

**27<sup>th</sup>**  
**Annual Report**  
**2012-2013**



**VXL Instruments Limited**

**BOARD OF DIRECTORS**

<b>Arun Kumar Bhuwania</b>	<i>Chairman</i>
<b>Dipak S. Rao</b>	<i>Vice Chairman</i>
<b>Madireddy 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>N. V. Maslekar</b>	<i>Director</i>
<b>Narayana Bhat</b>	<i>CFO &amp; Company Secretary</i>

**AUDIT COMMITTEE**

K. Prakash	Chairman
Dipak S. Rao	Member
Madireddy V. Nagaraj	Member
N. V. Maslekar	Member

**AUDITORS**

Ishwar & Gopal  
Chartered Accountants  
Bangalore

**REMUNERATION COMMITTEE**

Dipak S. Rao	Chairman
K. Prakash	Member
N. V. Maslekar	Member

**BANKERS**

State Bank of India

**INVESTORS' GRIEVANCES COMMITTEE**

K. Prakash	Chairman
M. V. Shetty	Member

**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

**SHARE TRANSFER COMMITTEE**

M. V. Shetty	Chairman
Madireddy 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

**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

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**TWENTY SEVENTH ANNUAL GENERAL MEETING**

on Wednesday  
the 4th September, 2013  
at  
**“ WOODLANDS HOTEL ”**  
No.5, Rajaram Mohan Roy Road  
Bangalore – 560 025.  
at 12.00 noon

**NOTICE**

Notice is hereby given that the Twenty Seventh Annual General Meeting of the Members of the Company will be held at 12.00 noon, on Wednesday, the 4th September 2013 at Woodlands Hotel, No. 5, Rajaram Mohan Roy Road, Bangalore-560 025 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2013 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. Arun Kumar Bhuwania who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Dipak S Rao 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.

**SPECIAL BUSINESS:**

5. To consider, and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the Act) or any re-enactment or modifications thereof, approval of the members be and is hereby accorded to the appointment of and the remuneration payable to Mr. Madireddy V Nagaraj, as Managing Director of the Company with effect from 31.07.2013 for a period of three years on the terms and conditions and perquisites as set out in the Explanatory Statement, which terms and conditions and perquisites the Board of Directors (the Board) are at liberty to alter and vary so as not to exceed the limits specified in Schedule XIII of the Act, or any amendments thereto as may be agreed to between the Board and Mr. Madireddy V Nagaraj.”

6. To consider, and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the Act) or any re-enactment or modifications thereof, approval of the members be and is hereby accorded to the appointment of and the remuneration payable to Mr. M V Shetty, as Whole time Director of the Company with effect from 01.10.2013 for a period of three years on the terms and conditions and perquisites as set out in the Explanatory Statement, which terms and conditions and perquisites the Board of Directors (the Board) are at liberty to alter and vary so as not to exceed the limits specified in Schedule XIII of the Act, or any amendments thereto as may be agreed to between the Board and Mr. M V Shetty”.

By Order of the Board

**Narayana Bhat**

*Chief Financial Officer &  
Company Secretary.*

Place : Bangalore  
Date : 29th May 2013

**Notes:**

1. Explanatory Statement under Section 173(2) of the Companies Act, 1956 is attached to the notice of Special Businesses.
2. 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.
3. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
4. Members/proxies should bring the Attendance slip sent herewith duly filled in to attend the meeting.
5. The Register of Members and Share Transfer Books shall remain closed from 28th August 2013 to 4th September 2013 (both the days inclusive)

6. 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.
7. Un-claimed dividends up to the year 2005-2006 have been transferred to the General Revenue Account of the Central Government. Consequent upon the amendment to Section 205A read with Section 205C of the Companies Act, 1956, the Dividend declared for the year ended 31st March, 2006 and for any financial year ending thereafter which remain unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund established by the Central Government. Members are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts which are unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

By Order of the Board

**Narayana Bhat**

Place : Bangalore  
Date : 29th May 2013

*Chief Financial Officer &  
Company Secretary.*

**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. Arun Kumar Bhuwania  
Age : 65 years  
Qualification : B.Sc Maths  
Expertise : Management with focus on Business related to Electronics and Software.
2. Name : Mr. Dipak S. Rao  
Age : 65 years  
Qualification : Practicing Accountant  
Expertise : Corporate Affairs

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956**

**Item Nos. 5 & 6:**

**Item No. 5: Appointment of and Remuneration to Mr. Madireddy V. Nagaraj:**

I. The Board of Directors of the Company ("the Board") at its meeting held on 29<sup>th</sup> May, 2013, based on the recommendation of the Remuneration Committee and subject to the approval of the Members, accorded its approval for re-appointment of Mr. Madireddy V Nagaraj as Managing Director for a further period of three years w.e.f. 31.07.2013 and for payment of remuneration and also for revision in the remuneration payable to Mr. Madireddy V Nagaraj, Managing Director w.e.f. 31.07.2013 as per the terms & conditions given below:

- i) Salary of Rs.1,60,000/- (Rupees One Lakh Sixty Thousand only) per month.
- ii) Commission: In addition to salary, perquisites and other allowances, commission based on the net profit of the Company computed in the manner laid down in Section 309(5) and other applicable provisions, if any, of the Companies Act, 1956. Such Commission shall be of such percentage and of such amount as the Board of Directors of the Company may determine keeping in view the performance of the Company in respect of each financial year.  
  
In addition to salary and commission, the following shall be allowed to Mr. Madireddy V Nagaraj.
- iii) Housing : Mr. Madireddy V.Nagaraj shall be entitled to rent free furnished residential accommodation.  
  
In case no accommodation is provided by the Company, Mr. Madireddy V.Nagaraj shall be entitled to House Rent Allowance of Rs. 50,000/- per month.
- iv) Reimbursement of gas, electricity, water charges and furnishings.
- v) Reimbursement of medical expenses for self and family as per Company rules.
- vi) Leave Travel Concession for self and family as per Company rules.
- vii) Fees to clubs subject to maximum of two clubs.
- viii) Personal Accident Insurance, as per Company rules.

## VXL Instruments Limited

ix) Provision of car for business and personal purposes.

x) Telephone at the residence.

Mr. Madireddy V. Nagaraj will be paid the following perquisites which shall not be included in the computation of the ceiling on the remuneration in the event the Company has no profits or its profits are inadequate in any financial year during the aforesaid period.

xi) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company Schemes to the extent these either single or put together are not taxable under the Income Tax Act, 1961.

xii) Earned/Privilege leave: On full pay and allowances as per rules of the Company. Leave encashment also as per Company rules.

The proposed increase in remuneration will be within the limits prescribed by the Companies Act, 1956 and Schedule XIII thereto.

Apart from Mr. Madireddy V Nagaraj himself, no other Director is concerned or interested in the resolution.

### II. Information about Mr. Madireddy V. Nagaraj

1. Background details of Mr. Madireddy V Nagaraj: He is a B. Tech from IIT, Chennai. Mr. Madireddy V Nagaraj has been associated with VXL Instruments Ltd since inception in 1976. He has more than 30 years of experience in the field of manufacturing and management of Electronic manufacturing Industry. He was the key promoter Director in charge of production since 1993 and he is the Managing Director of VXL Instruments Limited since 2004.

2. Past Remuneration Approved: Salary Rs. 1,50,000/- per month and Allowances and perquisites Rs. 75,000/- per month.

3. Recognition or awards: Mr. Madireddy V Nagaraj is Councillor in Electronic City Industrial Township Authority (ELCITA), which is a local municipal body created by a Government Gazette Notification. ELCITA has jurisdiction over Electronics City. Mr. Madireddy V. Nagaraj along with four other councillors appointed by the Government of Karnataka have been tasked with establishing ELCITA as a model industrial township which can be replicated in other locations also Mr. Madireddy V. Nagaraj is also a past President

of Electronics City Industries Association (ELCIA). During his tenure as the President of ELCIA, Electronics City was developed into the modern manufacturing & software centre with vastly improved infrastructure. He had represented the Electronic Industry in various forums including at all India levels and interacted with Central & State Government Ministries.

4. Job Profile and his suitability: The Managing Director will perform his duties as such with regard to all work of the Company and he will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and conform to, and comply with, all such directions and regulations as may from time to time be given and made by the Board and his functions will be under the overall authority of Board.

The Managing Director shall adhere to the Company's Code of Business Conduct and Ethics for Directors and Management Personnel.

5. Remuneration Proposed: Salary Rs. 1,60,000/- per month and Allowances and Perquisites Rs. 90,000/- per month.

6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person: The remuneration proposed for Mr. Madireddy V. Nagaraj is comparatively low in the industry keeping in view the responsibilities assigned to him and his vast experience.

7. Pecuniary relationship with the managerial personnel: No relative of Mr. Madireddy V Nagaraj is employed in the Company.

The Board recommends the adoption of the resolution.

### III. DISCLOSURES:

The shareholders of the Company shall be informed of the remuneration package of the Director.

#### Item No.6: Appointment of and remuneration to Mr. M. V. Shetty.

I. The Board of Directors of the Company ("the Board") at its meeting held on 29th May, 2013, on the recommendation of the Remuneration Committee and subject to the approval of the Members, accorded its approval for re-appointment of Mr. M V Shetty, as Whole-time Director for a further period of three years

w.e.f. 01.10.2013 and for payment of remuneration and also for revision in the remuneration payable to Mr. M V Shetty, Whole-time Director w.e.f. 01.10.2013 as per the terms & conditions given below:

- i) Salary of Rs. 1,50,000/- (Rupees One Lakh Fifty Thousand only) per month.
- ii) Commission: In addition to salary, perquisites and other allowances, commission based on the net profit of the Company computed in the manner laid down in Section 309(5) and other applicable provisions, if any, of the Companies Act, 1956. Such Commission shall be of such percentage and of such amount as the Board of Directors of the Company may determine keeping in view the performance of the Company in respect of each financial year.  
In addition to salary and commission, the following shall be allowed to Mr. M.V.Shetty
- iii) Housing : Mr. M.V. Shetty shall be entitled to rent free furnished residential accommodation.  
In case no accommodation is provided by the Company, Mr. M.V.Shetty shall be entitled to House Rent Allowance of Rs. 50,000/- per month
- iv) Reimbursement of gas, electricity, water charges and furnishings.
- v) Reimbursement of medical expenses for self and family as per Company rules.
- vi) Leave Travel Concession for self and family as per Company rules.
- vii) Fees to clubs subject to maximum of two clubs.
- viii) Personal Accident Insurance, as per Company rules.
- ix) Provision of car for business and personal purposes.
- x) Telephone at the residence.  
M.V.Shetty will be paid the following perquisites which shall not be included in the computation of the ceiling on the remuneration in the event the Company has no profits or its profits are inadequate in any financial year during the aforesaid period.
- xi) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company Schemes to the extent these either single or put together are not taxable under the Income Tax Act, 1961.
- xii) Earned/Privilege leave: On full pay and allowances as per rules of the Company. Leave encashment also as per Company rules.

The proposed increase in remuneration will be within the limits prescribed by the Companies Act, 1956 and Schedule XIII thereto.

Apart from Mr. M. V. Shetty himself, no other Director is concerned or interested in the resolution.

## II. INFORMATION ABOUT Mr. M. V. SHETTY:

1. Background details of Mr. M.V. Shetty: He is M. Tech., IIT, Mumbai – One of the Promoters of the Company. Having more than 30 years of experience in Telecommunication, Product Design, Development and Quality/Process Management. He was responsible for bringing world class desktop products (Industrial, ergonomic and tool design) He was part of design team of various products of VXL Data Logger, CNC Terminals and thin clients etc. He has good experience in designing ruggedised products for defence applications.
2. Past Remuneration Approved: Salary Rs. 1,20,000/- per month and Allowances and perquisites Rs.70,000/- per month.
3. Recognition or awards: He is credited with bringing out Thin Client well ahead of the European countries. He has championed the launch of Energy Star compliant and Environmental friendly Thin Clients.
4. Job Profile and his suitability: The Whole-Time Director will perform his duties as such with regard to all work of the Company and he will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and conform to and comply with all such directions and regulations as may from time to time be given and made by the Board and his functions will be under the overall authority of the Board.  
The Whole-Time Director shall adhere to the Company's Code of Business Conduct and Ethics for Directors and Management Personnel.
5. Remuneration Proposed: Salary Rs. 1,50,000/- per month and Allowances and Perquisites Rs. 90,000/- per month.
6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person: The remuneration proposed for Mr. M. V. Shetty is comparatively low in the industry keeping in view the responsibilities assigned to him and his background.

## VXL Instruments Limited

7. Pecuniary relationship with the managerial personnel: No relative of Mr. M. V. Shetty is employed in the Company.

The Board recommends the adoption of the resolution.

### III. DISCLOSURES:

The shareholders of the Company shall be informed of the remuneration package of the Director.

### OTHER INFORMATION AS REQUIRED BY SCHEDULE XIII OF THE COMPANIES ACT, 1956 IN RESPECT OF THE ABOVE ITEM Nos. 5 AND 6.

#### I. General Information

- Nature of Industry: Electronic Hardware Industry
- Date of Commencement of Business: 28.02.1986
- Financial Performance

	Rs. in Lakhs	
For the year ended	31-03-2013	31-03-2012
Total Income	8,562	8,066
Total Expenses	8,522	7,780
Profit before Tax	40	286
Exceptional items	Nil	Nil
Provision for Taxation (Current, Deferred, Earlier year FBT & others)	4	13
Profit after Tax and Extraordinary items	36	273
Profit After Tax carried to the Balance Sheet	36	273

- Export performance and net foreign exchange collaboration: The Company has no foreign collaboration; however, the foreign exchange earning and outgo during F.Y. 2012-13 is as hereunder:

Foreign Currency Earnings (Accrual basis)  
= Rs. 7,276 Lakhs

Foreign Currency Expenditure (Accrual basis) = Rs. 5,876 Lakhs

(Exports are mainly through third parties)

- Foreign investments or collaborators: The Company has no foreign collaboration

#### II. Other Information

- Reasons of loss or inadequate profits: Due to heavy accumulated losses, profits are inadequate.
- Steps taken or proposed to be taken for improvement: Your Company has strengthened its R&D Division to differentiate our products in terms of software. Your Company has come up with various revised, improved versions of thin clients and also added laptop to its product portfolio. Tie up with Global leaders in the field of Information Technology and ongoing negotiation with prospective buyers is expected to boost the sales and productivity.
- Expected increase in productivity and profits in measurable terms: Productivity and Profits are expected to increase by 20%.

The above may be treated as abstract of the terms of appointments referred to under item nos. 5 & 6 in terms of Section 302 of the Companies Act, 1956.

By Order of the Board

**Narayana Bhat**

Chief Financial Officer &  
Company Secretary.

Place : Bangalore  
Date : 29th May 2013



**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 2013.

<b>FINANCIAL RESULTS</b>		Rs. in Lakhs
Particulars	2012-13	2011-12
Net Sales & Other Income	<b>8,562</b>	8,066
Depreciation/Amortization	<b>81</b>	111
Profit before taxation	<b>40</b>	286
Income Tax	<b>4</b>	13
Profit/(Loss) after Taxation	<b>36</b>	273
Balance carried forward	<b>(1,856)</b>	(1,892)

**YEAR UNDER REVIEW**

During the year under review, your Company achieved a net turnover of Rs. 8,562 lakhs as compared to Rs. 8,066 lakhs in the previous financial year. Your Company has earned a profit after taxation of Rs. 36 lakhs in the current financial year as against Rs. 273 lakhs profits in the previous year.

The uncertainty in global markets therefore continued to cause concern.

Though the Company registered a growth in overall sales value, the Company's profitability was affected by a severe squeeze on the margins, brought by the sluggish market conditions in all hard currency markets, resulting in the drop in profits.

**OVERSEAS OPERATIONS**

Your Company continues the tie up with Priya Limited 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 inspite 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**

It is our belief that "thin client" will continue to grow and become even more prevalent among computer users of all types.

During the first quarter of 2013-14, our company's turnover is comparatively increased when compared to first quarter of 2012-13 We expect the same improvement in the second half of the current financial year.

VXL continues to have tie up with global leaders in the field of Information Technology, who develop, manufacture and market high quality secure and easy to use technology products and services, worldwide. Through this agreement, VXL expects to increase its global and national reach through their widely spread sales channels.

Current trends like cloud computing and virtualization help us growing and add further values to our cost effective and remotely manageable Thin Clients.

Your company is extending markets to new geographies like China and Eastern Europe and expects these regions to add significant revenues to its portfolio.

**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.

Your Company has come out with latest offering based on Eden Dual core CPU. This product is complying with all safety and EMI related certifications. These also comply with the stringent EPEAT environmental requirements of Europe and USA.

Your Company has come out with its own thin client linux operating system, Gio5. This has several variants and it is well accepted by the market.

**SUBSIDIARY COMPANIES**

VXL, UK has managed to earn a profit of GBP 54,126 during the current financial year.

**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. Arun Kumar Bhuwania and Mr Dipak S. Rao retire by rotation, and being eligible, offer themselves for re-appointment.

## VXL Instruments Limited

### 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, 2013 was Rs.4.00 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 safeguarding 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. Now the matter is before the High Court of Karnataka. 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.

### 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

**Madireddy V. Nagaraj**  
*Managing Director*

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

Place : Bangalore  
Date : 29th May 2013

**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.
  - iv. Thin Thinkpad Notebook.

Benefits derived

- i. Access to wider markets
  - ii. Improved performance and lower cost
  - iii. Better performance
  - iv. Solutions for cloud computing and desktop virtualisation
  - v. Vtona Zero client Supports Tiradic.
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. 20 lakhs which constituted about 0.24% of sales turnover.

**TECHNOLOGY ABSORPTION, ADAPTATION, 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. 7,276 lakhs.

The foreign exchange outgo was Rs. 5,876 lakhs.

**REPORT ON CORPORATE GOVERNANCE**

The detailed report on Corporate Governance in respect of the financial year ended 31<sup>st</sup> March 2013 is set out below:

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

Your Company continued to firmly be 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 six Directors, including four non-executive and Independent Directors, viz. Mr. Arun Kumar Bhawania, Mr. Dipak S Rao, Mr. K Prakash and Mr. N.V. Maslekar.

Mr. Arun Kumar Bhawania functions as Chairman. Mr. Dipak S Rao is the Vice – Chairman. Mr. Madireddy V Nagaraj, continues to be Managing Director of the Company. Mr. M V Shetty functions as a Whole-Time Director.

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

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

1. 28.05.2012
2. 06.07.2012
3. 30.07.2012
4. 30.10.2012
5. 25.01.2013

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 is as follows.

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 Member/ chairman in other companies in India
Arun Kumar Bhawania	Independent & Non Executive	1	No	2	Nil
Dipak S Rao	Independent & Non Executive	1	No	Nil	Nil
Madireddy V. Nagaraj	Promoter– Executive	4	Yes	2	Nil
M. V. Shetty	Promoter– Executive	4	No	1	Nil
K. Prakash	Independent & Non Executive	5	Yes	Nil	Nil
N. V. Maslekar	Independent & Non Executive	3	Yes	5	Nil

## Twenty Seventh Annual Report 2012 - 2013

### 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. Dipak S Rao, Independent Director, Mr. N.V. Maslekar Independent Director and Mr. Madireddy V. Nagaraj, Managing Director as members of the Committee.

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 4 meetings of the Audit Committee during the year. The attendance of each member of the Committee is given below:

Name of Director	No. of Meetings attended	Remarks
K. Prakash	4	Nil
Dipak S Rao	2	Nil
Madireddy V. Nagaraj	4	Nil
N.V. Maslekar	3	Nil

### 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 2012-13 are given below:

#### a. Executive Directors

(in Rs.)

Name	Salary	Fixed Commission	Perquisites	Sitting Fees	Total
Madireddy V. Nagaraj	13,80,968	Nil	9,46,039	Nil	23,27,007
M. V. Shetty	12,30,000	Nil	8,97,600	Nil	21,27,600
<b>Total</b>	<b>26,10,968</b>	<b>Nil</b>	<b>18,43,639</b>	<b>Nil</b>	<b>44,54,607</b>

#### b. Non-executive Directors

Name	Sitting fees	Commission
K. Prakash	78,000/-	-
Dipak S Rao	18,000/-	-
N. V. Maslekar	36,000/-	-
<b>Total</b>	<b>1,32,000/-</b>	<b>-</b>

## VXL Instruments Limited

### 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, 2013, the Committee comprised of Mr. K Prakash and Mr. M V Shetty. The Committee met four times during the year.

Attendances at these Meetings are as under:

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

No complaints were received during the year ended 31<sup>st</sup> March, 2013. There were no pending share transfers as on the same date.

### Name, designation & address of Compliance Officer

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 Meeting:

Year	Date	Venue	Time
2010	22-09-2010	Hotel Ajantha, M G Road, Bangalore	3.00 P M
2011	15-09-2011	Hotel Ajantha, M G Road, Bangalore	3.00 P M
2012	01.09.2012	Woodlands Hotel, Rajaram Mohan Roy Road	12.00 Noon

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

### Disclosures

Transactions with the related parties are disclosed at Note No. 2 (f) of Notes to 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.

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### 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/Hosa Digantha (in Kannada) and hence are not individually sent to the shareholders.

### General Shareholders' Information

AGM : Date : 4th September, 2013  
Time : 12.00 Noon  
Venue : Woodlands Hotel  
No.5, Rajaram Mohan Roy Road  
Bangalore – 560 025.

Financial calendar : April to March

Date of Book Closure : 28<sup>th</sup> August, 2013 to 4<sup>th</sup> September, 2013

Dividend payment(s) : Nil

Listing on Stock Exchange : Mumbai

Scrip code is 517399 in the Bombay Stock Exchange.

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

(in Rs.)

Month	High	Low
April, 2012	16.35	13.50
May, 2012	16.20	13.40
June, 2012	18.10	14.05
July, 2012	17.85	14.30
August, 2012	16.65	13.60
September, 2012	17.50	15.25
October, 2012	16.70	15.25
November, 2012	16.50	14.00
December, 2012	15.00	12.80
January, 2013	15.35	11.80
February, 2013	12.96	10.40
March, 2013	14.59	11.10

### 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 as and when required 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 31-03-2013

Face Value Rs.10/-

Range (in Rs.)	No of Share Holders	% of Total Share Holders	Total Holding In Rs.	% of Total Capital
1 - 5,000	4,507	90.89	58,39,580	4.37
5,001 - 10,000	198	3.99	16,47,740	1.23
10,001 - 20,000	109	2.20	17,00,450	1.27
20,001 - 30,000	36	0.73	9,15,800	0.69
30,001 - 40,000	13	0.26	4,62,150	0.35
40,001 - 50,000	14	0.28	6,62,890	0.50
50,001 - 1,00,000	26	0.52	19,02,450	1.43
1,00,001 & above	56	1.13	12,03,68,940	90.16
Total	4,959	100.00	13,35,00,000	100.00

### Shareholding pattern as on 31-03-2013

Category	No of Shares	% Holding
Directors	4,16,060	3.12
Promoter but not Director	8,14,180	6.10
Directors' and Promoters' Relatives	5,72,725	4.29
Sub-Total (a)	18,02,965	13.51
Mutual Funds	3,000	0.02
Financial Institutions	900	0.01
Body Corporate	16,39,697	12.28
NRI	1,99,323	1.49
Foreign	79,21,250	59.34
Shares in Tansit	5,925	0.04
General Public	17,76,940	13.31
Sub-Total (b)	1,15,47,035	86.49
Total (sub total a+b)	1,33,50,000	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 LOCATION**

**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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**CEO and CFO CERTIFICATION**

As required by Clause 49 of the Listing Agreement, we hereby certify that :

- A) We have reviewed financial statements and the cash flow statement for the year ended 31<sup>st</sup> March 2013 and that to the best of our 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 our knowledge and belief, no transaction 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 we 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 we have disclosed to the auditors and Audit Committee deficiencies in the design or operation of internal controls, if any, of which we are aware and steps we have taken or propose to take to rectify those deficiencies.
- D) We 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 : 29th May, 2013

**Madireddy V. Nagaraj**  
*Managing Director*

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

**AUDITOR'S 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, 2013, 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 2013 as per records maintained by the Company and presented to the Shareholders'/Investors' Grievances Committee.

For Ishwar & Gopal  
*Chartered Accountants*

**K. V. Gopalakrishnayya**

*Partner*

Membership No.: 21748

FRN - 001154S

Place : Bangalore  
Date : 29th May 2013

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF VXL INSTRUMENTS LIMITED**

**Report on the Financial Statements**

1 We have audited the accompanying financial statements of VXL Instruments Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

2 Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

6 In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India subject to

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**Emphasis of Matter**

7 *We draw attention to Note No.2 (b) of notes to the accounts, regarding non-provision for diminution in the value of investment of Rs. 51,69,261/- and receivables of Rs. 6,12,05,837/- in respect of a subsidiary of the company whose accumulated losses are in excess of the paid-up capital, Note No 14 to the Balance Sheet, regarding recognition and quantification of deferred tax asset of Rs. 8,39,13,262/- based on the opinion of the management that the same would be adjusted against future profits. Our opinion is qualified in respect of this matter.*

**Report on Other Legal and Regulatory Requirements**

8 As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

9. As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

## VXL Instruments Limited

- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956;
- e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For Ishwar & Gopal  
*Chartered Accountants*

**K.V. Gopalakrishnaya**  
*Partner*

Place : Bangalore  
Date : 29th May 2013

Membership No.: 21748  
FRN - 001154S

**ANNEXURE TO THE AUDITOR'S REPORT  
AS REFERRED TO IN CLAUSE 1 OF OUR REPORT  
TO THE MEMBERS OF VXL INSTRUMENTS LIMITED**

1. a. The Company has maintained records showing full particulars, including quantitative details and the situation of its fixed assets.  
b. All the assets have not been physically verified by the management during the year but there is a program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such verification  
c. During the year, the Company has not disposed off substantial part of the assets.
2. a. Inventories other than those lying with third parties have been physically verified during the year by the management. In our opinion, the frequency of verification was reasonable.  
b. The procedures of physical verification of inventories 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 records, where applicable, as noticed on physical verification were not material and have been properly dealt with in the books of account.
3. a. The Company has not granted any loans to companies and other parties covered 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 from parties (2 in number) covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 21.35 Lakhs and the year-end balance of loans taken was Rs. 4.00 Lakhs.  
c. In our opinion, the rate of interest and other terms and conditions are not prima facie, prejudicial to the interests of the company.  
d. The Company has not defaulted in repayment of principal amount and interest as per the terms of the said deposit.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5. a. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.  
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;
6. 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.
7. In our opinion, the Company's internal audit system is commensurate with the size and nature of its business.
8. 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.

## VXL Instruments Limited

9. a. The Company has been regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty and other material statutory dues applicable.
- b. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and cess were in arrears as at March 31, 2013 for a period of more than six months from the date they became payable.

Name of the Statute	Nature of dues	Related Period	Amount (Rs.)	From where dispute is pending
Central Sales tax Act, 1956	Sales tax	2005-06 & 2006-07	15,17,858	The Joint Commissioner of Commercial taxes (Appeals)
		2001-02 to 2004-05	97,43,434	Karnataka Appellate Tribunal, Bangalore
Central Excise Act, 1944	Service tax	2008-09 to 2009-10	7,66,82,997	Central Excise & Service Tax Appellate Tribunal
	Education cess on excise duty	2009-10	3,26,098	Central Excise & Service Tax Appellate Tribunal
	Service tax	2010-11	1,55,53,518	Central Excise & Service Tax Appellate Tribunal
The Customs Act, 1962	Customs Duty	2006-07	7,70,839	Central Excise & Service Tax Appellate Tribunal
Karnataka Motor Vehicles Act, 1957	Road tax	2009-10	5,95,520	High Court of Karnataka, Bangalore

- c. According to the information and explanation given to us, the following amounts of income tax, wealth tax, customs duty, sales tax, excise duty and cess which have not been deposited with the relevant authorities on account of any dispute are detailed under:-
10. The accumulated losses of the Company at the end of the financial year are not more than 50% of net worth. The Company has not incurred cash losses during the financial year covered by our audit and in the preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clauses 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments during the year under audit. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

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15. As far as we could ascertain, the Company has not given guarantees for loans taken by others from banks or financial institutions and hence the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
16. In our opinion, no term loans have been borrowed during the year.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
18. There was no issue of shares during the year. Accordingly, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 regarding creation of securities are not applicable.
19. According to the information and explanations given to us, there are no debentures issued by the Company during the year. Accordingly, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 regarding creation of securities are not applicable.
20. The Company has not raised any monies by way of public issue during the year. Accordingly, the provisions of paragraph 4(xx) of the Companies (Auditor's Report) Order, 2003 regarding end use of money are not applicable.
21. According to the information and explanations given to us, no material frauds on or by the Company that causes material misstatements to financial statements have been noticed or reported during the year.

**For Ishwar & Gopal**

*Chartered Accountants*

**K. V. Gopalakrishnayya**

*Partner*

Membership No.: 21748

FRN 001154S

Place : Bangalore

Date : 29th May 2013

**VXL Instruments Limited**
**BALANCE SHEET AS AT 31st MARCH, 2013**

(Amount in Rs.)

Sl. Particulars No.	Note No.	As at 31-Mar-13	31-Mar-13	As at 31-Mar-12	31-Mar-12
<b>I EQUITY AND LIABILITIES</b>					
<b>1. Shareholders' funds</b>					
a. Share Capital	3	13,33,53,000		13,33,53,000	
b. Reserves and Surplus	4	21,75,69,671		24,70,62,868	
			35,09,22,671		38,04,15,868
<b>2. Non-current liabilities</b>					
a. Long Term borrowings	5	8,20,157		11,78,125	
b. Other long term liabilities	6	6,00,00,000		28,00,00,000	
c. Long term provisions	7	1,23,65,599		1,09,30,813	
			7,31,85,756		29,21,08,938
<b>3. Current Liabilities</b>					
a. Short term borrowings	8	9,31,67,714		9,51,10,756	
b. Trade payables	9	22,25,98,442		19,30,59,442	
c. Other Current liabilities	10	1,32,05,854		78,02,909	
d. Short term provisions	11	21,57,050		16,25,012	
			33,11,29,060		29,75,98,119
<b>TOTAL</b>			<b>75,52,37,487</b>		<b>97,01,22,925</b>
<b>II ASSETS</b>					
<b>1. Non-current assets</b>					
a. Fixed Assets	12				
i. Tangible Assets	a	16,98,04,751		10,42,96,233	
ii. Intangible Assets	b	-		37,11,042	
iii. Assets held for sale	c	11,00,00,000		21,07,65,406	
			27,98,04,751		31,87,72,681
b. Non-current investments	13	52,29,261		52,29,261	
c. Deferred tax assets (net)	14	8,39,13,262		8,42,88,705	
d. Long term loans & advances	15	1,19,35,026		90,59,520	
e. Other non current assets	16	6,66,06,528		6,77,99,928	
			16,76,84,077		16,63,77,414
<b>2. Current Assets</b>					
a. Inventories	17	21,19,74,762		22,62,18,808	
b. Trade receivables	18	6,96,61,641		21,12,38,901	
c. Cash & Cash equivalents	19	1,84,47,883		1,83,95,500	
d. Short term loans & advances	20	69,34,671		2,89,59,703	
e. Other Current assets	21	7,29,702		1,59,918	
			30,77,48,659		48,49,72,830
<b>TOTAL</b>			<b>75,52,37,487</b>		<b>97,01,22,925</b>

Summary of Significant Accounting Policies 1

The accompanying notes are an integral part of the Financial Statements 2

As per our report of even date.

For Ishwar &amp; Gopal

Chartered Accountants

**K.V. Gopalakrishnayya**

Partner

Membership No.: 21748

FRN 001154S

Date : 29th May 2013

Place : Bangalore

For and on behalf of the Board

**Madireddy V. Nagaraj**

Managing Director

**M. V. Shetty**

Whole Time Director

**N. V. Maslekar**

Director

**Narayana Bhat**

CFO &amp; Company Secretary



**NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED, 31st MARCH 2013**

Particulars	As at 31.03.2013		As at 31.03.2012	
	Number	Amount in Rs.	Number	Amount in Rs.
<b>3. Share Capital</b>				
<b>Authorised</b>				
a. Equity Shares	1,50,00,000	15,00,00,000	1,50,00,000	15,00,00,000
<b>b. Issued</b>				
Equity Shares	1,33,50,000	13,35,00,000	1,33,50,000	13,35,00,000
<b>Subscribed and paid fully</b>				
Equity Shares	1,33,22,500	13,32,25,000	1,33,22,500	13,32,25,000
<b>Subscribed but not paid fully</b>				
Equity Shares	27,500	1,28,000	27,500	1,28,000
<b>Total</b>	<b>1,33,50,000</b>	<b>13,33,53,000</b>	<b>1,33,50,000</b>	<b>13,33,53,000</b>

c. Par value Rs. 10 per equity share

d. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Particulars	As at 31.03.2013		As at 31.03.2012	
	Number	Amount in Rs.	Number	Amount in Rs.
Equity Shares				
Outstanding at the beginning of the period	1,33,50,000	13,33,53,000	1,33,50,000	13,33,53,000
Outstanding at the end of the period	1,33,50,000	13,33,53,000	1,33,50,000	13,33,53,000

e. Terms / Rights attached to equity shares

The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of an equity share is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of share holders in the Annual General Meeting.

During the year, the Company has not declared any dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of shares held by the equity share holders.

f. Shares held by each shareholder holding more than 5 percent shares specifying the number of shares held :-

Name of the Shareholder	As at 31.03.2013		As at 31.03.2012	
	No. of shares held	% of holding	No. of shares held	% of holding
Tefuli Ltd	19,50,000	14.61	19,50,000	14.61
Tintur Investments Ltd	19,25,000	14.42	19,25,000	14.42
Breezetop Investments Ltd	19,25,000	14.42	19,25,000	14.42
Daymount Ltd	17,85,000	13.37	17,85,000	13.37
Priya Ltd	9,00,000	6.74	9,00,000	6.74

**VXL Instruments Limited**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013**

	As at 31.03.2013 Amount in Rs.	As at 31.03.2012 Amount in Rs.
g. Calls unpaid (showing aggregate value of calls) – Unpaid by Others	1,47,000	1,47,000
<b>4. RESERVES &amp; SURPLUS</b>		
<b>a. Capital Reserve</b>		
Balance as per last financial statement	20,53,645	20,53,645
<b>b. Securities Premium Account</b>		
Balance as per last financial statement	13,72,88,827	13,72,88,827
<b>c. Revaluation Reserve</b>		
Balance as per last financial statement	29,07,61,480	21,14,38,226
Additions / (Withdrawal) on revaluation of Land	<u>(3,31,44,366)</u>	<u>7,93,23,254</u>
	25,76,17,114	29,07,61,480
<b>d. Other Reserves</b>		
(i) General Reserve		
Balance as per last financial statement	25,99,897	25,99,897
(ii) Deferred Tax Reserve		
Balance as per last financial statement	36,05,947	1,83,82,952
Less : Withdrawn during the year	<u>–</u>	<u>(1,47,77,005)</u>
	36,05,947	36,05,947
<b>e. Surplus / (Deficit) in Statement of Profit &amp; Loss Account</b>		
Balance as per last financial statement	(18,92,46,928)	(21,65,62,209)
Profit for the year	36,51,169	2,73,15,281
Appropriations	<u>–</u>	<u>–</u>
Net surplus / (Deficit) in statement of Profit & Loss Account	(18,55,95,759)	(18,92,46,928)
<b>Total Reserves &amp; Surplus</b>	<u>21,75,69,671</u>	<u>24,70,62,868</u>
<b>5. LONG TERM BORROWINGS</b>		
<b>a. Term Loans</b>		
- From Banks - Secured *	<u>13,11,005</u>	<u>17,07,003</u>
Total Long term borrowings	13,11,005	17,07,003
Less: Instalments of term loan payable within a year	<u>4,90,848</u>	<u>5,28,878</u>
<b>Total Long term borrowings</b>	<u>8,20,157</u>	<u>11,78,125</u>

\* Term loan from banks is secured by hypothecation of vehicles. The loan is repayable in 60 equated monthly instalments of Rs. 28,970/- each. and 36 equated monthly instalments of Rs. 11,934/- each.  
Instalments payable within a year Rs. 4,90,848/- (Rs. 5,28,878/-)

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013**

	As at 31.03.2013 Amount in Rs.	As at 31.03.2012 Amount in Rs.
<b>6. OTHER LONG TERM LIABILITIES</b>		
Others		
Advance against sale of assets	6,00,00,000	28,00,00,000
	<u>6,00,00,000</u>	<u>28,00,00,000</u>
<b>7. LONG TERM PROVISIONS</b>		
<b>a Provision for employee benefits</b>		
i Gratuity	36,85,387	28,57,808
ii Leave Benefits	21,37,546	15,30,339
<b>b Others</b>	65,42,666	65,42,666
	<u>1,23,65,599</u>	<u>1,09,30,813</u>
<b>8. SHORT TERM BORROWINGS</b>		
<b>a. Loans repayable on demand</b>		
from Banks - Working Capital Borrowings *	9,27,67,714	9,29,75,756
<b>b. Deposits (Unsecured)</b>		
from Directors	4,00,000	21,35,000
	<u>9,31,67,714</u>	<u>9,51,10,756</u>
* Working capital borrowings and acceptances from a bank is secured by hypothecation of stocks and trade receivables and other current assets, collateral security of land, building, plant & machinery and personal guarantee of some of the Directors.		
<b>9. TRADE PAYABLES</b>		
Due to Micro, Small and Medium Enterprises	-	-
Due to other than Micro, Small and Medium Enterprises	8,70,98,442	6,25,59,442
Acceptances	13,55,00,000	13,05,00,000
<b>Total</b>	<u>22,25,98,442</u>	<u>19,30,59,442</u>
<b>10. OTHER CURRENT LIABILITIES</b>		
<b>a. Current maturities of long term debts</b>		
Current maturities of term loan due to a bank	4,90,848	5,28,878
<b>b. Other payables</b>		
i Advances from Customers	21,42,058	15,420
iii Liabilities for expenses	1,05,72,948	72,58,611
<b>Total</b>	<u>1,32,05,854</u>	<u>78,02,909</u>
<b>11. SHORT TERM PROVISIONS</b>		
<b>Provision for employee benefits</b>		
i Gratuity	13,60,063	10,58,299
ii Leave Benefits	7,96,987	5,66,713
<b>Total</b>	<u>21,57,050</u>	<u>16,25,012</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

12. FIXED ASSETS (in Rupees)

Particulars	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK	
	As at 1st April, 2012	Additions/ Reversals	Disposals/ Reversals	As at 1st April, 2012	Charge for the year/ amortisation	Reversals	As at 31st March, 2013	As at 31st March, 2012
<b>COST OR VALUATION</b>								
<b>a) TANGIBLE ASSETS</b>								
Land	8,71,56,000	6,74,65,200	-	-	-	-	-	8,71,56,000
Buildings	1,31,18,053	1,62,610	-	91,58,142	4,23,175	-	96,81,317	39,59,911
Plant & Equipment	7,72,47,926	11,37,008	-	7,21,09,674	14,26,383	-	7,35,36,057	51,38,252
Furniture & Fixture	93,92,306	3,85,888	-	90,33,429	2,56,615	-	92,90,044	4,88,150
Vehicles	61,03,709	-	(4,62,100)	35,65,916	6,65,133	(4,54,205)	37,76,845	25,37,793
Office Equipment	3,50,60,316	5,73,423	-	2,99,14,916	14,36,409	-	3,13,51,325	51,45,400
<b>Sub Total</b>	<b>22,80,78,310</b>	<b>6,97,24,129</b>	<b>(4,62,100)</b>	<b>12,37,82,077</b>	<b>42,07,715</b>	<b>(4,54,205)</b>	<b>16,98,04,751</b>	<b>10,42,96,233</b>
<b>b) INTANGIBLE ASSETS</b>								
Product Development	1,11,33,129	-	(1,11,33,129)	74,22,087	37,11,042	(1,11,33,129)	-	37,11,042
<b>Total</b>	<b>23,92,11,439</b>	<b>6,97,24,129</b>	<b>(1,15,95,229)</b>	<b>13,12,04,164</b>	<b>79,18,757</b>	<b>(1,15,87,334)</b>	<b>12,75,35,588</b>	<b>10,80,07,275</b>
Previous year	46,26,55,628	40,91,190	(22,75,35,379)	13,67,64,553	1,11,14,888	(1,66,75,257)	10,80,07,275	32,58,91,075
<b>c) Assets held for sale</b>								
Land	20,76,48,614	-	(10,06,09,566)	-	-	-	-	20,76,48,614
Building	95,28,701	-	-	64,11,909	1,55,840	-	65,67,749	31,16,792
<b>Total</b>	<b>21,71,77,315</b>	<b>-</b>	<b>(10,06,09,566)</b>	<b>64,11,909</b>	<b>1,55,840</b>	<b>-</b>	<b>65,67,749</b>	<b>21,07,65,406</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013**

	As at 31.03.2013 Amount in Rs.	As at 31.03.2012 Amount in Rs.
<b>13. NON CURRENT INVESTMENTS</b>		
Investment in equity instruments		
108,000 (108,000) equity shares of VXL Instruments Limited, UK of par value 1 GBP each, fully paid up (a subsidiary of the Company with 60% holding)	5,169,261	5,169,261
2,400 (2,400) equity shares of The Shamrao vithal co-operative bank limited of par value Rs. 25 each, fully paid up	60,000	60,000
<b>Total</b>	<b>5,229,261</b>	<b>5,229,261</b>
Basis of valuation : Investments are stated at cost.		
Aggregate amount of unquoted investments	5,229,261	5,229,261
<b>14. DEFERRED TAX ASSETS / (LIABILITIES)</b>		
On account of		
Carry forward losses	6,66,72,841	6,59,28,769
Temporary disallowances under Income Tax	1,24,12,596	1,45,51,749
Depreciation	48,27,826	38,08,187
	<b>8,39,13,262</b>	<b>8,42,88,705</b>
<b>15. LONG TERM LOANS AND ADVANCES</b>		
<b>a Security Deposits</b>		
i Considered Doubtful	-	50,000
Less : Provision for doubtful deposits	-	50,000
ii Considered Good	39,30,503	36,26,503
<b>b Other Loans &amp; Advances [Unsecured]</b>		
<b>i Considered Good</b>		
- Advance to Suppliers	25,74,506	3,000
- Payments to statutory authorities	54,30,017	54,30,017
<b>ii Considered Doubtful</b>		
- Advance to suppliers	2,80,93,348	2,95,22,880
- Employee Advances	2,92,458	2,92,458
	<b>2,83,85,806</b>	<b>2,98,15,338</b>
Less : Provision for Doubtful Advances	2,83,85,806	2,98,15,338
<b>Total</b>	<b>1,19,35,026</b>	<b>90,59,520</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013**

	As at 31.03.2013 Amount in Rs.	As at 31.03.2012 Amount in Rs.
<b>16. OTHER NON CURRENT ASSETS</b>		
Long term trade receivables (including trade receivables on deferred credit terms)		
a. Unsecured, Considered Doubtful	67,38,957	1,33,61,595
Less : Provision for doubtful debts	<u>67,38,957</u>	<u>1,33,61,595</u>
b. Unsecured, Considered Good	6,66,06,528	6,77,99,928
<b>Total</b>	<u>6,66,06,528</u>	<u>6,77,99,928</u>
Debts due by directors or other officers of the Company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member		
Debts due from VXL Instruments Limited, UK (a subsidiary of the Company) in which a director of the Company is a director	6,66,06,528	6,77,99,928
<b>17. INVENTORIES</b>		
Raw Materials	18,71,61,166	15,49,23,345
Raw Materials in Transit	44,16,863	2,30,59,718
Work in progress	-	2,60,95,035
Finished Goods	<u>2,03,96,733</u>	<u>2,21,40,710</u>
<b>Total</b>	<u>21,19,74,762</u>	<u>22,62,18,808</u>
Mode of Valuation: Inventories are valued at under FIFO method and estimated at net realisable value. Provision had been made in the accounts for damaged, obsolete and slow moving items.		
<b>18. TRADE RECEIVABLES</b>		
[Unsecured, Considered Good]		
Aggregate amount of Trade Receivables outstanding for a period exceeding six months from the date they are due for payment		
	1,95,503	10,70,132
Others	<u>6,94,66,138</u>	<u>21,01,68,769</u>
	<u>6,96,61,641</u>	<u>21,12,38,901</u>
<b>19. CASH AND CASH EQUIVALENTS</b>		
a. Balance with banks		
i on Current Account	3,22,135	1,62,158
ii on Deposit Account	11,57,884	15,71,604
iii on Exchange Earners Foreign Currency Account	34,964	65,827
b. Cash on Hand	9,34,140	5,97,151
c. Balances with banks held as margin money or security against the borrowings, guarantees, other commitments	<u>1,59,98,760</u>	<u>1,59,98,760</u>
	<u>1,84,47,883</u>	<u>1,83,95,500</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013**

	As at 31.03.2013 Amount in Rs.	As at 31.03.2012 Amount in Rs.
<b>20. SHORT TERM LOANS AND ADVANCES</b>		
<b>Other Loans &amp; Advances</b>		
<b>[Considered Good]</b>		
i Advance Income Tax (net of provision for taxation)	<b>6,09,655</b>	5,51,319
ii Prepaid Expenses	<b>14,08,989</b>	18,70,877
iii Advance to Suppliers	<b>22,53,219</b>	2,48,11,350
iv Balance with statutory / Government authorities	<b>25,05,913</b>	15,29,294
v Employee Advances	<b>1,56,895</b>	1,96,863
<b>Total</b>	<b><u>69,34,671</u></b>	<b><u>2,89,59,703</u></b>
<b>21. OTHER CURRENT ASSETS</b>		
Interest accrued but not due on deposits	<b>7,29,702</b>	<b>1,59,918</b>
<b>Total</b>	<b><u>7,29,702</u></b>	<b><u>1,59,918</u></b>
CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)		
CONTINGENT LIABILITIES		
<b>Other money for which Company is contingently liable</b>		
a. Bills discounted with Banks (secured by letters of credit from buyer's bankers)	<b>4,85,00,000</b>	1,35,00,000
b. Employee Provident Fund Contributions under appeal [Out of which Rs. 10,69,469/- has been deposited with the respective authorities and shown under non current assets]	<b>14,06,365</b>	14,06,365
c. Central Sales Tax liability under appeal [Out of which Rs. 43,60,548/- has been deposited with the respective authorities and shown under non current assets]	<b>1,56,21,840</b>	1,56,21,840
d. Service Tax Liability under dispute on the import of software license sticker labels considered as goods by Customs while importing	<b>9,22,36,515</b>	7,66,82,997
e. Education cess on excise duty	<b>3,26,098</b>	3,26,098
f. Disputed Customs Duty	<b>7,70,839</b>	-
g. Other disputed tax liabilities	<b>5,95,520</b>	5,95,520
h. The Company has closed the unit manufacturing GVX 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. Now the matter is before the High Court of Karnataka. 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.		

## VXL Instruments Limited

### NOTES:

Sl. No. b: The Honourable High Court of Karnataka has directed the Assistant Provident Commissioner to consider the grievance of the Company for reducing the penalty

Sl. No. c: Financial year 2001-02 to 2004-05:- Karnataka Appellate Tribunal (KAT) has given relief to the Company to the extent of Rs. 30,91,083/- as allowed in the case of Adeshwar Granites Pvt. Ltd by the Honourable High Court (HC) of Karnataka. Further KAT has directed the Deputy Commissioner to rectify the error in respect of Rs. 23,06,054/-. The Company would be filing the appeal in respect of the balance.

Financial Year 2005-06 & 2006-07:- Out of Rs. 58,78,406 Rs. 43,60,548 has been deposited with the respective authorities and part of this dispute is covered by Adeshwar Granites case. Matter is pending before the Joint Commissioner.

Sl. No. d: In respect of Service Tax pending before the Commissioner / CESTAT the Company's Consultants are of the opinion that the Company has good chances of winning the case since Customs is treating the sticker labels as goods while importing and hence no provision has been made for the same.

Sl.No. e: Commissioner Appeals has given the Order in favour of the Company but the Department has preferred Appeal before CESTAT

Sl. No. f: Commissioner, Customs has given the Order in favour of the Company but the Department has appealed to CESTAT



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**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2013**

(Amount in Rs.)

Particulars	Note No.	Figures for the current reporting period		Figures for the previous reporting period	
		31-Mar-13	31-Mar-13	31-Mar-12	31-Mar-12
I Revenue from operations	22	<b>84,31,31,161</b>		78,97,46,781	
II Other Income	23		<b>1,31,21,249</b>	1,68,81,546	
<b>III Total Revenue (I +II)</b>			<b>85,62,52,410</b>	80,66,28,327	
IV Expenses:					
Cost of materials consumed	24		<b>67,47,59,180</b>	59,25,04,164	
Changes (Increase) / Decrease in inventories of finished goods, work-in-progress and Stock-in-Trade	25		<b>2,78,39,012</b>	4,48,32,699	
Employee benefits expense	26		<b>4,98,34,449</b>	3,62,26,037	
Financial costs	27		<b>2,32,54,718</b>	2,62,14,527	
Depreciation and amortization expense	28		<b>80,74,596</b>	1,11,14,868	
Other expenses	29		<b>6,84,63,842</b>	6,70,81,597	
<b>Total Expenses</b>			<b>85,22,25,797</b>	77,79,73,892	
V Profit before tax (III - IV)			<b>40,26,613</b>	2,86,54,435	
VI Tax expense:					
(1) Current tax			-	-	
(2) Deferred tax					
Deferred Tax expense		<b>3,75,444</b>	-	1,61,16,159	-
Less: Deferred Tax Reserve Withdrawn		-	<b>3,75,444</b>	(1,47,77,005)	13,39,154
VII Profit(Loss) from the period from continuing operations (V - VI)			<b>36,51,169</b>	2,73,15,281	
VIII Earning per equity share:					
(1) Basic & Diluted			<b>0.27</b>	2.05	
Summary of Significant Accounting Policies		1			
The accompanying notes are an integral part of the Financial Statements		2			

As per our report of even date.

For Ishwar & Gopal  
Chartered Accountants

**K.V. Gopalakrishnayya**  
Partner  
Membership No.: 21748

FRN 001154S

Date : 29th May 2013  
Place : Bangalore

For and on behalf of the Board

**Madireddy V. Nagaraj**  
Managing Director

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

**N. V. Maslekar**  
Director

**Narayana Bhat**  
CFO & Company Secretary

**VXL Instruments Limited**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013**

	As at 31.03.2013 Rs.	As at 31.03.2012 Rs.
<b>22. Revenue from Operations</b>		
Sale of Products	85,46,33,807	80,05,62,788
Sale of Services	5,71,563	15,79,438
Revenue from operations (Gross)	<u>85,52,05,370</u>	<u>80,21,42,226</u>
Less: Excise Duty	1,20,74,209	1,23,95,445
Revenue from operations (Net)	<u>84,31,31,161</u>	<u>78,97,46,781</u>
<b>Details of Products Sold</b>		
Data Processing Units	85,46,33,807	80,05,62,788
	<u>85,46,33,807</u>	<u>80,05,62,788</u>
<b>Details of Services Rendered</b>		
AMC / Repair Services	5,71,563	15,79,438
	<u>5,71,563</u>	<u>15,79,438</u>
<b>23. Other Income</b>		
a. Interest Income on Bank Deposits	12,49,887	12,72,205
b. Interest Income on Others	621	26,706
c. Dividend Income on Long Term Investments	-	7,200
d. Net gain / (loss) on foreign currency transaction and translation	22,61,917	34,09,854
e. Other non-operating income (net of expenses)		
i. Net gain / loss on sale of fixed assets	40,140	71,686
ii. Refund received from Statutory Authorities	-	7,14,998
iii. Provision for bad debts Withdrawn	76,57,733	1,13,69,297
iv. Others	19,10,950	9,600
	<u>96,08,823</u>	1,21,65,581
	<u>1,31,21,249</u>	<u>1,68,81,546</u>
<b>24. Cost of materials consumed</b>		
Cost of raw materials consumed	67,33,33,301	59,15,32,910
Packing Materials	14,25,879	9,71,254
	<u>67,47,59,180</u>	<u>59,25,04,164</u>
Raw Material Consumption		
a. Mother Board	27,71,06,801	20,78,92,048
b. Flash memory	9,09,40,733	6,80,67,298
c. DDR Ram	7,11,56,210	5,76,17,280
d. Fab Items	5,08,31,933	4,84,46,043
e. Power Supply	4,90,57,471	3,76,73,181
f. Software License	8,86,29,041	11,09,45,721
g. Others	4,56,11,112	6,08,91,339
	<u>67,33,33,301</u>	<u>59,15,32,910</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013**

	As at 31.03.2013 Rs.	As at 31.03.2012 Rs.
<b>25. Changes (Increase) / Decrease in inventories of finished goods, work-in-progress and Stock-in-Trade</b>		
Inventories at the end of the year		
a. Work in Progress	–	2,60,95,035
b. Finished Goods	<u>2,03,96,733</u>	<u>2,21,40,710</u>
	<u>2,03,96,733</u>	<u>4,82,35,745</u>
Inventories at the beginning of the year		
a. Work in Progress	<u>2,60,95,035</u>	5,86,42,164
b. Finished Goods	<u>2,21,40,710</u>	<u>3,44,26,280</u>
	<u>4,82,35,745</u>	<u>9,30,68,444</u>
Changes (Increase) / Decrease in inventories of finished goods, work-in-progress and Stock-in-Trade	<b>2,78,39,012</b>	4,48,32,699
<b>26. Employee Benefit Expenses</b>		
Salaries and Wages	<u>4,57,91,419</u>	3,39,53,605
Contribution to provident & Other Funds	<u>34,35,784</u>	17,85,673
Staff Welfare expenses	<u>6,07,246</u>	4,86,759
	<u>4,98,34,449</u>	<u>3,62,26,037</u>
<b>27. Financial Costs</b>		
Interest Expense *	<u>1,56,20,896</u>	1,61,98,654
Other Borrowing Costs	<u>76,33,822</u>	1,00,15,873
	<u>2,32,54,718</u>	<u>2,62,14,527</u>
* includes interest paid on deposit to Managing Director and Whole time Director Rs. 1,84,045/- (Rs. 2,95,827)		
<b>28. Depreciation and amortisation expenses</b>		
Depreciation of tangible assets	<u>43,63,554</u>	43,98,270
Amortisation of intangible assets	<u>37,11,042</u>	<u>67,16,598</u>
	<u>80,74,596</u>	<u>1,11,14,868</u>
<b>29. Other Expenses</b>		
Consumption of Stores & Spare parts	<u>2,86,674</u>	6,63,371
Power and Fuel	<u>9,77,579</u>	9,61,404
Rent	<u>13,08,994</u>	14,30,191
Repairs to Buildings	<u>11,133</u>	343
Repairs to Machinery	–	–
Insurance	<u>12,55,530</u>	10,17,697
Rates & Taxes, excluding taxes on income	<u>4,54,715</u>	5,30,927
Remuneration to Auditors	<u>4,76,114</u>	4,28,280
Consultancy/Certification Charges	<u>75,91,837</u>	1,19,99,885
Freight & Forwarding	<u>3,99,51,953</u>	3,88,35,672
Provision for Doubtful debts / advances	–	6,07,360

**VXL Instruments Limited****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013**

	As at 31.03.2013	As at 31.03.2012
	Rs.	Rs.
Bad Debts / Advances written off	4,48,571	828
Less: Provision for doubtful advances withdrawn	4,44,434	4,137
Travelling and Conveyance	33,59,971	28,09,900
Communication expenses	20,15,347	13,67,315
Directors' Sitting Fees	1,32,000	96,000
Miscellaneous	62,76,834	42,21,990
Repairs to Others	8,43,046	8,33,567
Advertisement / Sales Promotion / Brokerage / Post sales support / Entertainment	35,08,077	10,31,307
Sales Commission	9,900	2,45,560
	<u>6,84,63,842</u>	<u>6,70,81,597</u>
Remuneration to Auditor		
As auditor		
Audit fees	2,90,000	2,90,000
Tax Audit fees	85,000	85,000
VAT audit fees	-	-
In Other Capacity	-	-
Certification	74,515	35,000
Reimbursement of expenses	26,599	18,280
	<u>4,76,114</u>	<u>4,28,280</u>

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

**1. Significant Accounting Policies:**

**a. Corporate Information**

VXL Instruments Limited is a Public Limited Company listed in Bombay Stock exchange Limited. The Company is engaged in the business of manufacture and sale of data processing units.

**b. Basis of preparation**

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material aspects with the Accounting Standards notified under the Companies (Accounting Standard ) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis and under the historical cost convention except for land which are carried at revalued amounts. The accounting policies adopted in the preparation of financial statements are consistent with those of the previous year.

**c. 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.

**d. Fixed assets**

Fixed assets 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.

**e. 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.

**f. 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.

**g. 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.

**h. Investments**

Non current 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.

**i. Inventories:**

Inventories are valued at First in First Out (FIFO) method and estimated net realisable value. Provision has been made in the accounts for damaged, obsolete and slow moving items.

**j. Employee Benefits:**

**Post employment benefit plans:**

Contributions to defined contribution retirement benefit schemes are recognized as an expense when

## VXL Instruments Limited

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.

### **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.

### **k. 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.

### **l. 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.

### **m. 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.

### **n. Warranties**

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

### **o. 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.

### **p. 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.

### **q. 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.

**r. 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".

**2. Notes on accounts forming part of financial statements**

**Change in Accounting Policies**

The Company has changed the basis of determining cost from weighted average method to First in First Out method for determining the cost formula for valuation of inventory. Due to the change, the inventory as at March 31, 2013, has been reduced by Rs. 25,97,888/- with consequential effect on profit for the year.

**a. Leave Salary**

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.

Particulars	As at 31st March, 2013 Rs.	As at 31st March, 2012 Rs.
	<b>Leave Salary</b>	Leave Salary
Nature of obligation		
The carrying amount at the beginning of the period	<b>20,97,052</b>	18,73,101
Additional provisions made during the year	<b>9,83,459</b>	3,34,011
Amounts incurred and charged against the provision during the period	<b>1,45,978</b>	1,10,060
Unused amounts reversed during the period	-	-
The carrying amount at the end of the period	<b>29,34,533</b>	20,97,052

**b. Investments :**

VXL Instruments Limited, U.K., a subsidiary in which the Company has 60% share holding amounting to Rs.51,69,261/- has accumulated losses in excess of its total paid up capital. Net receivable from VXL Instruments Limited, U.K., as at 31st March 2013 is Rs. 6,66,06,528/- (Rs. 6,77,99,928). However, the subsidiary Company has made profits during the last four financial years. Further the said Subsidiary has remitted Rs.11,93,400/- during the FY 2012-13 and Rs. 54,00,960/- during the F.Y. 2013-14 towards old dues. Since October 2010, the Company has received Rs. 2,88,68,806/- against old receivables from customers other than VXL UK. With this the Company has realised almost the entire old receivables from customers other than VXL UK. The Company has also obtained further extension of time of six months from Reserve Bank of India to collect the old receivables. Considering these facts, the management is of the opinion that no provision is deemed necessary in respect of the Company's investment in and the amounts due to the Company.

**c. Retirement Benefit Plans**

**1. 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.17,21,240/- (Rs.11,15,394/-) 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 scheme.

## VXL Instruments Limited

### 2. 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 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

The following table sets out the funded status of the gratuity plan and the amounts recognized in the Company's financial statements as at 31.03.2013.

Particulars	Amount in Rupees	
	As at 31st March, 2013	As at 31st March, 2012
1. Change in benefit obligation		
Projected Obligation at the beginning of the year	43,62,846	44,08,080
Interest Cost	3,84,367	3,52,646
Current Service Cost	4,41,736	3,55,069
Benefits Paid	(1,44,908)	(4,61,216)
Actuarial (Gain) / Loss	6,62,089	(2,91,733)
Projected Obligation at the end of the year	57,06,130	43,62,846
2. Change in Plan Assets		
Fair Value of the Plan Assets at the beginning of the year	4,46,739	8,41,420
Expected Return on Plan Assets	33,505	66,535
Employer's Contributions	3,00,000	–
Benefit Paid	(1,44,908)	(4,61,216)
Actuarial (Gain) / Loss	25,344	–
Adjustment related to prior year	–	–
Fair Value of the Plan Assets at the end of the year	6,60,680	4,46,739
Excess of (Obligations over Plan Assets) / Plan Assets Over Obligation	(50,45,450)	(39,16,107)
3. Net Gratuity & Other Costs at the end of the year		
Service Cost	4,41,736	3,55,069
Interest on defined benefit obligation	3,84,367	3,52,646
Expected Return on Plan Assets	(33,505)	(66,535)
Net Actuarial Gain recognized in the year	6,36,745	(2,91,733)
Adjustment related to prior year	–	–
Net Gratuity Costs for the year	14,29,343	3,49,447
4. Category of assets		
Insurer Managed Funds	6,60,680	4,46,739



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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%

**d. 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	2012-13	2011-12
i.	The principal amount and the interest due thereon		
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

**e. Segment Information**

The Company's segment information is as follows:

**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

## VXL Instruments Limited

<b>Primary Segments (Geographical Segments)</b>		Amount in Rs.	
<b>Description</b>	<b>2012-13</b>	<b>2011-12</b>	
Revenue (Sales and Services)			
Domestic	<b>7,70,36,429</b>	12,89,71,069	
Overseas	<b>76,60,94,732</b>	66,07,75,712	
	<b>84,31,31,161</b>	<b>78,97,46,781</b>	
Segment Result			
Domestic	<b>72,64,556</b>	2,05,55,250	
Overseas	<b>9,36,21,128</b>	9,62,22,119	
	<b>10,08,85,684</b>	<b>11,67,77,369</b>	
Less :			
Unallocated Expenses			
Overheads	<b>7,36,04,353</b>	6,19,08,407	
Interest	<b>2,32,54,718</b>	2,62,14,527	
Provision / (Credit ) for taxes	<b>3,75,444</b>	13,39,154	
Profit / (Loss) After Taxation	<b>36,51,169</b>	<b>2,73,15,281</b>	
<b>Secondary Segments (Business Segments)</b>			
Revenue (Sales and Services)			
Data Processing Units	<b>81,56,15,957</b>	76,71,60,018	
Service Charges	<b>5,71,563</b>	15,79,438	
Spares	<b>2,69,43,641</b>	2,10,07,325	
<b>Total</b>	<b>84,31,31,161</b>	<b>78,97,46,781</b>	
<b>f. Disclosure of related parties / related party transactions</b>			
<b>a. Parties where control exists</b>			
Name of the Related Party	Nature of Relationship		
i. VXL Instruments Limited (UK)	Subsidiary. The Company holds 60% in the nominal value of the equity share capital		
<b>b. Other related parties with whom transactions were carried out during the year</b>			
Name of the Related Party	Nature of Relationship		
Sattva eTech Private Limited	Company in which a Director is interested		
Ksense Technologies Private Limited	Company in which a Director is interested		
<b>c. Key management personnel and their relatives</b>			
Mr. Madireddy 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. Rishabh Shetty	(Son of Mr. M. V. Shetty)		
Mrs. Pravina Shetty	(Wife of Mr. M. V. Shetty)		
Mr. N V Maslekar	Director		

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**d. Disclosure of Related Party Transactions**

Amount in Rs.

<b>Particulars</b>	<b>2012-13</b>	2011-12
Interest paid		
Mr. Madireddy V. Nagaraj	<b>36,500</b>	36,500
Mr. M.V. Shetty	<b>1,47,575</b>	2,30,375
Total	<b><u>1,84,075</u></b>	<u>2,66,875</u>
Remuneration paid		
Mr. Madireddy V. Nagaraj	<b>23,27,007</b>	19,36,800
Mr. M.V. Shetty	<b>21,27,600</b>	18,69,600
Total	<b><u>44,54,607</u></b>	<u>38,06,400</u>
Reimbursement of expenses		
Ksense Technologies Private Limited	1,27,466	-

**e. Balances with related parties**

<b>Particulars</b>	<b>As at 31-03-13</b>	As at 31-03-12
Non Current Assets - Trade Receivables		
VXL Instruments Limited, UK	<b>6,66,06,528</b>	6,77,99,928
Other Current Liabilities - Deposits Payable		
Mr. Madireddy V. Nagaraj	<b>2,00,000</b>	2,92,000
Mr. M.V. Shetty	<b>2,00,000</b>	18,43,000
Sundry Debtors		
Ksense Technologies Private Limited	<b>1,83,664</b>	56,198
Sattva eTech Private Limited	<b>7,11,107</b>	7,51,107
<b>Non current Investments</b>		
VXL Instruments Limited, UK	<b>51,69,261</b>	51,69,261

**g. 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. 13,08,994 (Rs. 14,30,191). Contingent rent recognized in the Profit and Loss Account Rs. Nil.

Obligations on long-term, non-cancelable operating leases:

<b>Particulars</b>	<b>2012-13</b>	2011-12
Lease rentals recognized during the year	<b>13,08,994</b>	14,30,191
Lease obligations payable:		
Within one year of the Balance Sheet date	<b>24,00,000</b>	13,08,994
Due in a period between one year and five years	<b>24,00,000</b>	48,00,000
Due after five years	<b>Nil</b>	Nil

h. Confirmation of balance under Sundry Debtors, Loans & Advances, deposits and sundry creditors, other current liabilities are not obtained. In the opinion of the management Current assets and Loans & Advances

## VXL Instruments Limited

would in the ordinary course of business realise the values stated. Confirmation of balance has been obtained from Priya Limited which forms over 90% of Sales and Purchases

i. **Value of Imported and Indigenous Consumption during the year (as certified by the management)**

Particulars	31-Mar-13		31-Mar-12	
	%	Amount in Rs.	%	Amount in Rs.
Imported	89.79	60,58,58,149	96.09	56,93,31,102
Indigenous	10.21	6,89,01,031	3.91	2,31,73,062
<b>Total</b>	<b>100.00</b>	<b>67,47,59,180</b>	<b>100.00</b>	<b>59,25,04,164</b>

j. **Value of imports calculated on CIF Basis**

Raw materials	58,57,39,815	61,48,86,725
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k. **Expenditure in Foreign Currency**

Travelling	8,68,924	1,89,537
Certification Fees	9,43,973	18,26,751

l. **Earnings in foreign Currency calculated on FOB Basis**

Direct Exports	23,353	–
Deemed Exports through others	11,41,763	37,19,400
Third Party Exports	72,64,74,886	62,12,84,096

m. **Prior year expenses / (income) debited / (credited) to the Profit & Loss Account**

Particulars	31-Mar-13	31-Mar-12
Sitting Fees	24,000	–
Sales Promotion	10,800	–
Printing & Stationery	1,507	–
Others	45,626	–
	<u>81,933</u>	<u>–</u>

n. **Earnings per share (EPS)**

	31-Mar-13	31-Mar-12
Operations for the year		
Net Profit after tax for calculating Basic / Diluted EPS	36,51,169	2,73,15,281
Weighted average number of shares	1,33,50,000	1,33,50,000
Basic / Diluted EPS in Rupees	0.27	2.05

o. The revised Schedule VI is applicable to the Company for the year under review. The Company has reclassified the previous year figures to conform to the current year's presentation.

For Ishwar & Gopal  
Chartered Accountants

**K.V. Gopalakrishnayya**  
Partner

Membership No.: 21748  
FRN 001154S

Date : 29th May 2013  
Place : Bangalore

For and on behalf of the Board

**Madireddy V. Nagaraj**  
Managing Director

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

**N.V. Maslekar**  
Director

**Narayana Bhat**  
CFO & Company Secretary

**STATEMENT OF CASH FLOW FOR THE YEAR ENDING 31st MARCH, 2013**

Particulars	31.03.2013 Amount in Rs.	31.03.2012 Amount in Rs.
<b>CASH FLOW FROM OPERATIONS:</b>		
Net Income before current income taxes	40,26,613	2,86,54,435
Interest received	(12,49,266)	(12,45,499)
Dividend Received	-	(7,200)
Depreciation & Amortisation	80,74,596	1,11,14,868
Provision for doubtful debts	-	6,07,360
(Profit) / Loss on sale of fixed assets	(40,140)	(71,686)
Interest Expenses	2,32,54,718	2,62,14,527
(Increase)/decrease in Long term loans & advances	(28,75,506)	2,85,971
(Increase)/decrease in Other non current assets	11,93,400	-
(Increase)/decrease in Trade Receivables	(7,84,22,740)	(1,59,88,221)
(Increase)/decrease in Short term loans & advances	2,20,83,369	(2,54,09,063)
(Increase)/decrease in Other Current Assets	(5,69,784)	(7,358)
(Increase)/decrease in Inventories	1,42,44,046	1,74,67,623
Increase/(decrease) in Long term provisions	14,34,786	2,42,668
Increase/(decrease) in trade payables	2,95,39,000	(1,95,71,218)
Increase/(decrease) in Other current liabilities	54,02,945	15,42,635
Increase/(decrease) in Short term provisions	5,32,038	3,30,730
Current income tax	(58,337)	2,66,488
<b>Net cash from operations</b>	<b>2,65,69,739</b>	<b>2,44,27,060</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
<b>Interest Received</b>	<b>12,49,266</b>	<b>12,45,499</b>
Dividend Received	-	7,200
Proceeds from sale of fixed assets	48,035	1,66,402
Purchase of fixed assets	(22,58,929)	(40,91,190)
<b>Net cash from investing activities</b>	<b>(9,61,628)</b>	<b>(26,72,089)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
(Increase)/decrease in Long term Borrowings	(3,57,968)	7,19,905
(Increase)/decrease in Working Capital Borrowings	(2,08,042)	52,15,788
(Increase)/decrease in Other Short term Borrowings	(17,35,000)	-
Interest paid	(2,32,54,718)	(2,62,14,527)
<b>Net cash from financing activities</b>	<b>(2,55,55,728)</b>	<b>(2,02,78,833)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>52,383</b>	<b>14,76,138</b>
Cash and cash equivalents at the beginning of the year	1,83,95,500	1,69,19,362
Cash and cash equivalents at the end of the year	1,84,47,883	1,83,95,500
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>52,383</b>	<b>14,76,138</b>

For Ishwar & Gopal  
Chartered Accountants

For and on behalf of the Board

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

**Madireddy V. Nagaraj**  
Managing Director

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

**N. V. Maslekar**  
Director

Date : 29th May 2013  
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, 2013**

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 : 54,126 GBP  
ended 31st March 2013
  - b. For the previous financial years : (-) 18,22,938 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 : Nil  
ended 31st March 2012
  - b. For the previous financial years : Nil

**Madireddy V. Nagaraj**  
*Managing Director*

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

**N. V. Maslekar**  
*Director*

Date : 29th May 2013  
Place : Bangalore

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

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VXL Instruments Limited (UK)

**BOARD OF DIRECTORS**

<i>Directors</i>	Dipak S. Rao Madireddy V. Nagaraj Frank Noon M. V. Shetty
<i>Secretary</i>	Dipak S. Rao
<i>Registered Office</i>	Carrington Business Park Carrington, Manchester Cheshire M31 4DD
Registered Number	02687048 (England and Wales)
Accountants	GBJ LLP Registered Auditors Sterling House 27 Hatchlands Road Redhill Surrey RH16RW

## VXL Instruments Limited (UK)

### DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH 2013

The directors present their report with the financial statements of the company for the year ended 31st March, 2013.

#### 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, 2012 to the date of this report.

Dipak S. Rao / Madireddy V. Nagaraj / Frank Noon / M.V. Shetty

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

12th April 2013

On behalf of the board

**Dipak S. Rao**

*Director*

<b>BALANCE SHEET AS AT 31st MARCH 2013</b>			
	Notes	31.03.13 in GBP	31.03.12 in GBP
<b>Fixed assets</b>			
Intangible assets	4	–	–
Tangible assets	5	2,376	3,169
		<u>2,376</u>	<u>3,169</u>
<b>CURRENT ASSETS</b>			
Cash at bank		56,436	22,901
<b>CREDITORS</b>			
Amounts falling due within one year	6	7,46,347	7,56,818
<b>NET CURRENT LIABILITIES</b>			
		(6,89,911)	(7,33,917)
<b>TOTAL ASSETS</b>			
<b>LESS: CURRENT LIABILITIES</b>			
		(6,87,535)	(7,30,748)
<b>CREDITORS</b>			
Amounts falling due after more than one year	7	9,01,277	9,12,190
<b>NET LIABILITIES</b>			
		(15,88,812)	(16,42,938)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	1,80,000	1,80,000
Profit and loss account	9	(17,68,812)	(18,22,938)
<b>SHAREHOLDERS' FUNDS</b>			
		(15,88,812)	(16,42,938)

#### TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2013

	31.03.13 in GBP	31.03.12 in GBP
<b>Turnover</b>	<b>32,29,544</b>	29,78,437

Cost of sales	<b>7,81,409</b>	6,39,581
<b>GROSS PROFIT</b>	<b>24,48,135</b>	23,38,856
<b>Administrative expenses</b>	<b>23,94,009</b>	22,97,229
<b>OPERATING PROFIT and PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
	<b>54,126</b>	41,627
Tax on profit on ordinary activities	3	–
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>54,126</b>	41,627

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31st March 2013.

The members have not required the company to obtain an audit of its financial statements for the year ended 31st March 2013 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 Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The notes form part of these financial statements.

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 12th April 2013 and were signed on its behalf by Mr. Dipak S. Rao



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013**

**1. Accounting Policies**

**1.1 Accounting Convention**

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).

**Turnover**

Turnover represents net invoiced sales of goods, excluding value added tax.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

**Pensions:** The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

	<b>31.03.13</b>	31.03.12
	<b>GBP</b>	GBP

**2. Operating Profit**

Operating profit is stated after charging

Depreciation-owned assets	793	1,056
Directors' remuneration and other benefits etc	1,73,161	1,14,000

**3. Taxation**

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 March 2013 nor for the year ended 31st, March 2012.

**4. Intangible Assets**

COST

At 1 April 2012 and 31 March 2013	13,875
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AMORTISATION

At 1 April 2012 and 31 March 2013	13,875
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NET BOOK VALUE

At 31 March 2013	-
At 31 March 2012	-

**5. TANGIBLE FIXED ASSETS**

PLANT AND MACHINERY etc., COST

At 1 April 2012 and 31 March 2013	1,26,917
-----------------------------------	----------

DEPRECIATION

At 1 April 2012	1,23,748
-----------------	----------

Charge for year	793
At 31 March 2013	1,24,541

NET BOOK VALUE

At 31 March 2013	2,376
At 31 March 2012	3,169

**6. Creditors: amounts falling due within one year.**

	<b>31.03.13</b>	31.03.12
	<b>GBP</b>	GBP
Trade creditors	5,42,793	5,92,319
Taxation and social security	1,76,975	1,50,259
Other creditors	<u>26,579</u>	<u>14,240</u>
	<u>7,46,347</u>	<u>7,56,818</u>

**7. Creditors: amounts falling due for more than one year**

Other creditors	9,01,277	9,12,190
-----------------	----------	----------

**8. Called-up Share capital**

Allotted, issued and fully paid 180,000 Ordinary Shares of GBP 1 each	180,000	180,000
--	---------	---------

**9. RESERVES**

At 1 April 2012	(18,22,938)	(18,64,566)
Profit for the year	54,126	41,628
At 31 March 2013	(17,68,812)	(18,22,938)

**10. Related party transactions**

The amount due to VXL instruments Limited as at the balance sheet date amounted to GBP 7,54,134 (2012 - GBP 7,54,134) and is included in note 7 to the financial statements.

**11. Ultimate Controlling Party**

The directors consider VXL Instruments Limited a Company registered in India, as its ultimate holding company.

It holds 60% of the Company's issued share capital.

**Report of the Accountants to the Directors of VXL Instruments Ltd.,**

As described on the balance sheet you are responsible for the preparation of the financial statements for the year ended 31 March 2013 set out on pages 48 to 49 and you consider that the company is exempt from an audit.

In accordance with your instructions, we have compiled these unaudited financial statements in order to assist you to fulfil your statutory responsibilities, from the accounting records and information and explanations supplied to us.

GBJ LLP  
Registered Auditors  
Sterling House  
27 Hatchlands Road  
Redhill  
Surrey  
RH16RW

12th April 2013

**VXL Instruments Limited (UK)**
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2013**

Particulars	Amount in GBP			
	31-Mar-13	31-Mar-13	31-Mar-12	31-Mar-12
Sales		<b>32,29,544</b>		29,78,437
Cost of sales				
Materials	<b>7,76,033</b>		6,05,897	
Carriage inwards and import duty	<b>5,376</b>		33,684	
		<b>7,81,409</b>		6,39,581
<b>GROSS PROFIT</b>		<b>24,48,135</b>		<b>23,38,856</b>
Expenditure				
Directors' salaries	<b>1,73,161</b>		1,14,000	
Directors' pensions paid	<b>20,484</b>		-	
Wages	<b>2,47,010</b>		3,37,503	
Employers National Insurance	<b>45,457</b>		56,036	
Rent and other charges	<b>32,300</b>		58,261	
Insurance	<b>6,001</b>		5,077	
Telephone	<b>26,820</b>		28,717	
Post and stationery	<b>1,418</b>		2,827	
Advertising	<b>20,128</b>		35,354	
Travelling and subsistence	<b>86,435</b>		55,080	
Motor expenses-	-		42,885	
Computer software and parts	<b>7,084</b>		6,044	
Repairs and renewals	<b>90</b>		75	
Sundry expenses	<b>1,979</b>		17	
Profit/(loss) on exchange	<b>(28,070)</b>		9,998	
Staff welfare	<b>1,162</b>		1,174	
Accountancy	<b>3,900</b>		3,795	
Consultancy Fees	<b>61,659</b>		-	
Legal and professional fees	<b>11,202</b>		2,417	
Overseas office expenses	<b>16,71,343</b>		15,25,551	
Entertainment	-		6,010	
Medical Insurance	<b>3,050</b>		3,103	
Donations	<b>86</b>		1,608	
		<b>23,92,699</b>		22,95,532
		<b>55,436</b>		43,324
Finance costs		-		-
Bank charges		<b>517</b>		641
Carried forward		<b>54,919</b>		42,683
Brought forward		<b>54,919</b>		42,683
Depreciation				
Plant and machinery		<b>793</b>		1,056
<b>NET PROFIT</b>		<b>54,126</b>		<b>41,627</b>

**CONSOLIDATED  
ACCOUNT  
STATEMENTS**

**INDEPENDENT AUDITORS' REPORT  
to the Board of Directors of VXL Instruments Limited**

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of VXL Instruments Limited ("the Company"), which comprise the Consolidated Balance Sheet as at March 31, 2013, and the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Company's management is responsible for the preparation of these financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 31st March 2013 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 Total Assets Rs.48,58,404/- and Total Revenue Rs.26,41,92,495/-.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

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 – notified under section 211 (3C) of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India subject to

- a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
- c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

**Emphasis of Matter**

*We draw attention to Note No.2 (b) of notes to the accounts, regarding recognition and quantification of deferred tax asset of Rs. 8,39,13,262/- based on the opinion of the management that the same would be adjusted against future profits. Our opinion is qualified in respect of this matter.*

**For Ishwar & Gopal**  
Chartered Accountants

**K. V. Gopalakrishnaya**  
Partner

Place : Bangalore  
Date : 29th May 2013

Membership No 21748  
FRN 001154S

**Twenty Seventh Annual Report 2012 - 2013**

**CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2013**

Amount in Rs.

Sl. No.	Particulars	Note No.	As at 31-Mar-13	As at 31-Mar-13	As at 31-Mar-12	As at 31-Mar-12
<b>I EQUITY AND LIABILITIES</b>						
<b>1. Shareholders' funds</b>						
	a. Share Capital	3	13,33,53,000		13,33,53,000	
	b. Reserves and Surplus	4	7,43,93,733		9,94,57,489	
				20,77,46,733		23,28,10,489
<b>2. Non-current liabilities</b>						
	a. Long Term borrowings	5	8,20,157		11,78,125	
	b. Other long term liabilities	6	6,00,00,000		28,00,00,000	
	c. Long term provisions	7	1,23,65,599		1,09,30,813	
				7,31,85,756		29,21,08,938
<b>3. Current Liabilities</b>						
	a. Short term borrowings	8	9,31,67,714		9,51,10,756	
	b. Trade payables	9	23,67,90,777		24,20,67,916	
	c. Other Current liabilities	10	7,52,72,068		3,55,34,213	
	d. Short term provisions	11	21,57,051		16,25,013	
				40,73,87,610		37,43,37,898
	<b>Total</b>			<b>68,83,20,099</b>		<b>89,92,57,325</b>
<b>II ASSETS</b>						
<b>1. Non-current assets</b>						
	a. Fixed Assets	12				
	i. Tangible Assets	a	17,00,63,056		10,45,51,940	
	ii. Intangible Assets	b	-		37,11,042	
	iii. Assets held for sale	c	11,00,00,000		21,07,65,406	
				28,00,63,056		31,90,28,388
	b. Non-current investments	13	60,000		60,000	
	c. Deferred tax assets (net)	14	8,39,13,262		8,42,88,706	
	d. Long term loans & advances	15	1,19,35,026		90,59,520	
	e. Other non current assets	16	-		-	
				9,59,08,288		9,34,08,226
<b>2. Current Assets</b>						
	a. Inventories	17	21,19,74,762		22,62,18,808	
	b. Trade receivables	18	6,96,61,641		21,12,38,901	
	c. Cash & Cash equivalents	19	2,30,47,981		2,02,43,381	
	d. Short term loans & advances	20	69,34,669		2,89,59,703	
	e. Other Current assets	21	7,29,702		1,59,918	
				31,23,48,755		48,68,20,711
	<b>Total</b>			<b>68,83,20,099</b>		<b>89,92,57,325</b>

Summary of Significant Accounting Policies 1  
 The accompanying notes are an integral part of the Financial Statements 2  
 As per 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

**Madireddy V. Nagaraj**  
 Managing Director

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

**N. V. Maslekar**  
 Director

Date : 29th May 2013  
 Place : Bangalore

**Narayana Bhat**  
 CFO & Company Secretary

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Particulars	As at 31.03.2013		As at 31.03.2012	
	Number	Amount in Rs.	Number	Amount in Rs.
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
a. Equity Shares	1,50,00,000	15,00,00,000	1,50,00,000	15,00,00,000
<b>b. Issued</b>				
Equity Shares	1,33,50,000	13,33,53,000	1,33,50,000	13,33,53,000
<b>Subscribed and paid fully</b>				
Equity Shares	1,33,22,500	13,32,25,000	1,33,22,500	13,32,25,000
<b>Subscribed but not not paid fully</b>				
Equity Shares	27,500	1,28,000	27,500	1,28,000
<b>Total</b>	<b>1,33,50,000</b>	<b>13,33,53,000</b>	<b>1,33,50,000</b>	<b>13,33,53,000</b>

c. Par value Rs. 10 per equity share

d. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Particulars	As at 31.03.2013		As at 31.03.2012	
	Number	Amount in Rs.	Number	Amount in Rs.
Equity Shares				
Outstanding at the beginning of the period	1,33,50,000	13,33,53,000	1,33,50,000	13,33,53,000
Outstanding at the end of the period	1,33,50,000	13,33,53,000	1,33,50,000	13,33,53,000

e. Terms / Rights attached to equity shares

The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of an equity share is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of share holders in the Annual General Meeting.

During the year, the Company has not declared any dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of shares held by the equity share holders.

f. Shares held by each shareholder holding more than 5 percent shares specifying the number of shares held

Name of the Shareholder	As at 31.03.2013		As at 31.03.2012	
	No. of shares held	% of holding	No. of shares held	% of holding
Tefuli Ltd	19,50,000	14.61	19,50,000	14.61
Tintur Investments Ltd	19,25,000	14.42	19,25,000	14.42
Breezetop Investments Ltd	19,25,000	14.42	19,25,000	14.42
Daymount Ltd	17,85,000	13.37	17,85,000	13.37
Priya Ltd	9,00,000	6.74	9,00,000	6.74

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

	As at 31.03.2013 Amount in Rs.	As at 31.03.2012 Amount in Rs.
g. Calls unpaid (showing aggregate value of calls)		
- Unpaid by directors and officers	Nil	Nil
- Unpaid by Others	1,47,000	1,47,000
<b>4. RESERVES &amp; SURPLUS</b>		
<b>a. Capital Reserve</b>		
Balance as per last financial statement	20,53,645	20,53,645
<b>b. Securities Premium Account</b>		
Balance as per last financial statement	13,72,88,827	13,72,88,827
<b>c. Revaluation Reserve</b>		
Balance as per last financial statement	29,07,61,480	29,07,61,480
Add: Additions on revaluation of Land	<u>(3,31,44,366)</u>	<u>-</u>
	25,76,17,114	29,07,61,480
<b>d. Other Reserves</b>		
<b>i Foreign Currency Translation Reserve</b>		
Balance as per last balance sheet	1,61,08,007	3,85,87,413
Add / (Less): Effect of foreign exchange rate variations during the year	<u>59,65,134</u>	<u>(2,24,79,406)</u>
	2,20,73,141	1,61,08,007
<b>ii General Reserve</b>		
Balance as per last financial statement	<u>25,99,897</u>	<u>25,99,897</u>
	25,99,897	25,99,897
<b>iii Deferred Tax Reserve</b>		
Balance as per last financial statement	36,05,947	18,382,952
Less : Withdrawn during the year	<u>-</u>	<u>(1,47,77,005)</u>
	36,05,947	36,05,947
<b>e. Surplus / (Deficit) in Statement of Profit &amp; Loss Account</b>		
Balance as per last financial statement	(35,29,60,314)	(37,76,14,750)
Profit for the year	<u>21,15,476</u>	<u>2,46,54,436</u>
Net surplus / (Deficit) in statement of Profit & Loss Account	<u>(35,08,44,837)</u>	<u>(35,29,60,314)</u>
<b>Total Reserves &amp; Surplus</b>	<u>7,43,93,733</u>	<u>9,94,57,489</u>
<b>5. LONG TERM BORROWINGS</b>		
<b>a. Term Loans</b>		
- From Banks - Secured *	<u>13,11,005</u>	<u>17,07,003</u>
Total Long term borrowings	13,11,005	17,07,003
Less: Instalments of term loan payable within a year	<u>4,90,848</u>	<u>5,28,878</u>
Total Long term borrowings**	<u>8,20,157</u>	<u>11,78,125</u>

\* Term loan from banks is secured by hypothecation of vehicles. The loan is repayable in 60 equated monthly instalments of Rs. 28,970/- each and 36 equated monthly instalments Rs.11,934/- each. Instalments payable within a year Rs. 4,90,848/- (Rs. 528,878/-)

\*\* Other long term borrowing is repayable after 1 year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

	As at 31.03.2013 Amount in Rs.	As at 31.03.2012 Amount in Rs.
<b>6. OTHER LONG TERM LIABILITIES</b>		
Advance against sale of assets	<u>6,00,00,000</u>	28,00,00,000
	<u>6,00,00,000</u>	<u>28,00,00,000</u>
<b>7. LONG TERM PROVISIONS</b>		
<b>a Provision for employee benefits</b>		
i Gratuity	36,85,387	28,57,808
ii Leave Benefits	21,37,546	15,30,339
<b>b Others</b>	65,42,666	65,42,666
	<u>1,23,65,599</u>	<u>1,09,30,813</u>
<b>8. SHORT TERM BORROWINGS</b>		
<b>a. Loans repayable on demand</b>		
from Banks - Working Capital Borrowings *	9,27,67,714	9,29,75,756
<b>Deposits (Unsecured)</b>		
from Directors	4,00,000	21,35,000
	<u>9,31,67,714</u>	<u>9,51,10,756</u>
* Working capital borrowings and acceptances from a bank is secured by hypothecation of stocks and trade receivable and other current assets, collateral security of land, building, plant & machinery and personal guarantee of some of the directors		
<b>9. TRADE PAYABLES</b>		
Due to Micro, Small and Medium Enterprises	-	-
Due to other than Micro, Small and Medium Enterprises	10,12,90,777	11,15,67,916
Acceptances	13,55,00,000	13,05,00,000
	<u>23,67,90,777</u>	<u>24,20,67,916</u>
<b>10. OTHER CURRENT LIABILITIES</b>		
<b>a Current maturities of long term debts</b>		
Current maturities of term loan due to a bank	4,90,848	5,28,878
<b>b Other payables</b>		
i Advances from Customers	21,42,058	15,420
ii Liabilities for expenses	7,26,39,162	3,49,89,915
	<u>7,52,72,068</u>	<u>3,55,34,213</u>
<b>11. SHORT TERM PROVISIONS</b>		
<b>Provision for employee benefits</b>		
i Gratuity	13,60,063	10,58,299
ii Leave Benefits	7,96,988	5,66,714
	<u>21,57,051</u>	<u>16,25,013</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in Rupees)

12. FIXED ASSETS

DESCRIPTION	GROSS BLOCK						DEPRECIATION					NET BLOCK		
	As at 1st April, 2012	Additions/ Reversals	Disposals/ Reversals	Exchange Fluctuation Adjustment	As at 31st March, 2013	As at 1st April, 2012	Charge for the year/ Amortisation	Reversals	Exchange Fluctuation Adjustment	As at 31st March, 2013	As at 31st March, 2013	As at 31st March, 2012		
COSTOR VALUATION														
a. TANGIBLE ASSETS														
Land	8,71,56,000	6,74,65,200	-	-	15,46,21,200	-	-	-	-	-	15,46,21,200	8,71,56,000		
Buildings	1,31,18,053	1,62,610	-	-	1,32,80,663	91,58,142	4,23,175	-	-	95,81,317	36,99,346	39,89,911		
Plant & Equipment	7,72,47,926	11,37,008	-	-	7,83,84,934	7,21,09,674	14,26,383	-	-	7,35,36,057	48,48,877	51,38,252		
Furniture & Fixture	93,92,306	3,85,888	-	-	97,78,194	90,33,429	2,56,615	-	-	92,90,044	4,86,150	3,58,877		
Vehicles	61,03,709	-	(4,62,100)	-	56,41,609	35,65,916	6,65,133	(4,54,205)	-	37,76,845	18,64,764	25,37,793		
Office Equipment	4,53,01,249	5,73,423	-	1,04,072	4,59,78,744	3,99,00,142	15,01,046	-	36,836	4,14,38,024	45,40,719	54,01,107		
Sub Total	23,83,19,243	6,97,24,129	(4,62,100)	1,04,072	30,76,85,344	13,37,67,303	42,72,353	(4,54,205)	36,836	13,76,22,288	17,00,63,056	10,45,51,940		
b. INTANGIBLE ASSETS														
Product Development	1,22,52,703	-	(1,11,33,129)	11,377	11,30,951	85,41,661	37,11,042	(1,11,33,129)	11,377	11,30,951	-	37,11,042		
Total	25,05,71,946	6,97,24,129	(1,15,95,229)	1,15,449	30,88,16,295	14,23,08,964	79,83,395	(1,15,87,334)	48,213	13,87,53,239	17,00,63,056	10,82,62,982		
Previous year	47,28,08,294	40,97,241	(22,75,35,379)	12,01,790	25,05,71,946	14,66,10,450	1,12,00,077	(1,66,75,257)	11,73,694	14,23,08,964	10,82,62,982	32,61,97,844		
c. Assets held for sale														
Land	20,76,48,614	-	(10,06,09,566)	-	10,70,39,048	-	-	-	-	-	10,70,39,048	20,76,48,614		
Building	95,28,701	-	-	-	95,28,701	64,11,909	1,55,840	-	-	65,67,749	29,60,952	31,16,792		
Total	21,71,77,315	-	(10,06,09,566)	-	11,65,67,749	64,11,909	1,55,840	-	-	65,67,749	11,00,00,000	21,07,65,406		
Previous year	-	21,71,77,315	-	-	21,71,77,315	-	64,11,909	-	-	64,11,909	21,07,65,406	-		

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

	As at 31.03.2013 Amount in Rs.	As at 31.03.2012 Amount in Rs.
<b>13. NON CURRENT INVESTMENTS</b>		
Investment in equity instruments		
2,400 (2,400) equity shares of The Shamrao Vithal Co-operative Bank Limited of par value Rs. 25 each, fully paid up	60,000	60,000
	<u>60,000</u>	<u>60,000</u>
Basis of Valuation: Investments are stated at cost. Aggregate amount of unquoted investments.		
<b>14. DEFERRED TAX ASSETS / (LIABILITIES)</b>		
On account of		
Carry forward losses	6,66,72,841	6,59,28,769
Temporary disallowances under Income Tax	1,24,12,596	1,45,51,749
Depreciation	48,27,826	38,08,187
	<u>8,39,13,262</u>	<u>8,42,88,706</u>
<b>15. LONG TERM LOANS AND ADVANCES</b>		
<b>a. Security Deposits</b>		
i Considered Doubtful	—	50,000
Less : Provision for doubtful deposits	—	50,000
ii Considered Good	39,30,503	36,26,503
<b>b. Other Loans &amp; Advances [Unsecured]</b>		
<b>i Considered Good</b>		
- Advance to Suppliers	25,74,506	3,000
- Payments to statutory authorities	54,30,017	54,30,017
<b>ii Considered Doubtful</b>		
- Advance to suppliers	2,95,22,880	2,95,22,880
- Employee Advances	2,92,458	2,92,458
	<u>2,98,15,338</u>	<u>2,98,15,338</u>
Less : Provision for Doubtful Advances	2,98,15,338	—
	<u>1,19,35,026</u>	<u>90,59,520</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

	As at 31.03.2013 Amount in Rs.	As at 31.03.2012 Amount in Rs.
<b>16. OTHER NON CURRENT ASSETS</b>		
Long term trade receivables (including trade receivables on deferred credit terms)		
Unsecured, Considered Doubtful	67,38,957	1,33,61,595
Less : Provision for doubtful debts	<u>67,38,957</u>	<u>1,33,61,595</u>
	-	-
	<u>-</u>	<u>-</u>
<b>17. INVENTORIES</b>		
Raw Materials	18,71,61,166	15,49,23,345
Raw Materials in Transit	44,16,863	2,30,59,718
Work in progress	-	2,60,95,035
Finished Goods	<u>2,03,96,733</u>	<u>2,21,40,710</u>
	<u>21,19,74,762</u>	<u>22,62,18,808</u>
Mode of Valuation: Inventories are valued at under FIFO method and estimated at net realisable value. Provision had been made in the accounts for damaged, obsolete and slow moving items.		
<b>18. TRADE RECEIVABLES</b>		
[ Unsecured, Considered Good ]		
Aggregate amount of Trade Receivables outstanding for a period exceeding six months from the date they are due for payment	1,95,503	10,70,132
Others	<u>6,94,66,138</u>	<u>21,01,68,769</u>
	<u>6,96,61,641</u>	<u>21,12,38,901</u>
<b>19. CASH AND CASH EQUIVALENTS</b>		
<b>a. Balance with banks</b>		
i on Current Account	49,22,233	20,10,040
ii on Deposit Account	11,57,884	15,71,604
iii on Exchange Earner's Foreign Currency Account	34,964	65,827
<b>b. Cash on Hand</b>	<b>9,34,140</b>	<b>5,97,151</b>
<b>c. Balances with banks held as margin money or security against the borrowings, guarantees, other commitments</b>	<b>1,59,98,760</b>	<b>1,59,98,760</b>
	<u>2,30,47,981</u>	<u>2,02,43,381</u>
<b>20. SHORT TERM LOANS AND ADVANCES</b>		
<b>Other Loans &amp; Advances</b>		
<b>[Considered Good]</b>		
i Advance Income Tax (net of provision for taxation)	6,09,655	5,51,319
ii Prepaid Expenses	14,08,989	18,70,877
iii Advance to Suppliers	22,53,217	2,48,11,350
iv Balance with statutory / Government authorities	25,05,913	15,29,294
v Employee Advances	<u>1,56,895</u>	<u>1,96,863</u>
	<u>69,34,669</u>	<u>2,89,59,703</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

	As at 31.03.2013 Amount in Rs.	As at 31.03.2012 Amount in Rs.
<b>21. OTHER CURRENT ASSETS</b>		
Interest accrued but not due on deposits	<u>7,29,702</u>	<u>1,59,918</u>
	<u>7,29,702</u>	<u>1,59,918</u>
<b>CONTINGENT LIABILITIES</b>		
<b>Other money for which Company is contingently liable</b>		
a. Bills discounted with Banks (secured by letters of credit from buyer's bankers)	<b>4,85,00,000</b>	1,35,00,000
b. Employee Provident Fund Contributions under appeal [ Out of which Rs. 10,69,469/- has been deposited with the respective authorities and shown under non current assets ]	<b>14,06,365</b>	14,06,365
c. Central Sales Tax liability under appeal [ Out of which Rs. 43,60,548/- has been deposited with the respective authorities and shown under non current assets ]	<b>1,56,21,840</b>	1,56,21,840
d. Service Tax Liability under dispute on the import of software license sticker labels considered as goods by Customs while importing	<b>9,22,36,515</b>	7,66,82,997
e. Education cess on excise duty	<b>3,26,098</b>	3,26,098
f. Disputed Customs Duty	<b>7,70,839</b>	-
g. Other disputed tax liabilities	<b>5,95,520</b>	5,95,520

h. The Company has closed the unit manufacturing GVX 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. Now the matter is before the High Court of Karnataka. 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.

**NOTES:**

Sl. No. b: The Honourable High Court of Karnataka has directed the Assistant Provident Fund Commissioner to consider the grievance of the Company for reducing the Penalty.

Sl. No. c: Financial year 2001-02 to 2004-05:- Karnataka Appellate Tribunal (KAT) has given relief to the Company to the extent of Rs. 30,91,083/- as allowed in the case of Adeshwar Granites Pvt. Ltd by the Honourable High Court (HC) of Karnataka. Further KAT has directed the Deputy Commissioner to rectify the error in respect of Rs. 23,06,054/-. The Company would be filing the Appeal in respect of the balance.

Financial Year 2005-06 & 2006-07:- Out of Rs. 58,78,406/-, Rs. 43,60,548/- has been deposited with the respective authorities and part of this dispute is covered by Adeshwar Granites case, Matter is pending before the Joint Commissioner.

Sl. No. d: In respect of service tax pending before the Commissioner /CESTAT the Company's Consultants are of the opinion that the Company has good chances of winning the case since Customs is treating the sticker labels as goods while importing and hence no provision has been made for the same.

Sl. No. e: Commissioner Appeals has given the Order in favour of the Company but the Department has preferred Appeal before CESTAT

Sl. No. f: Commissioner, Customs has given the Order in favour of the Company but the Department has appealed to CESTAT

**Twenty Seventh Annual Report 2012 - 2013**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2013**

Particulars	Note No.	Amount in Rs.			
		Figures for the current reporting period		Figures for the previous reporting period	
		31-Mar-13	31-Mar-13	31-Mar-12	31-Mar-12
I Revenue from operations	22	<b>1,10,50,47,179</b>		1,01,56,31,443	
II Other Income	23		<b>1,53,97,726</b>		1,61,03,501
III <b>Total Revenue (I +II)</b>			<b>1,12,04,44,905</b>		<b>1,03,17,34,944</b>
IV Expenses:					
Cost of materials consumed	24		<b>73,95,77,056</b>		63,96,55,069
Changes (Increase) / Decrease in inventories of finished goods, work-in-progress and Stock-in-Trade	25		<b>2,78,39,012</b>		4,48,32,699
Employee benefits expense	26		<b>9,02,53,827</b>		7,31,20,050
Financial costs	27		<b>2,32,97,603</b>		2,62,64,409
Depreciation and amortization expense	28		<b>81,39,234</b>		1,12,00,077
Other expenses	29		<b>22,88,47,253</b>		21,06,69,050
<b>Total Expenses</b>			<b>1,11,79,53,985</b>		<b>1,00,57,41,354</b>
V Profit before tax (III - IV)			<b>24,90,920</b>		2,59,93,590
VI Tax expense:					
(1) Current tax (relating to earlier year)			-		-
(2) Deferred tax					
Deferred Tax expense		<b>3,75,444</b>		1,61,16,159	
Less: Deferred Tax Reserve Withdrawn		-	<b>3,75,444</b>	<b>(1,47,77,005)</b>	13,39,154
VII Profit(Loss) from the period from continuing operations (V - VI)			<b>21,15,476</b>		2,46,54,436
VIII Earning per equity share:					
(1) Basic and Diluted			<b>0.16</b>		1.85
Summary of Significant Accounting Policies	1				
The accompanying notes are an integral part of the Financial Statements	2				

As per our Report of even date

For Ishwar & Gopal  
Chartered Accountants

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

Date : 29th May 2013  
Place : Bangalore

For and on behalf of the Board

**Madireddy V. Nagaraj**  
Managing Director

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

**N. V. Maslekar**  
Director

**Narayana Bhat**  
CFO & Company Secretary

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

	As at 31.03.2013 Amount in Rs.	As at 31.03.2012 Amount in Rs.
<b>22. REVENUE FROM OPERATIONS</b>		
Sale of Products	1,11,65,49,825	1,02,64,47,450
Sale of Services	5,71,563	15,79,438
Revenue from operations (Gross)	<u>1,11,71,21,388</u>	<u>1,02,80,26,888</u>
Less: Excise Duty	1,20,74,209	1,23,95,445
Revenue from operations (Net)	<u>1,10,50,47,179</u>	<u>1,01,56,31,443</u>
<b>Details of Products Sold</b>		
Finished Goods Sold		
Data Processing Units	1,11,65,49,825	1,02,64,47,450
	<u>1,11,65,49,825</u>	<u>1,02,64,47,450</u>
<b>Details of Services Rendered</b>		
AMC / Repair Services	5,71,563	15,79,438
	<u>5,71,563</u>	<u>15,79,438</u>
<b>23. OTHER INCOME</b>		
a. Interest Income on Bank Deposits	12,49,887	12,72,205
b. Interest Income on Others	621	26,706
c. Dividend Income on Long Term Investments	-	7,200
d. Net gain / (loss) on foreign currency transaction and translation	45,38,394	26,31,809
e. Other non-operating income (net of expenses)		
i Net gain / loss on sale of fixed assets	40,140	71,686
ii Refund received from Statutory Authorities	-	7,14,998
iii Provision for bad debts Withdrawn	76,57,733	1,13,69,297
iv Others	19,10,950	9,600
	<u>96,08,823</u>	<u>1,21,65,581</u>
	<u>1,53,97,726</u>	<u>1,61,03,501</u>
<b>24. Cost of materials consumed</b>		
Cost of raw materials consumed	73,81,51,177	63,86,83,815
Packing Materials	14,25,879	9,71,254
	<u>73,95,77,056</u>	<u>63,96,55,069</u>
a. Mother Board	27,71,06,801	20,78,92,048
b. Flash memory	9,09,40,733	6,80,67,298
c. DDR Ram	7,11,56,210	5,76,17,280
d. Fab Items	5,08,31,933	4,84,46,043
e. Power Supply	4,90,57,471	3,76,73,181
f. Software License	8,86,29,041	11,09,45,721
g. Others	19,90,58,029	10,80,42,244
	<u>73,81,51,177</u>	<u>63,86,83,815</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

	As at 31.03.2013 Amount in Rs.	As at 31.03.2012 Amount in Rs.
<b>25. Changes (Increase) / Decrease in inventories of finished goods, work-in-progress and Stock-in-Trade</b>		
Inventories at the end of the year		
a. Work in Progress	-	2,60,95,035
b. Finished Goods	<u>2,03,96,733</u>	<u>2,21,40,710</u>
	<u>2,03,96,733</u>	<u>4,82,35,745</u>
Inventories at the beginning of the year		
a. Work in Progress	<u>2,60,95,035</u>	5,86,42,164
b. Finished Goods	<u>2,21,40,710</u>	<u>3,44,26,280</u>
	<u>4,82,35,745</u>	<u>9,30,68,444</u>
 Changes (Increase) / Decrease in inventories of finished goods, work-in-progress and Stock-in-Trade	 <b>2,78,39,012</b>	 4,48,32,699
<b>26. Employee Benefit Expenses</b>		
Salaries and Wages	<b>8,61,14,409</b>	7,07,56,257
Contribution to provident & Other Funds	<b>34,35,784</b>	17,85,673
Staff Welfare expenses	<b>7,03,634</b>	5,78,120
	<u>9,02,53,827</u>	<u>7,31,20,050</u>
<b>27. Financial Costs</b>		
Interest Expense *	<b>1,56,20,896</b>	1,61,98,654
Other Borrowing Costs	<b>76,76,707</b>	1,00,65,755
	<u>2,32,97,603</u>	<u>2,62,64,409</u>
* includes interest paid on deposit to Managing Director and Whole time Director Rs. 1,84,045/- (Rs. 2,95,827)		
<b>28. Depreciation and amortisation expenses</b>		
Depreciation of tangible assets	<b>44,28,192</b>	44,83,479
Amortisation of intangible assets	<b>37,11,042</b>	67,16,598
	<u>81,39,234</u>	<u>1,12,00,077</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

	As at 31.03.2013 Amount in Rs.	As at 31.03.2012 Amount in Rs.
<b>29. Other Expenses</b>		
Consumption of Stores & Spare parts	2,86,674	6,63,371
Power and Fuel	9,77,579	9,61,404
Rent	39,88,279	59,64,062
Repairs to Buildings	11,133	343
Repairs to Machinery	5,87,618	4,70,344
Insurance	20,06,310	16,54,265
Rates & Taxes, excluding taxes on income	4,54,715	5,30,927
Remuneration to Auditors	4,76,114	4,28,280
Consultancy/Certification Charges	1,39,59,162	1,51,77,336
Freight & Forwarding	3,99,51,953	4,14,56,961
Provision for Doubtful debts / advances	-	6,07,360
Bad Debts / Advances written off	4,48,571	
Less: Provision for doubtful advances withdrawn	<u>4,44,434</u>	4,137
Travelling and Conveyance	33,59,971	1,04,33,536
Communication expenses	43,57,689	38,22,069
Directors' Sitting Fees	1,32,000	96,000
Miscellaneous	64,48,126	43,48,370
Repairs to Others	8,50,512	8,39,404
Advertisement/ Sales Promotion / Brokerage / Post sales support / Entertainment	15,09,85,380	12,29,68,632
Sales Commission	9,900	2,45,560
	<u>22,88,47,253</u>	<u>21,06,69,050</u>
<b>Remuneration to Auditor</b>		
As auditor		
Audit fees	2,90,000	2,90,000
Tax Audit fees	85,000	85,000
VAT audit fees	-	-
In Other Capacity	-	-
Certification	74,515	35,000
Reimbursement of expenses	26,599	18,280
	<u>4,76,114</u>	<u>4,28,280</u>



**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS**

**1. Significant Accounting Policies:**

**a. Corporate Information**

VXL Instruments Limited is a Public Limited Company listed in Bombay Stock Exchange Ltd. The Company is engaged in the business of manufacture and sale of data processing units.

**b. Basis of preparation**

The financial statements of the Company and its Foreign subsidiary have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material aspects with the Accounting Standards notified under the Companies (Accounting Standard ) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis and under the historical cost convention except for land which are carried at revalued amounts. The accounting policies adopted in the preparation of financial statements are consistent with those of the previous year.

The financial statements of foreign subsidiary are prepared in compliance with the local laws and applicable Accounting Standards.

**c. 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.

**d. Fixed assets**

Fixed assets 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.

**e. 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.

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.

**f. 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.

**g. 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.

## VXL Instruments Limited

### **h. Investments**

Non current 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.

### **i. Inventories**

Inventories are valued at under FIFO method and estimated at net realisable value. Provision had been made in the accounts for damaged, obsolete and slow moving items.

### **j. Employee Benefits:**

#### **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.

#### **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.

### **k. 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.

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.

### **l. 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.

### **m. 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.

In case of the subsidiary in UK the Income Tax liability recognized is Rs. Nil (Rs. Nil)

**n. Warranties**

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

**o. 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.

**p. 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.

**q. 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.

**r. Segment Reporting**

Revenue, operating results, assets and liabilities has 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".

**2 Notes on accounts forming part of financial statements.**

**Change in Accounting Policies**

The Company has changed the basis of determining cost from weighted average method to First in First Out method for determining the cost formula for valuation of inventory. Due to the change, the inventory as at March 31, 2013, has been reduced by Rs. 25,97,888/- with consequential effect on profit for the year.

**A. 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, 2013
- 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 losses applicable to the minority share holding have been adjusted to the extent of their equity holdings
- e. 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%

**B. Leave Salary:**

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.

## VXL Instruments Limited

Particulars	As at	As at
	31.03.13	31.03.12
	Rs.	Rs.
Nature of obligation	<b>Leave Salary</b>	Leave Salary
The carrying amount at the beginning of the period	<b>20,97,052</b>	18,73,101
Additional provisions made during the year	<b>9,83,459</b>	3,34,011
Amounts incurred and charged against the provision during the period	<b>1,45,978</b>	1,10,060
Unused amounts reversed during the period	–	–
The carrying amount at the end of the period	<b>29,34,533</b>	20,97,052

### C. Retirement Benefit Plans:

#### 1. 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. 17,21,240/- (Rs. 11,15,394/-) 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.

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

#### 2. 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 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.

The following table sets out the funded status of the gratuity plan and the amounts recognized in the Company's financial statements as at 31.03.2013.

## Twenty Seventh Annual Report 2012 - 2013

Particulars	Amount in Rs.	
	As at 31.03.2013	As at 31.03.2012
<b>1. Change in benefit obligation</b>		
Projected Obligation at the beginning of the year	43,62,846	44,08,080
Interest Cost	3,84,367	3,52,646
Current Service Cost	4,41,736	3,55,069
Benefits Paid	(1,44,908)	(4,61,216)
Actuarial (Gain) / Loss	6,62,089	(2,91,733)
Projected Obligation at the end of the year	57,06,130	43,62,846
<b>2. Change in Plan Assets</b>		
Fair Value of the Plan Assets at the beginning of the year	4,46,739	8,41,420
Expected Return on Plan Assets	33,505	66,535
Employer's Contributions	3,00,000	-
Benefit Paid	(1,44,908)	(4,61,216)
Actuarial (Gain) / Loss	25,344	-
Adjustment related to prior year	-	-
Fair Value of the Plan Assets at the end of the year	6,60,680	4,46,739
Excess of (Obligations over Plan Assets) / Plan Assets Over Obligation	(50,45,450)	(39,16,107)
<b>3. Net Gratuity &amp; Other Costs at the end of the year</b>		
Service Cost	4,41,736	3,55,069
Interest on defined benefit obligation	3,84,367	3,52,646
Expected Return on Plan Assets	(33,505)	(66,535)
Net Actuarial Gain recognized in the year	6,36,745	(2,91,733)
Adjustment related to prior year	-	-
Net Gratuity Costs for the year	14,29,343	3,49,447
<b>4. Category of assets</b>		
Insurer Managed Funds	6,60,680	4,46,739
<b>5. Assumptions</b>		
Discount Rate	8%	8%
Salary Escalation Rate	7%	7%
Expected Return on Plan Assets Rate	7%	7%
<b>D. Dues to Micro, Small and Medium Enterprises</b>		
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:		

## VXL Instruments Limited

Sl. No.	Particulars	Amount in Rs.	
		31-03-2013	31-03-2012
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
<b>E. Segment Information</b>			
The Company's segment information is as follows:			
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			
<b>Segment assets and liabilities</b>			
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.			
<b>Primary Segments (Geographical Segments)</b>			
<b>Description</b>	<b>2012-2013</b>	<b>2011-2012</b>	
Revenue (Sales and Services)			
Domestic	7,70,36,429	12,89,71,069	
Overseas	1,02,80,10,750	88,66,60,374	
	<u>1,10,50,47,179</u>	<u>1,01,56,31,443</u>	
Segment Result			
Domestic	72,64,556	2,05,55,250	
Overseas	29,11,65,209	27,49,55,877	
	<u>29,84,29,765</u>	<u>29,55,11,127</u>	

**Twenty Seventh Annual Report 2012 - 2013**

Particulars	Amount in Rs.	
	2012-2013	2011-2012
<b>Less :</b>		
Unallocated Expenses		
Overheads	<b>27,26,41,242</b>	24,32,53,128
Interest	<b>2,32,97,603</b>	2,62,64,409
Provision / (Credit ) for taxes	<b>3,75,444</b>	13,39,154
Profit / (Loss) After Taxation	<b>21,15,476</b>	2,46,54,436
<b>Secondary Segments (Business Segments)</b>		
Revenue (Sales and Services)		
Data Processing Units	<b>1,07,75,31,975</b>	99,30,44,680
Service Charges	<b>5,71,563</b>	15,79,438
Spares	<b>2,69,43,641</b>	2,10,07,325
Total	<b>1,10,50,47,179</b>	1,01,56,31,443
<b>F. Disclosure of related parties / related party transactions:</b>		
a. Parties where control exists		
<b>Name of the Related Party</b>	<b>Nature of Relationship</b>	
b. Other related parties with whom transactions were carried out during the year		
<b>Name of the Related Party</b>	<b>Nature of Relationship</b>	
Sattva eTech Private Limited	Company in which a Director is interested	
Ksense Technologies Private Limited	Company in which a Director is interested	
c. Key management personnel and their relatives		
Mr. Madireddy V. Nagaraj	Managing Director	
Mrs. Shanthy Nagaraj	W/o. Mr. Madireddy V. Nagaraj	
Mr. M.V. Shetty	Whole time Director	
Ms. Ridhima Shetty	D/o. Mr. M.V. Shetty	
Mr. Rishabh Shetty	S/o. M.V. Shetty	
Mrs. Pravina Shetty	W/o. Mr. M.V. Shetty	
Mr. N. V. Maslekar	Director	
Mr. Dipak S. Rao	Director of VXL Instruments Limited UK	
d. Disclosure of Related Party Transactions		
<b>Description</b>	<b>2012-2013</b>	<b>2011-2012</b>
Interest paid		
Mr. Madireddy V. Nagaraj	<b>36,500</b>	36,500
Mr. M.V. Shetty	<b>1,47,575</b>	2,30,375
Total	<b>2,66,875</b>	2,66,875
Remuneration paid		
Mr. Madireddy V. Nagaraj	<b>23,27,007</b>	19,36,800
Mr. M.V. Shetty	<b>21,27,600</b>	18,69,600
Mr. Dipak S. Rao	<b>1,60,62,053</b>	88,71,480
Total	<b>2,05,16,660</b>	1,26,77,880
e. Balances with related parties		
Other Current Liabilities - Deposits Payable		
Mr. Madireddy V. Nagaraj	<b>2,00,000</b>	2,92,000
Mr. M.V. Shetty	<b>2,00,000</b>	18,43,000
Sundry Debtors		
Ksense Technologies Private Limited	<b>1,83,664</b>	56,198
Sattva eTech Private Limited	<b>7,11,107</b>	7,51,107

## VXL Instruments Limited

### G. 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. 39,88,279 (Rs. 59,64,062). Contingent rent recognized in the Profit and Loss Account Rs. Nil.

#### Obligations on long-term, non-cancelable operating leases:

Particulars	31-Mar-13	31-Mar-12
Lease rentals recognized during the year	39,88,279	59,64,062
Lease obligations payable:		
Within one year of the Balance Sheet date	50,79,285	39,88,279
Due in a period between one year and five years	50,79,285	1,01,58,570
Due after five years	–	–

H. Confirmation of balance under Sundry Debtors, Loans & Advances, deposits and sundry creditors, other current liabilities are not obtained. In the opinion of the management Current assets and Loans & Advances would in the ordinary course of business realise the values stated. Confirmation of balance has been obtained from Priya Limited which forms over 90% of Sales and Purchases.

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

Particulars	Percentage	2012-2013 Amount in Rs.	Percentage	2011-2012 Amount in Rs.
Imported	90.67	66,92,50,146	96.39	61,56,16,417
Indigenous	9.33	6,89,01,031	3.61	2,30,67,398
Total	100.00	73,81,51,177	100.00	63,86,83,815

### J. Prior year expenses / (income) debited / (credited) to the Profit & Loss Account

Particulars	31-Mar-13	31-Mar-12
Sitting Fees	24,000	–
Sales Promotion	10,800	–
Printing & Stationery	1,507	–
Others	45,626	–
	81,933	–

Particulars	31-Mar-13	31-Mar-12
K. Earnings per share (EPS)		
Operations for the year		
Net Profit after tax for calculating Basic /Diluted EPS	21,15,476	2,46,54,436
Weighted average number of shares	1,33,50,000	1,33,50,000
Basic / Diluted EPS in Rupees	0.16	1.85

L. The revised Schedule VI is applicable to the Company for the year under review. The Company has reclassified previous year figures to conform to the current year's presentation.

As per our report attached

For Ishwar & Gopal  
Chartered Accountants

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

Date : 29th May, 2013  
Place : Bangalore

For and on behalf of the Board

**Madireddy V. Nagaraj**  
Managing Director

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

**N. V. Maslekar**  
Director

**Narayana Bhat**  
CFO & Company Secretary



**Twenty Seventh Annual Report 2012 - 2013**

**STATEMENT OF CONSOLIDATED CASH FLOW FOR THE YEAR ENDING 31st MARCH, 2013**

	31.03.2013 Rs.	31.03.2012 Rs.
<b>CASH FLOW FROM OPERATIONS:</b>		
Net Income before current income taxes	24,90,920	2,59,93,590
Interest received	(12,50,508)	(12,98,911)
Dividend Received	-	(7,200)
Depreciation / Amortisation	81,39,235	1,12,00,077
Provision for doubtful debts/ advances	-	6,07,360
Adjustment for Foreign Currency Translation	58,97,898	(2,24,79,406)
(Profit) / Loss on sale of fixed assets	(40,140)	(71,686)
Interest Expenses	2,32,97,603	2,62,64,409
(Increase)/decrease in Long term loans & advances	(28,75,506)	2,85,971
(Increase)/decrease in Other non current assets	-	-
(Increase)/decrease in Trade Receivables	14,15,77,260	(1,08,94,802)
(Increase)/decrease in Short term loans & advances	2,20,83,368	(2,48,94,922)
(Increase)/decrease in Other Current Assets	(5,69,784)	(7,359)
(Increase)/decrease in trade and other receivables	(22,00,00,000)	
(Increase)/decrease in Inventories	1,42,44,046	1,74,67,623
Increase/(decrease) in Long term provisions	14,34,786	2,42,668
Increase/(decrease) in trade payables	(52,77,138)	(2,74,75,482)
Increase/(decrease) in Other current liabilities	3,97,37,857	2,87,59,796
Increase/(decrease) in Short term provisions	5,32,038	3,30,731
Current income tax	(58,336)	2,66,488
Net cash from operations	2,93,63,600	2,42,88,945
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Interest Received	12,50,508	12,98,911
Dividend Received	-	7,200
Proceeds from sale of fixed assets	48,035	1,66,402
Purchase of fixed assets	(22,58,929)	(41,25,337)
Net cash from investing activities	(9,60,386)	(26,52,824)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
(Increase)/decrease in Long term Borrowings	(3,57,968)	7,19,905
(Increase)/decrease in Working Capital Borrowings	(2,08,043)	52,15,788
(Increase)/decrease in Short term Borrowings	(17,35,000)	-
Interest paid	(2,32,97,603)	(2,62,64,409)
Net cash from financing activities	(2,55,98,614)	(2,03,28,716)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>28,04,600</b>	<b>13,07,406</b>
Cash and cash equivalents at the beginning of the year	2,02,43,381	1,89,35,975
Cash and cash equivalents at the end of the year	2,30,47,981	2,02,43,381
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>28,04,600</b>	<b>13,07,406</b>

For Ishwar & Gopal  
Chartered Accountants

For and on behalf of the Board

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

**Madireddy V. Nagaraj**  
Managing Director

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

**N. V. Maslekar**  
Director

Date : 29th May, 2013  
Place : Bangalore

**Narayana Bhat**  
CFO & Company Secretary

## VXL Instruments Limited

### VXL Instruments Limited

#### 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  
Fax : 2852 0095
  
2. Registrars and Share Transfer Agent : 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  
Email: info@bigshareonline.com
  
3. Year ended on : 31<sup>st</sup> March 2013
  
4. 27th Annual General Meeting : Date - 4th September, 2013  
Time - 12.00 Noon  
Venue - Woodlands Hotel  
No. 5, Rajaram Mohan Roy Road  
Bangalore – 560 025.
  
5. Register of Members & Share Transfer  
Book Closure : 28.08.2013 to 04.09.2013  
(both days Inclusive)
  
6. Shares listed in Stock Exchanges at : Mumbai
  
7. Annual fees to Stock Exchanges : Paid up to date (Mumbai)
  
8. Paid – up Share Capital : Rs. 1333.53 Lakhs

**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 .....

(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 Wednesday, the 4th September, 2013 and at any adjournment(s) thereof.

As witness my / our hand(s) this \_\_\_\_\_ of \_\_\_\_\_, 2013.

Folio No.....

No. of Shares held .....

Client ID No. ....

DP ID No. ....

Signed by .....

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 Wednesday the 4th September 2013.

Name of the Shareholders .....

(In Block Letters)

Folio No. ....

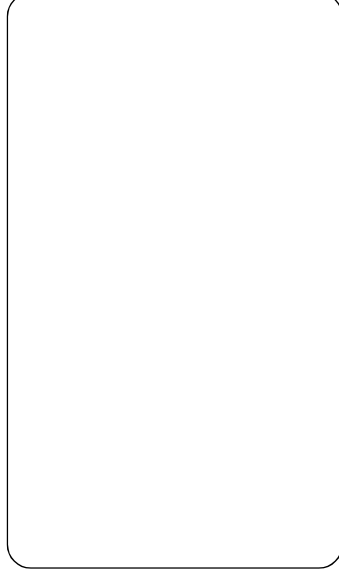
No. of Shares held .....

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


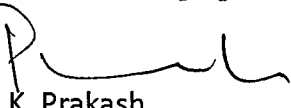


Fax : 91-080-2852 0095

**VXL Instruments Ltd.,**  
# 17, House of Excellence,  
Electronic City, Hosur Main Road,  
BANGALORE - 560 100  
Ph : 2213827 / 23

**FORM B**

1.	Name of the Company	VXL INSTRUMENTS LIMITED
2	Annual Financial Statements for the year ended	31 <sup>st</sup> March 2013
3	Type of Audit Qualification	Subject to Note No. 2(b) of notes to the accounts regarding non provision <i>in the value of investment of Rs.51,69,261/ and receivables of Rs.6,12,05,837/- in respect of a subsidiary of the company whose accumulated losses are in excess of the paid-up capital, Note No. 14 to the Balance Sheet, regarding recognition and quantification of deferred tax asset of Rs. 8,39,13,262/- based on the opinion of the management that the same would be adjusted against future profits.</i>
4	Frequency of Observation	Investment in subsidiary & receivables since 1994-95 Deferred Tax Assets since 2005-06
5.	Draw attention to relevant notes in the Annual Financial Statement and Management response to the qualification in the Directors' Report	Note No. 2 b - - Investment in Subsidiary and receivables from Subsidiary: VXL Instruments Limited, U.K., a subsidiary in which the Company has 60% shareholding amounting to Rs. 5,169,261/- has accumulated losses in excess of its total paid up capital. Net receivables from VXL Instruments Limited, U.K., as at 31st March 2013 is Rs. 6,66,06,528/- (Rs. 6,77,99,928). However, the subsidiary Company has made profits during the last four financial years. Further the said Subsidiary has remitted Rs. 11,93,400/- during the FY 2012-13 and Rs. 54,00,690/- during the F.Y. 2013-14 towards old dues. Since October 2010, the company has received Rs.2,88,68,806/ against old receivables from customers other than VXL UK. With this the Company has realized almost the entire old receivables from customers other than VXL UK. The Company has also obtained further extension of time of six months from Reserve Bank of India to collect the old receivables. Considering these facts, the management is of the opinion that no provision



		<p>is deemed necessary in respect of the Company's investment in and the amounts due to the Company.</p> <p>Note No.14- Deferred Tax Asset: In view of the long term prospects, the Directors feel that no provision need be made in the Accounts.</p>
6.	Additional comments from the Board/Audit Committee Chairman	<p>a) Investment in subsidiary &amp; Receivables: The delay in collection from our customers was due to software problems in the product. Despite the long delay in settling the outstanding, we are steadfast in resolving the issues with the customers and also in turn settling the long pending outstanding in view of the long association we had. Since the year 2010 the company has taken several steps to collect its old receivables like revival of operations of the company which is slowly yielding results. Further based on the business plan approved by the management, the subsidiary is expected to derive substantial profits which will enable it to remit against the old receivables. Consequently, we are getting payments in a phased manner.</p> <p>b). Deferred Tax Asset: We have made profits of Rs. 6,55,14,150/- since the Financial Year 2009-10 and the tax payable thereon have been set off against deferred tax asset. Based on business plan of the company approved by the management the company is expected to earn sufficient profit to offset the deferred tax asset.</p>
5	<p>Signed by</p>  <p>Madireddy V Nagaraj CEO &amp; Managing Director</p>  <p>K. Prakash Audit Committee Chairman</p>	<p>Signed by</p>  <p>Narayana Bhat CFO &amp; Company Secretary ISHWAR &amp; GOPAL CHARTERED ACCOUNTANTS</p>  <p>K.V. GOPALAKRISHNAYYA K V Gopalakrishnayya PARTNER (FRN 0011545) No. 21748 Auditor of the Company</p>

ISHWAR & GOPAL  
Chartered Accountants  
Sri Vinayaka Building  
21/3, T.S.P. Road, Kalasipalyam  
BANGALORE-560 002