



*Feel Safe*

**The Measure of Our Success**



*Feel Safe*

Zicom Electronic Security Systems Limited  
Landmark, A Wing, 6<sup>th</sup> Floor, Andheri Kurla Road, Andheri (E), Mumbai 400 093.  
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**Annual Report 2007 - 08**



*Feel Safe*

## C O N T E N T S

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Vision, Mission & Core Values	From the Chairman's Desk	Managing Director Speaks	Board of Directors	About Zicom	Group Companies	Partial List of Clientele	Life at Zicom	Financial Highlights	Notice	Directors' Report	Management Discussion & Analysis	Corporate Governance Report
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Auditors' Report	Balance Sheet	Profit & Loss Account	Cash Flow	Schedules forming part of Annual Accounts	Notes to Accounts	Balance Sheet Abstract	Auditors' Report on Consolidated Accounts	Consolidated Balance Sheet	Consolidated Profit & Loss	Consolidated Cash Flow	Schedules forming part of Consolidated Accounts	Notes to Consolidated Accounts

# 1,227,685

## Mumbai Traffic Police

Over 1,227,685 vehicles watched over



But we measure it by their Comfort

### Vision, Mission & Core Values

#### Vision Statement

“To be the Company you **Trust** the most  
to **Protect** what you **Value** the most”

#### Mission Statement

Zicom is committed to provide safety to customer by continuously developing and delivering / offering new technologies, innovative products, solutions and delightful services, by abiding all its commitments to customers. We will nurture our channel partners by providing profitable avenues of growth and fulfill responsibilities towards shareholders 'by achieving consistent growth in shareholders' value and adhering to fair practices in all its dealings with employees and business partners.

#### Core Values

1. Stay tuned to the Customers at all times.
2. Keep raising the bar on Performance.
3. Work with Transparency, Integrity and Accountability.

10,349,832



## Varanasi Temple

Over 10,349,832 devotees  
watched over by Zicom

But we measure it by their Faith

## From the chairman's Desk

Dear Shareholders,

I am pleased to present you this Annual Report and annual accounts of the Company for the year ended March 31, 2008. Fiscal year 2007-2008 has been symphonic year showing spectacular growth not only by the Company but also by its subsidiaries. The flagship Company has crossed a turnover of Rs. 1645.19 million with Net Profit after Tax of Rs. 80.43 million. You will be pleased to note that the total consolidated income for the year ended March 31, 2008 reached to Rs. 2911.58 million showing remarkable growth of over 87.24% as compared to Rs. 1555.00 million in previous year. In my view, the Company has made excellent progress in terms of top line growth and EBIDTA growth considering the fact that the total launch and advertisement expenditure of Rs. 218.38 million of Company's retail subsidiary viz. Zicom Retail Products Private Limited (ZRPPL) has been entirely written off. In spite of challenges faced by the Company, I am proud to say that your Company has maintained its leading position by strategizing its business model and extending its customer base across nation.

India's economy has been one of the stars of global economics in recent years, growing 9.2% in 2007. Like most of the world, however, India is facing testing economic times in 2008. Rapidly rising inflation at 11.89% noted in June, 2008 and the complexities of running the world's biggest democracy are proving challenging. Under this scenario, I expect further tightening of monetary policy by central bank making things difficult for the growth of business and industry. The resilience displayed by Indian economy in light of developments in the global economy since the onset of the credit crises in 2007 is clear indication of sustainable nature of India's growth momentum. Continued investment in infrastructure, investment in education and holistic development of agriculture sectors are going to be new economic drivers to realize India's full potential in long run.

As per recent survey, the electronic security market in India is estimated at Rs. 1,1500 million as on March 31, 2007 and expected to grow at CAGR of 23%. In my view, Indian Electronic Security Industry has just taken off and will do well in foreseeable future in view of the growth expected in IT /ITES, commercial construction, retail infrastructure, hospitality and industrial sector growth.



As the Company has embarked upon the long term task of building up category of home and retail security, the initial success of ZRPPL of having achieved turnover above Rs. 500 million is in my view not a small achievement. The Company has opened up 110 SIS stores (Shop-In-Shop) and 18 OBS (Own Branded Stores) stores till June 30, 2008 and plans to take number of stores to 250 through SIS. With this your Company will be the only organized national player in retail security domain.

Another most important achievement of the Company during last year was successful turnaround of Unisafe Fire Protection Specialists LLC, Dubai, UAE. I am proud that in its first full year of operation after acquisition, Unisafe has achieved turnover of Rs. 721.95 million and profit of Rs. 126.20 million mainly due to better administration, management and buoyant business scenario in gulf region. Thus investment made in Unisafe has been fruitful and return of investment has been achieved much earlier than expectation. I foresee that Unisafe will be front runner in driving the profitability for the Group.

Zicom Honkong made a small beginning by registering sale of Rs. 47.84 million with a profit of Rs. 3.98 million.

Our recent foray with CNA Group, Singapore by setting up a joint venture in India viz Zicom CNA Automation Limited is expected to make Zicom a niche technology player in the field of intelligent buildings and green buildings.

Due to change in international financial scenario, Company's plan for infusing further equity thru GDR and FCCB was not completed. This may be taken up at appropriate time in future. The Company is thankful to each of its Zi-Champs, Bankers, Stakeholders, Customers, Business Associates; for contributing their might to the success of the organization. I thank all of you for having reposed your confidence and faith in the Company.

Feel Safe,

Manohar Bidaye  
Chairman

# 2,812,768

## Hyper City

Over 2,812,768 shoppers provided a safe environment



But we measure it by their smiles

## MD speaks

Dear Stakeholders,

Our continued success and growth is a result of our prudent and pragmatic corporate strategy and business model. Businesses across all verticals have performed well and we remain optimistic that it will remain so, for the next few years, ably supported by the growing Indian economy and the real estate boom in the Middle East. While we remain bullish like never before, keeping in mind factors such as the US sub-prime credit crisis, the speculative fever in the real estate markets now cooling down, firming up of interest rates and oil boiling at around USD 140, we would like to remain cautious on the effect of these developments on the Indian economy specially since our business is dependent on the real estate growth.



While the demand for better enterprise security continues to accelerate, the value chain in providing security solutions is also growing, thanks to the convergence of Security, IT and Telecommunication, creating a whole new world of possibilities. Moreover, we are witnessing India getting increasingly security conscious with the renewed threat of terrorism, especially in wake of the Hyderabad and Jaipur blasts that has compelled our government towards the need for higher vigilance and stringent security systems. We were recently awarded the contract for Bangalore City B-Trac Project, Temples of Varanasi and Mathura, Amritsar Airport, which clearly indicates that government spending in the area of Security and Safety is ever increasing.

Our retail venture had embarked on a Herculean task of creating a new category and has done it in style. Our business in Middle East continues to do well with some landmark projects being executed. Furthermore, our new venture in Intelligent Integrated Infrastructure Management Solutions and Green Buildings under the new company Zicom CNA Automation Ltd. has successfully started its operations in India. All these initiatives are expected to deliver rich dividends.

We, at Zicom, intend to fulfill the demand for greater and reliable security devices and solutions during the current year. Propelled by our vision "To be the Company you **Trust** the most, to **Protect** what you **Value** the most", we will continue our march to exceed your expectations. We would like to thank all our Stakeholders, Bankers, Customers, Business Partners and Zi-Champs for making us all proud of yet another successful year.

Feel safe,

**Pramoud Rao**  
Managing Director

# 1,456,566

## Kolkata Metro

Over 1,456,566 commuters secured



But we measure it by their Peace of Mind

### Board of Directors



#### Manohar Bidaye, Promoter & Chairman

Manohar Bidaye is a Promoter and Chairman of Zicom. He is a Master of Commerce (M.Com) from the University of Mumbai, has a General Degree in Law and is also a Fellow Member of The Institute of Company Secretaries of India. He has got a vast experience of about 16 years in the field of Corporate Planning / Strategy Forming, Corporate Law, Finance, Taxation and other related areas. He is the proud recipient of the prestigious "Yashashree 2008" award given by Maharashtra Times, which recognizes and honours successful entrepreneurs and professionals who have made significant achievements across various industry segments.



#### Pramoud Rao, Promoter & Managing Director

Pramoud Rao is a Promoter and Managing Director of Zicom. He is a Science Graduate and has over 19 years of marketing experience in various conceptual product categories. He looks after the day-to-day affairs of the Company and is responsible for identifying strategic international business partners, strategy planning, overall marketing and sales functions. He has been awarded "Bharat Shiromani Award" by The Indian Institute of Economic Studies.



#### Mukul Desai, Director

Mukul Desai is a Director of Zicom since 1996 and is the Chairman of the Audit Committee. He has been practicing as a Chartered Accountant since 1982 and has varied experience in the field of Audit & Taxation. He has developed expertise in Corporate Law Matters, Direct and Indirect Taxation Laws, Corporate Finance Structuring, etc. At present, Partner of M/s. Sundaral Desai and Kanodia, Chartered Accountants, is responsible for looking after the Company's over all conduct of Audits and representation before Tax authorities.



#### Vijay Kalantri, Director

Vijay G. Kalantri is G.C.D. and Diploma Holder in Textile and Industrialist by profession. He has been actively involved with various Industries and Government Bodies in different capacities like President of All India Association of Industries, Indian Council of Foreign Trade, etc. He has been honored with various prestigious awards by Institutions and Organizations representing Industry, Government Bodies and Socio-Economic Institutions.



#### Achyut Godbole, Director

Achyut Godbole holds B. Tech (Chemical Engineer) and possesses over 30 years of experience in Software Development in India and UK in world renowned companies like IBM, Hindustan Lever, L & T InfoTech, etc. He has been awarded 3 times by IBM World Trade Corporation for performance excellence. He has been instrumental in designing ERP packages and implementing in many Companies world wide. He was awarded twice by the Prime Minister for excellent export performance of his Company.



#### Dr. B. Samal, Director

Dr. B. Samal is gold medalist in M.Sc. (Ag.) and holds a Doctorate degree in Economics. Besides he holds Post Graduate Diploma in Bank Management. He retired as Member of Securities Appellate Tribunal under Ministry of Finance, Department of Corporate Affairs, prior to which he held the post of Chairman and Managing Director in Allahabad Bank and Industrial Investment Bank of India Limited. He has been awarded "Seva Ratna" by His Excellency Governor of West Bengal.

# 897,254,213

## Western Railway

Over 897,254,213 passengers protected



But we measure it by their Confidence

## About Zicom

### Building Solutions Group

As a technology driven company Zicom aggressively develops and offers cutting-edge solutions in the domain of electronic security and intelligent building management systems. Zicom's Building Solutions Group provides integrated security solutions right from conceptualizing, designing and delivering, to maintaining 'end to end' security solutions. After systematic analysis of the threat perception of our customers, we provide solutions which are innovative, efficient, robust and scalable. Our extensive range of electronic security systems cater to every conceivable customer need and application.

During the last year, Building Solutions Group launched our own branded products in India that included iSight – CCTV Surveillance System, iSense - UL & EN range of Fire Alarm Systems, iPass – Comprehensive Access Control System and iMaster – state of the art Intelligent Building Management System. They are all linked with a Central Monitoring Station (CMS) and Video Monitoring Station (VMS) enabling fool proof security 24/7. In keeping with the growing requirement of the Indian market, we are in the process of building a new 'Application Engineering Center' which will consist of highly competent people trained to develop new applications to solve customer problems.

### Special Projects Group

Zicom's Special Projects Group provides large scale comprehensive and unique security solutions to the Government and Public Sector Units for risk management against terrorism, anti-social elements and restrictive access to Government Property and Premises.

The group provides complete and comprehensive solutions which meet the total security needs from perimeter protection inwards based on multi layered defense and increasing degree of difficulty in penetration, resulting in near impregnable security blanket with no gaps.

It also provides wide area city surveillance comprising 100 CCTV cameras at Mumbai and 80 CCTV cameras in Bangalore. These systems have acted as significant force multipliers in traffic control, sanitization of VIP routes and areas and even proactive crime management.

It is a matter of pride that the security system provided by the Company in Mumbai suburban railway stations provides safety and security to more than 60 lakhs daily commuters. This is the highest number of people being protected by any security project in the world.

# 40,000

**ONGC**

Over 40,000 employees given security



But we measure it by their Progress

## Group Companies

### Zicom Retail Products Private Limited

Zicom Retail Products Pvt. Ltd. – the wholly owned subsidiary of Zicom has been set up to cater to the electronic security needs of homes, individuals, builders, and more. Our ability to identify and cater to the security needs of our customers is what sets us apart. This endeavor will help us serve our customers better. Zicom Retail has varied products like Burglar Alarm Systems, Video Door Phones, Finger Print Locks, CCTV Surveillance Systems, Multi – Apartment Video Door Phones which cater to homes, SME's, SOHO's, builders and retail segment. Zicom Retail has recently added the Personal Security Products range that comprises of Anti-sleep Alert, Safety Alarm, Anti-loss Kids and more that cater to the security needs of individuals. This is the first company in India to launch exclusive electronic security shops and Shop-In-Shops on a PAN India basis. Its service network is spread across 66 cities across India. Zicom Retail Products Pvt. Ltd. believes in enhancing your security wherever you are, wherever you go.

### Unisafe Fire Protection Specialists LLC, Dubai

UNISAFE, is recognized as one of the leading companies in Fire Protection Systems. Located in U.A.E. with its head office in Dubai, it also has a branch office in Abu Dhabi. It offer services to various clients in the entire United Arab Emirates. It is competent to design and customize in-house Fire Protection Systems. Engineers are well trained and experienced in installing and maintaining all kinds of equipments and systems pertaining to Fire Protection System.

It have a vast experience in the Fire Protection field and capable of handling any systems from Design, Installation, Testing & Commissioning through Servicing and Maintenance. Engineers periodically undergo extensive training in-house as well as abroad and attend seminars regularly to update themselves to the latest developments in the specialized field.

### Zicom Manufacturing Co. (HK) Limited

Zicom Manufacturing Co. (HK) Ltd. is a subsidiary with 76% shareholding set up in Hongkong on April 12, 2007. The company was formed with a view to enable our group Companies to source equipments at competitive prices and promote international sales and marketing of Zicom branded products. This subsidiary is also working towards setting up of manufacturing facilities for the Company in China and other neighbouring countries.

### Zicom CNA Automation Limited

Zicom CNA Automation Limited is a joint venture company formed between CNA Group Ltd, Singapore and Zicom Electronic Security Systems Ltd., India with a vision to become the foremost integrated systems solution provider in infrastructure facilities in India. The Company has been formed with a mission to be the premier market & customer driven designer, developer and provider of high quality building automation products, solutions and services, HVAC controls, security & access control, fire alarm system, lighting controls, public address systems and other building systems, integrated Turnkey Solutions for infrastructure facilities such as Airports and MRTS (Mass Rapid Transports).

9,000

**World Network Services**

More than 9,000 employees protected



But we measure it by their success

**Partial List of clientele****Pharma**

- Johnson and Johnson Ltd.
- Glaxosmithkline Pharmaceuticals Ltd.
- Ranbaxy Laboratories Ltd.
- Cipla Ltd.
- Nicholas Piramal India Ltd.

**Banks**

- HSBC
- HDFC Bank Ltd.
- Yes Bank
- Kotak Mahindra Bank Ltd.
- The Bank of New York

**Entertainment**

- Shringar Cinemas Ltd.
- Entertainment Network India Ltd.
- Fame India Ltd.
- Inox Leisure Ltd.
- Star India Pvt. Ltd.

**Industries**

- Godrej and Boyce Mfg. Co. Ltd.
- ACC Ltd.
- Larsen & Toubro Ltd.
- Reliance Industries Ltd.
- Hindustan Unilever Ltd.
- ARAT FORGE Ltd.

**Religious Places**

- Kashi Vishwanath Mandir (Varanasi)
- Krishna Janma Sthan (Mathura)
- The Siddhivinayak Temple Trust
- Mantralayam Temple
- Haji Ali Dargah

**Aviation**

- Bureau of Civil Aviation
- Airport Authorities of India
- Kingfisher Airlines
- Jet Airways
- British Airways

**International Projects**

- A3 Jumeirah Lake Towers
- The Palm Jumeirah Phase II & Crescent Infrastructure
- Al Waqra Hospital for Hamad Medical Corp.
- Daman Building Project, Dubai
- Voltas Limited – Al-Ethihad Towers

**Academic Institutions**

- SVKM's NMIMS University
- Indian Institute of Astrophysics
- Madras ENT Research Foundation (P) Ltd.
- Symbiosis Centre of Distance Learning (SCDL)
- ICFAI

**BPO**

- WNS Global Services (P) Ltd.
- TATA Consultancy Ltd.
- iflex Solutions Ltd.
- J.P. Morgan Services Pvt. Ltd.
- Deloitte Consulting India Pvt. Ltd.

**Finance**

- Franklin Templeton International Services (India) Company Ltd.
- Cholamandalam MS General Insurance Company Ltd.
- MCX
- Citicorp Finance (India) Ltd.
- Bajaj Allianz General Insurance

**Jewellery**

- Adora Jewellers
- C. Krishaih Chetty & Sons Ltd.
- Diamart Jewellery (India) Pvt. Ltd.
- JRD Jewels Pvt. Ltd.
- World Diamond Manufacturers Pvt. Ltd.

**Retail**

- Indibulls Megastore
- HyperCity Retail (India) Ltd.
- Reliance Retail Ltd.
- Pantaloon Retail (I) Ltd.
- Westside (Trent) Ltd.

**Call Centre**

- Accenture India Pvt. Ltd.
- Efund International India Pvt. Ltd.
- JP Morgan Services India Pvt. Ltd.
- Merck Ltd.
- Syntel Sourcing Pvt. Ltd.

**Automobiles**

- Ashok Leyland
- Auto Hanger (I) Pvt. Ltd.
- Bajaj Auto Ltd.
- Raheja Automobiles
- Delphi Automotive Systems Ltd.

**Builders**

- Godrej Properties Ltd.
- Hiranandani Builders
- Prestige Estates Projects (P) Ltd.
- Nagarjuna Construction Company Ltd.
- Dewan Housing Finance Ltd.

**Government**

- MIDC
- Steel Authority of India
- Western Railway - Mumbai
- Kamataka Road Development Corporation Ltd.
- Goa Legislature Secretariat, Secretariat

**Media**

- Reuters India Pvt. Ltd.
- NDTV Media Ltd.
- Lokmat
- Bennett, Coleman & Co. Ltd.
- HT Media Ltd.

**Telecom**

- Vodafone Essar South Ltd.
- Bharati Airtel Ltd.
- VSNL
- BPL Mobile Cellular Ltd.
- Sky Net Telecom

**IT**

- SAP India Pvt. Ltd.
- Wipro Ltd.
- Microsoft India (R&D) Pvt. Ltd.
- Dell Computer India Pvt. Ltd.
- LG Software India Pvt. Ltd.

1,033,327

## Prince of Wales Museum

More than 1,033,327 people come to see valuable antiques watched over by us



But the measure is Priceless

### Life at Zicom

At Zicom Electronic Security Systems Limited, life is an amalgamation of Work and Fun. We understand that an 'Engaged Employee' who is intellectually and emotionally bonded with the organisation, feels passionately about the organisation's goals and is committed towards its values. They go that extra mile beyond the basic job responsibility and are associated with the actions that drive the business. In order to create more 'engaged employees, various Employee Engagement activities were carried out.

#### Employee of the month Awards:

A new initiative this year has been to Recognize and Reward Outstanding employees. Employees from the Sales, Service, Project and Support functions whose performance has been exemplary are recognized and rewarded at the organizational level. Their achievements are published to all employees, thus increasing the morale of the individuals.



#### Instant Awards:

The Instant Award was instituted to encourage Innovativeness, Problem solving in exceeding the customer commitments and meeting the Company objectives in areas related to Knowledge acquisition, etc.



#### Team of the Quarter Awards:

In order to encourage competitiveness among various branches and to continue to have performance as the focus of all activities, the Team of the Quarter Awards were announced. A rolling trophy has been specifically created for the same purpose. Teams are working hard towards attaining the prized possession.



#### Mere Vichaar:

As an initiative to synergize our efforts in achieving our goals, an email id mere.vichaar@zicom.com has been created. Employees could write and provide their valuable suggestions on Scaling Business Processes, Enhancing Systems and Processes and Improving Team Morale. Feedback on the organization, its policies and innovative ideas that would take the organization to heights are welcome.

#### Helpdesk:

In order to address all the issues faced by our employees located PAN India, a new e-mail-id helpdesk.hr@zicom.com has been launched. Employee queries and issues are being addressed using this platform.

#### Learning and Development Activities:

With a view of improving /maintaining the quality and productivity within the organisation, immense Learning and Development activities have been carried out in the organisation during the last financial year. Product Trainings, Functional Trainings and Behavioural Trainings were conducted for all employees across locations. Franchisees and other partners in growth were also trained at regular intervals based on their requirement.

#### Fundoo Activities:

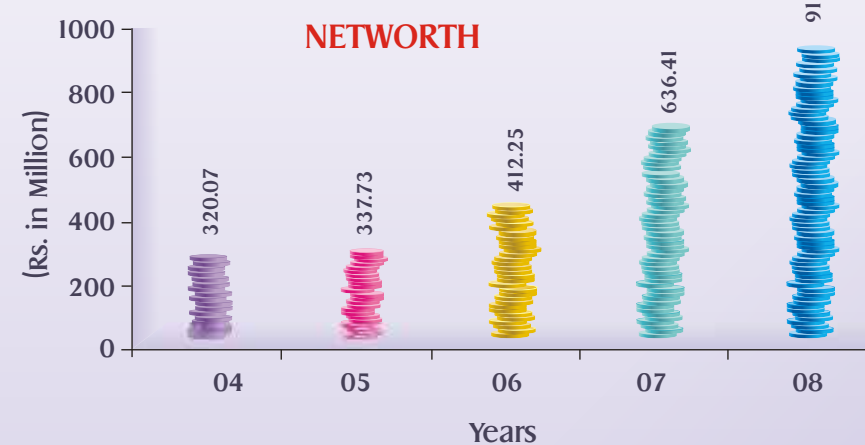
Under the "Fundoo" Brand, various employee engagement activities have been organized at regular intervals. The Fundoo calendar lists various FUN activities for employees of the organisation. For the first time Sports Day was organised by the Company in which employees participated with full vigour and zest. Every Fundoo activity right from the Women's Day to the Kool Kids Day was celebrated with enthusiasm.

## Financials for last 5 years

(Amount in Million)

Particulars	2008*	2007	2006	2005	2004
Income	2,911.59	1,555.01	757.99	577.50	408.66
Expenditure	2,901.37	1,433.11	681.31	503.89	364.62
Profit Before Tax	8.99	123.54	76.68	73.61	44.04
Taxation	-31.73	44.18	21.45	19.27	12.66
Profit After Tax	40.72	79.37	55.23	54.33	31.38
Paid-up Share Capital	126.99	97.47	85.87	81.87	81.87
Reserves & Surplus	784.18	538.94	326.38	255.86	238.20

\* Consolidated Figures



## Notice

**NOTICE** is hereby given that the Fourteenth Annual General Meeting of the Members of ZICOM ELECTRONIC SECURITY SYSTEMS LIMITED will be held on Friday, the 12<sup>th</sup> day of September, 2008, at 4.00 p.m., at hotel The Mirador, New Link Road, Chakala, Andheri East, Mumbai 400 099 to transact the following business:

### ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as at March 31, 2008, the Profit and Loss Account for the year ended on that date, together with the Reports of the Board of Directors and the Auditors thereon.
- 2) To declare dividend on equity shares of the Company.
- 3) To appoint a Director in place of Mr. Achyut Godbole, who retires by rotation, and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Dr. B. Samal, who retires by rotation, and being eligible, offers himself for re-appointment.
- 5) To appoint Auditors to hold office from the conclusion of this meeting, until the conclusion of the next Annual General Meeting of the Company, and to fix their remuneration.

By Order of the Board of Directors

**Dimple Mehta**

Company Secretary

Place: Mumbai

Date: June 30, 2008

### Registered Office:

Landmark, A-Wing, 6<sup>th</sup> Floor,  
Off. Western Express Highway,  
Andheri Kurla Road, Andheri East,  
Mumbai 400 093

**Notice****NOTES:****Proxy information**

1. Member entitled to attend and vote at the Annual General Meeting to be held on September 12, 2008, convened by this Notice, is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Member of the Company.
2. A form of proxy for the Annual General Meeting is enclosed. To be valid, a form of proxy must be lodged at the Registered Office of the Company not less than 48 hours before the time appointed for holding the Annual General Meeting, and in default thereof the form of proxy shall not be treated as valid. In case of proxy being appointed by a representative of a Corporate Member / a power of attorney holder of a Member, such duly executed proxy, together with resolution appointing representative / power of attorney (if any), must be lodged with the Company as per the instructions given herein.

**Attendance**

3. Members / Proxies should bring with them the attendance slip duly filled in for attending the Annual General Meeting and produce the same at the entrance of the meeting hall. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.

**Dividend**

4. The Board has recommended a final dividend of Re.1/- per share on 12,699,829 equity shares of the Company in respect of the year ended March 31, 2008 payable to shareholders' who are on the Register of Members or on statement of beneficial ownership furnished by depositories, at the end of business hours on September 5, 2008. The final dividend, which is payable on or after September 18, 2008, is subject to shareholders' approval at the Annual General Meeting.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, September 6, 2008 to Friday, September 12, 2008 (both days inclusive), to decide the entitlement of the shareholders' for payment of the proposed dividend that may be declared at the Annual General Meeting.
6. Those Members, who have not encashed their dividend warrants in respect of dividends for the years 2000-2001, 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006 and 2006-2007; are requested to contact the Share Department at the Registered Office of the Company for re-validation of the Dividend Warrants or issue of fresh Demand Drafts. Pursuant to the amended provisions of the Companies Act, 1956; the unclaimed / unpaid dividend will be transferred on the specified dates to the Investors' Education and Protection Fund set up by the Central Government. Once the dividend is transferred to the above Fund, no claim shall lie against the Company or the said Fund in respect of such unclaimed / unpaid dividends.
7. Any change in the bank account details of shareholders' or their address may please be informed immediately to the Share Department of the Company or Depository Participants, as the case may be, to enable the Company to update its records.
8. To avoid loss of dividend warrants in transit and undue delay in receipt of dividend warrants, the Company has provided a facility to the Members for remittance of dividend through the Electronic Clearing System (ECS). The ECS facility is available at locations identified by The Reserve Bank of India from time to time and covers most of the cities and towns. Members holding shares in physical form and desirous of availing this facility are requested to contact the Company's Registrar and Share Transfer Agent.

**Inspection**

9. All the documents referred to in this Notice are open for inspection by the Members at the Registered Office of the Company on all working days between 11.00 a.m. to 1.00 p.m., up to the date of the Annual General Meeting and during the time of the meeting.

**Notice****Directors**

10. In relation to agenda item nos. 3 & 4 in the Notice of Annual General Meeting, regarding re-appointment of Mr. Achyut Godbole and Dr. B. Samal, respectively, who are liable to retire by rotation at the ensuing Annual General Meeting and, being eligible, have offered themselves for re-appointment by the shareholders.

Details of each of the Directors who have offered themselves for re-appointment at the Annual General Meeting are as follows:

(i) **Mr. Achyut Godbole**, B.Tech.-Chemical (aged 57 years)

Mr. Achyut Godbole was appointed as an Independent Non-executive Director of the Company in June 2006. He is a Member of Remuneration Committee of the Company. He possesses over 30 years of experience in Software Development in India and UK in world renowned companies like IBM, Hindustan Lever, L & T Infotech, etc. He has been awarded 3 times by IBM World Trade Corporation for performance excellence. Besides, his career as a technocrat as above, he is deeply involved in music and book writing. He has been awarded "Udyogratha" by Indian Economic Council for his contribution to Information Technology and "Kumar Gandharva Award" by Pandit Bhimsen Joshi for his contribution to music and computers.

(ii) **Dr. B. Samal**, M.Sc.-Agriculture, Ph.D.-Economics (aged 64 years)

Dr. B. Samal was appointed as an Independent Non-executive Director of the Company in June 2006. He is a Member of FCCB Committee; Compensation Committee and Preferential Issue Committee of the Company. He is gold medalist in M.Sc. (Ag.) and holds a Doctorate degree in Economics. Besides, he holds Post Graduate Diploma in Bank Management. He retired as Member of Securities Appellate Tribunal under Ministry of Finance, Department of Corporate Affairs, prior to which he held the post of Chairman and Managing Director in Allahabad Bank. He held various positions such as Executive, Asst. General Manager, Deputy General Manager, General Manager, Executive Director in various Banks. His areas of specialization includes Banking-Rural Credit, HRD, Security related activities, etc. He was a Member of Study Group set up by Indian Bank's Association (IBA) on working capital finance including Assessment of Maximum Bank Finance. He also occupied a position as Chairman of Study Group set up by Indian Banks' Association (IBA) to examine the pattern of sharing of expenses of IBA. He has been awarded "Seva Ratna" by His Excellency Governor of West Bengal.

Both the above Directors do not have any financial or family relationships with any other directors, senior management or substantial or controlling shareholders' of the Company.

Further details of Mr. Achyut Godbole and Dr. B. Samal, as required under Clause 49 of the Listing Agreement, are given in the Corporate Governance Report forming part of this Annual Report.

**Miscellaneous**

11. Members desiring any information at the Annual General Meeting are requested to write to the Company at least 10 (ten) days in advance, so as to enable the Company to keep the information ready.
12. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the meeting.

**By Order of the Board of Directors****Dimple Mehta**

Company Secretary

Place: Mumbai

Date: June 30, 2008

**Registered Office:**

Landmark, A-Wing, 6<sup>th</sup> Floor,  
Off. Western Express Highway,  
Andheri Kurla Road, Andheri East,  
Mumbai 400 093

**Directors' Report**

To the Members,

Your Directors have pleasure in placing before you their Fourteenth Annual Report, together with the Audited Accounts of the Company for the financial year ended March 31, 2008.

**FINANCIAL HIGHLIGHTS**

(Rupees in million)

Particulars	March 31, 2008	March 31, 2007
Net Sales / Income from Operations	1,645.19	1,545.82
Other Income	4.64	9.19
Total Income	1,649.83	1,555.01
Total Expenditure	1,444.17	1,386.31
Gross Profit Before Interest & Depreciation	205.66	168.70
Interest & Finance Charges	62.01	11.12
Gross Profit Before Depreciation and Taxation	143.65	157.58
Depreciation	16.70	35.68
Profit Before Prior Period Items	126.95	121.90
Add: Prior Period Items	(1.23)	1.64
Profit Before Tax	125.72	123.54
Provision for Taxation:		
Current Year	39.70	26.50
Deferred	3.94	18.93
Fringe Benefit Tax	1.65	2.50
Taxation of earlier years	Nil	(3.76)
Net Profit after Taxation	80.43	79.37
Add : Balance Brought Forward from Previous Year	164.91	107.06
Profit Available for Appropriation	245.34	186.43
<b>APPROPRIATIONS:</b>		
Transfer to General Reserve	Nil	4.00
Provision for Dividend	12.70	14.98
Provision for Tax on Dividend	2.16	2.54
Dividend including Taxes for Earlier Year	3.28	Nil
Balance of Profit Carried Forward to Balance Sheet	227.20	164.91

**Directors' Report**
**OPERATIONS**

During the year under review, Zicom has achieved the Total Income of Rs. 1,649.83 million vis-a-vis Rs. 1,555.01 million in the previous year, showing a growth of 6.10%. The Gross Profit before Interest, Depreciation and Tax of Rs. 205.66 million compared with Rs. 168.70 million in the previous year, shows an increase of 21.91%. Net Profit after Tax was almost stagnant at Rs. 80.43 million compared to Rs. 79.37 million in the previous year, mainly due to higher finance charges and tax impact. It may however be pointed out that the results of the year under review are not strictly comparable with the results of the previous year, because the performance of the retail business is not reflected in the results of the year under review.

In view of the subsidiary structure created under flagship Company, the year under review was a year of restructuring of business of the Company. The Company has for the first time published the consolidated performance to cover performance of the following subsidiaries namely Zicom Retail Products Private Limited ("ZRPPPL"), Unisafe Fire Protection Specialists LLC, Dubai ("UNISAFE") and Zicom Manufacturing Co. (HK) Ltd. On a consolidated basis, the Company has achieved the Total Income of Rs. 2,911.59 million with Net Profit of Rs. 14.54 million. Although the Company's consolidated net income has increased sharply, the profits have been affected mainly due to writing off of entire brand building expenditure of Rs. 218.39 million of new retail venture.

**DIVIDEND**

Considering stringent money market situation and need to conserve the resources for future business plans, your Board has recommended a dividend of Re. 1/- (10%) (previous year 14%) on equity shares of Rs.10/- each of the Company entailing the total payout of Rs. 14.98 million (previous year Rs. 20.80 million).

**BUSINESS DEVELOPMENTS AND PROSPECTS**

The year 2007-2008 witnessed major changes in group structure in order to address various segments in electronic safety and security market. In order to focus on fastest growing retail and residential segments, the Board of Directors approved the Scheme of Arrangement for hiving off the Consumer Service Group Business of the Company in to its wholly owned subsidiary viz. ZRPPL, for cash consideration, on a going concern basis. In accordance with the Scheme of Arrangement approved by the Honorable High Court of Bombay vide its order dated November 23, 2007, the said Scheme was made effective from April 1, 2007, resulting in creation of ZRPPL.

ZRPPL as a separate Company accentuating on the business of erstwhile Consumer Service Group (CSG), has resulted in release of existing management bandwidth to expand its flagship integration business to service demanding security needs of public and private sectors. With this change the Company has executed many high end private projects like WIPRO, I-flex, ANZ, WNS Global, Airport Authority of India - Amritsar, Philips, SAIL, etc.; and public importance projects such as Mumbai City Surveillance, Bangalore City Surveillance, Kolkatta Metro, Mumbai Western Railway, Varanasi Temple, Krishna Janma Sthal (Mathura), etc. In view of increasing awareness for safety and security and consistent economic growth, there are many growth opportunities in this field. The electronic security market is expected to grow at Compounded Annual Growth Rate of 23%.

During the year, the Company had acquired stake of 49% in Unisafe Fire Protection Specialists LLC, Dubai ("Unisafe") for exploring the new growth opportunities in overseas market. Unisafe provides Fire Detection and Fire Fighting Systems, equipments and services, for more than a decade. The investment made in Unisafe has proved extremely rewarding. Due to surge in construction activities in Middle-East and installation of fire and safety equipments being mandatory requirement of any construction there, we foresee breakthrough performance of this subsidiary.

The Company has also set up its subsidiary viz Zicom Manufacturing Co. (HK) Ltd. in Honkong mainly for international trade and exploring / managing manufacturing facilities at China, Korea and Taiwan.

The performance of the Company covering various aspects of its business operations in the year ended March 31, 2008 and prospects for the Company's business in the future has been dealt with at length in a separate section titled "Management Discussion and Analysis", forming part of the Corporate Governance Report, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges.

**Directors' Report****FINANCE**

The Share Capital of the Company, during the financial year, increased from Rs. 97.46 million to Rs. 127.00 million due to issue of equity shares of the Company to all the outstanding bondholders who exercised the conversion option of 840 bonds aggregating to US\$ 8.40 million into 2,453,357 equity shares and issue of 500,000 equity shares to Bennett, Coleman & Co. Ltd on preferential basis at a price of Rs. 200/- per share. This has resulted in net increase in securities premium account by Rs. 246.48 million after adjusting difference of Rs. 76.00 million between book value and fair market value of fixed assets as on April 1, 2007 and unrealized assets to the tune of Rs. 115.98 million under the Scheme of Arrangement.

During the year, the Company made Preferential Issue of 2,100,000 Warrants to Promoters' Group Companies viz. Baronet Properties and Investments Private Limited and Coronet Properties and Investments Private Limited and 1,575,000 Warrants to various entities and bodies corporate. Each of the above Warrant can be converted into one equity share of the Company of Rs. 10/- each at a premium of Rs. 190/- per share.

**SUBSIDIARY & JOINT VENTURE COMPANIES**

The financial year ended March 31, 2008 bought into operation three subsidiaries which has helped to improve the consolidated performance of the Company. The brief profile of subsidiary companies are given below. Information on financials of the subsidiary for 2007-2008, are provided in annexure hereto. In respect of foreign subsidiary companies, figures in rupees are converted from applicable respective foreign currencies at appropriate rate at the year end.

**Unisafe Fire Protection Specialists LLC, Dubai**

The Company ventured in to the promising business of providing Fire Detection and Fire Fighting systems, equipments and services by acquiring 49% stake in Dubai based Unisafe Fire Protection Specialists LLC.

Unisafe is one of the reputed Fire Protection Company in U.A.E. with its presence in Dubai and Abu Dhabi, operating for almost a decade. Unisafe has handled many prestigious projects in U.A.E. such as Emirates Towers to Dubai Airport Hangars. Today, Unisafe caters to a large spectrum of clientele from government to corporate, refineries, shopping malls, multi storey buildings, resorts, etc.

Unisafe offers a comprehensive range of solutions for all Fire Protection needs starting from the basic Hydrant and Sprinkler Systems to advance Analogue Addressable Fire Alarm Systems and specialized Gaseous Fire Suppression Systems.

During the financial year, Unisafe has posted significant growth and achieved total income of Rs. 721.95 million and a Net Profit of Rs. 126.20 million.

**Zicom Retail Products Private Limited**

The Company vide order from Honorable High Court of Bombay, had hived off its Consumer Service Group Business (CSG) to its wholly owned subsidiary viz. Zicom Retail Products Private Limited w.e.f. April 1, 2007. This was initiated to focus on security needs of fastest growing retail and residential segments in the country. The retail business has been divided into separate verticals which will focus on specific market / end user segments with robust distribution network.

The year under review saw continued increase in demand for home and retail products and Zicom Retail was successful in tapping the opportunities by offering variety of products from plain vanilla products to customized solutions to meet the needs of every customer.

In the first successful year of its operations, Zicom Retail has achieved Total Income of Rs. 509.03 million with Net Loss of Rs. 153.76 million. This loss is mainly attributed to heavy advertisement and brand building expenditure amounting to Rs. 218.38 million incurred for building up new category of security product for SOHO market i.e. Small Office and Home Office. Thus, Zicom Retail has made good initial break through against lack of awareness about security products in the Indian consumer mind.

**Zicom Manufacturing Co. (HK) Ltd.**

With a view to promote international marketing and sale of Zicom branded products and to help the Company to source equipments at the competitive prices, a subsidiary was set up in Honkong on April 12, 2007 in the name of Zicom Manufacturing Co. (HK) Ltd., with 76% shareholding. This subsidiary is also working upon for setting up of manufacturing facilities for the Company's in-house developed products in China and other neighbouring countries. In the first year of its operations, the subsidiary has posted Net Income of Rs. 47.84 million with Net Profit of Rs. 3.98 million.

**CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with the Accounting Standard (AS) 21 on Consolidated Financial Statements read with Accounting Standard (AS) 23 on Accounting for Investments in Subsidiaries, the Audited Consolidated Financial Statements are provided in the Annual Report. The Company had applied to Central Government under Section 212 of the Companies Act, 1956, and accordingly the Company was exempted from attaching a copy of financial statements of Zicom Retail Products Private Limited and Zicom Manufacturing Co. (HK) Ltd., Hong Kong. In respect of Unisafe Fire Protection Specialists LLC, Dubai, the Company had separately applied to the Ministry of Corporate Affairs, Government of India, seeking similar exemption. Accordingly, the financial statements of the subsidiaries are not attached with this Annual Report. The statement on subsidiaries pursuant to Section 212 (3) of the Act is attached hereto as separate annexure. The Annual Accounts of the subsidiary companies are open for inspection by any Member at the Registered Office of the Company.

**DEVELOPMENT SUBSEQUENT TO THE YEAR END**

As the part of our constant endeavour to provide better services and solutions, we have partnered with CNA Group, Singapore to set up a subsidiary with a stake of 51% with main focus on becoming foremost-integrated systems solution provider for intelligent building management solutions and green buildings in India. The said joint venture would provide complete end-to-end solutions right from system study to design, architecture, application development, installation and maintenance. In view of the thrust provided for creation and conservation of energy in India, the concept of green buildings is getting accepted. Also intelligent buildings and connected real estate solutions will be the major requirement in India on the background of large scale residential, commercial and industrial constructions.

**DIRECTORS**

In accordance with the provisions of the Companies Act, 1956, and Article 110 of the Articles of Association, Achyut Godbole and Dr. B. Samal are the Directors liable to retire by rotation at the ensuing Annual General Meeting.

Both the above Directors being eligible, have offered themselves for re-appointment. Your Directors recommend the re-appointments for your approval.

During the year, Satya Pal Talwar, joined the Board on June 18, 2007 as an Independent Director, but resigned from the Board due to his pre-commitments w.e.f. February 18, 2008. Harish Nayak also resigned from the Board w.e.f. September 28, 2007, by not opting for re-appointment at the last Annual General Meeting of the Company. Your Board put on record its sincere appreciation for valuable contribution made by both these Directors, during their tenure.

**GROUP**

Pursuant to an intimation from the Promoters, the names of the Promoters and entities comprising "Group" as defined under the Monopolies and Restrictive Trade Practices ("MRTP") Act, 1969 are disclosed in the Annual Report for the purpose of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

• **Directors' Report** •

**AUDITORS' REPORT**

As regard to the remarks of the Auditors regarding non disclosure of Revenue and Expenses items for discontinued operation of retail business for the previous year 2006-2007, to be disclosed in the current year's account along with the figures of the previous year, we hereby state that as the retail business was started as a part of on-going operations of flagship Company with sharing its infrastructure and resources, with no plans for hiving off this business initially, no separate item wise revenue and expenditure of this venture was maintained by the Company.

**AUDITORS**

M/s. P. Raj & Co., Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. A written certificate from them have been obtained by the Company to the effect that their re-appointment, if made, would be in accordance with the limits specified under Section 224 (1B) of the Companies Act, 1956. The Board recommends their re-appointment for your approval.

**STATUTORY INFORMATION**

**(a) Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:**

**Conservation of Energy:**

The Company is not required to furnish the prescribed information under Section 217(1) (e) of the Companies Act, 1956, relating to the Conservation of Energy and Technology Absorption, as the Company does not fall under the industries included in Schedule to the relevant rules. However, your Directors report that the operations of the Company do not involve much use of energy. The Company makes every possible effort to conserve energy at all levels of its operations.

Our recent joint venture with CNA Group, is aimed to offer solution to support conservation of energy by users.

**Technology Absorption:**

The Company has not imported any technology; and therefore no information is provided in this regard. However, the Company is continuously working on improving its indigenous products and software.

**Foreign Exchange Earnings and Outgo & Export Market Developments:**

The Company has earned Rs. 8.76 million (previous year Rs. 17.79 million) in foreign currency, and has spent Rs. 128.41 million (previous year Rs. 239.84 million) in foreign exchange during the year under review. The details of these foreign exchange expenditures are available at item nos. 21, 22 & 23 of Schedule 15, being Notes forming part of the Accounts.

**(b) Particulars of Employees:**

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report. However, in pursuance of Section 219 (1) (b) (iv) of the Companies Act, 1956, this report is being sent to all the shareholders of the Company excluding the aforesaid information, and the said particulars will be made available on request, and also made available for inspection at the Registered Office of the Company. Members interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

**(c) Corporate Governance:**

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance, together with a certificate from the Company's Auditors confirming compliance by the Company with the requirements of Corporate Governance, is set out separately forming part of this Report.

• **Directors' Report** •

**FIXED DEPOSITS**

The Company has not accepted any deposits falling within the purview of Section 58A of the Company's Act, 1956, and as such, no principal or interest amount was outstanding on the date of the Balance Sheet.

**HUMAN RESOURCES**

The Company's HR department is a trend setter for various HR policies and practices. Every practice and policy is designed with an aim to ensure enhancement of employee morale thus leading to exemplary performance. The Performance Management System of the organization works towards enhancing the performance of the individual to their fullest while ensuring job satisfaction for all employees. For employees, the Company apart from putting their sincere efforts on work, are also made part of gamut of activities like NGO visits, Sports Day, Car Day, Kool Kids Day, and many more. These activities are celebrated with full vigour and zest by all the employees.

**EMPLOYEES STOCK OPTION SCHEME**

In accordance with Employees Stock Option Scheme (ESOS) of the Company, the employees have been offered options as per eligible criteria fixed under the Scheme. Against each of the above, an eligible employee is entitled to acquire equal number of equity shares of Rs. 10/- each of the Company at a price as may be decided by the Board / Compensation Committee. There are two Schemes of the Company viz. ESOS 2006 and ESOS 2007. Necessary disclosures required to be given in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, for ESOS 2006 are as under. As the Company has been granting the stock options only under ESOS 2006 and has yet to grant any options from ESOS 2007, no disclosures are given hereunder in respect of ESOS 2007:

Sr. No.	Description	Details
1.	Total number of Options under the Scheme	400,000 Options [each Option represents 1 (one) share]
2.	Options granted during the year	59,000 Options
3.	The pricing formula	The exercise price, i.e. the price to acquire one equity share of the Company upon exercise of option shall be upto a maximum discount of 25% on latest available closing price of the equity share of the Company, one day prior to the date of the meeting of the Board of Directors / Compensation Committee in which the options are granted, on that Stock Exchange where there is highest trading volume on the said date. The extent of discount will be decided by the Compensation Committee.
4.	Options vested	59,400
5.	Options exercised during the year	Nil
6.	Total No. of Shares arising as a result of exercise of Options	Nil
7.	Options lapsed at the end of the year	140,000 Options
8.	Variation of terms of Option	No variations made
9.	Money realized by exercise of Options	N.A.
10.	Total number of Options in force at the end of the year	236,000 Options
11.	Employee-wise details of Options granted during the year	
	i) Senior managerial personnel	Ravikant Malhan - General Manager Projects 10,000

• **Directors' Report** •

Sr. No.	Description	Details
	ii) Any other employee who receives a grant in any one year of Options amounting to 5% or more of options granted during that year	Ravikant Malhan - General Manager Projects 10,000
	iii) Identified employees who were granted Options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	Nil
12.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard (AS) 20.	Rs. 7.62
13.	The Company has calculated the employee compensation cost using the intrinsic value of the Stock Options, the difference between the employee compensation cost so computed and the employee compensation cost that have been recognized if it had used the fair value of the Options, the impact of this difference on profits the impact of this difference on EPS	Rs. (49.77) Lakhs Re. (0.39)
14.	Options whose exercise price either equals or exceeds or is less than the market price of the stock, weighted average exercise price weighted average fair values of Option	Rs. 163.95 Rs. 77.66
15.	A description of the method and significant assumptions used to estimate the fair values of Options, including the following weighted average information: i. Risk Free Interest Rate ii. Expected Life iii. Expected Volatility iv. Expected Dividends v. The weighted average price of the underlying share in market at the time of Options granted.	8.11% 3 years 51.55% 10% Rs. 187.64

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm that in preparation of the annual accounts for the year ended March 31, 2008:

- (i) The applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (ii) Reasonable and prudent judgment and estimates were made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year ended on March 31, 2008;
- (iii) Proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The annual accounts have been prepared on a going concern basis.

• **Directors' Report** •

**INSURANCE**

All the assets of the Company are adequately insured.

**ACKNOWLEDGMENTS**

Your Directors would like to place on record their gratitude for the valuable guidance and support received from its stakeholders viz. shareholders, customers, employees, lenders, suppliers, government agencies, business partners, etc. Zicom would not have achieved this success without stakeholders support and hope that the same would continue in the time to come to help the Company in achieving new milestones.

On behalf of the Board of Directors

**Manohar Bidaye**

Chairman

Place: Mumbai

Date: June 30, 2008

• **Annexure to the Directors' Report** •

Persons constituting group coming within the definition of "Group" as defined in the Monopolies and Restrictive Trade Practices ("MRTP") Act, 1969, for the purpose inter se transfer of shares under Regulation 3(1)(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, include the following:

Sr. No.	Particulars
1.	Zicom Retail Products Private Limited
2.	Zicom Manufacturing Co. (HK) Limited
3.	Unisafe Fire Protection Specialists LLC, Dubai
4.	Zicom CNA Automation Limited
5.	Baronet Properties and Investments Private Limited
6.	Coronet Properties and Investments Private Limited
7.	Progressive Equifin Private Limited
8.	Success Equifin Private Limited
9.	Manohar Bidaye
10.	Madhura Bidaye
11.	Pramoud Rao
12.	Gauri Rao
13.	Harish Nayak
14.	Laxmi Harish Nayak

**Information on the financials of the Subsidiary Companies**

(Amount in Rupees)

Sr. No.	Particulars	Zicom Retail Products Private Ltd.	Zicom Manufacturing Co. (HK) Ltd.	Unisafe Fire Protection Specialists LLC
	Financial year ending on	31-03-2008	31-03-2008	31-03-2008
	Currency	INR	HKD	AED
	Exchange rate on the last day of the financial year	N.A.	5.13	10.87
1	Share Capital (including Share Application money pending allotment)	10,100,000	3,078,000	10,870,000
2	Reserves	250,000,000	3,960,310	165,812,274
3	Liabilities	315,173,490	7,061,476	261,677,890
4	Total Liabilities	575,273,490	14,099,787	449,230,164
5	Total Assets	575,273,490	14,099,787	449,230,164
6	Investments	Nil	Nil	Nil
7	Turnover	508,215,294	47,523,620	711,957,347
8	Profit before taxation	(230,778,588)	3,960,310	125,003,413
9	Provision for taxation	(77,023,308)	Nil	Nil
10	Profit after taxation	(153,755,280)	3,960,310	125,003,413
11	Proposed dividend - Equity	Nil	Nil	Nil

**Notes:**

- 1) Ministry of Corporate Affairs (MCA) has exempted the Company from attaching the financials and other documents for the financial year 2007-2008 for Zicom Retail Products Private Limited and Zicom Manufacturing Co. (HK) Limited. The Company has made separate application to MCA for Unisafe Fire Protection Specialists LLC, Dubai for seeking similar exemption. Thus, the Company has not attached financials of the subsidiary companies to the Annual Report.
- 2) The Members can obtain a copy of the financials of the subsidiary companies from the Registered Office of the Company. The financials of the subsidiary companies are also available for inspection during business hours on any working day from 11.00 a.m. to 1.00 p.m.

**Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies**

Name of the subsidiary company	Zicom Retail Products Private Limited	Zicom Manufacturing Co.(HK) Limited	Unisafe Fire Protection Specialists L.L.C.
Financial year of the subsidiary company ended on	31-03-2008	31-03-2008	31-03-2008
Number of Equity Shares in the subsidiary company held by Zicom Electronic Security Systems Limited	1,010,000 equity shares of Rs. 10/- each	456,000 shares of HKD 1 each	490 shares of AED 1000 each
The net aggregate of profits, less losses, of the subsidiary company so far as it concerns the Members of Zicom Electronic Security Systems Limited:			
i) Dealt with in the accounts of Zicom Electronic Security Systems Limited amounted to:			
(a) for the subsidiary's financial year ended March 31, 2008	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of Zicom Electronic Security Systems Limited	Nil	Nil	Nil
ii) Not dealt with in the accounts of Zicom Electronic Security Systems Limited amounted to:			
(a) for the subsidiary's financial year ended March 31, 2008	Rs. (153,755,280)	HKD 586,713	AED 9,199,883
(b) for previous financial years of the subsidiary since it became subsidiary of Zicom Electronic Security Systems Limited	Nil	Nil	Nil
Changes in the interest of Zicom Electronic Security Systems Limited between the end of the subsidiary's financial year and March 31, 2008:			
Number of shares acquired	Nil	Nil	Nil
Material changes between the end of the subsidiary's financial year and March 31, 2008			
i) Fixed Assets (net additions)	Nil	Nil	Nil
ii) Investments	Nil	Nil	Nil
iii) Moneys lent by the subsidiary	Nil	Nil	Nil
iv) Moneys borrowed by the subsidiary company other than for meeting current liabilities	Nil	Nil	Nil

For and on behalf of the Board of Directors

**Manohar Bidaye**  
 Chairman

**Pramoud Rao**  
 Managing Director

**Mukul Desai**  
 Director

**Achyut Godbole**  
 Director

**Dr. B. Samal**  
 Director

**Vijay Kalantri**  
 Director

**Hemendra Paliwal**  
 Chief Financial Officer

**Dimple Mehta**  
 Company Secretary

 Mumbai  
 Date : June 30, 2008

**Management Discussion and Analysis**

## Annexure to the Directors' Report

**INDUSTRY STRUCTURE AND DEVELOPMENTS:****Global Scenario:**

The electronic security industry globally is concentrated mainly in northern part of the globe. US and Europe account for more than 60% of the total globe for electronic industry. These markets have been in existence for quite some time and have entered the saturation stage and now offers scope for only single digit growth.

In contrast to the same, the market in southern part of the globe i.e. Middle East, Asia and Africa as well as Far-east countries are new and expected to grow in double digit – estimated from 14% to 18%. As such these markets will be driving force for the electronic security industry globally.

With booming economic activities across the globe resulting into creation of wealth, the extremist and terrorist threats targeting the lives and properties are increasing day by day. This has contributed towards development of the industry. Technological development and advancement have led to continued innovation and upgradation of technology for the security products. The advance techniques and equipments used by extremist and terrorists in their mission have also led to technological development of the Industry in order to minimise the occurrences of such incidents and prevention of loss, both of lives and property.

On product wise analysis, Alarms, Access Controls and Close-circuit Televisions (CCTVs) mainly dominate the security market. Of these three, CCTVs have recently gained more importance worldwide as governments and domestic intelligence forces now make large scale implementation of them at public places.

India and China, which have witnessed the major economic growth in past three years have become a main focus for multinationals looking at expansion in Asia, while China accounts for larger share of over 18% of the Asian Market, India is still lagging far behind with around 3% share of Asian Market. As such India offers robust growth prospect for electronic security market.

**Indian Scenario:**

India's niche electronic security systems market is expected to provide good growth momentum for the players in this Industry. The political and socio-economic factors, liberalisation of the Indian economy will be important contributors to the Industry's double digit growth.

The market for electronic security products in India is still influenced by unorganised sector players who dumps the cheaper and inferior quality products in the Indian market. Considering price sensitive nature of the market, established players find it difficult to maintain prices and margins. However, companies with good brand identity could withstand this pressure. Although established players comprises of only 20% of the market, it accounts for 80% of the total revenue generated in this Industry. The market holds immense potential for the players finding the right mix of price, technology and brand. The companies investing in brand, technology and sourcing strategies will gain rich dividends in electronic security industry in India.

Also, the major factor for lower acceptance of electronic security products in India is lack of awareness among the consumers about these products and more importantly the necessity of using such products. The growth curve of electronic security in India is in its lower end with potential to accommodate few more players apart from the existing established players and reaching at its peak in years to come.

Today India is under focus of multinational companies for driving growth in Asia. Many multinational security companies are approaching the Indian market with innovative technologies. Their entry will help the security market to expand as also to accept international standards in product specification and installation parameters. This will have positive impact in the growth of Indian Security Industry.

**Management Discussion and Analysis****OPPORTUNITIES AND THREATS:**

Indian economy is one of the fastest growing economy in the world. Performance by IT / ITES, commercial construction, retail, infrastructure, hospitality and manufacturing sectors is expected to push up demand for the Electronic Security Industry. However, residential and retail sectors are still largely untapped. Changing lifestyles, perception about safety, security, comfort and technologies will help in boosting growth in the Electronic Security Industry particularly in retail and residential sectors.

Security equipments in India have been largely imported, though of late there are some signs of foreign companies setting-up manufacturing bases here. With the fall in hardware prices, market for electronic security products is expected to be driven further.

Thus, with technological developments, favourable shift towards security and safety measures, direct and indirect efforts by various stakeholders, mainly consultants and possibility of stringent Government regulatory framework shows that the better days for this Industry are not far away.

**Few of the above key factors providing opportunities for growth of this Industry are analysed below:****1. Government:**

The security perception of Government has changed drastically in past few years on account of continued threats to public properties and life by anti-national and anti-terrorists activities. Further, realizing the importance of security gadgets and equipments at the time of crisis, the Government has made mandatory to practice safety and security norms. This has provided growth opportunities to Electronic Security Industry in India, as Governments at state and central level have been approving security requirements around public sector infrastructures. The successive reductions in import duty rates for security gadgets and equipments have given a further growth momentum to this industry.

**2. Industrial:**

The demand for new generation network based products and solutions that would support remote access / monitoring and which can work in an open and integrated environment for process monitoring applications have been on increase in past few years from industries having plants at scattered locations. This has opened up new markets for Electronic Security Industry.

**3. Growing Consumer Awareness:**

Changing attitude and perceptions about safety, security, comfort and preference for state-of-the-art technologies and integrated security systems have contributed to demand for Electronic Security Industry. More and more consumers are getting aware about the usage of electronic security products. However, still a large segment remains untapped.

**4. Retail and Residential Segments:**

The increasing numbers of Malls, Multiplexes, retail chain outlets, etc. across the country have given rise to Electronic Security Industry. Affordability of security products from SME segment i.e. Small, Medium Enterprises have led to the growth of this Industry.

Further, with the increase in urbanization and increasing residential townships and competition amongst builders to provide more and more facilities, conveniences and lifestyle products in building as well as with the concept of intelligent and green buildings becoming more in vogue, demand for integrated building management and green building solutions, burglar alarm systems, video door phones and other security equipments and gadgets have been on rise. This growth has been further stimulated by the growth of construction / reality sector countrywide.

**5. Technology Developments:**

Technology development has been a continuous process. With introduction of newer security equipments and gadgets based on latest technologies like biometrics, face recognition, etc. with additional security and safety features, demand for such high tech products has been on rise.

## Management Discussion and Analysis

### RISKS, THREATS & CONCERNS:

Historically, the growth of any industry is not simple and straight forward. Every industry undergoes inherent pains before it reaches at its full market potential. We discuss below the following threats which could hinder the growth of the Industry and delay its inflection point:

#### 1. Price Sensitive Indian Market:

Indian Market for any product has been highly price sensitive. Although this trend is changing of late, most of the customers focus on the price as against quality standards. As mentioned earlier, unorganized sector players still operates in this Industry with inferior quality product with USP of price, put organized sector player under price pressure. Also, adverse price sensitiveness hinders the technological development and availability of high tech products. This has resulted in low response to technology by system integrators.

#### 2. Slow Response from Government and Public Sectors:

The response for change in regulatory framework from the Government is the key element for the growth of Electronic Security Industry. However, little has been done in this regard compared to western world. For many Government and large Public Sector Undertakings, tendering for security products and solutions is not priority. Delay in decision making, insufficient budgetary provisions restrict many security projects to see light of the day.

#### 3. Comparative Low Awareness / Understanding of Security Systems:

The electronic security systems market, particularly in retail and residential segments, is relatively new and hence there is a low awareness of the various products / services on offer. Additional resources and continuous efforts are required to create more awareness amongst the customers and for the brand promotion.

#### 4. Competitive Market with Low Entry Barrier:

The entry barriers in Electronic Security Industry are low in terms of technology and capital as most of the equipments and gadgets are imported. Therefore, small players can take entry easily and disturb the Industry with quick exit.

#### 5. Change in Technology and Obsolescence of Products:

The electronic equipment and technologies are subject to rapid obsolescing rendering it difficult for the Industry to cope up with such technological changes.

### OUTLOOK:

Increasing security threat perception and awareness, softening hardware prices, convergence of technologies, rising demand for security products have improved the scenario for Electronic Security Industry in India; and the outlook for the Industry has been very positive.

The Company has added new products and new technologies to meet the ever changing security threat perceptions, so as to cater to customers across all the segments and provide end to end solutions and meet requirements of various industries. With hiving off of the Consumer Service Group in to a separate wholly owned subsidiary, the Company's focus has now been on larger security projects of high value; while the retail business is being taken care by a separate company.

Retail subsidiary viz. Zicom Retail Products Private Limited (ZRPPL) has taken lot of efforts for strengthening the marketing network of the Company, by opening new franchisee stores under Shop-In-Shop concept in large retail outlets through out the country. This subsidiary is expected to break-even in the current year. As a result, the burden on the bottom line of the Company's consolidated working will be relieved to a major extent.

With this, the Company is now poised to take on its competitors by introducing many new products. The Company has also tied up with CNA Group of Singapore for providing green buildings and integrated building management systems.

## Management Discussion and Analysis

The decision by your Directors to venture into the international Fire, Safety and Security business with the acquisition of stake in Unisafe Fire Protection Specialists LLC, in Dubai, U.A.E. has turned out to be a very fruitful one. This Company is now doing exceedingly well and is expected to provide a major boost to top-line and bottom-line both of the consolidated results in the current year.

### INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

The internal control is supplemented by an extensive internal audits, review by management and audit committee, documented policies, guidelines and procedures. The scope of the Internal Auditors covers all activities of the Company, in particular scrutiny of work orders, purchases, sales, expenses, inventory and taxation. The Internal Auditors submit their reports on quarterly / periodical basis for review by Directors and Audit Committee. The internal audit function is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

### DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

The total income for the year under review stood at Rs. 1,649.83 million, as compared to the previous year Rs. 1,555.01 million. The Operating Profit for the current year at Rs. 205.66 million is higher by 21.91% as compared to the previous year Rs. 168.70 million. Net Profit after Tax was almost stagnant at Rs. 80.43 million compared to Rs. 79.37 million in the previous year, mainly due to higher finance charges and tax impact. It may however be pointed out that the results of the year under review are not strictly comparable with the results of the previous year, because the performance of the hived off retail business of the Company is not reflected in the results of the year under review.

The Company has shown remarkable growth in terms of consolidated top line at Rs. 2,902.64 million against the standalone top line of Rs. 1,545.82 million which shows a growth of 87.77%. However consolidated EBDITA margin at Rs. 182.30 million was under pressure due to brand building and advertisement expenses incurred by Zicom Retail Products Private Limited for Rs. 218.39 million. The same has been entirely written off despite much of it being brand building in nature. The Net Profit on consolidated basis is at Rs. 14.54 million after removing minority interest of Rs. 26.19 million.

### MATERIAL DEVELOPMENTS IN HUMAN RESOURCES:

In Zicom, Human Resource function is a strategic one, involved in all long term decisions of the organization. The Company offers challenging work environment and growth oriented career to all its employees. The Company offers attractive remuneration, a conducive working atmosphere and profit sharing plans to its key employees. Zicom has implemented a profit centre concept in functional units. Also, major thrust is placed on the training and motivation of employees.

During the year, the Company has initiated numerous developmental activities. Balance Score Card was introduced for measuring performance for all employees. Depending on the performance of the person, the Company has structured the performance linked incentive scheme to motivate employees for better performance.

During the year, the Company had no Industrial relation challenges.

### CAUTIONARY STATEMENT:

Certain statements as discussed and mentioned in the Management Discussion & Analysis and elsewhere constitute forward-looking statements articulated as the management's expectations for the future business prospects of the Company. However, there are risks and uncertainties associated due to the general economic conditions in which the Company operates. Also, the factors like the nature of the Company's business, foreign currency fluctuations, regulatory initiatives, tender processes in the Government, Public Sector and other large undertakings, competition, etc. are not in the control of the Company. Such uncontrollable factors are crucial for success of the Company's business plans or predictions, which may cause the actual results to materially differ from the performance or achievements, discussed or implied by such forward looking statements.

## Corporate Governance Report

### Annexure to the Directors' Report

"Corporate Governance is an internal system encompassing policies, processes and people, which serve the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity and integrity." (Gabrielle O'Donovan). The Company has adopted Corporate Governance practices believing and following transparency, accountability, justice and equity in all its dealings with associates, whether they are shareholders, employees, customers, suppliers, lenders, government agencies, etc. The Company has Code of Conduct for its Directors and Senior Management Personnel that promote ethical and responsible decision making body to achieve long term strategic goals, comply with legal and regulatory requirements with strong emphasis on shareholders welfare.

#### BOARD OF DIRECTORS AND BOARD PROCEDURES:

##### A) Composition & category of Board:

The Board comprises of optimum combination of Executive, Non-executive and Independent Directors. Out of 6 (six) Directors on the Board, 5 (five) are Non-executive Directors (including 4 (four) Independent Directors) and 1 (one) Executive Director designated as Managing Director. Manohar Bidaye, Chairman of the Board is Promoter and Non-executive Director, thus complying with minimum requirement of 50% of Board consisting of Independent Directors.

##### Board of Directors of the Company

Name of Director	Designation	Category
Manohar Bidaye	Chairman	Non-executive & Promoter
Pramoud Rao	Managing Director	Executive & Promoter
Mukul Desai	Director	Non-executive & Independent
Vijay Kalantri	Director	Non-executive & Independent
Dr. B. Samal	Director	Non-executive & Independent
Achyut Godbole	Director	Non-executive & Independent

During the year, Satya Pal Talwar, erstwhile Independent Director, who had joined the Board on June 18, 2007, has resigned from the Board w.e.f. February 18, 2008. Harish Nayak, Non-executive Director resigned from the Board w.e.f. September 28, 2007. There are no Institutional / Nominee Directors on the Board of the Company.

##### B) Non-executive Directors' compensation and disclosures:

The Company pays sitting fees to all its Non-executive Directors for attending Board meetings, Audit Committee meetings and other Committee meetings of the Company, except Mr. Manohar Bidaye; who is paid monthly remuneration for rendering advisory services to the Company w.e.f. April 1, 2007 as approved by the Central Government.

The details of fees paid to Directors during the financial year are given under Para (b) on Remuneration Committee in this Report.

##### C) Other provisions related to Board and Committees:

- **Number of Board Meetings:** During the year, the Board met 8 (eight) times i.e. on June 18, 2007; July 2, 2007; July 27, 2007; October 29, 2007; November 23, 2007; December 20, 2007; January 24, 2008 and February 19, 2008. The maximum time gap between 2 (two) meetings did not exceed more than 4 (four) months.

## Corporate Governance Report

- **Chairmanship / Membership:** Directors have confirmed to the Company that none of them is a member of more than 10 (ten) committees, or is chairman of more than 5 (five) committees across all companies in which they are acting as directors. For the purpose of reckoning the said limit, chairmanships / memberships of the Audit Committee and the Shareholders' Grievance Committee alone are considered.
- **Periodical review of Compliance Reports:** Reports on compliance of all laws applicable to the Company have been periodically placed before the Board for review.

The details of the composition of the Board of Directors, their attendance at the Board meetings during the year ended March 31, 2008, and at the last Annual General Meeting, other directorships held and chairmanship / membership held in committees of other public companies are stated below:

Name of Director	Particulars of other Directorships, <sup>①</sup> Committee Chairmanships / Memberships			Attendance		
	Directorships	Committee Memberships <sup>②</sup>	Committee Chairmanships	Board Meeting	Audit Committee Meeting	Last AGM
Manohar Bidaye	2	2	1	8	4	Yes
Pramoud Rao	2	-	-	8	N.A.	Yes
Harish Nayak <sup>③</sup> (ceased w.e.f. September 28, 2007)	-	-	-	-	N.A.	No
Mukul Desai	3	2	-	8	4	Yes
Vijay Kalantri	14	3	-	7	4	No
Dr. B. Samal	9	6	3	5	N.A.	Yes
Achyut Godbole	1	-	-	7	N.A.	Yes
Satya Pal Talwar <sup>④</sup> (resigned w.e.f. February 18, 2008)	11	10	3	1	N.A.	No

<sup>①</sup> Alternate directorships, directorship / committee membership in private companies, foreign companies, companies under Section 25 of the Companies Act, 1956 and proprietorships; and membership in governing councils, chambers and other bodies are not included while calculating directorships in above table.

<sup>②</sup> Also includes the committees in which Directors holds the position of a chairman.

<sup>③</sup> Harish Nayak ceased to be a Director of the Company in the Annual General Meeting of the Company held on September 28, 2007 by not opting for re-appointment as Director of the Company.

<sup>④</sup> Satya Pal Talwar, was appointed as Additional Director on June 18, 2007 and the shareholders' at their meeting held on September 28, 2007 appointed him as Director liable to retire by rotation.

(Information for other directorships and committee memberships of Harish Nayak and Satya Pal Talwar are based on earlier declarations received from them.)

## Corporate Governance Report

### Directors retiring by rotation

Achyut Godbole and Dr. B. Samal, Directors of the Company, will be retiring by rotation at the 14<sup>th</sup> Annual General Meeting of the Company. Both the Directors, being eligible, have offered themselves for re-appointment.

As required under Clause 49(VI)(A) of the Listing Agreement, brief description of the Directors, alongwith the companies in which they hold directorships and the memberships of the committees of the Board are furnished hereunder:

Name of Directors	Number of directorships in other companies*	Name of other companies in which they are directors / partners / members	Name of other committees in which Director is member / chairman	Brief profile & nature of expertise
Achyut Godbole Director	1	<ul style="list-style-type: none"> <li>Compulink Systems Limited</li> </ul>	Nil	Achyut Godbole holds B. Tech (Chemical Engineer) and possesses over 30 years of experience in Software Development in India and UK in world renowned companies like IBM, Hindustan Lever, L & T Infotech, etc. He has been awarded 3 times by IBM World Trade Corporation for performance excellence. Besides, his career as a technocrat as above, we is deeply involved in music and book writing. He has been awarded "Udyogratha" by Indian Economic Council for his contribution to Information Technology and "Kumar Gandharva Award" by Pandit Bhimsen Joshi for his contribution to music and computers.
Dr. B. Samal Director	10	<ul style="list-style-type: none"> <li>Jaiprakash Associates Ltd.</li> <li>Surana Industries Ltd.</li> <li>Mayfair Hotels and Resorts Ltd.</li> <li>Shriram Life Insurance Company Pvt. Ltd.</li> <li>Jaiprakash Power Ventures Ltd.</li> <li>Industrial Investment Trust Ltd.</li> <li>IIT Investrust Ltd.</li> <li>Karn Merchant Bankers Ltd.</li> <li>Microsec Financial Services Ltd.</li> <li>ARSS Infrastructure Projects Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Surana Industries Ltd. - Member &amp; Chairman of Audit Committee</li> <li>Shriram Life Insurance Company Ltd. - Member &amp; Chairman of Audit Committee</li> <li>Mayfair Hotels &amp; Resorts Ltd.- Member of Audit Committee</li> <li>Industrial Investment Trust Ltd. - Member &amp; Chairman of Audit Committee</li> <li>Industrial Investment Trust Ltd.- Member of Investor Grievance Committee</li> <li>ARSS Infrastructure Projects Ltd. - Member of Audit Committee</li> <li>Jaiprakash Associates Ltd.- Member of Remuneration Committee</li> </ul>	Dr. B. Samal, retired as Member of Securities Appellate Tribunal under Ministry of Finance, Department of Corporate Affairs, prior to which he held the post of Chairman and Managing Director in Allahabad Bank. He held various positions such as Executive, Asst. General Manager, Deputy General Manager, General Manager, Executive Director. His areas of specialization includes Banking-Rural Credit, HRD, Security related activities, etc. He was a Member of Study Group set up by Indian Bank's Association (IBA) on working capital finance including Assessment of Maximum Bank Finance. He also occupied a position as Chairman of Study Group set up by Indian Bank's Association (IBA) to examine the pattern of sharing of expenses of IBA. He has been awarded "Seva Ratna" by His Excellency Governor of West Bengal.

\* includes all companies, whether public, private, foreign companies, companies under Section 25.

## Corporate Governance Report

### D) Code of Conduct:

Code of Conduct of the Company is guiding principle for setting up a tone of professionalism which is conveyed through various factors like integrity, morality, loyalty, transparency, confidentiality, behaviour of employees within the organisation, etc. The Company has set up different Code of Conduct for its Board of Directors and Senior Management Personnels which is followed and abided by each of them. As required under Clause 49, annual declaration to this effect from Chief Executive Officer is annexed to this Report. Code of Conduct for Directors and Senior Management Personnels are also posted on website of the Company.

### BOARD COMMITTEES:

The Board has constituted several committees to deal with specific matters of the Company. As required under Clause 49 of the Listing Agreement, brief particulars of the Audit, Remuneration and Share Transfer and Investors' Grievance Committee are stated as follows:

#### a. Audit Committee:

Audit Committee is a qualified and independent Committee consisting of 3 (three) Non-executive Directors, all of them being financially literate, and two third of them are Independent. During the financial year 2007-2008, Audit Committee met 4 (four) times on June 18, 2007; July 27, 2007; October 29, 2007 and January 22, 2008. The maximum time gap between 2 (two) meetings have not exceeded the period of 4 (four) months. Requisite quorum was present at all the Committee meetings held during the year. The attendance of Members at the Audit Committee meetings held during the year is given in the table under Para C above. The Chief Financial Officer, Statutory Auditors and Internal Auditors of the Company were invited to be present at the meeting on request by the Committee Members. Company Secretary acted as Secretary to the Committee meetings.

The Members of the Audit Committee are as follows:

Name of Committee Member	Designation in Committee
Mukul Desai	Chairman
Manohar Bidaye	Member
Vijay Kalantri	Member

Mukul Desai, Chairman of Audit Committee, is Non-executive Independent Director. He is in practise as a Chartered Accountant since 1982 and has varied experience in the field of Audit and Taxation. He has developed expertise in Corporate Law matters, Direct and Indirect Taxation Laws, Corporate Finance Structuring, etc.

#### The terms of reference of Audit Committee of the Company are as follows:

- i. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ii. Recommending to the Board, the appointment, re-appointment, and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees.
- iii. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
- iv. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement forming part of the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.

## Corporate Governance Report

- b. Changes, if any, in accounting policies and practices and reasons for the same.
- c. Major accounting entries involving estimates based on the exercise of judgment by management.
- d. Significant adjustments made in the financial statements arising out of audit findings.
- e. Compliance with listing and other legal requirements relating to financial statements.
- f. Disclosure of any related party transactions.
- g. Qualifications in the draft audit report.
- v. Reviewing, with the management, the quarterly financial statement before submission to the Board for approval.
- vi. Reviewing, with the management, performance of Statutory and Internal Auditors, and adequacy of the internal control systems.
- vii. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- viii. Discussion with Internal Auditors, any significant findings and follow up there on.
- ix. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- x. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- xi. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

### b. Remuneration Committee:

Remuneration Committee comprises of three Independent Directors of the Company. Presently the Committee consists of the following Members:

Name of Committee Member	Designation in Committee
Mukul Desai	Chairman
Vijay Kalantri	Member
Achyut Godbole	Member

The terms of reference of Remuneration Committee includes the roles, powers and duties as vested under Schedule XIII to the Companies Act, 1956, and Clause 49 of the Listing Agreement with Stock Exchanges. It mainly includes decision for remuneration payable to managerial personnel from time to time, deciding remuneration policy of the Company, etc. The Committee did not meet during the financial year 2007 – 2008.

### Remuneration Policy:

Remuneration of employees largely consists of basic remuneration, perquisites, bonus & performance incentives. The components of the total remuneration vary for different grades and are governed by industry pattern, qualifications and experience of the employee, responsibilities handled, individual performance, etc. The main objective of the remuneration policy is to motivate employees and to promote excellence in their performance, recognize merits and achievements, retain talent in the Company and finally, to promote the feeling of belongingness.

## Corporate Governance Report

### Details of remuneration to Directors:

#### a. Remuneration to Managing Director

- Agreement with Pramoud Rao for his appointment as Managing Director of the Company was renewed for a period of 5 (five) years with effect from March 1, 2007. The terms and conditions and remuneration payable were approved for a period of 3 (three) years, by the requisite majority of shareholders, through postal ballot, on April 30, 2007. Appointment of Managing Director is on contractual basis. Managing Director is also entitled to performance linked incentive viz. commission up to 2% of net profits for each financial year and other fixed components which forms part of remuneration. The details of remuneration paid to Managing Director for the year ended March 31, 2008 is mentioned in notes to accounts in this report.
- Notice period for severance of Managing Director is 6 (six) months. Compensation for severance of services would be computed in accordance with applicable provision of Companies Act, 1956.
- Managing Director is also entitled to the perquisites, as per the agreement, for the same period.
- No sitting fees are paid to Managing Director for attending meetings of the Board of Directors or any of its Committee.
- In the event of absence or inadequacy of profit in any financial year during the tenure of Managing Director, the aforesaid remuneration, perquisites / benefits to be paid to him as the minimum remuneration, subject to the ceiling limits prescribed under Schedule XIII and other applicable provisions of the Companies Act, 1956; and if the said remuneration is in excess of the ceiling, then necessary approval from the Central Government shall be obtained for making-up of the shortfalls, without any further reference to the shareholders.

#### b. Remuneration to Non-executive Directors

- Manohar Bidaye, Non-executive Director who is also Chairman of the Board, has been approved payment of monthly remuneration by Central Government for a period of 5 (five) years w.e.f. April 1, 2007. The overall ceiling approved by the Central Government is Rs. 800,000/- for a period of 5 (five) years. During the financial year ended March 31, 2008, he was paid monthly remuneration of Rs. 400,000/- for rendering his advisory services to the Company.
- Notice period for severance of remuneration payable to Manohar Bidaye is 3 (three) months. Compensation for severance is 3 (three) months remuneration.
- No sitting fees are paid to Manohar Bidaye for attending meetings of the Board of Directors or any of its Committee.
- Remuneration by way of sitting fees for attending Board meetings and Committee meetings are paid to Non-executive Directors other than Manohar Bidaye. Sitting fees vary from type of meetings attended. Details of sitting fees paid to Non-executive Directors are as follows:

Name of Non-executive Directors	Sitting fees (in Rupees)	Shares held
Mukul Desai	177,500	-
Harish Nayak *	-	-
Vijay Kalantri	145,000	-
Dr. B. Samal	100,000	-
Achyut Godbole	105,000	-
Satya Pal Talwar *	15,000	-
<b>Total</b>	<b>542,500</b>	

(\*resigned from the Board)

## Corporate Governance Report

- The Company did not have any material pecuniary relationships or transactions with the Non-executive Directors.
- None of the Directors are related to each other.
- No stock options have been granted to any of the Non-executive Directors during the financial year ended March 31, 2008 and till date.
- None of the Directors holds any convertible instruments in the Company.

### c. Share Transfer and Investors' Grievance Committee:

Share Transfer and Investors' Grievance Committee comprises of 3 (three) Directors who generally meet on fortnightly basis for dealing with various matters related to the shareholders. In the financial year 2007-2008, 20 (twenty) Committee meetings were conducted.

Composition of Share Transfer and Investors' Grievance Committee and attendance of Members is given in the table below:

Name of Committee Member	Designation in Committee	Meetings attended during the year
Manohar Bidaye	Chairman	20
Pramoud Rao	Member	20
Mukul Desai	Member	16

Dimple Mehta, Company Secretary acts as Compliance Officer of the Company.

The terms of reference of Share Transfer and Investors' Grievance Committee, inter alia, are as follows:

- To approve or otherwise deal with applications for transfer, transmission, transposition and mutation of shares and certificates including duplicate, split, sub-division or consolidation of certificates and to deal with all related matters; and also to deal with all the matters related to de-materialisation or re-materialisation of shares, change in the beneficial holders of de-mat shares and granting of necessary approvals wherever required
- To look into and redress shareholders / investors grievances relating to:
  - Transfer of shares.
  - Non-receipt of declared dividends.
  - Non-receipt of annual reports.
  - All such complaints directly concerning the shareholders / investors as stakeholders of the Company, and
  - Any such matters that may be considered necessary in relation to shareholders and investors of the Company.

The Company had received 10 (ten) complaints from the shareholders during the year which were successfully resolved. As on March 31, 2008, no complaints were pending.

### SUBSIDIARY COMPANIES:

During the year under review, the Consumer Service Group (CSG) business of the Company was hived off to the wholly owned subsidiary of the Company namely, Zicom Retail Products Private Limited vide order of Honorable High Court of Bombay dated November 23, 2007. Pursuant to the said order, the CSG business has been transferred to the said subsidiary w.e.f. April 1, 2007. However, according to Clause 49 of the Listing Agreement, the said subsidiary does not fall under the category of "material non-listed Indian subsidiary".

## Corporate Governance Report

### INVESTORS INFORMATION:

### GENERAL BODY MEETINGS:

In the last 3 (three) years, 2 (two) Extra-ordinary General Meetings, 3 (three) Annual General Meetings, 1 (one) postal ballot and a court convened meeting of equity shareholders were conducted, the details of which are as under:

Sr. No.	Financial Year	AGM / EGM	Date	Time	Place	Particulars of Special Resolutions Passed
1	2007-2008	EGM	17.01.08	9.30 a.m.	Hotel Kohinoor Continental, Opp. J. B. Nagar, Andheri Kurla Road, Andheri East, Mumbai 400 059.	• Issue of 1,575,000 warrants on Preferential Basis to various entities other than Promoters' or Promoters' Group Companies
2	2007-2008	EGM	20.12.07	4.00 p.m.	Hotel Tunga International, Central Road, M.I.D.C., Andheri East, Mumbai 400 093.	• Issue of 2,100,000 warrants on Preferential Basis to Promoters' Group Companies.
3	2007-2008	AGM	28.09.07	2.30 p.m.	Hotel Sea Princess, Juhu Beach, Mumbai 400 049.	<ul style="list-style-type: none"> <li>• Issue of 300,000 stock options to the eligible employees, under the "Employee Stock Options Scheme - 2007", entitling them to acquire equal number of equity shares of Rs. 10/- each of the Company.</li> <li>• Extending the benefit of the "Employee Stock Options Scheme - 2007" to eligible present and future employees of existing and future subsidiaries of the Company.</li> </ul>
4	2007-2008	Court Convened meeting of equity shareholders	28.09.07	4.30 p.m.	Hotel Sea Princess, Juhu Beach, Mumbai 400 049.	<ul style="list-style-type: none"> <li>• Approving the Scheme of Arrangement between Zicom Electronic Security Systems Limited and Zicom Retail Products Private Limited (ZRPL).</li> <li>• Adjustment of the difference between the amounts of assets transferred to the ZRPL for the purchase consideration received along with other unrealisable assets of the Company against the security premium account of the Company, subject to High Court approval.</li> </ul>
5	2006-2007	AGM	24.08.06	4.00 p.m.	C. K. Nayudu Hall, The Cricket Club of India Ltd. (CCI), Brabourne Stadium, Dinshaw Vachha Road, Mumbai 400 020.	<ul style="list-style-type: none"> <li>• Revision in remuneration of Mr. Pramoud Rao as Managing Director</li> <li>• Amendment of Articles of Association - Insertion of proviso after the existing Article 12.</li> </ul>

**Corporate Governance Report**

Sr. No.	Financial Year	AGM / EGM	Date	Time	Place	Particulars of Special Resolutions Passed
						<ul style="list-style-type: none"> <li>Amendment of Articles of Association - Insertion of proviso after the existing Article 12.</li> <li>Increase in the limit of investments by FIs up to 74% of the paid-up Equity Share Capital and / or 74% of the total paid-up value of the other permissible securities of the Company.</li> <li>Issue of 400,000 stock options to the eligible employees, under the "Zicom Employee Stock Option Scheme - 2006", entitling them to acquire equal number of equity shares of Rs. 10/- each of the Company.</li> </ul>
6	2005-2006	AGM	08.08.05	4.00 p.m.	Hotel Atithi, 77 A&B, Nehru Road, Vile Parle (East), Mumbai 400 099.	<ul style="list-style-type: none"> <li>Amendment of Articles of Association - Insertion of Clause 4A.</li> <li>Increasing the limit of investment by Foreign Institutional Investors (FIs) upto 40%.</li> <li>Issue of securities in Indian / International market upto maximum of US\$ 12 million.</li> <li>Payment of sitting fees upto maximum of Rs. 20,000/- to Non-executive Directors.</li> <li>Issue of 400,000 warrants in Part A and Part B on Preferential Basis to Promoters' Group Companies.</li> </ul>

**Resolutions passed during the financial year 2007- 2008 through postal ballot**

In financial year 2007-2008, 7(seven) resolutions were passed through postal ballot conducted by the Company, details of which are given in the table below. Mr. Ganesh Narayan was appointed as Scrutinizer for conducting the postal ballot procedure, based on whose report the Chairman of the Company announced the results of the postal ballot at Registered Office at 4.00 p.m. on April 30, 2007. The extract of results of postal ballot, which were duly assented by requisite majority of the shareholders, is as under:

Particulars	Votes in favour of the resolution	Votes against the resolution
Special Resolution No. 1: Approving increase in Authorised Share Capital from Rs. 15 crores to Rs. 25 crores and consequential amendments to Memorandum and Articles of Association.	2795036	4900
Special Resolution No. 2: Issue of securities in Indian / International market upto maximum of US\$ 35 million.	2794136	5800
Special Resolution No. 3: Approving issue of 500,000 Equity Shares of Rs. 10/- each at a price of Rs. 200/- per share, on Preferential Basis to Bennett, Coleman and Co. Ltd.	2792816	7120

**Corporate Governance Report**

Particulars	Votes in favour of the resolution	Votes against the resolution
Ordinary Resolution No. 4: Approving increase in the borrowing power of the Board up to Rs. 500 crores.	2794178	5758
Special Resolution No. 5: Approving payment of remuneration to Manohar Bidaye, Director.	2788377	10959
Special Resolution No. 6: Approving Re-appointment of Pramoud Rao as Managing Director for five years and his remuneration for three years.	2789894	9435
Special Resolution No. 7: Approving Alteration of Articles of Association for granting of certain powers to Promoters'.	2787651	11680

No Special Resolution through postal ballot is proposed at the ensuing AGM.

**DISCLOSURES:**

- During the year, there were no transactions of materially significant nature with the Promoters or Directors or the Management or the subsidiaries or relatives etc. that had potential conflict with the interests of the Company at large.
- There had been no instances of non-compliance by the Company or penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets during last 3 years.
- Disclosure regarding related party transactions has been made in notes to accounts.
- The Company has complied with all the mandatory requirements as stipulated under Clause 49 of the Listing Agreement. The Company has adopted the non-mandatory requirement relating to Remuneration Committee comprising of the Directors as stated above in this Report.
- As a policy, risks associated with the business of the Company generally and risks specific to the Company and procedure to minimize the same adopted by the executive management are periodically placed before the Board and deliberated. The same are reviewed and suitable minimization procedures as suggested by the Board are implemented from time to time.

**AUDITORS' CERTIFICATE:**

The Company has obtained a Certificate from its Statutory Auditors regarding compliance with the provisions relating to corporate governance laid down in Revised Clause 49 of the Listing Agreement. This Certificate is annexed to this Report.

**CERTIFICATE BY CEO AND CFO:**

As per Clause 49 of the Listing Agreement, Pramoud Rao, Chief Executive Officer and Hemendra Paliwal, Chief Financial Officer had reviewed and certified the financial and cash flow statements as on March 31, 2008. The said certificate was placed before the Board meeting held on June 30, 2008.

**MEANS OF COMMUNICATION:**

- The Company's corporate website www.zicom.com provides comprehensive data about the Company to investors.
- Quarterly results are published in one of the national business dailies and a local language newspaper. The Annual Results are posted to every shareholder of the Company.

## Corporate Governance Report

3. Management Discussion and Analysis Report forms part of the Directors' Report.
4. Results are posted on SEBI Edifor website www.sebiedifor.nic.in and the same are also published on the website of the Company.
5. All official media / news releases are sent to the Stock Exchange and are also simultaneously displayed on the Company's website.
6. No presentations were made to institutional investors and analysts during the year ended March 31, 2008.

### MANAGEMENT DISCUSSION & ANALYSIS:

A detailed chapter on Management Discussion and Analysis, forming part of this Annual Report is enclosed.

### GENERAL SHAREHOLDERS' INFORMATION:

<b>a. 14<sup>th</sup> Annual General Meeting:</b>	
Venue: The Mirador Hotel, New Link Road, Chakala, Andheri (E), Mumbai 400 099	
Time: 4.00 p.m.	
Day: Friday	
Date: 12 <sup>th</sup> September, 2008	
<b>b. Financial Calendar (tentative):</b>	
Audited Annual Results of previous year ended March 31, 2008	By end of June, 2008
1 <sup>st</sup> quarter results for quarter ending June, 2008	By end of July, 2008
2 <sup>nd</sup> quarter results for quarter ending September, 2008	By end of October, 2008
3 <sup>rd</sup> quarter results for quarter ending December, 2008	By end of January, 2009
Last quarter results for quarter ending March, 2009	By end of April, 2009 (if Unaudited) OR By end of June, 2009 (if Audited)

### GENERAL SHAREHOLDERS' INFORMATION:

<b>c. Financial Year</b>	April 1, 2008 to March 31, 2009	
<b>d. Book Closure Dates</b>	6 <sup>th</sup> September, 2008 to 12 <sup>th</sup> September, 2008 (Both days inclusive)	
<b>e. Dividend Payment Date</b>	On or after 18 <sup>th</sup> September, 2008	
<b>f. Listing on Stock Exchanges and Stock Codes :</b>	The Company's 12,699,829 equity shares are listed on the following Stock Exchanges, where they are subject to compulsory trading in De-mat form.	
<b>1. Equity Shares :</b>	<b>Name and Address of Stock Exchange</b>	<b>Stock Code</b>
	Bombay Stock Exchange Limited P.J. Towers, Dalal Street, Fort, Mumbai.	531404
	National Stock Exchange of India Limited 'Exchange Plaza', C - 1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai 400 051	ZICOM
	<b>ISIN</b>	INE871B01014
<b>2. Foreign Currency Convertible Bonds (FCCBs)</b>	As on March 31, 2008, no bonds were outstanding.	

## Corporate Governance Report

The listing fees for the financial year 2008-2009, have been paid to Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

### g. MARKET PRICE DATA:

#### i) Reference based on data available on website of Bombay Stock Exchange Limited:

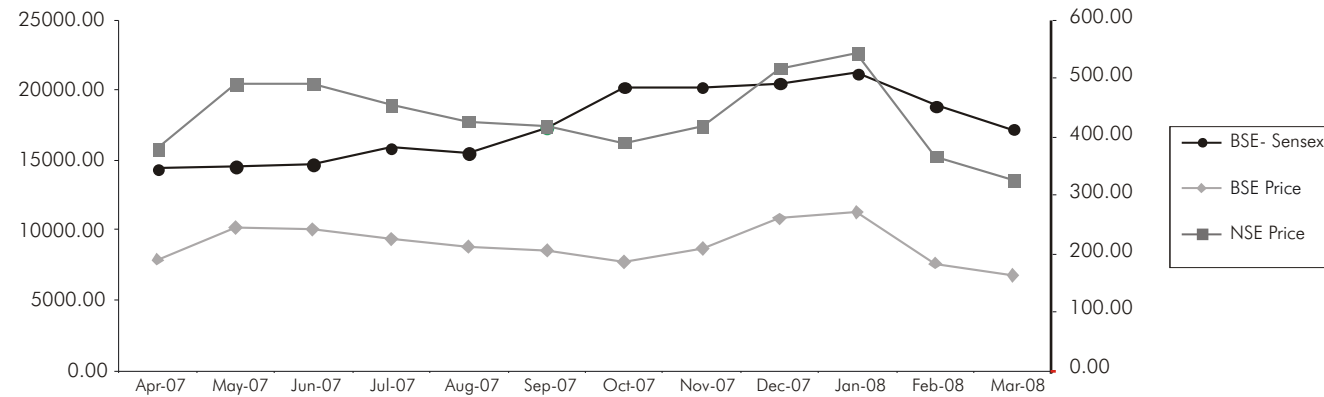
Month	Month's High Price (in Rupees)	Month's Low Price (in Rupees)	No. of Shares
April 2007	189.90	153.00	584,467
May 2007	245.25	168.00	2,089,269
June 2007	242.00	206.15	451,140
July 2007	225.00	192.00	269,936
August 2007	211.75	173.10	438,347
September 2007	204.25	177.00	217,948
October 2007	185.05	162.00	264,550
November 2007	208.00	166.15	338,817
December 2007	260.00	177.10	4,044,231
January 2008	270.20	165.25	1,172,892
February 2008	183.85	136.00	253,167
March 2008	163.00	111.00	639,486

#### ii) Reference based on data available on website of National Stock Exchange of India Limited:

Month	Month's High Price (in Rupees)	Month's Low Price (in Rupees)	No. of Shares
April 2007	190.00	152.30	232,309
May 2007	244.85	158.35	1,126,893
June 2007	249.50	204.00	303,291
July 2007	229.00	188.25	153,066
August 2007	214.00	171.40	260,989
September 2007	214.00	171.50	323,135
October 2007	205.00	145.00	116,035
November 2007	210.00	155.60	293,710
December 2007	258.45	176.65	2,909,314
January 2008	272.35	166.15	988,436
February 2008	183.45	137.15	127,219
March 2008	164.00	111.00	351,946

**Corporate Governance Report**

iii) Performance in comparison to Broad Based Indices:



h. Registrar and Share Transfer Agent:

**Bigshare Services Private Limited**

E-2, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (East), Mumbai 400 072.

**Person to be Contacted: Mr. N. V. K. Mohan - Managing Director**

Tel: (022) 2847 0652, 2847 0653, 2847 3474, 2847 3747

Fax: (022) 2847 5207

Email: bigshare@bom7.vsnl.net.in, bigshare@sify.com

Shareholders holding shares in the electronic (demat) mode should address all correspondence to their respective Depository Participants (DP's).

i. Share Transfer System:

Shares in physical form lodged for transfer with the Company's Registrar & Share Transfer Agent are normally processed within 15 days from the date of lodgement, if the documents are clear in all respects; and put up for approval before the Share Transfer Committee / Board meeting generally once in every fortnight. Share Transfer and Investors' Grievance Committee of the Directors is empowered to approve transfer of shares and to attend to the investors' grievances, which are not normally resolved by the Company's Registrar & Share Transfer Agent / Compliance Officer. Matters concerning investors' grievances, and other miscellaneous matters relating to change of address, mandates, etc. are processed by the Company's Registrar & Share Transfer Agent. The correspondence for the matter relating to revalidation of dividend warrants is being looked after by Dimple Mehta, Company Secretary from the Company's Registered Office.

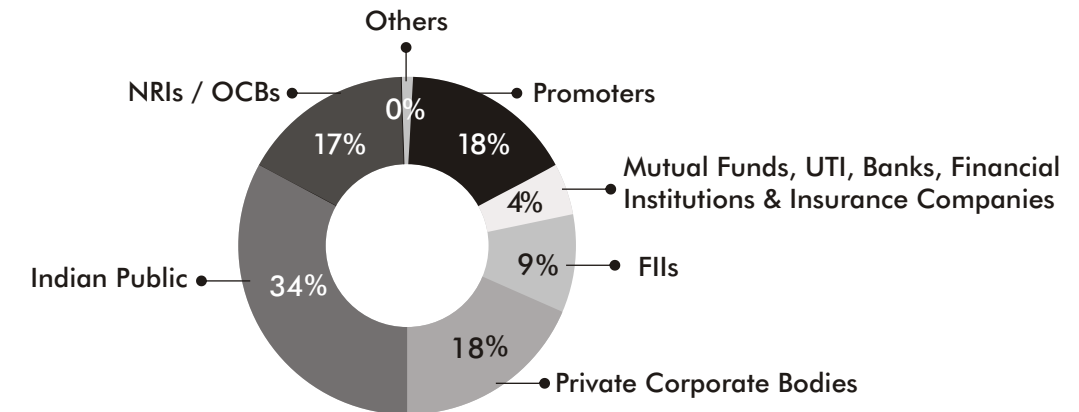
j. Distribution of Shareholding as on March 31, 2008:

No. of Shares	Total Holders	% of Total Holders	Total Holding in Shares	% of Total Capital
1-5000	6,719	85.40	9,470,500	7.46
5001-10000	500	6.35	4,243,090	3.34
10001-20000	268	3.41	4,245,320	3.34
20001-30000	113	1.44	2,969,050	2.34
30001-40000	42	0.53	1,508,750	1.19
40001-50000	49	0.62	2,313,200	1.82
50001-100000	71	0.90	5,342,650	4.21
100001- 99999999	106	1.35	96,905,730	76.30
<b>Total</b>	<b>7,868</b>	<b>100</b>	<b>126,998,290</b>	<b>100.00</b>

**Corporate Governance Report**

k. Shareholding Pattern as on March 31, 2008:

Category	No. of Shares	%
Promoters	2,238,223	17.62
Institutional Investors: Mutual Funds, UTI, Banks, Financial Institutions & Insurance Companies	567,140	4.47
FII's	1,184,001	9.32
Private Corporate Bodies	2,299,347	18.11
Indian Public	4,220,587	33.23
NRIs / OCBs	2,169,426	17.08
Any Other (Trust + Clearing Member)	21,105	0.17
<b>Total</b>	<b>12,699,829</b>	<b>100.00</b>



1. Dematerialisation of shares and liquidity as on March 31, 2008:

Physical Shares	: 246,506 (1.94%)
De-materialised Shares	: 12,453,323 (98.06%)
Total Shares	: 12,699,829 (100%)

Out of the above de-mat shares, 9,990,783 (78.67%) are held through National Securities Depository Limited and 2,462,540 (19.39%) are held through Central Depository Securities (India) Limited.

m. Outstanding ADR / GDR / other instruments:

During the year under review, the Company has not issued any ADR / GDRs. No Bonds were outstanding as on March 31, 2008. However certain preferential issues made during the year are as follows:

- 500,000 shares issued to Bennett Coleman & Co. at a price of Rs. 200/- on preferential basis.
- 2,100,000 warrants issued to Promoters' Group Companies at a price of Rs. 200/- per warrant.
- 1,575,000 warrants issued to entities other than Promoters' at a price of Rs. 200/- per warrant.

n. Registered Office address: Landmark, A-Wing, 6<sup>th</sup> Floor, Off Western Express Highway, Andheri Kurla Road, Andheri East, Mumbai 400 093.

## Corporate Governance Report

### o. Address for correspondence :

- i) All correspondence by shareholders should be made to the Registrar & Share Transfer Agent or Registered Office of the Company. Others can send their correspondence to the Registered Office of the Company or log on to www.zicom.com for sending any communication to the Company.
- ii) Email ID: investors@zicom.com
- iii) Telephone No.: (022) 4000 3535
- iv) Fax No.: (022) 4000 3434
- v) Website: www.zicom.com

For and on behalf of the Board of Directors

**Manohar Bidaye**  
Chairman

Place: Mumbai  
Date: June 30, 2008

## Auditors' Certificate on Corporate Governance

### To the Members of Zicom Electronic Security Systems Limited

We have examined the compliance of conditions of Corporate Governance procedure implemented by Zicom Electronic Security Systems Limited for the year ended on March 31, 2008 as stipulated in Clause 49 of the Listing Agreement, of the said Company, with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations provided to us and the representations made by the Directors and the management, we certify that the Company has by March 31, 2008 complied with:

- (a) all the mandatory requirements of the said Clause 49 of the Listing Agreement.
- (b) the following non-mandatory requirement of the said Clause 49 – Constitution of Remuneration Committee.

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

**For P. RAJ & CO.**  
Chartered Accountants

**P. S. Shah**  
Proprietor  
Membership No. 44611

Mumbai  
June 30, 2008

## Auditors' Report

### To the Members of Zicom Electronic Security Systems Limited

- 1) We have audited the attached Balance Sheet of Zicom Electronic Security Systems Limited as at March 31, 2008, related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) Without qualifying our report, we draw attention to Note no. 9 of Schedule 15 of the financial statement. As on March 31, 2008, the Company has investment of Rupees 2,601 Lacs in its wholly owned subsidiary Zicom Retail Products Private Limited and has advanced unsecured loan of Rupees 3,152 Lacs. As of March 31, 2008, Net Worth of said subsidiary is substantially eroded. The management is confident of generating greater business and improving profitability by the retail expansion and creation of Retail Electronic Security Brand. Accordingly management considers such diminution to be temporary in nature and has not provided for diminution in the value of investments and unsecured loan.
- 4) As required by the Companies (Auditors' Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 5) Further to our comments in the Annexure referred to above, we report that :
  - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion and subject to Note No. 6 of Schedule 15 of the financial statement, regarding non disclosure of Revenue and Expenses items for discontinued operation as required by Accounting Standard 24 on Discontinuing Operations, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

**Auditor's Report**

- e) On the basis of written representations received from the directors, as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- f) In our opinion, and to the best of our information and according to the explanations provided to us, the said financial statements read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
- i) in the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
- ii) in the case of Profit and Loss Account, of the profit for the year ended on that date; and
- iii) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For P. RAJ & CO.**  
Chartered Accountants

**P. S. Shah**  
Proprietor  
Membership No. 44611  
Mumbai, June 30, 2008

**Annexure referred to the Auditors' Report**

(Referred to in paragraph 3 of our report of even date)

- 1) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- The fixed assets have been physically verified by the management as per a phased programme of verification, except fixed assets having net block value of Rupees 34,484,187 installed at customer's place, which are not physically verified. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its fixed assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of accounts.
- Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
- 2) The management has conducted physical verification of inventory at reasonable intervals.
- In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- The Company is maintaining proper records of inventory. The discrepancies noticed on such verification between physical inventories and the book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
- 3) According to the information and explanations provided to us and as per the records examined by us, the Company has granted unsecured loan to two of its subsidiaries amounting to Rupees 370,464,918. The Maximum balance outstanding during the year was Rupees 371,873,490.
- In our opinion rate of interest and other terms and conditions are not prima facie prejudicial to the interest of the Company.
- In absence of repayment schedule of principal and interest, we are not able to comment on the regularity of the same.
- The Company has not taken any loan secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- 4) In our opinion and according to the information and explanations provided to us, having regards to the explanations that some of the items of Plant and Equipments purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, the internal control procedures are commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- 5) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that all the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- In our opinion and according to the information and explanations provided to us, the transactions made in pursuance of such contracts or arrangements have been made at reasonable prices having regard to the prevailing market prices at the relevant time.
- 6) In our opinion and according to the information and explanations provided to us, the Company has not accepted any deposits from the public within the meaning of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder.

**Annexure referred to the Auditors' Report**

- 7) In our opinion the Company has an internal audit system commensurate with the size and nature of its business.
- 8) According to the information and explanations given to us, the Central Government has not prescribed for the maintenance of the cost records under Section 209 (1) (d) of the Companies Act, 1956, for any of the products of the Company.
- 9) According to the information and explanations provided to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Customs Duty, Wealth Tax, Service Tax, Cess and other statutory dues during the year with the appropriate authorities. As on March 31, 2008, there are no undisputed dues payable for a period of more than six months from the date they became payable.

As at March 31, 2008, according to the records of the Company and the information and explanation given to us, the following are the particulars of disputed dues on account of Sales Tax that have not been deposited :

Name of the Statute	Nature of Dues	Amount in Rupees	Period to which the amount relates	Forum where the dispute is pending
Sales Tax Act	Classification Dispute	21,561	2002 - 2003	Appellate Assistant Commissioner (C. T.)
Sales Tax Act	Non-submission of statutory forms	68,967	2002 - 2003	Assistant Commissioner Sales Tax (Appeals)
Sales Tax Act	Levy of Penalty	137,778	2002 - 2003	Joint Commissioner of Commercial Taxes (Appeals)
Works Contract Tax	Disallowance of WCT certificate	164,296	2002 - 2003	Deputy Commissioner (Appeals)
Works Contract Tax	Disallowance of WCT certificate	430,999	2002 - 2003 2003 - 2004	Assistant Commissioner Sales Tax (Appeals)
Value Added Tax	Interest and Penalty on late payment	1,144,934	2007 - 2008	High Court

- 10) The Company does not have accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- 11) Based on our audit procedures and as per the information and explanations provided by the management, we are of the opinion that, during the year the Company has not defaulted in repayment of dues to any financial institution or bank. No debentures were issued or were outstanding during the year.
- 12) Based on our audit procedures and according to the information and explanations provided to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion and according to the information and explanations provided to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund / societies.

**Annexure referred to the Auditors' Report**

- 14) In our opinion and according to the information and explanations provided to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- 15) According to the information and explanations provided to us and the records examined by us, the Company has given guarantee for loan taken by one of its subsidiary from bank. In our opinion, terms and conditions of guarantee are not prejudicial to the interest of the Company.
- 16) According to the information and explanations provided to us and the records examined by us, in our opinion, the term loans were applied by the Company for the purpose for which they were obtained.
- 17) According to the information and explanations provided to us and on an overall examination of the records and cash flow statement of the Company, in our opinion, the funds raised on short-term basis have not been used for long-term investment.
- 18) According to information and explanation provided to us and on the basis of records examined by us, the Company has made preferential allotment of warrants to companies covered in the register maintained under section 301 of the Companies Act, 1956. In our opinion, the price at which warrants have been issued is not prejudicial to the interest of the Company.
- 19) According to the information and explanations provided to us and the records examined by us, no debentures were issued or were outstanding during the year.
- 20) During the year, the Company has not raised any money through public issue.
- 21) Based upon the audit procedures performed and the information and explanations provided by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For P. RAJ & CO.**  
Chartered Accountants

**P. S. Shah**  
Proprietor  
Membership No. 44611  
Mumbai, June 30, 2008.

**Balance Sheet as at March 31, 2008**

(Amount in Rupees)

Particulars	Schedule	March 31, 2008	March 31, 2007
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	126,998,290	97,464,720
Share Warrants	1A	73,500,000	-
Reserves and Surplus	2	851,260,614	538,937,794
		<b>1,051,758,904</b>	<b>636,402,514</b>
<b>Loan Funds</b>			
Secured Loans	3	513,886,877	210,128,357
Unsecured Loan	4	-	364,896,000
		<b>513,886,877</b>	<b>575,024,357</b>
<b>Deferred Tax Liability</b>	5	6,442,213	41,638,565
<b>Total</b>		<b>1,572,087,994</b>	<b>1,253,065,436</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets	6		
Gross Block		244,146,537	436,224,264
Depreciation		74,703,113	91,261,998
<b>Net Block</b>		<b>169,443,424</b>	<b>344,962,266</b>
Capital Work-in-Progress		540,000	1,316,246
		<b>169,983,424</b>	<b>346,278,512</b>
<b>Investments</b>	7	<b>408,759,570</b>	-
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	8	98,923,555	287,207,521
Sundry Debtors		361,866,195	432,565,696
Cash and Bank Balances		95,591,654	172,640,665
Loans and Advances		617,457,737	221,847,460
		<b>1,173,839,141</b>	<b>1,114,261,342</b>
<b>Current Liabilities and Provisions</b>			
Liabilities	9	165,635,976	189,949,919
Provisions		14,858,165	17,524,499
		<b>180,494,141</b>	<b>207,474,418</b>
<b>Net Current Assets</b>		<b>993,345,000</b>	<b>906,786,924</b>
<b>Total</b>		<b>1,572,087,994</b>	<b>1,253,065,436</b>

Notes forming part of the Accounts 15

 As per our report of even date  
**For P. RAJ & CO.**  
 Chartered Accountants

**Manohar Bidaye**  
 Chairman

**Achyut Godbole**  
 Director

**Hemendra Paliwal**  
 Chief Financial Officer

For and on behalf of the Board of Directors

**Pramoud Rao**  
 Managing Director

**Dr. B. Samal**  
 Director

**Mukul Desai**  
 Director

**Vijay Kalantri**  
 Director

**Dimple Mehta**  
 Company Secretary

**Profit & Loss Account for the year ended March 31, 2008**

(Amount in Rupees)

Particulars	Schedule	March 31, 2008	March 31, 2007
<b>INCOME</b>			
Sales & Services		1,645,190,255	1,545,817,963
Other Income	10	4,637,916	9,191,057
<b>Total</b>		<b>1,649,828,171</b>	<b>1,555,009,020</b>
<b>EXPENDITURE</b>			
Materials	11	1,237,807,226	1,031,252,298
Employees	12	95,999,942	124,034,182
Expenses	13	110,357,654	231,026,417
Finance Cost	14	62,009,818	11,123,041
Depreciation		16,700,570	35,669,195
<b>Total</b>		<b>1,522,875,210</b>	<b>1,433,105,133</b>
Profit Before Prior Period Items		126,952,961	121,903,887
Add : Prior Period Items		(1,230,133)	1,637,815
Profit Before Tax		125,722,828	123,541,702
Taxation:			
- Corporate Tax		39,700,000	26,500,000
- Deferred Tax		3,938,912	18,935,474
- Fringe Benefit Tax		1,650,000	2,500,000
- Earlier Years		-	(3,760,692)
Net Profit after Tax		80,433,916	79,366,920
Balance brought forward from previous year		164,905,779	107,063,358
<b>Profit Available for Appropriations</b>		<b>245,339,695</b>	<b>186,430,278</b>
<b>APPROPRIATIONS</b>			
Transfer to General Reserve		-	4,000,000
Provision for Dividend		12,699,829	14,978,844
Dividend including Taxes for Earlier Year		3,276,932	-
Provision for Tax on Dividend		2,158,336	2,545,655
<b>Balance carried to Balance Sheet</b>		<b>227,204,598</b>	<b>164,905,779</b>
Basic Earnings Per Share of Rupees 10/- each		7.63	8.49
Diluted Earnings Per Share of Rupees 10/- each		7.62	7.39

Notes forming part of the Accounts 15

 As per our report of even date  
**For P. RAJ & CO.**  
 Chartered Accountants

**Manohar Bidaye**  
 Chairman

**Achyut Godbole**  
 Director

**Hemendra Paliwal**  
 Chief Financial Officer

For and on behalf of the Board of Directors

**Pramoud Rao**  
 Managing Director

**Dr. B. Samal**  
 Director

**Mukul Desai**  
 Director

**Vijay Kalantri**  
 Director

**Dimple Mehta**  
 Company Secretary

**Cash flow statement for the year ended March 31, 2008**

(Amount in Rupees)

Particulars	March 31, 2008	March 31, 2007
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT / (LOSS) BEFORE TAX	125,722,828	123,541,702
Depreciation	16,700,570	35,669,195
Finance Cost	62,009,818	11,123,041
Sundry Balance Written Off / (Written Back)	(228,766)	2,649,390
Amortisation of Employee Stock Compensation	3,539,573	-
(Profit) / Loss on Sale of Investments	-	1,443,022
(Profit) / Loss on Sale of Fixed Assets	(440,930)	3,477,327
<b>Operating Profit Before Working Capital Changes</b>	<b>207,303,093</b>	<b>177,903,677</b>
(Increase) / Decrease in Trade and Other Receivable	(459,351,980)	(289,886,393)
(Increase) / Decrease in Inventories	188,283,966	(169,366,763)
Increase / (Decrease) in Trade Payable	(24,313,943)	111,225,470
Cash Generated from Operations	(88,078,864)	(170,124,009)
Direct Taxes	(22,663,265)	(25,460,695)
<b>Net Cash Flow from Operating Activities</b>	<b>(110,742,129)</b>	<b>(195,584,704)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of Fixed Assets	(95,402,698)	(170,724,205)
Acquisition of Investments	(408,759,570)	(24,690,436)
Sale / Transfer of Fixed Assets	140,300,565	-
Interest Received	12,905,592	20,397,514
Sale of Investments	-	29,010,400
<b>Net Cash Flow from Investment Activities</b>	<b>(350,956,111)</b>	<b>(146,006,727)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Share Capital including Share Premium	468,003,550	157,465,800
Increase in Warrant money	73,500,000	-
Increase in Secured Loans	303,758,520	97,281,650
Fluctuation Gain / (Loss)	(16,341,385)	5,976,525
Interest Paid	(58,574,025)	(36,014,690)
Reduction in Unsecured Loan and Fluctuation	(364,896,000)	(124,934,000)
Dividend & Dividend Tax Paid	(20,801,431)	(12,788,777)
<b>Net Cash used in Financing Activities</b>	<b>384,649,229</b>	<b>86,986,508</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(77,049,011)</b>	<b>(254,604,923)</b>
<b>Cash and Cash Equivalents (Opening Balance)</b>	<b>172,640,665</b>	<b>427,245,588</b>
<b>Cash and Cash Equivalents (Closing Balance)</b>	<b>95,591,654</b>	<b>172,640,665</b>

For and on behalf of the Board of Directors

**For P. RAJ & CO.**  
 Chartered Accountants

**Manohar Bidaye**  
 Chairman

**Pramoud Rao**  
 Managing Director

**Mukul Desai**  
 Director

**P. S. Shah**  
 Proprietor  
 Membership No. 44611

**Achyut Godbole**  
 Director

**Dr. B. Samal**  
 Director

**Vijay Kalantri**  
 Director

 Mumbai  
 Date : June 30, 2008

**Hemendra Paliwal**  
 Chief Financial Officer

**Dimple Mehta**  
 Company Secretary

**Schedules forming part of the Accounts as at March 31, 2008**

(Amount in Rupees)

Particulars	March 31, 2008	March 31, 2007
<b>SCHEDULE -1 SHARE CAPITAL</b>		
Authorised		
25,000,000 (15,000,000) Equity Shares of Rs. 10/- each	250,000,000	150,000,000
Issued, Subscribed & Paid-up		
12,699,829 (9,746,472) Equity Shares of Rs 10/- each	126,998,290	97,464,720
<b>Total</b>	<b>126,998,290</b>	<b>97,464,720</b>
<b>SCHEDULE -1A SHARE WARRANTS</b>		
3,675,000 (Nil) Warrants (Each Warrant carries option / entitlement to subscribe to one equity share of Rs. 10/- each at a price of Rs. 200/- per share of which 2,100,000 warrants to be subscribed on or before July 16, 2009 and 1,575,000 warrants to be subscribed on or before July 30, 2009)	73,500,000	-
<b>Total</b>	<b>73,500,000</b>	<b>-</b>
<b>SCHEDULE - 2 RESERVES AND SURPLUS</b>		
<b>General Reserve</b>		
As per Last Balance Sheet	16,000,000	12,000,000
Add: Transfer from Profit & Loss Account	-	4,000,000
	16,000,000	16,000,000
<b>Securities Premium Account</b>		
As per last Balance Sheet	358,032,015	207,319,935
Add: Received During the year	438,469,980	150,712,080
Add : Adjusted on account of demerger as per Scheme of Arrangement (Refer Note No. 5 B of Schedule 15)	(76,002,317)	-
Add: Adjusted on account urealizable assets as per Scheme of Arrangement (Refer Note No. 5 C of Schedule 15)	(115,983,235)	-
	604,516,443	358,032,015
<b>Employee Stock Options Outstanding</b>		
Employee Compensation on Options	5,590,150	-
Less: Deferred Employee Compensation Expenses Account	(2,050,577)	-
	3,539,573	-
<b>Surplus</b>		
Balance in Profit & Loss Account	227,204,598	164,905,779
<b>Total</b>	<b>851,260,614</b>	<b>538,937,794</b>
<b>SCHEDULE - 3 SECURED LOANS</b>		
1) Term Loan from Bank	281,352,250	-
2) Working Capital Loan from Banks	232,534,627	210,050,611
3) Other Secured Loans	-	77,746
<b>Total</b>	<b>513,886,877</b>	<b>210,128,357</b>

**Notes:**

- Term loan referred in (1) above is secured by the first charge on Plant & Machinery, Office Equipment and Equitable Mortgage of Land & Building at Bandra ( West), Mumbai and Office at Bangalore and second charge by way of hypothecation of entire Stock, Book Debts and Current Assets.
- Working capital loan referred in (2) above and banking facilities mentioned in clauses 2(a) and 2(b) of Schedule 15 are secured by the first charge ranking pari passu on the entire Stock, Book Debts and Current Assets, and second charge on Plant & Machinery, Office Equipment and Equitable Mortgage of Land & Building at Bandra (West), Mumbai and Office at Bangalore.
- Other secured loan referred in (3) above is secured against vehicle financed.

**Schedules forming part of the Accounts as at March 31, 2008**

Particulars	(Amount in Rupees)	
	March 31, 2008	March 31, 2007
<b>SCHEDULE - 4 UNSECURED LOAN</b>		
Foreign Currency Convertible Bonds	-	364,896,000
Nil (840) Bonds having Face Value of USD 10,000 (USD 10,000)	-	-
<b>Total</b>	<b>-</b>	<b>364,896,000</b>
<b>SCHEDULE - 5 DEFERRED TAX LIABILITY</b>		
Arising on account of Timing Difference in		
- Depreciation	7,849,455	41,842,706
- Expenses	(1,203,101)	-
- Losses	(204,141)	(204,141)
<b>Total</b>	<b>6,442,213</b>	<b>41,638,565</b>
<b>SCHEDULE - 7 INVESTMENTS (AT COST)</b>		
<b>Trade, Long Term &amp; Non Quoted</b>		
<b>Investment in Subsidiaries</b>		
1,010,000 (Nil) Equity Share having Face Value Rs. 10/- Per Share in Zicom Retail Products Private Limited (10 Share held in the name of Director on behalf of the Company)	260,100,000	-
490 (Nil) Share having Face Value AED 1000 Per Share in Unisafe Fire Protection Specialists LLC, Dubai	146,120,000	-
456,000 (Nil) Share having Face Value HKD 1 Per Share in Zicom Manufacturing Co. (HK) Limited	2,539,570	-
<b>Total</b>	<b>408,759,570</b>	<b>-</b>
<b>SCHEDULE - 8 CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A : CURRENT ASSETS</b>		
<b>Inventories</b>		
(As taken, valued and certified by Management)		
Materials	75,483,670	177,279,789
Work-in-progress	20,347,632	31,947,383
Material in Transit	3,092,253	77,980,349
	98,923,555	287,207,521
<b>Sundry Debtors</b>		
Unsecured and considered good :		
Debts outstanding over six months	70,839,827	121,800,361
Other Debts	291,026,368	310,765,335
<b>Total</b>	<b>361,866,195</b>	<b>432,565,696</b>
<b>Cash and Bank Balances</b>		
Cash in hand	531,921	805,710
Balance with Scheduled Banks:		
In Current Accounts (Book Overdraft)	12,988,064	(11,081,344)
In Fixed Deposit Receipts including Margin Money	81,615,151	47,250,927
Balance with Other Banks :		
Current Account	456,518	2,267,605
In Fixed Deposit Receipts	-	133,397,767
Maximum Balance Outstanding During Year USD 3,126,808 (USD 8,073,597)	-	-
<b>Total</b>	<b>95,591,654</b>	<b>172,640,665</b>

**Schedules forming part of the Accounts as at March 31, 2008**

Particulars	(Amount in Rupees)	
	March 31, 2008	March 31, 2007
<b>B : LOANS AND ADVANCES</b>		
Secured and Considered Good		
Advances recoverable in cash or in kind or for value to be received	-	2,061,697
Unsecured and Considered Good :		
Advances recoverable in cash or in kind or for value to be received	120,221,007	27,618,979
Investment Advance with Escrow Agent	-	97,740,000
Loans to Subsidiary Companies	370,464,918	-
Advance to suppliers	19,781,013	21,174,438
Advance for Capital Goods	80,159,418	41,526,838
Other Deposits	26,831,381	31,725,508
	617,457,737	221,847,460
<b>Total</b>	<b>1,173,839,141</b>	<b>1,114,261,342</b>
<b>SCHEDULE - 9 CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A : CURRENT LIABILITIES</b>		
Sundry Creditors :		
- Micro Small & Medium Enterprises	-	2,079,624
- Others	73,205,642	96,357,809
- Due to Subsidiary Company	4,105,072	-
Other Liabilities	50,971,538	37,932,422
Interest Accrued but not due	-	1,482,390
Taxation net of Payment	12,580,390	(6,106,345)
Advances from customers	21,140,985	42,579,588
Deposit and others	2,100,000	14,049,855
Investor Education & Protection Fund shall be credited by following amount when due		
Unclaimed Dividend	1,532,349	1,574,576
	165,635,976	189,949,919
<b>B : PROVISIONS</b>		
Dividend and Tax thereon	14,858,165	17,524,499
	14,858,165	17,524,499
<b>Total</b>	<b>180,494,141</b>	<b>207,474,418</b>

Schedules forming part of the Accounts as at March 31, 2008  
**SCHEDULE - 6 FIXED ASSETS**

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As on April 1, 2007	Additions	Deductions / Adjustment	Transfer due to Demerger	As on March 31, 2008	For the Year	Deductions/ Adjustment	Deductions due to Demerger	Up to March 31, 2008	As at March 31, 2008	As at March 31, 2007
Land - Freehold	16,982,508	-	-	-	16,982,508	-	-	-	-	16,982,508	16,982,508
Buildings	26,559,844	3,547,615	1,812,285	-	28,295,174	601,368	-	-	4,296,444	23,998,730	22,864,768
Plant & Machinery	251,183,095	80,028,252	-	211,610,047	119,601,300	4,127,869	39,899	14,637,627	32,924,082	86,677,218	207,709,356
Office Equipments	106,872,297	2,685,952	-	65,355,709	44,202,540	5,875,348	-	16,199,693	22,231,690	21,970,850	74,316,262
Vehicles	3,417,230	5,890,189	354,905	704,236	8,248,278	439,435	241,554	93,846	1,194,168	7,054,110	2,327,097
Furniture and Fixtures	31,209,290	3,790,686	-	8,183,239	26,816,737	5,656,550	-	2,046,836	14,056,729	12,760,008	20,762,275
<b>Total</b>	<b>436,224,264</b>	<b>95,942,694</b>	<b>2,167,190</b>	<b>285,853,231</b>	<b>244,146,537</b>	<b>16,700,570</b>	<b>281,453</b>	<b>32,978,002</b>	<b>74,703,113</b>	<b>169,443,424</b>	<b>344,962,266</b>
Previous Year	287,045,914	1,69,947,959	20,769,609	72,885,085	436,224,264	35,669,195	17,292,282	-	91,261,998	344,962,266	214,160,829

Schedules forming part of Accounts for the year ended March 31, 2008

(Amount in Rupees)

Particulars	March 31, 2008	March 31, 2007
<b>SCHEDULE - 10 OTHER INCOME</b>		
Lease Rent	4,200,000	4,515,000
Miscellaneous Income	437,916	4,676,057
<b>Total</b>	<b>4,637,916</b>	<b>9,191,057</b>
<b>SCHEDULE - 11 MATERIALS</b>		
<b>Opening Stock</b>		
Materials	88,388,155	85,352,603
Work-in-progress	31,947,383	32,112,801
Material in Transit	2,244,871	375,354
<b>Total</b>	<b>122,580,409</b>	<b>117,840,758</b>
<b>Purchases</b>		
Materials and Related Expenses	1,214,150,372	1,200,619,061
<b>Total</b>	<b>1,214,150,372</b>	<b>1,200,619,061</b>
<b>Closing Stock</b>		
Materials	75,483,670	177,279,789
Work-in-progress	20,347,632	31,947,383
Material in Transit	3,092,253	77,980,349
<b>Total</b>	<b>98,923,555</b>	<b>287,207,521</b>
<b>Total</b>	<b>1,237,807,226</b>	<b>1,031,252,298</b>
<b>SCHEDULE - 12 EMPLOYEES</b>		
<b>Employees Remuneration and Benefits :</b>		
Salaries, Wages and Bonus	87,819,949	113,542,413
Contribution to Provident and Other Funds	2,088,519	3,544,753
Employee Stock Compensation	2,309,440	-
Workmen & Staff Welfare Expenses	4,038,136	6,947,016
<b>Sub-total</b>	<b>96,256,044</b>	<b>124,034,182</b>
Less : Recovered form Subsidiary Company	256,102	-
<b>Total</b>	<b>95,999,942</b>	<b>124,034,182</b>

**Schedules forming part of the Accounts for the year ended March 31, 2008**

Particulars	(Amount in Rupees)	
	March 31, 2008	March 31, 2007
<b>SCHEDULE - 13 EXPENSES</b>		
Advertisement Expenses	13,187,930	86,164,135
Auditor's Remuneration	632,037	476,665
Bank Charges, Guarantee Commission etc.	4,802,457	5,875,138
Commission & Brokerage	1,964,432	4,079,986
Directors' Sitting Fees	542,500	658,500
Donation	226,000	62,250
Insurance Charges	1,769,443	1,497,895
Legal & Professional Fees	19,426,414	15,831,260
Membership & Subscription	153,384	201,500
Miscellaneous Expenses	4,134,615	4,830,398
Postage, Telephone and Telex	9,903,941	12,284,490
Power & Fuel	4,898,670	4,359,789
Printing & Stationery	3,608,548	4,695,954
Rates & Taxes	3,245,719	4,058,374
Rent & Compensation	20,727,915	29,134,278
Repairs and Maintenance - Building	483,251	943,994
Repairs and Maintenance - Others	2,224,335	2,942,443
Sales Promotion Expenses	5,117,245	4,643,465
Staff Training & Recruitment	2,633,127	5,254,698
Sundry Balances Written off / (Written Back) (Net)	(228,766)	2,649,390
Travelling & Conveyance	19,861,875	35,461,466
(Profit) / Loss on Sale / Discard of Fixed Assets (Net)	(440,930)	3,477,327
Short Term Loss on Investment	-	1,443,022
<b>Sub-total</b>	<b>118,874,142</b>	<b>231,026,417</b>
Less : Recovered from Subsidiary Company	8,516,488	-
<b>Total</b>	<b>110,357,654</b>	<b>231,026,417</b>
<b>SCHEDULE - 14 FINANCE COST</b>		
<b>INTEREST</b>		
Term Loan	2,787,170	-
Working Capital	55,786,855	34,206,077
Others	-	3,291,003
Exchange Fluctuation	16,341,385	(5,976,525)
<b>Less :</b>	<b>74,915,410</b>	<b>31,520,555</b>
Interest Income	-	-
- From Bank [Tax Deducted at Source Rupees 660,214/- (Rupees 660, 530/-)]	6,399,634	20,397,514
- From Subsidiary	6,505,958	-
<b>Total</b>	<b>62,009,818</b>	<b>11,123,041</b>

**Notes forming part of the accounts for the year ended March 31, 2008**
**SCHEDULE 15**
**1. Significant Accounting Policies:**

The financial statements are prepared to comply in all material aspects with the applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The significant accounting policies are as follows:

**a) Basis of Accounting:**

The Financial statements are prepared in accordance with the historical cost convention.

**b) Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

**c) Fixed Assets / Capital Work-in-Progress:**

Expenditure, which is of capital nature, is capitalised. Such expenditure includes purchase price, import duties, levies and any direct attributable cost of bringing the asset to its working condition.

Capital Work-in-Progress is carried at costs, comprising direct cost related incidental expenses and interest on borrowings there against.

**d) Depreciation / Amortisation:**
**Tangibles:**

Depreciation on fixed assets is provided on straight-line method in accordance with the rates specified in Schedule XIV of the Companies Act, 1956.

Capital Expenditure incurred on Rented Premises is written off over a period of three years.

**Intangibles:**

These are amortised over their useful life, not exceeding five years.

**e) Investments:**

Investments are stated at 'cost'. A Provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments.

An investment in the shares of subsidiary companies outside India is stated at cost by converting at the rate of exchange at the time of their acquisition.

**f) Valuation of Inventories:**

Materials, Stores and Spares valued at cost on First In First Out Basis.

Work-in-Progress, Finished goods and trading goods are valued at cost or realisable value whichever is lower.

Goods-in-transit are valued at cost. In respect of goods undergoing customs clearance, no provision has been made for the customs duty liability. However, this practice does not have any impact on the profit for the period.

Notes forming part of the accounts for the year ended March 31, 2008

**g) Foreign Exchange Fluctuations:**

Transactions in Foreign currency are recorded at the Exchange rate prevailing on the date of transaction. Monetary assets and liabilities relating to foreign currency transactions remaining unsettled at the end of the year are translated at the year-end rates. The differences in translation of monetary assets and liabilities and realised gains and losses on foreign exchange transactions are recognised in the Profit and Loss account.

**h) Revenue Recognition:**

Sales and Services are recognised when goods are supplied in accordance with the terms of sale and are recorded net of trade discounts, rebates and sales tax collected. Income from services is accrued as per terms of relevant agreement.

Income and Expenditure are accounted on an accrual basis. Dividend income is recognised when the right to receive dividend is established

Amount received from the customers for admitting them as member of Company's various schemes are credited to revenue account in the year in which membership is allotted.

**i) Retirement Benefits:**

- i. Contribution to defined contribution schemes such as Provident Fund and Employer's Pension scheme is charged to the Profit and Loss Account.
- ii. Payments to the employees' Gratuity Trust Fund, after taking into account the funds available with the trustees of the Gratuity Fund, is based on actuarial valuation carried out at the end of the year.
- iii. Provision for leave encashment has been accrued and provided for at the end of the financial year, on the basis of actuarial valuation.

**j) Taxation:**

- i. Provision for Income Tax is made under the liability method after availing exemptions and deductions at the rates applicable under the Income Tax Act, 1961.
- ii. Deferred tax resulting from timing difference between book and tax profits is accounted for using the tax rates and laws that has been enacted as of the balance sheet date.
- iii. Deferred tax assets arising on the temporary timing differences are recognized only if, there is reasonable certainty of realization.

**k) Impairment of Assets:**

The carrying amount of assets is reviewed periodically for any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. Post impairment, depreciation is provided on the revised carrying value of the asset over its remaining useful life.

**l) Borrowing Costs:**

Interest and other costs in connection with the borrowing of the funds to the extent related / attributed to the acquisition /

Notes forming part of the accounts for the year ended March 31, 2008

construction of qualifying fixed assets are capitalised upto the date when such assets are ready for its intended use and other borrowing costs are charged to the Profit & Loss Account.

**m) Provisions for contingencies:**

A provision is recognised when:

- i. The Company has a present obligation as a result of a past event;
- ii. It is probable that an outflow of resources embodying economic benefits which will be required to settle the obligation; and
- iii. A reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

The Company provides for warranty cost based on a technical estimate of the costs required to be incurred for repairs, replacement, material cost, servicing and past experience in respect of warranty costs. It is expected that this expenditure will be incurred over the contractual warranty period.

**n) Accounting of Lease:**

- i. Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.
- ii. Lease income is recognised on accrual basis in accordance with the terms of lease agreement.

**o) Accounting of Employee Stock Option Scheme:**

In respect of options granted during any accounting period, intrinsic value (excess of market price of share over the exercise price or the option) is treated as employee compensation in the financial statements of the company which is amortised on a straight line basis over the vesting period.

**2. Contingent liabilities not provided for in respect of**

(Amount in Rupees)

	Particulars	March 31, 2008	March 31, 2007
a.	Letters of Credit by Bank	16,632,315	6,442,488
b.	Guarantees issued by Bank (Gross)	50,030,516	35,739,670
c.	Corporate Guarantee	200,000,000	Nil
d.	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	22,500,000	30,016,565
e.	Sales Tax Matters	1,968,535	606,098
f.	In respect of Borrowing by Employees, where Company is co-applicant	1,194,304	2,608,691
g.	Factoring of Receivables	116,712,926	Nil
h.	Premium of Redemption of FCCB Bonds	Nil	27,009,906

**Notes forming part of the accounts for the year ended March 31, 2008**

(Amount in Rupees)

Particulars	March 31, 2008	March 31, 2007
<b>3. Managerial remuneration</b>		
A Salaries	12,151,640	3,348,000
Commission on profit	250,000	250,000
Perquisites	28,750	222,500
Retirement Benefit	18,720	9,360
<b>Total</b>	<b>12,449,110</b>	<b>3,829,860</b>
B Directors Sitting Fees	542,500	658,500
C Computation of Net Profit in accordance with section 349 of the Companies Act, 1956		
Profit Before Tax	125,722,828	123,541,702
Add:		
Managerial Remuneration	12,449,110	3,829,860
Directors Sitting Fees	542,500	658,500
(Profit) / Loss on Sale / Discard of Fixed Assets	(440,930)	3,477,327
Less:		
Profit / (Loss) on sale of Investment	Nil	(1,443,022)
Net Profit as per Section 349 of the Companies Act, 1956	<b>138,273,508</b>	<b>132,950,411</b>
Commission to Managing Director @ 2%(1% )of the Net Profit as calculated above	2,765,470	1,329,504
Restricted to	250,000	250,000
<b>4. Payments to Auditors: (Net of Service Tax)</b>		
Audit fees	500,000	400,000
Other Certification Matters	121,500	75,500
Out of pocket expenses	10,537	1,165

**5. Scheme of Arrangement**

A. Under a Scheme of Arrangement approved by Hon'able Bombay High Court under Sections 391 and 394 read with Sections 78 and 100 of the Companies Act 1956, between the Company and Zicom Retail Products Private Limited (formerly known as Zicom Global Security Private Limited) the Consumer Service Group ("CSG") Business of Company has been vested with Zicom Retail Products Private Limited retrospectively from April 1, 2007 ("the appointed date").

The CSG Business consists of retailing of various electronic security products and services.

**Notes forming part of the accounts for the year ended March 31, 2008**

All assets and liabilities pertaining to said business have been transferred to Zicom Retail Products Private Limited in accordance with Scheme of Arrangement.

The said Scheme of Arrangement became effective from January 2, 2008 upon which:

- The CSG Business together with all related assets and liabilities were deemed to have been vested and transferred to Zicom Retail Products Private Limited with effect from April 1, 2007.
- The Business of the CSG was deemed to have carried out by the Company, in trust for Zicom Retail Products Private Limited upto the date of transfer i.e. February 29, 2008.
- The said transfer and vesting of the business and its assets were deemed to be on a going concern Basis. The fixed assets were transferred at fair market value as on April 1, 2007.
- The accounting treatment and recognition of the above is done in accordance with the Scheme of Arrangement.

Accordingly, these financial statements have been prepared after excluding results of activities carried out by the Company in trust to Zicom Retail Products Private Limited from April 1, 2007 to February 29, 2008 i.e. the date of actual transfer.

The details of the Assets and Liabilities relating to the CSG vested with Zicom Retail Products Private Limited with effect from April 1, 2007, the appointed date are as follows:

Particulars	Rupees	Rupees
<b>Assets:</b>		
<b>Fixed Assets</b>		
Fair Market Value of Fixed Assets	137,737,648	
Capital work in Progress	236,250	
<b>Total Fixed Assets</b>		<b>137,973,898</b>
<b>Current Assets, Loans and Advances</b>		
Inventories	164,627,112	
Sundry Debtors	7,846,498	
Cash & Bank Balance	(6,452,373)	
Loans and advances	10,067,658	
<b>Total Current Assets</b>	<b>176,088,895</b>	
<b>Less : Current Liabilities and Provisions</b>		
Current Liabilities	54,062,793	
<b>Net Working Capital</b>		<b>122,026,102</b>
<b>Total Net Consideration</b>		<b>260,000,000</b>

**Notes forming part of the accounts for the year ended March 31, 2008**

- B. Fixed Assets transferred to and vested with Zicom Retail Products Private Limited, pursuant to the Scheme of Arrangement and were recognized at their fair market values, and the difference of Rupees 76,002,317/- net of deferred tax liability, between book value and fair market value as on April 1, 2007 have been reduced from Securities Premium Account.
- C. As per the Scheme of Arrangement approved by the Hon' able Bombay High Court, the unrealizable Assets / Debtors pertaining to remaining business of the company, amounting to Rupees 115,983,235/- have been reduced from Securities Premium Account.
- D. Scheme of Arrangement became effective during the year; however the title to the assets could not be necessarily transferred as at March 31, 2008 and hence same being held, in trust by the company.

**6. Discontinued Operations**

Under a Scheme of Arrangement approved by Hon'able Bombay High Court under Sections 391 and 394 read with Sections 78 and 100 of the Companies Act 1956, between the Company and Zicom Retail Products Private Limited (formerly known as Zicom Global Security Private Limited) the Consumer Service Group ("CSG") Business of Company has been vested with Zicom Retail Products Private Limited retrospectively from April 1, 2007 ("the appointed date"). Accordingly Consumer Service Group Business has been transferred to Zicom Retail Products Private Limited for a total consideration of Rs. 2600 lacs resulting in a loss of Rs. 76,002,317/- which has been written off in security premium as per court order.

The assets and liabilities transferred to Zicom Retail Products Private Limited for the year ended March 31, 2007 contains following amounts relating to discontinued operations pertaining to Consumer Service Group. The revenue and expenses pertaining to discontinued operation are not given as the Company has not maintained data for the same.

Particulars	March 31, 2007
Total Assets	390,065,110
Total Liabilities	54,062,793

**7. Disclosure pursuant to Accounting Standard – 15 (revised) 'Employee Benefits': Defined Contribution Plans**

Particulars	March 31, 2008	March 31, 2007
Employer's Contribution to Provident Fund	414,149	851,705
Employer's Contribution to Pension Fund	937,854	1,774,836

**Notes forming part of the accounts for the year ended March 31, 2008**
**Defined Benefit Plans**

I	Change in Defined Benefit Obligation(D.B.O)	Gratuity	Leave Encashment
	Opening Defined Benefit Obligation as on April 1, 2007	1,526,920	984,363
	Service cost for the Year	488,508	1,522,905
	Interest cost for the year on opening DBO	106,988	40,971
	Actuarial Losses (Gains)	593,938	1,678,262
	Benefit Paid	(200,818)	(876,165)
	Closing defined benefit Obligation March 31, 2008	<b>1,327,660</b>	<b>3,350,336</b>
II	Fair Value of Plan Asset		
	Opening fair value of plan assets as on April 1, 2007	1,451,294	Nil
	Expected return on Plan Assets	135,400	Nil
	Actuarial gains and (losses)	(10,622)	Nil
	Contribution by employer	306,565	876,165
	Benefit Paid	(200,818)	(876,165)
	Closing balance of fair value of plan assets	<b>1,681,819</b>	<b>Nil</b>
III	Actual Return on Plan Asset		
	Expected return on Plan Assets	(135,400)	Nil
	Actuarial gains and (losses)	(10,622)	Nil
	Actual Return on Plan Asset	<b>124,778</b>	<b>Nil</b>
IV	Amount Recognised in Balance Sheet		
	Liability at the end of Year	1,327,660	3,350,336
	Fair Value of Plan Assets at the end of the Year	1,681,819	Nil
	Difference	354,159	3,350,336
	Unrecognised Past Service Cost	-	Nil
	Amount Recognised in Balance Sheet	<b>354,159</b>	<b>3,350,336</b>
V	Amount Recognised in Income Statement		
	Current Service Cost	488,508	1,522,905
	Interest on Obligation	106,988	40,971
	Expected return on Plan Assets	(135,400)	Nil
	Net actuarial losses (gains) recognized	(583,216)	1,678,262
	Expenses Recognised in Profit and Loss	<b>(123,220)</b>	<b>3,242,138</b>
VI	Balance Sheet Reconciliation		
	Opening Net Liability	75,626	984,363
	Expenses as Above	(123,220)	3,242,138
	Employee Contribution	(306,565)	(876,165)
	Amount Recognised in Balance Sheet	<b>354,159</b>	<b>3,350,336</b>
VII	Actuarial Assumptions: for the Year		
	Discount Rate as on March 31, 2008	7.50%	7.50%
	Expected Return on plan Assets at March 31, 2008	0.80%	0.80%
	Annual Increase in Salary Cost	4.00%	4.00%

Notes forming part of the accounts for the year ended March 31, 2008

**General Description of significant defined plans**

**I. Gratuity Plan**

Gratuity is payable to all eligible employees on the completion of five years of service in the event of resignation, retirement, permanent disablement or death.

**II. Leave Plan**

Eligible employees can carry forward the leaves as per the leave policy of the Company and is payable at separation on account of retirement, resignation, permanent disablement or death.

**Broad Category of plan assets relating to Gratuity as a percentage of total plan assets**

Particulars	Percentage
Government of India Securities	Nil
High Quality Corporate bonds	Nil
Equity Shares of Listed Companies	Nil
Property	Nil
Policy of Insurance	100 %
<b>Total</b>	<b>100 %</b>

8. Previous year figures includes results of CSG Business which in now demerge in to wholly owned subsidiary company hence current year figures are not comparable with the figures of previous year.
9. The Company has invested Rupees 2,601 Lacs towards subscription of shares of it's wholly owned subsidiary Zicom Retail Products Private Limited and has further advanced unsecured loan of Rupees 3,152 Lacs as on March 31, 2008, Net Worth of said subsidiary is substantially eroded. The management is confident of generating greater business and improving profitability by the retail expansion and creation of Retail Electronic Security Brand. Accordingly management considers such diminution to be temporary in nature and has not provided for diminution in the value of investments.
10. Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small & Medium Enterprises. The Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available, no disclosures have been made in the accounts. However, in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of this Act is not expected to be material.

The names of Small Scale Industries creditors, which are outstanding for more than 30 days, are given as under. This disclosure is based on the information available with the Company regarding the status of the suppliers as defined under the interest on Delayed payment to Small Scale and Ancillary Industrial Undertaking Act, 1993.

Control Soft Systems, M B Electronics

**11. Lease:**

Disclosure as required by Accounting Standard 19 (AS-19) issued by The Institute of Chartered Accountants of India are as follows:

Notes forming part of the accounts for the year ended March 31, 2008

**Operating Lease:**

The Company's significant leasing arrangements are in respect of office premises and residential flats taken on lease. The arrangements are generally from 11 months to 36 months. Under these agreements, generally refundable interest-free deposits have been given. In respect of above arrangements, lease rentals payable are recognised in the Profit and Loss Account for the year and included under Rent and Compensation (Disclosed under Schedule 13). Total of Minimum lease payment for a period: -

(Amount in Rupees)

Particulars	March 31, 2008	March 31, 2007
Not later than one year	9,871,192	12,960,000
Later than one year and not later than five years	3,340,146	7,020,000
Later than five years	Nil	Nil

Commercial premises have been given on operating lease having original cost of Rupees 30,955,318/- (Rupees 30,955,318/-) and accumulated depreciation of Rupees 3,185,790/- (Rupees 2,804,555/-) as at March 31, 2008. Depreciation on the above assets for the current year is Rupees 381,235/- (Rupees 380,193/-). In respect of the above arrangements, lease rentals receivable are recognised in the Profit and Loss Account for the year and included under Other Income (Disclosed under Schedule 10)

(Amount in Rupees)

Particulars	March 31, 2008	March 31, 2007
Not later than one year	3,675,000	4,200,000
Later than one year and not later than five years	Nil	3,675,000
Later than five years	Nil	Nil

**12. Earnings Per Share (EPS) : Equity Shares of Rupees 10/- fully paid up**

(Amount in Rupees)

Particulars	March 31, 2008	March 31, 2007
<b>A. Net Profit for Basic Earning Per share as per Profit &amp; Loss Account</b>	<b>80,433,916</b>	<b>79,366,920</b>
Adjustment for the purpose of Diluted Earning Per Share		
Add: Interest and Foreign Exchange Fluctuation	Nil	(8,388,088)
Less : Tax Adjustment	Nil	(2,823,430)
Net Profit for Diluted EPS	<b>80,433,916</b>	<b>73,802,262</b>
<b>B. Weighted Average No of Equity Shares</b>		
Basic	<b>10,535,227</b>	<b>9,350,462</b>
Diluted	<b>10,559,690</b>	<b>9,985,027</b>
<b>C. Earning Per share</b>		
Basic	<b>7.63</b>	<b>8.49</b>
Diluted	<b>7.62</b>	<b>7.39</b>

Notes forming part of the accounts for the year ended March 31, 2008

**13. Related Party Disclosure:**

Information in accordance with the requirements of Accounting Standard 18 on Related Party Disclosures issued by the Institute of Chartered Accountants of India:

**A. Related Parties with whom transactions have taken place:**

**i. Key Management Personnel:**

- Mr. Manohar Bidaye
- Mr. Pramoud Rao

**ii. Subsidiary Companies**

- Unisafe Fire Protection Specialists LLC Dubai (with effect from May 13, 2007) (subsidiary By virtue of control of the composition of Board)
- Zicom Manufacturing Co. (HK) Limited (with effect from April 12, 2007)
- Zicom Retail Products Pvt. Ltd (with effect from July 2, 2007)

**iii. Companies in which company or its directors / relatives of director have substantial interest.**

- Baronet Properties and Investments Private Limited
- Coronet Properties and Investments Private Limited

**iv. Joint Ventures**

- Bin Jabr Zicom Security System LLC.

**B. Transactions during the year with Related Parties mentioned above:**

**Key Management Personnel**

Remuneration Paid – As disclosed in Note No. 3. A of Schedule 15

Director's Sitting Fees – As disclosed in Note No. 3. B of Schedule 15

**Subsidiary Companies**

(Amount in Rupees)

Particulars	March 31, 2008	March 31, 2007
Investment in Shares	408,759,570	Not Applicable
Advance recoverable in Cash or Kind (Net)	370,464,918	Not Applicable
Purchase	15,381,950	Not Applicable
Corporate Guarantee	200,000,000	Not Applicable
Common Overheads Allocated	8,772,590	Not Applicable
Interest charged on loan	6,505,958	Not Applicable

**Companies in which company or its directors / relatives of director have substantial interest.**

Allotment of Shares / Warrant Rupees 42,000,000/- (Rupees 48,400,000/-)

**Joint Ventures**

Balance written off Rupees Nil (Rupees 77,126/-)

Notes forming part of the accounts for the year ended March 31, 2008

**C. Balance with Related Parties:**

(Amount in Rupees)

Particulars	Transaction Type	March 31, 2008	March 31, 2007
Subsidiary Companies	Loans	370,464,918	Not Applicable
	Corporate Guarantee	200,000,000	Not Applicable
	Purchase	4,105,072	Not Applicable

**14. Loans and Advance in the nature of Loans given to subsidiaries:**

(Amount in Rupees)

Sr. No.	Name of the company	As at March 31, 2008	As at March 31, 2007	Maximum Balance During the year
1	Zicom Retail Products Private Ltd.	315,173,490	Nil	315,173,490
2	Unisafe Fire Protection Specialists LLC	55,291,428	Nil	56,700,000

**15. Segment Reporting:** The Company has only one reportable segment namely "Electronic Security Systems".

16. On September 16, 2005, the Company had issued 1,100 Foreign Currency Convertible Bonds (FCCBs) of a Face Value of US\$ 10,000 aggregating to US\$ 11 Millions. As per the terms of the issue, the holders had an option to convert the FCCBs into equity shares at conversion rate of Rupees 150/- per equity share at a fixed exchange rate conversion of Rupees 43.81 = US\$ 1

During the year the Company has issued 2,453,357 (759,372) Equity Share upon conversion of 840 (260) Bonds having face value aggregating to USD 8,400,000 (USD 2,600,000).

The Company has further issued 500,000 Equity Shares on preferential basis.

Proceeds were utilized for the purpose for which it was raised.

17. Pursuant to the approval of members by way of Special Resolution passed at an Extra - ordinary General Meeting of the Company held on December 20, 2007, the Company has allotted 2,100,000 warrants to Promoter's Group Companies viz. Baronet Properties & Investments Pvt. Ltd and Coronet Properties & Investments Pvt. Ltd. Each warrant carries option / entitlement to subscribe to one equity share of Rupees 10/- each at a premium of Rupees 190/-.

Further pursuant to the approval of members by way of Special Resolution passed at an Extra-ordinary General Meeting of the Company held on January 17, 2008, the Company has allotted 1,575,000 warrants to various body corporate and individuals. Each warrant carries option / entitlement to subscribe to one equity share of Rupees 10/- each at a premium of Rupees 190/-.

**18. Details of uncovered foreign currency exposures:**

Particulars	Currency	March 31, 2008	March 31, 2007
Trade Receivable	USD	199,544	5,659,346
	AED	5,107,746	Nil
Trade Payable	USD	149,472	144,932
Unsecured Loans*	USD	Nil	8,400,000

\* Out of above, Nil (USD 5 Million) have been SWAP to CHF

Notes forming part of the accounts for the year ended March 31, 2008

**19. Employee Stock Option Scheme (ESOS)**

In accordance with ESOS of the Company the employees have been offered options as per eligible criteria fixed under the scheme. Against each of the above, eligible employee is entitled to acquire one equity share of Rupees 10/- of the company at a price mentioned against each series of option. Against each option 20% can be exercised by the end of first year from the date of grant of option, 30% can be exercised at the end of second year from the date of grant of the options and balance 50% can be exercised at the end of third year from the date of grant of the options.

Summary as on March 31, 2008	Grant I A	Grant I B	Grant II	Grant III	Total
Exercise Price	153.80	162.90	175.50	192.00	
Options outstanding at the beginning of the year	150,000	92,000	34,000	Nil	276,000
Granted during the year	Nil	Nil	Nil	59,000	59,000
Exercised during the year	Nil	Nil	Nil	Nil	Nil
Forfeited / Surrendered / Lapsed during the year	18,000	52,000	9,000	20,000	99,000
Outstanding at the end of the year	132,000	40,000	25,000	39,000	236,000

**20. Additional information pursuant to the provisions of the Companies Act, 1956.**

**(i) Turnover:**

Description	Qty	March 31, 2008	March 31, 2007
A. Electronic Security Systems / Equipment (includes Access Control Systems and Software, C. C. T. V., Fire Alarm, Intrusion, Smart Cards, Electronic Article Surveillance etc)	*	806,314,644	832,541,171
B. Electronic Equipments, Components, Software and Accessories	*	758,607,159	646,195,923
C. Software Services	#	19,500,422	15,181,867
D. Service Income	#	60,768,030	51,899,002

\* Due to various equipments, components / accessories involved therein, quantities are not practically determinable.

# In respect of development and maintenance of software, the production and sale cannot be expressed in any generic unit, and hence it is not practicable to give quantitative information.

**(ii) Purchases of Trading Goods:**

Description	Unit	Qty	Value (Rupees)
Electronic Equipments, Component and Accessories	Nos.	28,381	754,156,326
		(14,648)	(550,269,283)

**(iii) Materials consumed**

Description	Qty	Value (Rupees)
Electronic Security Systems / Equipment (includes Access Control Systems and Software, C. C. T. V., Fire Alarm, Intrusion, Smart Cards, Electronic Article Surveillance etc)	*	472,051,149#
		(480,817,597)

\* Due to various components / accessories involved therein, quantities are not practically determinable.

# Material consumption includes Foreign Exchange Fluctuation gain of Rupees 778,899/- (Previous Year expense of Rupees 2,037,429/-)

Notes forming part of the accounts for the year ended March 31, 2008

**(iv) Consumption of materials, components and spare parts and its percentage to total:**

Year Ended	March 31, 2008		March 31, 2007	
	Value (Rupees)	Percentage	Value (Rupees)	Percentage
<b>Material</b>				
Imported	148,835,661	32%	214,106,468	45%
Indigenous	323,215,488	68%	266,711,129	55%
<b>Spare Parts</b>				
Imported	Nil	Nil	Nil	Nil
Indigenous	Nil	Nil	Nil	Nil

(Amount in Rupees)

Particulars	March 31, 2008	March 31, 2007
<b>21. Value of Imports on C.I.F. basis:</b>		
Materials and Finished goods	127,392,375	233,059,202
Capital Goods	Nil	Nil
<b>22. Earnings in Foreign Currency:</b>		
Export / Merchandise Trade Sales	1,456,446	517,276
Interest	7,303,353	17,268,064
<b>23. Expenditure in Foreign Currency (On payment basis):</b>		
Travelling	721,960	1,913,879
Bank Charges	297,062	391,659
FCCB Expenses	Nil	4,472,096

24. The Previous Year's figures have been regrouped and re-arranged, wherever necessary.

25. Balances of Sundry Debtors, Sundry Creditors, Loans and Advances and Others are as per books and subject to confirmations and reconciliation, if any.

For and on behalf of the Board of Directors

**For P. RAJ & CO.**  
Chartered Accountants

P. S. Shah  
Proprietor  
Membership No. 44611  
Mumbai  
Date : June 30, 2008

**Manohar Bidaye**  
Chairman

**Achyut Godbole**  
Director

**Hemendra Paliwal**  
Chief Financial Officer

**Pramoud Rao**  
Managing Director

**Dr. B. Samal**  
Director

**Mukul Desai**  
Director

**Vijay Kalantri**  
Director

**Dimple Mehta**  
Company Secretary

## Balance Sheet abstract and Company's General Business Profile

### I. Registration Details

Registration No.	83391	State Code	11
Balance Sheet Date	March 31, 2008		

### II. Capital raised during the year

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	5,000

### III. Position of Mobilization and Deployment of Funds

Total Liabilities	1,752,582	Total Assets	1,752,582
Source of Funds		Reserve & Surplus	924,761
Paid up Capital	126,998	Unsecured Loans	Nil
Secured Loans	513,887		
Deferred Tax Liability	6,442		

Application of Funds		Investments	408,760
Net Fixed Assets	169,983	Misc. Expenditure	Nil
Net Current Assets	993,345		

### IV. Performance of Company

Turnover	1,649,828	Total Expenditure	1,522,875
Profit Before Tax	126,953	Profit After Tax	80,434
Earning Per Share (Rs.)	7.63	Dividend Rate %	10%

### V. Generic Names of Three Principal Products / Services of Company

(as per Monetary terms)

Product Description	Item Code
Control Panel & Switcher	8537.10
Cameras	8525.30
Access Readers	9031.90

For and on behalf of the Board of Directors

**Manohar Bidaye**  
Chairman

**Pramoud Rao**  
Managing Director

**Mukul Desai**  
Director

**Achyut Godbole**  
Director

**Dr. B. Samal**  
Director

**Vijay Kalantri**  
Director

**Hemendra Paliwal**  
Chief Financial Officer  
Mumbai  
Date : June 30, 2008

**Dimple Mehta**  
Company Secretary

## Auditors' Report on Consolidated Financial Statements

### To The Board of Directors of Zicom Electronic Security Systems Limited

We have audited the attached Consolidated Balance Sheet of Zicom Electronic Security Systems Limited, its subsidiaries Zicom Manufacturing Co. (HK) Limited, Zicom Retail Products Private Limited and Unisafe Fire Protection Specialists LLC, Dubai as at March 31, 2008, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of the subsidiary companies, Zicom Manufacturing Co. (HK) Limited and Unisafe Fire Protection Specialists LLC for the year ended March 31, 2008, have been audited by other auditors whose reports have been furnished to us and whose financial statements reflect total assets (net) of Rupees 117,167,150/- and cash flows of Rupees 33,748,944/-. The Company's share of net worth with respect to said subsidiary companies as at March 31, 2008 and profit for the year ended March 31, 2008 is Rupees 90,082,488/- and Rupees 103,012,563/- respectively. We have placed reliance on the said reports for the purpose of our opinion on the Consolidated Financial Statements.

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India on the basis of separate audited financial statements of Zicom Electronic Security Systems Limited and its Subsidiary Companies included in the Consolidated Financial Statements.

On the basis of information and explanations given to us and on the consideration of the separate audit reports of other auditors on individual audited financial statements of the Company and its aforesaid subsidiaries, we are of opinion that said consolidated financial statements read with the notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India;

(1) in the case of the Consolidated Balance Sheet, of the state of affairs of Zicom Electronic Security Systems Limited and its subsidiaries as at March 31, 2008;

(2) in the case of Consolidated Profit and Loss Account, of the profit for the year ended on that date; and

(3) in the case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

**For P. RAJ & CO.**  
Chartered Accountants

**P. S. Shah**  
Proprietor  
Membership No. 44611  
Mumbai, June 30, 2008

**Consolidated Balance Sheet as at March 31, 2008**

(Amount in Rupees)

Particulars	Schedule	March 31, 2008	March 31, 2008
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	126,998,290	
Share Warrants	1A	73,500,000	
Reserves and Surplus	2	<u>784,178,672</u>	984,676,962
<b>Loan Funds</b>			
Secured Loans	3	584,246,398	
Unsecured Loans	4	<u>65,902,201</u>	650,148,599
Minority Interest			<u>27,084,665</u>
<b>Total</b>			<u>1,661,910,226</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	780,147,086	
Depreciation		<u>151,825,513</u>	
<b>Net Block</b>		<u>628,321,573</u>	
Capital Work-in-Progress		<u>776,250</u>	
			629,097,823
<b>Deferred Tax Assets</b>	6		71,681,095
<b>Current Assets, Loans and Advances</b>			
Inventories	7	238,243,545	
Sundry Debtors		780,063,135	
Cash and Bank Balances		108,248,249	
Loans and Advances		<u>333,500,294</u>	
		<u>1,460,055,224</u>	
<b>Current Liabilities and Provisions</b>			
Liabilities	8	484,065,751	
Provisions		<u>14,858,165</u>	
		<u>498,923,916</u>	
<b>Net Current Assets</b>			<u>961,131,308</u>
<b>Total</b>			<u>1,661,910,226</u>
Notes forming part of the Accounts	14		

**Consolidated Profit & Loss Account for the year ended March 31, 2008**

(Amount in Rupees)

Particulars	Schedule	March 31, 2008	March 31, 2008
<b>INCOME</b>			
Sales & Services			2,902,640,607
Other Income	9		<u>8,946,675</u>
<b>Total</b>			<u>2,911,587,282</u>
<b>EXPENDITURE</b>			
Materials	10		2,062,899,231
Employees	11		223,668,034
Expenses	12		442,719,759
Finance Cost	13		111,321,947
Depreciation			<u>60,759,268</u>
<b>Total</b>			<u>2,901,368,240</u>
Profit Before Prior Period Items			10,219,043
Add : Prior Period Items			<u>(1,230,133)</u>
Profit Before Tax			8,988,910
Taxation:			
- Corporate Tax			39,700,000
- Deferred Tax			<u>(74,184,396)</u>
- Fringe Benefit Tax			2,750,000
Net Profit after tax			<u>40,723,306</u>
Less : Minority Interest			<u>(26,186,715)</u>
Profit for the Year			<u>14,536,591</u>
Balance brought forward from previous year			164,905,779
<b>Profit Available for Appropriations</b>			<u>179,442,370</u>
<b>APPROPRIATIONS</b>			
Provision for Dividend			12,699,829
Dividend including Taxes for Earlier Year			3,276,932
Provision for Tax on Dividend			<u>2,158,336</u>
<b>Balance carried to Balance Sheet</b>			<u>161,307,273</u>
Basic Earnings Per Share of Rupees 10/- each			1.38
Diluted Earnings Per Share of Rupees 10/- each			1.38
Notes forming Part of the Accounts	14		

As per our report of even date

**For P. RAJ & CO.**  
 Chartered Accountants

**Manohar Bidaye**  
 Chairman

**P. S. Shah**  
 Proprietor  
 Membership No. 44611

 Mumbai  
 Date : June 30, 2008

**Achyut Godbole**  
 Director

**Hemendra Paliwal**  
 Chief Financial Officer

For and on behalf of the Board of Directors

**Pramoud Rao**  
 Managing Director

**Dr. B. Samal**  
 Director

**Mukul Desai**  
 Director

**Vijay Kalantri**  
 Director

**Dimple Mehta**  
 Company Secretary

As per our report of even date

**For P. RAJ & CO.**  
 Chartered Accountants

**Manohar Bidaye**  
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**P. S. Shah**  
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 Director

**Vijay Kalantri**  
 Director

**Dimple Mehta**  
 Company Secretary

**Consolidated Cash Flow Statement for the year ended March 31, 2008**

(Amount in Rupees)

Particulars	March 31, 2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>	
NET PROFIT / (LOSS) BEFORE TAX	8,988,910
Depreciation	60,759,268
Finance Cost	111,321,947
Employee compensation	3,539,573
(Profit) / Loss on Sale of Fixed Assets	(297,561)
<b>Operating Profit Before Working Capital Changes</b>	<b>184,312,137</b>
(Increase) / Decrease in Trade and Other Receivable	(587,688,898)
(Increase) / Decrease in Inventories	48,963,976
Increase / (Decrease) in Trade Payable	288,009,487
Cash Generated from Operations	(66,403,299)
Direct Taxes	(23,788,265)
<b>Net Cash Flow from Operating Activities</b>	<b>(90,191,564)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>	
Acquisition of Fixed Assets	(471,518,315)
Sale of Fixed Assets	13,099,716
Interest Received	6,399,634
<b>Net Cash Flow from Investment Activities</b>	<b>(452,018,965)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>	
Increase in Share Capital including Share Premium	468,003,550
Increase in Warrant money	73,500,000
Minority Interest in Subsidiary Companies	897,950
Foreign Currency Translation Reserve	(1,184,617)
Increase in Secured Loans	75,124,242
Fluctuation Gain	(16,341,385)
Interest Paid	(101,380,196)
Dividend & Dividend Tax Paid	(20,801,431)
<b>Net Cash used in Financing Activities</b>	<b>477,818,113</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(64,392,416)</b>
<b>Cash and Cash Equivalents (Opening Balance)</b>	<b>172,640,665</b>
<b>Cash and Cash Equivalents (Closing Balance)</b>	<b>108,248,249</b>

As per our report of even date

**For P. RAJ & CO.**  
 Chartered Accountants

**Manohar Bidaye**  
 Chairman

**P. S. Shah**  
 Proprietor  
 Membership No. 44611

**Achyut Godbole**  
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 Director

**Mukul Desai**  
 Director

**Vijay Kalantri**  
 Director

**Dimple Mehta**  
 Company Secretary

**Schedules forming part of the Consolidated Accounts as at March 31, 2008**

(Amount in Rupees)

Particulars	March 31, 2008
<b>SCHEDULE - 1 SHARE CAPITAL</b>	
Authorised	
25,000,000 Equity Shares of Rs. 10/- each	250,000,000
Issued, Subscribed & Paid-up	
12,699,829 Equity Shares of Rs. 10/- each	126,998,290
<b>Total</b>	<b>126,998,290</b>
<b>SCHEDULE - 1A SHARE WARRANTS</b>	
3,675,000 Warrants (Each Warrant carries option / entitlement to subscribe to one equity share of Rs. 10/- each at a price of Rs. 200/- per share of which 2,100,000 warrants to be subscribed on or before July 16, 2009 and 1,575,000 warrants to be subscribed on or before July 30, 2009)	73,500,000
<b>Total</b>	<b>73,500,000</b>
<b>SCHEDULE - 2 RESERVES AND SURPLUS</b>	
<b>General Reserve</b>	
As per last Balance Sheet	16,000,000
Add: Transfer from Profit & Loss Account	-
	16,000,000
<b>Securities Premium Account</b>	
As per last Balance Sheet	358,032,015
Add: Received During the year	438,469,980
Add: Adjusted on account of demerger as per Scheme of Arrangement (Refer Note No. 3 B of Schedule 14)	(76,002,317)
Add: Adjusted on account unrealizable assets as per Scheme of Arrangement (Refer Note No. 3 C of Schedule 14)	(115,983,235)
	604,516,443
<b>Employee Stock Options Outstanding</b>	
Employee Compensation on Options	5,590,150
Add: Deferred Employee Compensation Expenses Account	(2,050,577)
	3,539,573
Foreign Currency Translation Reserve	(1,184,617)
Balance in Profit & Loss Account	161,307,273
<b>Total</b>	<b>784,178,672</b>
<b>SCHEDULE - 3 SECURED LOANS</b>	
1) Term Loan from Bank	281,352,250
2) Working Capital Loan from Bank	232,534,627
3) Working Capital Loan from Bank	70,359,521
<b>Total</b>	<b>584,246,398</b>

**Notes:**

- A. Term loan referred in (1) above is secured by the first charge on Plant & Machinery, Office Equipment and Equitable Mortgage of Land & Building at Bandra ( West), Mumbai and Office at Bangalore and second charge by way of hypothecation of entire Stock, Book Debts and Current Assets.
- B. Working capital loan referred in (2) above and banking facilities mentioned in clauses 2(a) and 2(b) of Schedule 14 are secured by the first charge ranking pari passu on the entire Stock, Book Debts and Current Assets, and second charge on Plant & Machinery, Office Equipment and Equitable Mortgage of Land & Building at Bandra (West), Mumbai and Office at Bangalore
- C. Secured loan referred in (3) above is secured by charge on inventories, assignment of contract, receivables from certain customers, and the joint and several guarantees of the shareholders of the foreign subsidiary Company.

**Schedules forming part of the Consolidated Accounts as at March 31, 2008**

(Amount in Rupees)

Particulars	March 31, 2008
<b>SCHEDULE - 4 UNSECURED LOAN</b>	
Inter Corporate Loans	65,902,201
<b>Total</b>	<b>65,902,201</b>
<b>SCHEDULE - 6 DEFERRED TAX ASSETS / LIABILITIES</b>	
Arising on account of Timing Difference in	
- Depreciation	(24,831,760)
- Expenses	1,203,101
- Losses	95,309,754
<b>Total</b>	<b>71,681,095</b>
<b>SCHEDULE - 7 CURRENT ASSETS, LOANS &amp; ADVANCES</b>	
<b>A : CURRENT ASSETS</b>	
<b>Inventories</b>	
(As taken, valued and certified by Management)	
Materials	171,185,720
Work-in-progress	63,965,572
Material in Transit	3,092,253
	<b>238,243,545</b>
<b>Sundry Debtors</b>	
Unsecured and considered good :	
Debts outstanding over six months	128,580,345
Other Debts	651,482,790
	<b>780,063,135</b>
<b>Cash and Bank Balances</b>	
Cash in Hand	743,921
Balance with Scheduled Banks :	
In Current Accounts	(5,069)
In Fixed Deposit Receipts including Margin Money	81,615,151
<b>Balance with Other Banks :</b>	
Current Account	25,894,246
Maximum Balance Outstanding During Year	
Currency - Amount : USD - 3,126,808 AED - 968,893 HKD - 2,794,880	
(Previous Year USD 8,073,597)	
	<b>108,248,249</b>
<b>B : LOANS AND ADVANCES</b>	
Unsecured and Considered Good :	
Advances recoverable in cash or in kind or for value to be received	196,895,008
Advance to suppliers	20,211,717
Advance for Capital Goods	80,159,418
Other Deposits	36,234,151
	<b>333,500,294</b>
<b>Total</b>	<b>1,460,055,224</b>

**Schedules forming part of the consolidated Accounts as at March 31, 2008**  
**SCHEDULE - 5 FIXED ASSETS**

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As on April 1, 2007	Addition	Deduction / Adjustment	Net Deduction on account of Demerger	As on March 31, 2008	Up to March 31, 2007	For the Year	Deduction / Adjustment	Deduction due to Demerger	Up to March 31, 2008	As at March 31, 2008
<b>Tangible</b>											
Land - Freehold	16,982,508	-	-	-	16,982,508	-	-	-	-	-	16,982,508
Buildings	26,559,844	3,547,615	1,812,285	-	28,295,174	3,695,076	601,368	-	-	4,296,444	23,998,730
Plant & Machinery	271,402,654	169,811,445	10,832,600	94,627,207	335,754,292	57,317,934	16,558,454	168,188	14,637,627	59,070,573	276,683,719
Office Equipments	106,872,297	22,573,739	-	50,855,901	78,590,135	32,556,035	8,200,470	-	16,199,693	24,556,812	54,033,323
Vehicles	16,036,202	6,053,239	5,137,705	204,236	16,747,500	10,484,400	2,379,662	4,812,248	93,846	7,957,969	8,789,531
Furniture and Fixtures	47,312,162	97,504,195	-	2,428,239	142,388,118	24,971,237	16,880,378	-	2,046,836	39,804,779	102,583,339
<b>Intangible</b>											
Goodwill	-	161,389,359	-	-	161,389,359	-	16,138,936	-	-	16,138,936	145,250,423
<b>Total</b>	<b>485,165,667</b>	<b>460,879,592</b>	<b>17,782,590</b>	<b>148,115,583</b>	<b>780,147,086</b>	<b>129,024,682</b>	<b>60,759,268</b>	<b>4,980,436</b>	<b>32,978,002</b>	<b>151,825,513</b>	<b>628,321,573</b>

**Schedules forming part of the Consolidated Accounts as at March 31, 2008**

(Amount in Rupees)

Particulars	March 31, 2008
<b>SCHEDULE - 8 CURRENT LIABILITIES &amp; PROVISIONS</b>	
<b>A : CURRENT LIABILITIES</b>	
Sundry Creditors :	
- Micro Small & Medium Enterprises	-
- Others	284,058,612
Other Liabilities	100,033,608
Taxation net of Payments	12,555,390
Advances from customers	66,117,214
Deposit and others	19,768,578
Investor Education & Protection Fund shall be credited by following amount when due	
Unclaimed Dividend	1,532,349
	<u>484,065,751</u>
<b>B : PROVISIONS</b>	
Dividend and Tax thereon	14,858,165
	<u>14,858,165</u>
<b>Total</b>	<u>498,923,916</u>

**Schedules forming part of the Consolidated Accounts for year ended March 31, 2008**

(Amount in Rupees)

Particulars	March 31, 2008
<b>SCHEDULE - 9 OTHER INCOME</b>	
Lease Rent	4,200,000
Miscellaneous Income	4,746,675
<b>Total</b>	<u>8,946,675</u>
<b>SCHEDULE - 10 MATERIALS</b>	
<b>Opening Stock</b>	
Materials	188,628,199
Work-in-Progress	116,729,258
Material in Transit	77,980,349
	<u>383,337,807</u>
<b>Purchases</b>	
Materials and Related Expenses	1,918,490,111
	<u>1,918,490,111</u>
<b>Closing Stock</b>	
Materials	171,469,591
Work-in-progress	64,366,841
Material in Transit	3,092,253
	<u>238,928,686</u>
<b>Total</b>	<u>2,062,899,231</u>
<b>SCHEDULE - 11 EMPLOYEES</b>	
<b>Employees Remuneration and Benefits :</b>	
Salaries, Wages and Bonus	212,754,438
Contribution to Provident and Other Funds	4,033,151
Employee Stock Compensation	2,309,440
Workmen & Staff Welfare Expenses	4,571,005
<b>Total</b>	<u>223,668,034</u>

**Schedules forming part of the Consolidated Accounts for year ended March 31, 2008**

(Amount in Rupees)

Particulars	March 31, 2008
<b>SCHEDULE - 12 EXPENSES</b>	
Advertisement Expenses	231,576,980
Auditor's Remuneration	1,717,378
Bank Charges, Guarantee Commission etc.	18,640,913
Commission & Brokerage	4,984,139
Directors' Sitting Fees	542,500
Donation	226,000
Freight & Forwarding	4,503,431
Insurance Charges	3,714,251
Legal and Professional Fees	26,039,910
Membership & Subscription	153,384
Miscellaneous Expenses	6,189,536
Postage, Telephone and Telex	15,592,888
Power & Fuel	8,140,976
Printing & Stationery	5,057,521
Rates & Taxes	8,364,644
Rent & Compensation	51,231,705
Repairs and Maintenance - Building	483,251
Repairs and Maintenance - Others	4,599,550
Sales Promotion Expenses	9,589,264
Staff Training & Recruitment	4,428,268
Sundry Balances Written off / (Written Back) (Net)	(228,766)
Travelling & Conveyance	37,317,723
(Profit) / Loss on Sale / Discard of Fixed Assets (Net)	(297,561)
Preliminary Expenses Written off	151,874
<b>Total</b>	<b>442,719,759</b>
<b>SCHEDULE - 13 FINANCE COST</b>	
<b>INTEREST</b>	
Term Loan	2,787,170
Working Capital	98,593,026
Exchange Fluctuation	16,341,385
	<b>117,721,581</b>
<b>Less :</b>	
Interest Income (Tax Deducted at Source Rupees 660,530/-)	6,399,634
<b>Total</b>	<b>111,321,947</b>

**Notes forming part of the consolidated accounts for the year ended March 31, 2008**
**SCHEDULE 14**
**1. Significant Accounting Policies:**

The financial statements are prepared to comply in all material aspects with the applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The significant accounting policies are as follows:

**a) Basis of Accounting:**

The Consolidated Financial statements are prepared in accordance with the historical cost convention.

**b) Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

**c) Principles of consolidation:**

The consolidated financial statements include the financial statements of Zicom Electronic Security Systems Limited (the parent company) and its subsidiaries Zicom Manufacturing Co. (HK) Limited, Zicom Retail Products Private Limited and Unisafe Fire Protection Specialists LLC, Dubai.

The consolidated financial statements have been prepared on the basis of AS 21 – "Consolidated Financial Statements", issued by the ICAI.

**Subsidiaries:**

The excess of cost to the parent company of its investment in the subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investment in such subsidiaries was made is recognised in the financial statements as goodwill. The parent company's portion of equity in such subsidiaries is determined on the basis of book values of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment and if not available, the financial statements for the immediately preceding period adjusted for the effects of significant transactions.

The financial statements of the parent company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating Intra-group balances/transactions and resulting unrealized profits in full. Unrealized losses resulting from Intra-group transactions are also eliminated except to the extent that recoverable value of related assets is lower than their cost to the group.

The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase in the relevant reserves of the subsidiaries. Goodwill arising on consolidation is amortised over its estimated useful life i.e. ten years. Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances except where it is not practicable to do so. Minority interest's share of net profit is adjusted against the income to arrive at the net income attributable to shareholders. Minority interest's share of net assets is presented separately in the balance sheet.

• Notes forming part of the consolidated accounts for the year ended March 31, 2008 •

The following subsidiary companies are considered in the consolidated financial statements:

Sr. No	Name of the Subsidiary Company	Country of Incorporation	% of holding as at March 31, 2008
1	Zicom Retail Products Private Limited	India	100
2	Zicom Manufacturing Co. (HK) Limited	Hong Kong	76
3	Unisafe Fire Protection Specialists LLC, Dubai	Dubai (U.A.E.)	49% in Equity and Profit Sharing in the Ratio of 80% to Company : 20% to Minority  (Subsidiary by virtue of control over composition of Board of Directors)

The financial statements are prepared to comply in all material aspects with the applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The significant accounting policies are as follows:

**d) Fixed Assets / Capital Work-in-Progress:**

Expenditure, which is of capital nature, is capitalised. Such expenditure includes purchase price, import duties, levies and any direct attributable cost of bringing the asset to its working condition.

Capital Work-in-Progress is carried at costs, comprising direct cost related incidental expenses and interest on borrowings there against.

**e) Depreciation / Amortisation:**

**Tangibles:**

Depreciation on fixed assets is provided on straight-line method in accordance with the rates specified in Schedule XIV of the Companies Act, 1956.

Capital Expenditure incurred on Rented Premises is written off over a period of three years.

In the following foreign subsidiaries, depreciation is provided on straight line method at rates which are higher than the rates given in Schedule XIV to the Companies Act, 1956:

Assets	Unisafe Fire Protection Specialists LLC	Zicom Manufacturing Co. (HK) Limited
Furniture, Fixtures and Equipment	20%	20%
Heavy Equipment and Machineries	20%	N.A.
Motor Vehicles	33.33%	N.A.
Computer Equipment	N.A.	30%

**Intangibles:**

These are amortised over their useful life, not exceeding five years.

Goodwill on consolidation is written off in ten years.

**f) Investments:**

Investments are stated at 'cost'. A Provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments.

• Notes forming part of the consolidated accounts for the year ended March 31, 2008 •

**g) Valuation of Inventories:**

Materials, Stores and Spares valued at cost on First In First Out Basis.

Work-in-Progress, Finished goods and trading goods are valued at cost or realisable value whichever is lower.

Goods-in-transit are valued at cost. In respect of goods undergoing customs clearance, no provision has been made for the customs duty liability. However, this practice does not have any impact on the profit for the period.

**h) Revenue Recognition:**

Sales and Services are recognised when goods are supplied in accordance with the terms of sale and are recorded net of trade discounts, rebates and sales tax collected. Income from services is accrued as per terms of relevant agreement.

Income and Expenditure are accounted on an accrual basis. Dividend income is recognised when the right to receive dividend is established.

Amount received from the customers for admitting them as member of Company's various schemes are credited to revenue account in the year in which membership is allotted.

**i) Retirement Benefits:**

i. Contribution to defined contribution schemes such as Provident Fund and Employer's Pension scheme is charged to the Profit and Loss Account.

ii. Payments to the employees' Gratuity Trust Fund, after taking into account the funds available with the trustees of the Gratuity Fund, is based on actuarial valuation carried out at the end of the year.

iii. Provision for leave encashment has been accrued and provided for at the end of the financial year, on the basis of actuarial valuation.

**j) Impairment of Assets:**

The carrying amount of assets is reviewed periodically for any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. Post impairment, depreciation is provided on the revised carrying value of the asset over its remaining useful life.

**k) Borrowing Costs:**

Interest and other costs in connection with the borrowing of the funds to the extent related / attributed to the acquisition / construction of qualifying fixed assets are capitalised upto the date when such assets are ready for its intended use and other borrowing costs are charged to the Profit & Loss Account.

**l) Provisions for contingencies:**

A provision is recognised when:

i. The Company has a present obligation as a result of a past event;

ii. It is probable that an outflow of resources embodying economic benefits which will be required to settle the obligation; and

iii. A reliable estimate can be made of the amount of the obligation

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

The Company provides for warranty cost based on a technical estimate of the costs required to be incurred for repairs, replacement, material cost, servicing past experience in respect of warranty costs. It is expected that this expenditure will be incurred over the contractual warranty period.

Notes forming part of the consolidated accounts for the year ended March 31, 2008.

**m) Accounting of Lease:**

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. Lease income is recognised on accrual basis in accordance with the terms of lease agreement.

**n) Taxation:**

- i. Provision for Income Tax is made under the liability method after availing exemptions and deductions at the rates applicable under the Income Tax Act, 1961 or applicable foreign tax law in case of foreign subsidiaries.
- ii. Deferred tax resulting from timing difference between book and tax profits is accounted for using the tax rates and laws that has been enacted as of the balance sheet date.
- iii. Deferred tax assets arising on the temporary timing differences are recognized only if, there is reasonable certainty of realization.

**2. Contingent Liabilities not provide for in respect of**

Particulars	March 31, 2008
a. Letters of Credit by Bank	20,688,890
b. Guarantees issued by Bank (Gross)	170,697,147
c. Corporate Guarantee	200,000,000
d. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	22,500,000
e. Sales Tax Matters	1,968,535
f. In respect of Borrowing by Employees, where Company is co-applicant	1,194,304
g. Factoring of Receivables	121,007,404
h. Claim Lodged by Customer not acknowledged as Debt	306,250

**3. Scheme of Arrangement**

A. Under a Scheme of Arrangement approved by Hon'able Bombay High Court under Sections 391 and 394 read with Sections 78 and 100 of the Companies Act 1956, between the Company and Zicom Retail Products Private Limited (formerly known as Zicom Global Security Private Limited) the Consumer Service Group ("CSG") Business of Company has been vested with Zicom Retail Products Private Limited retrospectively from April 1, 2007 ("the appointed date").

The CSG Business consists of retailing of various electronic security products and services.

All assets and liabilities pertaining to said business have been transferred to Zicom Retail Products Private Limited in accordance with Scheme of Arrangement.

The said Scheme of Arrangement became effective from January 2, 2008 upon which:

- a. The CSG Business together with all related assets and liabilities were deemed to have been vested and transferred to Zicom Retail Products Private Limited with effect from April 1, 2007.
- b. The Business of the CSG was deemed to have carried out by the Company, in trust for Zicom Retail Products Private Limited upto the date of transfer i.e. February 29, 2008.

Notes forming part of the consolidated accounts for the year ended March 31, 2008.

c. The said transfer and vesting of the business and its assets were deemed to be on a going concern Basis. The fixed assets were transferred at fair market value as on April 1, 2007.

d. The accounting treatment and recognition of the above is done in accordance with the Scheme of Arrangement.

Accordingly, these financial statements have been prepared after excluding results of activities carried out by the Company in trust for Zicom Retail Products Private Limited from April 1, 2007 to February 29, 2008 i.e. the date of actual transfer.

The details of the Assets and Liabilities relating to the CSG vested with Zicom Retail Products Private Limited with effect from April 1, 2007, the appointed date are as follows:

Particulars	Rupees	Rupees
<b>Assets:</b>		
<b>Fixed Assets</b>		
Fair Market Value of Fixed Assets	137,737,648	
Capital work in Progress	236,250	
<b>Total Fixed Assets</b>		<b>137,973,898</b>
<b>Current Assets, Loans and Advances</b>		
Inventories	164,627,112	
Sundry Debtors	7,846,498	
Cash & Bank Balance	(6,452,373)	
Loans and advances	10,067,658	
<b>Total Current Assets</b>	<b>176,088,895</b>	
<b>Less : Current Liabilities and Provisions</b>		
Current Liabilities	54,062,793	
<b>Net Working Capital</b>		<b>122,026,102</b>
<b>Total Net Consideration</b>		<b>260,000,000</b>

B. Fixed Assets transferred to and vested with the Zicom Retail Products Private Limited, pursuant to the Scheme of Arrangement and were recognized at their fair market values, and the difference of Rupees 76,002,317/- net of deferred tax liability, between book value and fair market value as on April 1, 2007 have been reduced from Securities Premium Account.

C. As per the Scheme of Arrangement approved by the Hon'able Bombay High Court, the unrealizable Assets / Debtors pertaining to remaining business of the company, amounting to Rupees 115,983,235/- have been reduced from Securities Premium Account.

D. Scheme of Arrangement became effective during the year; however the title to the assets could not be necessarily transferred as at March 31, 2008 and hence same being held, in trust by the company.

**4. Payments to Auditors:**

Particulars	March 31, 2008
Audit fees	1,369,780
Other Certification Matters	337,061
Out of pocket expenses	10,537

Notes forming part of the consolidated accounts for the year ended March 31, 2008

5. Lease:

Disclosure as required by Accounting Standard 19 (AS-19) issued by The Institute of Chartered Accountants of India are as follows:

**Operating Lease:**

The Company's significant leasing arrangements are in respect of office premises and residential flats taken on lease. The arrangements are generally from 11 months to 36 months. Under these agreements, generally refundable interest-free deposits have been given. In respect of above arrangements, lease rentals payable are recognised in the Profit and Loss Account for the year and included under Rent and Compensation (Disclosed under Schedule 12). Total of Minimum lease payment for a period: -

(Amount in Rupees)

Particulars	March 31, 2008
Not later than one year	12,955,918
Later than one year and not later than five years	4,995,547
Later than five years	Nil

Commercial premises have been given on operating lease having original cost of Rupees 30,955,318/- and accumulated depreciation of Rupees 3,185,790/- as at March 31, 2008. Depreciation on the above assets for the current year is Rupees 381,235/-. In respect of the above arrangements, lease rentals receivable are recognised in the Profit and Loss Account for the year and included under Other Income (Disclosed under Schedule 9)

(Amount in Rupees)

Particulars	March 31, 2008
Not later than one year	3,675,000
Later than one year and not later than five years	Nil
Later than five years	Nil

6. Earnings Per Share(EPS) : Equity Shares of Rupees 10/- fully paid up

Particulars	March 31, 2008
A. Net Profit for Basic Earning Per Share as per Profit & Loss Account	14,536,591
B. Weighted Average No of Equity Shares	
Basic	10,535,227
Diluted	10,559,690
C. Earning Per Share	
Basic	1.38
Diluted	1.38

7. Related Party Disclosure:

Information in accordance with the requirements of Accounting Standard 18 on Related Party Disclosures issued by the Institute of Chartered Accountants of India:

A. Related Parties with whom transactions have taken place:

i. Key Management Personnel:

- Mr. Manohar Bidaye
- Mr. Pramoud Rao

Notes forming part of the consolidated accounts for the year ended March 31, 2008

ii. Companies in which company or its directors / relatives of director have substantial interest.

- Baronet Properties and Investments Private Limited
- Coronet Properties and Investments Private Limited

B. Transactions during the year with Related Parties mentioned above:  
Key Management Personnel

Remuneration Paid	March 31, 2008
Salaries	12,151,640
Commission on Profit	250,000
Perquisites	28,750
Retirement Benefit	18,720

Companies in which company or its directors / relatives of director have substantial interest.  
Allotment of Shares / Warrant Rupees 42,000,000/-

8. On September 16, 2005, the Company had issued 1,100 Foreign Currency Convertible Bonds (FCCBs) of a Face Value of US\$ 10,000 aggregating to US\$ 11 Millions. As per the terms of the issue, the holders had an option to convert the FCCBs into equity shares at conversion rate of Rupees 150/- per equity share at a fixed exchange rate conversion of Rupees 43.81 = US\$ 1

During the year the Company has issued 2,453,357 (759,372) Equity Share upon conversion of 840 (260) Bonds having Face Value aggregating to USD 8,400,000 (USD 2,600,000).

The company has further issued 500,000 Equity Shares on preferential basis.

9. Pursuant to the approval of members by way of Special Resolution passed at an Extra-ordinary General Meeting of the Company held on December 20, 2007, the Company has allotted 2,100,000 warrants to Promoter's Group Companies viz. Baronet Properties & Investments Pvt. Ltd and Coronet Properties & Investments Pvt. Ltd. Each warrant carries option entitlement to subscribe to one equity share of Rupees 10/- each at a premium of Rupees 190/-.

Further pursuant to the approval of members by way of Special Resolution passed at an Extra-ordinary General Meeting of the Company held on January 17, 2008, the Company has allotted 1,575,000 warrants to various body corporate and individuals. Each warrant carries option / entitlement to subscribe to one equity share of Rupees 10/- each at a premium of Rupees 190/-.

10. Balances of Sundry Debtors, Sundry Creditors, Loans and Advances and Others are as per books and subject to confirmations and reconciliation, if any.

For P. RAJ & CO.  
Chartered Accountants

P. S. Shah  
Proprietor  
Membership No. 44611  
Mumbai  
Date : June 30, 2008

Manohar Bidaye  
Chairman

Achyut Godbole  
Director

Hemendra Paliwal  
Chief Financial Officer

For and on behalf of the Board of Directors

Pramoud Rao  
Managing Director

Dr. B. Samal  
Director

Mukul Desai  
Director

Vijay Kalantri  
Director

Dimple Mehta  
Company Secretary

## Company Information

### Board of Directors

Manohar Bidaye	Chairman
Pramoud Rao	Managing Director
Mukul Desai	Director
Vijay Kalantri	Director
Achyut Godbole	Director
Dr. B. Samal	Director

### Auditors

***P. Raj & Co.***  
Chartered Accountants

### Chief Financial Officer

Hemendra Paliwal

### Company Secretary

Dimple Mehta

### Bankers

State Bank of India  
Union Bank of India  
Standard Chartered Bank

### Registered Office

Landmark, A-Wing, 6<sup>th</sup> Floor,  
Off Western Express Highway,  
Andheri Kurla Road,  
Andheri East, Mumbai 400 093.  
Tel.: 91-22-4000 3535  
Fax: 91-22-4000 3434  
e-mail: corporate@zicom.com  
website: www.zicom.com