

**25<sup>th</sup>**  
**Annual Report**  
2010-2011



**VXL Instruments Limited**

**BOARD OF DIRECTORS**

<b>Arun Kumar Bhuwania</b>	<i>Chairman</i>
<b>D. S. Rao</b>	<i>Vice Chairman</i>
<b>M. V. Nagaraj</b>	<i>Managing Director</i>
<b>M. V. Shetty</b>	<i>Whole Time Director</i>
<b>K. Prakash</b>	<i>Director</i>
<b>Narayana Bhat</b>	<i>CFO &amp; Company Secretary</i>

**AUDIT COMMITTEE**

K Prakash	Chairman
D S Rao	Member
M V Nagaraj	Member

**REMUNERATION COMMITTEE**

D S Rao	Chairman
K Prakash	Member

**INVESTORS' GRIEVANCES COMMITTEE**

K Prakash	Chairman
M V Shetty	Member

**SHARE TRANSFER COMMITTEE**

M V Shetty	Chairman
M V Nagaraj	Member

**WORKS / 100% EOU**

"House of Excellence"  
No.17, Electronics City,  
Hosur Road,  
Bangalore - 560 100.  
Tel : 91-80-2852 0046/2852 3252

**AUDITORS**

Ishwar & Gopal  
Chartered Accountants  
Bangalore

**BANKERS**

State Bank of India

**REGISTRARS AND SHARE  
TRANSFER AGENTS**

Bigshare Services Pvt Ltd  
E-2/3, Ansa Industrial Estate,  
Sakivihar Road, Saki Naka,  
Andheri (E), Mumbai - 400 072.  
Tel : 91-22-2847 0652/2856 0653  
Fax : 91-22-2847 5207

**REGISTERED OFFICE**

"House of Excellence"  
No.17, Electronics City,  
Hosur Road,  
Bangalore - 560 100  
Tel : 91-80-2852 0046/2852 3252  
Fax : 91-80-2852 0095  
Website : [www.vxl.net](http://www.vxl.net)

**CONTENTS**

	Page No.
Notice.....	4
Directors' Report, Management Discussion and Analysis.....	5
Report on Corporate Governance.....	8
Auditors' Report.....	15
Balance Sheet.....	18
Profit and Loss Account.....	19
Schedules to the Accounts.....	20
Cash Flow.....	37
Balance Sheet Abstract.....	38
Statement Pursuant to Section 212 (1)(e).....	39
VXL Instruments Limited (UK).....	40
Consolidated Accounts.....	44

**TWENTY FIFTH ANNUAL GENERAL MEETING**

on Thursday  
the 15th September, 2011  
at  
**"HOTEL AJANTHA"**  
No. 22-A, Mahatma Gandhi Road,  
Bangalore – 560 001  
at 3.00 p.m.

**NOTICE**

Notice is hereby given that the Twenty Fifth Annual General Meeting of the Members of the Company will be held at 3 p.m. on, Thursday the 15<sup>th</sup> September 2011 at Hotel Ajantha, Mahatma Gandhi Road, Bangalore-560 001 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2011 and 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 appoint a Director in place of Mr. Dipak S Rao, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. K. Prakash who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

By Order of the Board

**Narayana Bhat**

*Chief Financial Officer &  
Company Secretary.*

Place : Bangalore  
Date : 25th May 2011

**Notes:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself / herself and such proxy need not be a member of the Company. The instrument appointing the proxy must be received by the Company at the registered office not less than 48 hours before the meeting.
2. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
3. Members/proxies should bring the Attendance slip sent herewith duly filled in to attend the meeting.
4. The Register of Members and Share Transfer Books shall remain closed from 8th September, 2011 to 15<sup>th</sup> September, 2011 (both the days inclusive)

5. Members are requested to address all their correspondence including change of address, etc., to the present Registrars and Share Transfer Agent: Big Share Services Pvt. Ltd., E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai – 400 072.
6. Consequent upon amendment of Section 205A of the Companies Act, 1956 and introduction of Section 205 C of the Companies (Amendment) Act, 1999 the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of 7 years from the date of transfer to unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund set up by the Government of India and payments shall be made in respect of any such claims by the Fund.

By Order of the Board

**Narayana Bhat**

*Chief Financial Officer &  
Company Secretary.*

Place : Bangalore  
Date : 25th May 2011

**INFORMATION REQUIRED TO BE FURNISHED UNDER LISTING AGREEMENT**

As per Listing Agreement, particulars of the Directors who are proposed to be re-appointed are given below:

1. Name : Mr. Dipak S Rao  
Age : 63 years  
Qualification : Practicing Accountant  
Expertise : Corporate Affairs
2. Name : Mr. K. Prakash  
Age : 61 years  
Qualification : M.Com., FCS, LLB  
Expertise : Legal, Corporate Affairs and Finance

**REPORT OF DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS**

To  
The Members  
Your Directors present their report on the business and operations of your Company for the year ended 31<sup>st</sup> March 2011.

**FINANCIAL RESULTS** Rs. in Lakhs

Particulars	2010-11	2009-10
Sales	9,536	7,747
Depreciation/Amortization	148	115
Profit before taxation	311	34
Profit/(Loss) after Taxation	309	31
Balance carried forward	(2,165)	(2,474)

**YEAR UNDER REVIEW**

During the year under review, your Company achieved a net turnover of Rs. 9536 lakhs as compared to Rs.7747 lakhs in the previous financial year. Your Company has earned a profit after taxation of Rs. 309 lakhs in the financial year as against Rs. 31 lakhs profits in the previous year. Sales of thin clients have grown from 40,000 units during 2009-10 to 74,000 units during 2010-11, registering a growth of 85 %.

Your company is confident that the improved export business would ensure a turn around in the company's operations.

**OVERSEAS OPERATIONS**

Your Company continues the tie up with Priya Ltd. for providing support in Logistics and Distribution of its products in Europe and USA.

VXL-UK has been able to extend good support in terms of marketing of the Company's products in Europe and especially in USA during the year under review.

VXL has been one of the first Indian Companies to venture into the export market and in spite of many obstacles and misconceptions about Indian progress as IT Hardware compared to Indian Software, VXL has established itself worldwide as a player of the long run.

**FUTURE PROSPECTS**

**A. GENERAL**

As has been informed to the shareholders in earlier years the Company keeping in mind its overall competitiveness in international markets has closed

the unit at No. 86A & B, 4<sup>th</sup> Cross, Electronics City, Hosur Road, Bangalore – 560 100. This unit used to manufacture CRT Terminals (GVX) for which there is no demand over many years. The workforce had become surplus. Workmen raised certain objections on the closure of this unit which have been rejected by the Secretary, Department of Labour, Government of Karnataka.

**B. EXPORT**

With the introduction of new products carrying better features and with the strengthening and addition of better and more features in our complementing software products, your company expects a substantial jump in exports in the next financial year

As per Global Industry Analysts Inc's recent global report on Thin Clients market, the world market for Thin Clients is projected to reach 14.36 million units in sales by the year 2015. Growth will be primarily driven by the ability of thin clients to present exceptional environmental and cost benefits to the user. Desktop virtualization and growing need for anytime, anywhere accessibility to corporate & Internet networks are the other trends that augur well for thin clients market.

Growth in the worldwide thin clients market is also fashioned by a range of environmental benefits that thin clients offer, including efficient use of energy and less use of raw materials. Thin clients are also the growing phenomena across the corporate world, as companies increasingly opt for providing their employees, just the basic systems required for processing their assigned tasks. The much awaited revolution in enterprise computing is now close at hand, thanks to the proliferation of cutting edge technologies, such as, virtualization, which is helping push thin clients into the mainstream enterprise business.

VXL Instruments UK (subsidiary of VXL Instruments Limited, India) had announced in 2010 an agreement with Lenovo who develop, manufacture and market high quality, secure and easy to use technology products and services world-wide.( Lenovo group had earlier acquired the IBM Personal Computing Division.)

Under the agreement:-

- VXL thin clients will be made available through standard Lenovo Channels.
- VXL will also be selling Lenovo's ThinkPad PCs.

Through this agreement VXL expects to increase its global and national reach through Lenovo's widely spread sales channels.

## VXL Instruments Limited

### RESEARCH AND DEVELOPMENT

Your Company recognizes R & D as one of its major focus areas in both Hardware and Software. This focus has helped your Company to design fully ROHS compliant products carrying better features and ergonomics. These products have been well received by our customers.

### SUBSIDIARY COMPANIES

VXL, UK has managed to earn a profit of USD 30,376 during the year.

The wholly owned Indian subsidiary, XL Net Software Systems Limited has been wound up with effect from 8<sup>th</sup> October 2010. It did not engage in any active business operations in the past few years.

### PARTICULARS OF EMPLOYEES

None of the employees drew remuneration in excess of the limits prescribed in Sec. 217 (2A) of the Companies Act, 1956.

### DIRECTORS

Mr D. S. Rao and Mr. K. Prakash retire by rotation, and being eligible, offer themselves for re-appointment.

Mr. Kumar Shyam ceased to be the Director of the Company with effect from 25.05.2011 pursuant to his resignation to the office of Director and acceptance of the same in the Meeting of the Board of Directors held on 25.05.2011. The Board has placed on record its appreciation for the services rendered by him.

### AUDITORS

Messrs Ishwar & Gopal, Chartered Accountants, Auditors of the Company, being eligible, offer themselves for re-appointment.

### AUDITORS REPORT

The Auditors have pointed out in their report with regard to non-provision in respect of Company's investments in and receivables from a subsidiary and accounting of deferred tax credits. In view of the long term prospects and steps taken to recover these receivables, the Directors feel that no provision need be made in the accounts.

### FIXED DEPOSITS

The total amount of fixed deposits accepted from Directors as on 31<sup>st</sup> March, 2011 was **Rs.21.35 lakhs**. There were no unclaimed deposits as at that date.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required by Section 217(2AA) of the Companies Act, 1956, the Directors state and confirm that:

- (a) The financial statements have been prepared in conformity with the generally accepted accounting standards and principles and in terms of the requirement of the Companies Act, 1956. Reasonable and prudent judgements and estimates have been made wherever necessary.
- (b) The accounting policies selected and applied consistently give a true and fair view of the financial statements.
- (c) The Company has implemented adequate internal controls to provide reasonable assurance of the reliability of its financial records, proper safe guarding and use of its assets and detection of frauds and irregularities.
- (d) The Directors have prepared the annual accounts on a "going concern" basis.

### CORPORATE GOVERNANCE:

The Board meets at regular intervals and transacts various businesses. The Company consistently forwards the quarterly financial results to the Stock Exchange and publishes the same in the newspapers as per the listing agreement.

### INDUSTRIAL RELATIONS

The Company has closed the unit manufacturing CRT Terminals as the product GVX terminal has been phased out. On this, workmen raised certain objection which has been rejected by the Secretary, Department of Labour.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required to be furnished under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of this Report.

### APPRECIATION

The Directors wish to thank the Customers, Vendors, Business Associates, employees and the Investors for the continued support during the year.

The Directors also thank State Bank of India for the unstinted co-operation extended by them.

For and on behalf of the Board of Directors

**M.V. Nagaraj**  
Managing Director

**M.V. Shetty**  
Whole Time Director

Place : Bangalore  
Date : 25th May 2011

**ANNEXURE TO DIRECTORS' REPORT**

**(A) CONSERVATION OF ENERGY**

Your Company's operations consume minimal electricity and fuel. However, efforts are being put on a continuing basis for the optimal usage of electricity and fuel.

**(B) TECHNOLOGY ABSORPTION,  
RESEARCH AND DEVELOPMENT**

1. The areas in which work has been carried out by the Company.
  - I. Thin Client variants
  - II. Software Management Tools
  - III. Retail Billing Products and Systems

*Benefits derived*

- i. Access to wider markets
  - ii. Improved performance and lower cost
  - iii. Better performance
2. Future Plan of Action
  - i. More variants of Thin client Products
  - ii. Development of Products for converging IT and Telecom Technologies
  - iii. Zero Clients
  - iv. Energy Star compliant and Environmental friendly thin clients.
3. Total expenditure on R & D was Rs. 111.33 lakhs which constituted about 1 % of sales turnover.

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

1. Efforts made for development of specialized Thin Clients for specific requirements
2. Integrated model of Thin Client.
3. Software Tools and application Add-ons

**(C) FOREIGN EXCHANGE EARNINGS AND OUTGO**

Total Exports including Deemed Exports was Rs. 8,407 lakhs.

The foreign exchange outgo was Rs. 8,231 lakhs.

**REPORT ON CORPORATE GOVERNANCE**

The detailed report on Corporate Governance in respect of the financial year ended 31<sup>st</sup> March 2011 are set out below:

**A. Company's Philosophy on Code of Governance**

The Company is firmly committed to adopting and adhering to all globally recognized corporate governance concepts and practices. The Company strives to meet the expectations of its stakeholders on matters related to transparency, integrity, accountability and trusteeship, on a continuous basis.

**B. Board of Directors****Composition & Size of the Board**

The Company currently has five Directors, including three non-executive Directors, viz. Mr. Arun Kumar Bhuwania, Mr. D S Rao and Mr. K Prakash. Of these, Mr. Arun Kumar Bhuwania, Mr. D S Rao and Mr. K Prakash are Independent Directors. Mr. Arun Kumar Bhuwania functions as Chairman. Mr. Dipak S Rao is the Vice – Chairman. Mr. M V Nagaraj, continues to be Managing Director of the Company. Mr. M V Shetty functions as Whole-Time Director

**No. of Board Meetings held during the year along with the dates of the Meetings**

Seven Board Meetings were held during the year. The dates on which the said meetings were held are as follows:

- |               |               |
|---------------|---------------|
| 1. 23.04.2010 | 5. 30.10.2010 |
| 2. 29.05.2010 | 6. 31.01.2011 |
| 3. 30.07.2010 | 7. 14.03.2011 |
| 4. 15.10.2010 |               |

Attendance of each Director at the Board Meetings and last Annual General Meeting (AGM) and the number of Companies and Committees where he is Director/Member.

Name of Director	Category of Directorship	No. of Board Meetings attended	Whether attended last AGM	No. of Directorship in other Companies incorporated in India	No. of Committee membership Members/ chairman in other companies in India
Arun Kumar Bhuwania	Independent & Non-Executive	NIL	No	2	NIL
D S Rao	Independent & Non-Executive	1	No	NIL	NIL
M V Nagaraj	Promoter - Executive	7	Yes	2	NIL
M V Shetty	Promoter - Executive	7	Yes	1	NIL
Kumar Shyam	Promoter - Non Executive	NIL	Yes	1	NIL
K Prakash	Independent & Non-Executive	7	Yes	NIL	NIL

**Committees of the Board**

- Audit Committee
- Remuneration Committee
- Investors' Grievances Redressal Committee
- Share Transfer/Transmission Committee



**Audit Committee**

The Audit Committee is responsible for over view of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible; recommending the appointment and removal of the statutory and internal auditors, fixation of audit fees, the approval for payment for any other services and reviewing with the management the annual financial statements before submission to the Board.

The Audit Committee comprises of Mr. K Prakash, Chairman, Mr. D S Rao, Independent Director and Mr. Kumar Shyam, Non-Executive Director. Mr. Kumar Shyam ceased to be the member of the Audit Committee with effect from 25.05.2011. In his place Mr. M V Nagaraj has been appointed as the member in the Board Meeting held on 25.05.2011.

The terms of Reference of this Committee include the matters covered under Clause 49 of the Listing Agreement.

**Meetings and the attendance during the year**

There were 6 meetings of the Audit Committee during the year. The attendance of each member of the Committee is given below

<b>Name of Director</b>	<b>No. of Meetings attended</b>	<b>Remarks</b>
K. Prakash	6	-
Kumar Shyam	4	-
D.S. Rao	2	-

**Remuneration Committee**

The Company has set up a Remuneration Committee to determine/review the remuneration, performance and related bonuses of management/compensation of the Directors and of senior management.

The details of remuneration paid to the Directors during the year 2010-11 are given below:

a. Executive Directors

(in Rs.)

Directors	Salary	Fixed Commission	Perquisites	Sitting Fees	Total
M V Nagaraj	10,60,000	-	5,98,848	-	16,58,848
M V Shetty	8,75,138	-	5,44,820	-	14,19,958
<b>Total</b>	<b>19,35,138</b>	<b>-</b>	<b>11,43,668</b>	<b>-</b>	<b>30,78,806</b>

b. Non-executive Directors

Name	Sitting fees	Commission
K. Prakash	Rs.67,000	—
D.S. Rao	Rs.18,000	—
Arun Kumar Bhuvania	-	—
Kumar Shyam	-	—
<b>TOTAL</b>	<b>Rs. 85,000</b>	<b>—</b>

**Investors' Grievance Redressal Committee**

This Committee looks into redressing of shareholders' complaints like non-transfer of shares, non-receipt of declared dividends. As of 31<sup>st</sup> March, 2011, the Committee comprised of Mr. K Prakash and Mr. M V Shetty. The Committee met four times during the year. Mr. Kumar Shyam ceased to be the member of this committee with effect from 25.05.2011 pursuant to the acceptance of his resignation to the office of Director

## VXL Instruments Limited

Attendances at these Meetings are as under:

Name of Director	No. of Meetings attended	Remarks
K. Prakash	4	–
Kumar Shyam	2	–
M.V. Shetty	4	–

There were 7 Nos. of complaints received and resolved during the year ended 31<sup>st</sup> March, 2011. There were no pending share transfers as on the same date.

### **Name, designation & address of Compliance Officer**

Mr. Narayana Bhat,  
CFO & Company Secretary,  
VXL Instruments Limited  
"House of Excellence"  
No.17, Electronics City,  
Hosur Road, Bangalore 560 100.

E-Mail : narayanbhat@vxl.net

Phone : 91-80-2852 0046

Fax : 91-80-2852 0095

The Company has fulfilled all the compliance requirements under the listing agreement as regards the Investors' Grievance Committee.

### **General Body Meetings**

Location and time of the last three Annual General Meetings:

Year	Date	Venue	Time
2008	17-09-2008	Hotel Ajantha, M G Road, Bangalore	3.00 P M
2009	16-09-2009	Hotel Ajantha, M G Road, Bangalore	3.00 P M
2010	22-09-2010	Hotel Ajantha, M G Road, Bangalore	3.00 P M

There were no special resolutions which were put through postal ballot.

### **Disclosures**

Transactions with the related parties are disclosed in Note No.11 of Notes to Accounts of Schedule 17 to the Accounts in the Annual Report.

The Register of Contracts containing the transactions, in which Directors are interested, is placed before the Board as and when necessary.

During the last three years, there were no situations or penalties imposed by either SEBI or the Stock Exchange or any statutory authority for non-compliance of any matter related to the capital markets.

### **Means of Communication**

The Quarterly & Half Yearly results are published in national and local dailies such as The Financial Express/ Business Line/Business Standard (in English) and Sanjevani (in Kannada) and hence are not individually sent to the shareholders.

## Twenty Fifth Annual Report 2010 - 2011

### General Shareholders' Information

AGM : Date : 15<sup>th</sup> September, 2011  
Time : 3.00 PM  
Venue : Hotel Ajantha, MG Road, Bangalore - 560 001

Financial calendar : April to March

Date of Book Closure : 8<sup>th</sup> September, 2011 to 15<sup>th</sup> September, 2011

Dividend payment(s) : Nil

Listing on Stock Exchange : Bombay Stock Exchange

Scrip code is 517399 in the Bombay Stock Exchange.

### Stock Market (BSE) price data for the year

(in Rs.)

Period	High	Low
April, 2010	42.10	28.40
May, 2010	38.00	27.50
June, 2010	34.45	26.00
July, 2010	33.45	24.85
August, 2010	33.00	27.35
September, 2010	36.80	25.10
October, 2010	39.65	28.40
November, 2010	34.70	30.10
December, 2010	34.30	27.00
January, 2011	32.10	25.80
February, 2011	27.70	23.10
March, 2011	26.70	20.25

### Registrar and Transfer Agents

Bigshare Services Pvt. Ltd is the Company's Registrar and Share Transfer Agent. They have a No.1 category registration with SEBI.

### Share Transfer System

The Company's Share Transfer Committee meets twice in a month and expeditiously handles the procedures related to application for transfer of shares.

The Company's shares are compulsorily traded in the demat form and the ISIN No. allotted is INE756A01019.

## VXL Instruments Limited

### Distribution of shareholding as on 31-03-2011

Face Value Rs.10/-

Range (in Rs.)	No of Share Holders	% of Total Share Holders	Total Holding In Rs.	% of Total Capital
1 - 5000	4,625	90.94	60,43,720	4.53
5001 - 10000	202	3.97	16,89,610	1.27
10001 - 20000	117	2.30	18,39,840	1.38
20001 - 30000	31	0.61	7,74,740	0.58
30001 - 40000	13	0.26	4,68,140	0.35
40001 - 50000	16	0.31	7,57,890	0.57
50001 - 100000	26	0.51	18,09,100	1.35
100001 & above	56	1.10	12,01,16,960	89.97
TOTAL	5,086	100	13,35,00,000	100

### Shareholding pattern as on 31-03-2010

Category	No of Shares	% Holding
Directors	7,22,660	5.41
Promoter but not Director	4,17,740	3.13
Directors' and Promoters' Relatives	2,97,820	2.23
Total	14,38,220	10.77
Mutual Funds	3,000	0.02
Financial Institutions	900	0.01
Body Corporate	16,68,930	12.50
NRI	1,96,418	1.47
Foreign	80,71,350	60.46
Shares in Transit	315	0.00
General Public	19,70,867	14.77
Total	13,350,000	100.00

### Dematerialization of shares and liquidity

A significant quantum of the Company's shares are held in the demat form and the Company handles request for demating of the shares in two weeks' time.

Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity: Company has no GDR/ADR/Warrants or any convertible instruments

### PLANT LOCATIONS

**Export Oriented Factory**

# 17, Electronics City,  
Hosur Road, Bangalore 560 100.  
Phone: +91-80-2852 0046 / 2852 3252

**Address for correspondence**

VXL Instruments Limited,  
# 17, Electronics City,  
Hosur Road,  
Bangalore 560 100.  
Phone : +91-80-2852 0046 / 2852 3252  
Fax : +91-80-2852 0095  
URL : [www.vxl.net](http://www.vxl.net)

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### CERTIFICATION BY CHIEF FINANCIAL OFFICER

As the Chief Financial Officer of the Company and as required by Clause 49 of the Listing Agreement, I hereby certify that :

- A) I have reviewed financial statements and the cash flow statement for the year ended 31<sup>st</sup> March 2011 and that to the best of my knowledge, information and belief:
- i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading:
  - ii) These statements together present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations
- B) There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- C) The Company's other officers and I are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and I have disclosed to the auditors and Audit Committee deficiencies in the design or operation of internal controls, if any, of which I am aware and steps I have taken or propose to take to rectify those deficiencies.
- D) I have indicated to the auditors and the Audit Committee that:
- i) No significant changes in internal control over financial reporting have taken place during the year.
  - ii) There have been no significant changes in the accounting policies made during the year and that the same have been disclosed suitably in the notes to the financial statements; and
  - iii) There were no frauds during the year.

Place : Bangalore  
Date : 25th May 2011

**Narayana Bhat**  
CFO & Company Secretary

**AUDITORS' REPORT ON COMPLIANCE OF CORPORATE GOVERNANCE**

To the Members of VXL Instruments Limited,

1. We have examined the compliance of conditions of Corporate Governance by VXL Instruments Limited, for the year ended March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange.
2. The compliance of conditions of corporate governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. We further state such compliance is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.
5. As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievances were pending for a period of one month against the Company as at 31<sup>st</sup> March 2011 as per records maintained by the Company and presented to the Shareholders'/Investors' Grievance Committee.

For Ishwar & Gopal  
*Chartered Accountants*

**K. V. Gopalakrishnaya**  
*Partner*  
Membership No.: 21748  
FRN - 001154S

Place : Bangalore  
Date : 25th May 2011

**AUDITORS' REPORT  
TO THE MEMBERS OF VXL INSTRUMENTS LIMITED**

1. We have audited the attached Balance Sheet of **VXL Instruments Limited**, as at 31<sup>st</sup> March 2011, the Profit & Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. 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.
2. We have 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 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.
3. As required by the Company's (Auditor's Report) Order, 2003 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 & 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that :
  - i. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
  - ii. 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:
  - iii. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the Books of Account.
  - iv. In our opinion and to the best of our information and according to the explanation given to us, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956.
- v. On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors prima facie is disqualified as on 31<sup>st</sup> March 2011, from being appointed as director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said statement of accounts together with the notes thereon subject to: **Note No.2 of Schedule 17, regarding non-provision for diminution in the value of investment of Rs.5,169,261/ and receivables of Rs. 6,27,06,509 in respect of a subsidiary of the company whose accumulated losses are in excess of the paid-up capital, Note No 12 in Schedule 17, regarding recognition and quantification of deferred tax asset of Rs 10,04,04,.865/- based on the opinion of the management that the same would be adjusted against future profits**, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India
  1. In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2011, and
  2. In the case of the Profit and Loss Account, of the profit for the year ended on that date.
  3. In so far as it relates to the cash flow statement, of the cash flows of the Company for the year ended on that date

For Ishwar & Gopal  
Chartered Accountants

**K.V. Gopalakrishnaya**  
Partner

Place : Bangalore  
Date : 25th May, 2011

Membership No.: 21748  
FRN - 001154S

**ANNEXURE TO THE AUDITORS' REPORT  
OF EVEN DATE TO THE MEMBERS OF VXL INSTRUMENTS LIMITED**

- (i) In respect of its Fixed Assets
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and the situation of its fixed assets
  - (b) The fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the company and nature of its business. No material discrepancies were noticed on such physical verification.
  - (c) In our opinion, the Company has not disposed off substantial part of fixed assets and therefore do not affect the going concern assumption
- (ii) In respect of its Inventories:
  - (a) As explained to us, inventories other than that lying with third parties have been physically verified by the management at reasonable intervals. In our opinion frequency of verification is reasonable.
  - (b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business;
  - (c) In our opinion the Company has maintained proper records of inventory. The discrepancies between the physical stocks and the book stocks were not material and have been properly dealt with in the books of account;
- (iii) Loans:
  - (a) During the year, the Company has not granted any loans to parties listed in the register maintained under Section 301 of the Companies Act, 1956. Hence clause 4 (iii) (a) to (d) of the Companies Auditor's Report Order, 2003 (as amended) is not applicable to the Company for the year under review.
  - (b) The Company has taken loans (in the form of fixed deposits) from 2 parties listed in the register maintained under section 301 of the Companies Act, 1956 aggregating to Rs. 21,35,000. The maximum amount involved during the year was Rs. 28,35,000 and year end balance was Rs. 21,35,000/-
  - (c) In our opinion, the rate of interest and other terms on which the said loan have been taken are not, prima facie, prejudicial to the interest of the Company;
  - (d) As per the information furnished to us, the Company has not defaulted in payment of principal amount and interest as per the terms of the said deposits;
- (iv) Internal Control Procedures

In our opinion and according to the information and explanations provided to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for sale of goods and services.
- (v) In respect of transactions covered under section 301 of the Companies Act, 1956:
  - (a) 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 the transactions that need to be entered into the register maintained under Section 301 have been properly entered in the said register;
  - (b) In our opinion and according to the information and explanations given to us, the transactions entered in the registers maintained under Section 301 and except for items which are of special nature for which no alternative sources of supply is available or no comparison could be made of the prices in the absence of quotations / similar transactions with other parties, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time;
- (vi) The Company has generally complied with the provisions of section 58A and 58AA of the companies Act, 1956 and the directives issued by the Reserve Bank of India in respect of the deposits accepted / renewed by the Company during the year under review. We have been informed that no order has been passed by the Company Law Board.
- (vii) The Company has a system of internal audit which, in our opinion, is commensurate with its size and nature of its business;



- (viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 for maintenance of Cost records in respect of products of the Company and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (iv) In respect of Statutory Dues:
- (a) According to the information and explanations provided to us, the Company is generally regular in depositing with appropriate authorities undisputed amount of provident fund, investors education and protection fund, employees' state insurance, sales tax, wealth tax, customs duty, excise duty, cess and any other statutory dues applicable to it.  
The above data has been furnished to the extent dues payable have been identified from the records of the company.
- (b) There are no outstanding disputed amounts of income-tax, wealth tax, customs duty, excise duty, cess as at the end of the year.  
The above data has been furnished to the extent dues payable have been identified from the records of the Company.
- (x) As per the Balance Sheet, accumulated losses of the Company as at the end of the financial year is more than 50% of its net worth. The Company has not incurred cash losses during the year and in the immediately preceding previous year.
- (xi) As per the information furnished to us, generally the Company has not defaulted in repayment of dues to Banks / Financial Institutions.
- (xii) Based on our examination and according to the information and explanations given 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;
- (xiii) The Company is not a chit/ nidhi/ mutual benefit fund/society and clause xiii of the Order is not applicable.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments. The investments made by the Company in the shares and other securities are in the name of the Company.
- (xv) On the basis of the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions;
- (xvi) According to the information and explanations given to us, the Company has not taken any term loans during the year and hence requirement of reporting regarding application of term loans does not arise.
- (xvii) According to the information and explanations given to us and on overall examination of the Balance Sheet and Cash flow statement of the Company, we report that no funds raised on short term basis have been used for long term investments..
- (xviii) According to the information and explanation given to us, the Company has not made preferential allotment of shares to any party listed in the Register maintained under Section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year;
- (xx) The Company has not raised any money by public issues during the year;
- (xxi) Based on the audit procedures performed and information and explanations given to us 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 Ishwar & Gopal**

*Chartered Accountants*

**K. V. Gopalakrishnayya**

*Partner*

Membership No.: 21748

FRN 001154S

Place : Bangalore

Date : 25th May, 2011

**VXL Instruments Limited****BALANCE SHEET AS AT 31st MARCH, 2011**

SCHEDULE	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
<b>SOURCES OF FUNDS</b>		
<b>SHAREHOLDERS' FUNDS</b>		
Share Capital	1	133,353,000
Reserves and Surplus	2	451,086,801
		<u>584,439,801</u>
<b>LOAN FUNDS</b>		
Secured	3	88,197,298
Unsecured	4	282,526,890
		<u>370,724,188</u>
TOTAL		<u>955,163,989</u>
<b>APPLICATION OF FUNDS</b>		
<b>FIXED ASSETS</b>		
Gross Block	5	462,655,628
Less: Depreciation		136,764,553
Net Block		<u>325,891,075</u>
INVESTMENTS	6	5,229,261
DEFERRED TAX ASSET		100,404,865
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
Inventories	7	243,686,431
Sundry Debtors	8	263,657,968
Cash and Bank Balances	9	16,919,362
Loans and Advances	10	13,315,179
		<u>537,578,940</u>
Less: CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities	11	224,992,729
Provisions		5,509,632
		<u>230,502,361</u>
NET CURRENT ASSETS		<u>307,076,579</u>
PROFIT AND LOSS ACCOUNT		<u>216,562,209</u>
TOTAL		<u>955,163,989</u>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>		
	17	

Schedules referred to above form an integral part of the Balance Sheet.

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

For Ishwar & Gopal

For and on behalf of the Board

Chartered Accountants

**K.V. Gopalakrishnayya**

**M.V. Nagaraj**

**M. V. Shetty**

**K. Prakash**

Partner

Managing Director

Whole Time Director

Director

Membership No.: 21748

FRN 001154S

Date : 25th May 2011

Place : Bangalore

**Narayana Bhat**

CFO & Company Secretary

**Twenty Fifth Annual Report 2010 - 2011**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011**

		YEAR ENDED 31.03.2011 Rs.	YEAR ENDED 31.03.2010 Rs.
<b>INCOME</b>			
		<b>939,426,338</b>	772,448,735
		<b>5,526,938</b>	6,408,141
		<b>933,899,400</b>	766,040,594
	12	<b>19,747,327</b>	8,722,191
		<b>953,646,727</b>	<b>774,762,785</b>
<b>EXPENDITURE</b>			
	13	<b>762,829,364</b>	653,759,382
	14	<b>22,357,414</b>	22,612,633
	15	<b>85,678,177</b>	53,220,654
	16	<b>36,771,184</b>	30,313,808
		<b>907,636,139</b>	<b>759,906,477</b>
<b>PROFIT / (LOSS) BEFORE DEPRECIATION</b>		<b>46,010,588</b>	14,856,308
	5	<b>14,848,645</b>	11,482,283
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>31,161,943</b>	3,374,025
<b>PROVISION / (CREDIT) FOR TAXES</b>			
		<b>5,863,083</b>	5,751,380
		<b>5,863,083</b>	5,751,380
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>31,161,943</b>	3,374,025
		<b>(273,680)</b>	285,412
<b>BALANCE OF PROFIT / (LOSS) BROUGHT FORWARD FROM PREVIOUS YEAR</b>		<b>(247,450,472)</b>	(251,109,909)
<b>BALANCE OF PROFIT / (LOSS) CARRIED OVER TO BALANCE SHEET</b>		<b>(216,562,209)</b>	(247,450,472)
Weighted average Number of Equity Shares (Face value of Rs. 10 /- each)			
		<b>13,335,300</b>	11,963,135
		<b>13,335,300</b>	11,963,135
Earning per Share (Loss) of face value of Rs. 10 each			
		<b>2.34</b>	0.28
		<b>2.34</b>	0.28
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>			
	17		

Schedules referred to above form an integral part of the Profit and Loss Account.  
This is the Profit and Loss Account referred to in our Report of even date.

For Ishwar & Gopal  
Chartered Accountants

For and on behalf of the Board

**K.V. Gopalakrishnayya**  
Partner

**M.V. Nagaraj**  
Managing Director

**M. V. Shetty**  
Whole Time Director

**K. Prakash**  
Director

Membership No.: 21748

FRN 001154S

Date : 25th May 2011

Place : Bangalore

**Narayana Bhat**  
CFO & Company Secretary

**VXL Instruments Limited**
**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011**

	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
<b>SCHEDULE : 1</b>		
<b>SHARE CAPITAL</b>		
Authorised:		
15,000,000 (15,000,000) Equity Shares of Rs.10/- each	<u>150,000,000</u>	<u>150,000,000</u>
Issued, Subscribed and Paid-up:		
1,33,50,000 (1,33,50,000) Equity Shares of Rs.10/- each	<b>133,500,000</b>	133,500,000
Less: Allotment and Call money in arrears - Other than Directors	<b>147,000</b>	147,000
	<u><b>133,353,000</b></u>	<u>133,353,000</u>

Of the above,

- a) 2,326,830 Equity Shares of Rs.10/- each allotted as bonus shares by Capitalisation of free reserves and Share Premium Account.
- b) 273,360 Equity Shares of Rs.10/- each issued pursuant to a scheme of amalgamation without payment being received in cash.

**SCHEDULE : 2**
**RESERVES AND SURPLUS**
**Capital Reserve**

As per last Balance Sheet	<b>2,053,645</b>	2,053,645
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**Securities Premium**

As per last Balance Sheet	137,288,827	129,296,107
Add : Received during the year	— <b>137,288,827</b>	<u>7,992,720</u> 137,288,827

**General Reserve**

As per last Balance Sheet	<b>2,599,897</b>	2,599,897
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**Revaluation Reserve**

As per last Balance Sheet	211,438,226	211,438,226
Addition on Revaluation of Land	<u>79,323,254</u> <b>290,761,480</b>	— 211,438,226

**Deferred Tax Reserve**

As per last Balance Sheet	24,246,035	29,997,415
Less : Withdrawn during the year	<u>5,863,083</u> <b>18,382,952</b>	<u>5,751,380</u> 24,246,035

	<u><b>451,086,801</b></u>	<u>377,626,630</u>
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**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011**

	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
<b>SCHEDULE : 3</b>		
<b>SECURED LOANS</b>		
a. Working Capital from a Bank	<b>87,759,968</b>	91,913,456
b. Hire Finance from a Bank for purchase of Vehicle	<b>437,330</b>	768,919
	<b><u>88,197,298</u></b>	<u>92,682,375</u>

NOTE:

- Working Capital from a Bank is secured by hypothecation of Inventories, Receivables, Book-Debts and other Current Assets, Equitable Mortgage of Factory Land and Building and immovable property of the company and charge on un-encumbered Plant and Machinery and personal guarantee of some of the Directors.
- Instalments of vehicle loan due within a year Rs. 3.71 Lakhs (Rs. 3.31 Lakhs)

**SCHEDULE: 4**

**UNSECURED LOANS**

a. Fixed Deposits		
From – Directors	<b>2,135,000</b>	2,835,000
b. From Companies	<b>280,391,890</b>	280,391,890
	<b><u>282,526,890</u></b>	<u>283,226,890</u>

**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011**

**SCHEDULE : 5**

**FIXED ASSETS**

(in rupees)

DESCRIPTION	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 1st April, 2010	Additions during the year	Deductions during the year	As at 31st March, 2011	As at 1st April 2010	For the year	On deductions	As at 31st March, 2011	As at 31st March, 2011	As at 31st March, 2010
Own Assets										
Land	215,481,360	79,323,254	-	294,804,614	-	-	-	-	294,804,614	215,481,360
Buildings	27,553,295	-	4,906,541	22,646,754	17,117,418	567,694	2,560,700	15,124,412	7,522,342	10,435,877
Plant and machinery	36,669,093	233,500		36,902,593	33,551,332	440,947	-	33,992,279	2,910,314	3,117,761
Plastic mould	36,777,157	3,096,976	-	39,874,133	34,668,352	1,470,550	-	36,138,902	3,735,231	2,108,805
Electrical installation	7,049,937	32,727	-	7,082,664	5,949,225	155,516	-	6,104,741	977,923	1,100,712
Office Equipment	25,122,114	1,291,134		26,413,248	21,124,480	988,145	-	22,112,625	4,300,623	3,997,634
Air conditioners	223,565	-	-	223,565	204,859	2,602	-	207,461	16,104	18,706
Furniture and fittings	8,852,249	310,139	-	9,162,388	7,713,456	1,190,149	-	8,903,605	258,783	1,138,793
Vehicles	5,764,489	-	368,610	5,395,879	4,417,303	403,363	362,288	4,458,378	937,501	1,347,186
<b>TOTAL</b>	<b>363,493,259</b>	<b>84,287,730</b>	<b>5,275,151</b>	<b>442,505,838</b>	<b>124,746,425</b>	<b>5,218,966</b>	<b>2,922,988</b>	<b>127,042,403</b>	<b>315,463,435</b>	<b>238,746,834</b>
Leased Assets										
Vehicles	763,912	-	763,912	-	763,912	-	763,912	-	-	-
	763,912	-	763,912	-	763,912	-	763,912	-	-	-
Intangibles										
Product Development	89,228,876	11,133,130	80,212,216	20,149,790	80,304,687	9,629,679	80,212,216	9,722,150	10,427,640	8,924,189
	89,228,876	11,133,130	80,212,216	20,149,790	80,304,687	9,629,679	80,212,216	9,722,150	10,427,640	8,924,189
<b>TOTAL</b>	<b>453,486,047</b>	<b>95,420,860</b>	<b>86,251,279</b>	<b>462,655,628</b>	<b>205,815,024</b>	<b>14,848,645</b>	<b>83,899,116</b>	<b>136,764,553</b>	<b>325,891,075</b>	<b>247,671,023</b>
PREVIOUS YEAR	445,677,721	12,976,200	5,167,874	453,486,047	199,332,058	11,482,283	4,999,317	205,815,024	247,671,023	

**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011**

	Year Ended 31.03.2011 Rs.	Year Ended 31.03.2010 Rs.
<b>SCHEDULE: 6</b>		
<b>INVESTMENTS (At cost - non-trade)</b>		
<b>LONG-TERM</b>		
A. Unquoted - Subsidiary Companies (Nil) 45,000 Equity Shares of XLnet Software Systems Limited of Rs.10/- each, fully paid	1,500,000	
Less : Provision for Diminution in Investments [Refer Note 2.A.2 of Schedule 17 Notes to Accounts]	- 1,500,000	-
108,000 Equity Shares of VXL Instruments Limited - U.K of GBP 1 each, fully paid [Refer Note 2.A.1 of Schedule 17 Notes to Accounts]	<b>5,169,261</b>	5,169,261
B. Other Investments		
2,400 (2,000) Equity Shares of the Shamrao Vithal Co-operative Bank Ltd. of Rs.25/- each, fully paid	<b>60,000</b>	50,000
	<b>5,229,261</b>	<b>5,219,261</b>
<b>SCHEDULE : 7</b>		
<b>INVENTORIES</b>		
Raw Materials & Consumables	<b>122,884,624</b>	98,029,156
Work-in-Progress	<b>58,642,164</b>	61,876,389
Finished goods	<b>34,426,280</b>	42,948,966
Raw Materials in Transit	<b>27,733,363</b>	6,285,656
	<b>243,686,431</b>	<b>209,140,167</b>
<b>SCHEDULE : 8</b>		
<b>SUNDRY DEBTORS</b> (Unsecured)		
a. Debts outstanding for a period exceeding Six months		
Considered Good	63,282,759	82,736,987
Considered Doubtful	24,704,332	31,572,051
	87,987,091	114,309,038
Less: Provision for bad & doubtful debts	24,704,332	31,572,051
	<b>63,282,759</b>	82,736,987
Others considered good.	<b>200,375,209</b>	207,788,148
	<b>263,657,968</b>	<b>290,525,135</b>
<b>SCHEDULE : 9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	<b>29,228</b>	4,118,522
Balances with Scheduled Banks in India :		
in Current Accounts	<b>409,927</b>	434,373
in Deposit Accounts	<b>16,480,207</b>	20,289,233
[Pledged with Bank against bank guarantee & Letter of Credit facilities to the extent of Rs. 1,50,00,000/- (Rs.18,865,901/-) ]	<b>16,919,362</b>	24,842,129

**VXL Instruments Limited**
**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2011**

	Year Ended 31.03.2011 Rs.	Year Ended 31.03.2010 Rs.
<b>SCHEDULE: 10</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured		
Advances recoverable in cash or		
in kind or for value to be received		
Considered Good	8,656,805	6,505,295
Considered Doubtful	29,257,978	28,768,888
	<u>37,914,783</u>	<u>35,274,183</u>
<i>Less</i> : Provision for doubtful advances	<u>29,257,978</u>	<u>28,768,888</u>
	<b>8,656,805</b>	6,505,295
Advances to Subsidiaries	-	2,437,394
<i>Less</i> : Provision for doubtful advances	-	2,437,394
	-	-
Balances with Excise authorities	<b>213,315</b>	1,053,735
Interest accrued but not due on deposits	<b>152,560</b>	705,093
Deposits	<b>3,474,692</b>	3,921,185
Advance Income Tax / TDS	<b>817,807</b>	860,945
	<u><b>13,315,179</b></u>	<u>13,046,253</u>
<b>SCHEDULE: 11</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
Current liabilities		
Acceptances	128,050,000	127,900,000
Sundry Creditors		
Total outstanding dues of micro enterprises and small enterprises	-	-
Total outstanding dues of other than micro enterprises and small enterprises	84,580,660	108,648,108
Advance Received from Customers	25,000	1,450,823
Other Current Liabilities	<u>12,337,069</u>	<u>12,584,322</u>
	<b>224,992,729</b>	250,583,253
<b>PROVISIONS FOR</b>		
Fringe Benefit Tax	69,871	68,574
Gratuity	3,566,660	4,384,194
Leave Encashment	<u>1,873,101</u>	<u>2,237,472</u>
	<u><b>5,509,632</b></u>	<u>6,690,240</u>
	<u><b>230,502,361</b></u>	<u>257,273,493</u>



**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Year Ended 31.03.2011 Rs.	Year Ended 31.03.2010 Rs.
<b>SCHEDULE: 12</b>		
<b>OTHER INCOME</b>		
Interest received on deposits and loans (Gross, TDS - Rs. 104,781/- (Rs. 105,185/-)	737,938	1,736,139
Exchange Fluctuation	6,565,874	-
Provisions No longer required written back	2,178,652	1,688,153
Profit on sale of Fixed Assets	7,691,890	4,211,430
Dividend Received	14,400	7,500
Miscellaneous receipts	2,558,573	1,078,969
	<u>19,747,327</u>	<u>8,722,191</u>
<b>SCHEDULE: 13</b>		
<b>COST OF MATERIALS</b>		
1. Consumption of		
Raw Materials	741,769,972	296,422,415
Software License	6,783,457	378,206,039
Packing Materials	2,336,399	1,292,416
Consumable stores	182,625	323,411
	<u>751,072,453</u>	<u>676,244,281</u>
2. Change in Inventory		
Opening work-in-progress	61,876,389	40,731,083
Opening finished goods	42,948,966	41,609,373
	<u>104,825,355</u>	<u>82,340,456</u>
Closing work-in-progress	58,642,164	61,876,389
Closing finished goods	34,426,280	42,948,966
	<u>93,068,444</u>	<u>104,825,355</u>
Net (accretion) / depletion	<u>11,756,911</u>	(22,484,899)
	<u>762,829,364</u>	<u>653,759,382</u>
<b>SCHEDULE: 14</b>		
<b>EMPLOYEE RELATED EXPENSES</b>		
Salaries, Wages and Allowances	19,359,081	20,235,245
Contribution to Provident Fund and Other Funds	2,545,275	1,980,479
Welfare expenses	453,058	396,909
	<u>22,357,414</u>	<u>22,612,633</u>

**VXL Instruments Limited****SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Year Ended 31.03.2011 Rs.	Year Ended 31.03.2010 Rs.
<b>SCHEDULE: 15</b>		
<b>OTHER EXPENSES</b>		
Rent	1,269,543	1,263,432
Travelling and conveyance	3,633,393	2,508,844
Power and fuel	1,074,272	902,448
Communication costs	1,293,512	1,968,074
Rates, taxes and fees	599,485	563,516
Directors' sitting fees	85,000	81,000
Exchange Fluctuation	-	394,106
Repairs and maintenance		
Plant & Machinery	103,294	210,018
Buildings	33,328	208,555
Others	1,286,696	598,159
Payment to Auditors		
Audit Fees	290,000	200,000
Tax audit fees	85,000	85,000
Certification	25,000	25,000
	12,500	-
Commission	272,424	310,000
Insurance	957,827	1,920,516
Freight & Forwarding	54,028,577	610,720
Consultancy / Certification Charges	13,680,209	15,614,609
Selling expenses	4,166,245	11,300,967
Miscellaneous expenses	2,182,887	788,628
Provision for bad and doubtful debts and advances	463,596	4,995,845
Loss on sale of Investments	-	4,004,757
Bad debts and advances written off	135,389	446,758
[Net of provision withdrawn Rs. 6,920,327/-[ Rs. Nil)]		4,529,702
	<u>85,678,177</u>	<u>53,220,654</u>
<b>SCHEDULE: 16</b>		
<b>FINANCE CHARGES</b>		
Interest paid on:		
Fixed loans	875,494	768,874
Other loans	9,980,545	11,078,149
Bank charges and others	25,915,145	18,466,785
	<u>36,771,184</u>	<u>30,313,808</u>

**SCHEDULE: 17**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

**A. Significant Accounting Policies**

1. **Basis of Preparation:** The accounts have been prepared and presented under the historical cost convention on accrual basis following generally accepted accounting principles in India (GAAP) and comply with the Accounting Standards prescribed by the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956 to the extent applicable.
2. **Uses of Estimates:** The preparation of financial statements in conformity with GAAP requires that the management of the Company make estimates and assumptions that affect the reported amounts of income and expenses for the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as on the date of the Balance Sheet. Differences, if any, between the actual results and estimates is recognized in the period in which the results are known.
3. **Fixed assets:** Fixed assets (except land which has been revalued as in Sl. No. B. 4) are disclosed in the accounts at historical cost together with all costs directly attributable to their acquisition less accumulated depreciation. Land has been stated at revalued cost.
4. **Depreciation:** Depreciation is computed on the written-down value of assets and provided at the rates mentioned in Schedule XIV of the Companies Act, 1956. In the case of additions/deletions, pro-rata depreciation is provided from the date of additions / up till the date of disposal. In respect of assets with cost not exceeding Rs.5,000/- depreciation at the rate of 100% is provided for the whole year.
5. **Leases:** Lease arrangements where the risks and rewards incident to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the profit and loss account on a straight-line basis.
6. **Impairment of Assets:** The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment of the carrying amount of Company's assets. If any indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognized whenever the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is greater of the net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value, based on appropriate discounting factor. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation as if there was no impairment.
7. **Investments :** Long term investments are valued at cost less provision, if any, for permanent diminution in value. Current investments are valued at lower of cost and net realisable value.
8. **Inventories:** Inventories are valued at lower of cost (weighted average) and estimated net realisable value. Provision has been made in the accounts for damaged, obsolete and slow moving items.
9. **Employee Benefits:**
  - a. **Post employment benefit plans:**

Contributions to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contributions. For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

## VXL Instruments Limited

### **b. Short term Employee Benefits:**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave.

**10. Foreign currency transactions:** In respect of foreign currency transactions during the year, the same have been accounted at the exchange rate prevailing as on the date of transaction. In respect of current assets and current liabilities at the close of the accounting year, gains/losses arising out of translations at year end exchange rates are dealt with in the Profit & Loss Account.

### **11. Deferred Revenue Expenditure / Intangible assets**

Revenue expenditure on product development is treated as an Intangible asset, grouped under fixed assets and amortized over the estimated period of life. An intangible asset is derecognised (eliminated from the balance sheet) on disposal or when no future economic benefits are expected from its use and subsequent disposal.

### **12. Income Tax**

Provision for Current Income Tax is made in the books of account based on taxable income computed as per the provisions of the Income Tax Act, 1961.

Deferred tax is recognised in respect of timing differences on account of differences between accounting income and taxable income arising in one period and capable of adjustment in subsequent period(s). In respect of deferred tax asset, the same is recognised in the books of account if there is certainty of availability of future taxable income against which the same can be set off. This asset will be reviewed at each balance sheet date to verify adjustment thereof.

### **13. Warranties**

Warranties are recognised as and when claims are lodged by customers, to the extent agreed to by the Company.

### **14. Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such asset. A qualifying asset is one that takes substantial period of time to get ready for intended use or sale. All other Borrowing Costs are charged to revenue.

### **15. Earning Per Share**

The earnings considered in ascertaining the Company's earnings per share comprise of the net profit after tax. The number of shares used in computing the basic earnings per share is the weighted average number of equity shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of shares, if any, which would have been issued on the conversion of dilutive potential equity shares.

### **16. Provisions, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurements are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the Notes to the Accounts. Contingent Assets are neither recognised nor disclosed in the financial statements.

### **17. Segment Reporting**

Revenue, operating results, assets and liabilities have been identified to represent separate segments on the basis of their relationship to the operating activities of the segment. Assets, liabilities, revenue and expenses which are not allocable to separate segment on a reasonable basis, are included under "Un-allocated".

**B. NOTES ON ACCOUNTS**

**1. Provisions, Contingent Liabilities & Contingent Assets.**

Particulars	As at 31st March,2011 Rs.	As at 31st March,2010 Rs.
A Guarantees issued by Bankers	18,590,567	21,824,518
B Liability on account of bills discounted with Banks (Secured by Letters of Credit from buyers' bankers)	8,50,00,000	57,500,000
C Employees' Provident Fund contributions under appeal [Out of which Rs 1,069,469/- has been deposited with respective authority and shown under Current Assets].	14,06,365	14,06,365
D Central Sales Tax Liability under appeal [Out of which Rs. 4,360,548 /- has been deposited with respective authority and shown under Current Assets].	5,878,406	3,327,514
E. Other disputed tax liabilities	5,95,520	5,95,520
F. The Company has closed the unit manufacturing CRT Terminals as the product GVX terminal has been phased out. On this, workmen raised certain objection which has been rejected by the Secretary, Department of Labour. Provision has been made for Rs. 19,72,505/- towards settlement amount due to employees of the unit. Additional liability if any, on this account is not ascertainable and will be provided on settlement of the dispute.		
G. The Company has made provision for leave salary on estimated basis. These being retirement benefits, an obligation to pay these amounts might arise at the time of resignation / superannuation of the employees. There is no reimbursement receivable against these obligations. The provision is made based on actuarial valuation.		

(Amount in Rs. )

Nature of obligation	The carrying amount at the beginning of the period	Additional provisions made during the year	Amounts incurred and charged against the provision during the period	Unused amounts reversed during the period	The carrying amount at the end of the period
Leave Salary	2,237,472	-	260,463	103,908	1,873,101

**2. The Company holds investments in the following companies as under:**

1. VXL Instruments Limited, U.K., a subsidiary in which the Company has 60% share holding amounting to Rs. 5,169,261/- has accumulated losses in excess of its total paid up capital. Net receivable from VXL Instruments Limited, U.K., as at 31st March 2011 is Rs. 62,706,509 (Rs. 79,186,388/-). During the year under review the company has received Rs.16,479,879/- towards old receivables. Further, the subsidiary has earned profit during the year under review and also during the previous year. Considering these facts and in view of the long term prospects, in the opinion of the management no provision is deemed necessary in respect of the Company's investments in and the amounts due to the company, from the aforesaid investee company.
2. XLnet Software Systems Limited, a 100% subsidiary, in which the total investment by the company is Rs. 1,500,000/- has been wound up during the year. Amount due from XLnet Software Systems Limited, as at 31st March 2010, classified under Loans and Advances is Rs. 2,437,394/- and classified under sundry debtors is Rs. 13,821/- have been written off during the year.
3. Freehold Land of the Company has been revalued as on 31<sup>st</sup> March 2011 based on valuation obtained by the Company and the resulting credit of Rs. 79,323,254/- has been credited to revaluation reserve.

## VXL Instruments Limited

### 4. Retirement Benefit Plans

#### Defined contribution plans

The Company makes Provident Fund contributions to defined contribution retirement benefit plans for qualifying employees. Under the scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits.

The Company recognised Rs. 730,064/- (Rs. 826,145/-) for provident fund contributions in the profit and loss account. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

#### Defined benefit plans

The Company makes annual contributions to the Employees' Group Gratuity-cum-Life Assurance Scheme Master Policy of the Life Insurance Corporation of India, a defined benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date.

The following table sets out the funded status of the gratuity plan and the amounts recognized in the Company's financial statements as at 31.03.11.

Particulars	(in Rs)	
	As at 31.03.2011	As at 31.03.2010
<b>1. Change in benefit obligation</b>		
Projected Obligation at the beginning of the year	5,509,259	50,49,701
Interest Cost	440,741	4,03,976
Current Service Cost	485,626	4,79,613
Benefits Paid	(2,622,859)	(5,16,489)
Actuarial (Gain) / Loss	595,313	92,458
Projected Obligation at the end of the year	4,408,080	55,09,259
<b>2. Change in Plan Assets</b>		
Fair Value of the Plan Assets at the beginning of the year	1,125,065	11,77,668
Expected Return on Plan Assets	90,304	98,647
Employer's Contributions	2,248,910	3,65,239
Benefit Paid	(2,622,859)	(5,16,489)
Actuarial (Gain) / Loss	NIL	NIL
Adjustment related to prior year	NIL	NIL
Fair Value of the Plan Assets at the end of the year	841,420	11,25,065
Excess of (Obligations over Plan Assets) / Plan Assets Over Obligation	(3,566,660)	(43,84,194)
<b>3 Net Gratuity &amp; Other Costs at the end of the year</b>		
Service Cost	485,626	4,79,613
Interest on defined benefit obligation	440,741	4,03,976
Expected Return on Plan Assets	(90,304)	(98,647)
Net Actuarial Gain recognized in the year	595,313	92,458
Adjustment related to prior year	NIL	NIL
Net Gratuity Costs for the year	1,431,376	8,77,400

## Twenty Fifth Annual Report 2010 - 2011

4. Category of assets		
Insurer Managed Funds	<b>841,420</b>	11,25,065
5. Assumptions		
Discount Rate	<b>8%</b>	8%
Salary Escalation Rate	<b>7%</b>	7%
Expected Return on Plan Assets Rate	<b>7%</b>	7%

The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets and the Company's policy for plan asset management.

### 6. Dues to Micro, Small and Medium Enterprises:

Sundry Creditors include Rs. Nil (Rs. Nil) due to Micro, Small and Medium Enterprises. The information is determined based on the information available with the Company. The list of SSIs to whom the amount outstanding for more than 30 days are as under: (Amount in Rs. )

Sl. No.	Particulars	31-03-2011	31-03-2010
a.	The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year;	<b>Nil</b>	Nil
b.	The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;	<b>Nil</b>	Nil
c.	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	<b>Nil</b>	Nil
d.	The amount of interest accrued and remaining unpaid at the end of each accounting year; and	<b>Nil</b>	Nil
e.	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	<b>Nil</b>	Nil

7. Other Current liabilities includes dues to Directors Rs. 300,000/- (Rs. 300,000/-)

8. Managerial Remuneration under section 198 of the Companies Act, 1956.

(Amount in Rs. )

	<b>Year ended</b>	Year ended
	<b>31.03.2011</b>	31.03.10
Salaries and Allowances	<b>3,078,806</b>	2,439,077
Contribution to PF and Other Funds	<b>232,217</b>	187,200
<b>Total</b>	<b>3,311,023</b>	2,626,277

## VXL Instruments Limited

Due to inadequacy of profits, minimum remuneration as per Schedule XIII of the Companies Act has been paid to Whole Time Directors. Consequently, providing of information u/s 349 & 350 of the Companies Act, related to computation of managerial remuneration is not applicable

9. Finance Charges include interest paid on deposit to Managing Director and Whole time Director Rs. 295,827/- (Rs. 538,751/-)

### 10. Segment Information

The Company's segment information is as follows:

#### a Primary Segments (Geographical Segments)

(in Rupees)

Description	2010-2011	2009-2010
<b>Revenue (Sales and Services)</b>		
Domestic	54,607,156	72,032,509
Overseas	879,292,244	694,008,085
	<u>933,899,400</u>	<u>766,040,594</u>
<b>Segment Result</b>		
Domestic	12,582,323	17,402,731
Overseas	112,599,360	84,757,483
	125,181,683	102,160,214
Less : Unallocated Expenses		
Overheads	57,248,556	68,472,380
Interest	36,771,184	30,313,808
Provision / (Credit ) for taxes		
Profit / (Loss) After Taxation	<u>31,161,943</u>	<u>3,374,025</u>

#### Secondary Segments (Business Segments)

##### Revenue (Sales and Services)

Data Processing Units	932,045,062	369,302,643
Service Charges	1,854,338	2,003,826
Others	Nil	394,734,125
Total	<u>933,899,400</u>	<u>766,040,594</u>

Primary/Secondary Segment reporting format

- The risk return profile of the Company's business is determined based on the geographical area in which it operates. Therefore, Geographical Segments have been identified as Primary Segments
- Secondary Segments have been identified on the basis of the nature of products manufactured by the Company

#### Segment assets and liabilities

Fixed assets used in the Company's business and liabilities contracted have not been identified to any of the reportable segments as the fixed assets and services are used interchangeably between segments

### 11. Disclosure of related parties / related party transactions

#### a. Parties where control exists

Name of the Related Party	Nature of Relationship
i. XLnet Software Systems Limited	Wholly Owned Subsidiary (The Company has been wound up on 08.10.2010).
ii. VXL Instruments Limited (UK)	Subsidiary. The Company holds 60% in the nominal value of the equity share capital



## Twenty Fifth Annual Report 2010 - 2011

**b. Other related parties with whom transactions were carried out during the year**

Name of the Related Party	Nature of Relationship
VXL eTech Limited	Associate Company (till 30.10.2009)

**c. Key management personnel and their relatives**

Mr. M.V. Nagaraj, Managing Director  
 Mrs. Shanthi Nagaraj, (Wife of Mr. M. V. Nagaraj)  
 Mr. M.V. Shetty, Whole-Time Director  
 Ms. Ridhima Shetty (Daughter of Mr. M. V. Shetty)  
 Mr. Rishab Shetty (Son of Mr. M. V. Shetty)  
 Mrs. Pravina Shetty (Wife of Mr. M. V. Shetty)

**d. Disclosure of Related Party Transactions**

(in Rupees)

Nature of transaction	Subsidiaries	Joint ventures and associates	Key managerial personnel and relatives
1. Sale of Goods/Fixed Assets	-	-	-
	-	(6,210,259)	-
2. Interest Paid	-	-	295,827
	-	-	(894,301)
3. Remuneration	-	-	3,311,023
	-	-	(2,630,260)

**e. Balances with Related Parties**

(in Rupees)

Nature of transaction	Subsidiaries	Joint ventures and associates	Key managerial personnel and relatives
1. Trade Receivables	67,799,928	-	-
	(79,173,965)	-	-
2. Loans and Advance (Assets)	-	-	-
	** ( 2,437,394)	-	-
3. Trade Advance (Liability)	-	-	-
	-	(1,339,400)	-
4. Trade Deposit Payable	-	-	2,135,000
	-	-	(2,835,000)
5. Investments	5,169,261	-	-
	(6,669,261)	-	-

\*\* The Company has made provision for advances to and investments in a subsidiary XL Net Software Systems Limited and the same has been written off during the year.

## VXL Instruments Limited

### 12. Deferred Tax Assets / (Liabilities)

Deferred Tax Asset has been calculated as per the provisions of Accounting Standard (AS) 22 – Accounting for Taxes on Income - issued by the Institute of Chartered Accountants of India. In respect of Deferred Tax Asset of Rs. 100,404,865/-(Rs. 106,267,948 /-) detailed below, the Company's management is confident of earning sufficient profits in the future to be able to set off this amount and hence the Deferred Tax Asset has been recognised and quantified.

(in Rupees)

Deferred Tax Assets / (Liabilities) On account of	As at 31st March,2011	As at 31st March,2010
Carry forward losses	79,296,075	81,486,210
Disallowances under Income tax	3,332,338	21,248,749
Fixed Assets	17,776,452	3,532,989
<b>Total</b>	<b>100,404,865</b>	<b>106,267,948</b>

Information pursuant to the provisions of paragraphs 3, 4C & 4D of part II to schedule VI of the Companies Act, 1956.

13. The Company is engaged in the manufacture and export of data processing units. The quantitative details of turnover, consumption and stocks and the information as required under paragraphs 3, 4C, and 4D of Part II of Schedule VI of the Companies Act, 1956 is furnished to the extent applicable to the Company.

Consequent to the Central Government giving a general exemption to manufacturing companies from disclosure of break up of turnover and raw material consumption and stocks under para 3 (i) (a) and 3 (ii) (a), the same are not disclosed

### 13.1. Licensed Capacity, Installed Capacity and Production

in Nos.

Class of Goods	Licenced Capacity	Installed Capacity *		Actual Production	
		31.03.2011	31.03.2010	31.03.2011	31.03.2010
Data processing units	NA	120,000	120,000	74,095	39,730

\* Certified by the Managing Director.

Actual production excludes bought out items / components

### 13.2 Value of Imported and Indigenous Consumption during the year (as certified by the management)

Particulars	2010-2011		2009-2010	
	Value (Rs.)	%	Value (Rs.)	%
Imported	726,512,117	97	639,148,850	95
Indigenous	24,560,336	3	37,095,431	5
Total	751,072,453	100	676,244,281	100

**13.3 Other particulars required under paragraphs 3, 4C, and 4D of Part II of Schedule VI of the Companies Act, 1956**

Particulars	2010-2011	2009-2010
<b>a. Value of imports calculated on CIF Basis</b>		
Raw materials	821,138,573	641,544,926
<b>b. Expenditure in Foreign Currency</b>		
Travelling	649,059	Nil
Certification Fees	1,289,362	1,788,616
<b>c. Earnings in foreign Currency calculated on FOB Basis</b>		
Direct Exports	135,403	518,533
Deemed Exports through others	840,585,950	676,399,130

**14. Operating Leases :** The Company has taken various residential / commercial premises under cancelable operating leases. These lease agreements are normally renewed on expiry. The lease agreements provide an option to the Company to renew the lease period at the end of the period. There are no exceptional / restrictive covenants in the lease agreements. Rent debited to profit and loss account Rs. 1,269,543 (Rs. 1,263,432).

Contingent rent recognized in the Profit and Loss Account Rs. Nil.

**15. Disclosure required by Clause 32 of the Listing Agreement:**

Amount of loans and advances in the nature of loans outstanding from the subsidiaries for the year ended March 31, 2011.

(in Rupees)

Subsidiary Company	Outstanding as at 31-03-2011	Maximum Amount Outstanding during the Year
VXL INSTRUMENTS LTD (UK)	-	-
XLnet Software Systems Ltd	-	2,437,394

VXL INSTRUMENTS LIMITED has made the following Investments in its Subsidiaries :

**No of Shares**

VXL Instruments Limited (UK)	1,08,000
------------------------------	----------

**16. Securities for Loans:**

Working Capital from a Bank is secured by hypothecation of Inventories, receivables, Book-Debts and other Current Assets, Equitable Mortgage of Factory Land and Building and immovable property of the company and Charge on un-encumbered Plant and Machinery and personal guarantee of some of the Directors.

Hire Purchase Finance from a bank for purchase of vehicle is secured by hypothecation of vehicle. Installments payable within a year Rs. 371,267/-(Rs. 331,589/-)

## VXL Instruments Limited

**17. Lien on Term Deposit:** Out of Rs. 16,480,207/- term deposit Rs. 15,000,000/-is under lien for Bank Guarantee and Letter of Credit

**18.** Prior year expenses / (Income) debited to Profit and Loss Account under various heads are as under.

<b>Particulars</b>	<b>2010-11</b>	<b>2009-10</b>
Raw Material Cost		(20,249,985)
Directors Sitting Fees		62,000
Miscellaneous Expenses		110,700
Salaries		100,000
Interest on LC	1,363,550	
Freight	78,408	
Travel and Conveyance	130,500	
Penalties	10,800	

**19.** Previous year's figures have been recast and regrouped wherever necessary to make comparable with those of the current year. Figures in bracket relate to previous year

For Ishwar & Gopal  
*Chartered Accountants*

**K.V. Gopalakrishnayya**  
*Partner*

Membership No.: 21748  
FRN 001154S

Date : 25th May 2011  
Place : Bangalore

For and on behalf of the Board

**M.V. Nagaraj**  
*Managing Director*

**M. V. Shetty**  
*Whole Time Director*

**K. Prakash**  
*Director*

**Narayana Bhat**  
*CFO & Company Secretary*

**Twenty Fifth Annual Report 2010 - 2011**

**STATEMENT OF CASH FLOW FOR THE YEAR ENDING 31st MARCH, 2011**

	31.03.2011 Rs.	31.03.2010 Rs.
<b>CASH FLOW FROM OPERATIONS:</b>		
Net Income before current income taxes	31,161,943	3,374,025
Interest received	(737,938)	(1,736,139)
Dividend Received	(14,400)	(7,500)
Depreciation	14,848,646	11,482,283
Provision for doubtful debts/ advances	(463,596)	4,004,757
Current income tax	(230,542)	207,349
Fringe Benefit Tax	-	285,412
Interest Expenses	36,771,184	30,313,808
(Increase)/decrease in trade and other receivables	27,008,699	80,578,375
(Increase)/decrease in Inventories	(34,546,264)	(36,853,435)
Increase/(decrease) in trade payables	(26,771,135)	(25,779,539)
(Profit) / Loss on sale of investments	-	446,758
(Profit) / Loss on sale of fixed assets	(7,691,890)	(4,211,430)
Net cash from operations	39,334,708	62,104,724
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Interest Received	737,938	1,736,139
Dividend Received	14,400	7,500
Proceeds from sale of investments	-	829,692
Proceeds from sale of fixed assets	10,044,053	4,379,987
Purchase of fixed assets	(16,097,606)	(12,976,200)
Net cash from investing activities	(5,301,215)	(6,022,882)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Net proceeds from borrowing	(5,185,077)	(97,996,700)
Proceeds from Issue of Shares	-	66,606,000
Share premium received	-	7,992,720
Interest paid	(36,771,184)	(30,313,808)
Net cash from financing activities	(41,956,261)	(53,711,788)
Net increase/(decrease) in cash and cash equivalents	(7,922,767)	2,370,055
Cash and cash equivalents at the beginning of the year	24,842,129	22,472,074
Cash and cash equivalents at the end of the year	16,919,362	24,842,129
Net increase/(decrease) in cash and cash equivalents	(7,922,767)	2,370,055

For Ishwar & Gopal  
Chartered Accountants

For and on behalf of the Board

**K.V. Gopalakrishnayya**  
Partner  
Membership No.: 21748  
FRN 001154S

**M.V. Nagaraj**  
Managing Director

**M. V. Shetty**  
Whole Time Director

**K. Prakash**  
Director

Date : 25th May 2011  
Place : Bangalore

**Narayana Bhat**  
CFO & Company Secretary

**VXL Instruments Limited****BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE**

(As per Schedule VI, Part IV of the Companies Act, 1956)

**I Registration Details**

Registration Number	7492
State Code	08
Balance Sheet Date	31.03.2011

**II Capital Raised during the year (Amount in Rs. Thousands)**

Public Issue	Nil
Rights Issue	Nil
Private Placement	Nil
Bonus Issue	Nil

**III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Source of Funds	
Paid-up Capital	133,353
Reserves and Surplus	451,087
Secured Loans	88,197
Unsecured Loans	282,527
Total Liabilities	<u>955,164</u>

**Application of Funds**

Net Fixed Assets	325,891
Investments	5,229
Net Current Assets	307,077
Defferred Tax	100,405
Accumulated Losses	216,562
Total Assets	<u>955,164</u>

**IV Performance of Company (Amount in Rs. Thousands)**

Turnover including Other Income	953,647
Total Expenditure	922,485
Profit before Tax/(Loss)	31,162
Profit after Tax/(Loss)	30,888
Earning per Share (Rs.)	2.34
Dividend Rate (%)	Nil

**V Generic names of three principal products / services of the company**

(As per monetary terms)

Item Code Number (ITC Code)	8471 50 00
Product Description	DATA PROCESSING UNITS
Item Code Number (ITC Code)	8523 80 20
Product Description	INFORMATION TECHNOLOGY SOFTWARE

For Ishwar & Gopal  
Chartered Accountants

For and on behalf of the Board

**K.V. Gopalakrishnayya**  
Partner

**M.V. Nagaraj**  
Managing Director

**M. V. Shetty**  
Whole Time Director

**K. Prakash**  
Director

Membership No.: 21748  
FRN 001154S

Date : 25th May 2011  
Place : Bangalore

**Narayana Bhat**  
CFO & Company Secretary

**Statement pursuant to Section 212(2)(e) relating to Subsidiary Company for the financial year ended 31st March, 2011**

1. Name of the company : VXL Instruments Limited - UK
2. Holding Company's Interest : 1,08,000 Equity Shares of GBP 1 each fully paid up 60%
3. Aggregate amount of Profits (Losses) since becoming subsidiary so far as it concerns the members of the holding company and not dealt with in the holding company's accounts
- a. For the subsidiary's financial year ended 31st March 2011 : 30,376 GBP
- b. For the previous financial years : (-) 1,894,942 GBP
4. Net aggregate amount of profits (losses) since becoming subsidiary so far as it concerns the members of the holding company and dealt with in the holding company's accounts
- a. For the subsidiary's financial year ended 31st March 2011 : Nil
- b. For the previous financial years : Nil

Place : Bangalore  
Date : 25th May 2011

**M.V. Nagaraj**  
*Managing Director*

**M.V.Shetty**  
*Whole Time Director*

**K. Prakash**  
*Director*

**Narayana Bhat**  
*CFO & Company Secretary*

19<sup>th</sup>  
Annual Report  
2010-2011

VXL Instruments Limited (UK)

**BOARD OF DIRECTORS**

<b>D. S. Rao</b>	<i>Director</i>
<b>Frank Noon</b>	<i>Director</i>
<b>M. V. Nagaraj</b>	<i>Director</i>
<b>M. V. Shetty</b>	<i>Director</i>
<b>Kumar Shyam</b>	<i>Director</i>

**REGISTERED OFFICE**

Carrington Business Park  
Carrington, Manchester  
Cheshire  
M31 4DD



**DIRECTORS' REPORT FOR THE YEAR  
ENDED 31st MARCH 2011**

The directors present their report with the financial statements of the company for the year ended 31st March, 2011.

**Principal Activity**

The principal activity of the company in the year under review was that of importers and resellers of thin client and laptop terminals.

**Directors**

The directors shown below have held office during the whole of the period from 1st April, 2010 to the date of this report

D.S. Rao / M.V. Nagaraj / Frank Noon / M.V. Shetty / Kumar Shyam

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

8th April 2011

On behalf of the board

**D.S. Rao**  
Director

**BALANCE SHEET  
AS AT 31st MARCH 2011**

	Notes	2010-11 in GBP	2009-10 in GBP
<b>Fixed assets</b>			
Intangible assets	4		
Tangible assets	5	4,150	5,534
		<u>4,150</u>	<u>5,534</u>
<b>Current assets</b>			
Cash at bank and in hand		28,407	10,559
Loans & Advances			-
		<u>28,407</u>	<u>10,559</u>
<b>Creditors : amounts falling due within one year</b>	6	780,696	548,795
<b>Net current liabilities</b>		(752,289)	(538,236)
<b>Total assets less current liabilities</b>		<u>(748,139)</u>	<u>(532,702)</u>
<b>Creditors</b>			
Amounts falling due after more than one year	7	936,427	1,182,240
<b>NET LIABILITIES</b>		<u>(1,684,566)</u>	<u>1,714,942</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	180,000	180,000
Profit and loss account	9	(1,864,566)	(1,894,942)
<b>SHAREHOLDERS' FUNDS</b>		<u>(1,684,566)</u>	<u>(1,714,942)</u>

The company is entitled to exemption from audit under Section 277 of the Companies Act, 2006 for the year ended 31st March 2011

The members have not required the company to obtain an audit of its financial statements for the year ended 31st March 2011 in accordance with Section 476 of the Companies Act, 2006

The directors acknowledge their responsibilities for:

- ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act, 2006 and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of the Companies Act, 2006 relating to financial statements, so far as applicable to the company.

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board of Directors on 8th April 2011 and were signed on its behalf by Mr. D.S. Rao

**TRADING AND PROFIT AND LOSS  
ACCOUNT FOR THE YEAR ENDED 31ST  
MARCH 2011**

		2010-11 in GBP	2009-10 in GBP
<b>Turnover</b>		<b>2,180,052</b>	886,221
Cost of sales		<b>656,945</b>	45,896
<b>Gross profit</b>		<b>1,523,107</b>	840,325
<b>Administrative expenses</b>		<b>1,492,731</b>	831,971
<b>OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2	<b>30,376</b>	8,354
Tax on profit on ordinary activities	3	-	1,025
<b>PROFIT(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION</b>		<u><b>30,376</b></u>	<u>7,329</u>

## VXL Instruments Limited (UK)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011.

1. Accounting Policies	2010-11	2009-10																																																								
1.1 Accounting Convention	GBP	GBP																																																								
<p>The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)</p> <p>1.2 Turnover Turnover represents net invoiced sales of goods, excluding value added tax.</p> <p>1.3 Tangible Fixed assets and Depreciation Depreciation is provided at the annual rates in order to write off each asset over its estimated useful life.</p> <p>1.4 Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.</p> <p>1.5 The Company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.</p> <p>1.6 Foreign Currency Translation Monetary assets and Liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the Balance sheet date. Transactions in foreign currencies are recorded at the rate of ruling at the date of transaction. All differences are taken to Profit and Loss account.</p>	<p><b>2. Operating Profit</b> Operating profit is stated after charging</p> <table border="0"> <tr> <td>Depreciation-owned assets</td> <td style="text-align: right;">1,384</td> <td style="text-align: right;">1,845</td> </tr> <tr> <td>Pension Costs</td> <td style="text-align: right;">2,827</td> <td style="text-align: right;">1,484</td> </tr> <tr> <td>Directors' remuneration and other benefits etc</td> <td style="text-align: right;"><u>114,000</u></td> <td style="text-align: right;"><u>114,000</u></td> </tr> </table> <p><b>3. Taxation</b> Analysis of the tax charge The tax charge on the profit on ordinary activities for the year was as follows:</p> <table border="0"> <tr> <td>Current Tax: VAT Penalties</td> <td style="text-align: right;">–</td> <td style="text-align: right;">1,025</td> </tr> <tr> <td>Tax on profit on ordinary activities</td> <td style="text-align: right;"><u>–</u></td> <td style="text-align: right;"><u>1,025</u></td> </tr> </table> <p><b>4. Other Intangible fixed assets</b></p> <table border="0"> <tr> <td>As on 1st April</td> <td style="text-align: right;">–</td> <td style="text-align: right;">13,875</td> </tr> <tr> <td>Amortisation</td> <td style="text-align: right;">–</td> <td style="text-align: right;">13,875</td> </tr> <tr> <td>Net Book Value</td> <td style="text-align: right;">–</td> <td></td> </tr> </table> <p><b>5. TANGIBLE FIXED ASSETS</b> PLANT AND MACHINERY</p> <table border="0"> <tr> <td>As on 1st April</td> <td style="text-align: right;">126,842</td> <td style="text-align: right;">126,842</td> </tr> <tr> <td>Depreciation</td> <td></td> <td></td> </tr> <tr> <td>As on 1st April</td> <td style="text-align: right;">121,308</td> <td style="text-align: right;">119,463</td> </tr> <tr> <td>Charge for the year</td> <td style="text-align: right;">1,384</td> <td style="text-align: right;">1,845</td> </tr> <tr> <td>As at 31st March</td> <td style="text-align: right;">122,692</td> <td style="text-align: right;">121,308</td> </tr> <tr> <td>Net Book Value as at 31st March</td> <td style="text-align: right;">4,150</td> <td style="text-align: right;">5,534</td> </tr> </table> <p><b>6. Creditors: amounts falling due within one year.</b></p> <table border="0"> <tr> <td>Trade creditors</td> <td style="text-align: right;">688,670</td> <td style="text-align: right;">317,160</td> </tr> <tr> <td>Taxation and social security</td> <td style="text-align: right;">88,826</td> <td style="text-align: right;">53,916</td> </tr> <tr> <td>Other creditors</td> <td style="text-align: right;"><u>3,200</u></td> <td style="text-align: right;"><u>177,719</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><b><u>780,696</u></b></td> <td style="text-align: right;"><b><u>548,795</u></b></td> </tr> </table> <p><b>7. Creditors: amounts falling due for more than one year</b></p> <table border="0"> <tr> <td>Other creditors</td> <td style="text-align: right;">936,427</td> <td style="text-align: right;">1,182,240</td> </tr> </table>	Depreciation-owned assets	1,384	1,845	Pension Costs	2,827	1,484	Directors' remuneration and other benefits etc	<u>114,000</u>	<u>114,000</u>	Current Tax: VAT Penalties	–	1,025	Tax on profit on ordinary activities	<u>–</u>	<u>1,025</u>	As on 1st April	–	13,875	Amortisation	–	13,875	Net Book Value	–		As on 1st April	126,842	126,842	Depreciation			As on 1st April	121,308	119,463	Charge for the year	1,384	1,845	As at 31st March	122,692	121,308	Net Book Value as at 31st March	4,150	5,534	Trade creditors	688,670	317,160	Taxation and social security	88,826	53,916	Other creditors	<u>3,200</u>	<u>177,719</u>		<b><u>780,696</u></b>	<b><u>548,795</u></b>	Other creditors	936,427	1,182,240
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## Nineteenth Annual Report 2010 - 2011

<b>8. Share capital</b>			<b>12. TRADING AND PROFIT AND LOSS ACCOUNT</b>		
Authorised			<b>FOR THE YEAR ENDED 31ST MARCH 2011</b>		
500,000 Ordinary Shares of GBP 1	500,000	500,000		<b>2010-11</b>	2009-10
				<b>GBP</b>	<b>GBP</b>
Allotted, called up and fully paid			Sales	<b>2,180,052</b>	886,221
180,000 Ordinary Shares of GBP 1 each	180,000	180,000	<b>Cost of Sales</b>		
			Materials	<b>613,936</b>	8,092
			Carriage Inwards and import duty	<b>43,009</b>	656,945
				<b>37,804</b>	<b>45,896</b>
<b>9. RESERVES</b>			<b>Gross Profit</b>	<b>1,523,107</b>	840,325
Balance at 1 April	(1,894,942)	(1,902,271)	<b>Expenditure</b>		
Retained profit/(loss) for the year	30,376	7,329	Directors Salaries	<b>114,000</b>	114,000
Balance at 31 March	(1,864,566)	(1,894,942)	Wages & Salaries	<b>238,779</b>	173,473
			Medical Insurance	<b>2,827</b>	1,484
			Rent & other charges	<b>30,518</b>	28,557
			Insurance	<b>6,738</b>	7,002
			Telephone	<b>20,817</b>	14,723
			Printing and Stationery	<b>3,741</b>	2,286
			Advertising	<b>64,173</b>	15,081
			Motor running expenses	<b>31,238</b>	27,370
			Travelling & Subsistence	<b>33,744</b>	14,909
			Computer software and parts	<b>1,052</b>	2,307
			Repairs and renewals	<b>25</b>	126
			Sundry Expenses	<b>15</b>	1,018
			Profit/(loss) on exchange	<b>62,543</b>	19,445
			Staff Welfare	<b>1,146</b>	790
			Accountancy fees	<b>3,480</b>	4,394
			Legal & Professional Fees	<b>584</b>	2,268
			Overseas Office Expenses	<b>873,113</b>	399,722
			Entertainment	<b>2,050</b>	662
				<b>1,490,583</b>	829,617
			Profit before Finance cost	<b>32,524</b>	10,708
			<b>Finance Cost</b>		
			Bank charges	<b>764</b>	509
			Profit before Depreciation	<b>31,760</b>	10,199
			<b>Depreciation</b>		
			on Plant & Machinery	<b>1,384</b>	1,845
			<b>Net Profit</b>	<b>30,376</b>	<b>8,354</b>

CONSOLIDATED  
ACCOUNT  
STATEMENTS

**AUDITORS' REPORT TO THE MEMBERS OF THE VXL INSTRUMENTS LIMITED**

1. We have examined the attached Consolidated Balance Sheet of **VXL Instruments Limited** and its subsidiaries as at 31<sup>st</sup> March 2011, the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. 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.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. These 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 frame work and are free of material misstatements. An audit also includes examining, on 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 statements. We believe that our audit provides a reasonable basis for our opinion.
3. ***In respect of the financial statements of a foreign subsidiary, VXL Instruments Limited (UK) we did not carry out the audit. The financial statements of this subsidiary is certified by the Management and have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of said subsidiary is based solely on these certified financial statements. Since the Financial statements for the financial year ended 31<sup>st</sup> March 2011 was compiled by the Management of the said Company was not audited, any adjustments to the balances could have consequential effects on the attached Consolidated Financial Statements. The details of assets and revenues in respect of this subsidiary are given below.***
4. We report that the Consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21 – Consolidated Financial Statements – Issued by the Institute of Chartered Accountants of India and on the basis of separate audited /reviewed financial statements of the subsidiaries included in the financial statements.
5. In our opinion and to the best of our information and according to the explanations given to us, subject to, ***Note No 12 in Schedule 17 B, regarding recognition and quantification of deferred tax asset of Rs 100,404,865/- based on the opinion of the management that the same would be adjusted against future profits***, we are of the opinion that :
  - a) The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of VXL Instruments Limited and its subsidiaries as at 31<sup>st</sup> March 2011
  - b) The Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of VXL Instruments Limited and its subsidiaries for the year ended on that date, and
  - c) The Consolidated Cash Flow Statement gives a fair view of the Consolidated Cash Flow of VXL Instruments Limited and its Subsidiaries for the year ended on that date

**Total Assets Rs. 2,323,381/- Total Revenues Rs.150,488,990/-.**

**For Ishwar & Gopal**  
Chartered Accountants

**K. V. Gopalakrishnayya**  
Partner  
Membership No 21748  
FRN 001154S

Place : Bangalore  
Date : 25th May 2011

**VXL Instruments Limited**
**CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2011**

	SCHEDULE	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
<b>SOURCES OF FUNDS</b>			
SHAREHOLDERS' FUNDS			
Share Capital	1	<b>133,353,000</b>	133,353,000
Reserves and Surplus	2	<b>489,674,214</b>	404,372,015
		<b>623,027,214</b>	<b>537,725,015</b>
LOAN FUNDS			
Secured	3	<b>88,197,298</b>	92,682,375
Unsecured	4	<b>282,526,890</b>	296,690,582
		<b>370,724,188</b>	<b>389,372,957</b>
<b>TOTAL</b>		<b>993,751,402</b>	<b>927,097,972</b>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	<b>472,808,293</b>	464,688,712
Less: Depreciation		<b>146,610,450</b>	216,608,569
Net Block		<b>326,197,843</b>	248,080,143
INVESTMENTS	6	<b>60,000</b>	60,000
DEFERRED TAX ASSET		<b>100,404,865</b>	106,267,948
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	<b>243,686,431</b>	209,140,167
Sundry Debtors	8	<b>200,951,459</b>	211,338,747
Cash and Bank Balances	9	<b>18,935,973</b>	25,624,222
Loans and Advances	10	<b>13,315,178</b>	13,046,253
		<b>476,889,041</b>	459,149,389
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	11	<b>281,905,465</b>	288,484,465
Provisions	11	<b>5,509,632</b>	6,690,240
		<b>287,415,097</b>	<b>295,174,705</b>
NET CURRENT ASSETS		<b>189,473,944</b>	163,974,684
PROFIT AND LOSS ACCOUNT		<b>377,614,750</b>	408,715,197
<b>TOTAL</b>		<b>993,751,402</b>	<b>927,097,972</b>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	17		

Schedules referred to above form an integral part of the Balance Sheet.

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

For Ishwar & Gopal  
Chartered Accountants

For and on behalf of the Board

**K.V. Gopalakrishnayya**  
Partner  
Membership No.: 21748  
FRN 001154S

**M.V. Nagaraj**  
Managing Director

**M. V. Shetty**  
Whole Time Director

**K. Prakash**  
Director

Date : 25th May 2011  
Place : Bangalore

**Narayana Bhat**  
CFO & Company Secretary

**Twenty Fifth Annual Report 2010 - 2011**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

SCHEDULE	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
	Rs.	Rs.
<b>INCOME</b>		
Gross Sales	<b>1,089,915,328</b>	834,049,956
Excise Duty	<b>5,526,938</b>	6,408,141
Net Sales	<b>1,084,388,390</b>	827,641,815
Other Income	12 <b>15,307,399</b>	8,796,697
	<b>1,099,695,789</b>	836,438,512
<b>EXPENDITURE</b>		
Cost of materials	13 <b>809,465,890</b>	657,042,092
Employee related expenses	14 <b>47,482,550</b>	43,336,787
Other Expenses	15 <b>161,929,599</b>	91,843,728
Finance charges	16 <b>36,825,420</b>	30,350,214
	<b>1,055,703,459</b>	822,572,821
PROFIT / (LOSS) BEFORE DEPRECIATION	<b>43,992,330</b>	13,865,692
Depreciation & Amortisation	5 <b>14,950,998</b>	11,666,920
PROFIT / (LOSS) BEFORE TAXATION	<b>29,041,332</b>	2,198,771
PROVISION / (CREDIT) FOR TAXES		
Income Tax	-	73,313
Fringe Benefit Tax	-	-
Deferred Tax	<b>58,63,083</b>	57,51,380
Less : Deferred Tax Reserve Withdrawn	<b>58,63,083</b>	57,51,380
PROFIT / (LOSS) AFTER TAXATION	<b>29,041,332</b>	2,125,458
Loss of XL Net Software Systems Limited withdrawn on winding up	<b>2,332,795</b>	-
(Short) / Excess Provision for taxation of earlier years	<b>(273,680)</b>	285,412
BALANCE OF PROFIT / (LOSS) BROUGHT FORWARD FROM PREVIOUS YEAR	<b>(408,715,197)</b>	(411,126,067)
BALANCE OF PROFIT / (LOSS) CARRIED OVER TO BALANCE SHEET	<b>(377,614,750)</b>	(408,715,197)
Weighted average Number of Equity Shares (Face value of Rs. 10 /- each)		
Basic (Weighted average)	<b>13,335,300</b>	11,963,135
Diluted	<b>13,335,300</b>	11,963,135
Earning per Share (Loss) of face value of Rs. 10 each		
Basic	<b>2.18</b>	0.18
Diluted	<b>2.18</b>	0.18
SIGNIFICANT ACCOUNTING POLICIES	17	

**AND NOTES ON ACCOUNTS**

Schedules referred to above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our Report of even date

For Ishwar & Gopal

For and on behalf of the Board

*Chartered Accountants*

**K.V. Gopalakrishnayya**

**M.V. Nagaraj**

**M. V. Shetty**

**K. Prakash**

*Partner*

*Managing Director*

*Whole Time Director*

*Director*

Membership No.: 21748

FRN 001154S

Date : 25th May 2011

Place : Bangalore

**Narayana Bhat**

*CFO & Company Secretary*

**VXL Instruments Limited**
**SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011**

	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
<b>SCHEDULE : 1</b>		
<b>SHARE CAPITAL</b>		
Authorised:		
15,000,000 (15,000,000) Equity Shares of Rs.10/- each	<u>150,000,000</u>	<u>150,000,000</u>
Issued, Subscribed and Paid-up:		
1,33,50,000 (1,33,50,000) Equity Shares of Rs.10/- each	<b>133,500,000</b>	<b>133,500,000</b>
Less: Allotment and Call money in arrears - Other than Directors	<u>147,000</u>	<u>147,000</u>
	<u><b>133,353,000</b></u>	<u><b>133,353,000</b></u>
Of the above,		
a) 2,326,830 Equity Shares of Rs.10/- each allotted as bonus shares by Capitalisation of free reserves and Securities premium account.		
b) 273,360 Equity Shares of Rs.10/- each issued pursuant to a scheme of amalgamation without payment being received in cash.		
<b>SCHEDULE: 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>		
As per last Balance Sheet	<b>2,053,645</b>	2,053,645
<b>Securities Premium</b>		
As per last Balance Sheet	137,288,827	129,296,107
Add : Received during the year	<u>– 137,288,827</u>	<u>7,992,720</u>
		137,288,827
<b>General Reserve</b>		
As per last Balance Sheet	4,999,897	4,999,897
Less : Reserve of XL Net Software Systems P Ltd withdrawn on winding up	<u>2,400,000</u>	<u>2,599,897</u>
		4,999,897
<b>Revaluation Reserve</b>		
As per last Balance Sheet	211,438,226	211,438,226
Addition on Revaluation of Land	<u>79,323,254</u>	<u>290,761,480</u>
		211,438,226
<b>Deferred Tax Reserve</b>		
As per last Balance Sheet	24,246,035	29,997,415
Less : Withdrawn during the year	<u>5,863,083</u>	<u>18,382,952</u>
Foreign Currency Translation Reserve	<u><b>38,587,413</b></u>	<u>5,751,380</u>
	<u><b>489,674,214</b></u>	<u><b>404,372,015</b></u>



**SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011**

	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
<b>SCHEDULE : 3</b>		
<b>SECURED LOANS</b>		
a. Working Capital from a Bank	<b>87,759,968</b>	91,913,456
b. Hire Finance from a Bank for purchase of Vehicle	<b>437,330</b>	768,919
	<b><u>88,197,298</u></b>	<u>92,682,375</u>

NOTE:

- Working Capital from a Bank is secured by hypothecation of Inventories, Receivables, Book-Debts and other Current Assets, Equitable Mortgage of Factory Land and Building and immovable property of the company and Charge on un-encumbered Plant and Machinery and personal guarantee of some of the Directors.
- Instalments due within a year Rs. 3.71 Lakhs (Rs. 3.31 Lakhs)

**SCHEDULE: 4**

**UNSECURED LOANS**

a. Fixed Deposits		
From Directors	<b>2,135,000</b>	2,835,000
b. From Companies	<b>280,391,890</b>	293,855,582
	<b><u>282,526,890</u></b>	<u>296,690,582</u>

**SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011**

**SCHEDULE : 5**

**FIXED ASSETS**

(in Rupees)

DESCRIPTION	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK		
	As at 1st April, 2010	Additions during the year	Deductions during the year	As at 31st March, 2011	As at 1st April 2010	For the year	Adjustment for exchange fluctuation	Deductions during the year	As at 31st March, 2011	As at 31st March, 2011	As at 31st March, 2010
<b>Own Assets</b>											
Land	215,481,360	79,323,254	-	294,804,614	-	-	-	-	-	294,804,614	215,481,360
Buildings	27,553,295	-	4,906,541	22,646,754	17,117,418	567,694	-	2,560,700	15,124,412	7,522,342	10,435,877
Plant and machinery	36,669,093	233,500	-	36,902,593	33,551,332	440,947	-	-	33,992,279	2,910,314	3,117,761
Pastic mould	36,777,157	3,096,976	-	39,874,133	34,668,352	1,470,550	-	-	36,138,902	3,735,231	2,108,805
Electrical installation	7,049,937	32,727	-	7,082,664	5,949,225	155,516	-	-	6,104,741	977,923	1,100,712
Equipment	34,248,397	1,291,134	-	35,539,531	29,841,641	1,090,498	-	-	30,932,139	4,607,392	4,406,756
Air conditioners	223,565	-	-	223,565	204,859	2,602	-	-	207,461	16,104	18,706
Furniture and fittings	8,852,248	310,139	-	9,162,387	7,713,456	1,190,149	-	-	8,903,605	258,782	1,138,792
Vehicles	5,764,489	-	368,610	5,395,879	4,417,303	403,363	-	362,288	4,458,378	937,501	1,347,186
<b>TOTAL</b>	<b>372,619,541</b>	<b>84,287,730</b>	<b>5,275,151</b>	<b>451,632,120</b>	<b>133,463,586</b>	<b>5,321,319</b>	<b>-</b>	<b>2,922,988</b>	<b>135,861,918</b>	<b>315,770,202</b>	<b>239,155,955</b>
<b>Leased Assets</b>											
Vehicles	763,912	-	763,912	-	763,912	-	-	763,912	-	-	-
<b>TOTAL</b>	<b>763,912</b>	<b>-</b>	<b>763,912</b>	<b>-</b>	<b>763,912</b>	<b>-</b>	<b>-</b>	<b>763,912</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Intangibles</b>											
Goodwill	1,050,000	-	1,050,000	-	1,050,000	-	-	1,050,000	-	-	-
Software	1,026,383	-	-	1,026,383	1,026,383	-	-	-	1,026,383	-	-
Product Development	89,228,876	11,133,130	80,212,216	20,149,790	80,304,687	9,629,679	-	80,212,216	9,722,150	10,427,640	8,924,189
<b>TOTAL</b>	<b>91,305,259</b>	<b>11,133,130</b>	<b>81,262,216</b>	<b>21,176,173</b>	<b>82,381,070</b>	<b>9,629,679</b>	<b>-</b>	<b>81,262,216</b>	<b>10,748,533</b>	<b>10,427,640</b>	<b>8,924,189</b>
<b>TOTAL</b>	<b>464,688,712</b>	<b>95,420,860</b>	<b>87,301,279</b>	<b>472,808,293</b>	<b>216,608,568</b>	<b>14,950,998</b>	<b>-</b>	<b>84,949,116</b>	<b>146,610,450</b>	<b>326,197,843</b>	<b>248,080,143</b>
PREVIOUS YEAR	459,975,599	12,976,200	8,263,087	464,688,712	213,027,741	11,666,920	-	8,086,092	216,608,569	248,080,143	246,947,858

50

**Twenty Fifth Annual Report 2010 - 2011**

**SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011**

	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
<b>SCHEDULE : 6</b>		
<b>INVESTMENTS</b>		
(At cost - non-trade)		
LONG-TERM		
A. Unquoted - Subsidiary Companies		
Other Investments		
2,400 Equity Shares of the Shamrao		
Vithal Co-operative Bank Ltd. of		
Rs.25/- each, fully paid		
	<u>60,000</u>	<u>60,000</u>
	<u>60,000</u>	<u>60,000</u>
<b>SCHEDULE: 7</b>		
<b>INVENTORIES</b>		
Raw materials & Consumables	122,884,624	98,029,156
Work-in-Progress	58,642,164	61,876,389
Finished goods	34,426,280	42,948,966
Raw Materials in Transit	27,733,363	6,285,656
	<u>243,686,431</u>	<u>209,140,167</u>
<b>SCHEDULE: 8</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured)		
a. Debts outstanding for a period exceeding		
Six months		
Considered Good	576,250	82,736,987
Considered Doubtful	24,704,332	31,572,051
	<u>25,280,582</u>	<u>114,309,038</u>
Less: Provision for bad & doubtful debts	24,704,332	31,572,051
	<u>576,250</u>	82,736,987
Others considered good.	200,375,209	128,601,760
	<u>200,951,459</u>	<u>211,338,747</u>

**VXL Instruments Limited**
**SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011**

	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
<b>SCHEDULE: 9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	29,227	4,118,712
Balances with Scheduled Banks		
in Current Accounts in India	409,927	508,085
in Deposit Accounts in India	16,480,207	20,289,233
Balances with Unscheduled Banks	-	
in Current Accounts Outside India	2,016,613	708,192
[Pledged with Bank against bank guarantee & Letter of Credit facilities to the extent of Rs. 1,50,00,000/- (Rs.18,865,901/-)]	<u>18,935,973</u>	<u>25,624,222</u>
<b>SCHEDULE: 10</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured)		
Advances recoverable in cash or in kind or for value to be received		
Considered Good	8,656,805	6,505,295
Considered Doubtful	29,257,978	28,768,888
	<u>37,914,783</u>	<u>35,274,183</u>
Less : Provision for doubtful advances	29,257,978	28,768,888
	<b>8,656,805</b>	6,505,295
Balances with Excise authorities	213,315	1,053,735
Interest accrued but not due on deposits	152,560	705,093
Deposits	3,474,692	3,921,185
Advance Income Tax / TDS	817,807	860,945
	<u>13,315,178</u>	<u>13,046,253</u>
<b>SCHEDULE: 11</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
Current liabilities		
Acceptances	128,050,000	127,900,000
Sundry Creditors		
- Dues to small-scale industrial undertaking	-	
- Others	141,493,398	146,532,622
Advance Received from Customers	25,000	1,450,823
Other Current Liabilities	12,337,067	12,601,020
	<b>281,905,465</b>	288,484,465
PROVISIONS FOR		
Fringe Benefit Tax	69,871	68,574
Gratuity	3,566,660	4,384,194
Leave Encashment	1,873,101	6,690,240
	<u>5,509,632</u>	<u>6,690,240</u>
	<b>287,415,097</b>	<b>295,174,705</b>

**SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH, 2011**

	Year Ended 31.03.2011 Rs.	Year Ended 31.03.2010 Rs.
<b>SCHEDULE: 12</b>		
<b>OTHER INCOME</b>		
Interest received on deposits and loans (Gross, TDS - Rs. 104,781/- (Rs. 105,185/-)	737,938	1,736,139
Exchange Fluctuation	2,125,946	-
Provisions No longer required written back	2,178,652	1,710,847
Profit on sale of Fixed Assets	7,691,890	4,263,242
Dividend Received	14,400	7,500
Miscellaneous receipts	2,558,573	1,078,969
	<u>15,307,399</u>	<u>8,796,697</u>
<b>SCHEDULE: 13</b>		
<b>COST OF MATERIALS</b>		
1. Consumption of		
Raw Materials	788,406,498	299,705,126
Software License	6,783,457	378,206,039
Packing Materials	2,336,399	1,292,416
Consumable stores	182,625	323,411
	<u>797,708,979</u>	<u>679,526,992</u>
2. Change in Inventory		
Opening work-in-progress	61,876,389	40,731,083
Opening finished goods	42,948,966	41,609,373
	<u>104,825,355</u>	<u>82,340,456</u>
Closing work-in-progress	58,642,164	61,876,389
Closing finished goods	34,426,280	42,948,966
	<u>93,068,444</u>	<u>104,825,355</u>
Net ( accretion ) / depletion	<u>11,756,911</u>	<u>(22,484,900)</u>
	<u>809,465,890</u>	<u>657,042,092</u>
<b>SCHEDULE: 14</b>		
<b>EMPLOYEE RELATED EXPENSES</b>		
Salaries,wages and allowances	44,402,862	40,796,751
Contribution to Provident Fund and other funds	2,545,275	1,980,479
Welfare expenses	534,413	559,557
	<u>47,482,550</u>	<u>43,336,787</u>

**VXL Instruments Limited****SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH, 2011**

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
<b>SCHEDULE: 15</b>		
<b>OTHER EXPENSES</b>		
Rent	3,436,016	3,305,971
Travelling and conveyance	8,246,465	5,532,849
Power and fuel	1,074,272	902,448
Communication costs	3,036,884	3,184,643
Rates, taxes and fees	599,485	564,116
Directors' sitting fees	85,000	81,000
Exchange Fluctuation	-	1,784,910
Repairs and maintenance		
Plant & Machinery	103,294	210,018
Buildings	33,328	208,555
Others	1,363,152	772,179
Payment to Auditors		
Audit Fees	290,000	205,000
Taxation Matters	85,000	87,500
Certification	25,000	25,000
Others	12,500	773
Commission	272,424	1,920,516
Insurance	1,636,846	1,111,538
Freight & Forwarding	54,028,577	15,614,609
Consultancy / Certification Charges	13,968,712	11,777,467
Selling expenses	70,849,707	30,504,762
Miscellaneous expenses	2,183,952	5,068,657
Provision for bad and doubtful debts and advances	463,596	4,004,757
Loss on sale of Investments	-	446,758
Bad debts and advances written off [ Net of provision withdrawn Rs. 6,920,327/- [ Rs. Nil ] ]	135,389	4,529,702
	<u>161,929,599</u>	<u>91,843,728</u>
<b>SCHEDULE: 16</b>		
<b>FINANCE CHARGES</b>		
Interest paid on:		
Fixed loans	875,494	768,874
Other loans	9,980,545	11,078,149
Bank charges and others	25,969,381	18,503,191
	<u>36,825,420</u>	<u>30,350,214</u>

**SCHEDULE: 17**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

**A. Significant Accounting Policies**

**1. Basis of accounting / Basis of preparation of financial statements**

The accounts have been prepared and presented under the historical cost convention on accrual basis following generally accepted accounting principles in India (GAAP) and comply with the Accounting Standards prescribed by the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956 to the extent applicable.

The financial statements of the Company and its Indian subsidiary are prepared according to uniform accounting policies in accordance with generally accepted accounting principles in India. The financial statements of foreign subsidiary are prepared in compliance with the local laws and applicable Accounting Standards.

**2. Uses of Estimates:** The preparation of financial statements in conformity with GAAP requires that the management of the Company make estimates and assumptions that affect the reported amounts of income and expenses for the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as on the date of the Balance Sheet. Differences, if any, between the actual results and estimates is recognized in the period in which the results are known.

**3. Fixed assets:** Fixed assets are disclosed in the accounts at historical cost (except land which has been revalued as in Sl. No. B. 3) together with all costs directly attributable to their acquisition less accumulated depreciation.

**4. Depreciation**

In case of the Company and its Indian subsidiary, depreciation is computed on the written-down value of assets and provided at the rates mentioned in Schedule XIV of the Companies Act, 1956, other than improvements to lease-hold building. In the case of additions/deletions, pro-rata depreciation is provided from the date of additions / until the date of disposal. In respect of assets with cost not exceeding Rs. 5,000/-, depreciation at the rate of 100% is provided during the year.

In case of foreign subsidiary, depreciation is computed in accordance with the local laws applicable, where the company writes off depreciation @ 25% per annum on reducing balance on Furniture, Fittings and Equipment.

**5. Investments :** Long term investments are valued at cost less provision, if any, for permanent diminution in value. Current investments are valued at lower of cost and net realisable value.

**6. Inventories:** Inventories are valued at lower of cost (weighted average) and estimated net realisable value. Provision has been made in the accounts for damaged, obsolete and slow moving items.

**7. Foreign Currency Transactions**

Foreign Currency Transactions have been accounted for at the ruling rate of exchange as on the date of transaction. In respect of current assets and current liabilities at the close of the accounting year, gains/ losses arising out of translations at the year end exchange rates are dealt with in the Profit and Loss Account.

Financial statements of foreign subsidiary are classified as non integral foreign operations and are incorporated in the financial statements using the following procedures for translation.

- a. the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation should be translated at the closing rate;
- b. income and expense items of the non-integral foreign operation are translated at exchange rates at the dates of the transactions using the average rate for the year; and
- c. all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

## VXL Instruments Limited

### 8. Employee Benefits:

#### a. Post employment benefit plans:

Contributions to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contributions. For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

#### b. Short term Employee Benefits:

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave.

In respect of the foreign subsidiary, applicable local regulations are adhered to.

### 9. Deferred Revenue Expenditure / Intangible assets

Revenue expenditure on product development is treated as an Intangible Asset, grouped under Fixed assets and amortised over the period of life. An intangible asset is derecognised (eliminated from the balance sheet) on disposal or when no future economic benefits are expected from its use and subsequent disposal.

### 10. Income Tax

Provision for current Income Tax is made in the books of account based on taxable income computed as per the provisions of the Income Tax Act, 1961.

In line with requirements of Accounting Standard (AS) 22 -Accounting for Taxes on Income-issued by the Institute of Chartered Accountants of India effective 1st April, 2001, Deferred Tax is recognised in respect of timing differences on account of differences between accounting income and taxable income arising in one period and capable of adjustment in subsequent period(s).

In respect of Deferred Tax Asset, the same is recognised in the books of account if there is certainty of availability of future taxable income against which the same can be set off. This asset will be reviewed at each balance sheet date to verify adjustment thereof.

In case of the subsidiary in UK, the Income Tax liability recognized is Rs. NIL (Rs. 73,313/-)

### 11. Warranties

Warranties are recognised as and when claims are lodged by customers, to the extent agreed to by the Company.

### 12. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such asset. A qualifying asset is one that takes substantial period of time to get ready for intended use or sale. All other Borrowing Cost are charged to revenue.



**13. Earning Per Share**

The earnings considered in ascertaining the Company's Earnings Per Share comprise of the net profit after tax. The number of shares used in computing the basic earnings per share is the weighted average number of equity shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of shares, if any, which would have been issued on the conversion of dilutive potential equity shares.

**14. Provisions, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurements are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the Notes to the Accounts. Contingent Assets are neither recognised nor disclosed in the financial statements.

**15. Segment Reporting**

Revenue, operating results, assets and liabilities have been identified to represent separate segments on the basis of their relationship to the operating activities of the segment. Assets, liabilities, revenue and expenses which are not allocable to separate segment on a reasonable basis, are included under "Unallocated".

**B. Notes on Accounts**

**Principles of Consolidation**

- a. The Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries drawn upto the same reporting date, i.e., 31st March, 2011
- b. The said consolidated statements have been combined on a line-by-line basis by adding together the book values of assets, liabilities, income and expenditure after eliminating intra-group balances and transactions and any unrealised profit/loss included therein.
- c. The Consolidated Financial Statements have been prepared using uniform accounting policies, to the extent possible, similar to that of the Company's separate financial statements.
- d. The excess of cost in the books of the parent Company of its investment in its subsidiary on the date of such investment is recognised as goodwill arising on consolidation and is disclosed in the financial statements.
- e. Investment in Associate Companies have been accounted for using the 'equity method' as covered by Accounting Standard No. 23 issued by the Institute of Chartered Accountants of India.
- f. The losses applicable to the minority share holding have been adjusted to the extent of their equity holdings.
- g. The wholly owned Indian subsidiary XL Net Software Systems Private Limited has been wound up with effect from 8<sup>th</sup> October 2010.
- h. Companies included in consolidation:

<b>Name of the Subsidiary</b>	<b>Country of Incorporation</b>	<b>Percentage of ownership</b>
1 VXL Instruments Limited (UK)	United Kingdom	60%

## VXL Instruments Limited

### 1. Provisions, Contingent Liabilities & Contingent Assets.

Particulars	As at 31.03.11 Rs.	As at 31.03.10 Rs.
A Guarantees issued by Bankers	18,590,567	21,824,518
B Liability on account of bills discounted with Banks. (Secured by Letters of Credit from buyers' bankers)	8,50,00,000	57,500,000
C Employees' Provident Fund contributions under appeal [Out of which Rs 1,069,469/- has been deposited with respective authority and shown under Current Assets].	14,06,365	14,06,365
D Central Sales Tax Liability under appeal [Out of which Rs. 4,360,548 /- has been deposited with respective authority and shown under Current Assets].	5,878,406	3,327,514
E. Other disputed tax liabilities	5,95,520	5,95,520
F. The Company has closed the unit manufacturing CRT Terminals as the product GVX terminal has been phased out. On this, workmen raised certain objection which has been rejected by the Secretary, Department of Labour. Provision has been made for Rs. 19,72,505/- towards settlement amount due to employees of the unit. Additional liability, if any, on this account is not ascertainable and will be provided on settlement of the dispute		

2. The Company has made provision for leave salary on estimated basis. These being retirement benefits, an obligation to pay these amounts might arise at the time of resignation / superannuation of the employees. There is no reimbursement receivable against these obligations.

The provision is made based on actuarial valuation.

Amount in Rs.

Nature of obligation	The carrying amount at the beginning of the period	Additional provisions made during the year	Amounts incurred and charged against the provision during the period	Unused amounts reversed during the period	The carrying amount at the end of the period
Leave Salary	2,237,472	-	260,463	103,908	1,873,101

3. Freehold Land of the Company has been revalued as on 31<sup>st</sup> March 2011 based on valuation obtained by the Company and the resulting credit of Rs. 7,93,23,254/- has been credited to revaluation reserve

### 4. Retirement Benefit Plans

#### Defined contribution plans

The Company makes Provident Fund contributions to defined contribution retirement benefit plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits.

The Company recognised Rs. Rs. 730,064/- (Rs. 826,145 /-) for provident fund contributions in the profit and loss account. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

#### Defined benefit plans

The Company makes annual contributions to the Employees' Group Gratuity-cum-Life Assurance Scheme Master Policy of the Life Insurance Corporation of India, a defined benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment

## Twenty Fifth Annual Report 2010 - 2011

or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date.

The following table sets out the funded status of the gratuity plan and the amounts recognized in the Company's financial statements as at 31.03.11.

(in Rs.)

Particulars	As at 31.03.2011	As at 31.03.2010
<b>1. Change in benefit obligation</b>		
Projected Obligation at the beginning of the year	5,509,259	50,49,701
Interest Cost	440,741	4,03,976
Current Service Cost	485,626	4,79,613
Benefits Paid	(2,622,859)	(5,16,489)
Actuarial (Gain) / Loss	595,313	92,458
Projected Obligation at the end of the year	4,408,080	55,09,259
<b>2. Change in Plan Assets</b>		
Fair Value of the Plan Assets at the beginning of the year	1,125,065	11,77,668
Expected Return on Plan Assets	90,304	98,647
Employer's Contributions	2,248,910	3,65,239
Benefit Paid	(2,622,859)	(5,16,489)
Actuarial (Gain) / Loss	NIL	NIL
Adjustment related to prior year	NIL	NIL
Fair Value of the Plan Assets at the end of the year	841,420	11,25,065
Excess of (Obligations over Plan Assets) / Plan Assets Over Obligation	(3,566,660)	(43,84,194)
<b>3 Net Gratuity &amp; Other Costs at the end of the year</b>		
Service Cost	485,626	4,79,613
Interest on defined benefit obligation	440,741	4,03,976
Expected Return on Plan Assets	(90,304)	(98,647)
Net Actuarial Gain recognized in the year	595,313	92,458
Adjustment related to prior year	NIL	NIL
Net Gratuity Costs for the year	1,431,376	8,77,400
<b>4. Category of assets</b>		
Insurer Managed Funds	841,420	11,25,065
<b>5. Assumptions</b>		
Discount Rate	8%	8%
Salary Escalation Rate	7%	7%
Expected Return on Plan Assets Rate	7%	7%

The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets and the Company's policy for plan asset management.

## VXL Instruments Limited

### 5. Dues to Micro, Small and Medium Enterprises:

Sundry Creditors include Rs. Nil (Rs.Nil) due to Micro, Small and Medium Enterprises. The information is determined based on the information available with the Company. The list of SSIs to whom the amount outstanding for more than 30 days are as under:

in Rupees

Sl. No.	Particulars	31-03-2011	31-03-2010
a.	The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year;	Nil	Nil
b.	The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;	Nil	Nil
c.	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	Nil	Nil
d.	The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
e.	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil

### 6. Other Current liabilities include dues to Directors Rs. 300,000 (Rs. 300,000)

### 7. Managerial Remuneration :

in Rupees

Particulars	Year ended 31.03.11	Year ended 31.03.10
Salaries and Allowances	11,171,666	10,592,927
Contribution to PF and Other Funds	232,217	1,87,200
<b>Total</b>	<b>11,403,883</b>	10,680,128

Due to inadequacy of profits, minimum remuneration as per Schedule XIII of the Companies Act has been paid to Whole Time Directors. Consequently, providing of information u/s 349 & 350 of the Companies Act, related to computation of managerial remuneration is not applicable.

8. Finance Charges include interest paid on deposit to Managing Director and Whole time Director Rs. 295,827/- (Rs. 538,751/-).

### 9. Segment Information

The Company's segment information is as follows:

#### a. Primary Segments (Geographical Segments)

in Rupees

Description	2010-2011	2009-2010
Revenue (Sales and Services)		
Domestic	54,607,156	72,032,508
Overseas	1,029,781,234	755,609,307
	<u>1,084,388,390</u>	<u>827,641,815</u>

## Twenty Fifth Annual Report 2010 - 2011

Description	2010-2011	2009-2010
		in Rupees
Segment Result		
Domestic	12,582,323	17,402,731
Overseas	216,451,824	143,075,994
	<u>229,034,147</u>	<u>160,478,725</u>
Less :		
Unallocated Expenses		
Overheads	163,167,395	127,929,740
Interest	36,825,420	30,350,214
Provision / (Credit) for Taxes	-	73,313
Profit / (Loss) After Taxation	<u>2,90,41,332</u>	<u>2,125,458</u>
<b>b. Secondary Segments (Business Segments)</b>		
Revenue (Sales and Services)		
Data Processing Units	1,082,534,052	430,903,864
Service Charges	1,854,338	2,003,826
Others	Nil	394,734,125
Total	<u>1,084,388,390</u>	<u>827,641,815</u>

Primary/Secondary Segment reporting format

- i) The risk return profile of the Company's business is determined based on the geographical area in which it operates. Therefore, Geographical Segments have been identified as Primary Segments
- ii) Secondary Segments have been identified on the basis of the nature of products manufactured by the Company

#### Segment assets and liabilities

Fixed assets used in the Company's business and liabilities contracted have not been identified to any of the reportable segments as the fixed assets and services are used interchangeably between segments

### 10. Disclosure of related parties / related party transactions

#### a. Related parties with whom transactions were carried out during the year

<i>Name of the Related Party</i>	<i>Nature of Relationship</i>
VXL eTech Limited	Associate Company ( upto 30.10.2009 )

#### b. Key management personnel and their relatives

Mr. M.V. Nagaraj	Managing Director
Mrs. Shanthi Nagaraj	(Wife of Mr. M V Nagaraj)
Mr. M.V. Shetty	Whole Time Director
Ms. Ridhima Shetty	(Daughter of Mr. M V Shetty)
Mr. Rishab Shetty	(Son of Mr. M V Shetty)
Mr. D.S. Rao	Director – VXL Instruments Ltd, UK
Mrs. Pravina V Shetty	Wife of Mr. M. V. Shetty

## VXL Instruments Limited

### c. Disclosure of Related Party Transactions

in Rupees

Nature of transaction	Subsidiaries	Joint ventures and associates	Key management personnel and their relatives
1. Sale of Goods/Fixed Assets	–	–	–
	–	(6,210,259)	–
2. Interest Paid	–	–	295,827
	–	–	(894,301)
3. Remuneration	–	–	11,403,883
	–	–	(10,780,127)

### d. Balances with Related Parties

in Rupees

Nature of transaction	Subsidiaries	Joint ventures and associates	Key management personnel and their relatives
1. Trade Advance (Liability)	–	–	–
	–	(1,339,400)	–
2. Trade Deposit Payable	–	–	2,135,000
	–	–	(2,835,000)

### 11. Deferred Tax Assets / (Liabilities)

Deferred Tax Asset has been calculated as per the provisions of Accounting Standard (AS) 22 – Accounting for Taxes on Income - issued by the Institute of Chartered Accountants of India. In respect of Deferred Tax Asset of Rs. 100,404,865/- (Rs. 106,267,948 /-) detailed below, the Company's management is confident of earning sufficient profits in the future to be able to set off this amount and hence the Deferred Tax Asset has been recognised and quantified.

Deferred Tax Assets / (Liabilities) On account of	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
Carry forward losses	79,296,075	81,486,210
Disallowances under Income tax	3,332,338	21,248,749
Fixed Assets	17,776,452	3,532,989
<b>Total</b>	<b>100,404,865</b>	106,267,948

**12. Operating Leases:** The Company has taken various residential / commercial premises under cancelable operating leases. These lease agreements are normally renewed on expiry. Rent debited to profit and loss account Rs.3,436,016/- (Rs. 3,305,971).

The lease agreements provide an option to the Company to renew the lease period at the end of the period. There are no exceptional / restrictive covenants in the lease agreements.

Contingent rent recognized in the Profit and Loss Account Rs. Nil

## Twenty Fifth Annual Report 2010 - 2011

### 13. Securities for loans:

Working Capital and Term Liabilities to a Bank is secured by hypothecation of Inventories, Receivables, Book-Debts and other Current Assets, Equitable Mortgage of Factory Land and Building and immovable property of the company and Charge on un-encumbered Plant and Machinery and personal guarantee of some of the Directors.

Installments due within a year Rs. Nil Lakhs (Rs. Nil Lakhs).

Hire Purchase Finance from a bank for purchase of vehicle is secured by hypothecation of vehicle. Installments payable within a year Rs. 371,267/-(Rs. 331,589/-)

### 14. Lien on Term Deposit: Out of Rs. 16,480,207/- term deposit Rs. 15,000,000/-is under lien for Bank Guarantee and Letter of Credit.

### 15. Prior year expenses / (income) debited to the Profit & Loss Account under various heads is as under:

Particulars	2010-11 Rs.	2009-10 Rs.
Raw Material Cost	-	(20,249,985)
Directors' Sitting Fees	-	62,000
Miscellaneous Expenses	-	110,700
Salaries		<b>100,000</b>
Interest on LC	<b>1,363,550</b>	
Freight	<b>78,408</b>	
Travel and Conveyance	<b>130,500</b>	
Penalties	<b>10,800</b>	

### 15. Previous year's figures have been recast and regrouped wherever necessary to make comparable with those of the current year. Figures in Bracket relate to previous year

As per our report attached

For Ishwar & Gopal  
Chartered Accountants

**K.V. Gopalakrishnaya**  
Partner  
Membership No.: 21748  
FRN 001154S

Date : 25th May, 2011  
Place : Bangalore

For and on behalf of the Board

**M.V. Nagaraj**  
Managing Director

**M. V. Shetty**  
Whole Time Director

**K. Prakash**  
Director

**Narayana Bhat**  
CFO & Company Secretary

**VXL Instruments Limited****STATEMENT OF CONSOLIDATED CASH FLOW FOR THE YEAR ENDING 31st MARCH, 2011**

	31.03.2011 Rs.	31.03.2010 Rs.
<b>CASH FLOW FROM OPERATIONS :</b>		
Net Income before current income taxes	<b>29,041,332</b>	2,198,771
Interest received	<b>(737,938)</b>	(1,736,136)
Depreciation	<b>14,950,998</b>	11,666,919
Adjustment for Foreign Currency Translation	<b>14,242,028</b>	5,524,411
Loss of XL Net Software Systems Limited withdrawn on winding up	<b>(67,205)</b>	-
Provision for doubtful debts	<b>463,596</b>	4,004,757
Current income tax	<b>(43,138)</b>	134,036
Fringe Benefit Tax	<b>(273,680)</b>	285,412
Interest Expenses	<b>36,825,420</b>	30,350,214
(Increase)/decrease in trade and other receivables	<b>9,697,905</b>	80,534,678
(Increase)/decrease in Inventories	<b>(34,546,264)</b>	(36,853,435)
Increase/(decrease) in trade payables	<b>(7,759,608)</b>	(31,051,493)
Dividend Received	<b>(14,400)</b>	(7,500)
(Profit) / Loss on sale of investments	-	1,267,450
(Profit) / Loss on sale of fixed assets	<b>(7,691,890)</b>	(4,263,242)
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>	<b>54,087,156</b>	62,054,839
Interest Received	<b>737,938</b>	1,736,139
Dividend Received	<b>14,400</b>	7,500
Proceeds from sale of fixed assets	<b>10,044,053</b>	4,440,236
Purchase of fixed assets	<b>(16,097,606)</b>	(12,976,200)
Net cash from investing activities	<b>(5,301,215)</b>	(6,792,325)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>	<b>(18,648,769)</b>	(99,482,419)
Net proceeds from borrowing	<b>(18,648,769)</b>	(99,482,419)
Proceeds from Issue of Shares	-	66,606,000
Share premium received	-	7,992,720
Decrease in Share Application Money	-	-
Interest paid	<b>(36,825,420)</b>	(30,350,214)
Net cash from financing activities	<b>(55,474,189)</b>	(55,233,913)
Net increase/(decrease) in cash and cash equivalents	<b>(6,688,249)</b>	28,601
Cash and cash equivalents at the beginning of the year	<b>25,624,222</b>	25,595,620
Cash and cash equivalents at the end of the year	<b>18,935,973</b>	25,624,222
Net increase/(decrease) in cash and cash equivalents	<b>(6,688,249)</b>	28,601

For Ishwar & Gopal  
Chartered Accountants

**K.V. Gopalakrishnayya**  
Partner  
Membership No.: 21748  
FRN 001154S

Date : 25th May, 2011  
Place : Bangalore

For and on behalf of the Board

**M.V. Nagaraj**  
Managing Director

**M. V. Shetty**  
Whole Time Director

**K. Prakash**  
Director

**Narayana Bhat**  
CFO & Company Secretary



**INFORMATION FOR THE BENEFIT OF INVESTORS**

- 1. Registered Office** : "House of Excellence"  
No. 17, Electronics City, Hosur Road,  
Bangalore - 560 100  
Tel : 080-2852 0046 / 28523252  
Fax : 080-2852 0095
  
- 2. Registrars and Share Transfer Agents** : Bigshare Services Pvt Ltd.,  
E-2 /3, Ansa Industrial Estate,  
Saki Vihar Road,  
Saki Naka, Andheri (E) Mumbai - 400 072  
Tel : 022-2847 0652 / 2847 0653  
Fax : 022-2847 5207  
investor@bigshareonline.com
  
- 3. Year ended on** : 31st March 2011
  
- 4. 25<sup>th</sup> Annual General Meeting** : Date - 15th September, 2011  
Time - 3 .00 P M  
Venue - "Hotel Ajantha",  
M.G. Road,  
Bangalore - 560 001.
  
- 5. Register of Members & Share Transfer Book Closure** : 08.09.2011 to 15.09.2011 (both days inclusive)
  
- 6. Shares listed in Stock Exchange at** : Bombay Stock Exchange
  
- 7. Annual fees to Stock Exchange** : Paid upto date
  
- 8. Paid-up Share Capital** : Rs. 1,333.53 Lakhs

## ‘Green Initiative’ – A Corporate Governance Measure Service of Documents through e-mode

### Dear Shareholder(s)

The Ministry of Corporate Affairs (MCA) has taken up “Green Initiative Measure” as part of Corporate Governance by allowing paperless compliance by Companies vide Circular No. 17/2011 dated 21/4/2011 stating that the Company would have complied with Section 53 of the Companies Act, 1956, if service of documents are made through electronic mode. In such case, the Company is required to obtain e-mail addresses of its Member(s) for sending Notices/Documents/Financial Reports through e-mail by giving an advance opportunity to every Shareholder to register his/her e-mail address and changes thereon, if any, from time to time.

To take part in the same, we propose to send documents like Notice convening the General Meetings, Financial Statements, Annual Reports etc. in electronic form to the e-mail address of the Members available/registered with the Company.

As you are one of the Shareholder(s), you are requested to participate in this ‘Green Initiative’, by providing your e-mail address and other details mentioned herein below:

<b>Name of the Company</b>	<b>VXL Instruments Limited</b>
<b>Name of the Shareholder(s)</b>	
<b>Folio / Client ID No.</b>	
<b>E-mail address to which Documents/Notices can be served electronically</b>	

**Signature of the Shareholder(s)**

*The above information duly filled to be sent to:*

**Bigshare Services Pvt Ltd**  
E-2/3, Ansa Industrial Estate,  
Sakivihar Road, Saki Naka,  
Andheri (E), Mumbai - 400 072.  
Tel : 91-22-2847 0652/2856 0653  
Fax : 91-22-2847 5207

or e-mail to the following Id's:

- a. Registrar and Transfer Agent : [investor@bigshareonline.com](mailto:investor@bigshareonline.com)
- b. Company : [narayanbhat@vxl.net](mailto:narayanbhat@vxl.net)

The Shareholder(s) holding shares in electronic form are requested to update their e-mail id's with the Depository Participant, where demat accounts are held.

**VXL INSTRUMENTS LIMITED**

REGISTERED OFFICE : "House of Excellence", No.17, Electronics City, Hosur Road, Bangalore - 560 100

**PROXY FORM**

I/We.....  
of.....  
.....being Member(s) of VXL INSTRUMENTS LIMITED hereby appoint .....  
(or failing him / her) of ..... of .....  
(failing him / her) ..... of.....  
as my / our proxy to attend and vote for me / us on my/our behalf at the **Annual General Meeting** of the Company to be held on Thursday, the 15th September, 2011 and at any adjournment(s) thereof.  
As witness my / our hand(s) this 15th day of September 2011

Folio No.....  
No. of Shares held ..... Signed by .....  
Client ID No. .... DP ID No. ....

Affix  
Revenue  
Stamp

Note : The Proxy must be deposited at the Registered Office not less than 48 hours before the time of the Meeting



**VXL INSTRUMENTS LIMITED**

REGISTERED OFFICE : "House of Excellence", No.17, Electronics City, Hosur Road, Bangalore - 560 100

**ATTENDANCE SLIP**

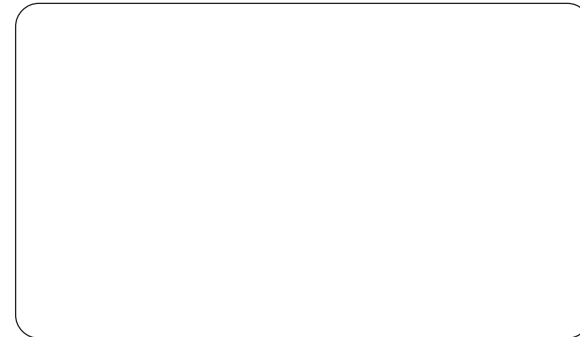
I hereby record my presence at the **Annual General Meeting** of the Company to be held on Thursday the 15th September, 2011

Name of the Shareholders .....  
(In Block Letters)

Folio No. .... No. of Shares held .....  
Client ID No. .... D.P. Id No. ....

.....  
(Signature of the Shareholder / Proxy)

**BOOK - POST**



*If undelivered please return to:*

**VXL Instruments Limited**

"House of Excellence"

17, Electronics City, Hosur Road

Bangalore - 560 100

Tel. : 91-080-28523252 / 28523253

Fax : 91-080-2852 0095