

To The Board of Directors of Zensar Technologies Inc

**Report on special purpose consolidated financial statements**

1. We have audited the accompanying special purpose consolidated financial statements of Zensar Technologies Inc (the "Company") and its subsidiaries; hereinafter referred to as the Group, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statement of profit and loss and the consolidated cash flow statement for the year ended on that date and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

**Management's Responsibility for the Special Purpose Consolidated Financial Statements**

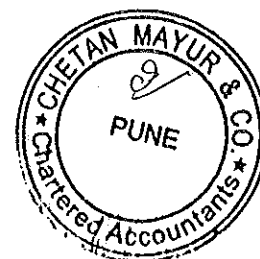
2. Management is responsible for the preparation of these special purpose consolidated financial statements in accordance with the Accounting Standard issued by Institute of Chartered Accountants of India / Companies (Accounting Standards) Rules, 2006 notified by the Central Government of India/ notified under the Companies Act, 1956 (the "Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013, to the extent considered relevant by it for the purpose for which these special purpose financial statements have been prepared (the "accounting principles generally accepted in India"). The responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Scope**

3. The scope of our audit was restricted by the overall materiality level of INR 500,000, as communicated by Group Engagement Team.

**Auditors' Responsibility**

4. Our responsibility is to express an opinion on these special purpose consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose consolidated 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

7. Because of the restriction described in the 'Scope' paragraph above, the scope of our work was not sufficient to enable us to express, and we do not express, an unrestricted opinion on this consolidated financial statement. However, in our opinion, based on our audit performed within the limits of materiality referred to in paragraph 3 above, we report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements, specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
8. Based on our audit performed within the limits of materiality referred in paragraph 4 above and on consideration of reports of other auditor on separate financial statements and on the other financial information of the component of the Group as referred to in paragraph 10 below, and to the best of our information and according to the explanations given to us, in our opinion, the aforesaid special purpose consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Group as at March 31, 2015 and its consolidated profit and its consolidated cash flows for the year ended on that date.

## Emphasis of Matter – Basis of Preparation

9. We draw attention to Note 1(a) to the special purpose consolidated financial statements, which describes the basis of its preparation. The special purpose consolidated financial statements are not the statutory financial statements of the Company, and are not intended to, and do not, comply with the disclosure provisions applicable to statutory financial statements prepared under the Companies Act, 2013, as those are considered irrelevant by the Management and the intended users of the special purpose consolidated financial statements for the purposes for which those have been prepared. Our opinion is not qualified in respect of this matter.

## Other Matter

10. This report is intended solely for the information and use of the Board of Directors of the Company for the purpose of complying with the provisions of Section 136(1) of the Companies Act 2013 and is not intended to be and should not be used by any other party for any other purpose.

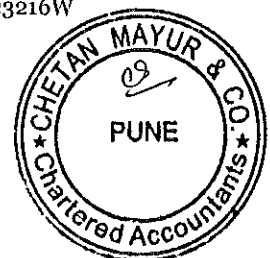
## Restriction on Use

11. Our obligations in respect of this report are entirely separate from, and our responsibility and liability is in no way changed by, any other role we may have (or may have had) as auditors of the Company or otherwise. Nothing in this report, nor anything said or done in the course of or in connection with the services that are the subject of this report, will extend any duty of care we may have in our capacity as auditors of any financial statements of the Company.
12. This report is addressed to the Board of Directors of the Company and has been prepared for and only for the purposes set out in paragraph 10 above. This report should not be otherwise used or shown to or otherwise distributed to any other party or used for any other purpose except with our prior consent in writing. Price Waterhouse neither accepts nor assumes any duty, responsibility or liability to any other party or for any other purpose

For Chetan Mayur & Co.  
Firm Registration No. 123216W  
Chartered Accountants

*[Signature]*

Partner  
Membership No. 104273



Place: Pune  
Date: April 28, 2015

**ZENSAR TECHNOLOGIES, INC.****Consolidated Balance Sheet as at March 31, 2015**

	Note	2015 Rs. in lakhs	2014 Rs. in lakhs
<b>Equity and Liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	2	290.30	290.30
Reserves and surplus	3	30064.21	24,636.12
		<b>30354.51</b>	<b>24,926.42</b>
<b>Non-current liabilities</b>			
Long term borrowings	4		7,190.40
Other long term liabilities	5	382.79	607.26
Long-term provisions	6	2387.21	2,071.65
		<b>2770.00</b>	<b>9,869.31</b>
<b>Current liabilities</b>			
Short term borrowings	7	9715.87	2139.00
Trade payables	8	55606.47	40,145.27
Other current liabilities	9	17228.35	15,737.14
Short-term provisions	10	243.58	468.85
		<b>82794.27</b>	<b>58,490.26</b>
<b>Total</b>		<b>115918.78</b>	<b>93,285.99</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	11	1010.49	1,519.30
Intangible assets		42833.96	32,255.69
Non current investments	12	79.98	74.60
Long term loans and advances	13	196.36	712.09
Deferred tax assets (net)	14	506.09	1,325.45
<b>Current assets</b>			
Inventories	15	12262.25	12,877.91
Trade receivables	16	33035.16	26,627.94
Cash and bank balances	17	8772.77	4,539.54
Short-term loans and advances	18	5387.67	4,904.79
Other current assets	19	11834.05	8,448.68
		<b>71291.90</b>	<b>57,398.86</b>
<b>Total</b>		<b>115918.78</b>	<b>93,285.99</b>

**Summary of Significant Accounting Policies 1**

The notes are an integral part of these financial statements.

This is the Balance Sheet referred to in our report of even date.

For **Chetan Mayur & Co.**  
Firm Registration Number: 123216W  
Chartered Accountants



**Chetan Shroff**  
Partner  
Membership No. 104273

For and on behalf of the Board of Directors of  
**Zensar Technologies Inc.**



**Dr. Ganesh Natarajan**  
Director



**P.K. Mohapatra**  
Director

Place : Pune  
Dated : April 28 2015



Place : Mumbai  
Dated : April 28 2015

**ZENSAR TECHNOLOGIES, INC.****Consolidated Statement of Profit and Loss for the year ended March 31, 2015**

	Note	2015 Rs. in lakhs	2014 Rs. in lakhs
Revenue from operations (Net)	20	199,840.91	174,623.79
Other operating revenue	21	1,005.37	1,194.02
Other income	22	2.02	3.86
<b>Total revenue</b>		<b>200,848.30</b>	<b>175,821.67</b>
<b>Expenses</b>			
Employee benefits expense	23	59,341.52	53,803.20
Procurement charges		59,477.45	51,598.13
Cost of manpower hired		24,978.10	17,089.08
Cost of traded goods and services		16,199.19	19,690.73
Changes in inventories of finished goods		615.66	(2,389.29)
Other expenses	24	30,792.10	27,464.83
Finance cost	25	1,048.38	984.91
Depreciation and amortization expense	11	846.20	825.62
<b>Total expenses</b>		<b>193,298.61</b>	<b>169,067.21</b>
<b>Profit before tax</b>		<b>7,549.69</b>	<b>6,754.46</b>
Tax expense			
- Current tax		1,599.80	2,609.09
- Deferred tax		849.06	(41.72)
Short / (Excess) provision for taxation in respect of earlier years (net)		(25.26)	(89.02)
		<b>2,423.60</b>	<b>2,478.35</b>
<b>Profit for the year</b>		<b>5,126.09</b>	<b>4,276.11</b>
		Rs.	Rs.
<b>Earnings per equity share</b>			
Basic/ Diluted	28	2,563.05	2,138.06

**Summary of Significant Accounting Policies 1**

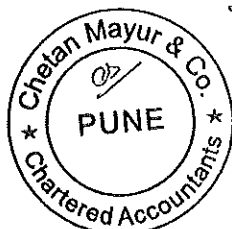
The notes are an integral part of these financial statements.

This is the Statement of Profit and Loss referred to in our report of even date.

**For Chetan Mayur & Co.**  
Firm Registration Number: 123216W  
Chartered Accountants

**Chetan Shroff**  
Partner  
Membership No. 104273

Place : Pune  
Dated April 28 2015



For and on behalf of the Board of Directors of  
**Zensar Technologies Inc.**

**Dr. Ganesh Natarajan**  
Director

Place : Mumbai  
Dated April 28 2015

**P.K. Mohapatra**  
Director

**ZENSAR TECHNOLOGIES, INC.**
**Consolidated Cash Flow Statement for the year ended March 31, 2015**
**Rs. in Lakhs**

	2014-15		2013-14	
<b>A. Cash flow from operating activities :</b>				
<b>Profit before Taxation</b>		7,549.69		6,754.46
Adjustments for				
Depreciation and amortization	846.20		825.62	
Interest income	(2.02)		(2.04)	
Dividend Income	-		(1.82)	
Loss / (Profit) on sale of fixed assets (net)	-		2.04	
Finance cost	1,048.38		984.91	
Bad debts written off	2.41		-	
Provision for doubtful debts	44.06		46.40	
Foreign Currency Translation gain / loss on operating activities	303.40			
		2,242.43		1,855.11
<b>Operating Profit before working capital changes and other adjustments</b>		<b>9,792.12</b>		<b>8,609.57</b>
Changes in working capital :				
Increase / (Decrease) in trade payables	15,461.20		8,534.66	
Increase / (Decrease) in short term provisions	(225.27)		417.48	
Increase / (Decrease) in other current liabilities	1,604.28		(396.36)	
Increase / (Decrease) in other short term liabilities	-		2,190.00	
Increase / (Decrease) in other long term liabilities	(179.99)		(520.94)	
Increase / (Decrease) in long term provisions	315.56		528.12	
(Increase) / Decrease in trade receivables	(6,448.87)		(1,740.73)	
(Increase) / Decrease in Inventories	615.66		(2,082.27)	
(Increase) / Decrease in other current assets	(3,385.37)		(3,549.37)	
(Increase) / Decrease in short term loans and advances	(1,287.91)		600.85	
(Increase) / Decrease in long term loans and advances	515.73		526.85	
		6,985.02		4,508.29
<b>Cash generated from operations</b>		<b>16,777.14</b>		<b>13,117.86</b>
Taxes paid (net of refunds)		(799.21)		(3,510.36)
<b>Net cash generated from operating activities ( A )</b>		<b>15,977.93</b>		<b>9,607.50</b>
<b>B. Cash flow from investing activities</b>				
Investment in subsidiary		(10,583.65)		2.34
Purchase of tangible assets		508.82		(3,775.04)
Sale proceeds of Investments		-		36.20
Interest income		2.02		2.04
Dividend Income		-		1.82
<b>Net Cash (used) / generated from investing activities ( B )</b>		<b>(10,072.82)</b>		<b>(3,732.64)</b>
<b>C. Cash flow from financing activities</b>				
Proceeds from short-term borrowings		7,576.87		-
Repayment of borrowings		(7,190.40)		(6,514.80)
Interest and structuring fees payment		(2,058.35)		(1,224.84)
<b>Net cash (used) / generated from financing activities ( C )</b>		<b>(1,671.88)</b>		<b>(7,739.64)</b>
<b>D. Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>		<b>4,233.23</b>		<b>(1,864.79)</b>
<b>Cash &amp; cash equivalents at the beginning of the year</b>		<b>4,539.54</b>		<b>6,404.32</b>
<b>Cash &amp; cash equivalents at the end of the year</b>		<b>8,772.77</b>		<b>4,539.54</b>

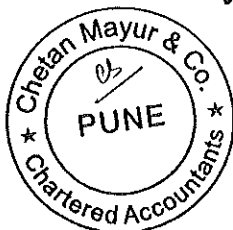

**Notes :**


- The above Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting Standard 3 on Cash Flow Statements.
- Prior year comparatives have been reclassified to conform with current year's presentation, where applicable.
- Cash and cash equivalents include cash and bank balances. (Refer Note 17)

This is the Cash Flow Statement referred to in our report of even date.

**For Chetan Mayur & Co.**

 Firm Registration Number: 123216W  
 Chartered Accountants

  
**Chetan Shroff**  
 Partner  
 Membership No. 104273

**For and on behalf of the Board of Directors of  
 Zensar Technologies Inc.**
  
**Dr. Ganesh Natarajan**  
 Director

  
**P.K. Mohapatra**  
 Director

 Place : Pune  
 Dated April 28, 2015

Place : Mumbai

 Place : Mumbai  
 Dated April 28, 2015

## **ZENSAR TECHNOLOGIES, INC.**

### **Notes to the Consolidated Financial Statement for the year ended March 31, 2015**

#### **General Information**

##### **Company Overview**

Zensar Technologies Inc. ("the Company") is a company registered under the laws of California. The Company along with its wholly owned subsidiaries Professional Access Limited USA and PSI Holding Group Inc. and its subsidiaries Zensar Technologies IM Inc. (formerly known as Akibia, Inc. USA), Zensar Technologies IM B.V. (formerly known as Akibia B.V.) and Aquila Technology Corp, is primarily engaged in providing a complete range of IT Services and Solutions and its industry expertise spans across manufacturing, retail, media, banking, insurance, healthcare and utilities.

#### **1. Summary of significant accounting policies**

##### **a. Basis of preparation of financial statements**

The financial statements have been prepared in accordance with the generally accepted accounting principles in India under historical cost convention as a going concern on accrual basis to comply in all material aspects with all the applicable accounting principles in India, the applicable Accounting Standards specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

Subsidiaries are consolidated from the date on which control is transferred to the group and are not consolidated from the date that control ceases. The financial statements of the Company and its subsidiaries have been consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expense. Intra-group balances and intra-group transactions and resulting unrealised profits have been eliminated.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycles as 12 months for the purpose of current and non-current classification of assets and liabilities.

##### **b. Foreign currency transactions**

###### **Translation:**

The functional currency for the Company is US Dollars. However, as the Company is a subsidiary of Zensar Technologies Limited, a company registered in India, the Financial Statements are prepared in Indian Rupees for the consolidation purpose as per Accounting Standard 21. The translation of the functional currencies into the reporting currency is performed for assets and liabilities using the current exchange rates in effect at the balance sheet date, for revenues, costs and expenses using average exchange rates prevailing during the reporting periods and for share capital, using the exchange rate at the date of the transaction. The resultant translation exchange gain/loss has been disclosed under Foreign Currency Translation Reserve.

## ZENSAR TECHNOLOGIES, INC.

### Notes to the financial statement for the year ended March 31, 2015 (contd.)

#### Transactions:

- i) Realised gains and losses on foreign currency transactions are recognised in the Statement of Profit and Loss.
- ii) Monetary current assets and monetary liabilities denominated in foreign currency at the year-end are translated at the year-end exchange rates, and the resulting exchange differences are recognised in the Statement of Profit and Loss, except for the exchange differences arising on monetary item that, in substance, form a part of the Company's net investment in non-integral foreign operation, which are accumulated in a Foreign Currency Translation Reserve until the disposal of net investment.

#### c. Use of estimates

The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

#### d. Revenue Recognition

Revenues from software development and allied services consist of revenues earned from time and material and fixed price contracts. Revenue from time and material contracts is recognised as the related services are performed. Revenue is recognised on accrual basis. However, where the ultimate collection of the sale lacks reasonable certainty, revenue recognition is postponed to the extent of such uncertainty. Revenues from fixed price engagements are recognized using the proportionate completion method of accounting. The cumulative impact of any revision in estimates of the percentage complete is reflected in the period in which the change becomes known. Provisions for estimated losses on such engagements are made during the period in which such loss becomes probable and can be reasonably estimated. Amounts included in the financial statements, which relate to recoverable costs and accrued profits not yet billed on contracts, are classified in other current assets as Accrued Income (Unbilled Services). Billings on incomplete contracts in excess of accrued costs and accrued profits are included in other current liabilities as Deferred Revenue. Revenue from the sale of user licences for software applications is recognised on transfer of the title in the user licence.

The Company accounts for volume discounts to customers as a reduction of revenue based on the ratable allocation of discount amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount. Also, when the level of discount varies with increases in levels of revenue transactions, the Company recognises the liability based on its estimate of the customer's future purchases. If it is probable that the criteria for the discount will not be met, or if the amount thereof cannot be estimated reliably, then the discount is not recognised until the payment is probable and the amount can be estimated reliably. The Company recognises changes in the estimated amount of obligations for discounts using a cumulative catch-up approach. The discounts are passed on to the customer or as a reduction of payments due from the customer.

Revenues from the resale of network and security products and related OEM maintenance contracts are recognized upon shipment as the Company has no future obligation. The Company also enters into multiple deliverable arrangements that include security software products, maintenance, and telephone support services. The entire arrangement fee is deferred

## **ZENSAR TECHNOLOGIES, INC.**

### **Notes to the financial statement for the year ended March 31, 2015 (contd.)**

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## ZENSAR TECHNOLOGIES, INC.

### Notes to the financial statement for the year ended March 31, 2015 (contd.)

and recognized rateably over the telephone support service period, generally one year, as the Company has not established fair value of telephone support services.

The Company provides consulting services that may be sold under multiple element arrangements. The Company has established fair value for these services. The Company recognizes the fair value of the services within the fixed fee arrangement, using the proportional performance method when telephone support services are not provided. The proportional performance is measured by the ratio of the direct labour costs incurred to date to the estimated direct labour costs for each contract, which are reviewed periodically. Revenue under time and materials service contracts are recognized as the services is performed.

#### e. Other Income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

#### f. Fixed Assets

##### i. Tangible assets

Tangible assets are stated at actual cost less accumulated depreciation. The actual cost capitalised includes material cost, freight, insurance, installation cost, duties and taxes, finance charges and other incidental expenses incurred during the construction/ installation stage.

Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Items of fixed asset that have been retired from active use are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the special purpose financial statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.

Loss arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

##### ii. Depreciation and amortization

Depreciation on fixed assets is computed on a straight-line method as per the useful lives prescribed under Schedule II of the Companies Act, 2013 except in respect of the following assets (based on technical evaluation):

Class of Asset	Useful life as prescribed in Schedule II	Useful life as followed by the Company
Office Equipment's	5 years	4 years
Furniture	10 years	4 to 5 years
Server and Network Equipment	6 years	4 years

The Company during the year ended March 31, 2015 revised the useful lives of Computers (effective April 1, 2014) to those specified in Schedule II of the Companies Act 2013. The

## **ZENSAR TECHNOLOGIES, INC.**

### **Notes to the financial statement for the year ended March 31, 2015 (contd.)**

carrying amount of the fixed assets as at April 1, 2014 will be depreciated over the remaining revised useful lives. The assets whose useful life is already completed as on April 1, 2014 is charged to retained earnings (net of deferred tax) as on that date.

The impact on account of this change on the profit for the year, is not material.

#### **g. Impairment**

The Management periodically assesses, using external and internal sources whether there is an indication that an asset may be impaired. If an asset is impaired, the Company recognises an impairment loss as the excess of the carrying amount of the asset over the recoverable amount.

#### **h. Investments**

Investments are classified as current investments and long-term investments based on the Management's intention at the time of purchase. Long-term investments are carried at cost and provision is made to recognise any diminution, other than temporary, in the value of such investment. Current investments are carried at lower of cost or fair market value.

#### **i. Leases**

##### **Operating Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease.

#### **j. Employee Retirement Benefits**

##### **i. 401(k) and Social Security Fund:**

The Company has Defined Contribution Plans for Post-employment benefits for all employees in the form of 401(k) Fund and Social Security Fund. These funds are classified as defined contribution plans as the Company has no further obligation beyond making the contributions as per plan. The Company's contributions to Defined Contribution Plans are charged to the Statement of Profit and Loss as and when incurred.

##### **ii. Compensated Absences:**

Liability for Compensated Absences is provided on the basis of valuation, as at the Balance Sheet date, carried out by an independent actuary. The Actuarial valuation method used for measuring the liability is the Projected Unit Credit method.

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits.

##### **iii. Termination benefits are recognised as an expense as and when incurred.**

##### **iv. The Actuarial gains and losses arising during the year are recognised in the Statement of Profit and Loss of the year without resorting to any amortisation.**

## **ZENSAR TECHNOLOGIES, INC.**

### **Notes to the financial statement for the year ended March 31, 2015 (contd.)**

#### **k. Current and deferred tax**

Provision for current tax is made and retained in the accounts on the basis of estimated tax liability as per the applicable provisions.

Deferred tax for timing differences between the book profits and tax profits is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date. Deferred tax assets arising from the timing differences are recognised to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax assets are recognised for tax loss and depreciation carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is virtually certain and is supported by convincing evidence that sufficient future taxable profits can be realised.

#### **l. Provisions and contingent liabilities**

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined based on best estimate of the expenditure required to settle the present obligation at the Balance Sheet date.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reasonable estimate of the amount cannot be made.

#### **m. Earnings per share**

The basic earnings per share is computed by dividing profit for the year after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which would have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period unless they have been issued at a later date.

#### **n. Cash and cash equivalents**

In the cash flow statement, cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

#### **o. Financial Instruments**

The Company early adopted Accounting Standard (AS) 30 "Financial Instruments: Recognition and Measurement" issued by the Institute of Chartered Accountants of India, along with the consequent limited revisions to other accounting standards, except so far as they are in conflict with other mandatory accounting standards and other regulatory requirements.

## **ZENSAR TECHNOLOGIES, INC.**

### **Notes to the financial statement for the year ended March 31, 2015 (contd.)**

#### **Derivative financial instruments**

The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange forward contracts reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts for trading or speculation purposes.

Forward contracts are fair valued at each reporting date. Changes in the fair values of forward contracts designated as cash flow hedges are recognized directly in the Hedging Reserve Account and reclassified into the Statement of Profit and Loss upon the occurrence of the hedged transaction. Changes in fair value relating to the ineffective portion of the hedges and derivatives not designated as hedges are recognized in the Statement of Profit and Loss as they arise.

#### **Non-Derivative Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets of the Company mainly include cash and bank balances, trade receivables, accrued income (unbilled services), employee travel and other advances, other loans and advances and derivative financial instruments with a positive fair value. Financial liabilities of the Company mainly comprise trade payables, accrued expenses and derivative financial instruments with a negative fair value.

Financial assets / liabilities are recognized on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

The Company assesses at each Balance Sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such indication exists, the Company estimates the amount of impairment loss as the difference between the assets carrying amount and undiscounted amount of future cash flows, which is recognised in the Statement of Profit and Loss.

Short-term receivables with no stated interest rates are measured at original invoice amount, if the effect of discounting is immaterial. Non-interest-bearing deposits are discounted to their present value.

The Company measures the short-term payables with no stated rate of interest at original invoice amount, if the effect of discounting is immaterial.

**ZENSAR TECHNOLOGIES, INC.****Notes to the Consolidated Financial Statements for the year ended March 31, 2015 (contd.)****2. Share capital**

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
<b>Authorised :</b>		
10,00,000 (March 31, 2014 : 10,00,000) equity shares, no par value	1,451.50	1,451.50
<b>Issued :</b>		
200,000 (March 31, 2014 : 200,000) equity shares, no par value	290.30	290.30
<b>Subscribed and paid up :</b>		
200,000 (March 31, 2014 : 200,000) equity shares fully paid-up, no par value	290.30	290.30
	<b>290.30</b>	<b>290.30</b>

**Note:**

1. All of the above shares are held by Zensar Technologies Limited, the Holding Company.
2. There is no movement in share capital during the year.

**3. Reserves and surplus**

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
<b>Foreign Currency Translation Reserve</b>		
Balance as at the beginning of the year	2,402.62	323.97
Add : Foreign currency translation reserve for the year	303.40	2,078.65
	2,706.02	2,402.62
<b>Surplus in the statement of Profit and Loss</b>		
Balance as at the beginning of the year	22,233.51	17,957.39
Add : Profit for the year	5,126.09	4,276.11
Less : Transitional Provision as per Note 1(f)(ii)	(1.40)	-
	<b>27,358.20</b>	<b>22,233.51</b>
	<b>30,064.21</b>	<b>24,636.12</b>

**ZENSAR TECHNOLOGIES, INC.****Notes to the Consolidated Financial Statements for the year ended March 31, 2015 (contd.)****4. Long-term borrowings**

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
Secured :		
Term Loans from Banks	0.00	7,190.40
(Refer note a and b below)		
	<u><b>-</b></u>	<u><b>7,190.40</b></u>

Note : Nature of security and terms of repayment for secured borrowings

a. Nature of Security :

Term loan from banks amounting INR 7,500.60 lakhs (March 31, 2014 : INR 14,380.80 lakhs) are secured by -

- i. SBLC (Stand By Letter of Credit) issued by Standard Chartered Bank, India at the request of Zensar Technologies (Holding Company) by way of hypothecation of the current and movable assets and mortgage of immovable assets of Holding company.
  - ii. 100% pledge over shares of PSI Holding Group Inc., USA.
- b. Repayable in 8 equal semi-annual installments starting in the 18th month from December 21, 2010, the date of issue of the SBLC. Interest to be paid every six months at LIBOR + 110 basis points.

**5. Other long-term liabilities**

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
Structuring fees	0.00	70.11
Deferred Lease Rent	142.29	155.87
Deferred Revenue	240.50	381.28
	<u><b>382.79</b></u>	<u><b>607.26</b></u>

**6. Long-term provisions**

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
Compensated absences	2,387.21	2,071.65
	<u><b>2,387.21</b></u>	<u><b>2,071.65</b></u>

**ZENSAR TECHNOLOGIES, INC.****Notes to the Consolidated Financial Statements for the year ended March 31, 2015 (contd.)****7. Short Term Borrowings**

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
Secured:		
Loan from Bank	9,715.87	2,139.00
(Refer note a and b below)		
	<b><u>9,715.87</u></b>	<b><u>2,139.00</u></b>

Note : Nature of security and terms of repayment for secured borrowings

a. Nature of Security :

Short Term loan from banks amounting INR 7,500.60 lakhs (March 31, 2014 : Nil) is secured by charge on the current assets of the Company

Also Revolving Credit Facility from bank amounting INR 2215.27 lakhs (March 31, 2014 : INR 2139 lakhs) secured by assest of the Company

Loan is repayable within one year from the date of drawal. Quarterly interest is payable at LIBOR + 280 basis

b. points.

**8. Trade paybles**

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
Trade payables	55,606.47	40,145.27
	<b><u>55,606.47</u></b>	<b><u>40,145.27</u></b>

**9. Other current liabilities**

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
Current maturities of long term debt (Refer note 4 (a & b))	7,500.60	7,190.40
Interest accrued but not due on borrowings	34.06	56.68
Deferred revenue	6,693.80	6,503.42
Employee benefits payable		
- Salaries	778.24	594.07
- Bonus and incentives	1,722.03	869.86
Others	261.08	235.45
- Provision for expenses	153.42	121.03
- Structuring fees	73.13	163.58
Sales tax payable	11.98	2.65
	<b><u>17,228.35</u></b>	<b><u>15,737.14</u></b>

**10. Short-term provisions**

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
Compensated absences	89.43	69.58
Taxation less payments thereagainst	154.15	399.27
	<b><u>243.58</u></b>	<b><u>468.85</u></b>

ZENSAR TECHNOLOGIES, INC.

11. Tangible Assets

Assets	GROSS BLOCK					DEPRECIATION				NET BLOCK		Rs. in lakhs
	Cost as on 1st April 2014	Additions during the year	Deletions during the year	Cost as on 31st March 2015	Accumulated Depreciation as on 1st April 2014*	Depreciation for the year	Depreciation written back on deletions during the year	Accumulated Depreciation as on 31st March 2015	As on 31st March 2015	As on 31st March 2014		
Improvement to Leasehold Premises	2,247.06	11.21	-	2,258.27	1,910.31	33.80	-	1,944.11	314.15	336.75		
Furniture and Fixtures	462.10	98.33	-	560.44	388.05	92.75	-	480.79	79.64	74.06		
Office Equipment	4,992.93	687.56	-	5,680.49	3,187.43	1,887.23	-	5,074.66	605.83	1,805.50		
<b>TOTAL</b>	<b>7,702.09</b>	<b>797.09</b>	<b>-</b>	<b>8,499.19</b>	<b>5,485.79</b>	<b>2,013.78</b>	<b>-</b>	<b>7,499.57</b>	<b>999.62</b>	<b>2,216.31</b>		
Exchange Fluctuation	525.31	28.17	-	553.48	1,222.31	(679.70)	-	542.61	10.87	(697.00)		
<b>Total Tangible assets</b>	<b>8,227.40</b>	<b>825.27</b>	<b>-</b>	<b>9,052.67</b>	<b>6,708.10</b>	<b>1,334.08</b>	<b>-</b>	<b>8,042.18</b>	<b>1,010.49</b>	<b>1,519.31</b>		
<b>Intangible assets :</b>												
Goodwill	23,921.63	9,185.27	-	33,106.90	-	-	-	-	33,106.90	23,921.53		
Software	670.06	67.54	-	737.60	929.38	(393.57)	-	535.81	201.78	(259.32)		
Exchange Fluctuation	9,599.19	-	-	9,599.19	166.45	(94.32)	-	72.13	9,527.06	9,432.74		
<b>Total Intangible assets</b>	<b>34,190.88</b>	<b>9,252.81</b>	<b>-</b>	<b>43,443.69</b>	<b>1,095.83</b>	<b>(487.89)</b>	<b>-</b>	<b>607.94</b>	<b>42,835.74</b>	<b>33,095.05</b>		
<b>Total</b>	<b>42,418.28</b>	<b>10,078.07</b>	<b>-</b>	<b>52,496.36</b>	<b>7,803.93</b>	<b>846.20</b>	<b>-</b>	<b>8,650.12</b>	<b>43,846.23</b>	<b>34,614.36</b>		

\*Accumulated depreciation as on April 1, 2014 includes INR 1.40 lacs relating to

\*Accumulated depreciation as on April 1, 2014 include INR 1.40 lacs debited to opening reserves.



**ZENSAR TECHNOLOGIES, INC.**

Notes to the Consolidated Financial Statements for the year ended March 31, 2015 (contd.)

**12. Non-current investments**

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
<b>Non- Trade</b>		
<b>Quoted</b>		
<b>Investment in equity instruments</b>		
1,591 (Previous year: 1,591) units of Prudential Financial Common Stock (face value of Rs. 0.45 each)	77.82	74.60
144 (Previous year: Nil) units of Eastman Kodak Co (face value of Rs. 2.20 each)	2.16	0.00
	<b>79.98</b>	<b>74.60</b>
Less : Provision for diminution in the value of investments	-	-
	<b>79.98</b>	<b>74.60</b>
Aggregate Amount of quoted investments	<b>79.98</b>	<b>74.60</b>
Market value of quoted investments	<b>86.34</b>	<b>80.70</b>

**13. Long-term loans and advances**

Unsecured, considered good (unless otherwise stated)

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
<b>Security deposits</b>	196.36	199.35
<b>Advances to related parties</b>	-	-
<b>Other loans and advances</b>		
Prepaid expenses	0.00	512.74
	<b>196.36</b>	<b>712.09</b>

**14. Deferred tax assets (net)**

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
<b>Deferred tax assets</b>		
Leave encashment	834.13	783.79
Provision for doubtful debts	197.93	176.79
Expenses allowed on payment basis	720.28	493.91
Others	59.97	160.42
<b>Gross deferred tax asset</b>	<b>1,812.31</b>	<b>1,614.91</b>
<b>Deferred tax liability</b>		
Loans and Advances	147.36	236.00
Unrealised Gain	0.26	0.68
Depreciation	65.84	52.78
Provision for Inventories	1,092.77	0.00
<b>Gross deferred tax liability</b>	<b>1,306.22</b>	<b>289.46</b>
<b>Net deferred tax asset</b>	<b>506.09</b>	<b>1,325.45</b>

**ZENSAR TECHNOLOGIES, INC.****Notes to the Consolidated Financial Statements for the year ended March 31, 2015 (contd.)****15 Inventories**

[Refer Note 1(g)]

Spare Parts in support of computer hardware maintenance contract	12,262.25	12,877.91
	<b>12,262.25</b>	<b>12,877.91</b>

**16. Trade receivables**

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
<b>Unsecured, considered good</b>		
Outstanding for a period exceeding 6 months from the date they are due for payment	98.13	0.00
Others	33,033.80	26,680.45
<b>Unsecured, considered doubtful</b>		
Outstanding for a period exceeding 6 months from the date they are due for payment	379.22	384.79
Others	6.52	53.65
Less : Provision for doubtful debts	482.50	490.95
	<b>33,035.16</b>	<b>26,627.94</b>

**17. Cash and bank balances**

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
Cash and cash equivalents:	1.33	1.15
Bank balances :		
- In current accounts	8,769.58	4,536.61
- In money market and treasury accounts	1.86	1.78
	<b>8,772.77</b>	<b>4,539.54</b>

**ZENSAR TECHNOLOGIES, INC.**

Notes to the Consolidated Financial Statements for the year ended March 31, 2015 (contd.)

**18. Short-term loans and advances**

(Unsecured, considered good unless otherwise stated)

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
<b>Advances to related parties</b>	611.75	50.66
<b>Other loans and advances</b>		
Advance Income Tax (Net of provision)	146.13	951.16
Prepaid expenses	813.61	988.75
Deferred Cost	1,353.09	1,724.30
Others	2,463.09	1,189.92
	<b><u>5,387.67</u></b>	<b><u>4,904.79</u></b>

**19. Other current assets**

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
Accrued income (unbilled services)	11,649.89	8,395.11
Others	184.16	53.57
	<b><u>11,834.05</u></b>	<b><u>8,448.68</u></b>

**20. Revenue from operations (Net)**

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
Income from software services	180,169.76	151,357.60
Income from sale of licenses for software applications	19,671.15	23,266.19
	<b><u>199,840.91</u></b>	<b><u>174,623.79</u></b>

**21. Other operating revenue**

	<b>2015</b> Rs. (in lakhs)	<b>2014</b> Rs. (in lakhs)
Provisions no longer required written back	828.61	1,192.05
Miscellaneous income	176.76	1.97
	<b><u>1,005.37</u></b>	<b><u>1,194.02</u></b>

**ZENSAR TECHNOLOGIES, INC.****Notes to the Consolidated Financial Statements for the year ended March 31, 2015 (contd.)****22. Other income**

	<b>2015</b>	<b>2014</b>
	Rs.	Rs.
	(in lakhs)	(in lakhs)
<b>Interest :</b>		
- Deposits with banks	0.57	0.64
- Others	1.45	1.40
Dividend Income on Quoted Investments	0.00	1.82
	<b>2.02</b>	<b>3.86</b>

**23. Employee benefits expenses**

	<b>2015</b>	<b>2014</b>
	Rs.	Rs.
	(in lakhs)	(in lakhs)
Salaries, wages and bonus	50,607.29	45,385.25
Contribution to other funds (refer note no.30)	4,280.15	4,024.78
Staff welfare expenses	4,454.09	4,393.17
	<b>59,341.52</b>	<b>53,803.20</b>

**24. Other expenses**

	<b>2015</b>	<b>2014</b>
	Rs.	Rs.
	(in lakhs)	(in lakhs)
Cost of spare parts and outsourced services in support of computer hardware maintenance contracts	8,403.14	11,010.71
Finders fees – cost	557.81	376.08
Procurement charges	1,583.84	0.00
Traveling and conveyance	3,219.54	2,750.70
Cost of manpower hired	3,661.05	0.00
Recruitment expenses	239.18	306.76
Training expenses	55.96	119.73
Electricity and power	290.17	192.01
Rent	2,160.53	2,184.86
Lease Rent	793.23	859.16
Repairs and maintenance	706.05	563.54
Insurance	185.79	176.27
Rates and taxes	64.46	71.46
Consumable media	3.01	11.04
Payment to auditors	77.75	57.56
Legal and professional charges	2,585.78	2,287.95
Postage, telephone and e-mail	963.08	880.00
Printing and stationery	146.90	140.57
Vehicle running expenses	2,572.87	3,162.57
Advertisement and publicity expenses	284.77	299.45
Purchase of licenses for software applications	756.47	207.36
Loss on sale of assets	0.00	2.04
Bad debts written off	2.41	0.00
Provision for Doubtful Debts	220.49	876.06
Miscellaneous expenses	1,257.79	928.95
	<b>30,792.10</b>	<b>27,464.83</b>

## ZENSAR TECHNOLOGIES, INC.

### Notes to the Consolidated Financial Statement for the year ended March 31, 2015

#### 26. Employee Stock Option Schemes

Currently there are two Employees Stock Option Plans (2002 ESOP and 2006 ESOP) in operation, both run by Zensar Technologies Limited, the parent Company as per its global policy.

Brief details of the plans are:

Particulars	2002 ESOP	2006 ESOP
Vesting Period	4 years	5 years
Maximum Term of Options granted	10 years	10 years

No amount is charged by the parent Company in respect of the stock options. Accordingly, no liability for unexercised options is recognised in the books.

Stock Option Activity under the "2006 ESOP" scheme is as follows:

#### 2006 Scheme

Particulars	2014-15		2013-14	
	No of options	Weighted average exercise price in Rs	No of options	Weighted average exercise price in Rs
Opening balance	3,54,648	150.10	3,56,530	134.02
Granted during the year	36,000	486.67	26,000	250.00
Exercised during the year	69,880	107.12	8,064	175.19
Add: Transfer In(On account of employees transferred from Zensar India to Zensar INC)	19,666	216.98	20,940	242.77
Less: Cancelled/Transferred out	36,840	186.32	40,758	150.26
Balance unexercised option	3,03,594	199.84	3,54,648	150.10
Exercisable at the end of the year	1,04,050	151.59	93,764	146.55

# ZENSAR TECHNOLOGIES, INC.

## Notes to the Consolidated Financial Statement for the year ended March 31, 2015 (contd.)

Transactions with Related parties						
Description of the Nature of the transaction	Volume of transactions during 2014-15	Volume of transactions during 2013-14	(Rs In Lacs)			
			Amount Outstanding as on March 31, 2015		Amount Outstanding as on March 31, 2014	
			Receivable	Payable	Receivable	Payable
<b>A. Receipt of Software and other services</b>						
1. Holding Company: Zensar Technologies Limited	60,611.82	51,575.32	-	44,100.71	-	28,106.20
2. Fellow subsidiaries:						
Zensar Technologies (UK) Limited	511.90	292.30	-	47.84	-	31.04
Zensar Advanced Technologies Limited	-	57.69	-	-	-	-
Zensar Technologies (Shanghai) Co. Limited	138.47	182.46	104.21	10.77	37.63	11.82
Zensar Technologies (Singapore) Pte. Limited	120.15	(1.68)	-	5.45	-	3.01
<b>Total of Receipt of Software Services</b>	<b>61,382.34</b>	<b>52,106.08</b>	<b>104.21</b>	<b>44,164.77</b>	<b>37.63</b>	<b>28,152.08</b>
<b>B. Guarantee Commission</b>						
1. Holding Company: Zensar Technologies Limited	108.60	142.93	-	46.03	-	35.46
<b>Total of Receipt of Other Services</b>	<b>108.60</b>	<b>142.93</b>	<b>-</b>	<b>46.03</b>	<b>-</b>	<b>35.46</b>
<b>C. Reimbursement of expenses by the Company</b>						
1. Holding Company: Zensar Technologies Limited	1,999.36	1,822.15	-	1,069.14	-	743.09
2. Fellow subsidiaries:						
Zensar Technologies (UK) Limited	112.36	96.36	21.22	6.24	8.93	7.63
Zensar Advanced Technologies Limited	-	-	-	-	-	-
Zensar Technologies (Shanghai) Co. Limited	1.00	0.06	-	3.64	-	-
Zensar Technologies Limited, Australia	-	-	-	-	-	-
<b>Total of Reimbursement of expenses by the Company</b>	<b>2,112.72</b>	<b>1,918.57</b>	<b>21.22</b>	<b>1,079.02</b>	<b>8.93</b>	<b>750.72</b>
<b>D. Reimbursement of expenses to the Company</b>						
1. Holding Company: Zensar Technologies Limited	333.62	189.38	414.34	176.40	-	17.83
2. Fellow subsidiaries:						
Zensar Technologies (UK) Limited	116.82	-	-	-	-	-
Zensar Advanced Technologies Limited	-	-	-	-	-	-
Zensar Technologies (Shanghai) Co. Limited	95.45	88.89	-	-	-	108.34
Zensar Technologies Limited, Australia	2.86	-	-	-	-	-
<b>Total of reimbursement of expenses to the Company</b>	<b>548.75</b>	<b>278.27</b>	<b>414.34</b>	<b>176.40</b>	<b>-</b>	<b>126.17</b>
<b>E. Advances given</b>						
1. Holding Company: Zensar Technologies Limited	-	-	-	-	-	-
2. Fellow subsidiaries: Zensar Technologies (Shanghai) Limited	-	-	-	-	-	-
<b>Total Advances given</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>F. Advances taken/repaid</b>						
Zensar Technologies IM Inc (Formerly known as Akbia, Inc., USA)	-	4,857.50	-	-	-	-
Zensar Technologies IM Inc (Formerly known as Akbia, Inc., USA)	-	(4,857.50)	-	-	-	-
<b>Total Advances taken/repaid</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>G. Remuneration to Key Management Personnel</b>						
(i) Mr. Vivek Gupta	195.45	171.44	-	-	-	-
(ii) Mr. Nitin Parab	296.85	275.91	-	-	-	-
(iii) Babu Venkatesh (wef 14.08.2014)	178.61	-	-	-	-	-
(iv) Ashu Chahal	178.61	-	-	-	-	-
<b>Total remuneration to Key Management Personnel</b>	<b>849.52</b>	<b>447.35</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**ZENSAR TECHNOLOGIES, INC.**

**Notes to the Consolidated Financial Statement for the year ended March 31, 2015 (contd.)**

**31. Segment Information**

Where a financial report contains both consolidated financial statements and separate financial statements of the parent, segment information needs to be presented only in case of consolidated financial statements. Accordingly, segment information has been provided only in the consolidated financial statements.

32. The Company files federal and state tax returns on consolidated basis with its subsidiary and follows allocation factors of revenue, payroll costs and book value of property, plant and equipment for allocating consolidated taxable income to its subsidiary for various states it has operations. Consequent to such allocation, higher taxable income is getting allocated to the subsidiary. As a result, the subsidiary has recognised an incremental state tax provision of Rs. 174.39 lakhs (Previous year Rs. 122.49 lakhs) for the current year.

**33. Reclassification**

Previous year figures have been reclassified to conform to this year's classification.

As per our report of even date.

For **Chetan Mayur & Co.**  
Firm Registration Number: 123216W  
Chartered Accountants



**Chetan Shroff**  
Partner  
Membership No. 104273

For and on behalf of the Board of Directors of  
**Zensar Technologies Inc.**

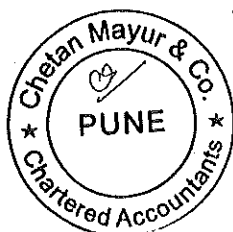


**Dr. Ganesh Natarajan**  
Director



**P.K. Mohapatra**  
Director

Place: Pune  
Date: April 28 2015



Place: Mumbai  
Date: April 28 2015