

11<sup>th</sup> June, 2018

|                                                                                                                     |                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| To<br>The Secretary<br>Bombay Stock Exchange Limited<br>Phiroze Jee Jee Bhoy Towers<br>Dalal Street, Mumbai 400 001 | To<br>The Manager,<br>National Stock Exchange of India Limited,<br>Exchange Plaza, Bandra Kurla Complex,<br>Bandra ( East),Mumbai – 400 051 |
|---------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|

Sir,

**SUB: OUTCOME OF BOARD MEETING**

This is to inform that at the Meeting of the Board of Directors of the Company held on Monday, at 3:30 PM, June 11, 2018 at the registered office of the company, the Board of Directors.

1. Approved the Audited Standalone and Consolidated Financials Statements for the quarter ended and year ended 31st March, 2018.
2. Decided to convene the Annual General Meeting of the Shareholders of the Company for FY 2016-17 and FY 2017-18 together. An appropriate application will be filed with the Hon'ble High Court of Madras seeking such permission. Upon approval being granted by the Hon'ble High Court of Madras, the Annual General Meeting will be held within the specified time frame.

The meeting concluded on 22:00 HRS

Yours faithfully,

For Zylog Systems Limited

  
Authorised Representative  
(Dilip R Misser)



Rs. in Lakhs except per share data

**Statement of Standalone Audited Financials Results for the Year Ended 31st March 2018**

| Sl No. | Particulars                                                                             | Quarter Ended             |                             |                           | Year Ended                |                           |
|--------|-----------------------------------------------------------------------------------------|---------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
|        |                                                                                         | Mar 31, 2018<br>(Audited) | Dec 31, 2017<br>(Unaudited) | Mar 31, 2017<br>(Audited) | Mar 31, 2018<br>(Audited) | Mar 31, 2017<br>(Audited) |
| 1      | <b>Revenue from operations</b>                                                          |                           |                             |                           |                           |                           |
|        | Revenue from operations                                                                 | 3,041.99                  | 2,077.03                    | 3,055.20                  | 10,165.58                 | 13,463.19                 |
|        | Other income                                                                            | 15.84                     | (39.83)                     | 92.85                     | 94.35                     | 163.35                    |
|        | <b>Total Revenue</b>                                                                    | <b>3,057.83</b>           | <b>2,037.20</b>             | <b>3,148.05</b>           | <b>10,259.93</b>          | <b>13,626.54</b>          |
| 2      | <b>Expenses</b>                                                                         |                           |                             |                           |                           |                           |
|        | Cost of materials consumed                                                              | 0.00                      | 0.00                        | 0.00                      | 0.00                      | 0.00                      |
|        | Purchases of Stock-in-trade                                                             | 0.00                      | 0.00                        | 0.00                      | 0.00                      | 0.00                      |
|        | Changes in Inventories of finished goods and WIP                                        | 0.00                      | 0.00                        | 0.00                      | 0.00                      | 0.00                      |
|        | Employee Benefit Expenses                                                               | 259.70                    | 207.87                      | 178.40                    | 1,017.92                  | 1,260.34                  |
|        | Project related expenses                                                                | 1,784.14                  | 1,836.70                    | 2,237.84                  | 6,965.57                  | 8,408.36                  |
|        | Finance costs                                                                           | 24.86                     | 30.02                       | 36.76                     | 113.36                    | 47.28                     |
|        | Depreciation and amortisation expense                                                   | 76.38                     | 76.54                       | 112.13                    | 304.86                    | 490.85                    |
|        | Other expenses                                                                          | 524.97                    | 336.70                      | 1,040.46                  | 1,614.04                  | 3,407.90                  |
|        | <b>Total Expenses</b>                                                                   | <b>2,670.05</b>           | <b>2,487.83</b>             | <b>3,605.58</b>           | <b>10,015.75</b>          | <b>13,614.72</b>          |
| 3      | <b>Profit/(Loss) before exceptional items and tax (1-2)</b>                             | <b>387.78</b>             | <b>(450.63)</b>             | <b>(457.54)</b>           | <b>244.18</b>             | <b>11.81</b>              |
| 4      | Exceptional Items/ Prior period Items                                                   | 942.45                    | 3.06                        | (0.00)                    | 2,085.97                  | 3.35                      |
| 5      | <b>Profit/(Loss) before tax (3-4)</b>                                                   | <b>(554.67)</b>           | <b>(453.69)</b>             | <b>(457.54)</b>           | <b>(1,841.79)</b>         | <b>8.46</b>               |
| 6      | <b>Tax expense</b>                                                                      |                           |                             |                           |                           |                           |
|        | Current tax                                                                             | (13.46)                   | 9.27                        | (1.15)                    | 0.00                      | 17.47                     |
|        | Deferred tax                                                                            | 22.24                     | 21.69                       | 58.49                     | 87.81                     | 219.48                    |
|        | <b>Total Tax Expense</b>                                                                | <b>8.78</b>               | <b>30.96</b>                | <b>57.34</b>              | <b>87.81</b>              | <b>236.95</b>             |
| 7      | <b>Profit/(Loss) for the period (5-6)</b>                                               | <b>(563.45)</b>           | <b>(484.65)</b>             | <b>(514.88)</b>           | <b>(1,929.60)</b>         | <b>(228.49)</b>           |
| 8      | Other Comprehensive Income (net of tax)                                                 | 0.00                      | 0.00                        | 0.00                      | 0.00                      | 0.00                      |
| 9      | <b>Total Comprehensive Income for the period (7+8)</b>                                  | <b>(563.45)</b>           | <b>(484.65)</b>             | <b>(514.88)</b>           | <b>(1,929.60)</b>         | <b>(228.49)</b>           |
| 10     | Paid-up equity share capital (of Rs.5/- each)                                           | 2,949.64                  | 2,949.64                    | 2,949.64                  | 2,949.64                  | 2,949.64                  |
| 11     | Reserve excluding Revaluation Reserves as per balance sheet of previous accounting year | (91,754.93)               | (89,986.53)                 | (88,620.39)               | (91,754.93)               | (88,620.39)               |
| 12     | <b>Earnings per share (of Rs.5/- each)(not annualised)</b>                              |                           |                             |                           |                           |                           |
|        | (a) Basic                                                                               | (0.96)                    | (0.82)                      | (0.87)                    | (3.27)                    | (0.39)                    |
|        | (b) Diluted                                                                             | (0.96)                    | (0.82)                      | (0.87)                    | (3.27)                    | (0.39)                    |

**Notes :**

- The Company has adopted the Indian Accounting Standards (Ind AS) from Apr 1, 2017 and these financial statements have been prepared in accordance with the recognition and measurement principles laid down in the said standards, consequently, the figures for the year ended 31-Mar-18 as prepared under IGAAP have been restated to make them comparable.
- The above results have been reviewed by the Audit Committee and approved by the Board of Directors at its Meeting held on 11-June-18.
- The company has not made provisions for interest for all the borrowings since the company could not obtain the confirmation of balance from the lenders.
- The unpaid salary, leave salary and gratuity pertaining to the earlier years amounting to Rs. 1265.88 lakhs were written back by the erstwhile management in Sept 2015, which has been brought back to the respective liability accounts during this quarter by adjusting the same to reserve fund account in the Balance Sheet.
- The finance charges shown in the P&L arise out of factoring of client invoices which is used for US operations.
- Exceptional Items / Prior period items included:-
  - Provision for Diminution in Value of Investments
    - Zylog Systems (Asia Pac) Pte Ltd is Rs.31.30 lakhs for Q4 2018 and Rs.625.99 lakhs for FY 2018.
    - Zylog Systems (Europe) Limited is Rs.1065.65 lakhs for Q4 2018 and Rs.1065.65 lakhs for FY 2018.
  - Prior Period items Rs. (154.50) lakhs for Q4 2018 and Rs.394.33 lakhs for FY 2018.



- (a) The Singapore Subsidiary Zylog Systems Asia Pte Ltd has been taken to court by one of the creditor, whose loan transaction have not been brought in to the books of the subsidiary by the Zylog Systems (Asia) Pte Ltd Management. The company has been ordered winding up by the Singapore court which the subsidiary company management also has not defended, which has resulted in appointment of provisional liquidator. Now, the company is pursuing the legal actions in this aspect. The consolidated financials for the year ended 31-Mar-18 includes only 3 months financials of the Singapore subsidiary ended 30-Jun-17, as the remaining 9 months financials of the subsidiary company was not made available to the company for consolidation of accounts. In light of this development the investment in this subsidiary to the value of Rs.625.99 lakhs have been fully provided for in the books of accounts of the company as a matter of accounting prudence.
- (b) The sole bank of the Europe subsidiary M/s. Zylog Systems (UK) Limited and its subsidiary M/s. Anodas Software Limited is HSBC. the bank has forcibly closed the bank accounts of these two companies since HSBC had concerns over the liquidation status of the parent company M/s. Zylog Systems Limited and the ongoing investigations by various Regulatory bodies in India. These two companies could not open accounts with any other banks in UK. Hence the companies could not get any new business and could neither renew the existing business nor collect the trade receivables due to these the companies are non-operational and are virtually closed as on date. Hence, the company has provided 100% of the investment of Rs.1065.65 lakhs made in Zylog Systems (UK) Limited as diminition value as a matter of accounting prudence.
- (c) Prior Period item: Excess unbilled revenue pertaining to the previous year was reversed in the US branch during the Current financial year to the extent of Rs. 477.33 lakhs. Intercompany transactions and others to the extent of Rs. 83.12 lakhs have been written back during the current quarter.
- 7 The company has unpaid Statutory dues pertaining to the period the company was under the erstwhile management till Nov 2015. The Statutory payments for the current period (Dec 2015 till Mar 2018) have been paid fully.
- 8 The company has provided contingent liabilities for the tax demands raised by the government departments amounting to Rs. 52,070.21 lakhs as of 31st Mar 2018.
- 9 The company has received notices/complaints from revenue department, labour department, PF department for the complaints made by the ex-employees of the company for non-payment of their dues, which are pertaining to the period (till Nov 2015) of the erstwhile management.
- 10 The parent company has also provided contingent liabilities for Rs.239.00 crs for the corporate guarantees given to the banks on behlaf of its subsidiary companies for the loans availed by them from the banks.
- 11 The group company is engaged primarily in the business of export of Software and IT related services and hence there is no separate reportable segment as per Ind AS 17 (Operating Segments).
- 12 Previous period figures are regrouped / reclassified, to confirm to the current period classification.

For Zylog Systems Limited



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

Place : Chennai  
Date : 11-Jun-18



**ZYLOG SYSTEMS LIMITED - STANDALONE  
 BALANCE SHEET AS AT 31-Mar-18**

|                                           |          | (Rs. In Lakhs)  |                  |
|-------------------------------------------|----------|-----------------|------------------|
| Particulars                               | Note No. | 31-Mar-18       | 31-Mar-17        |
| <b>A. ASSETS</b>                          |          |                 |                  |
| <b>(1) Non Current Assets</b>             |          |                 |                  |
| (a) Property, Plant and Equipment         | 2.09     | 3,190.85        | 3,483.68         |
| (b) Intangible Assets under development   | 2.09     | 315.99          | 176.79           |
| (c) Financial Assets                      |          |                 |                  |
| (i) Investments                           | 2.10     | 232.71          | 1,924.36         |
| (iv) Others(to be specified)              | 2.11     | 111.48          | 89.24            |
| (d) Other non-current assets              | 2.12     | 519.14          | 540.19           |
| <b>(2) Current Assets</b>                 |          |                 |                  |
| (a) Financial Assets                      |          |                 |                  |
| (i) Investments                           | 2.13     | 0.71            | 0.71             |
| (ii) Trade receivables                    | 2.15     | 2,701.53        | 3,245.85         |
| (iii) Cash and cash equivalents           | 2.16     | 0.28            | 5.41             |
| (iv) Bank balances other than (iii) above | 2.16     | 236.75          | 250.13           |
| (vi) Advances                             | 2.17     | 1,528.29        | 1,719.14         |
| (b) Other Current Assets                  | 2.18     | 573.62          | 39.21            |
| <b>Total Assets</b>                       |          | <b>9,411.36</b> | <b>11,474.71</b> |
| <b>B. EQUITY AND LIABILITIES</b>          |          |                 |                  |
| <b>(1) Equity</b>                         |          |                 |                  |
| (a) Equity Share Capital                  | 2.01     | 2,949.64        | 2,949.64         |
| (b) Other Equity                          | 2.02     | -91,754.93      | -88,620.38       |
|                                           |          | -88,805.29      | -85,670.73       |
| <b>(2) Non-current liabilities</b>        |          |                 |                  |
| (a) Financial Liabilities                 |          |                 |                  |
| (i) Trade Payables                        |          | 610.87          | 638.43           |
| (b) Provisions                            | 2.05     | 241.66          | -                |
| (b) Deferred tax liabilities (Net)        | 2.04     | 271.61          | 183.80           |
| <b>(3) Current liabilities</b>            |          |                 |                  |
| (a) Financial Liabilities                 |          |                 |                  |
| (i) Borrowings                            | 2.06     | 90,925.88       | 90,732.52        |
| (b) Other current liabilities             | 2.08     | 4,958.66        | 4,741.25         |
| (c) Provisions                            | 2.07     | 1,207.97        | 849.45           |
| (d) Current tax liabilities(Net)          | 2.07     | -               | -                |
| <b>Total Equities and Liabilities</b>     |          | <b>9,411.36</b> | <b>11,474.71</b> |

See accompanying notes to financial statements

  
 T R Sarathy  
 Chartered Accountant  
 Membership No. 025982

**Chennai**  
**11-Jun-2018**



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

**ZYLOG SYSTEMS LIMITED - STANDALONE  
 STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED**

(Rs. In Lakhs)

| Particulars                                                                                                    | Note No. | 31-Mar-18        | 31-Mar-17        |
|----------------------------------------------------------------------------------------------------------------|----------|------------------|------------------|
| I Revenue From Operations                                                                                      | 2.19     | 10,165.58        | 13,463.19        |
| II Other Income                                                                                                | 2.20     | 94.35            | 163.36           |
| <b>III Total Revenue (I+II)</b>                                                                                |          | <b>10,259.93</b> | <b>13,626.55</b> |
| IV Expenses                                                                                                    |          |                  |                  |
| Project related expenses                                                                                       |          | 6,965.57         | 8,408.36         |
| Purchases of Stock-in-trade                                                                                    |          |                  |                  |
| Changes in Inventories of finished goods, Stock-in-trade and work-in-progress                                  |          |                  |                  |
| Employee benefit expenses                                                                                      | 2.21     | 1,017.92         | 1,260.34         |
| Financial Costs                                                                                                | 2.23     | 113.36           | 47.28            |
| Depreciation and amortisation expense                                                                          |          | 304.86           | 490.85           |
| Other expense                                                                                                  | 2.22     | 1,614.04         | 3,407.90         |
| <b>IV Total Expenses(IV)</b>                                                                                   |          | <b>10,015.75</b> | <b>13,614.73</b> |
| V Profit/(Loss) before exceptional items and tax(I-IV)                                                         |          | 244.18           | 11.82            |
| VI Exceptional & Prior Period Items                                                                            |          | 2,085.97         | 3.35             |
| VII Profit/(Loss) before tax(V-VI)                                                                             |          | -1,841.79        | 8.47             |
| VIII Tax expenses:                                                                                             |          |                  |                  |
| (1) Current tax                                                                                                |          | -                | 17.47            |
| (2) Deferred tax                                                                                               |          | 87.81            | 219.48           |
|                                                                                                                |          | <b>87.81</b>     | <b>236.95</b>    |
| IX Profit/(Loss) for the from continuing operations(VII-VIII)                                                  |          | -1,929.60        | -228.48          |
| X Profit/(Loss) for the from discontinued operations                                                           |          | -                | -                |
| XI Tax expense on discontinued operations                                                                      |          | -                | -                |
| XII Profit/(Loss) for the from discontinued operations(after tax(X-XI))                                        |          | -                | -                |
| XIII Profit/(Loss) for the period(IX+XII)                                                                      |          | -1,929.60        | -228.48          |
| XV Total Comprehensive Income for the period(XIII+XIV)(Comprising profit/(loss) and other comprehensive Income |          | -1,929.60        | -228.48          |
| XVI Earnings per share (for continuing operations)                                                             |          |                  |                  |
| (1) Basic                                                                                                      |          | -3.27            | -0.39            |
| (2) Diluted                                                                                                    |          | -                | -                |
| XVII Earnings per share (for discontinued operations)                                                          |          |                  |                  |
| (1) Basic                                                                                                      |          | -                | -                |
| (2) Diluted                                                                                                    |          | -                | -                |
| XVIII Earnings per share (for discontinued and continuing operations)                                          |          |                  |                  |
| (1) Basic                                                                                                      |          | -3.27            | -0.39            |
| (2) Diluted                                                                                                    |          | -                | -                |

See accompanying notes to financial statements

  
 T R Sarathy  
 Chartered Accountant  
 Membership No. 025982

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

**Chennai**  
**11-Jun-2018**

**ZYLOG SYSTEMS LIMITED (STANDALONE)**

**Reconciliation of Profit as per IGAAP and Ind AS (for the year ended 31-Mar-2017)**

| (Rs. In Lakhs)                                                                |                  |                                  |                  |
|-------------------------------------------------------------------------------|------------------|----------------------------------|------------------|
| Particulars                                                                   | IGAAP            | Effect of transitional to Ind-AS | Ind AS           |
| Revenue from operations                                                       | 13,463.19        | -                                | 13,463.19        |
| Other income                                                                  | 163.35           | -                                | 163.35           |
| Total Revenue                                                                 | <b>13,626.54</b> | -                                | <b>13,626.54</b> |
| Expenses :                                                                    |                  |                                  |                  |
| Cost of materials consumed                                                    | -                | -                                | -                |
| Purchases of Stock-in-trade                                                   | -                | -                                | -                |
| Changes in Inventories of finished goods, Stock-in-trade and work-in-progress | -                | -                                | -                |
| Employee Benefit Expenses                                                     | 1,260.34         | -                                | 1,260.34         |
| Project related expenses                                                      | 8,408.36         | -                                | 8,408.36         |
| Operation and other Expenses                                                  | 47.28            | -                                | 47.28            |
| Finance Cost                                                                  | 490.85           | -                                | 490.85           |
| Depreciation / Amortisation                                                   | 3,407.90         | -                                | 3,407.90         |
| Total Expenses                                                                | <b>13,614.72</b> | -                                | <b>13,614.72</b> |
| Profit Before Prior Period and Exceptional Items                              | <b>11.81</b>     | -                                | <b>11.81</b>     |
| Exceptional Item/ Prior period Items                                          | 3.35             | -                                | 3.35             |
| Profit Before Prior Period and Extraordinary Items                            | <b>8.46</b>      | -                                | <b>8.46</b>      |
| Extraordinary Items                                                           | -                | -                                | -                |
| Profit/(Loss) before tax                                                      | <b>8.46</b>      | -                                | <b>8.46</b>      |
| Tax expenses:                                                                 |                  |                                  |                  |
| Current tax                                                                   | 17.47            | -                                | 17.47            |
| Deferred tax                                                                  | 219.48           | -                                | 219.48           |
| Total Tax Expense                                                             | <b>236.95</b>    | -                                | <b>236.95</b>    |
| Net profit after tax, before share of profit of associates                    | <b>(228.49)</b>  | -                                | <b>(228.49)</b>  |
| Share of profit of associates                                                 | -                | -                                | -                |
| Profit/(Loss) for the from discontinued operations                            | <b>(228.49)</b>  | -                                | <b>(228.49)</b>  |

Place: Chennai

Date: 11-Jun-2018

For Zylog Systems Limited



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





CHARTERED ACCOUNTANT

**T.R. Sarathy**

Chartered Accountant  
6, Sapthagiri Colony,  
Ashok Nagar,  
Chennai 600 083.  
Ph: 9381735153  
Email: sarathy20260@gmail.com

## INDEPENDENT AUDITORS' REPORT

**To the members of Zylog Systems Limited**

### 1. Report on the Standalone Financial Statements

We have audited the accompanying Standalone Financial Statements of **Zylog Systems Limited** ("the Company"), which comprises the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss and the Cash Flows statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

During the audit, we observed the following –

- a) The unpaid salary, leave salary and gratuity pertaining to the earlier years amounting to Rs. 12.65 cr which were written back in the earlier period have been brought back to the respective liability accounts during this quarter by adjusting the same on the reserve fund account in the balance sheet.
- b) The company has provided for 100% diminution in value of investments for the overseas subsidiaries M/s. Zylog Systems Asia Pte Ltd amounting to Rs. 6.26 cr and Zylog Systems (Europe) Limited amounting to Rs. 10.66 cr.
- c) Only the first quarter financials of both M/s. Zylog Systems Asia Pte Ltd and Zylog Systems (Europe) Limited were only consolidated and the remaining 3 quarter financials were not made available and have not been included in the consolidation.
- d) The excess unbilled revenue pertaining to the US branch amount to Rs. 4.77 cr has been reversed during the current financial year.
- e) Inter-company transactions and others to the extent of Rs. 19.95 lakhs have been written off during the current quarter.

### 2. Management's Responsibility for the Standalone 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 that 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 prescribed under Section 133 of the Act as applicable. This responsibility also 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, 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.





CHARTERED ACCOUNTANT

**T.R. Sarathy**

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### 3. Auditors' Responsibility

- a) Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions 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 and the Order under Section 143(11) of the Act.
- b) 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 auditor's 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 of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. 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.
- c) 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.

### 4. Report on other Legal Requirement

- a) As required by Companies (Auditors' Report) Order, 2016 ("the order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraph 3 and 4 of the order.
- b) As required by Section 143(3) of the Companies Act, 2013, we report that
  - i. 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
  - ii. 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.
  - iii. 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
  - iv. In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 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.**
  - v. On the basis of written representations received from the directors as at 31st March 2018 and taken on record by the Board of Directors, none of the Directors are disqualified as at 31st March 2018 from being appointed as a director in terms of Section 164 (2) of the Act.





CHARTERED ACCOUNTANT

**T.R. Sarathy**

Chartered Accountant

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- vi. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- vii. 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 as amended in our opinion and to the best of our knowledge and belief and according to the information and explanation given to us

- ***The company has certain pending litigations and the impact of the same as at 31st March 2018 is disclosed in its standalone financial statement.***
- The company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses under the applicable law or accounting standard.
- The following amounts are required to be transferred to investor education and protection fund as of 31-Mar-18.

| Year    | Amount   |
|---------|----------|
| 2005-06 | 91,500   |
| 2006-07 | 1,27,500 |
| 2007-08 | 2,25,357 |
| 2008-09 | 2,55,699 |
| 2009-10 | 3,73,638 |
| 2010-11 | 9,96,617 |

## 5. Other matters

- i. We did not audit the financial statements of the branch in USA which constitute total revenue of Rs.95.90 crs, net profit of Rs.1.55 crs for the year ended. However, the company has provided a Limited Review Report on US Financial Statement from its USA, CPA Firm. 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.
- ii. It is learnt that the company is in dialogue with all the lenders to work out a settlement plan as may become feasible for servicing by the company.
- 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.





CHARTERED ACCOUNTANT

**T.R. Sarathy**

Chartered Accountant

6, Sapthagiri Colony,

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- iv. Statutory dues of TDS, PF, ESI, Professional Tax, VAT, Service Tax amounts to Rs. 21.21 crs pertaining to the earlier years remain unpaid.
- v. The company has a contingent liability of Rs. 520.70 crs relating to Income Tax, VAT, Service Tax and Sales Tax.

#### 6. 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 2018.
- 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.

Place: Chennai

Date: 11<sup>th</sup> June 2018



T. R. Sarathy

Chartered Accountant

Membership No. 025982

in Lakhs except per share data

| Statement of Consolidated Financial Results for the Quarter and Year Ended Mar 31, 2018 |                                                                                         |                   |                 |                 |                   |                  |
|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-------------------|-----------------|-----------------|-------------------|------------------|
| Sl No.                                                                                  | Particulars                                                                             | Quarter Ended     |                 |                 | Year Ended        |                  |
|                                                                                         |                                                                                         | Mar 31, 2018      | Dec 31, 2017    | Mar 31, 2017    | Mar 31, 2018      | Mar 31, 2017     |
|                                                                                         |                                                                                         | (Audited)         | (Unaudited)     | (Audited)       | (Audited)         | (Audited)        |
| 1                                                                                       | <b>Revenue from operations</b>                                                          |                   |                 |                 |                   |                  |
|                                                                                         | Revenue from operations                                                                 | 4,511.89          | 3,825.81        | 5,638.17        | 17,611.40         | 22,146.60        |
|                                                                                         | Other income                                                                            | 11.05             | (42.27)         | 64.75           | 94.99             | 93.75            |
|                                                                                         | <b>Total Revenue</b>                                                                    | <b>4,522.94</b>   | <b>3,783.54</b> | <b>5,702.92</b> | <b>17,706.39</b>  | <b>22,240.35</b> |
| 2                                                                                       | <b>Expenses</b>                                                                         |                   |                 |                 |                   |                  |
|                                                                                         | Cost of materials consumed                                                              | 0.00              | 0.00            | 0.00            | 0.00              | 0.00             |
|                                                                                         | Purchases of Stock-in-trade                                                             | 0.00              | 0.00            | 0.00            | 0.00              | 0.00             |
|                                                                                         | Changes in Inventories of finished goods & WIP                                          | 0.00              | 0.00            | 0.00            | 0.00              | 0.00             |
|                                                                                         | Employee Benefit Expenses                                                               | 1,118.10          | 773.25          | 726.72          | 3,642.88          | 3,723.15         |
|                                                                                         | Project related expenses                                                                | 2,329.32          | 3,002.77        | 3,512.71        | 11,138.48         | 13,048.73        |
|                                                                                         | Finance costs                                                                           | 26.76             | 32.75           | 36.76           | 118.02            | 47.28            |
|                                                                                         | Depreciation and amortisation expense                                                   | 493.97            | 123.24          | 156.94          | 870.29            | 706.37           |
|                                                                                         | Other expenses                                                                          | 602.64            | 527.61          | 1,140.79        | 2,365.98          | 4,285.33         |
|                                                                                         | <b>Total Expenses</b>                                                                   | <b>4,570.79</b>   | <b>4,459.62</b> | <b>5,573.92</b> | <b>18,135.65</b>  | <b>21,810.86</b> |
| 3                                                                                       | <b>Profit/(Loss) before exceptional items and tax (1-2)</b>                             | <b>(47.85)</b>    | <b>(676.08)</b> | <b>129.00</b>   | <b>(429.26)</b>   | <b>429.45</b>    |
| 4                                                                                       | Exceptional Items/ Prior period Items                                                   | 1,040.21          | 6.80            | 0.74            | 2,188.92          | (21.01)          |
| 5                                                                                       | <b>Profit/(Loss) before tax (3-4)</b>                                                   | <b>(1,088.06)</b> | <b>(682.88)</b> | <b>128.26</b>   | <b>(2,618.18)</b> | <b>450.46</b>    |
| 6                                                                                       | <b>Tax expense</b>                                                                      |                   |                 |                 |                   |                  |
|                                                                                         | Current tax                                                                             | (3.02)            | 27.45           | 20.07           | 102.69            | 73.26            |
|                                                                                         | Deferred tax                                                                            | 17.84             | 21.23           | 45.49           | 91.63             | 211.52           |
|                                                                                         | <b>Total Tax Expense</b>                                                                | <b>14.82</b>      | <b>48.68</b>    | <b>65.56</b>    | <b>194.32</b>     | <b>284.78</b>    |
| 7                                                                                       | <b>Profit/(Loss) for the period (5-6)</b>                                               | <b>(1,102.88)</b> | <b>(731.56)</b> | <b>62.70</b>    | <b>(2,812.50)</b> | <b>165.68</b>    |
| 8                                                                                       | Other Comprehensive Income (net of tax)                                                 | 0.00              | 0.00            | 0.00            | 0.00              | 0.00             |
| 9                                                                                       | <b>Total Comprehensive Income for the period (7+8)</b>                                  | <b>(1,102.88)</b> | <b>(731.56)</b> | <b>62.70</b>    | <b>(2,812.50)</b> | <b>165.68</b>    |
| 10                                                                                      | Paid-up equity share capital (of Rs.5/- each)                                           | 2,949.64          | 2,949.64        | 2,949.64        | 2,949.64          | 2,949.64         |
| 11                                                                                      | Reserve excluding Revaluation Reserves as per balance sheet of previous accounting year | (102,523.06)      | (99,634.78)     | (98,478.92)     | (102,523.06)      | (98,478.92)      |
| 12                                                                                      | <b>Earnings per share (of Rs.5/- each)(not annualised)</b>                              |                   |                 |                 |                   |                  |
|                                                                                         | (a) Basic                                                                               | (1.87)            | (1.24)          | 0.11            | (4.77)            | 0.28             |
|                                                                                         | (b) Diluted                                                                             | (1.87)            | (1.24)          | 0.11            | (4.77)            | 0.28             |

**Notes :**

- The Company has adopted the Indian Accounting Standards (Ind AS) from Apr 1, 2017 and these financial statements have been prepared in accordance with the recognition and measurement principles laid down in the said standards, consequently, the figures for the quarter and year ended 31-Mar-18 as prepared under IGAAP have been restated to make them comparable.
- The above results have been reviewed by the Audit Committee and approved by the Board of Directors at its Meeting held on 11-June-18
- The parent and subsidiary companies has not made provisions for interest for all the borrowings since the company could not obtain the confirmation of balance from the lenders.
- The unpaid salary, leave salary and gratuity pertaining to the earlier years amounting to Rs. 1265.88 lakhs were written back by the erstwhile management in Sept 2015, which has been brought back to the respective liability accounts during this quarter by adjusting the same to reserve fund account in the Balance Sheet.
- The finance charges shown in the P&L arise out of factoring of client invoices which is used for US operations.
- Exceptional Items / Prior period items included:-
  - Provision for Diminution in Value of Investments
    - Zylog Systems (Asia Pac) Pte Ltd is Rs.31.30 lakhs for Q4 2018 and Rs.625.99 lakhs for FY 2018.
    - Zylog Systems (Europe) Limited is Rs.1065.65 lakhs for Q4 2018 and Rs.1065.65 lakhs for FY 2018.
  - Prior Period items Rs. (56.74) lakhs for Q4 2018 and Rs.497.28 lakhs for FY 2018.



- (a) The Singapore Subsidiary Zylog Systems Asia Pte Ltd has been taken to court by one of the creditor, whose loan transaction have not been brought in to the books of the subsidiary by the Zylog Systems (Asia) Pte Ltd Management. The company has been ordered winding up by the Singapore court which the subsidiary company management also has not defended, which has resulted in appointment of provisional liquidator. Now, the company is pursuing the legal actions in this aspect. The consolidated financials for the year ended 31-Mar-18 includes only 3 months financials of the Singapore subsidiary ended 30-Jun-17, as the remaining 9 months financials of the subsidiary company was not made available to the company for consolidation of accounts. In light of this development the investment in this subsidiary to the value of Rs.625.99 lakhs have been fully provided for in the books of accounts of the parent company as a matter of accounting prudence.
- (b) The sole bank of the Europe subsidiary M/s. Zylog Systems (UK) Limited and its subsidiary M/s. Anodas Software Limited is HSBC. the bank has forcibly closed the bank accounts of these two companies since HSBC had concerns over the liquidation status of the parent company M/s. Zylog Systems Limited and the ongoing investigations by various Regulatory bodies in India. These two companies could not open accounts with any other banks in UK. Hence the companies could not get any new business and could neither renew the existing business nor collect the trade receivables due to these the companies are non-operational and are virtually closed as on date. Hence, the parent company has provided 100% of the investment of Rs.1065.65 lakhs made in Zylog Systems (UK) Limited as dimunition value as a matter of accounting prudence
- (c) Prior Period item: Excess unbilled revenue pertaining to the previous year was reversed in the US branch during the Current financial year to the extent of Rs. 477.33 lakhs. Intercompany transactions and others to the extent of Rs. 19.95 lakhs have been written off during the current quarter.
- 7 Depreciation and Amortisation expenses for Q4 2018 and FY 2018 has been increased to the extent of Rs. 366.88 lacs. This pertains to the Product Development expenses of Ducont Systems FZ LLC which has been charged off to the Profit and Loss account as per Prudent Accounting Practise.
- 8 The parent and indian subsidiary companies has unpaid Statutory dues pertaining to the period the company was under the erstwhile management till Nov 2015. The Statutory payments for the current period (Dec 2015 till Mar 2018) have been paid fully.
- 9 The parent and indian subsidiary companies has provided contingent liabilities for the tax demands raised by the government departments amounting to Rs. 54,592.57 lakhs as of 31st Mar 2018.
- 10 The parent and subsidiary companies has received notices/complaints from revenue department, labour department, PF department for the complaints made by the ex-employees of the company for non-payment of their dues, which are pertaining to the period (till Nov 2015) of the erstwhile management.
- 11 The parent company has also provided contingent liabilities for Rs.239.00 crs for the corporate guarantees given to the banks on behlaf of its subsidiary companies for the loans availed by them from the banks.
- 12 The group is engaged primarily in the business of export of Software and IT related services and hence there is no separate reportable segment as per Ind AS 17 (Segmental Reporting).
- 13 Previous period figures are regrouped / reclassified, to confirm to the current period classification.

For Zylog Systems Limited



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

Place Chennai  
Date 11-Jun-18



ZYLOG SYSTEMS LIMITED

Consolidated audited balance sheet as at

in Lakhs

| Particulars                                | Note | Mar 31, 2018     | Mar 31, 2017     |
|--------------------------------------------|------|------------------|------------------|
| <b>ASSETS</b>                              |      |                  |                  |
| <b>Non-current Assets</b>                  |      |                  |                  |
| Property, Plant and Equipment              | 2.09 | 3,306.46         | 3,620.42         |
| Capital WIP                                |      | 148.74           | 132.72           |
| Investment Property                        |      | 0.00             | 0.00             |
| Goodwill                                   |      | 0.00             | 0.00             |
| Other Intangible Assets                    | 2.09 | 5.25             | 388.10           |
| Intangible Assets under development        |      | 315.99           | 176.79           |
| Biological Assets other than bearer Plants |      | 0.00             | 0.00             |
| Financial Assets                           |      |                  |                  |
| Investments                                | 2.10 | 1,341.49         | 1,326.90         |
| Trade Receivables                          |      | 0.00             | 0.00             |
| Loans                                      | 2.12 | 118.51           | 195.57           |
| Others(to be specified)                    |      | 0.00             | 0.00             |
| Deferred tax assets(net)                   | 2.11 | 1,020.59         | 1,111.95         |
| Other non-current assets                   | 2.13 | 621.29           | 540.19           |
|                                            |      | <u>6,878.32</u>  | <u>7,492.64</u>  |
| <b>Current Assets</b>                      |      |                  |                  |
| Inventories                                | 2.15 | 0.00             | 0.00             |
| Financial Assets                           |      |                  |                  |
| Investments                                | 2.14 | 0.71             | 0.71             |
| Trade receivables                          | 2.16 | 6,589.93         | 7,475.95         |
| Cash and cash equivalents                  | 2.17 | 10.25            | 11.65            |
| Bank balances other than (iii) above       | 2.17 | 667.33           | 1,751.83         |
| Loans                                      | 2.18 | 1,938.98         | 1,993.16         |
| Others (to be specified)                   |      | 0.00             | 0.00             |
| Current Tax Assets (Net)                   |      | 0.00             | 0.00             |
| Other Current Assets                       | 2.19 | 777.82           | 274.44           |
|                                            |      | <u>9,985.02</u>  | <u>11,507.74</u> |
| <b>TOTAL</b>                               |      | <b>16,863.34</b> | <b>19,000.38</b> |

Contd..



in Lakhs

| Particulars                                                                          | Note | Mar 31, 2018     | Mar 31, 2017     |
|--------------------------------------------------------------------------------------|------|------------------|------------------|
| <b>EQUITY AND LIABILITIES</b>                                                        |      |                  |                  |
| <b>Equity</b>                                                                        |      |                  |                  |
| Equity Share capital                                                                 | 2.01 | 2,949.64         | 2,949.64         |
| Other equity                                                                         | 2.02 | -102,523.06      | -98,478.92       |
|                                                                                      |      | -99,573.42       | -95,529.28       |
| <b>Non-current liabilities</b>                                                       |      |                  |                  |
| Financial Liabilities                                                                |      |                  |                  |
| Borrowings                                                                           | 2.03 | 0.00             | 0.00             |
| Trade Payables                                                                       |      | 0.00             | 0.00             |
| Other financial liabilities(other than those specified in item (ii), to be specified |      | 0.00             | 0.00             |
| Provisions                                                                           | 2.04 | 667.69           | 426.03           |
| Deferred tax liabilities (Net)                                                       | 2.11 | 0.00             | 0.00             |
| Other non-current liabilities                                                        | 2.05 | 0.00             | 0.00             |
|                                                                                      |      | 667.69           | 426.03           |
| <b>Current liabilities</b>                                                           |      |                  |                  |
| Financial Liabilities                                                                |      |                  |                  |
| Borrowings                                                                           | 2.06 | 100,607.57       | 100,751.74       |
| Trade Payables                                                                       |      | 2,545.13         | 1,769.63         |
| Other financial liabilities(other than those specified in item (i) and (ii)          |      | 0.00             | 0.00             |
| Other current liabilities                                                            | 2.08 | 9,585.79         | 10,905.18        |
| Provisions                                                                           | 2.07 | 3,030.58         | 677.07           |
| Current tax liabilities(Net)                                                         |      | 0.00             | 0.00             |
|                                                                                      |      | 115,769.07       | 114,103.62       |
| <b>TOTAL</b>                                                                         |      | <b>16,863.34</b> | <b>19,000.38</b> |

  
T R Sarathy  
Chartered Accountant  
Membership No. 025982



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

Chennai  
11-Jun-2018

ZYLOG SYSTEMS LIMITED

Consolidated unaudited statement of profit and loss as at

in Lakhs

| Particulars                                                                      | Note | Mar 31, 2018     | Mar 31, 2017     |
|----------------------------------------------------------------------------------|------|------------------|------------------|
| Revenue from operations                                                          | 2.20 | 17,611.40        | 22,146.59        |
| Other income                                                                     | 2.21 | 94.99            | 93.75            |
| <b>Total Revenue</b>                                                             |      | <b>17,706.39</b> | <b>22,240.34</b> |
| <b>Expenses :</b>                                                                |      |                  |                  |
| Cost of materials consumed                                                       |      | 0.00             | 0.00             |
| Purchases of Stock-in-trade                                                      |      | 0.00             | 0.00             |
| Changes in Inventories of finished goods, Stock-in-trade and WIP                 |      | 0.00             | 0.00             |
| Employee Benefit Expenses                                                        | 2.22 | 3,642.88         | 3,723.15         |
| Project related expenses                                                         |      | 11,138.48        | 13,048.73        |
| Finance Cost                                                                     | 2.24 | 118.02           | 47.28            |
| Depreciation / Amortisation                                                      |      | 870.29           | 706.37           |
| Other expenses                                                                   | 2.23 | 2,365.98         | 4,285.33         |
| <b>Total Expenses</b>                                                            |      | <b>18,135.65</b> | <b>21,810.86</b> |
| Profit/(Loss) before exceptional items and tax                                   |      | -429.26          | 429.48           |
| Exceptional Item/ Prior period Items                                             |      | 2,188.92         | -21.01           |
| Profit/(Loss) before tax                                                         |      | -2,618.18        | 450.49           |
| <b>Tax expenses:</b>                                                             |      |                  |                  |
| Current tax                                                                      |      | 102.69           | 73.26            |
| Deferred tax                                                                     |      | 91.63            | 211.52           |
| <b>Total Tax Expense</b>                                                         |      | <b>194.32</b>    | <b>284.78</b>    |
| Profit/(Loss) for the from continuing operations                                 |      | -2,812.50        | 165.71           |
| Profit/(Loss) for the from discontinued operations                               |      | 0.00             | 0.00             |
| Tax expense on discontinued operations                                           |      | 0.00             | 0.00             |
| Profit/(Loss) for the from discontinued operations(after tax)                    |      | 0.00             | 0.00             |
| <b>Profit/(Loss) for the period</b>                                              |      | <b>-2,812.50</b> | <b>165.71</b>    |
| <b>Other Comprehensive Income</b>                                                |      |                  |                  |
| (A) (i) Item that will not be reclassified to profit or loss                     |      | 0.00             | 0.00             |
| (ii) Income tax relating to Item that will not be reclassified to profit or loss |      | 0.00             | 0.00             |
| (B) (i) Item that will be reclassified to profit or loss                         |      | 0.00             | 0.00             |
| (ii) Income tax relating to Item that will be reclassified to profit or loss     |      | 0.00             | 0.00             |
| <b>Total Comprehensive Income for the period</b>                                 |      |                  |                  |
| <b>(Comprising profit/(loss) and other comprehensive income)</b>                 |      | <b>-2,812.50</b> | <b>165.71</b>    |
| <b>Earnings per share (for continuing operations)</b>                            |      |                  |                  |
| Basic                                                                            |      | -4.77            | 0.28             |
| Diluted                                                                          |      | -4.77            | 0.28             |
| <b>Earnings per share (for discontinued operations)</b>                          |      |                  |                  |
| Basic                                                                            |      | 0.00             | 0.00             |
| Diluted                                                                          |      | 0.00             | 0.00             |
| <b>Earnings per share (for discontinued and continuing operations)</b>           |      |                  |                  |
| Basic                                                                            |      | -4.77            | 0.28             |
| Diluted                                                                          |      | -4.77            | 0.28             |

See accompanying notes to financial statements

T R Sarathy  
Chartered Accountant  
Membership No. 025982



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

Chennai  
11-Jun-2018

**ZYLOG SYSTEMS LIMITED (CONSOLIDATED)**

Reconciliation of Profit as per IGAAP and Ind AS (for the period ended 31-Mar-2017)

(Rs. In Lakhs)

| Particulars                                                                   | IGAAP            | Effect of transitional to Ind-AS | Ind AS           |
|-------------------------------------------------------------------------------|------------------|----------------------------------|------------------|
| Revenue from operations                                                       | 22,146.60        | -                                | 22,146.60        |
| Other income                                                                  | 93.75            | -                                | 93.75            |
| <b>Total Revenue</b>                                                          | <b>22,240.35</b> | -                                | <b>22,240.35</b> |
| Expenses :                                                                    |                  |                                  |                  |
| Cost of materials consumed                                                    | -                | -                                | -                |
| Purchases of Stock-in-trade                                                   | -                | -                                | -                |
| Changes in Inventories of finished goods, Stock-in-trade and work-in-progress | -                | -                                | -                |
| Employee Benefit Expenses                                                     | 3,723.15         | -                                | 3,723.15         |
| Project related expenses                                                      | 13,048.73        | -                                | 13,048.73        |
| Operation and other Expenses                                                  | 47.28            | -                                | 47.28            |
| Finance Cost                                                                  | 706.37           | -                                | 706.37           |
| Depreciation / Amortisation                                                   | 4,285.33         | -                                | 4,285.33         |
| <b>Total Expenses</b>                                                         | <b>21,810.86</b> | -                                | <b>21,810.86</b> |
| Profit Before Prior Period and Exceptional Items                              | <b>429.45</b>    | -                                | <b>429.45</b>    |
| Exceptional Item/ Prior period Items                                          | (21.01)          | -                                | (21.01)          |
| Profit Before Prior Period and Extraordinary Items                            | <b>450.46</b>    | -                                | <b>450.46</b>    |
| Extraordinary Items                                                           | -                | -                                | -                |
| Profit/(Loss) before tax                                                      | <b>450.46</b>    | -                                | <b>450.46</b>    |
| Tax expenses:                                                                 |                  |                                  |                  |
| Current tax                                                                   | 73.26            | -                                | 73.26            |
| Deferred tax                                                                  | 211.52           | -                                | 211.52           |
| <b>Total Tax Expense</b>                                                      | <b>284.78</b>    | -                                | <b>284.78</b>    |
| Net profit after tax, before share of profit of associates                    | <b>165.68</b>    | -                                | <b>165.68</b>    |
| Share of profit of associates                                                 | -                | -                                | -                |
| Profit/(Loss) for the from discontinued operations                            | <b>165.68</b>    | -                                | <b>165.68</b>    |

Place: Chennai

Date:11-Jun-18

For Zylog Systems Limited




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



CHARTERED ACCOUNTANT

**T.R. Sarathy**

Chartered Accountant

6, Sapthagiri Colony,

Ashok Nagar,

Chennai 600 083.

Ph: 9381735153

Email: sarathy20260@gmail.com

### Independent Auditors' Report

#### To the Board of Directors of Zylog Systems Limited

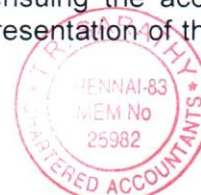
We have audited the accompanying consolidated financial statements of **Zylog Systems Limited** (the Company) and its subsidiaries, hereinafter called the "group" to the attached consolidated financial statements, which comprise the Consolidated Balance sheet as at 31<sup>st</sup> March 2018, the Consolidated 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.

During the audit, we observed the following –

- a) The unpaid salary, leave salary and gratuity pertaining to the earlier years amounting to Rs. 12.65 cr which were written back in the earlier period have been brought back to the respective liability accounts during this quarter by adjusting the same on the reserve fund account in the balance sheet.
- b) The company has provided for 100% diminution in value of investments for the overseas subsidiaries M/s. Zylog Systems Asia Pte Ltd amounting to Rs. 6.26 cr and Zylog Systems (Europe) Limited amounting to Rs. 10.66 cr.
- c) Only the first quarter financials of both M/s. Zylog Systems Asia Pte Ltd and Zylog Systems (Europe) Limited were only consolidated and the remaining 3 quarter financials were not made available and have not been included in the consolidation.
- d) The excess unbilled revenue pertaining to the US branch amount to Rs. 4.77 cr has been reversed during the current financial year.
- e) Depreciation/Amortisation expenses for Q4 and FY2017-18 has been increased to the extent of Rs. 3.67 cr. This pertains to the product development expenses of M/s. Ducont FZ LLC which has been charged off to the Profit & Loss Account as per the prudent accounting practice.
- f) Inter-company transactions and others to the extent of Rs. 19.95 lakhs have been written off during the current quarter.

#### 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





CHARTERED ACCOUNTANT

**T.R. Sarathy**

Chartered Accountant

6, Sapthagiri Colony,

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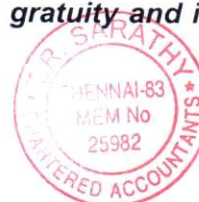
statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### AUDITORS' RESPONSIBILITY

- a) 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 and the Order under Section 143(11) of the Act.
- b) 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.
- c) 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

- a) As required by the Companies (Auditor's Report) Order, 2016 ("the order") Issued by the Central government of India in terms of section 143 (11) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of Order
- b) As required by Section 143(3) of the Companies Act, 2013, we report that:
  - i. 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
  - ii. 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
  - iii. 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
  - iv. 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.**





CHARTERED ACCOUNTANT

**T.R. Sarathy**

Chartered Accountant

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- v. On the basis of written representations received from the directors as at 31<sup>st</sup> March 2018 and taken on record by the Board of Directors, none of the Directors are disqualified as at 31<sup>st</sup> March 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
- vi. 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
  - The company has disclosed the impact of pending litigations as at 31<sup>st</sup> March 2018 on its financial position in its standalone financial statement.
  - The company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses under the applicable law or accounting standard.





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- The following amounts are required to be transferred to investor education and protection fund as of 31-Mar-18.

| Year    | Amount   |
|---------|----------|
| 2005-06 | 91,500   |
| 2006-07 | 1,27,500 |
| 2007-08 | 2,25,357 |
| 2008-09 | 2,55,699 |
| 2009-10 | 3,73,638 |
| 2010-11 | 9,96,617 |

#### OTHER MATTERS

- I. We did not audit the financial statements of all the subsidiaries and one branch which constitute total revenue of Rs.178.06 crs, net loss of Rs.7.28 crs for the year ended. However, the company has provided a Limited Review Report on US Financial Statement from its USA, CPA Firm for the US branch and financial statements for the subsidiary companies. 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 and the subsidiaries.
- II. It is learnt that the company is in dialogue with all the lenders to work out a settlement plan as may become feasible for servicing by the company.
- 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. 21.57 crs pertaining to the earlier years remain unpaid.
- V. The company has a contingent liability of Rs. 545.93 crs relating to Income Tax, VAT, Service Tax and Sales Tax.

#### 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.





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- a) in the Case of the Balance Sheet of the State of affairs as at 31<sup>st</sup> March 2018.
- 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.

Place: Chennai

Date: 11<sup>th</sup> June 2018



  
T. R. Sarathy  
Chartered Accountant  
Membership No. 025982