

26th
Annual Report
2011-2012



VXL Instruments Limited

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

K Prakash	Chairman
D S Rao	Member
M V Nagaraj	Member
N. V. Maslekar	Member

AUDITORS

Ishwar & Gopal
Chartered Accountants
Bangalore

REMUNERATION COMMITTEE

D 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
M V Nagaraj	Member

WORKS / 100% EOU

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

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 SIXTH ANNUAL GENERAL MEETING

on Saturday
the 1st September, 2012
at
“ WOODLANDS HOTEL ”
No.5, Rajaram Mohan Roy Road
Bangalore – 560 025.
at 12.00 noon

NOTICE

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Members of the Company will be held at 12.00 Noon on Saturday the 1st September 2012 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 31st March 2012 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. K. Prakash who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. N. V. Maslekar, who was appointed as an Additional Director of the Company w.e.f. 06th July, 2012 by the Board of Directors on 6th July, 2012 and in respect of whom a notice has been received from a Member in writing, under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company liable to retire by rotation.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all necessary activities, deeds and things as may be incidental and necessary in this regard."

6. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a 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-enactments or modifications thereof, approval of the members be and is hereby accorded to the remuneration payable to Mr. M V Nagaraj, as Managing Director of the Company with effect from 31.07.2012 for a period of one year (up to 30.07.2013) on the terms and conditions and prerequisites as set out in the Explanatory Statement, which terms and conditions and prerequisites the Board of Directors (the Board) is at liberty to alter and vary but 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 Nagaraj."

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any of the Companies Act, 1956 (the Act) or any re-enactments or modifications thereof, approval of the members be and is hereby accorded to the the remuneration payable to Mr. M V Shetty as Whole time Director of the Company with effect from 01.10.2012 for a period of one year (upto 30.09.2013) on the terms and conditions and prerequisites as set out in the Explanatory Statement, which terms and conditions and prerequisites the Board of Directors (the Board) is at liberty to alter and vary but 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 : 06th July 2012

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.

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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 27.08.2012 to 01.09.2012(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. Consequent upon amendment of Section 205A of the Companies Act, 1956 and introduction of Section 205 C of the Companies (Amendment) Act, 1999 the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of 7 years from the date of transfer to unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund setup by the Govt. of India and payments shall be made in respect of any such claims by the Fund.

By Order of the Board

Narayana Bhat

Place : Bangalore
Date : 06th July 2012

*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 : 64 years
Qualification : B.Sc., Maths
Expertise : Management with focus on Business related to Electronics and Software

2. Name : Mr. K. Prakash
Age : 62 years
Qualification : M.Com., FCS, LLB
Expertise : Legal, Corporate Affairs and Finance

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

Item No. 5:

Mr. N. V. Maslekar has done Masters in M.S and M.B.A. His knowledge and experience in the electronics and allied fields are immense. He has steered the success of other enterprises in the past. He is currently CEO of Sattva eTech Pvt Ltd. Your Board expects that Mr N. V. Maslekar will add significantly to the growth of your Company and accordingly inducted him as Additional Director during the year under report. He holds office up to the date of the ensuing Annual General Meeting and a notice has been received from a member under Section 257 of the Companies Act, 1956 proposing his candidature.

The Board recommends the appointment of Mr. N. V. Maslekar.

Except Mr. N. V. Maslekar himself, no other Director is concerned or interested in the resolution.

Item No. 6:

The Board of Directors of the Company ("the Board") at its meeting held on 6th July, 2012, based on the recommendation of the Remuneration Committee and subject to the approval of the Members, accorded its approval for the revision in the remuneration payable to Mr. M V Nagaraj, Managing Director w.e.f. 31.07.2012 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 of the performance of the Company in respect of each financial year.

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In addition to salary and commission, the following shall be allowed to Mr. M.V. Nagaraj.

- iii) Housing: Mr. M.V.Nararaj shall be entitled to rent free furnished residential accommodation.

In case no accommodation is provided by the Company, Mr. M. V. Nagaraj shall be entitled to House Rent Allowance of Rs.40,000/- 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.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.
- xii) Mr. M. V. Nagaraj was re-appointed in the Annual General Meeting held on 22nd September, 2010 for a period of three years i.e. from 31.07.2010 to 30.07.2013.

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 Nagaraj himself, no other Director is interested in the resolution.

Other information as required by Schedule XIII of the Companies Act, 1956:

I. General Information

- a. Nature of Industry: Electronic Hardware Industry

- b. Date of Commencement of Business: 28.02.1986

- c. Financial Performance Rs. in Lakhs

For the year ended	31-03-2012	31-03-2011
Total Income	8,066	9,434
Total Expenses	7,780	9,224
Profit before Tax	286	210
Exceptional items	Nil	102
Provision for Taxation (Current, Deferred, Earlier year FBT & others)	13	3
Profit after Tax and Extraordinary items	273	309
Profit After Tax carried to the Balance Sheet	273	309

Export performance and net foreign exchange collaboration: The Company has no foreign collaboration; however, the foreign exchange earning and outgo during F.Y. 2011-12 is as hereunder:

Foreign Currency Earnings (Accrual basis) = Rs. 6,250 Lakhs

Foreign Currency Expenditure (Accrual basis) = Rs. 6,169 Lakhs

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

II. INFORMATION ABOUT Mr. M. V. NAGARAJ

- Background details of Mr. M.V. Nagaraj : He is a B. Tech from IIT, Chennai. Mr. M.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.
- Past Remuneration: Salary Rs. 95,000/- per month and Allowances and perquisites Rs. 55,000/- per month.
- Recognition or awards: Mr. M V Nagaraj is a very active member and past President of Electronic 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, 50,000/- per month and Allowances and Perquisites Rs. 75,000/- 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. 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. M. V. Nagaraj is employed in the Company.
The Board recommends the adoption of the resolution.

III. OTHER INFORMATION:

1. Reasons of loss or inadequate profits: Due to past accumulated losses, profits are inadequate.
2. 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.
3. 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 appointment in terms of Section 302 of the Companies Act, 1956.

IV. DISCLOSURES:

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

Item No.7:

The Board of Directors of the Company ("the Board") at its meeting held on 6th July, 2012, based on the recommendation of the Remuneration Committee and subject to the approval of the Members, accorded its approval for the revision in the remuneration payable to Mr. M V Shetty, Whole-time Director w.e.f. 01.10.2012 as per the terms & conditions given below:

- i) Salary of Rs.1,20,000/- (Rupees One Lakh Twenty 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 of 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. 40,000/- 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.

Mr M.V.Shetty will be paid the following prerequisites 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.

- x) 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.
- xi) Earned/Privilege leave: On full pay and allowances as per rules of the Company. Leave encashment also as per Company rules.
- xii) Mr. M. V. Shetty was re-appointed in the Annual General Meeting held on 22nd September, 2010 for a period of three years i.e. from 01.10.2010 to 30.09.2013.

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 interested in the resolution.

Other information as required by Schedule XIII of the Companies Act, 1956:

I. General Information

- a. Nature of Industry: Electronic Hardware Industry
- b. Date of Commencement of Business: 28.02.1986
- c. Financial Performance: As per Item No. 6 in page No.6
Export performance and net foreign exchange collaboration: As per Item No. 6 in page No.6
- d. Foreign investments or collaborators: As per Item No. 6 in page No.6.

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 Telecommunications, 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: Salary Rs. 90,000/- per month and Allowances and prerequisites Rs.55,000/- 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. 1,20,000/- per month and Allowances and Prerequisites Rs. 70,000/- 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.
- 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.

The above may be treated as abstract of the terms of appointment in terms of Section 302 of the Companies Act, 1956.

III. OTHER INFORMATION:

- 1. Reasons of loss or inadequate profits: Due to heavy accumulated loss profits are inadequate.

2. 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.
3. Expected increase in productivity and profits in measurable terms: Productivity and Profits are expected to increase by 20%.

IV. DISCLOSURES:

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

By Order of the Board

Narayana Bhat

*Chief Financial Officer &
Company Secretary.*

Place : Bangalore

Date : 06th July 2012

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 31st March 2012.

FINANCIAL RESULTS Rs. in Lakhs

Particulars	2011-12	2010-11
Net Sales & Other Income	8,066	9,536
Depreciation/Amortization	111	148
Profit before taxation	286	312
Income Tax	13	3
Profit/(Loss) after Taxation	273	309
Balance carried forward	-1,892	-2,165

YEAR UNDER REVIEW

During the year under review, your Company achieved a net turnover of Rs. 8,066 lakhs as compared to Rs.9,536 lakhs in the previous financial year. Your Company has earned a profit after taxation of Rs. 273 lakhs in the current financial year as against Rs. 309 lakhs profits in the previous year. Export performance during the year under review was affected due to the slowdown in USA and the crisis in euro currency zone.

The uncertainty in Global Markets therefore continued to cause concern. To offset the downturn in North America / Europe, the Company continued to explore new geographies and is expecting to see results for these efforts in the near future.

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

OVERSEAS OPERATIONS

Your Company continues the tie up with Priya 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 in spite of many obstacles and misconceptions about Indian progress as IT Hardware compared to Indian Software, VXL

has established itself worldwide as a player of the long run.

FUTURE PROSPECTS

This year Dell announced the acquisition of Wyse, a leading Company in cloud client computing. This has validated the market potential for thin clients and the growing interest in thin client infrastructure.

It is our belief that "thin client" will continue to grow and become even more prevalent among computer users of all types. The IDC supports this theory, forecasting a \$3 billion market by 2015. Market growth will be fueled by increased speed of networks, as well as performance and efficiency improvements in hardware and software. These growth areas will drive flexibility, scalability and usability in thin client computing solutions.

During the first quarter of 2012-13, our company's turnover is comparatively less when compared to first quarter of 2011-12 due to the uncertainty in the euro zone and the slowdown in USA. We expect the situation to improve 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 tachonology products and services, world wide. Through this Agreement, VXL expects to increase its Global and National reach through their widely spread sales channels.

With the introduction of new products carrying better features and with the strengthening and addition of better and more features in our complementing software products, your company expects a substantial increase in exports during the financial year 2012-13.

RESEARCH AND DEVELOPMENT

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

SUBSIDIARY COMPANIES

VXL, UK has managed to earn a profit of GBP 41,628 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. K. Prakash retire by rotation, and being eligible, offer themselves for re-appointment.

The Board inducted Mr. N.V. Maslekar as additional director on 6th July, 2012. He holds office upto the date of ensuing Annual General Meeting and a Notice has been received from a member under section 257 of the Companies Act, 1956 proposing his candidature.

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 31st March, 2012 was Rs.21.35 lakhs. There were no unclaimed deposits as at that date.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (a) The financial statements have been prepared in conformity with the generally accepted accounting standards and principles and in terms of the requirement of the Companies Act, 1956. Reasonable and prudent judgements and estimates have been made wherever necessary.
- (b) The accounting policies selected and applied consistently give a true and fair view of the financial statements.
- (c) The Company has implemented adequate internal controls to provide reasonable assurance of the reliability of its financial records,

proper 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

M.V. Nagaraj
Managing Director

M.V. Shetty
Whole Time Director

Place : Bangalore
Date : 6th July 2012

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. 35 lakhs which constituted about 0.44% 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. 6,250 lakhs.

The foreign exchange outgo was Rs. 6,169 lakhs.

REPORT ON CORPORATE GOVERNANCE

The detailed report on Corporate Governance in respect of the financial year ended 31st March 2012 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 Bhuwania, Mr. Dipak S Rao, Mr. K Prakash and Mr.N.V. Maslekar.

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

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

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

1. 25.05.2011
2. 25.07.2011
3. 26.10.2011
4. 27.12.2011
5. 30.12.2011
6. 08.02.2012

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 Bhuwania	Independent & Non-Executive	NIL	Yes	2	NIL
Dipak S Rao	Independent & Non-Executive	1	No	NIL	NIL
M. V. Nagaraj	Promoter - Executive	6	Yes	2	NIL
M. V. Shetty	Promoter - Executive	6	Yes	1	NIL
K. Prakash	Independent & Non-Executive	6	Yes	NIL	NIL
N.V. Maslekar*	Independent & Non-Executive	NIL	No	5	NIL

* Appointed after 31st March 2012.

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. M. 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 5 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	5	-
Dipak S Rao	5	-
M.V. Nagaraj	5	-
N.V. Maslekar*	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 2011-12 are given below:

a. Executive Directors

(in Rs.)

Directors	Salary	Fixed Commission	Perquisites	Sitting Fees	Total
M V Nagaraj	18,00,000	-	1,36,800	-	19,36,800
M V Shetty	17,40,000	-	1,29,600	-	18,69,600
Total	35,40,000	-	2,66,400	-	38,06,400

b. Non-executive Directors

Name	Sitting fees	Commission
K. Prakash	Rs.84,000	-
Dipak S Rao	Rs.12,000	-
Arun Kumar Bhawania	-	-
N.V. Maslekar*	-	-
TOTAL	Rs. 96,000	-

* Appointed after 31st March 2012.

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Investors' Grievance Redressal Committee

This Committee looks into redressing of shareholders' complaints like non-transfer of shares, non-receipt of declared dividends. As of 31st March, 2012, the Committee comprised of Mr. K Prakash, Mr. Kumar Shyam and Mr. M V Shetty. The Committee met four times during the year. Mr. Kumar Shyam ceased to be the member of this committee with effect from 25.05.2011 pursuant to the acceptance of his resignation to the office of Director.

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 31st March, 2012. There were no pending share transfers as on the same date.

Name, designation & address of Compliance Officer

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

E-Mail : narayanbhat@vxl.net
Phone : 91-80-2852 0046
Fax : 91-80-2852 0095

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

General Body Meetings

Location and time of the last three Annual General Meetings:

Year	Date	Venue	Time
2009	16-09-2009	Hotel Ajantha, M G Road, Bangalore	3.00 P M
2010	22-09-2010	Hotel Ajantha, M G Road, Bangalore	3.00 P M
2011	15-09-2011	Hotel Ajantha, M G Road, Bangalore	3.00 P M

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

Disclosures

Transactions with the related parties are disclosed in Note No. 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 Standards (in English) and Sanjevani (in Kannada) and hence are not individually sent to the shareholders.

General Shareholders' Information

AGM : Date : 1st September, 2012
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 : 27.08.2012 to 01.09.2012

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.)

Period	High	Low
April, 2011	23.70	20.40
May, 2011	22.95	18.10
June, 2011	20.50	16.50
July, 2011	20.90	17.00
August, 2011	21.90	17.95
September, 2011	19.50	17.25
October, 2011	20.60	18.75
November, 2011	20.35	18.55
December, 2011	18.65	13.45
January, 2012	18.15	15.00
February, 2012	22.65	15.00
March, 2012	17.05	14.30

Registrar and Transfer Agents

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

Share Transfer System

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

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

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Distribution of shareholding as on 31-03-2012

Face Value Rs.10/-

Range (in Rs.)	No of Share Holders	% of Total Share Holders	Total Holding In Rs.	% of Total Capital
1 - 5000	4,574	90.92	59,35,560	4.44
5001 - 10000	203	4.03	16,91,000	1.27
10001 - 20000	109	2.17	17,23,780	1.29
20001 - 30000	36	0.71	9,19,960	0.69
30001 - 40000	12	0.24	4,17,140	0.31
40001 - 50000	14	0.28	6,62,890	0.50
50001 - 100000	27	0.54	19,57,640	1.47
100001 & above	56	1.11	12,01,92,030	90.03
Total	5, 031	100	13,35,00,000	100

Shareholding pattern as on 31-03-2012

Category	No of Shares	% Holding
Directors	4,16,060	3.12
Promoter but not Director	7,88,440	5.91
Directors' and Promoters' Relatives	5,99,115	4.48
Total	18,03,615	13.51
Mutual Funds	3,000	0.02
Financial Institutions	900	0.01
Body Corporate	16,42,627	12.31
NRI	1,96,668	1.47
Foreign	80,69,768	60.45
Shares in Transit	3,000	0.02
General Public	16,30,422	12.21
Total	13,350,000	100.00

Dematerialization of shares and liquidity

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

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

Plant Locations

Export Oriented Factory
17, Electronics City
Hosur Road, Bangalore 560 100.
Phone: +91-80-2852 0046

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

CERTIFICATION BY CHIEF FINANCIAL OFFICER

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

- A) I have reviewed financial statements and the cash flow statement for the year ended 31st March 2012 and that to the best of my knowledge, information and belief:
- i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading:
 - ii) These statements together present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations
- B) There are, to the best of my knowledge and belief, no 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 I are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and I have disclosed to the auditors and Audit Committee deficiencies in the design or operation of internal controls, if any, of which I am aware and steps I have taken or propose to take to rectify those deficiencies.
- D) I have indicated to the auditors and the Audit Committee that:
- i) No significant changes in internal control over financial reporting have taken place during the year.
 - ii) There have been no significant changes in the accounting policies made during the year and that the same have been disclosed suitably in the notes to the financial statements; and
 - iii) There were no frauds during the year.

Place : Bangalore
Date : 28th May, 2012

Narayana Bhat
CFO & Company Secretary

AUDITORS' REPORT ON COMPLIANCE OF CORPORATE GOVERNANCE

To the Members of VXL Instruments Limited,

1. We have examined the compliance of conditions of Corporate Governance by VXL Instruments Limited, for the year ended March 31, 2012, 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 31st March 2012 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 : 28th May 2012

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

1. We have audited the attached Balance Sheet of **VXL Instruments Limited**, as at 31st March 2012, the Profit & Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Company's (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that :
 - i. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - ii. In our opinion proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books:
 - iii. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the Books of Account.
 - iv. In our opinion and to the best of our information and according to the explanation given to us, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956.
- v. On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors prima facie is disqualified as on 31st March 2012, from being appointed as director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said statement of accounts together with the notes thereon subject to:, **Note No.2 (b) of notes to the accounts, regarding non-provision for diminution in the value of investment of Rs.5,169,261/ and receivables of Rs. 677,99,928/- 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 84,288,706/- based on the opinion of the management that the same would be adjusted against future profits**, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India

 1. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012, and
 2. In the case of the Profit and Loss Account, of the profit for the year ended on that date.
 3. In so far as it relates to the cash flow statement, of the cash flows of the Company for the year ended on that date.

For Ishwar & Gopal
Chartered Accountants

K.V. Gopalakrishnaya
Partner

Place : Bangalore
Date : 28th May 2012

Membership No.: 21748
FRN - 001154S

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

- (i) In respect of its Fixed Assets
- (a) The Company has maintained proper records showing full particulars, including quantitative details and the situation of its fixed assets
 - (b) The fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the company and nature of its business. No material discrepancies were noticed on such physical verification.
 - (c) In our opinion, the Company has not disposed off substantial part of fixed assets and therefore do not affect the going concern assumption
- (ii) In respect of its Inventories:
- (a) As explained to us, inventories other than that lying with third parties have been physically verified by the management at reasonable intervals. In our opinion frequency of verification is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business;
 - (c) In our opinion the Company has maintained proper records of inventory. The discrepancies between the physical stocks and the book stocks were not material and have been properly dealt with in the books of account;
- (iii) Loans:
- (a) During the year, the Company has not granted any loans to parties listed in the register maintained under Section 301 of the Companies Act, 1956. Hence clause 4 (iii) (a) to (d) of the Companies Auditor's Report Order, 2003 (as amended) is not applicable to the Company for the year under review.
 - (b) The Company has taken loans (in the form of fixed deposits) from 2 parties listed in the register maintained under section 301 of the Companies Act, 1956 aggregating to Rs. 21,35,000. The maximum amount involved during the year was Rs. 21,35,000 and year end balance was Rs. 21,35,000/-
 - (c) In our opinion, the rate of interest and other terms on which the said loan have been taken are not, prima facie, prejudicial to the interest of the Company;
 - (d) As per the information furnished to us, the Company has not defaulted in payment of principal amount and interest as per the terms of the said deposits;
- (iv) Internal Control Procedures
- In our opinion and according to the information and explanations provided to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for sale of goods and services.
- (v) In respect of transactions covered under section 301 of the Companies Act, 1956:
- (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 have been properly entered in the said register;
 - (b) In our opinion and according to the information and explanations given to us, the transactions entered in the registers maintained under Section 301 and except for items which are of special nature for which no alternative sources of supply is available or no comparison could be made of the prices in the absence of quotations / similar transactions with other parties, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time ;
- (vi) The Company has generally complied with the provisions of section 58A and 58AA of the companies Act, 1956 and the directives issued by the Reserve Bank of India in respect of the deposits accepted / renewed by the Company during the year under review. We have been informed that no order has been passed by the Company Law Board.
- (vii) The Company has a system of internal audit which, in our opinion, is commensurate with its size and nature of its business;
- (viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 for maintenance of Cost records in respect of products of the Company and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

(ix) In respect of Statutory Dues:

(a) According to the information and explanations provided to us, the Company is generally regular in depositing with appropriate authorities undisputed amount of provident fund, investors education and protection fund, employees' state insurance, sales tax, wealth tax, customs duty, excise duty, cess and any other statutory dues applicable to it.

According to the information and explanations provided to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears as at 31.03.2012 for a period of more than six months from the date they became payable.

The above data has been furnished to the extent dues payable have been identified from the records of the company.

The disputed statutory dues amounting to Rs. 326,098 that have not been deposited on account of disputed matters pending before statutory authorities are as under:

Sl. No.	Name of the Statute	Nature of the dues	Amount	Period to which the dues relate	Forum where dispute is pending
1	Central Excise Act, 1944	Education Cess on excise duty	Rs. 326,098	2007 & 2008	Central Excise & Service Tax Appellate Tribunal

The above data has been furnished to the extent dues payable have been identified from the records of the Company

- (x) As per the Balance Sheet, accumulated losses of the Company as at the end of the financial year is more than 50% of its net worth. The Company has not incurred cash losses during the year and in the immediately preceding previous year.
- (xi) As per the information furnished to us, generally the Company has not defaulted in repayment of dues to Banks / Financial Institutions.
- (xii) Based on our examination and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities;
- (xiii) The Company is not a chit/ nidhi/ mutual benefit fund/society and clause xiii of the Order is not applicable.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments. The investments made by the Company in the shares and other securities are in the name of the Company.
- (xv) On the basis of the information and explanations given to us the Company has not given any guarantee for loans taken by others from bank or financial institutions;
- (xvi) According to the information and explanations given to us, the Company has not taken any term loans during the year and hence requirement of reporting regarding application of term loans does not arise.
- (xvii) According to the information and explanations given to us and on overall examination of the Balance Sheet and Cash flow statement of the Company, we report that no funds raised on short term basis have been used for long term investments.
- (xviii) According to the information and explanation given to us, the Company has not made preferential allotment of shares to any party listed in the Register maintained under Section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year;
- (xx) The Company has not raised any money by public issues during the year;
- (xxi) Based on the audit procedures performed and information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For Ishwar & Gopal

Chartered Accountants

K. V. Gopalakrishnayya

Partner

Membership No.: 21748

FRN 001154S

Place : Bangalore

Date : 28th May 2012

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BALANCE SHEET AS AT 31st MARCH, 2012

(Amount in Rs.)

Sl. No.	Particulars	Note No.	As at 31-Mar-12	As at 31-Mar-11
I EQUITY AND LIABILITIES				
1 Shareholders' funds				
	a. Share Capital	3	133,353,000	133,353,000
	b. Reserves and Surplus	4	<u>247,062,868</u>	<u>234,524,592</u>
			380,415,868	367,877,592
2 Non-current liabilities				
	a. Long Term borrowings	5	1,178,125	280,458,220
	b. Other long term liabilities	6	280,000,000	—
	c. Long term provisions	7	<u>10,930,813</u>	<u>10,688,144</u>
			292,108,938	291,146,364
3. Current Liabilities				
	a. Short term borrowings	8	95,110,756	89,894,968
	b. Trade payables	9	193,059,442	212,630,660
	c. Other Current liabilities	10	7,802,909	6,260,274
	d. Short term provisions	11	<u>1,625,012</u>	<u>1,294,283</u>
			297,598,119	310,080,185
	TOTAL		<u>970,122,925</u>	<u>969,104,141</u>
II ASSETS				
1. Non-current assets				
	a. Fixed Assets	12		
	i. Tangible Assets	a	104,296,233	315,463,435
	ii. Intangible Assets	b	3,711,042	10,427,640
	iii. Assets held for sale	c	<u>210,765,406</u>	—
			318,772,681	325,891,075
	b. Non-current investments	13	5,229,261	5,229,261
	c. Deferred tax assets (net)	14	84,288,706	100,404,865
	d. Long term loans & advances	15	9,059,520	9,345,491
	e. Other non current assets	16	<u>67,799,928</u>	<u>67,799,928</u>
			166,377,415	182,779,545
2. Current Assets				
	a. Inventories	17	226,218,808	243,686,431
	b. Trade receivables	18	211,238,901	195,858,040
	c. Cash & Cash equivalents	19	18,395,500	16,919,362
	d. Short term loans & advances	20	28,959,703	3,817,128
	e. Other Current assets	21	<u>159,917</u>	<u>152,560</u>
			484,972,829	460,433,521
	TOTAL		<u>970,122,925</u>	<u>969,104,141</u>

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 : 28th May 2012

Place : Bangalore

For and on behalf of the Board

M.V. Nagaraj

Managing Director

M. V. Shetty

Whole Time Director

K. Prakash

Director

Narayana Bhat

CFO & Company Secretary

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED, 31st MARCH 2012

Particulars	As at 31.03.2012		As at 31.03.2011	
	Number	Amount in Rs.	Number	Amount in Rs.
3 Share Capital				
Authorised				
a. Equity Shares	15,000,000	150,000,000	15,000,000	150,000,000
b. Issued				
Equity Shares	13,350,000	133,500,000	13,350,000	133,500,000
Subscribed and paid fully				
Equity Shares	13,322,500	133,225,000	13,322,500	133,225,000
Subscribed but not not paid fully				
Equity Shares	27,500	128,000	27,500	128,000
Total	13,350,000	133,353,000	13,350,000	133,353,000
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 31.03.2012		As at 31.03.2011	
	Number	Amount in Rs.	Number	Amount in Rs.
Equity Shares				
Outstanding at the beginning of the period	13,350,000	133,353,000	13,350,000	133,353,000
Outstanding at the end of the period	13,350,000	133,353,000	13,350,000	133,353,000

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 31.03.2012		As at 31.03.2011	
	No. of shares held	% of holding	No. of shares held	% of holding
Tefuli Ltd	1,950,000	14.61	1,950,000	14.61
Tintur Investments Ltd	1,925,000	14.42	1,925,000	14.42
Breezetop Investments Ltd	1,925,000	14.42	1,925,000	14.42
Daymount Ltd	1,785,000	13.37	1,785,000	13.37
Priya Ltd	900,000	6.74	900,000	6.74

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	As at 31.03.2012 Amount in Rs.	As at 31.03.2011 Amount in Rs.
g. Calls unpaid (showing aggregate value of calls) – Unpaid by Others	147,000	147,000
4. RESERVES & SURPLUS		
a. Capital Reserve		
Balance as per last financial statement	2,053,645	2,053,645
b. Securities Premium Account		
Balance as per last financial statement	137,288,827	137,288,827
c. Revaluation Reserve		
Balance as per last financial statement	290,761,480	211,438,226
Add : Additions on revaluation of Land	– 290,761,480	79,323,254
	<u>290,761,480</u>	<u>290,761,480</u>
d. Other Reserves		
(i) General Reserve		
Balance as per last financial statement	2,599,897	2,599,897
(ii) Deferred Tax Reserve		
Balance as per last financial statement	18,382,952	24,246,035
Less : Withdrawn during the year	(14,777,005)	(5,863,083)
	<u>3,605,947</u>	<u>18,382,952</u>
e. Surplus / (Deficit) in Statement of Profit & Loss Account		
Balance as per last financial statement	(216,562,209)	(247,450,472)
Profit for the year	27,315,281	30,888,263
Appropriations	–	–
Net surplus / (Deficit) in statement of Profit & Loss Account	<u>(189,246,928)</u>	<u>(216,562,209)</u>
Total Reserves & Surplus	<u>247,062,868</u>	<u>234,524,592</u>
5. LONG TERM BORROWINGS		
a. Term Loans		
– From Banks - Secured *	1,707,003	437,330
b. Other Loans & Advances (Unsecured)		
Other Long term borrowings **	–	280,391,890
Total Long term borrowings	<u>1,707,003</u>	<u>280,829,220</u>
Less: Instalments of term loan payable within a year	<u>528,878</u>	<u>371,000</u>
Total Long term borrowings	<u>1,178,125</u>	<u>280,458,220</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. 528,878 (Rs. 371,000)

** Other long term borrowing is repayable after 2 years

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	As at 31.03.2012 Amount in Rs.	As at 31.03.2011 Amount in Rs.
6. OTHER LONG TERM LIABILITIES		
Others		
Advance against sale of assets	280,000,000	—
	<u>280,000,000</u>	<u>—</u>
7. LONG TERM PROVISIONS		
a. Provision for employee benefits		
i Gratuity	2,857,808	2,718,044
ii Leave Benefits	1,530,339	1,427,434
b. Others	6,542,666	6,542,666
	<u>10,930,813</u>	<u>10,688,144</u>
8. SHORT TERM BORROWINGS		
a. Loans repayable on demand		
from Banks - Working Capital Borrowings *	92,975,756	87,759,968
b. Deposits (Unsecured)		
from Directors	2,135,000	2,135,000
	<u>95,110,756</u>	<u>89,894,968</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.		
9. TRADE PAYABLES		
Due to Micro, Small and Medium Enterprises	—	—
Due to other than Micro, Small and Medium Enterprises	62,559,442	84,580,660
Acceptances	130,500,000	128,050,000
Total	<u>193,059,442</u>	<u>212,630,660</u>
10. OTHER CURRENT LIABILITIES		
a. Current maturities of long term debts		
Current maturities of term loan due to a bank	528,878	371,000
b. Other payables		
i Advances from Customers	15,420	25,000
ii Due to a Director	—	300,000
iii Liabilities for expenses	7,258,611	5,564,274
Total	<u>7,802,909</u>	<u>6,260,274</u>
11. SHORT TERM PROVISIONS		
Provision for employee benefits		
i Gratuity	1,058,299	848,616
ii Leave Benefits	566,713	445,667
Total	<u>1,625,012</u>	<u>1,294,283</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	As at 31.03.2012 Amount in Rs.	As at 31.03.2011 Amount in Rs.
13. NON CURRENT INVESTMENTS		
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
Total	5,229,261	5,229,261
Basis of valuation : Investments are stated at cost.		
Aggregate amount of unquoted investments	5,229,261	5,229,261
14. DEFERRED TAX ASSETS / (LIABILITIES)		
On account of		
Carry forward losses	65,928,769	79,296,075
Temporary disallowances under Income Tax	14,551,749	17,776,452
Depreciation	3,808,188	3,332,338
	84,288,706	100,404,865
15. LONG TERM LOANS AND ADVANCES		
a. Security Deposits		
i Considered Doubtful	50,000	-
Less : Provision for doubtful deposits	50,000	-
ii Considered Good	3,626,503	3,474,692
b. Other Loans & Advances [Unsecured]		
i Considered Good		
- Advance to Suppliers	3,000	440,782
- Payments to statutory authorities	5,430,017	5,430,017
ii Considered Doubtful		
- Advance to suppliers	29,522,880	29,085,098
- Employee Advances	292,458	172,880
	29,815,338	29,257,978
Less : Provision for Doubtful Advances	29,815,338	29,257,978
Total	9,059,520	9,345,491
16. OTHER NON CURRENT ASSETS		
Long term trade receivables (including trade receivables on deferred credit terms)		
a. Unsecured, Considered Doubtful	13,361,595	24,704,332
Less : Provision for doubtful debts	13,361,595	24,704,332
b. Unsecured, Considered Good	67,799,928	67,799,928
Total	67,799,928	67,799,928

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	As at 31.03.2012 Amount in Rs.	As at 31.03.2011 Amount in Rs.
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	67,799,928	67,799,928
17. INVENTORIES		
Raw Materials	154,923,345	122,884,624
Raw Materials in Transit	23,059,718	27,733,363
Work in progress	26,095,035	58,642,164
Finished Goods	22,140,710	34,426,280
Total	<u>226,218,808</u>	<u>243,686,431</u>
Mode of Valuation: Inventories are valued at lower of cost (weighted average) and estimated at net realisable value. Provision had been made in the accounts for damaged, obsolete and slow moving items.		
18. TRADE RECEIVABLES [Unsecured, Considered Good] Aggregate amount of Trade Receivables outstanding for a period exceeding six months from the date they are due for payment	1,070,132	537,547
Others	210,168,769	195,320,493
	<u>211,238,901</u>	<u>195,858,040</u>
19. CASH AND CASH EQUIVALENTS		
a. Balance with banks		
i on Current Account	162,158	351,596
ii on Deposit Account	1,571,604	1,480,207
iii on Exchange Earners Foreign Currency Account	65,827	58,331
b. Cash on Hand	597,151	29,228
c. Balances with banks held as margin money or security against the borrowings, guarantees, other commitments	15,998,760	15,000,000
	<u>18,395,500</u>	<u>16,919,362</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	As at 31.03.2012	As at 31.03.2011
	Amount in Rs.	Amount in Rs.
20. SHORT TERM LOANS AND ADVANCES		
Other Loans & Advances		
[Considered Good]		
i Advance Income Tax (net of provision for taxation)	551,319	817,807
ii Prepaid Expenses	1,870,877	1,403,201
iii Advance to Suppliers	24,811,350	400,939
iv Balance with statutory / Government authorities	1,529,294	981,463
v Employee Advances	196,863	213,718
Total	<u>28,959,703</u>	<u>3,817,128</u>
21. OTHER CURRENT ASSETS		
Interest accrued but not due on deposits	159,917	152,560
Total	<u>159,917</u>	<u>152,560</u>

CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

CONTINGENT LIABILITIES

Other money for which Company is contingently liable

a. Bills discounted with Banks (secured by letters of credit from buyer's bankers)	13,500,000	85,000,000
b. Employees 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]	1,406,365	1,406,365
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]	15,621,840	5,878,406
d. Service Tax Liability under dispute on the import of software license sticker labels considered as goods by Customs while importing	76,682,997	-
e. Education cess on excise duty	326,098	-
f. Other disputed tax liabilities	595,520	595,520
g. 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.		

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2012

(Amount in Rs.)

Particulars	Note No.	Figures for the current reporting period		Figures for the previous reporting period	
		31-Mar-12	31-Mar-12	31-Mar-11	31-Mar-11
I Revenue from operations	22		789,746,781		933,899,400
II Other Income	23		16,881,546		9,536,697
III Total Revenue (I+II)			<u>806,628,327</u>		<u>943,436,097</u>
IV Expenses:					
Cost of materials consumed	24		592,504,164		750,889,828
Changes (Increase) / Decrease in inventories of finished goods, work-in-progress and Stock-in-Trade	25		44,832,699		11,756,911
Employee benefits & expenses	26		33,532,004		22,357,414
Financial costs	27		26,214,527		36,771,184
Depreciation and amortization expenses	28		11,114,868		14,848,645
Other expenses	29		69,775,630		85,860,802
Total Expenses			<u>777,973,892</u>		<u>922,484,784</u>
V Profit before exceptional and extraordinary items and tax (III - IV)			28,654,435		20,951,313
VI Exceptional Items	30		-		10,210,630
VII Profit before extraordinary items and tax (V + VI)			28,654,435		31,161,943
VIII Extraordinary Items					
IX Profit before tax (VII - VIII)			28,654,435		31,161,943
X Tax expense:					
(1) Current tax (relating to earlier year)				273,680	
(2) Deferred tax					
Deferred Tax expense		16,116,159		5,863,083	
Less: Deferred Tax Reserve Withdrawn		<u>(14,777,005)</u>	<u>1,339,154</u>	<u>(5,863,083)</u>	<u>273,680</u>
XI Profit (Loss) from the period from continuing operations (IX - X)			27,315,281		30,888,263
XII Earning per equity share:					
(1) Basic & Diluted			2.05		2.31
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. Gopalakrishnaya
Partner
Membership No.: 21748

M.V. Nagaraj
Managing Director

M. V. Shetty
Whole Time Director

K. Prakash
Director

FRN 001154S

Date : 28th May 2012

Place : Bangalore

Narayana Bhat
CFO & Company Secretary

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	As at 31.03.2012	As at 31.03.2011
22. Revenue from Operations	Rs.	Rs.
Sale of Products	800,562,788	937,540,645
Sale of Services	1,579,438	1,885,693
Revenue from operations (Gross)	802,142,226	939,426,338
Less: Excise Duty	12,395,445	5,526,938
Revenue from operations (Net)	<u>789,746,781</u>	<u>933,899,400</u>
Details of Products Sold		
Data Processing Units	800,562,788	937,540,645
	<u>800,562,788</u>	<u>937,540,645</u>
Details of Services Rendered		
AMC / Repair Services	1,579,438	1,885,693
	<u>1,579,438</u>	<u>1,885,693</u>
23. Other Income		
a. Interest Income on Bank Deposits	1,272,205	667,990
b. Interest Income on Others	26,706	69,948
c. Dividend Income on Long Term Investments	7,200	14,400
d. Net gain / (loss) on foreign currency transaction and translation	3,409,854	6,565,874
e. Other non-operating income (net of expenses)		
i Net gain / loss on sale of fixed assets	71,686	37,731
ii Refund received from Statutory Authorities	714,998	-
iii Excess Provision / (Unclaimed Credit) Withdrawn	-	2,178,652
iv Provision for bad debts Withdrawn	11,369,297	-
v Others	9,600	2,102
	<u>12,165,581</u>	<u>2,218,485</u>
	<u>16,881,546</u>	<u>9,536,697</u>
24. Cost of materials consumed		
Cost of raw materials consumed	591,532,910	748,553,429
Packing Materials	971,254	2,336,399
	<u>592,504,164</u>	<u>750,889,828</u>
Raw Material Consumption		
a. Mother Board	207,892,048	228,689,000
b. Flash memory	68,067,298	60,409,815
c. DDR Ram	57,617,280	108,153,390
d. Fab Items	48,446,043	44,439,360
e. Power Supply	37,673,181	45,373,400
f. Software Licence	110,945,721	155,613,295
g. Others	60,891,339	105,875,169
	<u>591,532,910</u>	<u>748,553,429</u>
25. Changes (Increase) / Decrease in inventories of finished goods, work-in-progress and Stock-in-Trade		
Inventories at the end of the year		
a. Work in Progress	26,095,035	58,642,164
b. Finished Goods	22,140,710	34,426,280
	<u>48,235,745</u>	<u>93,068,444</u>
Inventories at the beginning of the year		
a. Work in Progress	58,642,164	61,876,389
b. Finished Goods	34,426,280	42,948,966
	<u>93,068,444</u>	<u>104,825,355</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	As at 31.03.2012	As at 31.03.2011
Changes (Increase) / Decrease in inventories of finished goods, work-in-progress and Stock-in-Trade	Rs. 44,832,699	Rs. 11,756,911
26. Employee Benefit Expenses		
Salaries and Wages	31,259,572	19,359,081
Contribution to provident & Other Funds	1,785,673	2,545,275
Staff Welfare expenses	486,759	453,058
	33,532,004	22,357,414
27. Financial Costs		
Interest Expense *	16,198,654	26,394,742
Other Borrowing Costs	10,015,873	10,376,442
	26,214,527	36,771,184
* includes interest paid on deposit to Managing Director and Whole time Director Rs. 295,827 (Rs. 295,827)		
28. Depreciation and amortisation expenses		
Depreciation of tangible assets	4,398,270	5,218,966
Amortisation of intangible assets	6,716,598	9,629,679
	11,114,868	14,848,645
29. Other Expenses		
Consumption of Stores & Spare parts	663,371	182,625
Power and Fuel	961,404	1,074,272
Rent	1,430,191	1,269,543
Repairs to Buildings	343	33,328
Repairs to Machinery	–	103,294
Insurance	1,017,697	957,827
Rates & Taxes, excluding taxes on income	530,927	599,485
Remuneration to Auditors	428,280	422,527
Consultancy/Certification Charges	14,693,918	13,680,209
Freight & Forwarding	38,835,672	54,028,577
Provision for Doubtful debts / advances	607,360	463,596
Bad Debts written off [Net of provision withdrawn Rs. Nil (Rs. 69,20,327)]	828	135,389
Travelling and Conveyance	2,809,900	3,633,393
Communication expenses	1,367,315	1,293,512
Directors' Sitting Fees	96,000	85,000
Miscellaneous	4,221,990	2,172,860
Repairs to Others	833,567	1,286,696
Advertisement / Sales Promotion / Brokerage / Post sales support / Entertainment	1,031,307	4,166,245
Sales Commission	245,560	272,424
	69,775,630	85,860,802
Remuneration to Auditor		
As auditor		
Audit fees	290,000	290,000
Tax Audit fees	85,000	85,000
VAT audit fees	–	12,500
In Other Capacity		
Certification	35,000	25,000
Reimbursement of expenses	18,280	10,027
	428,280	422,527
30. Exceptional Items		
Keyman Insurance Claim Received		2,556,471
Profit on sale of assets		7,654,159
	–	10,210,630

NOTES TO THE FINANCIAL STATEMENTS

12. FIXED ASSETS

(in rupees)

DESCRIPTION	GROSS BLOCK				DEPRECIATION / AMORTISATION			NETBLOCK		
	As at 1st April, 2011	Additions during the year	Disposals/ held for sale	As at 31st March, 2012	As at 1st April 2011	Charge for the year/ amortisation	Reversals	As at 31st March, 2012	As at 31st March, 2012	As at 31st March, 2011
a) TANGIBLEASSETS										
COSTORVALUATION										
TANGIBLEASSETS										
Land	294,804,614		(207,648,614)	87,156,000	-	-	-	-	87,156,000	294,804,614
Buildings	22,646,754		(9,528,701)	13,118,053	15,124,412	445,639	(6,411,909)	9,158,142	3,959,911	7,522,342
Plant & Equipment	76,776,726	471,200		77,247,926	70,131,181	1,978,493	-	72,109,674	5,138,252	6,645,545
Furniture & Fixture	9,162,388	229,918		9,392,306	8,903,605	129,824	-	9,033,429	358,877	258,783
Vehicles	5,395,879	2,049,233	(1,341,403)	6,103,709	4,458,378	354,225	(1,246,687)	3,565,916	2,537,793	937,501
Office Equipment	33,719,477	1,340,839		35,060,316	28,424,827	1,490,089	-	29,914,916	5,145,400	5,294,650
Sub Total	442,505,838	4,091,190	(218,518,718)	228,078,310	127,042,403	4,398,270	(7,658,596)	123,782,077	104,296,233	315,463,435
b) INTANGIBLEASSETS										
Product Development	20,149,790	-	(9,016,661)	11,133,129	9,722,150	6,716,598	(9,016,661)	7,422,087	3,711,042	10,427,640
Sub Total	20,149,790	-	(9,016,661)	11,133,129	9,722,150	6,716,598	(9,016,661)	7,422,087	3,711,042	10,427,640
Total	462,655,628	4,091,190	(227,535,379)	239,211,439	136,764,553	11,114,868	(16,675,257)	131,204,164	108,007,275	325,891,075
Previous year	453,486,047	95,420,860	86,251,279	462,655,628	205,815,024	14,848,645	83,899,116	136,764,553	325,891,075	247,671,023
c) Assets held for sale										
Land	-	207,648,614	-	207,648,614	-	-	-	-	207,648,614	-
Building		9,528,701	-	9,528,701	-	6,411,909	-	6,411,909	3,116,792	-
		217,177,315	-	217,177,315	-	6,411,909	-	6,411,909	210,765,406	-

The Company has revalued its Land as at 31.03.2008 and 31.03.2011 at fair values determined by an independent valuer. The revaluation resulted in the increase in the value of Land by Rs. 211,438,226/- and Rs. 79,323,524/- respectively which was credited to revaluation reserve. Out of the above, Rs. 206,115,996/- pertains to land held for sale.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. Significant Accounting Policies:

a. Corporate Information:

VXL Instruments Limited is a Public Limited Company listed in Mumbai Stock exchange. 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 the 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 makes 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 lower of cost (weighted average) and estimated net realisable value. Provision has been made in the accounts for damaged, obsolete and slow moving items.

j. Employee Benefits:

1. 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.

2. 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 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

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, 2012 Rs.	As at 31st March, 2011 Rs.
Nature of obligation	Leave Salary	Leave Salary
The carrying amount at the beginning of the period	1,873,101	2,237,472
Additional provisions made during the year	334,011	–
Amounts incurred and charged against the provision during the period	110,060	260,463
Unused amounts reversed during the period	–	103,908
The carrying amount at the end of the period	2,097,052	1,873,101

b. Investments:

VXL Instruments Limited, U.K., a subsidiary in which the Company has 60% share holding amounting to Rs. 5,169,261/- has accumulated losses in excess of its total paid up capital. Net receivable from VXL Instruments Limited, U.K., as at 31st March 2012 is Rs. 67,799,928/- (Rs. 67,799,928). In the opinion of the Directors no provision is deemed necessary in respect of the Company's investments in and the amounts due to the company, from the aforesaid investee company, in view of the long term prospects.

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. 1,115,394/- (Rs. 730,064/-) 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.

2. Defined benefit plans

The Company makes annual contributions to the Employees' Group Gratuity-cum-Life Assurance

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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 31.03.2012.

	Amount in Rupees	
Particulars	As at 31st March, 2012	As at 31st March, 2011
1. Change in benefit obligation		
Projected Obligation at the beginning of the year	4,408,080	5,509,259
Interest Cost	352,646	440,741
Current Service Cost	355,069	485,626
Benefits Paid	(461,216)	(2,622,859)
Actuarial (Gain) / Loss	(291,733)	595,313
Projected Obligation at the end of the year	4,362,846	4,408,080
2. Change in Plan Assets		
Fair Value of the Plan Assets at the beginning of the year	841,420	1,125,065
Expected Return on Plan Assets	66,535	90,304
Employer's Contributions	-	2,248,910
Benefit Paid	(461,216)	(2,622,859)
Actuarial (Gain) / Loss	-	-
Adjustment related to prior year	-	-
Fair Value of the Plan Assets at the end of the year	446,739	841,420
Excess of (Obligations over Plan Assets) / Plan Assets Over Obligation	(3,916,107)	(3,566,660)
3. Net Gratuity & Other Costs at the end of the year		
Service Cost	355,069	485,626
Interest on defined benefit obligation	352,646	440,741
Expected Return on Plan Assets	(66,535)	(90,304)
Net Actuarial Gain recognized in the year	(291,733)	595,313
Adjustment related to prior year	-	-
Net Gratuity Costs for the year	349,447	1,431,376

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Particulars	As at 31st March, 2012	As at 31st March, 2011	
4. Category of assets Insurer Managed Funds	446,739	841,420	
5. Assumptions			
Discount Rate	8%	8%	
Salary Escalation Rate	7%	7%	
Expected Return on Plan Assets Rate	7%	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	2011-12	2010-11
i.	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
ii.	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
iii.	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
iv.	The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
v.	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
vi.	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.		

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e. 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.

Primary Segments (Geographical Segments)

Amount in Rs.

Description	2011-12	2010-11
Revenue (Sales and Services)		
Domestic	128,971,069	54,607,156
Overseas	660,775,712	879,292,244
	<u>789,746,781</u>	<u>933,899,400</u>
Segment Result		
Domestic	20,555,250	12,582,323
Overseas	96,222,119	112,599,360
	<u>116,777,369</u>	<u>125,181,683</u>
<i>Less : Unallocated Expenses</i>		
Overheads	61,908,407	57,248,556
Interest	26,214,527	36,771,184
Provision / (Credit) for taxes	1,339,154	273,680
Profit / (Loss) After Taxation	<u>27,315,281</u>	<u>30,888,263</u>
Secondary Segments (Business Segments)		
Revenue (Sales and Services)		
Data Processing Units	767,160,018	916,042,961
Service Charges	1,579,438	1,854,338
Spares	21,007,325	16,002,101
Total	<u>789,746,781</u>	<u>933,899,400</u>

f. Disclosure of related parties / related party transactions

a. Parties where control exists

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

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

Name of the Related Party	Nature of Relationship
Nil	Nil

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c. Key management personnel and their relatives

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

d. Disclosure of Related Party Transactions

	Amount in Rs.	
Particulars	2011-12	2010-11
Interest paid		
Mr. M.V. Nagaraj	36,500	36,500
Mr. M.V. Shetty	230,375	259,327
Total	<u>266,875</u>	<u>295,827</u>
Remuneration paid		
Mr. M.V. Nagaraj	1,936,800	1,786,048
Mr. M.V. Shetty	1,869,600	1,524,975
Total	<u>3,806,400</u>	<u>3,311,023</u>
Particulars	31-Mar-12	31-Mar-11
e. Balances with related parties		
Non Current Assets - Trade Receivables		
VXL Instruments Limited, UK	67,799,928	67,799,928
Other Current Liabilities - Deposits Payable		
Mr. M.V. Nagaraj	292,000	292,000
Mr. M.V. Shetty	1,843,000	1,843,000
Non current Investments		
VXL Instruments Limited, UK	5,169,261	5,169,261

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. 1,430,191 (Rs. 1,269,543). Contingent rent recognized in the Profit and Loss Account Rs. 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 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.

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

Particulars	%	31-Mar-12 Amount in Rs.	%	31-Mar-11 Amount in Rs.
Imported	96	569,331,102	97	726,344,804
Indigenous	4	23,173,062	3	24,545,024
Total	100	592,504,164	100	750,889,828

j. Value of imports calculated on CIF Basis

Raw materials	614,886,725	821,138,573
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Particulars	31-Mar-12	31-Mar-11
-------------	-----------	-----------

k. Expenditure in Foreign Currency

Travelling	189,537	649,059
Certification Fees	1,826,751	1,289,362

l. Earnings in foreign Currency calculated on FOB Basis

Direct Exports	-	135,403
Deemed Exports through others	3,719,400	425,632
Third Party Exports	621,284,096	823,235,714

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

Particulars	31-Mar-12	31-Mar-11
Interest on LC	-	1,363,550
Freight	-	78,408
Travel and Conveyance	-	130,500
Penalties	-	10,800
	-	1,583,258

n. Earnings per share (EPS)

	31-Mar-12	31-Mar-11
Operations for the year		
Net Profit after tax for calculating Basic /Diluted EPS	27,315,281	30,888,263
Weighted average number of shares	13,350,000	13,350,000
Basic / Diluted EPS in Rupees	2.05	2.31

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

For and on behalf of the Board

Chartered Accountants

K.V. Gopalakrishnayya

M.V. Nagaraj

M. V. Shetty

K. Prakash

Partner

Managing Director

Whole Time Director

Director

Membership No.: 21748

FRN 001154S

Date : 28th May 2012

Place : Bangalore

Narayana Bhat

CFO & Company Secretary

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STATEMENT OF CASH FLOW FOR THE YEAR ENDING 31st MARCH, 2012

Particulars	31.03.2012 Amount in Rs.	31.03.2011 Amount in Rs.
CASH FLOW FROM OPERATIONS:		
Net Income before current income taxes	28,654,435	31,161,943
Interest received	(1,245,499)	(737,938)
Dividend Received	(7,200)	(14,400)
Depreciation	4,398,270	14,848,645
Provision for doubtful debts/ advances	6,716,598	(463,596)
Current income tax	(0)	(230,542)
Interest Expenses	26,214,527	36,771,184
(Increase)/decrease in trade and other receivables	(40,244,823)	26,494,554
(Increase)/decrease in Inventories	17,467,623	(34,546,264)
Increase/(decrease) in trade payables	(12,239,397)	(26,256,990)
(Profit) / Loss on sale of fixed assets	(71,686)	(7,691,890)
Net cash from operations	29,642,848	39,334,706
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest Received	1,245,499	737,938
Dividend Received	7,200	14,400
Proceeds from sale of fixed assets	166,402	10,044,053
Purchase of fixed assets	(4,091,190)	(16,097,606)
Net cash from investing activities	(2,672,089)	(5,301,215)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net proceeds from borrowing	719,905	(5,185,074)
Interest paid	(26,214,527)	(36,771,184)
Net cash from financing activities	(25,494,622)	(41,956,258)
Net increase/(decrease) in cash and cash equivalents	1,476,138	(7,922,767)
Cash and cash equivalents at the beginning of the year	16,919,362	24,842,129
Cash and cash equivalents at the end of the year	18,395,500	16,919,362
Net increase/(decrease) in cash and cash equivalents	1,476,138	(7,922,767)

For Ishwar & Gopal
Chartered Accountants

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

Date : 28th May 2012
Place : Bangalore

For and on behalf of the Board

M.V. Nagaraj
Managing Director

M. V. Shetty
Whole Time Director

K. Prakash
Director

Narayana Bhat
CFO & Company Secretary

Statement pursuant to Section 212(2)(e) relating to Subsidiary Company for the financial year ended 31st March, 2012

1. Name of the company : VXL Instruments Limited - UK
2. Holding Company's Interest : 1,08,000 Equity Shares of GBP 1 each fully paid up 60%
3. Aggregate amount of Profits (Losses) since becoming subsidiary so far as it concerns the members of the holding company and not dealt with in the holding company's accounts
- a. For the subsidiary's financial year ended 31st March 2012 : 41,628 GBP
- b. For the previous financial years : (-) 18,64,566 GBP
4. Net aggregate amount of profits (losses) since becoming subsidiary so far as it concerns the members of the holding company and dealt with in the holding company's accounts
- a. For the subsidiary's financial year ended 31st March 2012 : Nil
- b. For the previous financial years : Nil

Place : Bangalore
Date : 28th May 2012

M.V. Nagaraj
Managing Director

M.V. Shetty
Whole Time Director

K. Prakash
Director

Narayana Bhat
CFO & Company Secretary

**20th
Annual Report
2011-2012**

VXL Instruments Limited (UK)

BOARD OF DIRECTORS

<i>Directors</i>	D. S. Rao Frank Noon M. V. Nagaraj M. V. Shetty
<i>Secretary</i>	D. 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

**DIRECTORS' REPORT FOR THE YEAR
ENDED 31st MARCH 2012**

The directors present their report with the financial statements of the company for the year ended 31st March, 2012.

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, 2011 to the date of this report

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

Other changes in directors holding office are as follows: K Shyam - resigned 25 July 2011

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

26th April 2012

On behalf of the board

D.S. Rao

Director

**BALANCE SHEET
AS AT 31st MARCH 2012**

	Notes	31.03.12 in GBP	31.03.11 in GBP
Fixed assets			
Intangible assets	4	–	–
Tangible assets	5	3,169	4,150
		<u>3,169</u>	<u>4,150</u>
Current Assets			
Cash at bank		22,901	28,407
Creditors			
Amounts falling due within one year	6	756,818	780,696
Net Current Liabilities		(733,917)	(752,289)
Total Asset Less Current Liabilities		(730,748)	(748,139)
Creditors			
Amounts falling due after more than one year	7	912,190	936,427
Net Liabilities		(1,642,938)	(1,684,566)
Capital and Reserves			
Called up share capital	8	180,000	180,000
Profit and loss account	9	(1,822,938)	(1,864,566)
Shareholders' Funds		(1,642,938)	(1,684,566)

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31st March 2012.

The members have not required the company to obtain an audit of its financial statements for the year ended 31st March 2012 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 26 April 2012 and were signed on its behalf by Mr. D.S. Rao

**TRADING AND PROFIT AND LOSS
ACCOUNT FOR THE YEAR ENDED 31ST
MARCH 2012**

		31.03.12 in GBP	31.03.11 in GBP
Turnover		2,978,437	2,180,052
Cost of sales		639,581	656,945
GROSS PROFIT		2,338,856	1,523,107
Administrative expenses		2,297,228	1,492,731
OPERATING PROFIT and PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	41,628	30,376
Tax on profit on ordinary activities	3	–	–
PROFIT FOR THE FINANCIAL YEAR		41,628	<u>30,376</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

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.

	31.03.12	31.03.11
	GBP	GBP
2. Operating Profit		
Operating profit is stated after charging		
Depreciation-owned assets	1,056	1,384
Directors' remuneration and other benefits etc	114,000	114,000
3. Taxation		
Analysis of the tax change		
No liability to UK corporation tax arose on ordinary activities for the year ended 31 March 2012 nor for the year ended 31st, March 2011.		
4. Intangible Assets		
COST		
At 1 April 2011		
and 31 March 2012		13,875
AMORTISATION		
At 1 April 2011		
and 31 March 2012		13,875
NET BOOK VALUE		
At 31 March 2012		-
At 31 March 2011		-
5. TANGIBLE FIXED ASSETS		
PLANT AND MACHINERY		
COST		
At 1 April 2011		126,842
Additions		75
At 31 March 2012		126,917
DEPRECIATION		
At 1 April 2011		122,692
Charge for the year		1,056
At 31 March 2012		123,748
NET BOOK VALUE		
At 31 March 2012		3,169
At 31 March 2011		4,150

6. Creditors: amounts falling due within one year.

Trade creditors	592,319	688,670
Taxation and social security	150,259	88,826
Other creditors	14,240	3,200
	756,818	780,696

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

Other creditors	912,190	936,427
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8. Called-up Share capital

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

9. RESERVES

Balance at 31 March	(1,864,566)	(1,894,942)
Profit for the year	41,628	30,376

10. Related party transactions

The amount due to VXL Instruments Limited as at the balance sheet date amounted to GBP 741,527 (2011-741,527) 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.

As described on the balance sheet you are responsible for the preparation of the financial statements for the year ended 31 March 2012 set out on page Nos. 45 to 46 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.

26th April 2012

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

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2012

Particulars	Amount in GBP			
	31-Mar-12	31-Mar-12	31-Mar-11	31-Mar-11
Sales		2,978,437		2,180,052
Cost of sales				
Materials	605,897		613,936	
Carriage inwards and import duty	33,684		43,009	
		639,581		656,945
GROSS PROFIT		2,338,856		1,523,107
EXPENDITURE				
Directors' salaries	114,000		114,000	
Wages	393,539		238,779	
Rent and other charges	58,261		30,518	
Insurance	5,077		6,738	
Telephone	28,717		20,817	
Post and stationery	2,827		3,741	
Advertising	35,354		64,173	
Travelling and subsistence	55,080		31,238	
Motor expenses	42,885		33,744	
Computer software and parts	6,044		1,052	
Repairs and renewals	75		25	
Sundry expenses	16		15	
Profit/(loss) on exchange	9,998		62,543	
Staff welfare	1,174		1,146	
Accountancy	3,795		3,480	
Legal and professional fees	2,417		584	
Overseas office expenses	1,525,551		873,113	
Entertainment	6,010		2,050	
Medical Insurance	3,103		2,827	
Donations	1,608		-	
		2,295,531		1,490,583
		43,325		32,524
FINANCE COSTS				
Bank charges		641		764
		42,684		31,760
Depreciation				
Plant and machinery		1,056		1,384
NET PROFIT		41,628		30,376

**CONSOLIDATED
ACCOUNT
STATEMENTS**

AUDITORS' REPORT TO THE MEMBERS OF THE VXL INSTRUMENTS LIMITED

1. We have examined the attached Consolidated Balance Sheet of **VXL Instruments Limited** and its subsidiaries as at 31st March 2012, the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting frame work and are free of material misstatements. An audit also includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. ***In respect of the financial statements of a foreign subsidiary, VXL Instruments Limited (UK) we did not carry out the audit. The financial statements of this subsidiary is certified by the Management and have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of said subsidiary is based solely on these certified financial statements. Since the Financial statements for the financial year ended 31st March 2012 was compiled by the Management of the said Company was not audited, any adjustments to the balances could have consequential effects on the attached Consolidated Financial Statements. The details of assets and revenues in respect of this subsidiary are given below.***
4. We report that the Consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21 – Consolidated Financial Statements – Issued by the Institute of Chartered Accountants of India and on the basis of separate audited /reviewed financial statements of the subsidiaries included in the financial statements.

In our opinion and to the best of our information and according to the explanations given to us, subject to, ***Note No 14 to the Balance Sheet, regarding recognition and quantification of deferred tax asset of Rs 84,288,706/- based on the opinion of the management that the same would be adjusted against future profits, we are of the opinion that :***

- a) The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of VXL Instruments Limited and its subsidiaries as at 31st March 2012
- b) The Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of VXL Instruments Limited and its subsidiaries for the year ended on that date, and
- c) The Consolidated Cash Flow Statement gives a fair view of the Consolidated Cash Flow of VXL Instruments Limited and its Subsidiaries for the year ended on that date

For Ishwar & Gopal
Chartered Accountants

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

Place : Bangalore
Date : 28th May 2012

Total Assets Negative (Rs. 6,511,847) Total Revenues Rs.225,884,662/-.

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CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2012

Amount in Rs.

Sl. No.	Particulars	Note No.	As at 31-Mar-12	As at 31-Mar-12	As at 31-Mar-11	As at 31-Mar-11
I EQUITY AND LIABILITIES						
1. Shareholders' funds						
	a. Share Capital	3	133,353,000		133,353,000	
	b. Reserves and Surplus	4	99,457,489		112,059,464	
				232,810,489		245,412,464
2. Non-current liabilities						
	a. Long Term borrowings	5	1,178,125		280,458,220	
	b. Other long term liabilities	6	280,000,000		-	
	c. Long term provisions	7	10,930,813		10,688,144	
				292,108,938		291,146,364
3. Current Liabilities						
	a. Short term borrowings	8	95,110,756		89,894,968	
	b. Trade payables	9	242,067,916		269,543,398	
	c. Other Current liabilities	10	35,534,213		6,774,417	
	d. Short term provisions	11	1,625,013		1,294,283	
				374,337,898		367,507,066
	TOTAL			899,257,325		904,065,894
II ASSETS						
1. Non-current assets						
	a. Fixed Assets	12				
	i. Tangible Assets	a	104,551,940		315,770,204	
	ii. Intangible Assets	b	3,711,042		10,427,640	
	iii. Assets held for sale	c	210,765,406		-	
				319,028,388		326,197,844
	b. Non-current investments	13	60,000		60,000	
	c. Deferred tax assets (net)	14	84,288,706		100,404,865	
	d. Long term loans & advances	15	9,059,520		9,345,491	
	e. Other non current assets	16	-		-	
				93,408,226		109,810,356
2. Current Assets						
	a. Current Investments		-		-	
	b. Inventories	17	226,218,808		243,686,431	
	c. Trade receivables	18	211,238,901		200,951,459	
	d. Cash & Cash equivalents	19	20,243,381		18,935,975	
	e. Short term loans & advances	20	28,959,703		4,331,269	
	f. Other Current assets	21	159,918		152,560	
				486,820,711		468,057,694
	TOTAL			899,257,325		904,065,894

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

M.V. Nagaraj
Managing Director

M. V. Shetty
Whole Time Director

K. Prakash
Director

Date : 28th May 2012
Place : Bangalore

Narayana Bhat
CFO & Company Secretary

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CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2012

Particulars	Note No.	Amount in Rs.			
		Figures for the current reporting period		Figures for the previous reporting period	
		31-Mar-12	31-Mar-12	31-Mar-11	31-Mar-11
I Revenue from operations	22		1,015,631,443		1,084,388,390
II Other Income	23		16,103,501		5,096,769
III Total Revenue (I +II)			<u>1,031,734,944</u>		<u>1,089,485,159</u>
IV Expenses:					
Cost of materials consumed	24		639,655,069		797,526,354
Changes (Increase) / Decrease in inventories of finished goods, work-in-progress and Stock-in-Trade	25		44,832,699		11,756,911
Employee benefits expenses	26		73,120,050		47,482,550
Financial costs	27		26,264,409		36,825,420
Depreciation and amortization expenses	28		11,200,077		14,950,998
Other expenses	29		210,669,050		162,112,224
Total Expenses			<u>1,005,741,354</u>		<u>1,070,654,457</u>
V Profit before exceptional and extraordinary items and tax (III - IV)			25,993,590		18,830,701
VI Exceptional Items	30				12,543,425
VII Profit before extraordinary items and tax (V + VI)			25,993,590		31,374,126
VIII Extraordinary Items			-		-
IX Profit before tax (VII - VIII)			25,993,590		31,374,126
X Tax expense:					
(1) Current tax (relating to earlier year)			-		273,680
(2) Deferred tax					
Deferred Tax expense			16,116,159		5,863,083
Less: Deferred Tax Reserve Withdrawn			<u>(14,777,005)</u>		<u>(5,863,083)</u>
XI Profit(Loss) from the period from continuing operations (IX - X)			24,654,436		31,100,446
XII Earning per equity share:					
(1) Basic and Diluted			1.85		2.31

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
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M.V. Nagaraj
Managing Director

M. V. Shetty
Whole Time Director

K. Prakash
Director

Date : 28th May 2012
Place : Bangalore

For and on behalf of the Board

Narayana Bhat
CFO & Company Secretary

Twenty Sixth Annual Report 2011 - 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

Particulars	As at 31.03.2012		As at 31.03.2011	
	Number	Amount in Rs.	Number	Amount in Rs.
SHARE CAPITAL				
Authorised				
a. Equity Shares	15,000,000	150,000,000	15,000,000	150,000,000
b. Issued				
Equity Shares	13,350,000	133,500,000	13,350,000	133,500,000
Subscribed and paid fully				
Equity Shares	13,322,500	133,225,000	13,322,500	133,225,000
Subscribed but not paid fully				
Equity Shares	27,500	128,000	27,500	128,000
Total	13,350,000	133,353,000	13,350,000	133,353,000

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 31.03.2012		As at 31.03.2011	
	Number	Amount in Rs.	Number	Amount in Rs.
Equity Shares				
Outstanding at the beginning of the period	13,350,000	133,353,000	13,350,000	133,353,000
Outstanding at the end of the period	13,350,000	133,353,000	13,350,000	133,353,000

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. 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 31.03.2012		As at 31.03.2011	
	No. of shares held	% of holding	No. of shares held	% of holding
Tefuli Ltd	1,950,000	14.61	1,950,000	14.61
Tintur Investments Ltd	1,925,000	14.42	1,925,000	14.42
Breezetop Investments Ltd	1,925,000	14.42	1,925,000	14.42
Daymount Ltd	1,785,000	13.37	1,785,000	13.37
Priya Ltd	900,000	6.74	900,000	6.74

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	As at 31.03.2012 Amount in Rs.	As at 31.03.2011 Amount in Rs.
g. Calls unpaid (showing aggregate value of calls)		
- Unpaid by directors and officers	-	-
- Unpaid by Others	147,000	147,000
4. RESERVES & SURPLUS		
a. Capital Reserve		
Balance as per last financial statement	2,053,645	2,053,645
Capital Redemption Reserve		
Balance as per last financial statement	-	-
b. Securities Premium Account		
Balance as per last financial statement	137,288,827	137,288,827
c. Revaluation Reserve		
Balance as per last financial statement	290,761,480	211,438,226
Add: Additions on revaluation of Land	-	79,323,254
	<u>290,761,480</u>	290,761,480
d. Other Reserves		
i Foreign Currency Translation Reserve		
Balance as per last balance sheet	38,587,413	24,345,385
Add / (Less): Effect of foreign exchange rate variations during the year	<u>(22,479,406)</u>	14,242,028
	16,108,007	38,587,413
ii General Reserve		
Balance as per last financial statement	2,599,897	4,999,897
Less : Reserve of XL Net Software Systems P Ltd withdrawn on winding up	-	2,400,000
	<u>2,599,897</u>	2,599,897
iii Deferred Tax Reserve		
Balance as per last financial statement	18,382,952	24,246,035
Less : Withdrawn during the year	<u>(14,777,005)</u>	(5,863,083)
	3,605,947	18,382,952
e. Surplus / (Deficit) in Statement of Profit & Loss Account		
Balance as per last financial statement	(377,614,750)	(408,715,197)
Profit for the year	24,654,436	31,100,446
Appropriations	-	-
Net surplus / (Deficit) in statement of Profit & Loss Account	<u>(352,960,314)</u>	<u>(377,614,750)</u>
Total Reserves & Surplus	<u>99,457,489</u>	<u>112,059,464</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	Figures for the current reporting period As at 31.03.2012 Amount in Rs.	Figures for the previous reporting period As at 31.03.2011 Amount in Rs.
5. LONG TERM BORROWINGS		
a. Term Loans		
- From Banks - Secured *	1,707,003	437,330
Other Loans & Advances (Unsecured)		
Other Long term borrowing **	-	280,391,890
Total Long term borrowings	1,707,003	280,829,220
Less: Instalments of term loan payable within a year	528,878	371,000
Total Long term borrowings	<u>1,178,125</u>	<u>280,458,220</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. 528,878 (Rs. 371,000)		
** Other long term borrowing is repayable after 2 years		
6. OTHER LONG TERM LIABILITIES		
Others	-	-
Advance against sale of assets	280,000,000	-
	<u>280,000,000</u>	<u>-</u>
7. LONG TERM PROVISIONS		
a. Provision for employee benefits		
i Gratuity	2,857,808	2,718,044
ii Leave Benefits	1,530,339	1,427,434
b. Others	6,542,666	6,542,666
	10,930,813	10,688,144
8. SHORT TERM BORROWINGS		
a. Loans repayable on demand		
from Banks - Working Capital Borrowings *	92,975,756	87,759,968
Deposits (Unsecured)		
from Directors	2,135,000	2,135,000
	<u>95,110,756</u>	<u>89,894,968</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		
9. TRADE PAYABLES		
Due to Micro, Small and Medium Enterprises	-	-
Due to other than Micro, Small and Medium Enterprises	111,567,916	141,493,398
Acceptances	130,500,000	128,050,000
	<u>242,067,916</u>	<u>269,543,398</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	As at 31.03.2012 Amount in Rs.	As at 31.03.2011 Amount in Rs.
10. OTHER CURRENT LIABILITIES		
a. Current maturities of long term debts		
Current maturities of term loan due to a bank	528,878	371,000
b. Other payables		
i Advances from Customers	15,420	25,000
ii Due to a Director	-	300,000
iii Liabilities for expenses	34,989,915	6,078,417
	<u>35,534,213</u>	<u>6,774,417</u>
11. SHORT TERM PROVISIONS		
Provision for employee benefits		
i Gratuity	1,058,299	848,616
ii Leave Benefits	566,714	445,667
	<u>1,625,013</u>	<u>1,294,283</u>
13. NON CURRENT INVESTMENTS		
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
Basis of valuation : Investments are stated at cost.		
Aggregate amount of unquoted investments	60,000	60,000
14. DEFERRED TAX ASSETS / (LIABILITIES)		
On account of		
Carry forward losses	65,928,769	79,296,075
Temporary disallowances under Income Tax	14,551,749	17,776,452
Depreciation	3,808,187	3,332,338
	<u>84,288,706</u>	<u>100,404,865</u>
15. LONG TERM LOANS AND ADVANCES		
a. Security Deposits		
i Considered Doubtful	50,000	-
Less : Provision for doubtful deposits	<u>50,000</u>	-
ii Considered Good	3,626,503	3,474,692
b. Other Loans & Advances [Unsecured]		
i Considered Good		
- Advance to Suppliers	3,000	440,782
- Payments to statutory authorities	5,430,017	5,430,017
ii Considered Doubtful		
- Advance to suppliers	29,522,880	29,085,098
- Employee Advances	292,458	172,880
	<u>29,815,338</u>	<u>29,257,978</u>
Less : Provision for Doubtful Advances	<u>29,815,338</u>	<u>29,257,978</u>
	<u>9,059,520</u>	<u>9,345,491</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	As at 31.03.2012 Amount in Rs.	As at 31.03.2011 Amount in Rs.
16. OTHER NON CURRENT ASSETS		
Long term trade receivables (including trade receivables on deferred credit terms)		
Unsecured, Considered Doubtful	13,361,595	24,704,332
Less : Provision for doubtful debts	13,361,595	24,704,332
	-	-
17. INVENTORIES		
Raw Materials	154,923,345	122,884,624
Raw Materials in Transit	23,059,718	27,733,363
Work in progress	26,095,035	58,642,164
Finished Goods	22,140,710	34,426,280
	226,218,808	243,686,431
Mode of Valuation:		
Inventories are valued at lower of cost (weighted average) and estimated net realisable value. Provision had been made in the accounts for damaged, obsolete and slow moving items.		
18. TRADE RECEIVABLES		
[Unsecured, Considered Good]		
Aggregate amount of Trade Receivables outstanding for a period exceeding six months from the date they are due for payment	1,070,132	576,250
Others	210,168,769	200,375,209
	211,238,901	200,951,459
19. CASH AND CASH EQUIVALENTS		
a. Balance with banks		
i on Current Account	2,010,040	351,596
ii on Deposit Account	1,571,604	3,496,820
iii on Exchange Earners Foreign Currency Account	65,827	58,331
b. Cash on Hand	597,151	29,228
c. Balances with banks held as margin money or security against the borrowings, guarantees, other commitments	15,998,760	15,000,000
	20,243,381	18,935,975
20. SHORT TERM LOANS AND ADVANCES		
Other Loans & Advances [Considered Good]		
i Advance Income Tax (net of provision for taxation)	551,319	817,807
ii Prepaid Expenses	1,870,877	1,917,342
iii Advance to Suppliers	24,811,350	400,939
iv Balance with statutory / Government authorities	1,529,294	981,463
v Employee Advances	196,863	213,718
	28,959,703	4,331,269
21. OTHER CURRENT ASSETS		
Interest accrued but not due on deposits	159,918	152,560
	159,918	152,560

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	As at 31.03.2012 Amount in Rs.	As at 31.03.2011 Amount in Rs.
CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)		
CONTINGENT LIABILITIES		
Other money for which Company is contingently liable		
a. Bills discounted with Banks (secured by letters of credit from buyer's bankers)	13,500,000	85,000,000
b. Employees' 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]	1,406,365	1,406,365
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]	15,621,840	5,878,406
d. Service Tax Liability under dispute on the import of software license sticker labels considered as goods by Customs while importing	76,682,997	-
e. Education cess on excise duty	326,098	
f. Other disputed tax liabilities	595,520	595,520
g. 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.		
22. REVENUE FROM OPERATIONS		
Sale of Products	1,026,447,450	1,088,029,635
Sale of Services	1,579,438	1,885,693
Revenue from operations (Gross)	1,028,026,888	1,089,915,328
Less: Excise Duty	12,395,445	5,526,938
Revenue from operations (Net)	1,015,631,443	1,084,388,390
Details of Products Sold		
Data Processing Units	1,026,447,450	1,088,029,635
Details of Services Rendered		
AMC / Repair Services	1,579,438	1,885,693
23. OTHER INCOME		
a Interest Income on Bank Deposits	1,272,205	737,938
b Interest Income on Others	26,706	-
c Dividend Income on Long Term Investments	7,200	14,400
d Net gain / (loss) on foreign currency transaction and translation	2,631,809	2,125,946

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	As at 31.03.2012 Amount in Rs.	As at 31.03.2011 Amount in Rs.
e. Other non-operating income (net of expenses)		
i Net gain / loss on sale of fixed assets	71,686	37,731
ii Refund received from Statutory Authorities	714,998	-
iii Excess Provision / (Unclaimed Credit) Withdrawn	-	2,178,652
iv Provision for bad debts Withdrawn	11,369,297	-
v Others	9,600	2,102
	<u>12,165,581</u>	<u>2,218,485</u>
	<u>16,103,501</u>	<u>5,096,769</u>
24. Cost of materials consumed		
Cost of raw materials consumed	638,683,815	795,189,955
Packing Materials	971,254	2,336,399
	<u>639,655,069</u>	<u>797,526,354</u>
a. Mother Board	207,892,048	228,689,000
b. Flash memory	68,067,298	60,409,815
c. DDR Ram	57,617,280	108,153,390
d. Fab Items	48,446,043	44,439,360
e. Power Supply	37,673,181	45,373,400
f. Software License	110,945,721	155,613,295
g. Others	108,042,244	152,511,695
	<u>638,683,815</u>	<u>795,189,955</u>
25. Changes (Increase) / Decrease in inventories of finished goods, work-in-progress and Stock-in-Trade		
Inventories at the end of the year		
a. Work in Progress	26,095,035	58,642,164
b. Finished Goods	22,140,710	34,426,280
	<u>48,235,745</u>	<u>93,068,444</u>
Inventories at the beginning of the year		
a. Work in Progress	58,642,164	61,876,389
b. Finished Goods	34,426,280	42,948,966
	<u>93,068,444</u>	<u>104,825,355</u>
Changes (Increase) / Decrease in inventories of finished goods, work-in-progress and Stock-in-Trade	44,832,699	11,756,911
26. Employee Benefit Expenses		
Salaries and Wages	70,756,257	44,402,862
Contribution to provident & Other Funds	1,785,673	2,545,275
Staff Welfare expenses	578,120	534,413
	<u>73,120,050</u>	<u>47,482,550</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	As at 31.03.2012 Amount in Rs.	As at 31.03.2011 Amount in Rs.
27. Financial Costs		
Interest Expense *	16,198,654	10,856,039
Other Borrowing Costs	10,065,755	25,969,381
	<u>26,264,409</u>	<u>36,825,420</u>
* includes interest paid on deposit to Managing Director and Whole time Director Rs. 295,827 (Rs. 295,827)		
28. Depreciation and amortisation expenses		
Depreciation of tangible assets	4,483,479	5,321,319
Amortisation of intangible assets	6,716,598	9,629,679
	<u>11,200,077</u>	<u>14,950,998</u>
29. Other Expenses		
Consumption of Stores & Spare parts	663,371	182,625
Power and Fuel	961,404	1,074,272
Rent	5,964,062	3,436,016
Repairs to Buildings	343	33,328
Repairs to Machinery	470,344	103,294
Insurance	1,654,265	1,636,846
Rates & Taxes, excluding taxes on income	530,927	599,485
Remuneration to Auditors	428,280	422,527
Consultancy/Certification Charges	15,177,336	13,968,712
Freight & Forwarding	41,456,961	54,028,577
Provision for Doubtful debts / advances	607,360	463,596
Bad Debts written off [Net of provision withdrawn Rs. Nil (Rs. 69,20,327)]	828	135,389
Travelling and Conveyance	10,433,536	8,246,465
Communication expenses	3,822,069	3,036,884
Directors' Sitting Fees	96,000	85,000
Miscellaneous	4,348,370	2,173,925
Repairs to Others	839,404	1,363,152
Advertisement/ Sales Promotion / Brokerage / Post sales support / Entertainment	122,968,632	70,849,707
Sales Commission	245,560	272,424
	<u>210,669,050</u>	<u>162,112,224</u>
Remuneration to Auditor		
As auditor		
Audit fees	290,000	290,000
Tax Audit fees	85,000	85,000
VAT audit fees	-	12,500
In Other Capacity	-	-
Certification	35,000	25,000
Reimbursement of expenses	18,280	10,027
	<u>428,280</u>	<u>422,527</u>
30. Exceptional Items		
Loss of XL Net Software Systems Limited withdrawn on winding up	-	2,332,795
Keyman Insurance Claim Received	-	2,556,471
Profit on sale of assets	-	7,654,159
	<u>-</u>	<u>12,543,425</u>

NOTES TO THE FINANCIAL STATEMENTS

12. FIXED ASSETS

(in Rupees)

DESCRIPTION	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at 1st April, 2011	Additions during the year	Disposals/ held for sale	Exchange Fluctuation Adjustment	As at 31st March, 2012	As at 1st April 2011	Charge for the year/ Amortisation	Reversals	Exchange Fluctuation Adjustment	As at 31st March, 2012	As at 31st March, 2012	As at 31st March, 2011
a TANGIBLE ASSETS												
COST OR VALUATION												
TANGIBLE ASSETS												
Land	294,804,614	-	(207,648,614)		87,156,000	-	-	-	-	-	87,156,000	294,804,614
Buildings	22,646,754	-	(9,528,701)		13,118,053	15,124,412	445,639	(6,411,909)	-	9,158,142	3,959,911	7,522,342
Plant & Equipment	76,776,726	471,200	-	-	77,247,926	70,131,181	1,978,493	-	-	72,109,674	5,138,252	6,645,545
Furniture & Fixture	9,162,388	229,918	-	-	9,392,306	8,903,605	129,824	-	-	9,033,429	358,877	258,783
Vehicles	5,395,879	2,049,233	(1,341,403)	-	6,103,709	4,458,378	354,225	(1,246,687)	-	3,565,916	2,537,793	937,501
Office Equipment	42,845,760	1,346,890	-	1,108,599	45,301,249	37,244,341	1,575,298	-	1,080,503	39,900,142	5,401,107	5,601,419
Sub Total	451,632,121	4,097,241	(218,518,718)	1,108,599	238,319,243	135,861,917	4,483,479	(7,658,596)	1,080,503	133,767,303	104,551,940	315,770,204
b. INTANGIBLE ASSETS												
Product Development	21,176,173	-	(9,016,661)	93,191	12,252,703	10,748,533	6,716,598	(9,016,661)	93,191	8,541,661	3,711,042	10,427,640
Sub Total	21,176,173	-	(9,016,661)	93,191	12,252,703	10,748,533	6,716,598	(9,016,661)	93,191	8,541,661	3,711,042	10,427,640
Total	472,808,294	4,097,241	(227,535,379)	1,201,790	250,571,946	146,610,450	11,200,077	(16,675,257)	1,173,694	142,308,964	108,262,982	326,197,844
Previous year	464,688,712	95,420,860	87,301,279	-	472,808,293	216,608,568	14,950,998	-	84,949,116	146,610,450	326,197,843	248,080,143
c. Assets held for sale												
		GROSS BLOCK				DEPRECIATION				NET BLOCK		
Particulars	As at 01.04.2011	Additions	Disposals	As at 31.03.2012	As at 01.04.2011	Additions	Reversals	As at 31.03.2012	As at 31.03.2012	As at 31.03.2011		
Land	-	207,648,614		207,648,614				-	207,648,614	-		
Building		9,528,701		9,528,701		6,411,909		6,411,909	3,116,792	-		
	-	217,177,315	-	217,177,315	-	6,411,909	-	6,411,909	210,765,406	-		

The Company has revalued its Land as at 31.03.2008 and 31.03.2011 at fair values determined by an independent valuer. The revaluation resulted in increase in the value of Land by Rs. 211,438,226/- and Rs. 79,323,524/- respectively which was credited to revaluation reserve. Out of the above, Rs. 206,115,996/- pertains to land held for sale.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. Significant Accounting Policies:

a. Corporate Information:

VXL Instruments Limited is a Public Limited Company listed in Mumbai Stock exchange. 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 Indian 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.

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 lower of cost (weighted average) 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 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.

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, 2012.
- 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:

Name of the Subsidiary	Country of Incorporation	Percentage of ownership
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.

Particulars	As at 31.03.12 Rs.	As at 31.03.11 Rs.
Nature of obligation	Leave Salary	Leave Salary
The carrying amount at the beginning of the period	1,873,101	2,237,472
Additional provisions made during the year	334,011	–
Amounts incurred and charged against the provision during the period	110,060	260,463
Unused amounts reversed during the period	–	103,908
The carrying amount at the end of the period	2,097,052	1,873,101

c. Retirement Benefit Plans:

Defined contribution plans:

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

The Company recognised Rs. 1,115,394/- (Rs. 730,064/-) 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 31.03.12.

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Particulars	Amount in Rs.	
	As at 31.03.2012	As at 31.03.2011
1. Change in benefit obligation		
Projected Obligation at the beginning of the year	4,408,080	5,509,259
Interest Cost	352,646	440,741
Current Service Cost	355,069	485,626
Benefits Paid	(461,216)	(2,622,859)
Actuarial (Gain) / Loss	(291,733)	595,313
Projected Obligation at the end of the year	4,362,846	4,408,080
2. Change in Plan Assets		
Fair Value of the Plan Assets at the beginning of the year	841,420	1,125,065
Expected Return on Plan Assets	66,535	90,304
Employer's Contributions	–	2,248,910
Benefit Paid	(461,216)	(2,622,859)
Fair Value of the Plan Assets at the end of the year	446,739	841,420
Excess of (Obligations over Plan Assets) / Plan Assets Over Obligation	(3,916,107)	(3,566,660)
3. Net Gratuity & Other Costs at the end of the year		
Service Cost	355,069	485,626
Interest on defined benefit obligation	352,646	440,741
Expected Return on Plan Assets	(66,535)	(90,304)
Net Actuarial Gain recognized in the year	(291,733)	595,313
Net Gratuity Costs for the year	349,447	1,431,376
4. Category of assets		
Insurer Managed Funds	446,739	841,420
5. Assumptions		
Discount Rate	8%	8%
Salary Escalation Rate	7%	7%
Expected Return on Plan Assets Rate	7%	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:		

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Sl. No.	Particulars	Amount in Rs.	
		31-03-2012	31-03-2011
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			
Primary Segments (Geographical Segments)			
Description	2011-2012	2010-2011	
Revenue (Sales and Services)			
Domestic	128,971,069	54,607,156	
Overseas	886,660,374	1,029,781,234	
	<u>1,015,631,443</u>	<u>1,084,388,390</u>	
Segment Result			
Domestic	20,555,250	12,582,323	
Overseas	274,955,877	216,451,824	
	<u>295,511,127</u>	<u>229,034,147</u>	

Twenty Sixth Annual Report 2011 - 2012

	Amount in Rs.	
Particulars	2011-2012	2010-2011
<i>Less :</i>		
Unallocated Expenses		
Overheads	243,253,128	160,834,601
Interest	26,264,409	36,825,420
Provision / (Credit) for taxes	1,339,154	273,680
Profit / (Loss) After Taxation	<u>24,654,436</u>	<u>31,100,446</u>
Secondary Segments (Business Segments)		
Revenue (Sales and Services)		
Data Processing Units	993,044,680	1,066,531,951
Service Charges	1,579,438	1,854,338
Spares	21,007,325	16,002,101
Total	<u>1,015,631,443</u>	<u>1,084,388,390</u>
f. Disclosure of related parties / related party transactions:		
a. Parties where control exists		
Name of the Related Party	Nature of Relationship	
VXL Instruments Ltd. (UK)	Subsidiary. The company holds 60% in the nominal value of the equity share capital	
b. Other related parties with whom transactions were carried out during the year		
Name of the Related Party	Nature of Relationship	
N. A	N.A	
c. Key management personnel and their relatives		
Mr. M.V. Nagaraj	Managing Director	
Mrs. Shanthi Nagaraj	W/o. Mr. M.V. Nagaraj	
Mr. M.V. Shetty	Whole time Director	
Ms. Ridhima Shetty	D/o. Mr. M.V. Shetty	
Mr. Rishab Shetty	S/o. M.V. Shetty	
Mrs. Pravina Shetty	W/o. Mr. M.V. Shetty	
Mr. D S Rao	Director VXL Instruments, UK	
d. Disclosure of Related Party Transactions		
Description	2011-2012	2010-2011
Interest paid		
Mr. M.V. Nagaraj	36,500	36,500
Mr. M.V. Shetty	230,375	259,327
Total	<u>266,875</u>	<u>295,827</u>
Remuneration paid		
Mr. M.V. Nagaraj	1,936,800	1,786,048
Mr. M.V. Shetty	1,869,600	1,524,975
Mr. D S Rao	8,871,480	8,092,860
Total	<u>12,677,880</u>	<u>11,403,883</u>
e. Balances with related parties		
Other Current Liabilities - Deposits Payable		
Mr. M.V. Nagaraj	292,000	292,000
Mr. M.V. Shetty	1,843,000	1,843,000

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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. 1,430,191 (Rs. 1,269,543). Contingent rent recognized in the Profit and Loss Account Rs. 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 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	2011-2012 Amount in Rs.	Percentage	2010-2011 Amount in Rs.
Imported	96	615,616,417	97	772,966,018
Indigenous	4	24,038,652	3	24,560,336
Total	100	639,655,069	100	797,526,354

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

Particulars	31-Mar-12	31-Mar-11
Interest on LC	-	1,363,550
Freight	-	78,408
Travel and Conveyance	-	130,500
Penalties	-	10,800
	-	1,583,258
	-	1,583,258

k. Earnings per share (EPS)	31-Mar-12	31-Mar-11
Operations for the year		
Net Profit after tax for calculating Basic /Diluted EPS in Rs.	27,315,281	30,888,263
Weighted average number of shares	13,350,000	13,350,000
Basic / Diluted EPS in Rupees	2.05	2.31

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. Gopalakrishnayya
Partner

Membership No.: 21748
FRN 001154S

Date : 28th May, 2012
Place : Bangalore

For and on behalf of the Board

M.V. Nagaraj
Managing Director

M. V. Shetty
Whole Time Director

K. Prakash
Director

Narayana Bhat
CFO & Company Secretary

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STATEMENT OF CONSOLIDATED CASH FLOW FOR THE YEAR ENDING 31st MARCH, 2012

	31.03.2012 Rs.	31.03.2011 Rs.
CASH FLOW FROM OPERATIONS:		
Net Income before current income taxes	25,993,590	29,041,332
Interest received	(1,245,499)	(737,938)
Dividend Received	(7,200)	(14,400)
Depreciation	11,200,077	14,950,998
Provision for doubtful debts/ advances	607,360	463,596
Adjustment for Foreign Currency Translation	(22,479,406)	14,242,028
Loss of XL Net Software Systems Limited withdrawn on winding up	-	(67,205)
Current income tax	-	(43,138)
Fringe Benefit Tax	-	(273,680)
Interest Expenses	26,264,409	36,825,420
(Increase)/decrease in trade and other receivables	(35,244,624)	9,183,759
(Increase)/decrease in Inventories	17,467,623	(34,546,264)
Increase/(decrease) in trade payables / provisions	1,857,712	(7,245,463)
(Profit) / Loss on sale of fixed assets	(71,686)	(7,691,890)
Net cash from operations	24,342,357	54,087,155
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest Received	1,245,499	737,938
Dividend Received	7,200	14,400
Proceeds from sale of fixed assets	166,402	10,044,053
Purchase of fixed assets	(4,125,337)	(16,097,606)
Net cash from investing activities	(2,706,235)	(5,301,215)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net proceeds from borrowing	5,935,693	(18,648,766)
Interest paid	(26,264,409)	(36,825,420)
Net cash from financing activities:	(20,328,716)	(55,474,186)
Net increase/(decrease) in cash and cash equivalents:	1,307,406	(6,688,247)
Cash and cash equivalents at the beginning of the year	18,935,975	25,624,222
Cash and cash equivalents at the end of the year	20,243,381	18,935,975
Net increase/(decrease) in cash and cash equivalents:	1,307,406	(6,688,247)

For Ishwar & Gopal
Chartered Accountants

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

Date : 28th May, 2012
Place : Bangalore

For and on behalf of the Board

M.V. Nagaraj
Managing Director

M. V. Shetty
Whole Time Director

K. Prakash
Director

Narayana Bhat
CFO & Company Secretary

Twenty Sixth Annual Report 2011 - 2012

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 : 31st March 2012

4. 26th Annual General Meeting : Date - 1st September, 2012
Time - 12.00 Noon
Venue - Woodlands Hotel
No. 5, Rajaram Mohan Roy Road
Bangalore – 560 025.

5. Registrar of Members & Share Transfer
Book Closure : 27.08.2012 to 01.09.2012
(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 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 Saturday, the 1st September, 2012 and at any adjournment(s) thereof.
As witness my / our hand(s) this _____ of _____, 2012.

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

Affix
Revenue
Stamp

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



VXL INSTRUMENTS LIMITED

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

ATTENDANCE SLIP

I hereby record my presence at the **Annual General Meeting** of the Company to be held on Saturday the 1st September 2012.

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