



Z y l o g
SYSTEMS LIMITED

**ANNUAL
REPORT**

2015-16

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CORPORATE INFORMATION

Administrator

Justice Mr. S. Rajeswaran,
Retd Judge of
Madras High Court,
Chennai.

Board of Directors

Ramanujam Sesharathnam
Managing Director
(Till 14th November 2015)

M Gajhanathan, Director
(Till 12th August 2016)

K S Subramanian, Director
(Till 30th June 2016)

M P Mehrotra, Director
(From 30th November 2015)

K S M Rao, Director
(From 30th November 2015)

Krishna Kishore, Director
(From 30th November 2015)

Srikanth P, Director
(From 30th November 2015)

S P Srihari, Director
(From 30th November 2015)

S Vimallesh Kumar, Director
(From 30th November 2015, Till 30th
June 2016)

Bankers

Union Bank of India
Syndicate Bank
ICICI Bank Ltd
Wells Fargo Bank
Wachovia Bank, N.A
TD Bank , N.A.,
CITI Bank
HSBC Bank USA, N.A

Committees

Audit Committee

Ramanujam Sesharathnam
(Till 14th November 2015)
K S Subramanaian
M Gajhanathan
Srikanth P, S P Srihari

Investors' Grievance Committee

Ramanujam Sesharathnam
(Till 14th November 2015)
M Gajhanathan, K S Subramanian
Srikanth. P, S P Srihari

Remuneration Committee

Ramanujam Sesharathnam
(Till 14th November 2015)
M Gajhanathan, K S Subramanian
Srikanth. P, S P Srihari

Statutory Auditors

Mr. T.R. Sarathy Chartered Accountant,
No.6, Sapthagiri Colony,
Ashok Nagar, Chennai – 600 083.

Registered Office

155, Thiruvalluvar Salai, Kumaran
Nagar, Sholinganallur, Chennai - 600 119.

USA Headquarters

85, Lincoln Highway
Edison, NJ 08820

Registrars & Transfer Agents

M/s. Cameo Corporate Services Limited
"Subramanian Buildings"
No.1, Club House Road,
Chennai -600002, India
Email: cameo@cameoindia.com
Website: www.cameoindia.com

NOTICE OF AGM

NOTICE is hereby given that the Twenty First (21st) Annual General Meeting (AGM) of the Members of Zylog Systems Limited will be held on Thursday, the 17th November, 2016 at 11.00 A.M. at Narada Gana Sabha (mini hall), No. 314 (Old No.254), T.T.K. Road, Chennai 600 018 to transact the following business:

ORDINARY BUSINESS:

Item No.1: To receive, consider and adopt the Audited Standalone and Consolidated Financial Statements for year ended March 31, 2016 together with the Reports of the Board of Directors and the Auditors thereon.

Item No.2: To consider and if thought fit, to pass the following resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Section 139 and 142 and other applicable provisions if any, of the Companies Act, 2013 and rules made thereunder, MR. T. R. SARATHY, Chartered Accountant, Chennai appointed by the Board of Directors in its meeting held on 22nd June, 2016 to fill the casual vacancy caused due to resignation of M/s Ramadoss & Co., Chartered Accountants, Chennai during the tenure as Statutory Auditor of the Company be and is hereby approved and appointed as Statutory Auditor to hold Office from the conclusion of this Annual General Meeting till the conclusion of the 22nd Annual General Meeting of the Company, on a remuneration to be decided by the Board of Directors on the recommendation of the Audit Committee”.

Date: 20.10.2016

Place: CHENNAI

**Retd. JUSTICE S.RAJESWARAN
ADMINISTRATOR**

NOTES:

1. Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote (on a poll only) instead of himself/herself and such proxy need not be a member of the company.
2. The instrument appointing the proxy, in order to be effective, must be deposited at the Company's Registered Office, duly completed and signed, not less than FORTY EIGHT HOURS before commencement of the meeting. Proxies submitted on behalf of limited companies, societies etc, must be supported by appropriate resolutions/authority as applicable. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total voting share capital of the Company. In case a proxy is proposed to be appointed by a member holding more than 10% of the total voting share capital of the company carrying voting rights, then such proxy shall not act as proxy for any other person or shareholder.
3. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote on their behalf at the Meeting.

4. Members / proxies should bring duly filled Attendance Slips sent herewith to attend the meeting.
5. The Register of Members and the share transfer books will remain closed from November 10, 2016 to November 17, 2016 (both days inclusive) for determining the names of members. Transfers received during book closure, if any, will be considered only after reopening of the Register of Members.
6. Members are requested to note that the Company's Equity Shares are under compulsory demat mode of trading. Members who have not yet dematerialized their physical share-holdings in the company are advised to avail the facility of dematerialization of equity shares of the company.
7. 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. Members holding shares in physical form are requested to advise any change in their address immediately to the Company/ Registrars and Transfer Agents (RTA), M/s Cameo Corporate Services Limited.
8. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company / Registrars and Transfer Agents, M/s Cameo Corporate Services Limited.
9. The members holding shares in demat format are requested to update their email addresses with their depository participant to ensure that the Annual Report and other documents reach you on your preferred email account in order to save paper and participate in the "Green Initiative" of the Ministry of Corporate Affairs.
10. Members desirous of getting any information about the accounts and/or operations of the Company are requested to write to the Company at least Seven days before the date of Annual General Meeting to enable the Company to keep the information ready at the meeting.
11. In case of joint holders attending the meeting, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote.
12. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under section 72 of the Act, are requested to submit details to the RTA in the prescribed Form SH 13 for this purpose Shareholders may note that the Notice to the Annual General Meeting of the company will also be made available in the Company's website www.zsl.com.
13. All documents referred to in the accompanying Notice shall be open for inspection at the Registered Office of the Company during normal business hours (9.00 am to 5.00

pm) on all working days except Saturdays and Sunday, up to and including the date of the Annual General Meeting of the Company.

1. Voting through electronic means

- I) In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 31 of the SEBI (Listing Obligation And Disclosure Requirement) Regulation, 2015, the Company is pleased to provide members facility to exercise their right to vote at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of AGM ("remote e-voting") will be provided by Central Depository Services of India Limited (CDSL):
- II) The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
- III) The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- IV) The remote e-voting period commences on 14th November, 2016 at (9.00 a.m.) and ends on 16th November, 2016 at (5.00 p.m.). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 10th November, 2016 may cast their vote by remote e-voting. The remote e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
- V) The instructions for shareholders voting electronically are as under:
 - i) The shareholders should log on to the e-voting website www.evotingindia.com.
 - ii) Click on Shareholders.
 - iii) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
 - iv) Next enter the Image Verification as displayed and Click on Login.
 - v) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
 - vi) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form PAN Enter your 10

digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)

- Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.
- In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.

DOB Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.

Dividend Bank Details Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.

- Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction
 - vii) After entering these details appropriately, click on "SUBMIT" tab.
 - viii) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
 - x) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
 - xi) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
 - xii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
 - xiii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

- xiv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- xv) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- xvi) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

xvii) Note for Non – Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

xvii) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

2. The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 10th November, 2016.
3. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice of AGM and holding shares as of the cut-off date 10th November, 2016 may obtain the login ID and password by sending a request at evoting@cdslindia.com. However if you are already registered with CDSL for remote e-voting then you can use your existing user ID and password for casting your vote.
4. A person whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut –off date only shall be entitled to avail the facility of remote e –voting as well as voting at the AGM through ballot paper.
5. Mr. P. Sriram, Practising Company Secretary (Membership No. 4862) has been appointed as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.
6. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which

voting is to be held, allow voting with the assistance of scrutinizer, by use of ballot paper for all those members who are present at the AGM but have not cast their votes by availing the remote e –voting facility.

7. The Scrutinizer shall after the conclusion of voting at the AGM, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e –voting in the presence of at least two witnesses not in the employment of the Company and shall make , not later than three days of the conclusion of AGM, a consolidated scrutinizer’s report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
8. The Results declared along with the report of the Scrutinizer shall be placed on the Company’s website www.zsl.com and on the website of CDSL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the Stock Exchanges where the shares of the Company are listed.

Performance Highlights - Consolidated

	₹ in lakhs except per share data					
For the period ended March 31,	2011	2012	2013	2014	2015	2016
Operating Revenue	191,567.76	227,285.49	249,964.52	172,900.40	41,101.34	22,880.02
PBDIT	29,318.87	41,343.45	36,111.69	-33,895.15	-764.75	-47.55
Operating income / revenue	15.30%	18.19%	14.45%	-19.60%	-1.86%	-0.21%
PBDT	25,730.37	38,653.70	25,236.97	-39,109.82	-2,321.16	-97.38
PBT	20,565.74	31,827.61	8,397.19	-55,022.67	-64,625.59	-22,112.56
PAT	14,514.62	20,439.91	298.76	-55,916.63	-63,729.34	-19,504.52
PAT / Sales	7.58%	8.99%	0.12%	-32.34%	-155.05%	-85.25%
Share capital, reserves & surplus	70,913.55	90,900.29	91,157.35	41,109.21	-18,133.34	-95,291.23
Paid up share capital	1,644.64	1,644.64	1,644.64	2,949.64	2,949.64	2,949.64
Reserves and surplus	69,268.91	89,255.65	89,512.71	38,159.57	-21,082.98	-98,240.87
Total assets	144,734.57	188,240.66	227,060.63	189,518.03	115,671.62	17,554.55
Other assets	22,189.46	29,749.64	39,649.71	31,131.04	20,420.31	426.79
Capital employed	127,861.26	166,218.43	201,511.95	157,637.46	94,608.88	8,796.21
Return on average capital employed	21.29%	24.38%	19.13%	-31.60%	-66.60%	-250.82%
Net worth	70,913.55	90,900.29	91,157.35	41,109.21	-18,133.34	-95,291.23
Return on networth	20.47%	22.49%	0.33%	-136.02%	351.45%	20.47%
Book value per share	431.18	552.71	554.27	139.37	-61.48	-323.06
Earning per share	88.25	124.28	0.91	-94.79	-108.03	-33.06
Cash accruals	25,730.37	38,653.70	25,236.97	-39,109.82	-2,321.16	-97.38
Rate of dividend	80.00%	100.00%	-	-	-	-
Dividend outflow	1,316.00	1,644.64	-	-	-	-

Ratio analysis - Consolidated

For the period ended March 31	2011	2012	2013	2014	2015	2016
Financial performance						
Export revenue / total revenue	98.07	97.35	96.15	96.90	92.86	83.99
Operating profit / total revenue	15.30	18.19	14.45	-19.60	-1.86	-0.21
PBT / total revenue	10.71	14.00	3.36	-31.82	-157.10	-96.65
PAT / total revenue	7.54	9.04	0.12	-32.34	-154.92	-85.25
Liquidity ratios						
Debtors turnover (in days)	89	102	105	146	147	185
Current ratio	3.71	2.77	1.11	1.01	0.52	0.09
Cash and equivalents / total assets	23.39	19.64	3.85	1.65	2.34	13.45
Cash and equivalents / total revenue	15.60	14.41	3.50	1.80	6.60	10.32
Cash and equivalents / total cash expenses	18.02	17.34	3.89	1.47	6.25	10.27
Depreciation / average gross block	11.02	10.74	18.92	20.14	14.27	1.53
Per-share data						
Basic earnings per share (₹)	88.25	124.28	0.91	-94.79	-108.03	-33.06
Cash earnings per share (₹)	119.51	166.34	115.04	-102.15	-156.89	-60.51
Book value (₹)	431.18	552.71	554.47	139.37	-61.73	-323.06
Dividend per share (₹)	8.00	10.00	-	-	-	-
Dividend	80.00	100.00	-	-	-	-
Dividend pay out	9.08	8.01	-	-	-	-

Letter to the Members

Dear Members,

It is yet another year testing period for the company. Your company continue to face more challenges both internally and externally. You are aware that the promoters and the past Directors of the Company were removed by the shareholders for their misdeeds in the Company. The new management constituted by me which had the approval of the shareholders via an Extraordinary General Meeting in March 2016 are in the process of resolving the issues created in the past. The confidence that the you posed on the new management team gives us immense strength to address the challenges before us.

Your company has experienced few turbulances in the years 2000 and 2007, where the economic hurricane swept away many companies across the globe. But your company could sustain all these and emerged more powerfully with its inherent strength. In fact, subsequent to the downfalls the company could increase its performances in many folds. We hope, the company will arise like a phoenix and all signs are clearly visible for this.

Your company has also been focusing on consolidating its business across the globe and rebuilding the confidence amongst the employees, customers, vendors and investors. It is pertinent to note that despite tremendous challenges, your company could turnaround the cash profit to positive, after a long time, in the first quarter of FY2017. The Company operations in the Middle East have been awarded a sizeable contract from one of the leading Telecom players in the Middle East for our Field Power product, the first big project in the last couple of years. Also your Company is ISO 9001-2009 certified now which has been possible because of the relentless focus and continuous efforts of our employees. This is typically the inherent strength of the company which made possible for the company to come out of the difficult times. The new Management team is also putting in efforts to settle the outstanding issues with the banks and are actively negotiating with them. The year 2016-17 is going to be an important year in the history of your Company, the year of Turn around.

If these positive signs are of any indication, the company is travelling on the positive track and with the same vigour and strength, your company is poised to witness few more good news before this financial year end.

We once again thank all the shareholders for posing their confidence in the new management team and we assure you that we will endeavor to put our sincere efforts to raise upto your expectations.

Warm Regards

Retd. Justice S Rajeswaran
Adminstrator

BOARD'S REPORT

To the Members,

The Board of Directors submits the Annual Report of the Company along with the audited financial statements for the financial year ended March 31, 2016:

1. FINANCIAL RESULTS

Rs. in lakhs except per share data

	Standalone		Consolidated	
	2016	2015	2016	2015
Operating revenue	13,940.84	31,308.46	22,880.02	41,101.37
Other Income	272.06	2,022.03	301.39	2,103.34
Operating Profit (PBDIT)	-3,996.97	-2,439.45	-47.55	-764.74
Interest	49.83	443.23	49.83	1,556.41
Depreciation	948.64	16,095.68	1,655.73	17,407.20
Prior period adjustments	12,076.24	46,967.17	20,660.84	106.19
Profit before tax (PBT)	-16,799.62	-63,923.50	-22,112.56	-64,625.55
Taxes	1,455.38	1,083.03	2,608.04	896.25
Profit after tax (PAT)	-15,344.24	-62,840.47	-19,504.52	-63,729.30
Paid up capital	2,949.64	2,949.64	2,949.64	2,949.64
Reserves & Surplus	-88,391.93	-14,492.35	-98,240.87	-21,082.89
Net Worth	-85,442.29	-11,542.75	-95,291.23	-18,133.34
Earnings per Share	-26.01	-106.52	-33.06	-108.03

Negative figures are given in "-" sign

2. RESULTS OF OPERATION

The company has been under great challenges during past few years. The company has been in continuous turbulence for the past few years due to the acute financial difficulties faced by the company. The promoters of the company have been removed from their directorship by the shareholders. The Administrator of the Company appointed by the Madras High Court, has reconstituted the Board with new set of directors in Nov' 15 whose appointments were subsequently approved by the shareholders of the company in Mar '16. Presently, the company is in the process of consolidating its businesses including its subsidiaries. The net loss at the consolidated level has reduced from Rs. 637.29 cr in the previous year to Rs. 195.05 crores. Total Revenue for Zylog Systems Limited was Rs. 228.80 cr as against Rs. 411.01 cr in the previous year.

At standalone level, the net loss amounted to Rs. 153.44 as against Rs. 628.40 cr. The revenue recorded during the year is Rs. 139.41 cr as against Rs. 313.08 cr.

3. EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS:

There are no significant events after balance sheet date.

4. INFORMATION ABOUT THE FINANCIAL PERFORMANCE/ FINANCIAL POSITION OF SUBSIDIARIES/ASSOCIATES/JVs/

The shares of the Canadian subsidiary M/s. Zylog Systems (Canada) Limited have been pledged with ICICI Bank for availing loan for acquiring this company. Due to defaults in the payments to the bank, ICICI Bank has sold the pledged shares and recovered the money. However, the company is pursuing this legally.

Secondly, the acquired entity M/s. Matrix Primus Partners, Inc was also under financial turbulence for last five years. The company has defaulted all its payments to its lenders, vendors, employees, etc. Due to this, the company lost its businesses, employees and reputation in the market and as on date the company is virtually closed.

Considering the present scenario of these companies, the investment in these subsidiaries has been written off fully as loss of investments.

The company has provided diminution value of 95% on the investments made in its Indian subsidiaries viz. Vishwa Vikas Services Limited, Zylog Systems (India) Limited and Algorithm Solutions Private Limited. The revenue of these companies have fallen steeply and considering the marketable price of these companies the provisions have been made. Other than these there has been no material change in the nature of the business of the Subsidiaries. A statement containing brief financial details of the subsidiaries is included in the Annual Report.

Information in form AOC-1 with respect to the subsidiary company as required under Section 129(3) of the Companies Act, 2013 is also forming part of the Board's Report.

5. SHARE CAPITAL

Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

- a) Issue of equity shares with differential rights as to dividend, voting or otherwise;
- b) Issue of Shares (including Sweat Equity Shares and ESOS) to employees of the Company under the scheme.

At the end of the financial year the Company's Equity Share Capital stands at Rs. 2949.64 Lakhs consisting of 5,89,92,840 Equity Shares of Rs. 5/- each.

6. CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information required under Section 134 of the Companies Act 2013 read with the Companies (Accounts) Rules 2014, on energy conservation, technology absorption, foreign exchange earnings and outgo, is given in Annexure 2 and forms an integral part of this report.

7. DIVIDEND

Based on the Company's performance, the Directors have not recommended any dividend during the year.

8. TRANSFER TO RESERVES

During the year, the company has not transferred any amount to the general reserve due to the loss it booked.

9. DECLARATION FROM INDEPENDENT DIRECTORS ON ANNUAL BASIS

The Company has received necessary declaration from each Independent Director of the Company under Section 149(7) of the Companies Act, 2013 that the Independent Directors of the Company meet with the criteria of their Independence laid down in Section 149(6).

10. EXTRACT OF ANNUAL RETURN

An extract of annual Return in form MGT – 9 is forming part of this report.

11. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All contracts and arrangements with related parties are on arms length basis and in the ordinary course of business. Form AOC-2 as required under section 134(3) (h) is enclosed as annexure-4 to this report.

12. CORPORATE GOVERNANCE

Pursuant to Schedule V of the SEBI (LODR) Regulation the following Reports/Certificates form part of the Annual Report:

- the Report on Corporate Governance;
- the Certificate duly signed by the CEO on the Financial Statements of the Company for the year ended March 31, 2016 as submitted to the Board of Directors at their meeting held on April 29, 2016;
- the declaration by the CEO regarding compliance by the Board members and senior management personnel with the Company's Code of Conduct ; and
- The Auditors' Certificate on Corporate Governance

13. MANAGEMENT DISCUSSION AND ANALYSIS:

Pursuant to Regulation 34 and other applicable regulations of SEBI (LODR) Regulations 2015, a Statement on Management Discussion and Analysis forms part of the Boards report.

A cautionary note: Certain statements in the Management Discussion and Analysis section may be forward looking and are stated as required by applicable laws and regulation. Many factors may affect the actual results, which could be different from what we envisage in terms of future performance and outlook.

14. ADVISORY COMMITTEE

The company is presently managed by Retd. Justice Mr. S. Rajeswaran appointed by Hon' ble High Court of Madras who has appointed Mr. Srikanth Parthasarathy, Mr. Srihari S P, Mr. Vimallesh Kumar S, Mr. Mehrotra M P, Mr. Krishna Kishore and Mr. K.S.M. Rao to advise him on the operations of the business and to oversee the day to day functions.

15. QUALITY INITIATIVES

Quality and best practices define the foundation of a company. Your company is an ISO 9001:2015 now. It is a great achievement considering the present status of the company. It shows that the company continues to maintain its quality standards and living up to the clients' needs, despite all the odds. Your company continuously leverages cutting edge tools, methodologies and benchmark standards to exceed the expectations of our customers. We, as an IT Solution provider, will continue to strive for excellence in all areas of business, guarantee the quality of its software products at all stages of development and build the highest quality standards. Your Company follows the most widely used paradigms for QA management, PDCA (Plan-Do-Check-Act) approach, also known as the Shewhart cycle. The main goal of QA is to ensure that the product / service fulfills or exceeds customer expectations. An independent audit team, who reports directly to the Managing Director, ensures proper implementation of all the control functions. The audit team conducts regular internal audits, intimates the non-conformities found during such audits, ensures that necessary corrective and preventive actions are taken and furnishes necessary summary reports to the Senior Management.

Your Company have developed and implemented control systems for software development, for information security and for managerial functions. Policies, processes and procedures have been developed for each control system and these are placed in the company's network to ensure their availability to all the employees at all times.

16. PUBLIC DEPOSITS

The company has not accepted any deposits from the public during the financial year 2015-2016 within the meaning of Section 73 of the Companies Act 2013 read with Companies (Acceptance of Deposits) Rules 2014 and there is no outstanding amount on account of principal or interest as on date.

17. DIRECTORS

During the financial year ended 31st March, 2016 under review, the following directors were inducted in the Board by the Administrator

- 1) Mr. M P Mehrotra
- 2) Mr. KSM Rao
- 3) Mr. Krishna Kishore
- 4) Mr. Srikanth Parthasarathy
- 5) Mr. Srihari S P
- 6) Mr. S Vimallesh Kumar

And Mr. Ramanujam Sesharathnam Managing Director & COO who was ousted by shareholders in AGM held during 2014-2015.

The Company appreciated and thank him for the services rendered during his tenure as Managing Director of the Company.

18. DIRECTORS' RESPONSIBILITY STATEMENT

In terms of section 134(3) (c) read with section 134(5) of the Companies Act 2013 the Directors to the best of their knowledge and belief and according to information and explanation obtained by them, confirm that,

- (a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to any material departures;
- (b) Such accounting policies have been selected and applied consistently and such judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at the end of the financial year 31st March 2016 and of the profit of the company for the year ended 31st March 2016.
- (c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) The annual accounts have been prepared on a "going concern" basis.
- (e) Proper internal financial controls to be followed by the company have been laid down and such internal financial controls were adequate and were operating effectively
- (f) Proper systems have been devised to ensure compliance with the provisions of all applicable laws have been devised and such systems were adequate and were operating efficiently

19. PARTICULARS OF LOANS GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT 2013

The company has not given loans, guarantees nor made any investments during the financial year under consideration.

20. CHANGE IN NATURE OF BUSINESS

There was no change in the nature of business of the company during the year under review

21. REMUNERATION OF KEY MANAGERIAL PERSONNAL

There is no remuneration paid to the Key Managerial Personnel in FY 2015-16.

22. BOARD EVALUATION

Pursuant to the provisions of Rule 4 of the Companies (Accounts) Rules, 2014, the Board has carried out an annual performance evaluation of its directors individually as well as the working of its Committees (Audit, Nomination & Remuneration Committee and Stakeholders Relationship Committee) and Independent Directors (without participation of the relevant Director). The Company is in process selecting the candidate for Women Director to full the compliance of the Companies Act, 2013 and as stated provisions in SEBI (LODR) Regulations, 2015.

23. BOARD MEETINGS

During the year 9 meetings of the Board of Directors were held. The details of the meeting are furnished in the Corporate Governance Report.

24. PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURE

Your company has no employees covered in terms of the provisions of Section 197(12) of the Companies Act, 2013 read with Rules 5(2) of the Companies (Appointment and Remuneration of Management Personnel) Rules, 2014.

Your company has not paid any remuneration to the Managing Director Disclosure pertaining to remuneration and other details as required under Section 197 (12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is not applicable .

25. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

This is discussed in details in the Management Discussion and Analysis Report.

26. RISK MANAGEMENT POLICY

The Company has taken adequate steps towards management and mitigation of risks in a timely and effective manner. Your company has ensured that, with proper Risk Company mechanism, timely detection of risks is possible and effective control measures could be adopted for easy resilience of any damage arising thereof. Management Discussions and Analysis Report contained more details on the risk management policy of the Company.

27. MATERIAL CHANGES

There were no material changes and commitments occurred after the Closure of the financial year 2015-2016 that affect the financial positions of the Company.

28. PREVENTION OF SEXUAL HARASSMENT POLICY

The Company has in place a Prevention of Sexual Harassment policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013.

29. AUDITORS

M/s Ramadoss & Co, Chartered Accountants, Chennai have expressed their unwillingness to continue. We appreciate their dedicated services rendered so far and your Directors appointed Mr. T.R. Sarathy, Chartered Accountant, Chennai have expressed willingness to accept office. who will retire as the Auditors of the Company at the conclusion of the ensuing Annual General Meeting and being eligible pursuant to Section 139 of the Companies Act, 2013 and other applicable provisions and rules made thereunder. The Audit Committee in their meeting held on 22nd June, 2016 has recommended the appointment of Mr. T.R. Sarathy, Chartered Accountant, Chennai.

30. SECRETARIAL AUDITOR

Pursuant to the provisions of section 204 of the Companies Act 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the company

has appointed Mr. V. Sudindhar, Practicing Company Secretary as Secretarial Auditor of the company to undertake Secretarial audit of the company. The report of the secretarial auditor is annexed as Annexure 5. It does not contain any qualification reservation, adverse remark or disclaimer.

31. HUMAN RESOURCES

As this is a people business, employees are vital and most valuable assets possessed by the company. Despite the financial difficulties and even after major changes happened in the company, the employees who have been associated with the company for so many years have not left their services, which shows their commitment and confidence they have. The ISO certification which we got during the year after 2-3 years shows the commitment to their work, which is one of the major inherent strength the company possesses. Your company continues to attract highly talented individuals possessing skill sets with an 'x' factor. Your company rightly appeals to young, qualified people who want to make a difference in their contribution and be at the forefront of change which is very much the hallmark that we pursue to the highest degree, as we cross several pioneering frontiers in our pursuit of perfection. Employee strength was 450 at the end of the year continues to be on an upward trend, given the challenges we have. The effective and optimal utilisation of precious onsite and offshore staff resources remains one of the key near term objectives, going forward.

32. ENVIRONMENTAL AWARENESS

"Go Green" initiatives to conserve resources has been initiated in the Company. Steps required for conserving power across all delivery centres are being undertaken. The Company has also taken initiatives within its office buildings to reduce electrical power, water and paper consumption. These initiatives shall be taken forward at a sustained pace.

33. ACKNOWLEDGEMENTS

Your directors profusely thank the clients, vendors, investors and bankers for their continued support of Company's growth. Your directors place on record their immense appreciation of the contribution made by every employee at all levels, who through their commitment, competency, hard work, solidarity, cooperation and support have enabled the company to achieve this growth. Your directors sincerely thank the Government of India, particularly the Department of Electronics, the Customs and Excise Departments, Software Technology Park – Chennai, the Ministry of Commerce, Reserve Bank of India, Department of Telecommunications, State Government and other Government agencies for their support during the year, and look forward to their continued support in the future.

**For and on behalf of the Board of Directors
of Zylog Systems Limited**

Place: Chennai
Date: 20.10.2016

Retd. **Justice S Rajeswaran**
Administrator

ANNEXURE 1

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/ associate companies/joint ventures

Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs.)

Sl. No.	Particulars	Details	Details	Details	Details	Details	Details
	Name of the subsidiary	Vishwa Vikas Services Limited	Algorithm Solutions Private Limited	Zylog Systems (India) Limited	Zylog Systems (Europe) Limited	Zylog Systems Asia Pacific Pte Ltd	Zylog BV Limited
	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	31 st March 2016	31 st March 2016	31 st March 2016	31 st March 2016	31 st March 2016	31 st March 2016
	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	INR	INR	INR	GBP	SGD	USD
	Share capital	25.00	1.00	3,150.00	1,065.65	625.99	62.99
	Reserves & surplus	-57.17	29.89	-16,284.82	-464.89	1,125.01	2,794.51
	Total assets	0.20	286.65	1,763.48	921.00	1,774.80	5,033.94
	Total Liabilities	32.37	255.76	14,898.30	320.24	23.80	2,176.44
	Investments	-	-	-	-	1,402.38	-
	Turnover	-	858.54	67.67	787.51	954.81	7,682.30
	Profit before taxation	-576.66	107.67	7,943.15	229.42	-346.74	34.02
	Provision for taxation	0.03	-50.84	-1,200.18	-	-	98.33
	Profit after taxation	-576.69	158.51	-6,742.97	229.42	-346.74	-64.31
	Proposed Dividend	-	-	-	-	-	-
	% of shareholding	100%	100%	100%	100%	100%	100%

Notes: The following information shall be furnished at the end of the statement:

1. Names of subsidiaries which are yet to commence operations
2. Names of subsidiaries which have been liquidated or sold during the year.

Part “B”: Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Name of associates/Joint Ventures	
1. Latest audited Balance Sheet Date	NIL
2. Shares of Associate/Joint Ventures held by the company on the year end	
No.	
Amount of Investment in Associates/Joint Venture	
Extend of Holding%	
3. Description of how there is significant influence	
4. Reason why the associate/joint venture is not consolidated	
5. Net worth attributable to shareholding as per latest audited Balance Sheet	
6. Profit/Loss for the year	
i. Considered in Consolidation	
ii. Not Considered in Consolidation	

1. Names of associates or joint ventures which are yet to commence operations.
2. Names of associates or joint ventures which have been liquidated or sold during the year.

ANNEXURE 2

A) Details of Conservation of Energy

The Company is aware of the need to conserve resources, reduce its carbon emissions and create sustainable alternatives wherever feasible.

Even though the operations do not warrant high energy consumption, the Company continuously takes measures to optimize energy usage, for example, replacement of flat monitors in the place of CRT monitors, switching over to CFL lightings, switching off the air conditioners on a budgeted hour basis.

B) Technology Absorption:

1. Special Areas in which R&D carried out by the Company

The Company has a Research, Analysis & Development wing, namely, "IDEA (Innovative Development of Enterprise Applications) Lab" breeding innovation to meet the growing market demands.

IDEA Lab assists the Independent Software Vendors (ISVs), Solution Providers (SPs) and our partners by offering

Research & Development - The dedicated R&D unit is involved in exploring the hundreds of new emerging technologies in compliance with changing market trends helping clients to take advantage of opportunities, to serve their customers rapidly and economically keeping pace with trends, emerging customers as distinguished performer from their competitors.

Product Re-Engineering- Helps in re-inventing and re-building a product suitable to fluxing and demanding market environment.

Product Lifecycle Management (PLM) – Company's deep expertise coupled with quality software deliverable capability help ISVs and SPs to reach their customers faster at lower cost. IDEA Lab's PLM helps businesses to create an integrated product development environment across the enterprise in diversified industries such as High Tech, Healthcare, Banking, Insurance, Telecommunication, Manufacturing, Automotive, Retail, Consumer Electronics and more.

2. Benefits derived as a result of above R&D

- a) New innovative and State-of-the-art technology products on a less TCO.
- b) Quicker ROI.
- c) Product development is based on modular, flexible, scalable delivery mechanisms.
- d) Customer centric approach in delivering Quality Solutions.
- e) Aimed at providing solutions to dynamic business concerns.
- f) Holistic approach in providing cutting edge technology.
- g) Quickly customizable, adaptable offerings.
- h) Very Quick Time to Market.

- i) Subject Matter Experts with immense knowledge on latest technologies and tools.
- j) Faster implementation and simple configuration procedures.

- i) Highly secure and scalable
- ii) 24x7x365 customer support
- iii) Less maintenance and support cost

3. Future plan of action:

To continue the focus is in doing R&D, developing Prototype and POCs (Proof of Concepts) by aligning the emerging enterprise technologies to the business requirements.

4. Expenditure on R&D:

Expenditure incurred on research and development activities are charged off to Profit and Loss Account as incurred till the time the techno-commercial viability is established.

C) Foreign Exchange Earnings and Outgo:

1. Activities relating to export initiatives taken to increase export developments of new markets for product and services and export plans:

The geography concentration of the Company is mainly USA contributing to 69.54 % of the revenue. The Company plans to continue concentrating on the development of Export business.

2. Total Foreign Exchange used and earned FOB
 - i) Total Foreign Exchange Earned Rs. 2,393.73 lakhs (Rs.1,473.91 Lakhs)
 - ii) Total Foreign Exchange used Rs. Nil (Rs.3.50 Lakhs)

ANNEXURE - 3

FORM NO. AOC.2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso there to.

1. Details of contracts or arrangements or transaction not at arm's length basis – There were no contracts or arrangement or transactions entered into during the year ended March 31, 2016 which were not at arm's length basis
 - a) Name(s) of the related party and nature of relationship – N.A
 - b) Nature of contracts/arrangements/transactions – N.A
 - c) Duration of the contracts/arrangements/transactions – N.A
 - d) Salient terms of the contracts or arrangements or transactions including the value, if any – N.A
 - e) Justification for entering into such contracts or arrangements or transactions – N.A
 - f) Date(s) of approval by the Board, if any – N.A
 - g) Amount paid as advances, if any – N.A
 - h) Date on which the special resolution was passed in general meeting as required under first proviso to Section 188 – N.A
2. Details of material contracts or arrangement or transactions at arm's length basis

₹. in lakhs

No.	Name(s) of the related party and nature of relationship	Nature of contracts / arrangements/ transactions	Duration of the contracts/ arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advances, if any
1	Vishwa Vikas Services Limited					-
2	Zylog Systems (Europe) Limited					106.82
3	Zylog Systems (India) Limited					1,048.15
4	Zylog BV Limited					-

No.	Name(s) of the related party and nature of relationship	Nature of contracts / arrangements/ transactions	Duration of the contracts/ arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advances, if any
5	Algorithm Solutions Private Limited					465.82
6	Zylog Systems Asia Pacific Pte Limited					288.26

Place: Chennai

Date: 20.10.2016

-s/d-
Retd. Justice S Rajeswaran
Administrator

ANNEXURE 4
FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2016

(Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company
(Management & Administration) Rules, 2014.)

1. REGISTRATION & OTHER DETAILS:

1.	CIN	L30006TN1995PLC031651
2.	Registration Date	01/06/1995
3.	Name of the Company	ZYLOG SYSTEMS LIMITED
4.	Category/Sub-category of the Company	Company limited by Shares, Non-Government Company
5.	Address of the Registered office & contact details	155, THIRUVALLUVAR SALAI, KUMARAN NAGAR, SHOLINGANALLUR, CHENNAI – 600 119
6.	Whether listed company	YES
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Cameo Corporate Services Limited "Subramanian Building" No.1, Club House Road Chennai - 600002

2. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Computer programming and consulting	620	100%

3. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

Sl. No.	Name and Address of the company	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% of shares held	Applicable Section
1	Vishwa Vikas Services Ltd	U72900TN-2004PLC052770	SUBSIDIARY	100%	Sec 2(87)
2	Zylog Systems (Europe) Ltd		SUBSIDIARY	100%	Sec 2(87)
3	Zylog Systems (India) Ltd	U72200TN-2005PLC058451	SUBSIDIARY	100%	Sec 2(87)
4	Zylog Systems Asia Pacific Pte Ltd		SUBSIDIARY	100%	Sec 2(87)
5	Algorithm Solutions Pvt Ltd	U72200DL1998 PTC091865	SUBSIDIARY	100%	Sec 2(87)
6	Zylog BV Limited		SUBSIDIARY	100%	Sec 2(87)

4. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

Category of Share Holders	No of shares held at the the beginning of year (as on 31st March 2015)				No of shares held at the the end of year (as on 31st March 2016)				% change During the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
Shareholding of Promoter and Promoter Group²									
Indian									
Individuals/ Hindu Undivided Family	-	-	-	-					
Central Government/ State Government(s)	-	-	-	-					
Bodies Corporate	839,885		839,885	1.42	839,885		839,885	1.42	-
Financial Institutions/ Banks	-	-	-	-	-	-	-	-	-
Any Others(Specify)	-	-	-	-	-	-	-	-	-
Sub Total(A)(1)	839,885		839,885	1.42	839,885		839,885	1.42	-
Foreign									
Individuals (Non-Residents Individuals/ Foreign Individuals)									
Bodies Corporate	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-
Any Others(Specify)	-	-	-	-	-	-	-	-	-
Foreign Others	817,000		817,000	1.38	817,000		817,000	1.38	-
Sub Total(A)(2)	817,000		817,000	1.38	817,000		817,000	1.38	-

Category of Share Holders	No of shares held at the the beginning of year (as on 31st March 2015)				No of shares held at the the end of year (as on 31st March 2016)				% change During the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	1,656,885		1,656,885	2.81	1,656,885		1,656,885	2.81	-
Public shareholding									
Institutions									
Mutual Funds/ UTI	-	-	-	-					
Financial Institutions / Banks	2,484,457	-	2,484,457	4.21	2,484,457	-	2,484,457	4.21	-
Central Government/ State Government(s)	560		560	-	0	-	0	0	0
Venture Capital Funds	-	-	-	-	-	-	-	-	-
Insurance Companies	-	-	-	-	-	-	-	-	-
Foreign Institutional Investors and Foreign Portfolio Investor	4,748,994		4,748,994	8.05	4,883,515	0	4,883,515	8.28	0.23
Foreign Venture Capital Investors	-	-	-	-					
Any Other (specify)	-	-	-	-					
FPO Category1	0	0	0	0	191,400		191,400	0.32	0.32
FPO Category2					32,600		32,600	0.56	0.56
Sub-Total (B)(1)	7,234,011		7,234,011	12.26	7,591,972		7,591,972	12.87	0.061

Category of Share Holders	No of shares held at the beginning of year (as on 31st March 2015)			No of shares held at the end of year (as on 31st March 2016)			% change During the year		
	Demat	Physical	Total	% of Total shares	Demat	Physical		Total	% of Total shares
Non-institutions									
Bodies Corporate	7,019,493		7,019,493	11.90	7,012,043	-	7,012,043	11.89	-0.01
Individuals									
i. Individual shareholders holding nominal share capital up to Rs 1 lakh	21,034,482	78,608	21,113,090	35.79	23,380,521	101,058	23,481,579	39.80	4.01
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	10,321,995	402,000	10,723,995	18.18	14,865,581	402,000	15,267,581	25.88	7.70
Qualified Foreign Investor									
Any Other									
Clearing Members	408860	0	408860	0.6930	80054	0	80054	0.1357	-0.5573
HUF	1232334	0	1232334	2.0889	1839856	0	1839856	3.1187	1.0298
NRI	1692492	36600	1729092	2.9310	2026140	36600	2062740	3.4965	0.5655
Trusts	80	0	80	0.0001	130	0	130	0.0002	0.0000
	3333766	36600	3370366	5.7131	3946180	36600	3982780	6.7512	1.0381
Sub-Total (B)(2)	41709736	517208	42226944	71.5797	49204325	539658	49743983	84.3220	12.7422
Total Public Shareholding (B)=(B)(1)+(B)(2)	48943747	517208	49460955	83.8423	56796297	539658	57335955	97.1913	13.3490
TOTAL (A)+(B)	50600632	517208	51117840	86.6509	58453182	539658	58992840	100.0000	13.3490

Category of Share Holders	No of shares held at the beginning of year (as on 31st March 2015)			No of shares held at the end of year (as on 31st March 2016)			% change During the year
	Demat	Physical	Total	Demat	Physical	Total	
Shares held by Customers and against which Depository Receipts have been issued	-	-	-	-	-	-	
Promoter & Promoter Group	7875000	0	7875000	0	0	0	0.0000 -13.3490
Public	0	0	0	0	0	0	0.0000 0.0000
	7,875,000		7,875,000	00	0	0	-13.3490
GRAND TOTAL (A)+(B)+(C)	58,475,632	517,208	58,992,840	58453182	539658	58992840	100.00 0

A) Shareholding of Promoter-

Share Holder's Name	No of shares held at the beginning of year (as on 31st March 2015)			No of shares held at the the end of year (as on 31st March 2016)			% change During the year
	No of shares	% of Total shares of the Company	shares pledged/ Encumbered of total shares	No of shares	% of Total shares of the Company	shares pledged/ Encumbered of total shares	
Sudarshan V	473,500	0.80	0.80	473,500	0.80	0.80	-
Ramanujam Sesharathnam	343,500	0.58	0.58	343,500	0.58	0.58	-
Sthithi Insurance Services Private Limited	839,885	1.42	0.91	839,885	1.42	0.91	-
Total	1,656,885	2.81	2.30	1,656,885	2.81	2.30	-

B) Change in Promoters' Shareholding (please specify, if there is no change)

S No	Particulars	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Sudarshan Venkatraman	473,500	0.80	473,500	0.80
2	Ramanujam Sesharathnam	343,500	0.58	343,500	0.58

C) There is no increase / decrease in Promoters Holdings in FY 2015 -16.

D) Shareholding Pattern of top ten Shareholders:

(Other than Directors, Promoters and Holders of GDRs and ADRs):

Share Holder's Name	share holding at the beginning of the year		share Holding at the end of the year		% change During the year
	No of shares	% of Total shares of the Company	No of shares	% of Total shares of the Company	
Life Insurance Corporation Of India	1,360,000	2.31	1,360,000	2.31	-
Lic Of India Market Plus 1 Balanced Fund	50,000	0.08	50,000	0.08	-
Lic Of India Market Plus 1 Growth Fund	50,000	0.08	50,000	0.08	-
Lic Of India Pension Plus Mixed Fund	30,000	0.05	30,000	0.05	-
General Insurance Corporation Of India	935,308	1.59	935,308	1.59	-
K R Pradeep	655,000	1.11	655,000	1.11	-
Prabhudas Lilladher Financial Services Pvt. Ltd.	691,725	1.17	691,725	1.17	-
Haritha Bathina	518,900	0.88	0	-	-0.88
Mrkr Constructions Private Limited	750,000	1.27	750,000	1.27	-
Anoop Jain	395,085	0.67	395,085	0.67	-
B Sumanthkumar Reddy	315,000	0.53	315,000	0.53	-
Sparrow Asia Diversified Opportunities Fund	2,761,557	4.68	2,112,043	3.58	-1.1
Leman Diversified Fund	1,650,000	2.80	1496472 2.5367	2.53	-0.27
Davos International Fund	0	0	1175000	1.99	1.99

E) Shareholding of Directors and Key Managerial Personnel:

Sr No	Share Holder's Name	share holding at the beginning of the year		share holding at the end of the year	
		No of shares	% of Total shares of the Company	No of shares	% of Total shares of the Company
1	Ramanujam Sesharathnam	343,500	0.58	343,500	0.58

There is no increase / decrease in Directors and Key Managerial Personnel Holdings in FY 2015 -16 .

1. INDEBTEDNESS -Indebtedness of the Company including interest outstanding/ accrued but not due for payment.

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	₹. In Lakhs
				Total Indebtedness
Indebtedness at the beginning of the FY				
i) Principal Amount	79,314.81	2,805.63	-	82,120.44
ii) Interest due but not paid	6,768.17	-	-	6,768.17
iii) Interest accrued but not due				-
Total (i+ii+iii)	86,082.98	2,805.63	-	88,888.61
Change in Indebtedness during the FY				
* Addition	-	13,211.38	-	13,211.38
* Reduction	11,411.23	-	-	11,411.23
Net Change	(11,411.23)	13,211.38	-	1,800.15
Indebtedness at the end of the FY				
i) Principal Amount	74,671.75	16,017.01	-	90,688.76
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due				-
Total (i+ii+iii)	74,671.75	16,017.01	-	90,688.76

REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

Remuneration to Managing director, Whole-time Director and/or Manager

S No.	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
1	Gross Salary	NIL	NIL	NIL	NIL	NIL
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	NIL	NIL	NIL	NIL	NIL
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	NIL	NIL	NIL	NIL	NIL
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	NIL	NIL	NIL	NIL	NIL
2	Stock Option	NIL	NIL	NIL	NIL	NIL
3	Seat Equity	NIL	NIL	NIL	NIL	NIL
4	Commission As % of profit Others, specify...	NIL	NIL	NIL	NIL	NIL
5	Others, Please Specify	NIL	NIL	NIL	NIL	NIL
	Total (A)	NIL	NIL	NIL	NIL	NIL
	Ceiling as per the Act	NIL	NIL	NIL	NIL	NIL

Remuneration to other Directors

S No.	Particulars of Remuneration	Name of Directors				Total Amount
1	Independent Directors	Mr. M Gajhanathan	Mr. K S Subramanian	Mr. K S M Rao	Mr. Krishna Kishore	
	Fees for attending board committee meetings	35,000	45,000	5,000	5,000	90,000.00
	Commission	NIL	NIL	NIL	NIL	NIL
	Other, Please Specify	NIL	NIL	NIL	NIL	NIL
	Total (1)	35,000	45,000	5,000	5,000	90,000.00
2	Other Non-Executive Directors					
	Fees for attending board committee meetings	NIL	NIL	NIL	NIL	NIL

S No.	Particulars of Remuneration	Name of Directors				Total Amount
	Commission		NIL	NIL	NIL	NIL
	Other, Please Specify	NIL	NIL	NIL	NIL	NIL
	Total (2)	NIL	NIL	NIL	NIL	NIL
	Total(b)=(1+2)	NIL	NIL	NIL	NIL	NIL
	Total Managerial Remuneration	35,000	45,000	5,000	5,000	90,000.00
	Overall Ceiling as per the Act					

Remuneration to key managerial personnel other than md/manager/wtd

S No.	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
		CEO	CS	CFO	Others	
1	Gross Salary					
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	NIL	NIL	NIL	NIL	NIL
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	NIL	NIL	NIL	NIL	NIL
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	NIL	NIL	NIL	NIL	NIL
2	Stock Option	NIL	NIL	NIL	NIL	NIL
3	Seat Equity	NIL	NIL	NIL	NIL	NIL
4	Commission As % of profit Others, specify...	NIL	NIL	NIL	NIL	NIL
5	Others, Please Specify	NIL	NIL	NIL	NIL	NIL
	Total	NIL	NIL	NIL	NIL	NIL

Penalties/Punishment/Compounding of Offences:

Type	Section of the companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority (RD/NCTL/ Court)	Appeal Made, if any (give Details)
A) Company					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
B) Directors					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
C) Other Officers in Default					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

ANNEXURE 5

Form No.MR-3

SECRETARIAL AUDIT REPORT

FINANCIAL YEAR ENDED 31st MARCH 2016

(Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014)

To
The Members
Zylog Systems Limited
Chennai

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to corporate practices by Zylog Systems Limited (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

During verification it was informed that certain Secured Creditors had filed for winding up of the company for non-repayment of loans. The Company had also appealed against the said order passed by the Division Bench in the matter of winding up and against the direction made to the official liquidator to take charge over the assets of the company in his capacity as Provisional Liquidator. On appeal it was held by the Court that the Learned Official liquidator shall not take any steps to close the company.

However the administrative decisions & Financial decisions of the company can be made only with the concurrence of the Official Liquidator. In the above circumstances it was informed to me that the company was not able to comply with various statutory compliances including filing of forms and returns with Registrar of Companies, appointment of women director, Company Secretary, Chief Finance Officer, payment of dividend etc., including non-compliances in respect of Listing Agreement /SEBI(LODR) Regulations, 2015, disclosures, intimations to stock exchanges, filings with Stock exchanges etc.,.

Further due to financial crisis the company had not complied with various Financial laws, labour laws, Compliances under FEMA and other laws etc.

Subject to the above, we have examined the books, papers, minute books, forms and returns made available for our verification that were maintained by the Company for the financial year ended on 31st March, 2016 according to the provisions of:

1. The Companies Act, 2013(the Act) and the rules made there under;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

4. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment and Overseas Direct Investment.
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - f) The Securities and Exchange Board of India (LODR) Regulations, 2015.

I further report that:

The Board of Directors of the Company is not constituted with proper balance of Executive Directors, women Director as the Company is yet to obtain the approval of the Official Liquidator/ High Court for induction of Directors/ appointment of Company Secretary/ Chief Financial Officer.

I further report that during the audit period, there were no instances of:

- i) Public / Rights / Preferential issue of shares / debentures / sweat equity.
- ii) Redemption / buy-back of securities.
- iii) Major decisions taken by the Members in pursuance to Section 180 of the Companies Act, 2013.
- iv) Merger / amalgamation / reconstruction etc.
- v) Foreign technical collaborations.

Place: Chennai
Date: 20.10.2016

s/d
V Sudhindar
Company Secretaries
ACS No. 5722
CP No: 5522

ANNEXURE TO THE SECRETARIAL AUDIT REPORT

To
The Members
Zylog Systems Limited
Chennai

My report of even date is to be read along with this supplementary testimony.

1. Maintenance of secretarial record is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, the company had followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.,
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Place: Chennai
Date: 20.10.2016

s/d
V Sudhindar
FCS No. 5522

ANNEXURE 6
REPORT ON CORPORATE GOVERNANCE

A) Company's Philosophy on Corporate Governance:

Your Company places emphasis on business ethics, integrity, responsible conduct and accountability. The Company is committed to good Corporate Governance, and transparency in all its dealings. Information on the performance of the Company and other key events concerning the operations are disclosed timely. All Endeavors are made on an ongoing basis to achieve Business Excellence in a socially responsible manner with a view to increase the long term shareholders value and in keeping in mind, the need of all the stake holders of the company.

Your company has maintained the highest standards of corporate governance principles and best practices by adopting corporate governance policies and code of conduct as the norms for all constituent companies in Zylog Group. These policies and code of conduct envisage a set of principles, process and systems, which conforms to the best international standards and are reviewed periodically to ensure their continuing relevance, effectiveness and responsiveness to the needs of investors both local and global and all other stakeholders.

B) Board of Directors:

The Directors of the Company possess highest professional ethics, integrity and values and are committed to representing the long-term interests of the stakeholders. The basic responsibility of the Board is to provide effective governance over the Company's affairs exercising its reasonable business judgement on behalf of the Company.

The Company as on 31st March 2016, has Eight Directors. All the eight Directors are Non-Executive Independent Directors .

S.No.	Name of the Director	Designation	Category
1*	Mr. Ramanujam Sesharathnam (ousted by shareholder in 14 th Nov, 2015)	Managing Director	Executive
2	Mr. M.Gajhanathan	Director	Independent
3	Mr. K.S. Subramanian	Director	Independent
4	Mr. M.P. Mehrotra	Director	Independent
5	Mr. K S M Rao	Director	Independent
6	Mr. Krishna Kishore	Director	Independent
7	Mr. Srikanth Parthasarathy	Director	Independent
8	Mr. Srihari S P	Director	Independent
9	Mr. S. Vimallesh Kumar	Director	Independent

Mr. K S Subramanian, Mr. S. Vimallesh Kumar and Mr. M Gajanathan has resigned as on the date of this report.

The Hon'ble Justice Mr. S. Rajeswaran, Retd Judge of Madras High Court, has been

appointed as an Administrator of the Company on 24th November, 2015 till 31st of March 2016 by the Order of the Hon'ble High court, Madras

Post meeting follow up mechanism: Important decisions taken at the Board/Committee Meetings are promptly communicated to the concerned departments. Action Taken Report on decisions/minutes of previous meetings is placed at the succeeding meetings of the Board/Committee for noting.

Other Directorships:

The number of directorships and memberships in the committees held by the Directors as on March 31, 2016 are as under:

Name of the Director	No. of Directorships held in other companies		Number of Committee positions held in other public companies	
	Chairman	Member	Chairman	Member
Mr. M.Gajhanathan	NIL	NIL	NIL	NIL
Mr. K.S. Subramanian	NIL	NIL	NIL	NIL
Mr. M.P. Mehrotra	NIL	5	NIL	5
Mr. K S M Rao	NIL	1	NIL	1
Mr. Krishna Kishore	NIL	NIL	NIL	NIL
Mr. Srikanth Parthasarathy	NIL	NIL	NIL	NIL
Mr. Srihari S P	NIL	NIL	NIL	NIL
Mr. S. Vimallesh Kumar	NIL	NIL	NIL	NIL

Notes:

1. Excluding Directorship in Zylog Systems Limited
2. Excluding Directorship in Foreign Companies, Section 8 Companies, private Limited Companies and Alternate Directorship.
3. As required by Regulations of SEBI (LODR) Regulations, 2015, the disclosure includes only memberships/Chairpersonship of Audit Committee and Investor Grievance Committee only in Indian public companies (listed and unlisted).

None of the Directors of the Board is a member of more than 10 Committees or acts as a Chairman of more than 5 Committees across all Companies in which he is a Director.

Board Meetings held from 01st April 2015 to 31st March 2016

During the period from 01st April 2015 to 31st March 2016 Nine Board Meetings were held. The dates on which the said Meetings were held are as follows:

April 15, 2015, April 17, 2015, May 29, 2015, August 14, 2015, October 20, 2015, 25th November 25, 2015, November 30, 2015, December 21, 2015, Feb 15, 2016.

Attendance of Directors at the meetings:

The details of the attendance of the Directors at the Board Meeting held during the period from 01st April 2015 to 31st March 2016 and the last Annual General Meeting (“AGM”) are given below:

Name of the Director	Number of Board Meetings during the year 2015-16		Attendance at last AGM held on 14 th November 2015
	Held	Attended	
Mr. Ramanujam Sesharathnam	8	3	Yes
Mr. M.Gajhanathan	8	1	Yes
Mr.K.S.Subramanian	8	4	Yes
Mr. M.P. Mehrotra **	Nil	Nil	N.A
Mr. K S M Rao**	3	2	N.A
Mr. Krishna Kishore**	3	3	N.A
Mr. Srikanth Parthasarathy**	3	3	N.A
Mr. Srihari S P**	3	3	N.A
Mr. S. Vimallesh Kumar**	3	3	N.A

** All the six Directors were inducted on 30th November 2015.

Board Committees

The requirement that a Director shall not be a member of more than ten committees and Chairman of more than five committees has been complied with while constituting the Committee of Directors

A) Audit Committee

Terms of Reference:

The committee’s power, role and functions are as stipulated at Regulation 18 of the SEBI (LODR) Regulations, 2015 and under Section 177 of the Companies Act, 2013 and other applicable provisions and rules made thereunder.

The role and functions of the committee , inter-alia, include overseeing the Company’s financial reporting process, reviewing with the management and external auditors key issues and significant processes , financial statements and results before submission to the Board, reviewing the adequacy of internal control systems and procedures, significant related party transactions and internal audit reports, reviewing the progress made in implementation of recommendations made by the Internal Auditors making the recommendation for improvement in internal control systems and reviewing issues related to risk management and compliances, review of financial statements and investments made by wholly owned subsidiary companies.

Composition, Name of Members and Chairman,

The Audit committee comprised of Non-Executive Independent director, namely, Mr.K.S. Subramanian and Mr. M.Gajhanathan who are members of the Committee, further Justice Mr.S Rajeswaran was the chairman of the committee and in February, 2016 the committee was re-constituted and Mr.Srikanth P and Mr. Srihari SP were the members of the Committee.

The Committee met Nine times during the financial year ended March 31, 2016. April 15, 2015, April 17, 2015, May 29, 2015, August 14, 2015, October 20, 2015, 25th November 25, 2015, November 30, 2015, December 21, 2015, Feb 15, 2016 and there was no time gap of four months between any two meetings.

The minutes of the meetings of the Audit Committee are circulated to all the members of the Board along with the Board Agenda.

The Quarterly Unaudited Financial Results as well as the Annual Financial Statements during the year ended March 31, 2016 were reviewed and examined by the members of the Audit Committee before recommendation of the same to the Board of Directors for their perusal and approval.

B) Stakeholders Relationship Committee

During the year under review the Stakeholders Relationship Committee consists of four Non- Executive Independent Director and one Executive Directors. Mr. Ramanujam Sesharathnam , Mr. M.Gajhanathan, Mr. K.S.Subramanian, Mr. Srikanth P and Mr. Srihari SP are members of the Committee.

During the financial year ended April 15, 2015, April 17, 2015, May 29, 2015, August 14, 2015, October 20, 2015, 25th November 25, 2015, November 30, 2015, December 21, 2015, Feb 15, 2016

This Committee specifically looks into the redressal of Shareholder's and Investors' Complaints/ Grievances with a primary objective to improve investor relations.

The Company's Registrars & Transfer Agents (R&T Agents) M/s Cameo Corporate Services Limited, were adequately equipped to carry out activities connected with transfer of shares both in physical and demat form and redressal of shareholders'/ investors' complaints. The company maintains continuous interaction with the said R&T Agents and takes steps for resolving complaints/ queries of the shareholders/ investors and also takes initiatives and actions for resolving critical issues. Periodic reminders are sent to the shareholders for encashment of unclaimed dividends and unclaimed refund order amounts.

The committee has been authorized to approve proposals for transfer of shares in order to expedite the transfer process as also for deletion/splitting/consolidation of share certificates. Valid transfer proposals are approved frequently and the transfer process is completed within the stipulated time period.

Apart from this, the Stakeholders Relationship Committee of the Board, approves the transmission of shares, issuance of duplicate share certificates, etc.

Name and designation of Compliance Officer:

Mr. Srikanth Parthasarathy Director

Email-id for Investor Grievances: secretarial@zsl.com

C) Nomination & Remuneration Committee

The Terms of Reference of the Remuneration Committee:

During the Year under review the Committee shall discharge the Board's Responsibility relating to compensating the Executive Directors, Directors, and Senior Management. The Committee has overall responsibilities of evaluating and approving the Compensation Plan, Policies of the Executive Directors and Senior Management and to determine and recommend to the Board based on overall performance and financial results of the Company and in consonance with the Industries Best Practices.

Composition, Name of Members and Chairman, Secretary, Invitees:

The Remuneration Committee consists of 4 Non- Executive Independent Directors Mr Gajhanathan, and K.S.Subramanian, Mr. Srikanth P and Mr. Srihari SP Members of the committee.

Details of remuneration paid to all the Directors

Remuneration of directors for 2015-16

Figures in ₹

Name of Director	Sitting Fee	Salaries*	Perquisites	Commission	Total
Mr. Ramanujam Sesharathnam	NIL	NIL	NIL	NIL	NIL
Mr. M.Gajhanathan	35000	NIL	NIL	NIL	35000
Mr.K.S.Subramanian	45000	NIL	NIL	NIL	45000
Mr. M.P. Mehrotra	NIL	NIL	NIL	NIL	NIL
Mr. K S M Rao	5000	NIL	NIL	NIL	5000
Mr. Krishna Kishore	5000	NIL	NIL	NIL	5000
Mr.Srikanth Parthasarathy	NIL	NIL	NIL	NIL	NIL
Mr. Srihari S P	NIL	NIL	NIL	NIL	NIL
Mr. S. Vimallesh Kumar	NIL	NIL	NIL	NIL	NIL

The Company does not have any Stock Option Plan or performance linked incentive for the Executive Directors.

D) GENERAL BODY MEETINGS:

The details of date, location and time of the last three Annual General Meetings held are as under:

Year ended	Location	Date	Time
31.03.2015	Mini Hall, Narada Gana Sabha, No.314, Old No : 254, TTK Road, Chennai -600 018	14 th November 2015	10.35 A.M
31.03.2014	Mini Hall, Narada Gana Sabha, No.314, Old No : 254, TTK Road, Chennai - 600 018	19 th November 2014	2 .00 P.M
31.03.2013	No: 155, Thiruvalluvar Salai, Kumaran Nagar, Sholinganallur, Chennai – 600 119.	21 st December 2013, adjourned 29 th April 2014	2.00 P.M

Special Resolution passed during last three years:

19th AGM

No special resolution was passed.

18th adjourned AGM

- I) Resolution passed under Section 180(1) (C) of the Companies Act 2013 for borrowing limits of the company
- II) Resolution passed under Section 180(1) (a) of the Companies Act 2013 for Creation of Charge and Mortgage
- III) Resolution passed under section 61(1) (a) and other applicable provisions of the Companies Act, 2013 for Increase in authorized Share Capital of the Company
- IV) Amendment in Clause V of the Memorandum of Association of the Company pursuant to section 13 read with section 61 and other applicable provision of the Companies Act, 2013
- V) Further Issue of Securities pursuant to section 62(1) (c) and section 42 and all other applicable provision of the Companies Act, 2013

17th AGM

No Special Resolution was passed.

E) DISCLOSURES:

1. Related Party Transactions:

Transactions with related parties are disclosed in detail in Note no. 2.26 annexed to the financial statements of the year. These transactions were not in conflict with the interest of

the Company.

2. Details of non-compliance by the Company, penalties and strictures imposed on the Company by the Stock Exchanges or Securities and Exchange Board of India (SEBI) or any other statutory authority on any matter related to the Capital markets during the last three years:

There were instances of material non-compliance relating to disclosures with Stock Exchanges which are subsequently regularized. However no strictures or penalties were imposed on the Company either by SEBI, Stock Exchanges or any statutory authorities on any matter related to capital markets during the last three years.

3. Whistle Blower Policy

Though the Company does not have Whistle Blower Policy, no person is denied access to the Audit Committee.

4. Mandatory and Non Mandatory Clauses

The Company has complied with all other mandatory requirements laid down in the SEBI (LODR) Regulations, 2015, as applicable. The non-mandatory requirements complied with has been disclosed at the relevant places.

5. MEANS OF COMMUNICATION TO SHAREHOLDERS

During the year, quarterly, half yearly and annual financial results on the standalone basis and consolidated basis of the Company were submitted to the stock exchanges soon after the Board meeting approved these. The Financial Results are also published in leading newspapers, The News Today (English) and Maalai Chudar (Tamil). These were also promptly put on the Company's website www.zsl.com. All official news release of relevance to the investors are also made available on the Company's website for a reasonable period of time.

6. General Shareholders Information

a) 21st Annual General Meeting:

Date & Time:	17/11/2016 at 11.00 AM
Venue:	Mini Hall, Narada Gana Sabha, No.314, Old No : 254, TTK Road, Chennai - 600 018.

b) Financial Calendar :

Tentative Financial Calendar for the year 2016- 17

Financial Year	01 st April to 31 st March
First Quarter Results	On or before August 15, 2016
Half Yearly Results	On or before November 15,2016
Third Quarter Results	On or before February 15, 2017
Fourth Quarter Results and Annual	On or before May 30,2017

c) Date of Book Closure:

November 10, 2016 to November 17, 2016 (Both days inclusive)

d) Listing of Stock Exchanges and Stock Code:

Name of Stock Exchange	Stock Code
The National Stock Exchange of India Ltd., Mumbai (NSE)	ZYLOG
The Bombay Stock Exchange of India Ltd., Mumbai (BSE)	532883

The Company has paid the annual listing fees for the year 2015-16 on both of the above Stock Exchanges as on the date of this report.

e) Market Price Data:

The closing market price of equity shares on 31st March 2016 (last trading day of the year) was Rs. 4.10 /- on NSE and Rs.4.20 /- on BSE.

The monthly movement of equity share prices during the year at NSE and BSE are summarized herein below:

Monthly Share Price Movement during 2015-16 at NSE & BSE						
Month	NSE			BSE		
	High	Low	Volume	High	Low	Volume
Apr -15	6.30	4.05	2,510,189	6.29	4.01	987,949
May -15	4.90	3.95	993,666	4.80	3.92	327,992
Jun-15	4.25	3.55	1,110,688	4.24	3.45	498,349
Jul-15	5.90	3.45	1,680,455	5.92	3.70	764,201
Aug-15	7.60	4.00	3,559,841	7.69	3.95	1,515,904
Sep-15	4.40	3.30	1,575,362	4.40	3.28	784,095
Oct-15	4.25	3.15	3,260,651	4.20	3.16	1,637,693
Nov-15	3.60	2.55	4,697,433	3.60	2.60	2,646,275
Dec-15	4.25	2.80	6,075,131	4.43	2.80	3,119,977
Jan-16	7.25	4.45	7,004,296	7.60	4.60	8,539,560
Feb-16	5.90	3.75	1,503,616	5.90	3.66	1,687,995
Mar-16	4.60	3.75	841,772	4.50	3.82	709,785
			34,813,100			23,219,775

f) Distribution of Shareholding as at 31st March 2016

By size of shareholding:

SLNO	HOLDING	NUMBER	%	SHARES	%
1	between 1 and 1000	27,434	83.55	6,046,510	10.28
2	between 1001 and 5000	3,920	11.94	9,281,305	16.06
3	between 5001 and 10000	770	2.35	5798572	9.82
4	between 10001 and above	708	2.16	37,666,653	63.84
	Total	32832	100	58,992,840	100

By category of shareholders:

Category	No. of Shares		Total Shares	% of holding
	Electronic	Physical		
A. Promoter Group				
Promoter and Promoter Group	1,656,885		1,656,885	2.81
B. Non-Promoter Group				
Foreign Institutional Investors & Non- Residents	7133655	36600	7,170,255	9.23
Bodies Corporate	7012043		7012043	11.86
Clearing Members	80054		80054	0.13
Trusts	130		130	-
Central Government / State Government(s)	0		0	-
Financial Institutions/Banks	2,484,457		2,484,457	4.21
Hindu Undivided Family	1839856		1,839,856	1.03
Individuals	38246102	503,058	38,749,160	65.68
Custodian	0		0	0
Total	58,453,182	539,658	58,992,840	100.0000

g) Dematerialization of Securities

As on March 31, 2016, 99.08 % shares of the company were held in dematerialized form. The demat security (ISIN) code for the equity share is INE225I01026.

h) Share Transfer System

The shares of the company are compulsorily traded in dematerialized form. Shares received in physical form are transferred within a period of 30 days from the date of lodgement subject to documents being correct, valid and complete in all respects.

i) Registrar and Transfer Agents

The Registrar & Share Transfer Agent deals with all shareholders communications regarding change of address, transfer of shares, change of mandate, demat of shares, non-receipt of dividend etc. The address of the Registrar & Share Transfer Agent is as under: -

Name and Address of Registrar and Share Transfer Agent	Cameo Corporate Services Limited "Subramanian Building" No.1, Club House Road Chennai - 600002
Tel no.	91 044 28460390
Fax no.	91 044 28460129
E-Mail ID	cameo@cameoindia.com
Website	www.cameoindia.com

j) Outstanding GDRs/ADRs/Warrants/any other convertible instruments as on 31st March 2016.

The Company does not have any outstanding instruments of the captioned type.

k) Registered office:

155, Thiruvalluvar Salai, Sholinganallur, Chennai -600119

Telephone : +91-44-49157000

Fax : +91-44-49157009

Website : www.zsl.com

Locations

The Company has a Branch in USA. The Company also have subsidiaries in UK, Singapore, British Virgin Islands and Canada and other place of business at France and Switzerland. The addresses of these offices are available on our corporate website.

l) Address for Correspondance

Zylog Systems Limited

155, Thiruvalluvar Salai, Sholinganallur, Chennai -600119

Telephone : +91-44-49157000

Fax : +91-44-49157009

Website : www.zsl.com

E-Mail : [secretarial @zsl.com](mailto:secretarial@zsl.com)

ANNEXURE 7

MANAGEMENT'S DISCUSSION AND ANALYSIS

IN ADDITION TO HISTORICAL INFORMATION, THIS ANNUAL REPORT CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS. THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE REFLECTED IN THE FORWARD LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE SUCH A DIFFERENCE INCLUDE, BUT ARE NOT LIMITED TO THOSE DISCUSSED IN THE "MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE" AND ELSEWHERE IN THIS REPORT. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH REFLECT MANAGEMENT'S ANALYSIS ONLY AS OF THE DATE HEREOF.

Industry overview

Gartner's forecast for worldwide dollar-valued IT spending growth in 2016 has been revised to a slight decline of negative 0.3%, down from last quarter's flat 0.0%. In constant-currency terms, the forecast was revised downward by 0.6%, which means currency movements have buoyed the market by 0.3%. Worldwide IT spending is forecast to grow 0.9% in 2016 on a constant-currency basis. However, currency rate changes will limit market growth to slightly negative, with 2016 at \$3.4 trillion. By 2020, spending is forecast to approach \$3.8 trillion in current dollars.

Indian IT industries overview

The domestic IT-BPO revenue is expected to post 10% growth to Rs 1.41 lakh crore in the ongoing fiscal and further grow by 11-13% (in Indian rupee terms) to achieve revenue of Rs 1.56-1.59 lakh crore in 2016-17.

The Indian IT-BPO industry has received over \$7 billion (nearly Rs 47,467 crore) in Foreign Direct Investment (FDI), including \$5 billion (nearly Rs 33,905 crore) in start-up investments, in current fiscal, industry body National Association of Software and Services Companies (Nasscom) said.

The industry is expected to add around 2 lakh jobs and is marching steadily to reach total revenue of \$350 billion (nearly Rs 2,373.35 crore) by 2025 with digital revenues spearheading growth.

The company overview

The Company is an IT Service provider that offers differentiated services and is adept in delivering specific business technology solutions. The Company's strength lies in its innate ability to understand the requirements of its clients and to continuously build the competence and capability to provide integrated solutions and focuses on bringing about business impact for clients by maximizing returns from their investments in IT.

The Company is a global services provider delivering technology-driven business solutions that meet the strategic objectives of its clients.

The Company is geographically spread with its subsidiaries/step down subsidiaries/branches at US, British Virgin Islands, U.K., Singapore, Dubai and in India.

The Company is 40th among the CRN Fast 100; North America's fastest growing technology companies. This represents significant growth and continuous improvement from the already prestigious rank of 238 fastest growing technology companies in 2008, up from 275 in 2007, and up from 318 in 2006. The Company's Enterprise Mobile Applications Suite won Mobile Innovation Award from Research in Motion (RIM) and New Jersey Technology Council (NJTC) in June 2011.

The Company offers a broad range of services and solutions providing added value across multiple domains.

A. ANALYSIS OF CONSOLIDATED FINANCIAL PERFORMANCE

The financial statements have been prepared in compliance with the requirement of Companies Act 1956, guidelines issued by Securities and Exchange Board of India (SEBI) and Generally Accepted Accounting Principles (GAAP) in India. The management of Zylog Systems Limited accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to financial statements have been made on prudent and reasonable basis, in order that the financial statements reflect in true and fair manner the form and substance of transaction, and reasonably present the company's state of affairs and profit for the year.

1. Shareholders' funds

The paid up share capital of the company is Rs. 2949.64 lakhs. During the year, the company has not transferred any amount to general reserve as there as been a loss of Rs. 19,504.52 lakhs for the year. The book value of the tangible and intangible assets amounting to Rs. 28632.68 lakhs were transferred to Reserves and Surplus account based on the used lives of the assets as per the Schedule II of the Companies Act, 2013. And an amount of Rs. 39,053.46 also has been transferred to reserves net loss due to the closure of one of the branches in the USA. The balance in reserves and surplus account including the share premium account has further decreased to Rs. (95,291.23) lakhs as at 31st March 2016 from Rs. (18,133.25) lakhs as at 31st March 2015.

The total number of shareholders as at March 31, 2016 is 32,832 and the shares held by the promoters 2.81%, Body Corporates 11.86%, Foreign Corporate Bodies 8.66%, Foreign Institutional Investors 4.21%, Individuals 65.68% and other 6.78%.

2. Loan borrowings

Secured loans as at the financial year ended 31st March, 2016 is Rs. 101,403.92 lakhs as against Rs. 93,165.39 lakhs as at the previous year ended 31st March, 2015.

The entire borrowings of the company, except the hire purchase loans of the parent company, have been classified as Non Performance Assets and are payable on demand. Hence, except the hire purchase loans, entire secured loans were classified under short term borrowings. The increase in the loan borrowings is due to reclassification of other liabilities.

Break-up of the loan borrowings as of 31st March 2016 and 2015 are detailed below:

₹ in lakhs

Loan particulars of parent company	2016	2015
Working capital loan	17,483.14	17,097.93
Term loan	22,270.86	23,691.58
Working capital term loan	31,617.29	31,496.51
Hire purchase loans	3,059.94	532.71
Unsecured loans	15,863.07	9,488.19
Total	90,294.30	82,306.92

₹ in lakhs

Loan particulars of subsidiary companies	2016	2015
Working capital loan	3,227.47	3,227.47
Term loan	9,831.11	9,831.11
Working capital term loan	-	-
Hire purchase loans	-	-
Unsecured loans	8.79	-
Total	13,067.57	13,058.58

3. Other current liabilities

Other current liabilities include the interest accrued on borrowings, statutory dues payable, unpaid dividend, payables to employees and vendors. Break-up of the other current liabilities is given below:

₹ in lakhs

Particulars	2016	2015
Current maturities of the borrowings	-	10,125.13
Interest accrued on borrowings	2,683.52	9,451.69
Statutory dues payable	1,910.80	2,270.84
Unpaid dividend	1,407.46	1,407.39
Provision for expenses	174.09	1,828.54
Payable to employees/vendors	2,118.71	8,038.39
Others	35.87	532.34
Total	8,330.45	33,654.32

4. Fixed assets

Net Block of tangible assets is given hereunder:

₹ in lakhs

Fixed assets particulars	2016	2015
Land & building	1,775.05	2,324.04
Plant & machinery	133.14	4778.41
Computer equipment	1,870.94	12,339.27
Furniture & fittings	83.15	91.36
Interior decoration	37.16	191.46
Electrical fittings	95.56	180.26
Office equipment	61.22	210.10
Vehicles	29.45	90.17
Leased assets – Computer equipment	31.10	848.74
Total tangible assets	4,116.77	21,053.81

Net Block of intangible assets is given hereunder:

₹ in lakhs

Fixed assets particulars	2016	2015
Business acquisition	-	9,211.13
Computer software	8.95	21.39
Product development cost	417.84	11,523.35
Total intangible assets	426.79	20,755.87

There is an addition of Rs. 104.87 lakhs in tangible assets and Rs. 159.04 lakhs in intangible assets. An amount of Rs. 14,098.93 lakhs and Rs. 14,533.75 have been transferred to the Reserves and Surplus account from the tangible and intangible assets respectively based on their used lives as per the guidelines of Schedule II of the Companies Act, 2013.

5. Investments

Investments primarily consist of the investments made by Zylog Systems Asia PteLtd, the wholly owned subsidiary in Singapore based Malaysian listed company Nova MSC Sdn in the year 2009-10. Total investment made as of 31st March 2016 is Rs. 1,404.60 lakhs. The investments made in the wholly owned subsidiaries in Zylog Systems (Canada) Limited and Matrix Primus Partners Inc amounting to Rs. 1,949.22 lakhs and Rs. 451.99 lakhs respectively shown in the previous year have been written off by the previous management during the half year ended 30th Sept 2015. As per the reasons explained by the previous management, The shares of the Canadian subsidiary Zylog Systems (Canada) Limited which was pledged with ICICI Bank as collateral securities for the loan availed from them, have since been sold by the bank due to the default in loan repayment and interest payment, the bank has sold the assets pledged with them and hence the investment made in the subsidiary has been written off during the year.

The investment made in the American Subsidiary M/s Matrix Primus Partners have been written off by the previous management during the half-year ended 30th September 2015. As per the explanations given by the previous management, the subsidiary company Matrix Primus Partners Inc has lost its entire business and employees and the company is virtually closed. Hence, the investment made in this subsidiary has also been written off.

6. Trade receivables

Trade receivables net of provision for doubtful debts amounting to Rs. 6,603.14 lakhs for the year ended 31st March 2016 as compared to Rs. 16,563.85 lakhs as at 31st March 2015. Debtors, which were unrealized for more than 3 years, have been written off as bad loans in the US branch books by the previous management for the half-year ended 30th Sept 2015. The remaining receivables are considered good and realizable.

7. Cash and cash equivalents

The cash and bank balance as of 31st March 2016 is Rs. 2,360.47 lakhs as compared to the previous year balance of Rs. 2,712.26 lakhs. Brief details of the cash and bank balances are given in the below table.

₹ in lakhs

	2016	2015
Cash on hand	8.65	12.69
Bank balances	1,627.66	1,890.92
Fixed deposits	529.37	524.65
Lien with banks	173.99	262.05
Unclaimed dividend amount	20.80	21.95
Total	2,360.47	2,712.26

8. Short term loans and advances

Short term loans and advances comprises of the advances paid to the wholly owned subsidiaries, prepaid expenses, advance taxes paid and the advance amounts paid against the GDR funds in the previous year.

The brief break-up of the short term loans and advances is provided below:

₹ in lakhs

	2016	2015
Security deposit	-	2.11
Other deposits	80.12	36.34
Advance to subsidiary companies	-	7,337.48
Prepaid expenses	88.29	2,161.61
Advance tax and withholding taxes (Net of provisions)	-628.14	1,007.90
Other advances	565.40	23,619.78

The parent company paid trade advance to its wholly owned subsidiaries Zylog Systems (Canada) Limited and Matrix Primus Partners Inc. However During the half-year ended 30th September 2015, the previous management of the company has written off the outstanding amount Rs. 7,337.48 lakhs. During the same time The Company also has charged off the prepaid expenses booked in the earlier year. Other advance in the previous year comprise of the advances paid to various parties from the funds raised from GDR issued in the year 2013-14.

9. Other current assets

Unbilled revenue booked in the previous year has been reversed during the half-year ended 30th September 2015 by the previous management to the extent of Rs. 6,964.12 lakhs.

C. RESULTS OF OPERATION

Summary of financial results for the year ended March, 2016 and 2015 is as follows:

₹ in lakhs

	2016	2015
Income from software services & solutions	22,880.02	41,101.34
Software development expenses	16,657.41	33,612.68
Gross profit	6,222.61	7,488.66
Selling & general administrative expenses	6,270.16	8,253.42
Operating profit (EBIDTA)	(47.55)	(764.76)
Interest	49.83	1,556.41
Depreciation	1,655.73	17,407.20
Operating profit after interest & depreciation	(1,753.11)	(19,728.37)
Other income	301.39	2,103.32
Prior period adjustments	20,660.84	47,000.54
Profit before tax	(22,112.56)	(64,625.59)
Provision for taxes	(2,608.04)	(892.25)
Profit after tax	(19,504.52)	(63,729.34)

1. Income

Income from software services & products.

₹ in lakhs

	2016	2015
Export of software services, products & solutions	19,218.00	38,167.87
Domestic operations	3,662.02	2,933.50
Total	22,880.02	41,101.37

The company's revenue is generated principally from software services on fixed cost, time and material and products & solutions. Revenue from software services on fixed cost contracts is recognized as per the proportionate completion method or milestones reached.

On time and material contracts, revenue is recognized as the related services are rendered. Products & solutions segment covers the license fee for the particular customized solutions provided together with the necessary integration work carried out. This segment carries better margin on account of the level of innovation, design work and customization etc. Annual technical services revenue and revenue from fixed cost maintenance contracts are recognized on completion of the services.

The revenue from domestic revenue is mainly from e-governance and services rendered to the banks in India.

2. Expenditure

d. Employee cost

₹ in lakhs

	2016	2015
Salaries and incentives	4,031.19	14,477.65
Employees benefits	219.60	82.15
Project expenses	12,336.82	18,642.94
Staff welfare expenses	69.80	409.93
Total	16,657.41	33,612.68

Employee cost consists of salaries, bonus/incentives, employee benefits incurred for employees, software professionals engaged in and offshore projects. Project cost includes all other direct expense relating to the projects like travel expenses, software packages & tools procured for meeting the needs of software development.

During the year the company incurred 72.80% on the operating revenue as compared to 81.77% during the previous year. During the year the gross profit was Rs. 6,222.61 lakhs representing 27.2% of the revenue as compared to Rs. 7,494.69 lakhs representing 18.2% of the revenue in the previous year. The new management took over in Nov '15 after the erstwhile promoters were removed by the shareholders has taken several initiatives to recover the company from the present disaster which have started yielding some results and the full effect of them will be seen in the coming years.

e. Selling and General Administrative expenses

₹ in lakhs

	2016	2015
Consultancy charges	615.99	300.48
Consumables	991.52	1,212.56
Rent	209.13	181.11
Administrative expenses	567.78	490.68
Insurance	1.79	1,208.95
Travelling expenses	230.04	99.05
Communication expenses	108.19	261.78

Continued...

	2016	2015
Audit fee	33.65	87.19
Recruitment & visa related expenses	250.57	572.63
Provision for diminution value in investments	1,949.22	-
Impairment/discorded assets written off	-	1,944.80
Legal and professional charges	199.63	85.67
Marketing expenses	1,067.28	1,695.91
Others	45.37	112.63
Total	6,270.16	8,253.44

The total selling and general administrative expenses are 27.4% of the revenue as compared to 19.1% during the previous year. Normally, the selling and administrative expenses are considered as indirect expenses and will not be in proportion to the revenue increase or decrease. Considering this fact, the selling and administrative expenses in real terms have been brought down by 24% from the previous year amount. Except the consultancy charges, travelling expenses and legal and professional charges, other expenses are either in line with previous year's figures or decreased. The increase in the said expense heads is due to the present conditions of the company.

3. Taxes

Your company does not enjoy any tax benefits extended to the software companies by the Government of India. Hence, the entire revenue generated by the parent and subsidiary companies in India is taxable as per the provisions of the income tax department. We pay taxes in all our places of operations except in Dubai, on the income that is sourced in those countries. For these reasons, the tax provision for the year ended Mar 31, 2016 has been estimated at Rs. (2,608.04) lakhs as against Rs. (896.25) lakhs in the previous year ended 31st March 2015. The deferred tax income Rs. 2,953.60 generated out of various factors, mainly on account of depreciation has contributed to the total tax asset of Rs. 2,608.04 lakhs.

The details of tax are given below:

₹ in lakhs

	2016	2015
Current tax	394.72	218.89
Tax relating to previous years	(49.16)	-
Deferred tax	(2,953.60)	(1,115.14)
Total	(2,608.04)	(896.25)

4. Net profit

The net loss amounted to Rs. 19,504.52 lakhs and Rs. 63,729.34 lakhs for the years ended 31st March 2016 and 2015 respectively. This represents (84.1%) and (147.5%) of

the total revenue of the respective years. The net loss is mainly on account of the write off receivables relating to the prior period and the provision for diminution value in investments made during the year. Your company should be able to turnaround the losses to profits in the coming year.

OUR STRENGTHS

Your company's strength lies in the practices that it has been following in both business and technology for more than a decade. To name a few, Solution based customer approach, Diversified growth opportunities, Global Delivery Model, Committed to Quality and process execution, etc. Our presence in US, Asia Pacific, Middle East and Europe regions add further strength to the above. As discussed elsewhere in the report, employees are the core strength of the company; their dedication, commitment to their work and the confidence they posed in the company will help the company to tide over the present challenges as it helped in the pass to pass over many challenges in the past.

OUR STRATEGY

We seek to consolidate our present position and scale up gradually. The company is in the process of creating verticalisation of the business practices and thereby creating healthier competition within the organization amongst the business heads. The company will continue to invest in infrastructure and employees after consolidating its present position.

COMPETITION

The IT service market is highly competitive. Your company has to compete with the bigger consulting firms, sub-divisions of multinational technology firms, Indian outsourcing firms and in-house IT departments of large corporations.

We believe that the principal competitive factors in our business include the ability to:

- I) Differentiate the offerings from other competitors
- II) Effectively integrate onsite and offshore execution capabilities
- III) Increase service offerings to provide one stop solutions
- IV) Attract and retain high quality technology professionals

We believe we compete favorably in these factors.

MANAGEMENT OF RISKS

The affairs of the Company are under supervision of Provisional Official Liquidator appointed by the Court.

In relation to a winding up petition by one of the creditors of the Company, the Hon'ble High Court of Judicature at Chennai had appointed a Provisional Official Liquidator vide order dated 3rd July 2014. The Company had appealed against the said order before a Divisional Bench of Hon'ble High Court, Madras, in the matter of winding up of the Company on account of the failure of the Company to pay its debts and against the direction made to the official liquidator to take charge over the assets of the company in his capacity as Provisional Liquidator. In this regard the Hon'ble High Court, Madras was pleased to pass an order dated 21st August 2014, in O.S.A No. 205 of 2014 on the appeal which inter alia provides that in Para 3 of the Order (Page no 4) passed by the Hon'ble High Court, Madras clearly states that "Taking note of the fact that the appellant is running the company we make it clear that the Learned Official liquidator shall not take any steps to close the company. However the administrative decisions of the company will have to be made only with the concurrence of the Official Liquidator and no money can be spent without the approval of the Official Liquidator."

Thus, the operations of the Company are fully dependent upon the concurrence of the Provisional Official Liquidator and the management is not independent to take any decision.

The affairs of the Company are under management of The Administrator appointed by the Court.

The Hon'ble High Court of Judicature at Chennai vide order dated 20th Nov 2015 in response to an application filed by the official liquidator, has appointed Justice Mr. S. Rajeswaran (Retired Judge of Hon'ble High Court, Madras) as the Administrator to oversee the affairs of the Company & constituted a new board on 25th Nov 2015 to assist him in doing so as the Managing Director and Chief Operating Officer Mr. Ramanujam Sesharathnam was removed by the shareholders of the company in the Annual General Meetings held on 14th Nov 2015 & consequently the number of directors on board fell below the threshold limit.

The erstwhile promoter directors are no longer with the Company.

Mr. Sudarshan Venkatraman ceased to be the Director and Officer of the Company as he was removed by the shareholders at the AGM held on 19th Nov 2014. As per the complaint filed with Police Department against Mr. Sudarshan Venkatraman by the erstwhile Managing Director of the Company Mr. Ramanujam Sesharathnam that Mr. Sudarshan Venkatraman had illegally sold off the assets owned by the Company relating to WiFi business, the present management is pursuing the legal recourses in this matter.

Mr. Ramanujam Sesharathnam too has ceased to be a Director and Officer of the Company as he was removed by the shareholders at the AGM held on 14th November 2015.

The company has been declared as wilful defaulter by some banks.

The company has been classified as NPA by many of the Banks and Financial Institutions from whom the company has availed loans. Some of these Banks and Financial Institutions

have reported the company as wilful defaulter. In this regard, the company has received intimation about this from couple of banks, and status of the same is not known with other Banks/Financial Institutions. The erstwhile management has not initiated any legal recourse to defend the company. The current management is in the process of filing suit with appropriate forums to defend the Company as per the legal recourse available to the Company under Indian Laws.

The Company is involved in number of legal cases.

The Company is involved in number of legal cases which includes but not limited to winding up petition, labour laws, debt recovery, income tax and sales tax claims. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in law or rulings against the Company by appellate courts or tribunals, the Company may need to make provisions in its financial statements, which could adversely impact its reported financial condition and results of operations. Furthermore, if significant claims are determined against the Company and the Company is required to pay all or a portion of the disputed amounts, there could be a material adverse effect on the business, results of operations and financial condition of the Company. For further details, please see “Legal Proceedings”.

The revenues of the Company are highly dependent on clients located in the United States, Middle East and Europe regions. Economic slowdowns and other factors that affect the economic condition of the United States may affect the business of the Company.

A significant proportion of the revenue is derived from clients located in the United States, UK and Middle East. If there is an economic slowdown in these countries, the Company’s clients may reduce or postpone their IT spending significantly, which may in turn lower the demand for the Company’s services and negatively affect the revenues and profitability of the Company.

During the current financial year, the Company has incurred losses which could disrupt the future growth, the business and the profitability of the Company.

During the last financial year 2015 and the current financial year, the company has written off significant portions of advances, investment, goodwill and debtors receivables as bad loans, bad investments and doubtful debts, and hence not recoverable which resulted in the company declaring huge losses in its financial results. As per the amendment to the Companies Act, 2013 the company has transferred the remaining value of the tangible and intangible assets to Reserves after retaining the residual value for the assets whose useful lives are over.

Further, there is a decline in the revenues of the Company in the said financial periods. It cannot be assured that the Company would be able to increase its revenues. To accelerate its growth, the Company would be required to continuously evolve and improve its operational, financial and internal controls across the organization. Any inability to manage growth may have an adverse effect on the Company’s business, results of operation and financial condition.

The Company may maintain a workforce based upon current and anticipated workloads and if the Company does not receive anticipated contract awards, or if these awards are delayed, the Company could incur significant costs.

The Company's estimates of future performance depend upon, among other things, whether and when the Company would receive certain new contract awards. While the Company's estimates are based upon its best judgment based upon past experience, these estimates may frequently change based on newly available information. In the case of large-scale projects where timing is often uncertain, it is particularly difficult to predict whether or when the Company would receive a contract award. The uncertainty of contract awards and timing can present difficulties in matching its workforce size with its contract needs. If an expected contract award is delayed or not received, the Company could incur additional costs due to maintaining underutilized staff and facilities, which in turn would have the effect of reducing its profits.

The Client contracts may not be renewed or may be terminated at short notice.

The Company does not have any exclusive contract with its clients and therefore cannot assure renewals of such contracts which could ensure a specific volume of business or future work. Moreover, the contracts that the Company enters into with its clients may be terminated at short notices. The Company's business is also dependent on the decisions and actions of its clients, and there are a number of factors relating to the Company's clients that may be outside its control, and not directly related to its performance of contractual obligations, that might result in the termination of a project or the loss of a client, including among others:

- Financial difficulties for a client;
- A change in strategic priorities, resulting in a reduced level of IT spending;
- A demand for price reductions;
- A change in outsourcing strategy by moving more work to client in-house IT departments or to the competitors;
- Change in management or controlling interests;

Termination of one or more projects or loss of one or more of the clients could have an adverse effect on the business, results of operations and financial condition of the Company.

The Company may face short-term liquidity constraints or shortage in working capital funds due to delays in realization of dues from clients.

The Company has experienced delays in realization of dues from the clients. Such delays could create a burden on its working capital finances. Normally, the Company receives progressive payments from its clients depending upon the stages of completion of each project. However, any disputes arising over services rendered could cause delays in receipt of payments, which could adversely affect its operating results and cash flow.

The Company operates in a technologically dynamic industry. Its inability to adapt to technological advancements may have an adverse effect.

The industry, the Company operates in is technologically dynamic, and prone to rapid technological changes due to various factors, including evolving industry standards and changing client preferences. This leads to the introduction of new product and services

in the IT service industry to meet those challenges. The Company believes that its future success will depend, inter alia, on its ability to foresee these advances and innovate and develop new service offerings to meet client needs, ensure market acceptance for its suite of services, its ability to introduce, enhance and add functions to its suite of products to meet the evolving needs of its clients, and for its service offerings to be perceived as better than the competitor. The Company may not be successful in anticipating these advances on a timely basis or if the Company does not respond, or does not respond adequately, the services or technologies the Company develops or innovate may not be able to meet client expectations, withstand competition or be successful in the market place. The Company competitors may develop services which may be perceived as better than the Company. One or more of the aforesaid factors occurring may adversely affect the business, financial condition and results of operations of the Company. Changes in technology may render the current technologies obsolete or require the Company to make substantial new investments. The cost of implementing new technology could be significant and could adversely affect the business and financial condition of the Company.

The Company operates in a highly competitive environment, and face competition from major operators as well as smaller operators.

The market for IT services is rapidly evolving and highly competitive. The Company experience intense competition across markets for its services from major domestic and international players. Major players have significant financial, technical and marketing resources and may be able to offer products and/or services at prices that may be more competitive than the Company. Such pricing pressure may result in the Company not being able to attract new clients and/or retain existing clients, decrease its market share, or may result in the Company having to lower its prices, which may result in lowering its margins and profitability. The Company may also face competition and pricing pressure from start-ups and comparatively smaller operators.

Sale of Zylog Systems (Canada) Limited (ZSCL) by ICICI Bank.

Zylog Systems (Canada) Limited is a 100% wholly owned subsidiary of the Company. ZSCL had acquired the business and assets of Brainhunter Canada in February 2010. This acquisition was funded partly through equity from the Company and partly by term loans from ICICI Bank. After acquisition, ICICI bank had provided working capital facilities as well to ZSCL. The Company had provided its corporate guarantee to ICICI Bank for these loans and had further pledged 100% of its holdings in ZSCL to ICICI bank. During the Financial Year 2014-15, ICICI bank had unilaterally invoked the pledge of these shares and had sold these shares to Ikyha Human Capital Ltd. The Company under the erstwhile management did not pursue legal options; the present management is in the process of filing necessary suits at the appropriate forums to nullify this action of ICICI bank. There is no guarantee that the Company will be able to be successful in this matter.

The Company's transactions with its subsidiaries are subject to transfer pricing regulations. These transactions may be subject to regulatory challenges, which may subject the Company to higher taxes and adversely affect its earnings.

The Company enters into transactions with its subsidiaries in the ordinary course of its business. The Company also extends loans to some of its subsidiaries. Pursuant to

these transactions, it has determined transfer prices that it believes are the same as the prices that would be charged by unrelated parties dealing with each other at arm's length. However, if the tax authorities of India or other jurisdictions were to challenge these or past transactions successfully or require changes in its transfer pricing policies, the Company could be required to re-determine transfer prices and/or pay additional taxes with respect to past transactions which may result in a higher tax liability to it and, as a result, its earnings would be adversely affected. The Company believes that it operates in compliance with all applicable transfer pricing laws in all applicable jurisdictions. However, there can be no assurance that it will be found to be in compliance with transfer pricing laws, or that such laws will not be modified, which, as a result, may require changes to the Company's transfer pricing policies or operating procedures. Any modification of transfer pricing laws may result in a higher overall tax liability to the Group and adversely affect its earnings and results of operations.

Non Availability of Direct Tax Benefits under Sec 10A.

The Company had been taking advantage of income tax exemptions and deductions, which are applicable to companies engaged in export activities, and registered under STPI. The unavailability of these benefits would increase the income tax obligations and may have a material adverse effect on the after tax profits and cash flow of the Company.

Restrictions on work permits may affect the Company's ability to compete for and provide services to clients.

The majority of the work, performed by the Company, is completed onsite / offsite. Since the vast majority of the Company's employees are Indian citizens, most of the IT professionals, the Company sends to work onsite/offsite with clients outside India must obtain visas and work permits. Limits may be placed upon the aggregate number of certain types of visas, such as H-1B visas in the United States. As a result of current or future immigration restrictions, the Company could be limited in its ability to perform client projects outside India, which would constrain the growth of the Company.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact the Company's financial condition.

India's foreign exchange reserve which was US\$279.1 billion in Fiscal 2010 increased to US\$305.5 billion in Fiscal 2011. However, the same remained at US\$294.4 billion and 292.6 billion for Fiscal 2012 & 2013 respectively. The same marginally increased to US\$303.7 billion in Fiscal 2014. A decline in these reserves could result in reduced liquidity and higher interest rates in the Indian economy. On the other hand, continuing high levels of foreign funds inflows could add excess liquidity into the system, leading to policy interventions, which will also slow down economic growth. Either way, an increase in interest rates in the economy following a decline in foreign exchange reserves could adversely affect the Company's business, its future financial performance and the price of its Shares.

CEO/CFO CERTIFICATION

We, to the best of our knowledge and belief, certify that -

We have reviewed financial statements and the cash flow statements for the year ended March 31,2016 and that to the best of our knowledge and belief;

- I) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - II) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
1. There are to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
 2. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
 3. We have disclosed, based on our evaluation wherever applicable to the Auditors and the Audit Committee that;
 - I) There were no significant changes in internal controls over financial reporting during the year;
 - II) All the significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statement; and
 - III) There were no instances of significant fraud of which we are become aware and the involvement therein, of the management or an employee having a significant role in the Company's internal control system over financial reporting

Chennai
Date 20.10.2016

VENKATESH S
CHIEF EXECUTIVE OFFICER

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

The Board of Directors of ZYLOG SYSTEMS LIMITED adopted Code of Conduct to be followed by all Members of the Board and Senior Management Personnel of the Company respectively in compliance with the Regulation 17(5) of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 with the Stock Exchanges where the shares of the Company are listed.

As per Regulation 17(5) and Regulation 26(3) of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 executed with the Stock Exchanges, all Board Members and Senior Management Personnel have affirmed Compliance with the Code of Conduct for the year ended March 31, 2016.

Chennai

Date 20.10.2016

**VENKATESH S
CHIEF EXECUTIVE OFFICER**

PRACTISING COMPANY SECRETARY CERTIFICATE ON CORPORATE GOVERNANCE

To the members of ZYLOG SYSTEMS LIMITED

We have examined the compliance of conditions of Corporate Governance by ZYLOG SYSTEMS LIMITED, for the year ended on March 31, 2016 as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Regulations.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Chennai
Date: 20.10.2016

**T R SARATHY
CHARTERED ACCOUNTANT
Membership No. 025982**

FINANCIAL STATEMENTS

AUDITOR'S REPORT
BALANCE SHEET
PROFIT AND LOSS ACCOUNT
CASH FLOW STATEMENT
NOTES FORMING PART OF FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS

Independent Auditors' Report

To the Members of Zylog Systems Limited

REPORT ON THE STANDALONE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Zylog Systems Limited** (the Company) which comprise the Balance sheet as at 31st March 2016, the Statement of Profit and Loss and the Cash flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Board of directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone financial statements to give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014 and Accounting standard 30, financial instruments: Recognition and Measurement issued by the Institute of Chartered Accountants of India to the extent it does not contradict any other Accounting standard referred to in section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the Assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design and implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provision of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made there under.

We conducted our audit in accordance with the standards on Auditing specified under section 143(10) of the Act and authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the company's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion whether the company has in place an adequate internal financial control system over financial supporting and the operative effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1.As required by the Companies (Auditor's Report) Order,2015 (" the order") Issued by the Central government of India in terms of Sub Section(11) of section 143 of the Act, and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of Order

2.As required by Section 143(3) of the Act, we report that:

- a) We have sought and 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 it appears from our examination of those books
- c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account
- d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards notified in section 133 of the Companies Act 2013 read with Rule 7 of the Companies (Accounts) Rules 2014. And Accounting Standard 30 financial Instruments: Recognition and Measurement issued by the Institute of Chartered Accountants of India to the extent that does not contradict any other accounting standard referred to in sec 133 of the Act read with Rule 7 of the Companies (Accounts) Rules 2014 **except in respect of non provision of gratuity and interest relating to all borrowings.**
- e) On the basis of written representations received from the directors as at 31st March 2016 and taken on record by the Board of Directors, none of the Directors are disqualified as at 31st March 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) Certain receivables/ advances/ other assets/ current liabilities/ payables have been written off/written back of Rs. 624.61 cr (Net) during the year of which Rs. 503.85 Crs pertains to closure of a branch in the US transferred to reserves. Of this, Rs. 548.43 cr relates to the six months period ended 30th September 2015 and the balance as found during the detailed audit as non recoverable, relating to the period under the erstwhile management and reported in the accounts as on that date. In view of the large sums that were written off/written back by the erstwhile management, the Administrator of the Company has initiated steps to obtain information from the erstwhile Chairman and the erstwhile Managing Director for necessary action.
- g) It is learnt that the company is in dialogue with all the lenders to work out a reschedulement plan seeking waiver of interest and other charges together with reduced principal amounts as may become feasible for servicing by the company when it is rebuilt under settlement.

- h) With respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 in our opinion and to the best of our knowledge and belief and according to the information and explanation given to us
- i) The company has disclosed the impact of pending litigations as at 31st March 2016 on its financial position in its standalone financial statement.
 - ii) The company has not transferred any amounts, required to be transferred, to the Investor Education and Protection Fund by the company during the year ended 31st March 2016.
 - iii) The company has not complied sec 205 A of the Companies Act, 1956 in respect of unpaid dividend for the financial year 2011-12 of Rs.14,07,45,894 and this sum has still not been deposited in any scheduled bank as mentioned in the notes to accounts.
 - iv) Statutory dues of TDS, PF, ESI, Professional Tax, VAT, Service Tax amounts to Rs. 18.81 crs and remain unpaid.
 - v) In addition, the company has a contingent liability of Rs. 272.52 crs relating to Income Tax, VAT, Service Tax and Sales Tax.

OTHER MATTERS

We did not audit the financial statements of the branch in USA which constitute total assets of Rs. 38.66 crs as at 31st March 2016, total revenue of Rs.107.09 crs, net loss of Rs.4.48 crs for the year ended. These financial statements and other financial information have not been audited by us and we relied upon the financial statements furnished to us and our opinion on the combined financial statements to the extent is based on the Financial Statements given to us for the overseas branch.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- a) in the Case of the Balance Sheet of the State of affairs as at 31st March 2016.
- b) in the case of the Statement of Profit and Loss of the Loss of the company for the year ended on that date and
- c) in the case of the Cash flow statement of the cash flows of the company for the year ended on that date.

-s/d-

T. R. Sarathy

Chartered Accountant

Membership No. 025982

Place: Chennai

Date: 30-Jun-2016

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in paragraph I under the heading of 'report on other Legal and Regulatory requirements' of our report of even dated to the Members of Zylog Systems Limited on statements as of and for the year ended 31st March 2016

1. In respect of its fixed assets,
 - a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b) As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c) In our opinion, the company has not disposed off a substantial part of the fixed assets during the year and the going concern status of the company is not affected.
2. The company is a software development company and hence this clause is not applicable to this company.
3. According to the information and explanations given to us, the company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of Clause 3(iii) (a) and (b) of the order are not applicable to the company and hence not commented upon.
4. 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 fixed assets and for sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.
5. According to the information and explanations given to us, the Company has not accepted any deposit from the public. Therefore, the provisions of Clause (v) of the Order are not applicable to the Company and hence not commented upon.
6. According to the information and explanations given to us, the Central Government has not prescribed cost records for the products manufactured by this company and hence the provisions of clause (vi) of the order are not applicable to the Company and hence not commented upon.
7. In respect of statutory dues:
 - a) According to the records of the Company, the company generally not depositing undisputed statutory dues including Provident Fund, Investor Education and protection Funds, Employees' State Insurance, TDS, Sales Tax, Service Tax, and other statutory dues with the appropriate authorities.

- b) According to the information and explanations given to us, undisputed amounts payable of Rs. 18.88 crs in respect of the aforesaid dues were outstanding as at March 31, 2016. Further the company also not depositing tax deducted at source regularly with the appropriate authorities.
- c) Details of Income tax, Sales tax and service tax which have not been paid / deposited as on 31st March 2016 on account of disputes are given below.

Disputed statutory dues unpaid as on 31st Mar 2016			
Statute	Forum where the dues of rupees dispute is pending	Period to which amount relates	Amount
The Income Tax Act, 1961	CIT (Appeals)	AY 2001-02	31,49,091
The Income Tax Act, 1961	CIT (Appeals)	AY 2004-05	54,24,063
The Income Tax Act, 1961	CIT (Appeals)	AY 2005-06	99,11,812
The Income Tax Act, 1961	CIT (Appeals)	AY 2006-07	1,60,76,919
The Income Tax Act, 1961	CIT (Appeals)	AY 2007-08	24,71,78,861
The Income Tax Act, 1961	CIT (Appeals)	AY 2007-08	1,05,12,138
The Income Tax Act, 1961	CIT (Appeals)	AY2008-09	57,33,54,450
The Income Tax Act, 1961	Appellate Tribunal	AY 2009-10	35,95,04,941
The Income Tax Act, 1961	CIT (Appeals)	AY 2010-11	43,36,02,221
The Income Tax Act, 1961	CIT (Appeals)	AY 2011-12	98,74,36,680
TN General Sales Tax Act	Commercial Taxes Dept.	2004-05	19,34,000
Karnataka Commercial Tax Act	High Court, Karnataka	2009-10	25,42,074
Service Tax under the Finance Act 1994	Commissioner of Service Tax	2009-10 & 2013-14 to 2014-15, 2015-16 (till Sept-15)	7,45,32,462

- d) There are no Amounts transferred to investor Education and Protection Fund in accordance with the provisions of the Act and rules made there under.
8. The Company has accumulated losses and at the end of the financial year 31st March 2016 it is Rs 883.92 crs.
9. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has defaulted in repayment of dues to financial institutions, banks and Private Financiers and the list is given here under.

₹ in lakhs

Name of banks/financial institutions/private financiers	Amount
Syndicate Bank – PCFC / Corporate Loan	16,835.00
State Bank of Mauritius – PC Loan	5,648.88
State Bank of India	543.43
Union Bank of India – ECB / PCFC / Term Loan	32,097.92
ICICI Bank – ECB / PCFC Loan	6,026.79
Indian Overseas Bank	2,026.11
Dena Bank	9,742.06
Federal Bank Limited	2,495.32
Name of banks/financial institutions/private financiers	Amount
SIDBI (Unsecured Loan)	337.06
IFIN Securities Finance Ltd	500.00
JM Financials Ltd	130.00
Prabhudas Leeladhar	608.45
Reliance Capital Limited	1,100.00
Hire Purchase (HPFS / IBM)	3,060.00
SREI Equipment Finance Pvt Ltd	999.00
L & T Finance Ltd	3,000.00
Private Financiers	4,821.06
Total	89,971.08

10. According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.
11. The Company has not raised any term loan during the year. Hence the clause (xi) is not applicable to this company and hence not commented upon.
12. According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the year except in the case of Dena Bank, a case has been filed by Central Bureau of Investigation for perpetrating Acts punishable under Indian Criminal Code. The loan amount involved in this case is Rs. 97.42 crs.

-s/d-

T. R. Sarathy

Chartered Accountant

Membership No. 025982

Place: Chennai

Date: 30-Jun-2016

FORM B (for audit report with modified opinion)

1.	Name of the company	Zylog Systems Limited
2.	Annual financial statements for the year ended	31 st March 2016
3.	Type of Audit qualification	Qualified
4.	Frequency of qualification	Repetitive since FY 2012-13
	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	<ol style="list-style-type: none"> 1) The company has not deposited undisputed statutory dues such as Provident Fund, Employees' State Insurance, TDS, Sales Tax, Service Tax, and other statutory dues to the tune of Rs. 18.81 crs. 2) The company has not transferred the unclaimed dividend pertaining to the FY 2005-06 to 2008-09 amounting to Rs. 7,00,056. 3) The company has not complied sec 205 A of the Companies Act, 1956 in respect of unpaid dividend for the financial year 2011-12 of Rs.14,07,45,894 and this sum has still not been deposited in any scheduled bank as mentioned in the notes to accounts. 4) The Company has defaulted in repayment of dues to financial institutions, banks and Private Financiers amounting to Rs.899.71 crs.
	Additional comments from the board/audit committee chair:	<ol style="list-style-type: none"> 1) The Company has been facing severe cash flow crisis for the past few years. However the Company is putting its efforts to resolve the issue and will pay the statutory liabilities, unpaid dividend and dues to the financial institutions soon. 2) The Company will transfer the unclaimed dividend to Investor's Education and Protection Fund during the current year.

-s/d-

S. Rajeswaran
Hon'ble Justice (Retd.)
Administrator

-s/d-

T. R. Sarathy
Chartered Accountant
Membership No. 025982

Place: Chennai
Date: 30-Jun-2016

Balance sheet as at March 31,			₹ in lakhs
Particulars	Note	2016	2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.01	2,949.64	2,949.64
Reserves and surplus	2.02	-88,391.93	-14,492.39
		-85,442.29	-11,542.75
Non-current liabilities			
Long-term borrowings	2.03	3,059.94	8,340.11
Deferred tax liabilities (Net)	2.11	-	1,714.98
Long-term provisions	2.04	-	352.58
Other Non-Current liabilities	2.05	-	3.00
		3,059.94	10,410.67
Current liabilities			
Short-term borrowings	2.06	88,049.35	74,706.04
Trade payables		1,381.18	1,429.68
Short-term provisions	2.07	-	-
Other current liabilities	2.08	4,808.90	25,836.94
		94,239.43	101,972.66
TOTAL		11,857.09	100,840.57
ASSETS			
Non-current assets			
Fixed assets			
Fixed assets	2.09		
Tangible assets		3,961.02	15,879.86
Intangible assets		3.70	14,301.43
Intangible assets under development		-	5,446.93
Non-current investments	2.10	1,924.35	14,144.67
Deferred tax assets (net)	2.11	35.68	-
Long-term loans and advances	2.12	252.10	392.54
Other Non current Assets	2.13	539.79	535.56
		6,716.64	50,700.99
Current assets			
Current investments	2.14	0.71	0.71
Inventories	2.15	28.94	-
Trade receivables	2.16	3,320.66	4,814.75
Cash and bank balances	2.17	381.55	75.18
Short-term loans and advances	2.18	1,290.63	37,891.26
Other current assets	2.19	117.96	7,357.67
		5,140.45	50,139.57
TOTAL		11,857.09	100,840.57
-s/d-		-s/d-	
T R Sarathy, Chartered Accountant Membership No. 025982 Chennai, 30-Jun-2016		Hon'ble Justice Mr. S. Rajeswaran (Retd.) Administrator	

Profit and loss account for the period ended March 31			₹ in lakhs	
Particulars	Note	2016	2015	
Revenue from operations	2.20	13,940.84	31,308.45	
Other income	2.21	272.06	2,022.03	
TOTAL REVENUE		14,212.90	33,330.48	
EXPENSES				
Employee Benefit Expenses	2.22	1,634.70	12,433.35	
Project related expenses		8,011.60	13,716.23	
Operation and other Expenses	2.23	8,291.51	7,598.35	
Finance Cost	2.24	49.83	443.23	
Depreciation / Amortisation		948.64	16,095.68	
TOTAL EXPENSES		18,936.28	50,286.84	
Profit Before Exceptional, Prior Period and Extraordinary Items		-4,723.38	-16,956.36	
Exceptional item		-	-	
Profit Before Prior Period and Extraordinary Items		-4,723.38	-16,956.36	
Prior Period Item		12,076.24	72.82	
Profit Before Extraordinary Items		-16,799.62	-17,029.18	
Extraordinary Item		-	46,894.35	
PROFIT BEFORE TAX		-16,799.62	-63,923.53	
Tax expense				
Current tax		295.29	56.59	
Deferred tax		-1,750.67	-1,139.62	
Total Tax Expense		-1,455.38	-1,083.03	
NET PROFIT AFTER TAX		-15,344.24	-62,840.50	
No. of Equity shares (Face Value Rs. 5/- (Rs.5/-) share)		5,89,92,840	5,89,92,840	
Earnings per equity share:				
Basic		-26.01	-106.52	
Diluted		-26.01	-106.52	
Significant Accounting Policies & Notes on Accounts				
-s/d- T R Sarathy, Chartered Accountant Membership No. 025982 Chennai, 30-Jun-2016		-s/d- Hon'ble Justice Mr. S. Rajeswaran (Retd.) Administrator		

CASH FLOW STATEMENT		
Cash flow statement for the period ended March 31,	₹ in lakhs	
	2016	2015
(A) Cash Flow From Operating Activities		
Profit / (Loss) before Taxation	-16,799.62	-63,923.53
Adjustments for:		
Depreciation and Amortization	948.64	16,095.68
Bad debts written off	-	1,944.80
Prior period adjustments	-	72.82
Unrealised foreign currency (gain)/ loss	-	-94.91
Dividend income	-	-0.16
Interest expenses	49.83	443.23
Interest income	-0.61	-10.93
Operating profit before working capital changes	-15,801.76	- 45,473.00
Adjustments for changes in working capital:		
(Increase)/Decrease in Inventories	-28.94	-
(Increase)/Decrease in Trade Receivables	1,494.08	43,065.00
(Increase)/Decrease in Long term loans and advances	136.20	-12.75
(Increase)/Decrease in Short term Loans and advances and other current assets	43,836.12	-55.37
Increase/(Decrease) in Trade payables	-48.50	-781.89
Increase/(Decrease) in Other payables	-21,383.59	2,528.65
	24,005.37	44,743.63
Cash generated from operations before tax adjustments	8,203.61	-729.37
Taxes paid	-295.29	-56.59
Net cash from operating activities (A)	7,908.32	-785.96
(B) Cash flow from investing activities		
Purchase of Tangible Assets	-38.80	-0.74
Interest received	0.61	10.93
Intangible assets under development	5,446.93	-244.70
Investment in subsidiaries	12,220.32	-
Amount transferred to reserves for the useful lives over assets	-33,244.36	-
Proceeds/(investment) in Non current Deposits	-	-0.16

CASH FLOW STATEMENT		
Cash flow statement for the period ended March 31,	₹ in lakhs	
	2016	2015
Dividend income	-	0.16
Net cash used in investing activities (B)	-15,615.30	-234.51
(C) Cash flow from financing activities		
Repayment of Long-term Borrowings	-5,280.17	-18,580.35
Proceeds from Short-term Borrowings	13,343.32	18,838.98
Interest paid	-49.83	-443.23
Net cash used in financing activities (C)	8,013.32	-184.61
Net (Decrease)/Increase in Cash and Cash Equivalents (A+B+C)	306.34	-1,205.08
Opening Cash and Cash Equivalents	75.18	1,280.24
Exchange difference on translation of foreign currency cash and cash equivalents		-
Closing Cash and Cash Equivalents	381.55	75.18
-s/d- T R Sarathy Chartered Accountant Membership No. 025982 Chennai 30-Jun-2016	-s/d- Hon'ble Justice Mr. S. Rajeswaran (Retd.) Administrator	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.01 Basis of preparation

The financial statements are prepared under historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards recommended by The Institute of Chartered Accountants of India (ICAI) and prescribed by the Central Government and comply with the relevant provisions of the Companies Act, 1956. Cash flows are reported using the indirect method whereby profit before 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 regular revenue generating, financing and investing activities of the company are segregated.

1.02 Use of Estimates

The preparation of the financial statements in conformity with the Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

1.03 Revenue recognition

The company derives its revenues primarily from software development services, consultancy services, projects and e-governance projects. Revenue from software services and projects comprise income from time-and-material contracts, fixed price/fixed time contracts, technical services and annual maintenance contracts. Revenue from time-and-material contracts is recognized on the basis of man hours spent and materials utilized for the development of software and billable in accordance with the terms of the contracts with clients. Revenue from fixed price/fixed time contract is recognized as per the proportionate completion method. Revenue from technical service for software application is recognized on completion of the service. Cost incurred on unfinished projects that are yet to be billed and earnings in excess of billings are classified as unbilled revenue. Interest on deployment of surplus funds is recognized on the accrual basis, based on underlying interest rates.

1.04 Fixed assets including intangible assets

Tangible assets are stated at cost, less accumulated depreciation. Cost includes cost of acquisition including material cost, freight, installation cost, duties and taxes, and other incidental expenses, incurred up to the installation stage, related to such acquisition. Intangible assets are stated at cost of acquisition less accumulated amortization.

1.05 Leased Assets

Assets acquired under finance lease are recognised at the lower of the fair value of the leased assets at inception and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the outstanding liability. The

finance charge is allocated over the period of lease at a constant periodic rate of interest on the remaining balance of the liability. Lease arrangements where the risks and rewards incidental to the ownership is vested with lessor, are recognised as operating lease. Lease rental are recognised in the statement of profit and loss on a straight line basis.

1.06 Inventories

Inventories comprise of consumables utilised in E-Governance Projects are valued at lower of cost and net realisable value.

1.07 Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets.

1.08 Depreciation & Amortization

Depreciation is provided on tangible assets in the written down value method, at the rates and in the manner specified by schedule XIV to the Companies Act, 1956. Depreciation is charged from the date of acquisition/installation and on assets sold, up to the date of sale. Assets Individually costing ₹ 5000 or less are fully depreciated in the year of purchase.

The cost and the accumulated depreciation of assets sold, retired or otherwise disposed off is removed from the stated values and the resulting gains and losses are included in the profit and loss account.

Leasehold land is amortized over the lease period of 99 years excluding any refundable deposit.

In respect of businesses acquired, the excess of purchase consideration over the tangible and intangible assets is deemed to have been paid for human resources, clientele and other related benefits such as non-compete agreements and is being amortised over 5 years.

The other intangible assets are being amortised as follows:

Computer software

Software for own use	over 3 years
Product Development Cost	over 5 years

1.09 Investments

Investments are either classified as current or long term, based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and market value. Long-term investments are carried at cost less provisions recorded to recognise any decline other than temporary, in the carrying value of investment.

1.10 Impairment of assets

The Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. All the fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the

impairment (being excess of carrying value or the recoverable value of asset) is charged to profit and loss account in the respective financial year. The impairment loss recognised in the prior years is reversed where the recoverable value exceeds the carrying value of the asset upon reassessment in the subsequent years.

1.11 Foreign currency transactions

The company has a US based branch which is an integral operation.

The transactions of the Head Office in foreign currency are accounted at the rates of exchange prevailing on the date of the transactions. The exchange difference between the rates prevailing on the date of transaction and the date of settlement are recognized in the profit and loss account.

Foreign currency denominated monetary assets and liabilities are translated using exchange rate as at Balance sheet date. The gains and losses resulting from such translations are included in the profit and loss account. Non-monetary assets and liabilities denominated in foreign currency are translated at historical rate.

For the purposes of incorporation of the financial statements of the US branch into the Head Office financial statements, all income and expenditure are translated at the average rate, the monetary assets and liabilities translated at the yearend rate and non-monetary assets and liabilities translated at the date of transactions the resultant gain or loss being recognized in the profit and loss account

1.12 Retirement benefits

a) Provident Fund (Defined contribution scheme):

Eligible employees receive benefit from defined benefit plan covered under the Provident Fund Act. Both employees and the company make monthly contributions. The employer contribution is charged off to Profit & Loss Account as an expense.

b) Gratuity (Defined Benefit Scheme):

The company provides for a non-funded gratuity, based on actuarial valuation.

c) Leave encashment:

The leave encashment liability upon retirement would not arise as the accumulated leave is reimbursed every year and accounted at actual.

1.13 Research and development cost

Expenditure incurred on research and development is charged off to Profit & Loss Account as incurred till the time the techno-commercial viability is established.

1.14 Provision

A provision is recognized when an enterprise has a present obligation as a result of past event; 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 are not discounted to its present value and are determined based on 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. Contingencies are recorded when it is probable that a liability will be incurred and the amount can be reasonably estimated.

1.15 Accounting for Taxes

The company is accounting for taxes in accordance with the Accounting Standard (AS) 22 - "Accounting for taxes" notified under sub section 3 (c) of section 211 of companies Act 1956. Consequently, the tax provision includes the income tax payable on the estimated taxable income as well as the tax impact arising on account of timing differences, thus ensuring that the income and taxes thereon are matched. Income tax is provided after taking into account deductions available under Chapter III of the Income Tax Act, 1961, the Minimum Alternate Tax as prescribed by section 115JB of the Income Tax Act, 1961 and the foreign taxes paid which are available for set off under the relevant Double Taxation Avoidance Agreements.

In the situations where the company is entitled to a tax holiday under the income tax act, 1961 enacted in india or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax(asset or liability) is recognised in respect of timing difference which reverse during the tax holiday period, to the extent the company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing difference which reverse after the tax holiday period is recognised in the year in which the timing differences originate.

NOTES TO THE FINANCIAL STATEMENT AS AT MARCH 31					
2.01	SHARE CAPITAL			₹ in lakhs	
	Particulars	2016		2015	
	Authorised Capital	4,000.00		4,000.00	
	8,00,00,000 (8,00,00,000) Equity Shares of Rs. 5 (Rs.5) each				
		4,000.00		4,000.00	
	Issued, Subscribed & Fully Paid-Up				
	5,89,92,840 (5,89,92,840) Equity Shares of Rs. 5 (Rs. 5) each	2,949.64		2,949.64	
		2,949.64		2,949.64	
	Reconciliation of the number of equity shares outstanding			₹ in lakhs	
	Particulars	2016		2015	
		Number	₹	Number	₹
	Shares outstanding at the beginning of the year	58,992,840	2,949.64	58,992,840	2,949.64
	Shares bought back/ other movements during the year	-	-	-	-
	Shares outstanding at the end of the year	58,992,840	2,949.64	58,992,840	2,949.64
	The company has only one class of shares referred to as equity shares having a par value of Rs. 5/-. Each holder of equity shares is entitled to one vote per share. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. All shares are entitled to equal amount of dividend and return of capital in the event of liquidation.				
2.02	RESERVES & SURPLUS			₹ in lakhs	
	Particulars	2016		2015	
	Securities Premium Account				
	Opening Balance	29,674.02		29,674.02	
	Add : Securities premium credited on Share issue	-		-	
	Less : Amount utilised on issue of fully paid bonus shares	-		-	
	Closing Balance	29,674.02		29,674.02	
	General Reserve				
	Balance at the beginning of the year	10,719.41		10,719.41	
	Add : Transferred from Profit & Loss account	-		-	
	Add : Transfer to Reserves	-58,555.33		-	
	Balance at the end of the year	-47,835.92		10,719.41	

	Surplus		
	Balance at the beginning of the year	-54,885.79	7,954.68
	Add: Net profit after tax transferred from Statement of Profit and Loss	-15,344.24	-62,840.50
	Add : Transfer from Reserves	-	-
	Amount Available for Appropriation	-70,230.03	-54,885.82
	Interim dividend	-	-
	Proposed dividend	-	-
	Total Dividend	-	-
	Dividend Distribution Tax	-	-
	Amount transferred to General Reserve	-	-
	Surplus Closing Balance	-70,230.03	-54,885.82
	Total Reserves and Surplus	-88,391.93	-14,492.39
2.03	LONG TERM BORROWINGS		₹ in lakhs
	Particulars	2016	2015
	Term Loans		
	Indian rupee loans from Banks	-	3,382.44
	Foreign currency loans from Banks	-	4,916.33
	Other Loans and Advances		
	Finance lease obligations	3,059.94	41.34
		3,059.94	8,340.11
	The above amount includes		
	Secured borrowings	3,059.94	8,340.11
	Unsecured borrowings	-	-
	Net Amount	3,059.94	8,340.11
	Finance lease availed for the projects are secured by first charge on the assets procured from the financial lease. These amounts are to be paid in equated monthly instalments. The difference in the previous year and current on this item is due to reclassification and no fresh loans have been availed as it appears.		
	Term loans appeared in the previous year have been classified as NPA by the banks/financial institutions and thereby become payable on demand. Therefore the loans are reclassified under short term borrowings.		
2.04	LONG TERM PROVISIONS		₹ in lakhs
	Particulars	2016	2015
	Provision for employee benefits		
	Gratuity	-	309.75
	Bonus	-	42.83
	Provision for Taxation (Net of Advance Tax)	-	-
		-	352.58

	Gratuity has been provided based on the actuarial valuation report. Because of the financial difficulties faced by the company the senior employees of the company have left and the most of the employees continuing now are not eligible for gratuity. The eligible employees will be paid on demand arise on cash basis. Hence, the amount provided earlier have been reversed. Bonus is included in the CTC of the current employees which is paid every month and hence the bonus provided till earlier year has been reversed.		
2.05	OTHER NON - CURRENT LIABILITIES		₹ in lakhs
	Particulars	2016	2015
	Security Deposit	-	3.00
		-	3.00
2.06	SHORT TERM BORROWINGS		₹ in lakhs
	Particulars	2016	2015
	Secured Loans:		
	Loans repayable on demand		
	Indian rupee loans	49,160.41	51,535.27
	Foreign currency loans	6,291.50	149.42
	Cash credit	231.65	227.05
	Indian rupee loans (Term loan)	15,928.25	10,137.83
	Unsecured Loans:		
	Financial institutions	10,587.49	2,468.58
	Loans repayable on demand		
	Others	5,429.52	337.06
	Loans and advances from Related parties		
	Vishwa Vikas Services Ltd	-	237.53
	Zylog Systems Asia Limited	19.61	1,951.20
	Zylog Systems Canada Limited	-	482.80
	Zylog Systems India Limited	-	611.48
	Zylog Systems UK Limited	69.60	-
	Other related parties	331.32	6,567.82
		88,049.35	74,706.04
	Nature of Security and terms of repayment for secured borrowings		
	1. Packing credits PCFC/PC sanctioned by the banks have been restructured by the banks and converted them into working capital term loans. The unpaid interest accumulated till the date of restructuring were also converted into FITL. These loans are payable in equated monthly installments, but due to the financial difficulties, the company could not even the pay EMI amounts as per the restructuring done.		
	2. The WCTL and cash credit facilities are secured by hypothecation of book debts, other current assets and fixed assets. Further guaranteed by the two promoter directors of the company in their personal capacity. The WCTL/Cash Credit is repayable on demand.		

	<p>3. Indian Rupee Loan from Banks includes an amount of Rs.950 lakhs towards Bank Guaratee. The loan is repayable in 4 quarterly installments along with interest, from the date of loan, viz 15-Mar-2013. The loan has been guaranteed by the Bank guarantee of Union Bank of India</p> <p>4. Indian rupee loan from banks includes crystallised Foreign currency loan amount of Rs.7529 lakhs. This loan is secured by hypothecation of book debts, other current assets and fixed assets. Further guaranteed by the two promoter directors of the company in their personal capacity.</p> <p>5. A new bill discounting loan of Rs.145 lakhs was availed in Mar'13 repayable in 90 days.</p> <p>6. Indian rupee loan amount of Rs. 1100.00 lakhs is secured by first pari pasu charge on current assets,book debts and movable property and the shares are also pledged. The loan is repayable at the end of 90 days.</p> <p>7. Indian rupee loan amount of Rs. 2500.00 lakhs is secured by hypothecation of current assets,both present and future on second charge basis. The loan is repayable at the end of 6 months.</p> <p>8. Unsecured loans availed from individual and financial institutions earlier have been reclassified and brought under short term borrowings.</p>		
2.07	SHORT TERM PROVISIONS		₹ in lakhs
	Particulars	2016	2015
	Provision for employee benefits		
	Gratuity	-	-
	Provision for Taxation (Net of Advance Tax)	-	-
		-	-
2.08	OTHER CURRENT LIABILITIES		₹ in lakhs
	Particulars	2016	2015
	Current Maturities of Long term borrowings	-	6,701.61
	Current Maturities of Finance lease obligations	-	2,223.52
	Interest accrued and due on borrowings	-	6,768.17
	Advance Received from Customers	-	164.47
	Payroll Liabilities	153.74	1,266.50
	Unclaimed Dividend	20.70	21.95
	Unpaid Dividend	1,407.46	1,407.38
	Statutory Dues	1,881.01	1,832.08
	Other payables	1,345.99	5,451.25
		4,808.90	25,836.94
	The company is in the process of negotiation for settlement of the loans availed from bank/financial institutions. The interest accumulated till previous has been reversed.		
	Amount payable to various parties have been written back as they are lying for many years and no cause action were taken.		

2.09 FIXED ASSETS										₹ in lakhs	
Particulars	Original Cost			Depreciation/Amortisation				Net Book Value			
	As at 1-Apr-15	Additions	Deductions/ Adjustments	As at 31-Mar-16	Up to 1-Apr-15	For the period	Transfer to Reserves	As at 31-Mar-16	As at 1-Apr-15		
Tangible Assets											
Own Assets											
Freehold land	324.28	-	-	324.28	-	-	-	324.28	324.28		
Leasehold Land #	157.17	-	-	157.17	9.94	1.52	-	145.71	147.23		
Building	2,743.54	-	-	2,743.54	891.01	339.46	208.01	1,305.06	1,852.53		
Plant & Machinery	854.59	10.77	-	865.36	631.82	33.48	68.80	131.26	222.76		
Computer equipment	41,403.12	6.44	-	41,409.56	29,410.44	35.98	10,154.71	1,808.43	11,992.67		
Furniture and fittings	262.29	-	-	262.29	189.91	23.53	-28.98	77.82	72.38		
Interior decoration	663.86	-	-	663.86	485.30	140.70	4.64	33.22	178.56		
Electrical fittings	449.75	-	-	449.75	287.32	71.71	-	90.72	162.43		
Office equipments	239.52	21.59	-	261.11	143.88	22.81	53.61	40.81	95.64		
Vehicles	90.84	-	-	90.84	84.29	0.27	2.57	3.71	6.55		
Leased assets											
Computer equipments	5,466.03	-	-	5,466.03	4,641.20	273.30	551.52	-	824.83		
Total (A)	52,654.99	38.80	-	52,693.79	36,775.11	942.76	11,014.88	3,961.02	15,879.86		

₹ in lakhs

Particulars	Original Cost			Depreciation/Amortisation			Net Book Value		
	As at 1-Apr-15	Additions	Deductions/ Adjustments	As at 31-Mar-16	Up to 1-Apr-15	For the period	Transfer to Reserves	As at 31-Mar-16	As at 1-Apr-15
Intangible Assets									
Goodwill (Business Acquisition)	11,881.19	-	-	11,881.19	8,669.17	-	3,212.02	11,881.19	3,212.02
Computer software	587.65	-	-	587.65	581.24	5.89	-3.19	583.95	6.41
License fee	138.54	-	-	138.54	138.54	-	-	138.54	-
Product development cost	25,891.78	-	-	25,891.78	14,803.64	-	11,088.14	25,891.78	11,088.14
Customer Relationship	-	-	-	-	-	-	-	-	-
Trademark & brand	-	-	-	-	-	-	-	-	-
Total (B)	38,499.16	-	-	38,499.16	24,192.59	5.89	14,296.97	38,495.46	14,306.57
Grand Total (A+B)	91,154.15	38.80	-	91,192.95	60,967.70	948.65	25,311.85	87,228.22	30,186.43

Leasehold land is amortised over a period of 99 years (Excluding refundable deposit of Rs.7.00 lakhs)

2.10	NON CURRENT INVESTMENTS (FULLY PAID)	₹ in lakhs	
	Particulars	2016	2015
	Non - Trade Investments unquoted in equity instruments (at cost)		
	Subsidiary Companies		
	Vishwa Vikas Services Limited 2,50,000 equity shares of Rs.10 each fully paid-up	25.00	25.00
	Less: Provision for Dimunition Value	23.75	-
	Net Investment in Vishwa Vikas Services Limited	1.25	25.00
	Zylog Systems (India) Limited 3,15,00,000 equity shares of Rs.10 each fully paid	3,150.00	3,150.00
	Less: Provision for Dimunition Value	2,992.50	-
	Net Investment in Zylog Systems India Limited	157.50	3,150.00
	Zylog systems (Europe) Limited 15,64,701 equity shares of GBP 1 each fully paid-up	1,065.65	1,065.65
	Zylog Systems Asia Pacific Pte Ltd 19,06,389 equity shares of SGD 1 each full paid-up	625.99	625.99
	Zylog BV Limited 1,25,000 equity shares of USD 1 each, fully paid-up	62.99	62.99
	Algorithm Solutions Private Ltd 10,000 equity shares of Rs.10 each fully paid-up	175.00	175.00
	Less: Provision for Dimunition Value	166.25	-
	Net Investment in Algorithm Solution Pvt Ltd	8.75	175.00
	Zylog Systems (Canada) Limited 4,410,250 equity shares of CAD 1 each, fully paid-up	1,949.22	1,949.22
	Less: Provision for Dimunition Value	1,949.22	-
	Net Investment in Zylog Systems Canada Ltd	-	1,949.22
	Matrix Primus Partners Inc 10,03,750 equity shares of USD 1 each, fully paid-up	-	7,088.60
	Non - Trade Investments quoted in equity instruments (at cost)		
	Others		
	Union Bank of India (2018 equity shares of `110 each)	2.22	2.22
	Total Non Trade Investments	1,924.35	14,144.67
	Aggregate amount of Quoted Investments	2.22	2.22
	Market Value of Quoted Investments	4.86	2.77
	Aggregate amount of Non - Quoted Investments	1,922.13	14,142.45

Notes:

	Zylog Systems (Canada) Limited shares were pledged with ICICI Bank for the loans availed for acquiring the companies in Canada. Due to default in payments and the account became NPA, ICICI Bank has sold the shares and recovered the money. However, the company is pursuing the matter legally. Due to this, the investments made in the company has been charged to P & L Account.			
	The acquired company Matrix Primus Partners, Inc is into a severe financial crisis. Due to this, the company has lost all its businesses and employees and as on date the company is virtually closed and hence the investment made in the company has been charged to P & L Account considering the present status of affairs of the company.			
	Investment in Indian subsidiaries have been reviewed by the management. These subsidiaries are not performing well for the past few years. Also the subsidiaries are facing cash flow crises and not able to pay the dues to the lenders, vendors, employees and statutory bodies. considering these the management has decided to revalue the investments made in the subsidiaries and provided dimunition @ 95% of the investment.			
2.11	DEFERRED TAX ASSETS / LIABILITY			₹ in lakhs
	Particulars	2016	Current Year Charge / (Credit)	2015
	Deferred Tax Assets			
	Provision for Gratuity	-	-	-
	Deferred Tax Liabilities			
	Difference between book and tax depreciation	-35.68	-1,750.66	1,714.98
	Net Deferred Tax Liability	-35.68	-1,750.66	1,714.98
	Pursuant to Accounting Standard 22 'Accounting for Taxes on Income' as prescribed in Companies Accounting Standard Rules, 2006, the Company has recorded the Cumulative Net Deferred Tax Assets as at 31st Mar 2016 of Rs. 35.68 lakhs and Rs. 1,750.66 lakhs has been credited to the profit & Loss account.			
2.12	LONG TERM LOANS AND ADVANCES (UNSECURED AND CONSIDERED GOOD)			₹ in lakhs
	Particulars	2016	2015	
	Capital Advances (Unsecured and considered good)	-	-	
	Security Deposits (Unsecured and considered good)	252.10	392.54	
		252.10	392.54	

2.13	OTHER NON - CURRENT ASSETS		₹ in lakhs
	Particulars	2016	2015
	Non Current Bank Deposits (As per Note 2.17)		
	Having Maturity more than 12 Months from date of deposit	-	-
	Fixed Deposit	2.74	205.04
	Lien with Bank	537.05	330.52
		539.79	535.56
2.14	CURRENT INVESTMENT		₹ in lakhs
	Particulars	2016	2015
	Investment in Preference Shares		
	Investment in Mutual Funds (Quoted)	0.71	0.71
	Total Current Investments	0.71	0.71
2.15	INVENTORIES		₹ in lakhs
	Particulars	2016	2015
	Stocks - Smart cards	28.94	-
		28.94	-
2.16	TRADE RECEIVABLES (UNSECURED AND CONSIDERED GOOD)		₹ in lakhs
	Particulars	2016	2015
	Outstanding for a period exceeding six months	47,105.42	48,043.38
	Less :Provisions for Doubtful debts	46,894.35	46,894.35
		211.07	1,149.03
	Outstanding for a period not exceeding six months	3,109.59	3,665.72
	Less : Allowance for bad & doubtful debts	-	-
		3,109.59	3,665.72
	Particulars	3,320.66	4,814.75
2.17	CASH AND BANK BALANCE		₹ in lakhs
	Particulars	2016	2015
	Cash and cash equivalents		
	Cash on hand	0.57	0.72
	Balance with Banks		
	On Current Accounts	360.18	52.49
	Other Bank balances		
	Unpaid Dividend account	20.80	21.97

	Amount disclosed under Non Current assets (Note No 2.13)		
	Lien with Bank	537.05	330.52
	Fixed Deposit Accounts		
	Having Maturity more than 12 Months from date of deposit	2.74	205.04
	Less: Amount Disclosed as Non Current Assets	-539.79	(535.56)
		381.55	75.18
2.18	SHORT - TERM LOANS AND ADVANCES (UNSECURED AND CONSIDERED GOOD)		₹ in lakhs
	Particulars	2016	2015
	Loans and advances to related parties (Refer Note 2.18.1)	164.09	11,707.57
	Others		
	Prepaid Expenses	16.58	2,080.87
	Advance tax and withholding taxes (Net of Provisions)	768.91	1,032.43
	Other advances	341.05	23,070.39
		1,290.63	37,891.26
2.18.1	The details of loans and advances to related parties are as follows		
	Advances to Subsidiaries		
	Zylog Systems (Europe) Ltd	-	1,046.12
	Matrix Primus Partners Inc	-	4,890.99
	Algorithm Solutions Private Ltd	40.05	315.89
	Zylog BV Ltd	-	5,454.57
	Zylog Systems India Limited	124.04	-
		164.09	11,707.57
2.19	OTHER CURRENT ASSETS		₹ in lakhs
	Particulars	2016	2015
	Unbilled Revenue	117.96	6,921.71
	Interest Accrued on Deposits	-	435.96
		117.96	7,357.67
	Due to the high attrition in the company from FY2011-12, the company could not complete the projects though they were recognised as revenue in the earlier year. The amount carried over has been written off during the current years.		

2.20	REVENUE FROM OPERATIONS		₹ in lakhs
	Particulars	2016	2015
	Export of software services, products & solutions	12,087.84	29,181.42
	Domestic operations	1,853.00	2,127.03
		13,940.84	31,308.45
2.21	OTHER INCOME		₹ in lakhs
	Particulars	2016	2015
	Interest Income on		
	Bank Deposits	0.61	10.93
	Dividend Income		
	Current investments	-	0.16
	Other Non-Operating Income		
	Rental Income	-	5.23
	Forex gain	196.73	2,001.87
	Miscellaneous Income	74.72	3.84
		272.06	2,022.03
2.22	EMPLOYEE BENEFITS EXPENSE		₹ in lakhs
	Particulars	2016	2015
	Salaries and incentives	1,446.54	12,030.88
	Contribution to Provident fund and other funds	38.28	26.01
	Staff welfare expenses	27.93	376.46
		1,634.70	12,433.35
2.23	OPERATION AND EXPENSES		₹ in lakhs
	Particulars	2016	2015
	Consultancy Charges	208.96	296.78
	Consumables	991.52	1,212.56
	Directors' sitting fee	0.90	0.30
	Provision for Diminution Value in Investments	5,131.72	-
	Rent	0.63	1.21
	Repairs & Maintenance	-	-
	Building	79.15	56.82
	Others	189.83	88.56
	Vehicle Maintenance	5.05	3.70
	Insurance	0.24	1,204.39
	Rates & Taxes	6.57	60.57

Continued...

	Particulars	2016	2015
	Printing & Stationery	47.03	36.40
	Lease rental Charges	-	2.81
	Travelling Expenses	113.09	43.05
	Communication Expenses	48.41	218.77
	Statutory Audit Fee	19.13	63.10
	Legal Expenses & Professional fees	186.77	67.97
	Electricity	91.81	87.91
	Recruitment and Training Expenses	0.96	5.53
	Foreign exchange loss	-	-
	Visa Processing related expenses	247.39	562.14
	Discarded Assets written off	-	1,944.80
	Trade show seminar and Conference Expense	-	37.58
	Advertisement	2.64	4.59
	Marketing Expenses	903.96	1,558.34
	Entertainment	-	1.13
	Bank Charges	2.45	12.06
	Miscellaneous Expenses	13.20	27.28
		8,291.51	7,598.35
2.24	FINANCE COST		₹ in lakhs
	Particulars	2016	2015
	Interest	5.73	443.23
	Loan Processing, preclosure & Other Charges	44.10	-
		49.83	443.23

2.25	EARNING PER SHARE (EPS)
	In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The components of basic and diluted earnings per share are as follows.

	Particulars	2016	2015
	Net Income available to Equity Shareholders (₹ in lakhs)	-15,344.24	-62,840.47
	No of outstanding equity shares		
	- Basic	58,992,840	58,992,840
	- Diluted	58,992,840	58,992,840
	Earning Per share		
	- Basic	-26.01	-106.52
	- Diluted	-26.01	-106.52
2.26	DISCLOSURES UNDER " ACCOUNTING STANDARD (AS)-15 (Revised) – EMPLOYEE BENEFITS		
	a. Reconciliation of opening and closing balances of Defined Benefit obligation** (The computations given hereunder are for the company and two of its wholly owned Indian subsidiaries. The figures do not match with the figures in the financial statements since the amounts have been allocated to the three companies in relation to their liability)		
		2016	2015
	Defined Benefit obligation towards gratuity at beginning of the year	-	386.91
	Current Service Cost	-	-
	Interest Cost	-	-
	Actuarial (gain)/Loss	-	-
	Benefits Paid	-	-
	Defined Benefit obligation at the year end	-	386.91
	b. Reconciliation of opening and closing balances of fair value of plan assets- Not Funded		
	c. Reconciliation of fair value of assets and obligations		₹ in Lakhs
		2016	2015
	Fair value of plan assets	-	-
	Present value of obligation	-	386.91
	Amount recognised in the Balance Sheet **	-	386.91
	d. Expense recognized during the year		₹ in Lakhs
		2016	2015
	Current service cost	-	-
	Interest cost	-	-
	Actuarial (gain)/Loss	-	-
	Amount recognised in the Balance Sheet **	-	-

	e. Investment Details:Not funded		
	f. Actuarial Assumptions:		
		2016	2015
	Interest rate	NIL	NIL
	Inflation rate	NIL	NIL
	Retirement age	58	58
	# As per LIC (1975 – 79) Table of Mortality rates		
2.27	Since the company operates in IT Services, there are no other business segments. However around 98% of the revenue accrue in US and consequently there are no other reportable geographical segments.		
2.28	DETAILS OF AUDITORS REMUNERATION		₹ in Lakhs
		2016	2015
	Head office		
	Statutory audit	3.00	12.00
	Tax Audit	1.00	4.00
	Overseas Branch		
	Branch Audit	15.13	40.38
	Tax Audit	-	6.73
		19.13	63.10
2.29	RELATED PARTY DISCLOSURE		
	As required under Accounting Standard 18 (AS-18), the following are the details of transactions during the year with the related parties.		
	a) List of related parties and relationships		
	Name of the related party	Relationship	
		Key Management Personnel	
	Mr. Sudarshan Venkatraman	Promoter	
	Mr. Ramanujam Sesharathnam	Promoter	
	Zylog Systems (Europe) Limited	Subsidiary	
	Vishwa Vikas Services Limited	Subsidiary	
	Zylog Systems (India) Limited	Subsidiary	
	Zylog Systems Asia Pacific Pte Limited	Subsidiary	
	Zylog BV Limited	Subsidiary	
	Zylog Systems Canada Limited	Subsidiary	
	Matrix Primus Partners Inc	Subsidiary	
	Algorithm Solutions Private Limited	Subsidiary	

Continued...

	Zylog Systems FZ LLC	Subsidiary of Zylog BV Limited	
	Ducont Systems India Private Limited)	Subsidiary of Zylog Systems FZ LLC	
	Anodas Software Limited	Subsidiary of Zylog Systems (Europe) Limited	
	Zylog Systems Infotech SDN BHD	Subsidiary of Zylog Systems Asia pacific Pte Limited	
	Sthithi Insurance Services Pvt Ltd.	Enterprise influenced by the promoters	
	b) Transaction with related parties		
		₹ in Lakhs	
	Particulars	Year ended March 31	
		2016	2015
	Remuneration		
	Mr. Sudarshan Venkatraman	-	56.91
	Mr. Ramanujam Sesharathnam	-	58.73
		-	115.64
	Advances given during the year		
	Vishwa Vikas Services Limited	-	1,267.49
	Zylog Systems (Europe) Limited	83.77	141.11
	Zylog Systems (India) Limited	1,526.60	1,325.95
	Zylog BV Limited	-	838.69
	Algorithm Solutions Private Limited	407.99	49.84
	Zylog Systems Asia Pacific Pte Limited	285.10	378.77
		2,303.46	4,001.85
	Advance Received during the year		
	Vishwa Vikas Services Limited	-	1,267.44
	Zylog Systems (Europe) Limited	106.82	215.71
	Zylog Systems (India) Limited	1,048.15	1,599.94
	Zylog BV Limited	-	1,426.39
	Algorithm Solutions Private Limited	465.82	371.41
	Zylog Systems Asia Pacific Pte Limited	288.26	372.12
	Mr. Ramanujam Sesharathnam	298.19	191.90
		2,207.24	5,444.90

RECEIVABLES				₹ in Lakhs	
Particulars	2016		2015		
	Balance As at 31st March	Maximum amount due during the year	Balance As at 31st March	Maximum amount due during the year	
Zylog Systems (Europe) Limited	-	-	1,046.12	1,171.18	
Zylog BV Limited	-	-	5,454.57	6,468.18	
Vishwa Vikas Services Limited	-	-	237.53	655.53	
Matrix Primus Partners Inc	-	-	4,890.99	4,890.99	
Algorithm Solutions Private Limited	40.05	141.15	315.89	360.38	
Zylog Systems AG	-	-	5.85	5.85	
Zylog Systems (India) Limited	124.04	228.00	-	-	
Zylog Systems M.E (FZE)	-	-	5.36	5.36	
Total	164.10		11,956.31		
PAYABLES				₹ in Lakhs	
Particulars	2016		2015		
	Balance As at 31st March	Maximum amount due during the year	Balance As at 31st March	Maximum amount due during the year	
Zylog Systems Asia Pacific Pte Limited	19.61	2,234.94	1,951.20	2,174.71	
Zylog Systems (Canada) Limited	467.30	467.30	482.80	482.80	
Zylog Systems (Europe) Limited	69.60	1,046.12	-	-	
Zylog Systems (India) Limited	-	-	611.48	747.33	
Total	556.51		3,045.47		

Service rendered /received			
		2016	2015
	Services rendered to Zylog Systems Asia Pte Ltd	380.54	345.17
	Services rendered to Zylog Systems (Europe) Ltd	156.31	118.46
	Services rendered to Ducont FZ LLC	841.91	191.02
2.30	Other Current Asset include unbilled revenue of Rs. 117.96 lakhs (Rs. 6,921.71 lakhs) recognized in relation to efforts incurred on various contracts until the balance sheet date.		
2.31	The company has acquired various businesses during the financial years ended 31st March 2003, 31st March 2006, 31st March 2008, 31st March 2009, 31st March 2013. During the current year ended 31st March 2016, the company has made payment of Rs. Nil towards earnout. The assets acquired in these business comprise various resources such as human resources, client lists and other related benefits and also undertakings by the promoters of the vendors of these businesses not to engage in any business with clients taken over for a specified period of time. The total amount invested in acquiring these businesses is Rs. 11,881.19 Lakhs. The company reviewed the contributions of these acquired entities and considering their usefulness, the unamortised amount of business acquisition Rs. 32.12 cr has been reversed.		
2.32	Amounts due to Small Scale Industries under Current Liabilities is based on the information available with the company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006". Amounts overdue as on 31st March 2016 to Micro, Small and Medium Enterprises on account of principal and interest is Rs. Nil (Rs. Nil).		
2.33	Contingent Liabilities and Commitments		₹ in Lakhs
		2016	2015
(i)	Contingent Liability not provided for :		
	a) Bank Guarantee/Bond executed by the Company	-	84.50
	b) Appeals filed in respect of disputed demands		
	- Income Tax **	26,461.51	16,587.14
	- Sales Tax	19.34	19.34
	- Service Tax	745.32	64.98
	- VAT	25.42	25.42
	c) Corporate gurantee given to:		
	SBI Frankfurt on behalf of Zylog BV	2,400.00	2,400.00
	ICICI Bank Canda on behalf of Zylog Canada	14,000.00	14,000.00
	ANDHRA Bank on behalf of ZSIL	7,500.00	7,500.00
	**Demand raised by the Income Tax department against the company by disallowing certain deductions/benefits/ claims made by the company. In the opinion of the Company most of these demands are not maintainable and accordingly appeals have been preferred and pending before the authorities.		

			₹ in Lakhs			
			2016		2015	
(ii)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)		NIL		NIL	
(iii)	OTHER COMMITMENTS		NIL		NIL	
			2016		2015	
2.34	Earnings in Foreign Exchange :		2,393.73		1,473.91	
2.35	Value of Imports (CIF Value):		NIL		NIL	
2.36	Expenditure in Foreign Currencies :		-		3.50	
Unhedged Foreign Exposure						
		As at March 31, 2016			As at March 31, 2015	
Particulars	Currency	Amount in Foreign Currency	Amount in Rs. (lakhs)	Amount in Foreign Currency	Amount in Rs. (lakhs)	
Trade receivable	USD	390,353	258.63	41,146,009	25,978.50	
	SGD	-	-	726,748	353.21	
	GBP	68,464	65.34	-	-	
	EURO	-	-	60,000	40.81	
Foreign currency exposures have not been hedged by a derivative instrument or otherwise. According to the management almost 80% of the revenue is naturally hedged as it pays out salaries and incurs expenditures in the same foreign currency.						
No dividend has been remitted in foreign currency during the current year and previous year.						
2.37	Under the provisions of Companies Act 205 A, the payment of dividend declared in the previos AGM dt 25th Sep 2012 of Rs 16.44 Cr. Out of which Rs.2.35 Cr. alone paid till 31st March 2016 and till date. The dividend distribution tax of Rs 2.67 Cr. of the said dividend also not been paid till 31st March 2016 and till date.					
2.38	Receivables, Payables, Long term loans & Short term loans and Balances in banks are subject to confirmation.					
2.39	Previous years' figures are shown in parenthesis and have been regrouped, recast wherever necessary to conform to the current year's classification.					
-s/d- T R Sarathy Chartered Accountant Membership No. 025982 Chennai 30-Jun-2016			-s/d- Hon'ble Justice Mr. S. Rajeswaran (Retd.) Administrator			

CONSOLIDATED STATEMENTS

AUDITOR'S REPORT
BALANCE SHEET
PROFIT AND LOSS ACCOUNT
CASH FLOW STATEMENT
NOTES FORMING PART OF FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS

Independent Auditors' Report

To the Board of Directors of Zylog Systems Limited

We have audited the accompanying consolidated financial statements of **Zylog Systems Limited** (the Company) and its subsidiaries, hereinafter called the "group" to the attached consolidated financial statements, which comprise the Consolidated Balance sheet as at 31st March 2016, the Consolidated Statement of Profit and Loss and the Consolidated Cash flow Statement for the year ended and a summary of the significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's Board of directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these Consolidated financial statements to give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014 and Accounting standard 30, financial instruments: Recognition and Measurement issued by the Institute of Chartered Accountants of India to the extent it does not contradict any other Accounting standard referred to in section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the Assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design and implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We have taken into account the provision of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made there under.

We conducted our audit in accordance with the standards on Auditing specified under section 143(10) of the Act and authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgment including the assessment of the risks of material misstatement of the

financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the company's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion whether the company has in place an adequate internal financial control system over financial supporting and the operative effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2015 ("the order") Issued by the Central government of India in terms of Sub Section(11) of section 143 of the Act, and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of Order

2. As required by Section 143(3) of the Act, we report that:

- a) We have sought and 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 it appears from our examination of those books
- c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account
- d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards notified in section 133 of the Companies Act 2013 read with Rule 7 of the Companies (Accounts) Rules 2014. And Accounting Standard 30 financial Instruments: Recognition and Measurement issued by the Institute of Chartered Accountants of India to the extent that does not contradict any other accounting standard referred to in sec 133 of the Act read with Rule 7 of the Companies (Accounts) Rules 2014 **except in respect of non provision of gratuity and interest relating to all borrowings.**
- e) Certain receivables/ advances/ other assets/ current liabilities/ payables have been written off/written back of Rs. 710.46 crs (Net) during the year. This relates to the period under the erstwhile management and reported in the accounts as on that date. In view of the large sums that were written off/written back by the erstwhile management, the Administrator of the Company has initiated steps to obtain information from the erstwhile Chairman and the erstwhile Managing Director for necessary action.
- f) On the basis of written representations received from the directors as at 31st March 2016 and taken on record by the Board of Directors, none of the Directors are disqualified as at 31st March 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

- g) With respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 in our opinion and to the best of our knowledge and belief and according to the information and explanation given to us
- i) The company has disclosed the impact of pending litigations as at 31st March 2016 on its financial position in its standalone financial statement.
 - ii) The company has not transferred any amounts, required to be transferred, to the Investor Education and Protection Fund by the company during the year ended 31st March 2016.
 - iii) The company has not complied sec 205 A of the Companies Act, 1956 in respect of unpaid dividend for the financial year 2011-12 of Rs.14,08,63,114 and this sum has still not been deposited in any scheduled bank as mentioned in the notes on accounts.
 - iv) Statutory dues of TDS, PF, ESI, Professional Tax, VAT and Service Tax amounts to Rs. 19.11 crs and remains unpaid.
 - v) In addition, the company has a contingent liability of Rs. 295.26 cr relating to Income Tax, VAT, Service Tax and Sales Tax shown under contingent liability.

OTHER MATTERS

We did not audit the financial statements of all the subsidiaries and one branch which constitute total assets of Rs. 136.46 crs as at 31st March 2016, total revenue of Rs.210.60 crs, net loss of Rs.77.91 crs for the year ended. These financial statements and other financial information have not been audited by us and we relied upon an internal audit of these financial statements furnished to us and our opinion on the consolidated financial statements to the extent is solely based on the financial statements of these subsidiaries.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- a.in the Case of the Balance Sheet of the State of affairs as at 31st March 2016.
- b.in the case of the Statement of Profit and Loss of the Loss of the company for the year ended on that date and
- c.in the case of the Cash flow statement of the cash flows of the company for the year ended on that date.

-s/d-

T. R. Sarathy

Chartered Accountant

Membership No. 025982

Place: Chennai

Date: 30-Jun-2016

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in paragraph I under the heading of 'report on other Legal and Regulatory requirements' of our report of even dated to the Members of Zylog Systems Limited on statements as of and for the year ended 31st March 2016

1. In respect of its fixed assets,
 - a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b) As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c) In our opinion, the company has not disposed off a substantial part of the fixed assets during the year and the going concern status of the company is not affected except in the case of certain subsidiaries wherein the assets have been sold during the period of the erstwhile Management and the same has been dealt with the books of accounts.
2. The company is a software development company and hence this clause is not applicable to this company.
3. According to the information and explanations given to us, the company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of Clause 3(iii) (a) and (b) of the order are not applicable to the company and hence not commented upon.
4. 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 fixed assets and for sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.
5. According to the information and explanations given to us, the Company has not accepted any deposit from the public. Therefore, the provisions of Clause (v) of the Order are not applicable to the Company and hence not commented upon.
6. According to the information and explanations given to us, the Central Government has not prescribed cost records for the products manufactured by this company and hence the provisions of clause (vi) of the order are not applicable to the Company and hence not commented upon.
7. In respect of statutory dues:
 - a) According to the records of the Company, the company generally not depositing undisputed statutory dues including Provident Fund, Investor Education and

protection Funds, Employees' State Insurance, Income-Tax, Sales Tax, Service Tax, and other statutory dues with the appropriate authorities.

- b) According to the information and explanations given to us, undisputed amounts payable of Rs. 19.18 crs in respect of the aforesaid dues were outstanding as at March 31, 2016. Further the company also not depositing tax deducted at source regularly with the appropriate authorities.
- c) Details of Income tax, Sales tax and service tax which have not been paid / deposited as on 31st March 2016 on account of disputes of parent company and its subsidiaries breakup are given below.

Disputed statutory dues unpaid as on 31st Mar 2016			
Statute	Forum where the dues of rupees dispute is pending	Period to which amount relates	Amount
The Income Tax Act, 1961	CIT (Appeals)	AY 2001-02	31,49,091
The Income Tax Act, 1961	CIT (Appeals)	AY 2004-05	54,24,063
The Income Tax Act, 1961	CIT (Appeals)	AY 2005-06	99,11,812
The Income Tax Act, 1961	CIT (Appeals)	AY 2006-07	1,60,76,919
The Income Tax Act, 1961	CIT (Appeals)	AY 2007-08	24,71,78,861
The Income Tax Act, 1961	CIT (Appeals)	AY 2007-08	1,05,12,138
The Income Tax Act, 1961	CIT (Appeals)	AY2008-09	57,33,54,450
The Income Tax Act, 1961	Appellate Tribunal	AY 2009-10	35,95,04,941
The Income Tax Act, 1961	CIT (Appeals)	AY 2010-11	43,36,02,221
The Income Tax Act, 1961	CIT (Appeals)	AY 2011-12	98,74,36,680
TN General Sales Tax Act	Commercial Taxes Dept.	2004-05	19,34,000
Karnataka Commercial Tax Act	High Court, Karnataka	2009-10	25,42,074
Service Tax under the Finance Act 1994 (Zylog Systems Limited)	Commissioner of Service Tax	2009-10 & 2013-14 to 2014-15, 2015-16 (till Sept-15)	7,45,32,462
The Income Tax Act, 1961 (Zylog Systems Limited)	CIT (Appeals)	AY 2013-14	14,35,49,120
Service Tax under the Finance Act 1994 (Zylog Systems (India) Limited)	Commissioner of Service Tax	2010-11 to 2014-15	3,01,92,861

Disputed statutory dues unpaid as on 31st Mar 2016			
Statute	Forum where the dues of rupees dispute is pending	Period to which amount relates	Amount
The Income Tax Act, 1961(Algorithm Solutions Private Limited)	CIT (Appeals)	AY 2012-13	50,65,270
Service Tax under the Finance Act 1994 (Algorithm Solutions Private Limited)	Commissioner of Service Tax	2010-11 to 2014-15	4,86,07,674

1. There are no amounts transferred to investor Education and Protection Fund in accordance with the provisions of the Act and rules made there under
2. The Company has accumulated losses and at the end of the financial year 31st March 2016 it is Rs 982.41 crs.
3. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has defaulted in repayment of dues to financial institutions, banks and Private Financiers and the list is given here under.

₹ in lakhs

Name of banks/financial institutions/private financiers	Amount
Syndicate Bank – PCFC / Corporate Loan	16,835.00
State Bank of Mauritius – PC Loan	5,648.88
State Bank of India	543.43
Union Bank of India – ECB / PCFC / Term Loan	32,097.92
ICICI Bank – ECB / PCFC Loan	6,026.79
Indian Overseas Bank	2,026.11
Dena Bank	9,742.06
Federal Bank Limited	2,495.32

Name of banks/financial institutions/private financiers	Amount
SIDBI (Unsecured Loan)	337.06
IFIN Securities Finance Ltd	500.00
JM Financials Ltd	130.00
Prabhudas Leeladhar	608.45
Reliance Capital Limited	1,100.00

₹ in lakhs

Name of banks/financial institutions/private financiers	Amount
Hire Purchase (HPFS / IBM)	3,060.00
SREI Equipment Finance Pvt Ltd	999.00
L & T Finance Ltd	3,000.00
Private Financiers	4,821.06
Union Bank of India – PC/Term Loan	3,495.14
Andhra Bank – WC/Term loan	6,879.92
Total	1,00,346.14

4. According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.
5. The Company has not raised any term loan during the year. Hence the clause (xi) is not applicable to this company and hence not commented upon.
6. According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the year except in the case of Dena Bank, a case has been filed by Central Bureau of Investigation for perpetrating Acts punishable under Indian Penal Code. The loan amount involved in this case is Rs. 97.42 crs. Further, I am informed that Andhra Bank has filed a complaint which is under investigation by Central Bureau of Investigation relating to the subsidiary Zylog Systems (India) Limited and the loan involved is Rs. 68.80 crs.

-s/d-

T. R. Sarathy

Chartered Accountant

Membership No. 025982

Place: Chennai

Date: 30-Jun-2016

FORM B (for audit report with modified opinion)

1.	Name of the company	Zylog Systems Limited
2.	Annual financial statements for the year ended	31 st March 2016
3.	Type of Audit qualification	Qualified
4.	Frequency of qualification	Repetitive since FY 2012-13
	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	<ol style="list-style-type: none"> 1) The company has not deposited undisputed statutory dues such as Provident Fund, Employees' State Insurance, TDS, Sales Tax, Service Tax, and other statutory dues to the tune of Rs. 19.11 crs. 2) The company has not transferred the unclaimed dividend pertaining to the FY 2005-06 to 2008-09 amounting to Rs. 7,00,056. 3) The company has not complied sec 205 A of the Companies Act, 1956 in respect of unpaid dividend for the financial year 2011-12 of Rs. 14,07,45,894 and this sum has still not been deposited in any scheduled bank as mentioned in the notes to accounts. 4) The Company has defaulted in repayment of dues to financial institutions, banks amounting to Rs. 1,003.46 crs.
	Additional comments from the board/audit committee chair:	<ol style="list-style-type: none"> 1) The Company has been facing severe cash flow crisis for the past few years. However the Company is putting its efforts to resolve the issue and will pay the statutory liabilities, unpaid dividend and dues to the financial institutions soon. 2) The Company will transfer the unclaimed dividend to Investor's Education and Protection Fund during the current year.

Place: Chennai
Date: 30-Jun-2016

-s/d-
S. Rajeswaran
Hon'ble Justice (Retd.)
Administrator

-s/d-
T. R. Sarathy
Chartered Accountant
Membership No. 025982

CONSOLIDATED BALANCE SHEET			
Consolidated Balance sheet as at March 31,			₹ in lakhs
Particulars	Note	2016	2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.01	2,949.64	2,949.64
Reserves and surplus	2.02	-98,240.87	-21,082.98
		-95,291.23	-18,133.34
Non-current liabilities			
Long-term borrowings	2.03	3,059.94	15,175.77
Deferred tax liabilities (Net)	2.11	-	1,629.77
Long-term provisions	2.04	426.03	546.34
Other Non-Current Liabilities	2.05	-	18.16
		3,485.97	17,370.04
Current liabilities			
Short-term borrowings	2.06	98,343.98	77,989.63
Trade payables		2,377.96	3,680.21
Short-term provisions	2.07	307.42	1,109.73
Other current liabilities	2.08	8,330.45	33,654.35
		109,359.81	116,433.92
TOTAL		17,554.55	115,670.62
ASSETS			
Non-current assets			
Fixed assets	2.09		
Tangible assets		4,116.77	21,047.74
Intangible assets		426.79	20,420.31
Capital work-in-progress		-	892.07
Intangible assets under development		-	5,446.93
Non-current investments	2.10	1,404.60	2,792.19
Deferred tax assets (Net)	2.12	1,323.85	-
Long-term loans and advances	2.12	358.88	2,521.54
Other Non current Assets	2.13	539.79	1,630.51
		8,170.68	54,751.29
Current assets			
Current investments	2.14	0.71	0.71
Inventories	2.15	45.39	76.16
Trade receivables	2.16	6,603.14	16,563.83
Cash and bank balances	2.17	2,360.47	2,712.23
Short-term loans and advances	2.18	105.67	34,165.20
Other current assets	2.19	268.50	7,401.20
		9,383.88	60,919.33
TOTAL		17,554.55	115,670.62
-s/d-		-s/d-	
T R Sarathy, Chartered Accountant Membership No. 025982 Chennai, 30-Jun-2016		Hon'ble Justice Mr. S. Rajeswaran (Retd.) Administrator	

CONSOLIDATED PROFIT AND LOSS ACCOUNT			
Profit and loss account for the period ended March 31,			₹ in Lakhs
Particulars	Note	2016	2015
Revenue from operations	2.20	22,880.02	41,101.34
Other income	2.21	301.39	2,103.32
Total Revenue		23,181.41	43,204.66
Expenses :			
Employee Benefit Expenses	2.22	4,320.59	14,969.73
Project related expenses		12,336.82	18,642.94
Operation and other Expenses	2.23	6,270.16	8,253.42
Finance Cost	2.24	49.83	1,556.41
Depreciation / Amortisation		1,655.73	17,407.21
Total Expenses		24,633.13	60,829.71
Profit Before Exceptional, Prior Period and Extraordinary items		-1,451.72	-17,625.05
Exceptional Item		-	-
Profit Before Prior Period and Extraordinary items		-1,451.72	-17,625.05
Prior Period Item		20,660.84	106.19
Profit Before Extraordinary items		-22,112.56	-17,731.24
Extraordinary Item		-	46,894.35
Profit Before Tax		-22,112.56	-64,625.59
Less: Tax expense			
Current tax		394.72	218.89
Less:- Minimum Alternate Tax Credit Entitlement		-	-
Net Current Tax		394.72	218.89
Relating to Previous Years		-49.16	-
Deferred tax		-2,953.60	-1,115.14
Total Tax Expense		-2,608.04	-896.25

CONSOLIDATED PROFIT AND LOSS ACCOUNT			
Profit and loss account for the period ended March 31,			₹ in Lakhs
Particulars	Note	2016	2015
Net profit after tax, before share of profit of associates		-19,504.52	-63,729.34
Share of profit of associates		-	-
Profit / (Loss) for the Period from discontinuing Operations		-19,504.52	-63,729.34
Net profit after share of profit of associates		-19,504.52	-63,729.34
No. of Equity shares (Face Value Rs. 5 /- share)		58,992,840	58,992,840
Earnings per equity share:			
Basic		-33.06	-108.03
Diluted		-33.06	-108.03
Significant Accounting Policies & Notes on Accounts			
-s/d- T R Sarathy Chartered Accountant Membership No. 025982 Chennai 30-Jun-2016		-s/d- Hon'ble Justice Mr. S. Rajeswaran (Retd.) Administrator	

CASH FLOW STATEMENT		₹ in lakhs	
Cash flow statement for the year ended		2016	2015
A	CASH FLOW FROM OPERATING ACTIVITIES		
	Profit before Taxation	-22,112.56	-64,625.59
	Adjustments for:		
	Depreciation and Amortisation expenses	1,655.73	17,396.34
	Unrealised foreign currency (gain)/ loss	-	18.32
	Bad debts written off	-	22.45
	Discarded tangible assets (written off)	-	1,944.87
	Dividend income	-	-0.16
	Interest expenses	49.83	1,556.41
	Interest income	-7.37	-14.34
	Prior period adjustments	-	72.82
		1,698.19	20,996.72
	Operating profit before working capital changes	-20,414.37	-43,628.86
	Adjustments for changes in working capital:		
	(Increase)/Decrease in Inventories	30.76	70.86
	(Increase)/Decrease in Trade Receivables	9,960.71	45,200.55
	(Increase)/Decrease in Short term Loans and advances and other current assets	42,284.88	4,149.37
	(Increase)/Decrease in Long term loans and advances	2,162.67	79.61
	Increase/(Decrease) in Other payables	-26,264.63	-12,399.97
	Increase/(Decrease) in Trade payables	-1,302.25	-2,216.51
		26,872.14	34,883.90
	Cash generated from operations before tax adjustments	6,457.77	-8,744.96
	Taxes paid	-345.56	-213.36
	Net cash from operating activities	6,112.21	-8,958.33

B	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of Tangible Assets	-104.87	-33.38
	Purchase of Intangible Assets	-159.04	-141.71
	Impairment of assets	7,241.63	-
	Interest received	7.37	14.34
	Decrease in Intangible assets under development	-	-244.70
	Increase in Capital work- in- progress	6,339.00	-
	Amount transferred to reserves for the useful lives over assets	-29,020.86	-
	Investment in subsidiaries	1,387.59	-
	Dividend income	-	0.16
	Proceeds/(investment) in Non current Deposits	-	-0.16
	Net cash used in investing activities	-14,309.18	-405.45
C	CASH FLOW FROM FINANCING ACTIVITIES		
	Proceeds from issue of Long-term Borrowings	-	1,322.00
	Repayment of Long-term Borrowings	-12,115.82	-12,238.28
	Proceeds from Short-term Borrowings	20,354.35	21,440.77
	Repayment of Short-term Borrowings	-	-526.67
	Interest paid	-49.83	-1,556.41
	Issue of Common stock in consolidated subsidiary	-	-
	Net cash used in financing activities	8,188.70	8,441.41
	Net (Decrease)/Increase in Cash and Cash Equivalents (A+B+C)	-8.26	-922.37
	Opening Cash and Cash Equivalents	2,712.26	3,118.24
	Exchange difference on translation of foreign currency cash and cash equivalents	-343.49	516.39
	Closing Cash and Cash Equivalents	2,360.47	2,712.26
-s/d- T R Sarathy Chartered Accountant Membership No. 025982 Chennai 30-Jun-2016		-s/d- Hon'ble Justice Mr. S. Rajeswaran (Retd.) Administrator	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements are prepared under historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards recommended by The Institute of Chartered Accountants of India (ICAI) and prescribed by the Central Government and comply with the relevant provisions of the Companies Act, 1956.

Cash flows are reported using the indirect method whereby profit before 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 regular revenue generating, financing and investing activities of the company are segregated.

All assets and liabilities have been classified as a current and non-current as per the Company's normal operating cycle and other criteria set-out in the Schedule VI to the Companies Act, 1956. Based on the nature of service and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current - non current classification of assets and liabilities.

1.2 Use of Estimates:

The preparation of the financial statements in conformity with the Generally Accepted Accounting Principles requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

1.3 Revenue recognition

The company derives its revenues primarily from software development services, consultancy services, projects and e-governance projects.

Revenue from software services and projects comprise income from time-and-material contracts, fixed price/fixed time contracts, technical services and annual maintenance contracts. Revenue from time-and-material contracts is recognized on the basis of man hours spent and materials utilized for the development of software and billable in accordance with the terms of the contracts with clients. Revenue from fixed price/fixed time contract is recognized as per the proportionate completion method. Revenue from technical service for software application is recognized on completion of the service.

Cost incurred on unfinished projects that are yet to be billed and earnings in excess of billings are classified as unbilled revenue.

Interest on deployment of surplus funds is recognized on the accrual basis, based on underlying interest rates.

1.4 Fixed assets including intangible assets:

Tangible assets are stated at cost, less accumulated depreciation. Cost includes cost of acquisition including material cost, freight, installation cost, duties and taxes, and other

1.10 Foreign currency transactions

The company has a US based branch which is an integral operation.

The transactions of the Head Office in foreign currency are accounted at the rates of exchange prevailing on the date of the transactions. The exchange difference between the rates prevailing on the date of transaction and the date of settlement are recognized in the profit and loss account.

Foreign currency denominated monetary assets and liabilities are translated using exchange rate as at Balance sheet date. The gains and losses resulting from such translations are included in the profit and loss account. Non-monetary assets and liabilities denominated in foreign currency are translated at historical rate.

For the purposes of incorporation of the financial statements of the US branch into the Head Office financial statements, all income and expenditure are translated at the average rate, the monetary assets and liabilities translated at the yearend rate and non-monetary assets and liabilities translated at the date of transactions the resultant gain or loss being recognized in the profit and loss account

1.11 Retirement benefits

a) Provident Fund (Defined contribution scheme)

Eligible employees receive benefit from defined benefit plan covered under the Provident Fund Act. Both employees and the company make monthly contributions. The employer contribution is charged off to Profit & Loss Account as an expense.

b) Gratuity (Defined Benefit Scheme)

The company provides for a non-funded gratuity, based on actuarial valuation.

c) Leave encashment:

The leave encashment liability upon retirement would not arise as the accumulated leave is reimbursed every year and accounted at actual.

1.12 Research and development cost

Expenditure incurred on research and development is charged off to Profit & Loss Account as incurred till the time the techno-commercial viability is established.

1.13 Provisions:

A provision is recognized when an enterprise has a present obligation as a result of past event; 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 are not discounted to its present value and are determined based on 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. Contingencies are recorded when it is probable that a liability will be incurred and the amount can be reasonably estimated.

1.14 Accounting for Taxes:

The company is accounting for taxes in accordance with the Accounting Standard (AS) 22 - "Accounting for taxes" notified under sub section 3 (c) of section 211 of companies Act 1956. Consequently, the tax provision includes the income tax payable on the estimated taxable income as well as the tax impact arising on account of timing differences, thus ensuring that the income and taxes thereon are matched.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED			
2.01	SHARE CAPITAL		₹ in Lakhs
	Particulars	2016	2015
	Authorised Capital		
	8,00,00,000 (8,00,00,000) Equity Shares of Rs. 5/- each	4,000.00	4,000.00
		4,000.00	4,000.00
	Issued, Subscribed & Fully Paid-Up		
	5,89,92,840 (5,89,92,840) Equity Shares of Rs. 5/- each	2,949.64	2,949.64
		2,949.64	2,949.64
2.02	RESERVES & SURPLUS		₹ in Lakhs
	Particulars	2016	2015
	Capital Reserves		
	Opening Balance	-7,045.64	-4,870.66
	Add: Current Year Transfer	6,871.64	-2,174.98
	Less: Written Back in Current Year	-	-
	Closing Balance	-174.00	-7,045.64
	Securities Premium Account		
	Opening Balance	29,674.02	29,674.02
	Add : Securities premium credited on Share issue	-	-
	Less : Amount utilised on issue of fully paid bonus shares	-	-
	Closing Balance	29,674.02	29,674.02
	Revaluation Reserve		
	Opening Balance	-403.88	-
	Add: Current Year Transfer	952.34	-403.88
	Less: Written Back in Current Year	-	-
	Closing Balance	548.46	-403.88
	Other Reserves		
	Foreign Currency Translation Reserve		
	Balance at the beginning of the year	1,304.83	2,445.96
	Additions During the year	23.68	-1,141.13
	Foreign Currency Translation Reserve	1,328.51	1,304.83
	General Reserve		
	Balance at the beginning of the year	10,719.41	10,719.41
	Add : Addition during the year	-58,557.98	-
	Less : Written Back in Current Year	-	-
	Balance at the end of the year	-47,838.57	10,719.41
	Surplus		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED			
	Balance at the beginning of the year	-55,331.58	190.88
	Add: Net profit after tax transferred from Statement of Profit and Loss	-19,504.52	-63,729.32
	Add : Transfer from reserves	-6,943.22	8,206.86
	Amount Available for Appropriation	-81,779.32	-55,331.58
	Surplus Closing Balance	-81,779.32	-55,331.58
		-98,240.90	-21,082.84
2.03	LONG TERM BORROWINGS		₹ in Lakhs
	Particulars	2016	2015
	<u>Term Loans</u>		
	Indian rupee loans from Banks	-	10,218.10
	Foreign currency loans from Banks	-	4,916.33
	Other Loans and Advances		
	Finance lease obligations	3,059.94	41.34
		3,059.94	15,175.77
	<u>The above amount includes</u>		
	Secured borrowings	3,059.94	15,175.77
	Unsecured borrowings	-	-
	Net Amount	3,059.94	15,175.77
2.04	LONG TERM PROVISIONS		₹ in Lakhs
	Particulars	2016	2015
	Provision for employee benefits		
	Superannuation (unfunded)		
	Gratuity	-	77.48
	Bonus	-	42.83
	Others (Income tax for earlier years)	426.03	426.03
		426.03	546.34
2.05	OTHER NON-CURRENT LIABILITIES		₹ in Lakhs
	Particulars	2016	2015
	Security Deposit	-	18.16
		-	18.16
2.06	SHORT TERM BORROWINGS		₹ in Lakhs
	Particulars	2016	2015
	<u>Secured Loans</u>		
	Loans repayable on demand:		
	Indian rupee loans	51,499.81	53,874.67

Continued...

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED			
	Particulars	2016	2015
	Foreign currency loans	6,291.50	149.42
	Cash credit	231.65	227.05
	Term Loans:		
	Indian rupee loans	23,963.91	10,137.83
	Foreign currency loans	-	-
	Unsecured Loans		
	Financial institutions	10,259.22	2,468.58
	Loans repayable on demand		
	Others	5,766.57	337.06
	Foreign currency loans	-	-
	<u>Loans and advances from Related parties</u>		
	Other related parties	331.32	6,567.82
		98,343.98	77,989.63
2.07	SHORT TERM PROVISIONS		₹ in Lakhs
	Particulars	2016	2015
	Provision for employee benefits		
	Superannuation (unfunded)		
	Gratuity	229.76	551.31
	Others	77.66	558.42
		307.42	1,109.73
2.08	OTHER CURRENT LIABILITIES		₹ in Lakhs
	Particulars	2016	2015
	Current Maturities of Long term borrowings	-	7,901.61
	Current Maturities of Finance lease obligations	-	2,223.52
	Interest accrued and due on borrowings	2,683.52	9,451.69
	Income received in advance	-	19.40
	Advance Received from Customers	-	164.47
	Payroll Liabilities	174.09	1,828.54
	Unclaimed Dividend	20.70	21.95
	Unpaid Dividend	1,407.46	1,407.39
	With holding and other taxes payable	1,910.80	2,270.84
	Deferred Revenue	15.17	326.52
	Other payables	2,118.71	8,038.39
		8,330.45	33,654.32

2.09 FIXED ASSETS											₹ in lakhs	
Particulars	Original Cost				Depreciation/Amortisation				Net Book Value			
	As at 1-Apr-15	Additions	Deductions/ Adjustments	As at 31-Mar-16	Up to 1-Apr-15	For the period	Transfer to Reserves	Deductions	As at 31-Mar-16	As at 1-Apr-15		
Tangible Assets												
Own Assets												
Freehold land	324.28	-	-	324.28	-	-	-	-	324.28	324.28		
Leasehold Land	157.17	-	-	157.17	9.94	1.52	-	-	145.71	147.23		
Building	2,743.54	-	-	2,743.54	891.01	339.46	208.01	-	1,305.06	1,852.53		
Plant & Machinery	8,339.58	10.77	-	8,350.35	3,561.17	486.36	4,169.69	-	133.14	4,778.41		
Computer equipment	43,503.74	47.67	1,391.19	42,160.22	31,164.47	54.37	9,076.65	6.20	1,870.94	12,339.27		
Furniture and fittings	310.32	-	-	310.32	218.96	26.32	-18.11	-	83.15	91.36		
Interior decoration	693.05	-	-	693.05	501.59	142.79	11.52	-	37.16	191.46		
Electrical fittings	487.74	-	-	487.74	307.47	75.81	8.89	-	95.56	180.26		
Office equipments	604.80	27.79	35.62	596.97	394.71	37.98	103.07	-	61.22	210.10		
Vehicles	309.65	18.64	199.42	128.87	219.48	23.43	2.93	146.42	29.45	90.17		
Leased assets												
Computer equipments	5,560.90	-	-	5,560.90	4,712.15	281.36	536.28	-	31.10	848.74		
Total (A)	63,034.77	104.87	1,626.23	61,513.41	41,980.95	1,469.40	14,098.93	152.62	4,116.77	21,053.81		

2.09 FIXED ASSETS ₹ in lakhs

Particulars	Original Cost			Depreciation/Amortisation					Net Book Value	
	As at 1-Apr-15	Additions	Deductions/ Adjustments	As at 31-Mar-16	Up to 1-Apr-15	For the period	Transfer to Reserves	Deductions	As at 31-Mar-16	As at 1-Apr-15
Intangible Assets										
Business Acquisition	19,336.75	-	5,768.02	13,568.73	10,125.62	-	3,443.11	-	13,568.73	9,211.13
Computer software	692.64	-	-	692.64	671.25	9.94	2.50	-	683.69	21.39
License fee	138.54	-	-	138.54	138.54	-	-	-	138.54	-
Product development cost	28,941.53	159.04	-	29,100.57	17,418.18	176.41	11,088.14	-	28,682.73	11,523.35
Customer Relationship	-	-	-	-	-	-	-	-	-	-
Trademark & brand	-	-	-	-	-	-	-	-	-	-
Total (B)	49,109.46	159.04	5,768.02	43,500.48	28,353.59	186.35	14,533.75	-	43,073.69	20,755.87
Grand Total (A+B)	1,12,144.23	263.91	7,394.25	1,05,013.89	70,334.54	1,655.75	28,632.68	152.62	1,00,470.34	41,809.70
# Leasehold land is amortised over a period of 99 years (Excluding refundable deposit of Rs.7.00 lakhs)										

2.10	NON - CURRENT INVESTMENTS (FULLY PAID)		<i>₹ in Lakhs</i>	
	Particulars	2016	2015	
	Trade Investments in equity instruments			
	- of Subsidiary Company			
	Zylog Systems (Canada) Limited 4,410,250 equity shares of CAD 1 each, fully paid-up	-	1,949.22	
	Matrix Primus Partners Inc 10,03,750 equity shares of USD 1 each, fully paid-up	-	451.99	
		-	2,401.21	
	Others investments quoted (at cost)			
	Nova MSC Sdn *	1,402.38	388.76	
	Union Bank of India (2018 equity shares of ₹110 each)	2.22	2.22	
		1,404.60	390.98	
	* Refer Note 2.26 (Changes in Group Structure)			
	Total Non-Current Investments	1,404.60	2,792.19	
	Aggregate amount of Quoted Investments	1,404.60	2,792.19	
	Market Value of Quoted Investments	408.35	408.35	
2.11	DEFERRED TAX ASSETS / LIABILITY		<i>₹ in Lakhs</i>	
	Particulars	2016	Current Year Charge / (Credit)	2015
	Deferred Tax Assets			
	Provision for Gratuity	-	-	-
	Provision for Doubtful Debts	-	-	-
	Provision for Other Disallowances	-	-	-
	Deferred Tax Liabilities			
	Depreciation and Amortisation	-	-	-
	Other Deferred Tax Liabilities	-1,323.85	-2,953.60	1,629.77
		-1,323.85	-2,953.60	1,629.77
	Pursuant to Accounting Standard 22 'Accounting for Taxes on Income' as prescribed in Companies Accounting Standard Rules, 2006, the Company has recorded the cumulative net Deferred Tax Liabilities as at 31st Mar 2016 of Rs. -1323.85 and Rs. -2953.60 has been debited to the profit & Loss account.			

2.12	LONG - TERM LOANS AND ADVANCES		₹ in Lakhs
	Particulars	2016	2015
	Capital Advances (Unsecured and considered good)	-	-
	Security Deposits (Unsecured and considered good)	358.88	513.09
	Other Deposits (Unsecured and considered good)	-	131.23
	Others		
	Prepaid expenses	-	1,877.23
	Less: Provision for Bad & doubtful advances		
		358.88	2,521.55
2.13	OTHER NON - CURRENT ASSETS		₹ in Lakhs
	Particulars	2016	2015
	Non Current Bank Deposits		
	Having Maturity more than 12 Months from date of deposit		
	Fixed Deposit	209.27	1,206.93
	Margin Money Deposit Accounts	-	-
	Lien with Bank	330.52	330.52
	Interest Accrued on Deposits	-	93.05
		539.79	1,630.50
2.14	CURRENT INVESTMENTS		₹ in Lakhs
	Particulars	2016	2015
	Investment in Mutual Funds (Quoted)	0.71	0.71
		0.71	0.71
	Aggregate amount of Quoted Investments		
	Market Value of Quoted Investments		
	Aggregate amount of Non - Quoted Investments		
2.15	INVENTORIES		₹ in Lakhs
	Particulars	2016	2015
	Stocks - Smart cards	45.39	76.15
		45.39	76.15
2.16	TRADE RECEIVABLES (UNSECURED AND CONSIDERED GOOD)		₹ in Lakhs
	Particulars	2016	2015
	Unsecured, Considered Good	48,305.31	51,754.50
	Less : Allowance for bad & doubtful debts	46,894.35	46,894.35

Continued...

	Outstanding for a period exceeding six months	1,410.96	4,860.15
	Outstanding for a period not exceeding six months	5,192.18	11,703.70
		6,603.14	16,563.85
2.17	CASH AND BANK BALANCE		₹ in Lakhs
	Particulars	2016	2015
	Cash and cash equivalents		
	Cash on hand	8.65	12.69
	Balance with Banks		
	On Current Accounts	1,627.66	1,890.92
	On Deposits	529.37	524.65
	Other Bank balances		
	Unclaimed Dividend account	20.80	21.95
	Margin Money Deposit Accounts	-	-
	Having Maturity more than 3 Months but less than or equal to 12 months	173.99	262.05
	Amount disclosed under Non Current assets (Note no 2.13)		
	Lien with Bank	330.52	330.52
	Fixed Deposit Accounts		
	Having Maturity more than 12 Months from date of deposit	209.27	1,206.93
	Less: Amount Disclosed as Non Current Assets	-539.79	-1,537.45
		2,360.47	2,712.26
	* Balance of `173.99 lakhs (`262.05 lakhs) as at 31-Mar-2016 was subject to restricted use and held as security against the borrowings		
2.18	SHORT - TERM LOANS AND ADVANCES		₹ in Lakhs
	Particulars	2016	2015
	Security Deposits (Unsecured and considered good)	-	2.11
	Other Deposits (Unsecured and considered good)	80.12	36.34
	Loans and advances to related parties (Refer Note 2.18.1)	-	7,337.48
	Others		
	Prepaid Expenses	88.29	2,161.61
	Advance tax and withholding taxes (Net of Provisions)	-628.14	1,007.90
	Other advances	565.40	23,619.78
		105.67	34,165.22

2.18.1 The details of loans and advances to related parties are as follows			
	Particulars	2016	2015
	Advances to Subsidiaries		
	Zylog Systems (Canada) Limited	-	217.70
	Matrix Primus Partners, Inc	-	4,890.99
	Zylog Systems Limited	-	2,228.79
		-	7,337.48
2.19	OTHER CURRENT ASSETS		₹ in Lakhs
	Particulars	2016	2015
	Unbilled Revenue	262.79	6,964.12
	Interest Accrued on Deposits	-	437.08
	Others (Please specify nature)	5.71	-
		268.50	7,401.20
2.20	REVENUE FROM OPERATIONS		₹ in Lakhs
	Particulars	2016	2015
	Export of software services, products & solutions	19,218.00	38,167.85
	Domestic operations	3,662.02	2,933.49
		22,880.02	41,101.34
2.21	OTHER INCOME		₹ in Lakhs
	Particulars	2016	2015
	Interest Income on		
	Bank Deposits	0.97	14.01
	Others	6.40	0.32
	Dividend Income		
	Long-term investments	-	0.16
	Rental Income	-	5.23
	Forex gain	205.79	2,056.03
	Miscellaneous Income	88.23	27.57
		301.39	2,103.32
2.22	EMPLOYEE BENEFITS EXPENSE		₹ in Lakhs
	Particulars	2016	2015
	Salaries and incentives	4,031.19	14,477.63
	Contribution to Provident fund and other funds	95.51	82.17
	Reimbursement of expenses	124.09	-
	Staff welfare expenses	69.80	409.93
		4,320.59	14,969.73

2.23	OPERATION AND OTHER EXPENSES		<i>₹ in Lakhs</i>
	Particulars	2016	2015
	Consultancy Charges	615.99	300.48
	Consumables	991.52	1,212.56
	Directors' sitting fee	0.90	0.30
	Power and Fuel	1.47	0.95
	Rent	209.13	178.29
	Repairs & Maintenance		
	- Building	79.15	56.82
	- Others	306.74	201.96
	Vehicle Maintenance	5.05	3.70
	Insurance	1.79	1,208.94
	Rates & Taxes	11.95	69.75
	Printing & Stationery	64.99	52.46
	Lease rental Charges	-	2.81
	Travelling Expenses	230.04	99.07
	Communication Expenses	108.19	261.78
	Payments to Auditor as		
	Statutory Audit Fee	32.65	76.45
	Tax Audit Fee	1.00	10.73
	Legal Expenses & Professional fees	199.63	85.68
	Electricity	98.43	105.02
	Recruitment and Training Expenses	0.96	7.47
	Visa Processing related expenses	249.61	565.16
	Bad debts, loans & advances written off	-	22.45
	Provision for Diminution Value in Investments	1,949.22	-
	Trade show seminar and Conference Expense	-	37.58
	Advertisement	11.40	5.55
	Marketing Expenses	1,055.88	1,651.65
	Entertainment	-	1.13
	Bank Charges	17.44	27.82
	Net Loss on sale on Assets	-	0.07
	Impairment / Discarded Assets - Written off	-	1,944.80
	Miscellaneous Expenses	26.93	61.99
		6,270.16	8,253.42

2.24	FINANCE COST		<i>₹ in Lakhs</i>	
	Particulars	2016	2015	
	Interest	5.73	1,556.41	
	Loan Processing, preclosure & Other Charges	44.10	-	
		49.83	1,556.41	
2.25	The consolidated financial statements present the consolidated accounts of Zylog Systems Limited., and of the following subsidiaries and associate.			
	Name of the Subsidiary Company	Country of incorporation	Extent of holding as at March 31,	
			2016	2015
	Zylog Systems (Europe) Limited	UK	100%	100%
	Vishwa Vikas Services Limited	India	100%	100%
	Zylog Systems (India) Limited	India	100%	100%
	Zylog Systems Asia Pacific Pte Ltd	Singapore	100%	100%
	Zylog BV Limited	British Virgin Islands	100%	100%
	Algorithm Solutions Private Ltd	India	100%	100%
	Ducont Systems FZ LLC (Formerly, Zylog Systems FZ LLC & Ducont FZ LLC)	UAE	100%	100%
	Ducont India Systems Private Ltd (Formerly, Zylog Systems Infotech Pvt Ltd and Ducont India Private Ltd)	India	100%	100%
	Anodas Software Ltd	UK	100%	100%
	Zylog Systems Infotech Sdn Bhd	Malaysia	99.99%	99.99%
	Investment in Associate			
	Name of the Subsidiary Company	Country of incorporation	Percentage of ownership interest as at March 31,	
			2016	2015
	Nova Msc Bhd	Malaysia	NA*	NA*
	* Refer Note # 2.26			

2.26	Changes in Group Structure		
	<p>Our subsidiary in Singapore (viz.) Zylog Systems Asia Pacific Pte Ltd has ceased to exercise significant influence over its associate company (viz.), Nova MSC Bhd as a result of which it ceases to be an associate. As per AS-23 "Accounting for Associates in Consolidated Financial Statements", such investment should be accounted in accordance with AS-13 "Accounting for Investments". For this purpose, carrying amount of investment at the date its ceases to be an associate should be regarded as cost thereafter. Accordingly Nova MSC Bhd has been reclassified as Non-Current Non-trade Quoted Investment with the cost of the investment as Rs.14,02,37,519/-.</p>		
2.27	Earnings Per Share (EPS)		
	<p>In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The components of basic and diluted earnings per share are as follows.</p>		
	Particulars	2016	2015
	Net Income available to Equity Shareholders (₹ in lakhs)	-19,504.52	-63,729.34
	No of outstanding equity shares		
	- Basic	58,992,840.00	58,992,840.00
	- Diluted	58,992,840.00	58,992,840.00
	Earning Per share ` *		
	- Basic	-33.06	-108.03
	- Diluted	-33.06	-108.03
	<p>* The number of equity shares outstanding has been increased without an increase in resources by way of share split in the ratio of 2:1. Therefore, as pe AS-20, "Earnings per share", number of equity shares outstanding before the share split is adjusted for the proportionate change in the number of equity shares outstanding as if the share split had occurred at the beginning of the earliest period reported. Accordingly, the earnings per share of the previous year is adjusted.</p>		
2.28	Disclosures under " Accounting Standard (AS)-15 (Revised) – Employee Benefits		
	a. Reconciliation of opening and closing balances of Defined Benefit obligation		

		As at March 31,	
		2016	2015
	Defined Benefit obligation towards gratuity at beginning of the year	-	386.91
	Current Service Cost	-	-
	Interest Cost	-	-
	Actuarial (gain)/Loss	-	-
	Benefits Paid	-	-
	Exchange loss adjustment	-	-
	Defined Benefit obligation at the year end	-	386.91
b. Reconciliation of opening and closing balances of fair value of plan assets- Not Funded			
c. Reconciliation of fair value of assets and obligations			
		As at March 31,	
		2016	2015
	Fair value of plan assets	-	-
	Present value of obligation	-	386.91
	Amount recognised in the Balance Sheet *	-	386.91
d. Expense recognized during the year			
		As at March 31,	
		2016	2015
	Current service cost	-	-
	Interest cost	-	-
	Actuarial (gain)/Loss	-	-
	Amount recognised in the Profit & Loss Account *	-	-
e. Investment Details: Not funded			
f. Actuarial Assumptions:			
		As at March 31,	
		2016	2015
	Interest rate	NIL	NIL
	Inflation rate	NIL	NIL
	Mortality rate #	-	-
	Retirement age	58	58
	# As per LIC (1975 – 79) Table of Mortality rates		

	* This amount will not match with the Gratuity provisions and expenses shown in the Balance Sheet and P & L respectively, since the same includes those of foreign subsidiaries to which AS-15 "Employee Benefits" is not applicable.		
2.29	Details of auditors' remuneration (Net of service tax where applicable)		₹ in Lakhs
		Year ended March 31,	
		2016	2015
	Statutory audit	32.65	76.45
	Tax Audit	1.00	10.73
		33.65	87.18
2.30	Related Party Disclosure		
	As required under Accounting Standard 18 (AS-18), the following are the details of transactions during the year with the related parties.		
	a) List of related parties and relationships		
	Name of the related party	Relationship	
		Key Management Personnel	
	Mr. Ramanujam Sesharathnam	Promoter	
	Mr. Sudarshan Venkatraman	Promoter	
	Zylog Systems (Europe) Limited	Subsidiary	
	Vishwa Vikas Services Limited	Subsidiary	
	Zylog Systems (India) Limited	Subsidiary	
	Zylog Systems Asia Pacific Pte Ltd	Subsidiary	
	Zylog BV Limited	Subsidiary	
	Zylog Systems Canada Limited	Subsidiary	
	Matrix Primus Partners Inc	Subsidiary	
	Algorithm Solutions Private Ltd	Subsidiary	
	Ducont Systems FZ LLC (Formerly, Zylog Systems FZ LLC)	Fellow Subsidiary	
	Ducont India Systems Private Ltd (Formerly, Zylog Systems Infotech Pvt Ltd)	Fellow Subsidiary	
	Anodas Software Ltd	Fellow Subsidiary	
	Zylog Systems Infotech Sdn Bhd	Fellow Subsidiary	
	Sthithi Insurance Services Pvt Ltd.	Enterprise influenced by the promoters	

b) Transaction with related parties		<i>₹ in Lakhs</i>	
	Particulars	Year ended March 31,	
		2016	2015
	Remuneration		
	Mr. Sudarshan Venkatraman	-	56.91
	Mr. Ramanujam Sesharathnam	-	58.73
	Mr. Srikanth Parthasarathy	-	-
		-	115.64
	Advance Received during the year		
	Mr. Ramanujam Sesharathnam	298.19	191.90
	Sthithi Insurance Services Pvt Ltd.	-	-
		298.19	191.90
	Advance given during the year		
	Sthithi Insurance Services Pvt Ltd.	-	-
2.31	Other Current Assets include unbilled revenue of ₹262.79 lakhs (PY ₹6964.12 lakhs) recognized in relation to efforts incurred on various contracts until the balance sheet date.		
2.32	The company has acquired various businesses during the financial years ended 31st March 2003, 31st March 2006, 31st March 2008, 31st March 2009. During the current year ended 31st March 2016, the company has made payment of `NIL towards earnout. The assets acquired in these businesses comprise various resources such as human resources, client lists and other related benefits and also undertakings by the promoters of the vendors of these businesses not to engage in any business with clients taken over for a specified period of time. The total amount invested in acquiring these businesses is ₹ 13,568.73 Lakhs (₹19,336.75Lakhs). The company has adopted the policy of amortizing this amount over a period of 5 years. Accordingly, the company has amortized a sum of ₹ NIL in the year under review (previous year ₹NIL Lakhs).		
2.33	Amounts due to Small Scale Industries under Current Liabilities is based on the information available with the company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006". Amounts overdue as on 31st March 2016 to Micro, Small and Medium Enterprises on account of principal and interest is ₹ Nil (₹ Nil).		
			<i>₹ in Lakhs</i>
2.34	Contingent Liabilities and Commitments	2016	2015
(i)	Contingent Liability not provided for :		
	a) Bank Guarantee/Bond executed by the Company	-	84.50
	b) Letter of credits opened by bankers	-	-

	c) Appeals filed in respect of disputed demands		
	- Income Tax **	27,947.66	16,587.14
	- Sales Tax	19.34	19.34
	- Service Tax & VAT	1,558.75	90.40
	d) Corporate gurantee given to:		
	SBI Frankfurt on behalf of Zylog BV	2,400.00	2,400.00
	ICICI Bank Canda on behalf of Zylog Canada	14,000.00	14,000.00
	ANDHRA Bank on behalf of ZSIL	7,500.00	7,500.00
	**Demand raised by the Income Tax department against the company by disallowing certain deductions/benefits/ claims made by the company. In the opinion of the Company most of these demands are not maintainable and accordingly appeals have been preferred		
		2016	2015
(ii)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)	NIL	NIL
(iii)	OTHER COMMITMENTS	Nil	Nil
2.35	Under the provisions of Companies Act 205 A, the payment of dividend declared in the last AGM dt 25th Sep 2012 of Rs.16.44Cr. Out of which Rs.2.35 Cr. alone paid till 31st March 2016 and till date. The dividend distribution tax of Rs.2.67 Cr. of the said dividend also not been paid till 31st March 2016 and till date.		
2.36	Receivables, Payables, Long term loans & Short term loans and Balances in banks are subject to confirmation.		
2.37	Previous years' figures are shown in parenthesis and have been regrouped, recast wherever necessary to conform to the current year's classification.		
	s/d- T R Sarathy Chartered Accountant Membership No. 025982 Chennai 30-Jun-2016	-s/d- Hon'ble Justice Mr. S. Rajeswaran (Retd.) Administrator	

ATTENDANCE SLIP

(To be presented at the entrance)

21ST ANNUAL GENERAL MEETING ON THURSDAY 17TH NOVEMBER, 2016 AT 11.00 AM

NAME OF THE ATTENDING MEMBER _____
(IN BLOCK LETTERS)

Folio No.* _____

DP ID No. _____

Client ID No. _____

No. of Shares held. _____

NAME OF PROXY (IN BLOCK LETTER) _____

(To be filled in if the proxy attends instead of the member)

I / We, hereby record my presence at the 21st Annual General Meeting of the members of the Company held on Thursday, November 17, 2016 AT 11.00 a.m. at Mini Hall, Narada Gana Sabha, No.314, Old No : 254, TTK Road, Chennai - 600 018.

Signature of Shareholder / Proxy

* Applicable in case of shares held in Physical Form

ZYLOG SYSTEMS LIMITED
Registered Office: 155, Thiruvalluvar Salai, Kumaran Nagar,
Sholinganallur, Chennai – 600119.

PROXY FORM

I/We _____ of _____

being a member/ member(s) of Zylog Systems Limited, hereby appoint _____

of _____ failing him/her_

_____ of _____

_____ or failing him/her__of

_____ as my/

our proxy to attend and vote on a poll for me/us and on my/our behalf at the 21st Annual General Meeting of the Company to be held on Thursday, November 17, 2016 AT 11.00 a.m. at Mini Hall, Narada Gana Sabha, No.314, Old No : 254, TTK Road, Chennai - 600 018 and at any adjournment thereof:

Folio No. _____ DP ID No. _____

Client ID No. _____

No. of shares held _____

Signed this _____ day of _____
2016.

Note:

1. The Proxy Form should be signed by the member across the stamp.
2. A member intending to appoint a Proxy should complete the Proxy Form and deposit it at the Company's Registered office, at least 48 hours before the time for holding the aforesaid meeting.
3. Members, who hold shares in Demat form to quote their Demat Account No. and Depository Participant (D P) ID No.

India

#155, Thiruvalluvar Salai,
Kumaran Nagar,
Sholinganallur,
Chennai – 600119, INDIA

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Singapore 348 615

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Kuala Lumpur, Malaysia

Middle East

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United Arab Emirates

Europe

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The Beehive
City Place
Gatwick

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85 Lincoln Highway
Edison, NJ 08820
USA

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No. 155, Thiruvalluvar Salai, Kumaran
Nagar, Sholinganallur, Chennai -
600119