13,941,014	4,742,242	466,739	-	5,208,981	8,732,033	3,086,986
Office Equipment	16.21	5,742,008	-	-	5,742,008	5,146,785	552,249	-	5,699,034	42,974	595,222
Furniture, fixtures	6.33	3,853,150	48,399	-	3,901,549	1,329,475	244,173	-	1,573,648	2,327,901	2,523,675
Testing Equipment	4.75	2,790,567	1,841,600	-	4,632,167	744,593	132,439	-	877,032	3,755,135	2,045,973
Vehicles	9.5	818,169	-	-	818,169	311,117	77,726	-	388,843	429,326	507,052
		60,444,340	8,251,857	-	68,696,197	19,590,548	2,469,641	-	22,060,189	46,636,008	40,853,797



NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

3.07 FIXED ASSETS

Description	Rate %	Gross block			Accumulated depreciation			Net block			
		Opening Balance	Additions during the year	Sales/ Adjustments during the year	As at 31 March 2012	As at 1 April 2011	Charge for the year	Sales/ Adjustments during the year	Total 31 March 2012	As at 31 March 2012	As at 31 March 2011
INTANGIBLE Software	100	9,969,330	271,000	-	10,240,330	9,962,831	217,600	-	10,180,431	59,899	6,499
Nalagarh Unit (Himachal Pradesh)		70,413,670	8,522,857	-	78,936,527	29,553,379	2,687,241	-	32,240,620	46,695,907	40,860,295
Production Division											
TANGIBLE											
Computers	16.21	1,751,938	-	-	1,751,938	862,251	283,989	-	1,146,240	605,698	889,687
Plant and machinery	4.75	2,998,575	124,140	-	3,122,715	519,847	145,117	-	664,964	2,457,751	2,478,728
Office Equipment	16.21	380,935	-	-	380,935	151,892	61,750	-	213,642	167,293	229,043
Furniture, fixtures	6.33	1,210,026	140,561	-	1,350,587	215,796	92,660	-	308,455	1,042,132	994,230
Testing Equipment	4.75	1,581,367	-	-	1,581,367	230,233	75,115	-	305,348	1,276,019	1,351,134
Vehicles	9.5	89,400	-	-	89,400	23,316	8,493	-	31,809	57,591	66,084
INTANGIBLE Software	100	8,012,241	264,701	-	8,276,942	2,003,335	667,123	-	2,670,459	5,606,483	6,008,906
Version 2 Games Limited		594,501	-	-	594,501	594,501	-	-	594,501	-	-
TANGIBLE		8,606,742	264,701	-	8,871,443	2,597,836	667,123	-	3,264,960	5,606,483	6,008,906
Computers	16.21	1,834,683	223,688	-	2,058,371	284,403	323,746	-	608,149	1,450,222	1,550,280
Office Equipment	16.21	416,019	280,183	-	696,202	47,490	88,399	-	135,889	560,313	368,529
Electrical Equipment	4.75	460,182	92,203	-	552,385	10,196	24,060	-	34,256	518,129	449,986
Furniture & Fixtures	6.33	-	203,800	-	203,800	-	6,208	-	6,208	197,592	-
INTANGIBLE Software	100	2,710,884	799,874	-	3,510,758	342,089	442,413	-	784,502	2,726,256	2,368,795
Software		862,262	104,759	-	967,021	862,262	54,993	-	917,255	49,766	-
Total of Tangible Assets A		3,573,146	904,633	-	4,477,779	1,204,351	497,406	-	1,701,757	2,776,022	2,368,795
Total of Intangible Assets B		327,892,013	15,076,887	-	342,968,899	43,821,012	11,670,804	-	55,491,816	287,477,083	284,070,990
Total of (A+B)		14,096,715	733,851	-	14,830,566	13,898,246	754,787	-	14,653,032	177,534	243,469
Previous year		341,988,728	15,810,738	-	357,799,465	57,719,257	12,425,591	-	70,144,848	287,654,617	284,314,460
		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

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2012	As at 31 March 2011
3.08	LONG TERM LOANS AND ADVANCES		
	Unsecured, considered good		
	Capital advances	131,585,192	105,322,905
	Security deposits	6,116,490	11,544,182
	Other loans and advances		
	- Auto Start Driving School Pvt Ltd	-	19,456,804
	- Prepaid expenses	1,532,147	1,678,526
	- Deposits with government, public bodies and others	5,728,826	707,358
		144,962,655	138,709,775
		144,962,655	138,709,775

3.09	OTHER NON CURRENT ASSETS		
	Others		
	Miscellaneous Expenditure (To the extent not written off or adjusted)	-	8,007,873
	OTHER CURRENT ASSETS		
	Interest accrued on fixed deposits with banks	8,096,206	4,847,738
		8,096,206	4,847,738

3.10	INVENTORIES		
	Raw Material (Ref Note 3.16)	12,750,682	18,121,180
	Work in progress (Ref Note 3.17)	25,660,000	58,796,397
	Traded goods (Ref Note 3.17)	3,502,149	-
		41,912,831	76,917,577

Note No.	Particulars	Non-Current		Current	
		As at 31 March 2012	As at 31 March 2011	As at 31 March 2012	As at 31 March 2011
3.11	TRADE RECEIVABLES				
	Unsecured, considered good				
	Outstanding for a period exceeding 6 months from the date they are due for payment				
	- Unsecured, considered good	64,616,269	142,872,246	-	-
	- Doubtful	21,601,365	4,320,000	-	-
		86,217,634	147,192,246	-	-
	Provision for doubtful receivables	(21,601,365)	(4,320,000)	-	-
	(A)	64,616,269	142,872,246	-	-
	Other receivables				
	- Unsecured, considered good	-	-	647,520,663	59,417,476
	(B)	-	-	647,520,663	59,417,476
	Total (A+B)	64,616,269	142,872,246	647,520,663	59,417,476

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	As at 31 March 2012	As at 31 March 2011
3.12	CASH AND BANK BALANCES		
	Cash and cash equivalents		
	Balances with banks:		
	- On current accounts	18,569,441	23,325,361
	- Deposits with original maturity less than 3 months	10,000,000	-
	Cash on hand	1,849,431	128,968
	Other bank balances:		
	- Deposits with original maturity for > 3 months but < 12 months HDFC Bank	10,000,000	10,000,000
	- Deposits with original maturity for > 3 months but < 12 months Corporation Bank	48,869	-
	- Deposits with original maturity for > 3 months but < 12 months Indian Bank	11,860,067	8,453,491
	- Deposits with original maturity for > 3 months but < 12 months ING Vysya Bank	-	1,000,000
	Balances with banks to the extent held as margin money for guarantees - Indian Bank	29,271,442	35,000,000
	Balances with banks to the extent held as margin money for LCs - Indian Bank	1,000,000	-
	Balances with banks to the extent held as security against OD borrowings-Indian bank	222,942,693	190,000,000
	Balances with banks to the extent held as security against OD borrowings -Corporation Bank	9,951,131	-
	Balances with banks for unpaid dividend	800,093	837,900
		316,293,167	268,745,720

Note No.	Particulars	As at 31 March 2012	As at 31 March 2011
3.13	SHORT TERM LOANS AND ADVANCES		
	Unsecured, considered good		
	Advance to material suppliers	8,064,601	14,714,359
	Advance income tax (net of provision for taxation)	42,831,342	25,331,567
	Other loans and advances		
	- Prepaid expenses	4,586,074	5,952,823
	- Balance with VAT, Central excise and Service tax	3,132,512	2,332,275
	- Loans and advances to employees	2,673,379	11,233,328
	- Food Coupons	9,000	-
		61,296,908	59,564,352

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2012	Year ended 31 March 2011
3.14	REVENUE FROM OPERATIONS		
	a) Sale of Products	994,535,332	144,346,952
	Less : Excise duty	2,570,880	826,575
		991,964,452	143,520,377
	b) Sale of Services	26,410,121	30,604,165
		1,018,374,573	174,124,542
3.15	OTHER INCOME		
	Interest income	24,336,964	19,201,290
	Provisions written back	28,969,738	57,281,820
	Miscellaneous income	-	36,907
	Net gain on foreign currency exchange fluctuation	189,020	413,460
		53,495,722	76,933,477
3.16	COST OF MATERIALS AND COMPONENTS CONSUMED		
	Opening stock of raw materials	18,121,180	15,178,644
	Add : Purchases	250,436,372	66,945,111
		268,557,552	82,123,755
	Less : Closing stock	12,750,682	18,121,180
		255,806,870	64,002,575
	Note: As the items of raw material purchased and consumed are dissimilar in nature, type and numerous in quantity, it is not possible to give details under different heads as required under para 5(II) and para 5(III) of the general instructions for preparation of the statement of profit and loss as per the Revised Schedule VI of the Companies Act, 1956.		
3.17	CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
	Opening work in progress	27,306,125	16,085,621
		27,306,125	16,085,621
	Closing work in progress	25,660,000	58,796,397
	Closing finished goods	-	-
	Closing traded goods	3,502,149	-
		29,162,149	58,796,397
		(1,856,024)	(42,710,776)
	Note: As the items of finished goods produced or under production are heterogeneous in nature, model, type and specification, it is not possible to give details under different heads as required under para 5(II) and para 5(III) of the general instructions for preparation of the statement of profit and loss as per the Revised Schedule VI of the Companies Act, 1956.		

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2012	Year ended 31 March 2011
3.18	MANUFACTURING EXPENSES		
	Power and fuel	1,992,509	1,332,409
	Freight	4,157,709	631,220
	System Installation & Maintenance	4,718,534	5,697,341
	Salaries -Production	5,710,391	6,174,341
	Services for Tank simulators	8,249,320	-
		24,828,463	13,835,311
3.19	EMPLOYEE BENEFITS EXPENSE		
	Salaries, wages and bonus	92,006,892	37,558,078
	Contribution to provident and other funds	4,099,709	1,078,836
	Gratuity expense	2,619,087	2,438,767
	Leave encashment expense	83,862	466,415
	Exgratia expense	2,575,061	1,380,854
	Staff welfare expenses	6,084,070	2,869,711
		107,468,681	45,792,661
3.20	FINANCE COSTS		
	Bank Charges	1,191,806	1,182,241
	BG Commission	3,489,597	447,466
	Interest on borrowings		
	- interest on term loan with Indian Bank	53,392	3,600,926
	- interest on bank OD loans	12,877,982	6,001,370
	- interest on TDB loan	1,506,787	1,399,993
		19,119,564	12,631,996
3.21	OTHER EXPENSES	257,690,511	173,300,415
	Selling & Distribution expenses	34,110,614	19,966,010
	Business Promotion	10,209,860	8,015,546
	Club expenses	368,637	350,673
	Electricity Charges	28,272	23,662
	Exhibition expenses	12,484,133	2,758,776
	Freight	4,528,116	1,372,030
	Guest House Rent & Maintenance	78,000	-
	Hotel Boarding & Lodging	1,213,596	1,307,254
	Royalty	5,200,000	5,200,000
	Marketing expenses	-	938,069

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2012	Year ended 31 March 2011
	Travelling expenses	22,295,467	16,716,474
	Domestic Travel	19,486,205	14,917,675
	Travel expenses - Delivery	722,741	601,991
	Travel expenses - Demo	233,751	564,179
	Travel expenses - Installation	2,346,657	1,379,801
	Travel expenses - Servicing	7,905,710	7,049,522
	Travel expenses - Directors	934,725	790,961
	Travel expenses - Marketing	3,735,883	2,714,778
	Travel expenses - General	3,606,738	1,816,443
	Foreign Travel	2,809,262	1,798,799
	Travel expenses - Directors	600,206	401,386
	Travel expenses - Others	2,209,056	1,397,413
	R & D Revenue expenses (Refer Note No. 3.25)	71,843,812	78,660,550
	Administrative & General expenses	129,440,618	57,957,381
	Advertisement	1,073,260	537,150
	Conveyance	3,388,700	1,458,081
	Donation	68,631	66,611
	Incidental expenses	847,103	11,000
	Insurance	2,633,184	2,145,231
	Insurance on Vehicles	269,770	-
	Insurance on Fire & Special Perils	97,694	-
	AGM Expenses	52,828	-
	Insurance on Assets	123,340	-
	Listing Fee	55,000	55,000
	Annual Day Expenses	651,842	-
	Membership & Subscription	486,774	973,836
	Office Maintenance	9,438,138	6,232,629
	Postage & Telephone	3,197,716	2,920,357
	Printing & Stationary	1,936,948	751,489
	Professional Charges	15,293,015	5,260,689
	Rates & Taxes	10,523,964	7,114,437
	Rent	9,390,018	7,145,148
	Security expenses	2,267,459	-
	Directors' sitting fees	500,000	460,000
	Software Licence fee	3,563,163	2,978,671
	Books & periodicals	135,919	-
	Vehicle Maintenance	2,437,558	1,933,695
	Provision for doubtful Debts/Advances	22,485,977	319,500

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2012	Year ended 31 March 2011
	Provision for loss of Investment in Subsidiary	-	187,675
	Loss on Sale of Assets	-	680,256
	Testing Charges	-	109,500
	Incorporation expenses	-	438,606
	Cost of Game under development	-	15,900,000
	Bad Debts	34,835,284	-
	Installation and Training	3,250,000	-
	Payment to auditors		
	As Auditors		
	For Statutory & Tax audit fee	151,030	151,030
	For Internal audit - Quarterly review of accounts	120,000	120,000
	In other capacity		
	For Certification and Advisory in respect of Income tax, Company law etc.,	76,303	-
	For Certification of Cost compliance	90,000	-
	Out of pocket expenses	-	6,790

3.22	DEPRECIATION & AMORTISATION EXPENSE		
	Depreciation on total Tangible assets (Ref Note 3.07)	11,670,804	12,469,256
	Depreciation on total Intangible assets (Ref Note 3.07)	754,787	761,310
	Amortisation of Intangible assets (Ref Note 3.09)	1,775,681	3,318,240
		14,201,272	16,548,806
	Less: Shown under R&D revenue expense (Ref Note 3.21)		
	- Depreciation on Tangible assets used in R&D activities (Ref Note 3.21)	2,469,641	2,714,286
	- Depreciation on Intangible assets used in R&D activities (Ref Note 3.21)	217,600	87,873
		11,514,031	13,746,647

3.23	TAX EXPENSE		
	Current tax	78,048,328	-
	Tax for earlier peirod	-	9,928,799
	Deferred tax expenses	-	(18,518,990)
		78,048,328	(8,590,191)

Note: Tax expense comprises current and deferred tax. The current tax represents the Minimum Alternate Tax (MAT) payable by the company on the book profits for the year. Current tax expense is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 and the tax rates and tax laws used to compute the tax amount are prevailing at the reporting date. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years.

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

Note No.	Particulars	Year ended 31 March 2012	Year ended 31 March 2011
3.24	EARNINGS PER SHARE (EPS)		
	Total operations for the year		
	Profit after tax (PAT)	315,676,575	(20,950,619)
	Weighted average number of equity shares	8,888,432	8,888,432
	Earnings per Share (Both Basic & Diluted)	35.52	(2.36)

3.25	EXPENDITURE INCURRED ON RESEARCH AND DEVELOPMENT		
	Salaries	32,845,668	34,014,020
	Bonus & Gratuity	6,714,135	2,195,931
	Employees Compensation expenses	-	403,549
	Electricity Charges	1,349,599	1,356,358
	Travelling expenses	3,235,355	3,460,463
	Spares & Stores	24,918,614	29,160,670
	Software	-	896,204
	Consultancy Fee	-	1,991,133
	Freight	-	35,416
	Exgratia	-	2,344,647
	Leave Encashment	93,200	-
	Depreciation	2,687,241	2,802,159
		71,843,812	78,660,550

3.26	COMMITMENTS AND CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF		
	I. DISPUTED MATTERS		
	(a) Appeal filed by the Excise Department before the Customs, Excise and Service Tax Appellate Tribunal (CESTAT) Bangalore against the decision of adjudication by Commissioner of Customs and Central Excise Hyderabad - II Commissionerate, in favour of the Company pertaining to Excise matter in Order No: 02/2006-C.Ex	5,171,356	5,171,356
	(b) Subsequent demands raised by the excise authority, pending decision of the case in (a) above, being disputed by the company	74,942,371	69,029,843
		80,113,727	74,201,199

The dispute in the matter (a) above was relating to inclusion of customized software in the valuation of simulators supplied by the company during the period from F.Y 2005-06 to 2010-11 (upto 31-07-2011). The matter was first adjudicated by the Commissioner of Customs and Central Excise Hyderabad - II Commissionerate and decided in favour of the company. However, the excise department has filed an appeal before the appellate tribunal challenging the order passed by Commissioner of Customs and Central Excise. The Company, based on discussions with its solicitors and tax advisors, believes that there is a fair chance of winning the case in its favour in the appellate process and hence, no provision has been considered necessary against the same.

NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(in ₹)

II. GUARANTEES/LETTER OF CREDITS		Year ended	Year ended
		31 March 2012	31 March 2011
(a)	Bank Guarantees	292,714,421	187,670,425
(b)	Letter of Credits	8,950,309	-
		301,664,730	187,670,425

Note No.					
3.27	RELATED PARTY DISCLOSURE				
	Name of the Party	Relationship	Nature of Transaction	2011 - 12	2010 - 11
	Related party disclosures as required by AS-18 are given below :				
	a. Transactions during the year				
	Mr. Ashok Atluri Chairman and Managing Director	Key Management Personnel	Remuneration	3,406,640	2,005,352
	Mr. Ashok Atluri Chairman and Managing Director	Key Management Personnel	Commission	10,236,248	-
	Mr. Kishore Dutt Atluri President	Key Management Personnel (Brother of Mr Ashok Atluri)	Remuneration	2,280,000	1,432,000
	Mr. M Ravi Kumar Whole Time Director	Key Management Personnel	Remuneration	1,506,721	1,508,482
	b. Receivables				
	Version 2 Games Limited	Wholly owned subsidiary	Debtors	900,000	31,820,010
	Version 2 Games Limited	Wholly owned subsidiary	Investment	500,000	500,000
	Zen Technologies FZE	Wholly owned subsidiary	Investment	-	1,208,470



NOTES ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

CORPORATE INFORMATION

Zen Technologies Limited is a public company incorporated under the provisions of the Companies Act, 1956 having corporate office at B-42, Industrial Estate, Sanathnagar, Hyderabad-500018, India. The Equity shares of the Company are listed on Bombay Stock Exchange (BSE) in India. The company is engaged in design, development and manufacture of PC based Training Simulators for Police and Para-military Forces, Armed Forces, Other Security Forces, Government Departments (like Transport) and Civilian market etc. The company caters to both domestic and international market. The company is having two manufacturing units located in India: 1) Hardware Park, Maheswaram Mandal, Andhra Pradesh and 2) Nalagarh Dist Solan, Himachal Pradesh.

During the year under review, the Company owned two 100% subsidiaries, Zen Technologies FZE incorporated in UAE and Version 2 Games Limited incorporated in India. However, the Company has wind up the operations of the subsidiary Zen Technologies FZE during 2011-12.

1 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements present the accounts of the Company and 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 Limited and its subsidiaries for the year ended 31 March 2012.

The consolidated financial statement are prepared in Indian rupees. The Indian rupee is the functional currency of Zen Technologies Limited, Version 2 Games Limited and AED is 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 2011-12 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.

2 SIGNIFICANT ACCOUNTING POLICES

2.1 Basis of accounting and preparation of financial statements

The financial statements of the company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP) to comply with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year unless otherwise stated.

2.2 Change in accounting policy (Presentation and disclosure of financial statements)

As notified under the Companies Act, 1956 the financial statements for the year ended 31 March 2012 are prepared as prescribed under Revised Schedule VI. The adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has regrouped/reclassified the previous year figures wherever necessary in accordance with the requirements applicable in the current year.

2.3 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

2.4 Inventories

Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above the cost. Cost of raw materials, components and stores and spares is determined on a weighted average basis.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty and is determined on a weighted average basis.

2.5 Cash and cash equivalents

Cash and cash equivalent for the purposes of cash flow statement comprise cash at bank, cash in hand, demand deposits and other bank balances.

2.6 Cash flow statement

Cash flows are reported using the indirect method in accordance with 'Accounting Standard-3' issued under the Companies (Accounting Standards) Rules, 2006, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the company are segregated based on the available information.

2.7 Depreciation and amortization

Depreciation on fixed assets is provided on straight-line method for single shift in accordance with Schedule XIV to the Companies Act, 1956.

The following rates have been used for providing the depreciation on the tangible fixed assets:

Asset Description	Rates (SLM) Single Shift (%)
Buildings	1.63
Plant and Machinery	4.75
Office Equipment	16.21
Computers	16.21
Vehicles	9.5
Furniture & Fixtures	6.33
Software	100

Amounts spent for capital work-in-progress including advance given for capital goods are grouped as capital work-in-progress.

2.8 Tangible fixed assets

Fixed assets are carried at cost less accumulated depreciation. The cost of fixed assets includes interest on borrowings attributable to acquisition of fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. Subsequent expenditure relating to fixed assets is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Capital work-in-progress:

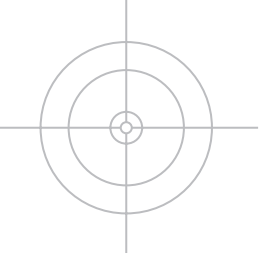
Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses.

2.9 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following recognition criteria is applied before revenue is recognized:

Sale of goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on dispatch of the goods. The company collects sales tax and value added tax (VAT) on behalf of the government and therefore, these are not economic benefits flowing to the company hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross).



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 been followed consistently and has no impact on the profitability of the company.

Sale of Services

Revenue from annual maintenance contracts (AMC) is recognized on pro-rata basis over the period in which such services are rendered. The company collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the company. Hence, it is excluded from revenue.

Interest on bank deposits

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

2.10 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 Statement of Profit and Loss.

2.11 Investments

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

2.12 Employee Retirement and other benefits

The company operates two defined benefit plans for its employees, viz. Group Gratuity and Leave Encashment Benefit. In respect of gratuity, the company has taken a Group Gratuity Scheme with Life Insurance Corporation of India. The premium payable under the scheme is provided in the books on accrual basis. The present value of the defined benefit obligation and the related current service cost were measured using actuarial valuation carried out by an independent actuary consultant at each year end. Separate actuarial valuation is carried out for each plan of gratuity and leave encashment using the projected unit credit method.

Gratuity benefit is applicable to all employees of the company having service more than five years. Gratuity paid out is based on last drawn basic salary at the time of termination or retirement. The scheme takes into account each completed year of service or part thereof in excess of 6 months. Gratuity is calculated as per the Payment of Gratuity Act, 1972 on actual liability basis.

In respect of retirement benefits in the form of provident fund, the contribution payable by the company for the year is charged to the Statement of Profit and Loss. The company has no obligation other than the contribution payable to the provident fund.

2.13 Earnings per share

Basic earnings per share are computed by dividing the net profit / (loss) after tax attributable to equity share holders by the weighted average number of equity shares outstanding during the year.

2.14 Taxes on income

Minimum alternate tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax.

2.15 Provisions

A provision is recognized when the company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

2.16 Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

2.17 Research and development costs

Revenue costs are expensed in the year in which they are incurred and the capital expenditure is added to fixed assets and are depreciated in accordance with depreciation policy of the company.

2.18 Dividends

Provision made in the accounts for the dividends payable by the company as recommended by the Board of Directors, pending approval of the shareholders at the Annual General Meeting. Income Tax on dividends is provided for in the year to which such dividends payable is provided for in the year to which such dividends relate.

2.19 Overdraft facilities from banks are secured by way of pledge of Fixed Deposits.

2.20 The Company operates in one segment i.e., Training simulation.

2.21 The Common expenses incurred at the Head Office were allocated between Head Office and Himachal Pradesh unit based on Net turnover.

2.22 The advances totaling to ₹ 155.30 lakhs given to Autostart Driving School Pvt Ltd. has been written-off as unrecoverable.

2.23 The advances totaling to ₹ 405.05 lakhs given to wholly owned subsidiary Version 2 Games Limited. has been written-off as unrecoverable.

2.24 Sundry debtors totaling to ₹ 254.56 lakhs including the amount due from the wholly owned subsidiary Version 2 Games Limited ₹ 134.10 lakhs has been written-off as unrecoverable.

2.25 The advances totaling to ₹ 72.60 lakhs given to wholly owned subsidiary Zen Technologies FZE, UAE has been written-off as unrecoverable.

2.26 A provision has been made for an amount of ₹ 216.01 lakhs being doubtful of recovery against sale of customized software.

2.27 A provision has been made for an amount of ₹ 32.50 lakhs on the sale of Tanks made to Ministry of Defence for installation, training and maintenance

2.28 All Fixed deposits were kept with Scheduled banks only.

2.29 The unclaimed dividend amount for all earlier financial years as on 31 March 2012 is ₹ 8,00,093, details of which are given below:

Sl. No.	Name of the Bank	Year of declaration of dividend	Unclaimed Amount ₹
1	Oriental Bank of Commerce	2004-05	54,229.50
2	Oriental Bank of Commerce	2005-06	86,507.00
3	Oriental Bank of Commerce	2006-07	1,55,634.00
4	HDFC Bank	2007-08	1,27,503.00
5	HDFC Bank	2008-09	1,54,336.50
6	HDFC Bank	2009-10	1,57,756.50
7	HDFC Bank	2010-11	64,126.50
	TOTAL		8,00,093.00

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

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

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

2.33 Directors' Remuneration (In ₹)

Sl. No	Particulars	2011-12	2010-11
1	Directors' Remuneration		
	Chairman & Managing Director		
	Salary and other allowances	33,60,000	20,05,352
	Other perquisites	46,640	-
	Commission	1,02,36,248	-
	Total	1,36,42,888	20,05,352
2	Other Director		
	Salary and other allowances	15,00,000	15,08,482
	Other perquisites	6,721	-
	Total	15,06,721	15,08,482

2.34 The company measures EBITDA on the basis of profit/(loss) from continuing operations and the company does not include depreciation and amortization expense, finance costs and tax expense in the measurement of EBITDA.

2.35 Foreign Currency Expenses (In ₹)

Particulars	2011-12	2010-11
CIF Value of Imports	-	-
Capital Goods	-	1,22,426
Raw materials and Components	15,31,688	-
Stores and Spares	15,07,847	49,86,105
Foreign Travel (Exclusive of tickets Purchased)	7,40,097	98,134
Software	2,72,107	8,96,204
Internet Charges	9,745	21,487
Training Charges	7,02,943	8,51,789
Membership	-	2,90,859
Others	6,17,210	5,40,025

2.36 Value of Imported and indigenous raw materials and components consumed. (In ₹)

Particulars	2011-12		2010-11	
	Value	%	Value	%
Indigenous raw material and stores	2527.67	98.81	640.03	100
Imported stores	30.40	1.19	-	-

2.37 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.

2.38 Statement Pursuant to Section 212 of the Companies Act, 1956 related to Subsidiary Companies (In ₹)

Funds Employed		31 March 2012	31 March 2012
1	Name of the Subsidiary Company	Zen Technologies FZE	Version 2 Games Ltd
2	Financial Period of the Subsidiary	01 April 2011 To 31 March 2012	01 April 2011 To 31 March 2012
3	Shares of the Subsidiary held by the Company on the above date	Nil	5,00,000 Equity Shares Of ₹ 1/- Each ₹ 5,00,000
	Extent of holding	Nil	100%
4	Net Aggregate Amount of Profits / (Losses) of the Subsidiary for the above Financial Period of Subsidiary so far as the concerned members of the Company		
	• Not dealt with in the accounts of the company for the period 31 March 2012:	Nil	Nil
	• Dealt with in the accounts of the company for the period 31 March 2012:	Nil	(1,83,030)
5	Net aggregate amount of profits / (losses) of the Subsidiary Since It Became The Subsidiary For The above financial period of Subsidiary so far as the concerned members of the Company		
	• Not dealt with in the accounts of the company for the period 31 March 2012:	Nil	Nil
	• Dealt with in the accounts of the company for the period 31 March 2012:	Nil	Nil

2.39 Summary of Financial Information of the Subsidiaries

(In ₹)

Funds Employed	Zen Technologies FZE, UAE		Version 2 Games Ltd	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
A. Capital	Nil	1,208,470	500,000	500,000
B. Reserves	-	-	-	-
C. Liabilities	-	-	-	-
Secured Loans	-	-	-	-
Unsecured Loans	-	-	-	17,510,010
Deferred Tax Liability	-	-	-	-
Total Liabilities	-	-	-	17,510,010
D. Total Funds Employed	Nil	1,208,470	500,000	18,010,010
E. Assets				
Net Block (Including Capital WIP)	Nil	18,485	2,766,022	2,368,795
Loans and Advances	-	-	335,000	-
Net Current Assets	Nil	(5,042,207)	(2,784,052)	15,641,215
Miscellaneous Expenditure (to the extent not written off)				-
Profit & Loss Account	Nil	6,232,192	183,030	-
Total Assets (Net)	Nil	1,208,470	500,000	180,100,010
F. Turnover	-	-	146,487	-
G. Profit/(Loss) Before Taxes	Nil	(192,983)	(183,030)	-
H. Provision For Taxation	-	-	-	-
I. Profit/(Loss) After Taxes	Nil	(192,983)	(183,030)	-
J. Proposed Dividend	-	-	-	-

As per our Report of even date

Gokhale & Co.,
Chartered Accountants
Firm Registration Number: 000942S

Chandrashekhhar Gokhale
Partner
M.No: 23839

Place: Hyderabad
Date: 25 May 2012

For and on behalf of the Board

Ashok Atluri
Chairman & Managing Director

M Ravi Kumar
Whole Time Director

M Amala
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012 (₹ in Lakhs)

Particulars	For the Year ended 31 March	
	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	3937.25	(295.41)
Non-cash adjustments:		
- Depreciation and amortisation expenses	142.72	165.48
Interest expense	191.19	126.32
Interest income	(243.37)	(192.01)
Loss on sale of asset	-	6.80
Provisions written back	(289.7)	(572.82)
Operating profit before working capital changes	3738.10	(761.6)
Changes in working capital:		
Increase/(decrease) in trade payables	327.77	245.86
Increase/(decrease) in other current liabilities	260.40	(19.4)
Increase/(decrease) in short term provisions	17.20	-
Decrease/(increase) in trade receivables	(5,098.47)	1076.27
Decrease/(increase) in inventories	350.05	(456.53)
Decrease/(increase) in short term loans & advances	463.86	-
Decrease/(increase) in other current assets	(32.48)	(216.08)
Cash generated from /(used in) operations	26.43	(131.52)
Direct tax payments (net of refunds)	(237.45)	(21.53)
Net cash flow from/(used in) operating activities (A)	(211.02)	(153.05)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/decrease in tangible and intangible fixed assets	(158.11)	(170.50)
(Increase)/decrease in capital work in progress	(81.51)	(360.78)
Interest received	243.37	192.01
(Increase)/decrease in non current investments	-	-
(Increase)/decrease in long term loans & advances	(62.53)	-
Net cash flow from/(used in) investing activities (B)	(58.78)	(339.27)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012 (₹ in Lakhs)

Particulars	For the Year ended 31 March	
	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in long term borrowings	19.46	-
Increase/(decrease) in short term borrowings	1071.96	(366.37)
Interest paid	(191.19)	(126.32)
Dividend tax paid	(21.63)	(66.44)
Dividend paid on equity shares	(133.33)	(399.98)
Net cash flow from/(used in) in financing activities (C)	745.27	(959.11)
Net increase/(decrease) in cash & cash equivalents (A+B+C)	475.47	(1,451.43)
Cash & cash equivalents at the beginning of the year	2687.45	4138.88
Cash & cash equivalents at the end of the year	3162.92	2687.45

Note: 1. Figures in brackets indicate cash outgo.
 2. Previous year figures have been re-grouped wherever necessary to conform to the current year's classification.

As per our Report of even date

Gokhale & Co.,
 Chartered Accountants
 Firm Registration Number: 000942S

Chandrashekhar Gokhale
 Partner
 M.No: 23839

Place: Hyderabad
 Date: 25 May 2012

For and on behalf of the Board

Ashok Atluri
 Chairman & Managing Director

M Ravi Kumar
 Whole Time Director

M Amala
 Company Secretary

ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORM

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

For Shares held in physical mode
 Please complete this form and send it to
 Karvy Computershare Private Limited
 Plot No. 17 to 24, Vithal Rao Nagar,
 Madhapur, Hyderabad - 500 081.
 Phone : 91- 40 - 44655000
 Fax : 91- 40 - 23420814
 Email id: einward.ris@karvy.com

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

For Shares held in physical mode form

Master Folio No.

FOR OFFICE USE ONLY	
ECS Ref. No.	

Name of First holder	
Bank Name	
Branch Name & Address	
Branch Code	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
(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)	

Account type (Please tick)	→ <table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="padding: 2px 5px;">Savings</td> <td style="width: 20px; text-align: center;">10</td> <td style="width: 20px;"></td> </tr> </table>	Savings	10		<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="padding: 2px 5px;">Current</td> <td style="width: 20px; text-align: center;">11</td> <td style="width: 20px;"></td> </tr> </table>	Current	11		<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="padding: 2px 5px;">Cash Credit</td> <td style="width: 20px; text-align: center;">13</td> <td style="width: 20px;"></td> </tr> </table>	Cash Credit	13	
Savings	10											
Current	11											
Cash Credit	13											

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 Karvy Computershare Private Limited, will not be held responsible. I have read the optional invitation letter and agree to discharge the responsibility expected of me as a participant under the scheme.

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

Dated: _____ (Signature of First holder)

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

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

Bank's Stamp

Date: _____ (Signature of the Official of the Bank)



Payment of Dividend through Electronic Clearing Service (ECS)

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

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

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

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

We request you to kindly submit the ECS / Bank details latest by Monday, 24 September 2012 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 19 Annual General Meeting of the members of the
Company to be held on Thursday 27 September 2012 at 9.00 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:

SI No.	Resolutions	For	Against
1	Adoption of Balance sheet as at 31 March 2012 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 2012		
3	Resolve not to fill the vacancy for the time being in the Board caused by the retirement of Dr. Pamidi Kotaiah who retires by rotation and doesn't seek reappointment.		
4	Appointment of Gokhale & Co., Chartered Accountants as Statutory Auditors of the Company		

As witness my hand / our hand(s) this day of 2012

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

(19 Annual General Meeting to be held on 27 September 2012 at 9.00 a.m.)

Name of the Shareholder : *DP ID No. :

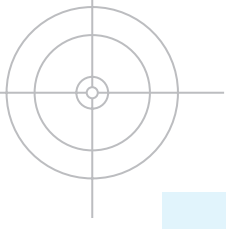
Regd Folio No. : * Client ID No. :

No of Shares held :

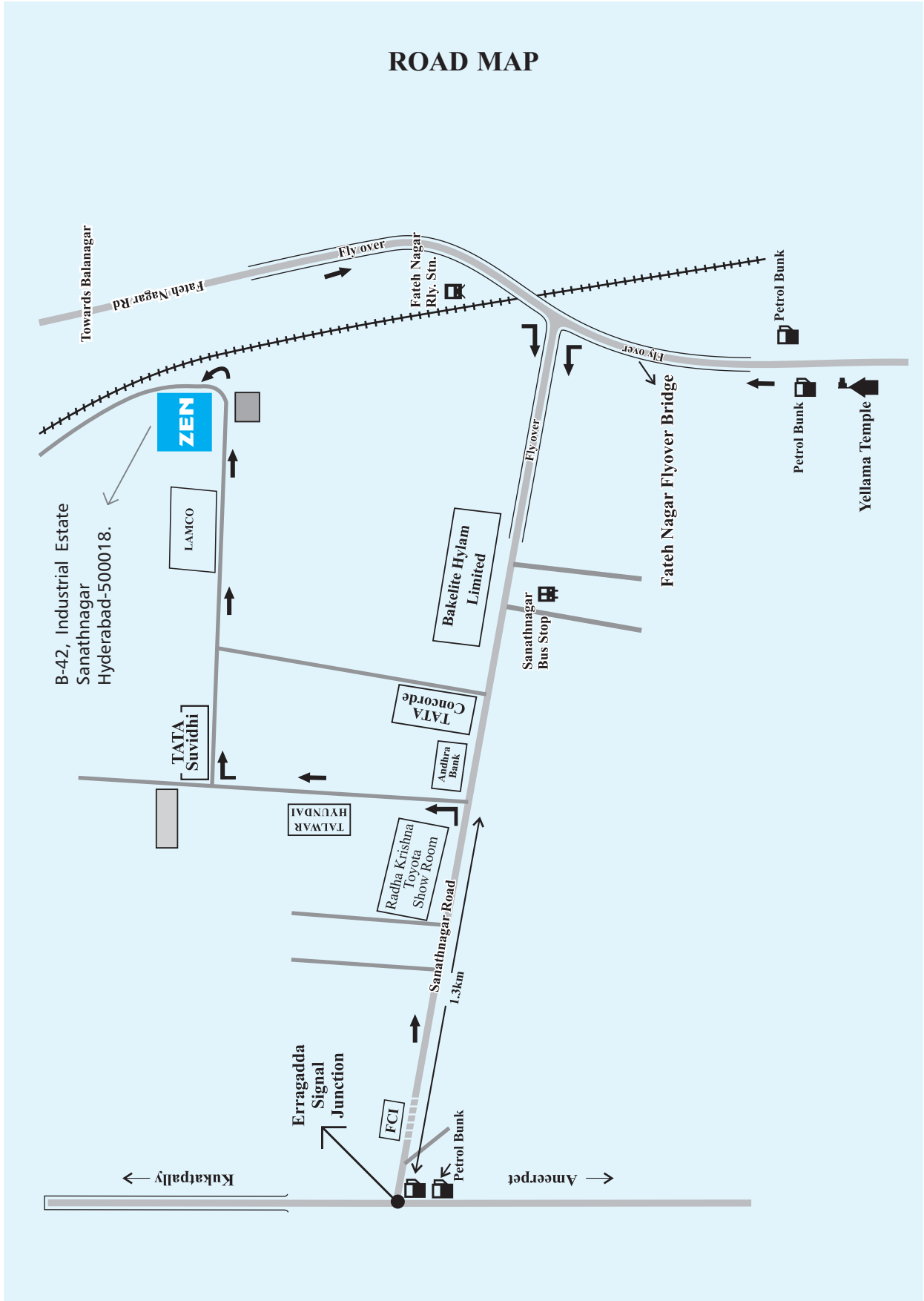
Signature of the Member / Proxy

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



NOTES

A series of 25 horizontal lines for writing notes, spanning the width of the page.

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