

18th May, 2017

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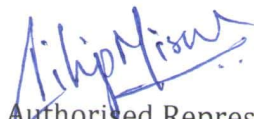
Sir,

SUB: OUTCOME OF BOARD MEETING

This is to inform that at the Meeting of the Board of Directors of the Company held on Thursday, May 18, 2017 at the Registered Office of the Company., the Board of Director have Approved the Audited Consolidated & Standalone Financials along with the Statement of Assets and Liabilities for the quarter & Year ended 31st March 2017.

The meeting concluded on 21:15 HRS

Yours faithfully,
For **Zylog Systems Limited**



Authorised Representative
(Dilip R Misser)

PART I

Rs. in lakhs (Except per share data)

Statement of Standalone Audited Financials Results for the Year Ended 31st March 2017

Sl No.	Particulars	Quarter Ended			Year Ended	
		March 31,2017 (Audited)	December 31,2016 (Unaudited)	March 31,2016 (Audited)	March 31,2017 (Audited)	March 31,2016 (Audited)
1	Income from operations					
	(a) Net sales/income from operations	3,055.20	3,536.81	3,598.25	13,463.19	13,940.84
	(b) Other operating income	0.00	0.00	0.00	0.00	0.00
	Total income from operations (net)	3,055.20	3,536.81	3,598.25	13,463.19	13,940.84
2	Expenses					
	(a) Employee benefits expense	2,416.24	2,379.84	2,376.01	9,668.71	9,646.28
	(b) Other expenses	1,040.47	721.04	6,369.49	3,407.90	8,291.50
	(c) Depreciation and amortisation expense+	112.14	112.03	197.40	490.85	948.64
	Total expenses	3,568.85	3,212.90	8,942.90	13,567.45	18,886.43
3	Profit / (Loss) from operations before other income, finance costs and exceptional items (1-2)	-513.65	323.91	-5,344.65	-104.26	-4,945.58
4	Other income	92.85	-62.09	63.56	163.36	272.05
5	Profit / (Loss) from ordinary activities before finance costs and exceptional items (3 + 4)	-420.79	261.82	-5,281.09	59.09	-4,673.53
6	Finance costs	36.76	0.96	20.90	47.28	49.83
7	Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5 - 6)	-457.55	260.86	-5,301.99	11.82	-4,723.36
8	Exceptional items	0.00	0.00	4,279.10	3.35	12,076.23
9	Profit / (Loss) from ordinary activities before tax (7 - 8)	-457.55	260.86	-9,581.09	8.47	-16,799.60
10	Tax expense	57.34	60.36	423.58	236.95	-1,455.38
11	Net Profit / (Loss) from ordinary activities after tax (9 - 10)	-514.89	200.50	-10,004.67	-228.48	-15,344.22
12	Extraordinary items	0.00	0.00	0.00	0.00	0.00
13	Net Profit / (Loss) for the period (11 - 12)	-514.89	200.50	-10,004.67	-228.48	-15,344.22
14	Share of profit / (loss) of associates	0.00	0.00	0.00	0.00	0.00
15	Net Profit / (Loss) after taxes and share of profit / (loss) of associates (13 + 14)	-514.89	200.50	-10,004.67	-228.48	-15,344.22
16	Paid-up equity share capital (Face Value of the Share shall be indicated)	2,949.64	2,949.64	2,949.64	2,949.64	2,949.64
17	Reserve excluding Revaluation Reserves as per balance sheet of previous accounting year	-88,620.39	-88,105.49	-88,391.93	-88,620.39	-88,391.93
18.i	Earnings per share (before extraordinary items) (of Rs. 5/- each) (not annualised):					
	(a) Basic	-0.87	0.34	-16.96	-0.39	-26.01
	(b) Diluted	-0.87	0.34	-16.96	-0.39	-26.01
18.ii	Earnings per share (after extraordinary items) (of Rs. 5/- each) (not annualised):					
	(a) Basic	-0.87	0.34	-16.96	-0.39	-26.01
	(b) Diluted	-0.87	0.34	-16.96	-0.39	-26.01

Notes :

- The above results have been reviewed by the Audit Committee and approved by the Board of Directors at its Meeting held on 18-May-17.
- 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 Company has unpaid Statutory dues pertaining to the period the company was under the erstwhile management. Presently the company has commenced the payment of current statutory dues in a phased manner.
- 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 : 18-May-17

Rs. in lakhs

Standalone statement of assets and liabilities			
	Particulars	Year Ended	
		Mar 31, 2017	Mar 31, 2016
A	EQUITY AND LIABILITIES		
1	Shareholders' funds		
	(a) Share capital	2,949.64	2,949.64
	(b) Reserves and surplus	(88,620.39)	(88,391.93)
	Sub-total - Shareholders' funds	(85,670.75)	(85,442.29)
2	Non-current liabilities		
	(a) Deferred tax liabilities (net)	183.80	0.00
	Sub-total - Non-current liabilities	183.80	0.00
3	Current liabilities		
	(a) Short-term borrowings	90,732.52	91,109.28
	(b) Trade payables	638.43	1,381.18
	(c) Short-term provisions	849.45	459.12
	(d) Other Current Liabilities	4,741.25	4,349.78
	Sub-total - Current liabilities	96,961.65	97,299.36
	TOTAL - EQUITY AND LIABILITIES	11,474.70	11,857.10
B	ASSETS		
1	Non-current assets		
	(a) Fixed assets	3,660.46	3,964.72
	(b) Non-current investments	1,924.35	1,924.36
	(c) Deferred tax assets (net)	0.00	35.68
	(d) Long-term loans and advances	89.24	252.10
	(e) Other non-current assets	540.19	539.79
	Sub-total - Non-current assets	6,214.24	6,716.65
2	Current assets		
	(a) Current investments	0.71	0.71
	(b) Inventories	0.00	28.94
	(c) Trade receivables	3,245.86	3,320.67
	(d) Cash and cash equivalents	255.55	381.56
	(e) Short-term loans and advances	1,719.12	1,290.61
	(f) Other current assets	39.21	117.96
	Sub-total - Current assets	5,260.45	5,140.46
	TOTAL - ASSETS	11,474.70	11,857.10



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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, 2017, 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.

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.

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.



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- 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 2017 and taken on record by the Board of Directors, none of the Directors are disqualified as at 31st March 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
 - 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 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 2017 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-17.



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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

- The Company did not have any holdings or dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 – Refer Note 2.28.

5. Other matters

We did not audit the financial statements of the branch in USA which constitute total assets of Rs. 36.52 crs as at 31st March 2017, total revenue of Rs.105.38 crs, net gain of Rs.3.61 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.

- 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.
- 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 2017.
- 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.
- Statutory dues of TDS, PF, ESI, Professional Tax, VAT, Service Tax amounts to Rs. 21.28 crs pertaining to the earlier years remain unpaid.
- In addition, the company has a contingent liability of Rs. 439.70 crs relating to Income Tax, VAT, Service Tax and Sales Tax.



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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 2017.
- 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: 18-5-2017

T. R. Sarathy

Chartered Accountant

Membership No. 025982





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T.R. Sarathy

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Annexure A to the Independent Auditors' Report

(Referred to in paragraph (i) under the heading 'Report on other legal and regulatory requirements' of our report of even date)

1. In respect of Fixed Assets:
 - a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) According to the information and explanation provided to us the fixed assets have been physically verified by the management and no material discrepancies have been noticed.
 - c) Presently the company does not hold any immovable property
2. As the company is engaged in providing software related services, the company does not hold any Physical Inventory therefore Paragraph 3(ii) of the order is not applicable to the company
3. According to the information and explanation given to us, the company has not granted any loans, secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of Clause 3(iii) of the order are not applicable to the company.
4. According to information and explanation given to us, in respect of loans, investment, guarantees and securities the company has complied with the provisions of section 185 and 186 of the companies Act, 2013.
5. According to information and explanation given to us, the company has not accepted any deposits during the year within the meaning of section 73 to 76 of the Act and the rules framed thereunder.
6. In our opinion and according to information and explanation given to us, the requirement for maintenance of cost records pursuant to Companies (Cost records and audit) Rules, 2014 specified by the central government of India u/s 148 of the companies Act, 2013 are not applicable to the company for the year under audit.
7. In respect of statutory dues,
 - a) According to the information and explanation provided to us and based on the audit procedure performed, we observed that the company is generally regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues as applicable with the appropriate authorities except few delays noticed in respect of provident fund, service tax and TDS remittances.



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However, the company has not paid Rs. 21.28 cr in respect of the aforesaid statutory payments pertaining to the previous years and were outstanding as at March 31, 2017.

b) Disputed statutory dues unpaid as on 31st Mar 2017

Statute	Forum where the dispute is pending	Period to which amount relates	Amount
The Income Tax Act	Assessing Officer, Chennai	AY 2001-02	31,49,091
The Income Tax Act	Assessing Officer, Chennai	AY 2004-05	54,24,063
The Income Tax Act	Assessing Officer, Chennai	AY 2005-06	99,11,812
The Income Tax Act	CIT (Appeals)	AY 2006-07	1,60,76,919
The Income Tax Act	CIT (Appeals)	AY 2007-08	24,71,78,861
The Income Tax Act	CIT (Appeals)	AY 2007-08	1,05,12,138
The Income Tax Act, 1961	CIT (Appeals)	AY 2008-09	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
The Income Tax Act, 1961	Appeal yet to be filed	AY 2012-13	167,34,98,400
TN General Sales Tax Act	Commercial Taxes Dept.	2004-05	19,34,000
Service Tax under the Finance Act 1994	Service Tax	2009-2010	73,39,669
Service Tax under the Finance Act 1994	Service Tax	2010-11 & 2014-15 & 2015-16 (till Sept-15)	6,80,34,119

8. 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 amounting to Rs. 900.36 cr - Refer Note No 2.06.
9. According to the information and explanation provided to us, the company has not raised any money through initial public offer (or) further public offer including debt instruments. Accordingly paragraph 3(ix) of the order is not applicable to the company.



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10. Based on the audit procedure performed and as per the information and explanation provided to us by the management, we report that no instances of fraud by the company or fraud on the company by its officers or employees has been noticed or reported during the year.
11. The company has complied with the provisions of section 197 read with schedule V of the companies act, 2013
12. According to the information and explanation given to us, in our opinion the company is not a nidhi company, accordingly paragraph 3(xii) of the order is not applicable to the company
13. In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of the Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standard
14. According to the information and explanation given to us, the company has not made preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
15. Based on the audit procedures performed and the information and explanation given to us, the company has not entered into any non-cash transactions with the directors or persons connected with him during the year. Accordingly, paragraph 3(xv) of the order is not applicable to the company.
16. According to the information and explanation provided to us in our opinion the company is not required to be registered under section 45IA of the Reserve bank of India Act, 1934 and accordingly, paragraph 3(xvi) is not applicable to the company.

Place: Chennai

Date: 18-5-2017



T. R. Sarathy

Chartered Accountant

Membership No. 025982

in Lakhs except per share data

Statement of Consolidated Financial Results for the year ended Mar 31, 2017						
Sl No.	Particulars	Quarter Ended			Year Ended	
		Mar 31, 2017	Dec 31, 2016	Mar 31, 2016	Mar 31, 2017	Mar 31, 2016
		(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)
1	Income from operations					
	(a) Net sales/income from operations	5,638.18	5,788.09	6,013.61	22,146.60	22,880.02
	(b) Other operating income	0.00	0.00	0.00	0.00	0.00
	Total income from operations (net)	5,638.18	5,788.09	6,013.61	22,146.60	22,880.02
2	Expenses					
	(a) Employee benefits expense	4,239.46	4,224.41	4,121.45	16,771.91	16,657.41
	(b) Other expenses	1,140.79	932.48	3,431.16	4,285.33	6,270.16
	(c) Depreciation and amortisation expense	156.94	172.52	159.58	706.37	1,655.73
	Total expenses	5,537.19	5,329.41	7,712.19	21,763.61	24,583.30
3	Profit / (Loss) from operations before other income, finance costs and exceptional items (1-2)	100.99	458.68	(1,698.58)	382.99	(1,703.28)
4	Other income	64.74	(111.57)	(465.75)	93.74	301.39
5	Profit / (Loss) from ordinary activities before finance costs and exceptional items (3 + 4)	165.73	347.11	(2,164.33)	476.73	(1,401.89)
6	Finance costs	36.76	0.96	20.90	47.28	49.83
7	Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5 - 6)	128.97	346.15	(2,185.23)	429.45	(1,451.72)
8	Exceptional items	0.74	0.48	(3,301.53)	(21.01)	20,660.84
9	Profit / (Loss) from ordinary activities before tax (7 - 8)	128.23	345.67	1,116.30	450.46	(22,112.56)
10	Tax expense	65.56	72.73	448.72	284.78	(2,608.04)
11	Net Profit / (Loss) from ordinary activities after tax (9 - 10)	62.67	272.94	667.58	165.68	(19,504.52)
12	Extraordinary items (net of tax expense)	0.00	0.00	0.00	0.00	0.00
13	Net Profit / (Loss) for the period (11 - 12)	62.67	272.94	667.58	165.68	(19,504.52)
14	Share of profit / (loss) of associates	0.00	0.00	0.00	0.00	0.00
15	Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (13 + 14)	62.67	272.94	667.58	165.68	(19,504.52)
16	Paid-up equity share capital (Face Value of Rs. 5/- each)	2,949.64	2,949.64	2,949.64	2,949.64	2,949.64
17	Reserve excluding Revaluation Reserves as per balance sheet of previous accounting year	(98,478.92)	(98,155.42)	(98,240.87)	(98,478.92)	(98,240.87)
18.i	Earnings per share (before extraordinary items) (of Rs. 5/- each) (not annualised):					
	(a) Basic	0.11	0.46	1.13	0.28	(33.06)
	(b) Diluted	0.11	0.46	1.13	0.28	(33.06)
18.ii	Earnings per share (after extraordinary items) (of Rs.5/- each) (not annualised):					
	(a) Basic	0.11	0.46	1.13	0.28	(33.06)
	(b) Diluted	0.11	0.46	1.13	0.28	(33.06)

Notes :

- The above results have been reviewed by the Audit Committee and approved by the Board of Directors at its Meeting held on 18-May-17.
- 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 Company has unpaid Statutory dues during the period the company was under the erstwhile management. Presently the company has commenced the payment of current statutory dues in a phased manner.
- The Company is engaged primarily in the business of Exports of Software and IT related services and hence there is no separate reportable segment as per Accounting Standard (AS:17 Segment Reporting).
- 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 : 18-May-17

in Lakhs

Consolidated Statement of Assets and Liabilities for the period ended			
	Particulars	Mar 31, 2017	Mar 31, 2016
		(Audited)	(Audited)
A	EQUITY AND LIABILITIES		
1	Shareholders' funds	2,949.64	2,949.64
	(a) Share capital	-98,478.92	-98,240.87
	(b) Reserves and surplus	-95,529.28	-95,291.23
	Sub-total - Shareholders' funds		
2	Non-current liabilities	0.00	0.00
	(a) Long-term borrowings	426.03	426.03
	(b) Long-term provisions	426.03	426.03
	Sub-total - Non-current liabilities		
3	Current liabilities	100,751.75	101,403.92
	(a) Short-term borrowings	1,769.63	2,377.96
	(b) Trade payables	11,473.97	8,330.45
	(c) Other current liabilities	108.28	307.42
	(d) Short-term provisions	114,103.63	112,419.75
	Sub-total - Current liabilities		
	TOTAL - EQUITY AND LIABILITIES	19,000.38	17,554.55
B	ASSETS		
1	Non-current assets	4,318.03	4,543.56
	(a) Fixed assets	1,326.90	1,404.60
	(b) Non-current investments	1,111.95	1,323.86
	(c) Deferred tax assets (net)	195.57	358.88
	(d) Long-term loans and advances	540.19	539.79
	(e) Other non-current assets	7,492.64	8,170.68
	Sub-total - Non-current assets		
2	Current assets	0.71	0.71
	(a) Current investments	0.00	45.39
	(b) Inventories	7,475.95	6,603.14
	(c) Trade receivables	1,763.48	2,360.47
	(d) Cash and cash equivalents	1,993.16	105.67
	(e) Short-term loans and advances	274.44	268.50
	(f) Other current assets	11,507.74	9,383.88
	Sub-total - Current assets		
	TOTAL - ASSETS	19,000.38	17,554.55



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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 2017, 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

- 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.



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- 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.**
 - v. On the basis of written representations received from the directors as at 31st March 2017 and taken on record by the Board of Directors, none of the Directors are disqualified as at 31st March 2017 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 31st March 2017 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-17.

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

- The Company did not have any holdings or dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 – Refer Note 2.35.

OTHER MATTERS

We did not audit the financial statements of all the subsidiaries and one branch which constitute total assets of Rs. 136.59 crs as at 31st March 2017, total revenue of Rs.202.30 crs, net gain of Rs.7.55 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.

- 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.
- 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 2017.
- 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.
- Statutory dues of TDS, PF, ESI, Professional Tax, VAT, Service Tax amounts to Rs. 21.74 crs pertaining to the earlier years remain unpaid.
- In addition, the company has a contingent liability of Rs. 462.98 crs relating to Income Tax, VAT, Service Tax and Sales Tax.



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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 2017.
- 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: 18-05-2017

T. R. Sarathy

Chartered Accountant

Membership No. 025982





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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 the consolidated financial statements as of and for the year ended 31st March 2017

1. In respect of Fixed Assets:
 - a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) According to the information and explanation provided to us the fixed assets have been physically verified by the management and no material discrepancies have been noticed.
 - c) Presently the company does not hold any immovable property
2. As the company is engaged in providing software related services, the company does not hold any Physical Inventory therefore Paragraph 3(ii) of the order is not applicable to the company
3. According to the information and explanation given to us, the company has not granted any loans, secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of Clause 3(iii) of the order are not applicable to the company.
4. According to information and explanation given to us, in respect of loans, investment, guarantees and securities the company has complied with the provisions of section 185 and 186 of the companies Act, 2013.
5. According to information and explanation given to us, the company has not accepted any deposits during the year within the meaning of section 73 to 76 of the Act and the rules framed thereunder.
6. In our opinion and according to information and explanation given to us, the requirement for maintenance of cost records pursuant to Companies (Cost records and audit) Rules, 2014 specified by the central government of India u/s 148 of the companies Act, 2013 are not applicable to the company for the year under audit



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7. In respect of statutory dues:

- a) According to the information and explanation provided to us and based on the audit procedure performed, we observed that the company is generally regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues as applicable with the appropriate authorities except few delays noticed in respect of provident fund, service tax and TDS remittances.

However, the company has not paid Rs. 21.74 crs in respect of the aforesaid statutory payments pertaining to the previous years and were outstanding as at March 31, 2017.

b) Disputed statutory dues unpaid as on 31st Mar 2017

Statute	Forum where the dues of rupees dispute is pending	Period to which amount relates	Amount
The Income Tax Act, 1961	Assessing Officer, Chennai	AY 2001-02	31,49,091
The Income Tax Act, 1961	Assessing Officer, Chennai	AY 2004-05	54,24,063
The Income Tax Act, 1961	Assessing Officer, Chennai	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)	AY 2008-09	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
The Income Tax Act, 1961	Appeal yet to be filed	AY 2012-13	167,34,98,400
Service Tax under the Finance Act 1994	Commissioner of Service Tax	2009-10	73,39,669
Service Tax under the Finance Act 1994 (Zylog Systems Limited)	Commissioner of Service Tax	2010-11 & 2014-15 & 2015-16 (till Sept-15)	6,80,34,119
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
The Income Tax Act, 1961 (Algorithm Solutions Private Limited)	CIT (Appeals)	AY 2012-13	50,65,270
The Income Tax Act, 1961 (Vishwa Vikas Services Limited)	CIT (Appeals)	AY 2012-13	5,449,370
Service Tax under the Finance Act 1994 (Algorithm Solutions Private Limited)	Commissioner of Service Tax	2010-11 to 2014-15	48,607,674



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8. 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 amounting to Rs. 1004.21 cr - Refer Note No 2.06.
9. According to the information and explanation provided to us, the company has not raised any money through initial public offer (or) further public offer including debt instruments. Accordingly paragraph 3(ix) of the order is not applicable to the company.
10. Based on the audit procedure performed and as per the information and explanation provided to us by the management, we report that no instances of fraud by the company or fraud on the company by its officers or employees has been noticed or reported during the year.
11. The company has complied with the provisions of section 197 read with schedule V of the companies act, 2013.
12. According to the information and explanation given to us, in our opinion the company is not a nidhi company, accordingly paragraph 3(xii) of the order is not applicable to the company.
13. In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of the Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standard
14. According to the information and explanation given to us, the company has not made preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
15. Based on the audit procedures performed and the information and explanation given to us, the company has not entered into any non-cash transactions with the directors or persons connected with him during the year. Accordingly, paragraph 3(xv) of the order is not applicable to the company.



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16. According to the information and explanation provided to us in our opinion the company is not required to be registered under section 451A of the Reserve bank of India Act, 1934 and accordingly, paragraph 3(xvi) is not applicable to the company.

Place: Chennai

Date: 18-05-2017

T. R. Sarathy

Chartered Accountant

Membership No. 025982

