

23rd
Annual Report
2008-2009



VXL Instruments Limited

BOARD OF DIRECTORS

Arun Kumar Bhuwanla	<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>
Kumar Shyam	<i>Director</i>
K. Prakash	<i>Director</i>
Narayana Bhat	<i>CFO & Company Secretary</i>

AUDIT COMMITTEE

K Prakash	Chairman
D S Rao	Member
Kumar Shyam	Member

REMUNERATION COMMITTEE

D S Rao	Chairman
K Prakash	Member
Kumar Shyam	Member

INVESTORS' GRIEVANCES COMMITTEE

K Prakash	Chairman
M V Shetty	Member
Kumar Shyam	Member

SHARE TRANSFER COMMITTEE

M V Shetty	Chairman
Kumar Shyam	Member

WORKS / 100% EOU

"House of Excellence"
No.17, Electronics City
Hosur Road
Bangalore - 560 100
Tel : 91-80-2852 0046/3022 2525

WORKS / DOMESTIC UNIT

No.86, 4th Cross,
Electronics City, Hosur Road,
Bangalore - 560 100.
Tel : 91-80-3022 3636.

AUDITORS

Ishwar & Gopal
Chartered Accountants
Bangalore.

BANKERS

State Bank of India

**REGISTRARS AND SHARE
TRANSFER AGENTS**

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

REGISTERED OFFICE

"House of Excellence"
No.17, Electronics City,
Hosur Road,
Bangalore - 560 100
Tel : 91-80-2852 0046/3022 2525
Fax : 91-80-2852 0095
Website : www.vxl.net

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TWENTY THIRD ANNUAL GENERAL MEETING

on Wednesday
the 16th September, 2009
at

"HOTEL AJANTHA"
No. 22-A, Mahatma Gandhi Road,
Bangalore – 560 001
at 3.00 P.M.

NOTICE

Notice is hereby given that the Twenty Third Annual General Meeting of the Members of the Company will be held at 3 p.m. on, Wednesday the 16th September, 2009 at Hotel Ajantha, Mahatma Gandhi Road, Bangalore-560 001 to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2009 and the Profit and Loss Account for the year ended on that date together with the reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Dipak S Rao, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. K. Prakash who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

By Order of the Board

Narayana Bhat

Place : Bangalore
Date : 30th June 2009

*Chief Financial Officer &
Company Secretary.*

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself / herself and such proxy need not be a member of the Company. The instrument appointing the proxy must be received by the Company at the registered office not less than 48 hours before the meeting.
2. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
3. Members/proxies should bring the Attendance slip sent herewith duly filled in to attend the meeting.
4. The Register of Members and Share Transfer books shall remain closed from 11th September, 2009 to 16th September, 2009 (both the days inclusive).

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

By Order of the Board

Narayana Bhat

Place : Bangalore
Date : 30th June 2009

*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. Dipak S Rao
Age : 61 years
Qualification : Practicing Accountant
Expertise : Corporate Affairs
2. Name : Mr. K. Prakash
Age : 60 years
Qualification : M.Com., FCS, LLB
Expertise : Legal, Corporate Affairs and Finance

By Order of the Board

Narayana Bhat

Place : Bangalore
Date : 30th June 2009

*Chief Financial Officer &
Company Secretary.*

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 2009.

FINANCIAL RESULTS

Rs. in Lakhs

Particulars	2008-09	2007-08
Sales	8,069	9,457
Depreciation/Amortization	119	176
Profit/(Loss) before Taxation	32	(894)
Profit/(Loss) after Taxation	(205)	(557)
Balance carried forward	(2,511)	(2,306)

YEAR UNDER REVIEW

During the year under review, your Company achieved a net turnover of Rs. 807 million as compared to Rs.946 million in the previous financial year. Your Company has earned a profit before taxation of Rs. 3 millions in the financial year as against a Loss before taxation of Rs.89 millions in the previous year. The Profit before taxation has been achieved after a gap of six years.

The loss during the year under review was mainly because of adverse Exchange Fluctuation of Rs. 21 million, provision of Rs. 8 million towards old receivables and reversal of deferred tax credit of Rs. 23 million relating to the Assessment Year 2001-02 as it cannot carried forward beyond 8 years. Additionally, the lower margin is also in part due to surplus work force [due to the phasing out of CRT Terminals (GVX) business] at the unit manufacturing CRT Terminals (GVX). However, your company is confident that the Thin Client and software businesses along with a solution to the surplus work force issues will ensure a turn around in the company's operations in the coming periods.

During the year under review, the Company has also received the Letter of Permission under the Software Technology Park Scheme for the development/ manufacture of Computer Software/IT enabled Services and this has also contributed to the revenues of the Company.

During the year under review, your Company has generally paid all installments due on time which has substantially reduced the term loans from Banks. Out of four term loans, three have been repaid fully. Out of the Term Loans of Rs. 79 million as on 31.03.2004, we are left with only Rs. 18 million for repayment.

OVERSEAS OPERATIONS

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

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

VXL has been one of the first Indian Companies to venture into exports of computer hardware and in spite of many obstacles and misconceptions about Indian quality and products in Hardware compared to Software, VXL has established itself worldwide as a strong player.

USA is the largest market for Thin Client. Efforts to open up the same continued.

FUTURE PROSPECTS

A. GENERAL

The company's competitiveness on cost and price continues to be affected with the surplus labour force related to the unit at No. 86, 4th Cross, Electronics City, Hosur Road, Bangalore - 560 100 which previously used to manufacture CRT Terminals (GVX) and which product has been phased out in markets worldwide. A retrenchment order passed by the Labour Commissioner in favour of the Company was returned by the High Court on certain technical grounds during 2007-08. The work force related to the unit is on strike and the matter is pending before the respective Labour Department / Labour Court. However, there has been no disruption of work at the main unit where Thin Clients are being manufactured and this is due to the fact that the majority of employees have not joined the Union or the strike.

In order to enhance value addition to our customers we are providing additional customised Information and Communication Technology solutions to our customers.

B. EXPORT

IDC reported recently that usage of thin clients in APEJ (Asia-Pacific, Excluding Japan) is having continued strong growth:

"The APEJ thin client market is expected to grow strongly over the next five years, with a compound annual growth rate (CAGR) of 21.4%. This growth will be driven primarily by India and the PRC, with good support from Singapore, Indonesia and Thailand. Encouraged by the increase in operational efficiency that organizations have reaped from server virtualization, companies are now open to the idea of

desktop virtualization, and thin clients can play an ideal complementary role as the access terminal across various verticals. The government/education, healthcare, and financial services segments especially, which traditionally have been strong proponents of thin clients, will continue to see expansion over the forecast period"

The global market for Thin Client by 2010 is expected to be just over 5 million units. This does not include the potential from conversion of existing PC users to Thin Clients which will substantially increase the potential.

Our growth will primarily come from increased sales in North America where our sales have been very low. In 2008-09, there has been substantial growth which is expected to take off in 2009 -10 and contribute to our growth.

VXL has now established a good network of Distributors and Value Added Resellers across Europe from where VXL products are exported to more than 40 countries. However, in terms of world market size, the values and quantities offer a huge potential for growth in volumes and revenues compared with the market size, primarily because VXL has had only a small presence in the dominant US market. For the last one year VXL has been slowly stepping into the US and has been able to enter into major enterprise contracts as well as partnering with some leading distributors. The coming years should see substantial growth from these continuing export efforts.

The CRT Terminals (GVX) business is winding down now and we are only servicing residual orders of small quantity from old customers and ensuring proper servicing of earlier GVX installations

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 incurred a loss of GBP 16,614 during the year.

Xlnet Software Systems Limited did not engage in any active business operations during the 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 Dipak S. Rao and Mr. K. Prakash retire by rotation, and being eligible, offer themselves for re-appointment.

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 the Company's investments in and receivables from a Subsidiary and also receivables from certain other parties 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

Your Company has been accepting fixed deposits from the public and shareholders. The total amount of such fixed deposits as on 31st March, 2009 was Rs. 129 lakhs. There were no unclaimed deposits as at that date.

ALLOTMENT OF EQUITY SHARES ON PREFERENTIAL BASIS

Share Application Money of Rs. 7,42,49,653/- received from overseas investors has been returned to them as the share issue procedure could not be completed within the time stipulated by SEBI. Pursuant to the approval of shareholders at the Extra-Ordinary General Meeting held on April 29, 2009, the Company has allotted 66,60,600 equity shares on June 16, 2009 on a preferential basis in order to meet the long term resources of the Company, raise funds for long term working capital requirements and repayment of Unsecured Loans.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (a) The financial statements have been prepared in conformity with the generally accepted accounting standards and principles and in terms of the requirement of the Companies Act, 1956. Reasonable and prudent judgements and estimates have been made wherever necessary.
- (b) The accounting policies selected and applied consistently give a true and fair view of the financial statements.

- (c) The Company has implemented adequate internal controls to provide reasonable assurance of the reliability of its financial records, proper safe guarding and use of its assets and detection of frauds and irregularities.
- (d) The Directors have prepared the annual accounts on a "going concern" basis.

CORPORATE GOVERNANCE

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

INDUSTRIAL RELATIONS

As mentioned earlier the company enjoys the support of the majority of employees which has ensured smooth flow of operations despite the strike by the employees at the GVX unit during the year 2008-09.

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 and the Investors for the continued support during the year.

The Directors also thank State Bank of India for their 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 : 30th June 2009

ANNEXURE TO DIRECTORS' REPORT

(A) CONSERVATION OF ENERGY

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

(B) TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

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

Benefits derived

 - i. Access to wider markets
 - ii. Improved performance and lower cost
 - iii. Better performance
2. Future Plan of Action
 - i. More variants of Thin client Products
 - ii. Development of Products for converging IT and Telecom Technologies
3. Total expenditure on R & D was Rs. 87.39 lakhs which constituted about 1 % of sales turnover

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Total Exports including Deemed Exports was Rs 7,064 lakhs.

The foreign exchange outgo was Rs. 6,752 lakhs.

REPORT ON CORPORATE GOVERNANCE

The detailed report on Corporate Governance, in respect of the financial year ended 31st March, 2009 is set out below:-

A. Company's Philosophy on Code of Governance

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

B. Board of Directors

Composition & Size of the Board

The Company currently has six Directors, including four non-executive Directors, viz. Mr. Arun Kumar Bhuwania, Mr. D S Rao, Mr. K Prakash, and Mr. Kumar Shyam. Of these, Mr. Arun Kumar Bhuwania, Mr. D Rao and Mr. K Prakash are Independent Directors. Mr. Arun Kumar Bhuwania functions as 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

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

- | | |
|---------------|---------------|
| 1. 25.04.2008 | 5. 29.11.2008 |
| 2. 26.06.2008 | 6. 30.01.2009 |
| 3. 31.07.2008 | 7. 27.02.2009 |
| 4. 31.10.2008 | 8. 20.03.2009 |

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

Name of Director	Category of Directorship	No. of Board Meetings attended	Whether attended Last AGM	No. of Directorship in other Companies incorporated in India	No. of Committee membership Members/ Chairman in other Companies India
Arun Kumar Bhuwania	Independent & Non-Executive	2	No	2	NIL
D S Rao	Independent & Non-Executive	2	No	NIL	NIL
M V Nagaraj	Promoter - Executive	8	Yes	3	NIL
M V Shetty	Promoter - Executive	8	Yes	1	NIL
Kumar Shyam	Promoter - Non Executive	2	Yes	1	NIL
K Prakash	Independent & Non-Executive	8	Yes	NIL	NIL

Committees of the Board

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

Audit Committee

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

The Audit Committee comprises of Mr. K Prakash, Chairman, Mr. D S Rao, Independent Director and Mr. Kumar Shyam, Non-Executive Director.

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	-
Kumar Shyam	5	-
D.S. Rao	1	-

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 2008-09 are given below:

a. Executive Directors

(in Rs.)

Directors	Salary	Fixed Commission	Perquisites	Sitting Fees	Total
M V Nagaraj	9,00,000	-	4,57,359	-	13,57,359
M V Shetty	6,60,000	-	4,25,701	-	10,85,701
Total	15,60,000	-	8,83,060	-	24,43,060

b. Non-executive Directors

Name	Sitting fees	Commission
K. Prakash	Rs. 13,000	-
D.S. Rao	Rs. 3,000	-
TOTAL	Rs. 16,000	-

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, 2009, the Committee comprised of Mr. K Prakash, Mr. Kumar Shyam and Mr. M V Shetty. The Committee met four times during the year.

VXL Instruments Limited

Attendances at these Meetings are as under:

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

There were 8 Nos. of complaints received and resolved during the year ended 31st March, 2009. 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 : 91-80-3022 2525

Fax : 91-80-2852 0095

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

General Body Meetings

Location and time of the last three Annual General Meetings:

Year	Date	Venue	Time
2006	19-09-2006	Hotel Ajantha, M G Road, Bangalore	3.00 P M
2007	17-09-2007	Hotel Ajantha, M G Road, Bangalore	3.00 P M
2008	17-09-2008	Hotel Ajantha, M G Road, Bangalore	3.00 P M

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

Disclosures

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

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

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

Means of Communication

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

General Shareholders' Information

AGM : Date : 16th September, 2009
 Time : 3.00 PM
 Venue : Hotel Ajantha, MG Road, Bangalore-560 001

Financial calendar : April to March

Date of Book Closure : 11th September, 2009 to 16th September, 2009

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, 2008	26.70	20.55
May, 2008	24.95	20.15
June, 2008	22.90	15.50
July, 2008	18.10	13.90
August, 2008	16.00	13.56
September, 2008	15.25	11.00
October, 2008	13.80	8.00
November, 2008	13.00	8.51
December, 2008	10.45	7.99
January, 2009	13.56	10.05
February, 2009	14.96	11.00
March, 2009	12.00	10.00

Registrar and Transfer Agents

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

Share Transfer System

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

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

VXL Instruments Limited

Distribution of shareholding as on 31-03-2009

Face Value Rs.10/-

Range (in Rs.)	No. of Share Holders	% of Total Share Holders	Total Holding In Rs.	% of Total Capital
1 - 5000	4,972	89.93	67,41,380	10.08
5001 - 10000	266	4.81	22,26,270	3.33
10001 - 20000	126	2.28	19,84,960	2.97
20001 - 30000	49	0.88	12,59,740	1.88
30001 - 40000	13	0.24	4,79,580	0.71
40001 - 50000	21	0.38	9,90,250	1.48
50001 - 100000	26	0.47	17,93,400	2.68
100001 & above	56	1.01	5,14,18,420	76.87
TOTAL	5,529	100	6,68,94,000	100

Shareholding pattern as on 31-03-2009

Category	No. of Shares	% Holding
Directors	8,68,980	12.99
Promoter but not Director	6,83,456	10.22
Directors'/Promoters'/ Relatives	14,180	0.22
TOTAL	15,66,616	23.43
Mutual Funds	3,000	0.04
Financial Institutions	900	0.01
Body Corporate	11,28,479	16.87
NRI	1,88,393	2.82
Foreign	14,10,750	21.09
Shares in Transit	1,025	0.01
General Public	23,90,237	35.73
TOTAL	66,89,400	100

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

Domestic Factory

86, 4th Cross
Electronics City
Hosur Road, Bangalore 560 100.
Phone: +91-80-28520042

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 : +91-80-3022525/26/28
Fax : +91-80-2852 0095
URL : www.vxl.net

AUDITORS' REPORT ON COMPLIANCE OF CORPORATE GOVERNANCE

To the Members of VXL Instruments Limited,

We have examined the compliance of conditions of Corporate Governance by VXL Instruments Limited, for the year ended on March 31, 2009, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange.

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.

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 Clause 49 of the above mentioned Listing Agreement.

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 per the records maintained by the Shareholders / Investors' Grievance Committee.

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.

For Ishwar & Gopal
Chartered Accountants

K. V. Gopalakrishnayya
Partner
Membership No.: 21748

Place : Bangalore
Date : 30th June, 2009

**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 2009, 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 2009, from being appointed as director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said statement of accounts together with the notes thereon subject to: **Note No. 3 of Schedule 17B, regarding non-provision for diminution in the value of investment of Rs 5,169,261/- and receivables of Rs. 79,225,266/- in respect of two subsidiaries of the company whose accumulated losses are in excess of the paid-up capital. Note No. 3 (a) of schedule 17B regarding non provision for long overdue receivables amounting Rs. 7,690,622/-, Note No. 12 in Schedule 17 B, regarding recognition and quantification of deferred tax asset of Rs. 112,019,328/- 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 2009, 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. Gopalakrishnayya

Partner

Place : Bangalore
Date : 30th June, 2009

Membership No.: 21748

**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 7 parties listed in the register maintained under section 301 of the Companies Act, 1956 aggregating to Rs. 1,43,82,000. The maximum amount involved during the year was Rs. 1,43,82,000 and year end balance was Rs. 1,28,70,000/-;
 - (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.

VXL Instruments Limited

(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 except in case of sales tax. Undisputed amounts payable which were outstanding as at the date of the Balance Sheet for a period of more than six months from the date they became payable are as under;

Name of the Statute	Nature of the dues	Amount Rs.	Period to which it relates	Due date	Date of payment
The Mumbai Sales Tax Act, 1959	Sales Tax	78,148	2004-05	Various dates	Not paid as on date of report

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

(b) There are no outstanding disputed amounts of income-tax, wealth tax, custom duty, excise duty, cess as at the end of the year. The above data has been furnished to the extent dues payable have been identified from the records of the Company;

(x) As per the Balance Sheet, accumulated losses of the Company as at the end of the financial year is more than 50% of its net worth. The Company has not incurred cash losses during the year but has incurred cash loss 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

Place : Bangalore

Date : 30th June, 2009

VXL Instruments Limited
BALANCE SHEET AS AT 31st MARCH, 2009

	SCHEDULE	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	66,747,000	66,747,000
Share Application money pending allotment [Includes Securities Premium]		-	74,249,653
Reserves and Surplus	2	375,385,290	375,385,290
		<u>442,132,290</u>	<u>516,381,943</u>
LOAN FUNDS			
Secured	3	105,194,422	128,499,338
Unsecured	4	368,711,543	298,693,890
		<u>473,905,965</u>	<u>427,193,228</u>
TOTAL		<u><u>916,038,255</u></u>	<u><u>943,575,171</u></u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	445,677,720	437,951,737
Less: Depreciation		<u>199,332,059</u>	<u>188,749,015</u>
Net Block		<u>246,345,661</u>	<u>249,202,722</u>
INVESTMENTS	6	6,495,711	7,995,711
DEFERRED TAX ASSET		112,019,328	135,445,669
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	172,286,732	222,594,617
Sundry Debtors	8	373,710,832	412,197,167
Cash and Bank Balances	9	22,472,074	27,824,104
Loans and Advances	10	14,651,036	16,404,066
		<u>583,120,674</u>	<u>679,019,954</u>
Less: CURRENT LIABILITIES AND PROVISIONS	11	276,690,591	353,202,707
Current Liabilities		6,362,437	5,465,037
Provisions			
NET CURRENT ASSETS		<u>300,067,646</u>	<u>320,352,210</u>
PROFIT AND LOSS ACCOUNT		<u>251,109,909</u>	<u>230,578,859</u>
TOTAL		<u><u>916,038,255</u></u>	<u><u>943,575,171</u></u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	17		

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

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

For Ishwar & Gopal

Chartered Accountants

K.V. Gopalakrishnaya

Partner

Membership No.: 21748

Date : 30th June 2009

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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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	SCHEDULE	YEAR ENDED	YEAR ENDED
		31.03.2009	31.03.2008
		Rs.	Rs.
INCOME			
Gross Sales		810,571,066	948,160,373
Excise Duty		6,762,442	13,874,141
Net Sales		803,808,624	934,286,232
Other Income	12	3,047,767	11,398,851
		<u>806,856,391</u>	<u>945,685,083</u>
EXPENDITURE			
Cost of materials	13	664,575,378	840,829,170
Employee related expenses	14	18,524,042	28,563,134
Other Expenses	15	74,337,076	80,738,280
Finance charges	16	34,359,345	67,417,326
		<u>791,795,841</u>	<u>1,017,547,910</u>
PROFIT / (LOSS) BEFORE DEPRECIATION		15,060,550	(71,862,827)
Depreciation & Amortisation	5	11,865,259	17,617,307
PROFIT / (LOSS) BEFORE TAXATION		3,195,291	(89,480,134)
PROVISION / (CREDIT) FOR TAXES			
Fringe Benefit Tax		300,000	335,000
Deferred Tax		23,426,341	(34,118,868)
PROFIT / (LOSS) AFTER TAXATION		(20,531,050)	(55,696,266)
Transitional Adjustment for Gratuity (net of deferred tax)		-	955,890
BALANCE OF PROFIT / (LOSS) BROUGHT FORWARD FROM PREVIOUS YEAR		(230,578,859)	(173,926,703)
BALANCE OF PROFIT / (LOSS) CARRIED OVER TO BALANCE SHEET		(251,109,909)	(230,578,859)
Weighted average Number of Equity Shares			
(Face value of Rs. 10 /- each)			
Basic (Weighted average)		6,689,400	6,689,400
Diluted		6,689,400	7,919,400
Earning per Share (Loss) of face value of Rs. 10 each			
Basic		(3.07)	(8.33)
Diluted		(3.07)	(7.03)
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	17		

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

For Ishwar & Gopal
Chartered Accountants

For and on behalf of the Board

K.V. Gopalakrishnayya
Partner
Membership No.: 21748

M.V. Nagaraj
Managing Director

M. V. Shetty
Whole Time Director

K. Prakash
Director

Date : 30th June 2009
Place : Bangalore

Narayana Bhat
CFO & Company Secretary

VXL Instruments Limited
SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2009

	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
SCHEDULE : 1		
SHARE CAPITAL		
Authorised:		
15,000,000 (15,000,000) Equity Shares of Rs.10/- each	<u>150,000,000</u>	<u>150,000,000</u>
Issued, Subscribed and Paid-up:		
66,89,400 (66,89,400) Equity Shares of Rs.10/- each	66,894,000	66,894,000
Less: Allotment and Call money in arrears - Other than Directors	147,000	147,000
	<u>66,747,000</u>	<u>66,747,000</u>

Of the above,

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

SCHEDULE : 2
RESERVES AND SURPLUS
Capital Reserve

As per last Balance Sheet	2,053,645	2,053,645
Securities Premium		
As per last Balance Sheet	129,296,107	129,296,107
General Reserve		
As per last Balance Sheet	2,599,897	2,599,897
Revaluation Reserve		
As per last Balance Sheet	211,438,226	-
Addition on Revaluation of Land	-	211,438,226
Deferred Tax Reserve		
As per last Balance Sheet	29,997,415	29,997,415
	<u>375,385,290</u>	<u>375,385,290</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2009

	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
SCHEDULE : 3		
SECURED LOANS		
a. Working Capital from a Bank	83,170,688	90,697,045
b. Term Loan from Banks	22,023,734	37,802,293
	<u>105,194,422</u>	<u>128,499,338</u>

NOTE:

1. Working Capital and Term Liabilities to a Bank is secured by hypothecation of Inventories, Receivables, Book-Debts and other Current Assets, Equitable Mortgage of Factory Land and Building and immovable property of the company and charge on un-encumbered Plant and Machinery and personal guarantee of some of the Directors.
2. Instalments due within a year Rs. 165 Lakhs (Rs. 115 Lakhs)

SCHEDULE: 4

UNSECURED LOANS

a. Fixed Deposits		
From – Directors	9,172,000	10,532,000
Others	3,698,000	6,570,000
b. From Companies	355,841,543	281,591,890
	<u>368,711,543</u>	<u>298,693,890</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE : 5

FIXED ASSETS

(in rupees)

DESCRIPTION	GROSS BLOCK				DEPRECIATION / AMORTISATION			NETBLOCK		
	As at 1st April, 2008	Additions during the year	Deductions during the year	As at 31st March, 2009	As at 1st April 2008	For the year	On deductions	As at 31st March, 2009	As at 31st March, 2009	As at 31st March, 2008
Own Assets										
Land	215,481,360			215,481,360	-	-		-	215,481,360	215,481,360
Buildings	27,553,295			27,553,295	15,794,508	683,306		16,477,814	11,075,481	11,758,787
Plant and machinery	36,669,093	-		36,669,093	32,457,240	588,503		33,045,743	3,623,350	4,211,853
Plastic moulds	34,913,157			34,913,157	33,977,797	374,145		34,351,942	561,215	935,360
Electrical installation	7,049,937			7,049,937	5,564,794	206,583		5,771,377	1,278,560	1,485,143
Equipment	28,697,566			28,697,566	23,785,040	826,763		24,611,803	4,085,763	4,912,526
Air conditioners	223,565			223,565	198,326	3,511		201,837	21,728	25,239
Furniture and fittings	8,744,136			8,744,136	7,454,561	141,443		7,596,004	1,148,132	1,289,575
Vehicles	6,382,748	285,000	1,298,265	5,369,484	6,147,417	119,357	1,282,216	4,984,559	384,925	235,331
TOTAL	365,714,857	285,000	1,298,265	364,701,593	125,379,683	2,943,612	1,282,216	127,041,079	237,660,513	240,335,174
Leased Assets										
Vehicles	763,912			763,912	554,992	208,920		763,912	-	208,920
	763,912	-	-	763,912	554,992	208,920	-	763,912	-	208,920
Intangibles										
Product Development	71,472,968	8,739,248		80,212,216	62,814,340	8,712,727		71,527,067	8,685,148	8,658,628
	71,472,968	8,739,248	-	80,212,216	62,814,340	8,712,727	-	71,527,067	8,685,148	8,658,628
TOTAL	437,951,737	9,024,248	1,298,265	445,677,720	188,749,015	11,865,259	1,282,216	199,332,059	246,345,661	249,202,722
PREVIOUS YEAR	216,801,133	221,247,338	96,734	437,951,737	171,224,328	17,617,307	92,620	188,749,015	249,202,722	

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2009

	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
SCHEDULE : 6		
INVESTMENTS		
(At cost - non-trade)		
LONG-TERM		
A. Unquoted - Subsidiary Companies		
45,000 Equity Shares of XLnet Software Systems Limited of Rs.10/- each, fully paid	1,500,000	1,500,000
Less : Provision for Diminution in Investments	<u>1,500,000</u>	<u>-</u>
	-	1,500,000
108,000 Equity Shares of VXL Instruments Limited - U.K of GBP 1 each, fully paid	5,169,261	5,169,261
B. Other Investments		
2,000 Equity Shares of the Shamrao Vithal Co-operative Bank Ltd. of Rs.25/- each, fully paid	50,000	50,000
127,645 Equity Shares of VXL eTech Limited of Rs.10/- each, fully paid	<u>1,276,450</u>	<u>1,276,450</u>
	<u>6,495,711</u>	<u>7,995,711</u>
SCHEDULE : 7		
INVENTORIES		
Raw materials & Consumables	86,299,937	86,761,278
Work-in-Progress	40,731,083	102,178,358
Finished goods	41,609,373	28,775,396
Raw Materials in Transit	<u>3,646,339</u>	<u>4,879,585</u>
	<u>172,286,732</u>	<u>222,594,617</u>
SCHEDULE : 8		
SUNDRY DEBTORS		
(Unsecured)		
a. Debts outstanding for a period exceeding Six months		
Considered Good	94,656,304	85,542,243
Considered Doubtful	<u>27,567,294</u>	<u>22,289,097</u>
	122,223,598	107,831,340
Less: Provision for bad & doubtful debts	<u>27,567,294</u>	<u>22,289,097</u>
	94,656,304	85,542,243
Others considered good.	<u>279,054,528</u>	<u>326,654,924</u>
	<u>373,710,832</u>	<u>412,197,167</u>
SCHEDULE : 9		
CASH AND BANK BALANCES		
Cash on hand	3,638,033	5,547,892
Balances with Scheduled Banks in India :		
in Current Accounts	490,832	896,869
in Deposit Accounts	18,343,209	21,379,343
[Pledged with Bank against bank guarantee & Letter of Credit facilities to the extent of Rs. 1,83,43,209 (Rs.2,00,57,471)]	<u>22,472,074</u>	<u>27,824,104</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2009

	Year Ended 31.03.2009 Rs.		Year Ended 31.03.2008 Rs.	
SCHEDULE: 10				
LOANS AND ADVANCES				
(Unsecured				
Advances recoverable in cash or in kind or for value to be received				
Considered Good	6,463,122		5,575,515	
Considered Doubtful	<u>28,768,888</u>		<u>28,768,888</u>	
	35,232,010		34,344,403	
Less : Provision for doubtful advances	<u>28,768,888</u>	6,463,122	<u>28,768,888</u>	5,575,515
Advances to Subsidiaries	<u>2,437,394</u>			2,437,394
Less : Provision for doubtful advances	<u>2,437,394</u>	-		
Balances with Excise Authorities		2,123,472		2,508,889
Interest accrued but not due on deposits		705,093		470,665
Deposits		4,291,055		4,774,634
Advance Income Tax / TDS		1,068,294		636,969
		<u>14,651,036</u>		<u>16,404,066</u>

SCHEDULE: 11
CURRENT LIABILITIES AND PROVISIONS

Current liabilities				
Acceptances	130,700,000		114,200,000	
Sundry Creditors				
Total outstanding dues of micro enterprises and small enterprises	740,842		949,054	
Total outstanding dues of other than micro enterprises and small enterprises	126,806,580		208,211,400	
Advance Received from Customers	4,189,485		4,945,182	
Other Current Liabilities	13,532,134		24,175,521	
Share Application Money Refundable account	<u>721,550</u>	276,690,591	<u>721,550</u>	353,202,707
PROVISIONS FOR				
Fringe Benefit Tax	580,282		325,282	
Gratuity	3,872,033		3,623,175	
Leave Encashment	<u>1,910,122</u>	6,362,437	<u>1,516,580</u>	5,465,037
		<u>283,053,028</u>		<u>358,667,744</u>

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SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Year Ended 31.03.2009 Rs.	Year Ended 31.03.2008 Rs.
SCHEDULE: 12		
OTHER INCOME		
Interest received on deposits and loans (Gross, TDS - Rs. 3,13,606 (Rs.117,437))	1,509,467	1,213,645
Provisions No longer required written back	975,297	6,970,322
Profit on sale of Fixed Assets	128,841	18,553
Dividend Received	7,500	
Sales Tax Refund Received	-	3,138,031
Miscellaneous receipts	426,662	58,300
	<u>3,047,767</u>	<u>11,398,851</u>
SCHEDULE: 13		
COST OF MATERIALS		
1. Consumption of		
Raw Materials	459,350,214	843,246,358
Software License	152,168,196	18,964,863
Packing Materials	3,283,438	1,512,819
Consumable stores	1,160,232	431,858
	<u>615,962,080</u>	<u>864,155,898</u>
2. Change in inventory		
Opening work-in-progress	102,178,358	95,001,814
Opening finished goods	28,775,396	12,625,212
	<u>130,953,754</u>	<u>107,627,026</u>
Closing work-in-progress	40,731,083	102,178,358
Closing finished goods	41,609,373	28,775,396
	<u>82,340,456</u>	<u>130,953,754</u>
Net (accretion) / depletion	<u>48,613,298</u>	(23,326,728)
	<u>664,575,378</u>	<u>840,829,170</u>
SCHEDULE: 14		
EMPLOYEE RELATED EXPENSES		
Salaries,wages and allowances	16,676,672	23,674,175
Contribution to Provident Fund and other funds	1,497,421	4,287,776
Welfare expenses	349,949	601,183
	<u>18,524,042</u>	<u>28,563,134</u>

VXL Instruments Limited**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009**

	Year Ended 31.03.2009 Rs.	Year Ended 31.03.2008 Rs.
SCHEDULE: 15		
OTHER EXPENSES		
Rent	1,262,016	1,125,250
Travelling and conveyance	1,994,636	2,873,613
Power and fuel	840,040	837,629
Communication costs	1,110,706	1,193,956
Rates, taxes and fees	957,320	219,997
Directors' sitting fees	16,000	16,000
Exchange Fluctuation Loss	21,226,162	8,482,636
Repairs and maintenance		
Plant & Machinery	54,535	7,856
Buildings	8,352	191,316
Others	814,871	502,433
Payment to Auditors		
Audit Fees	200,000	200,000
Tax audit fees	85,000	85,000
Certification	37,500	27,500
Commission	200,330	1,716,848
Insurance	1,155,546	1,139,215
Selling expenses	22,800,870	18,274,845
Miscellaneous expenses [Includes Prior year expenses Rs. 12,57,907 (Rs. 4,76,292)]	12,309,948	10,926,749
Provision for bad and doubtful debts and advances	7,715,590	31,672,856
Bad debts and advances written off	47,654	1,244,581
Provision for Diminution in Investments	1,500,000	-
	<u>74,337,076</u>	<u>80,738,280</u>
SCHEDULE: 16		
FINANCE CHARGES		
Interest paid on:		
Fixed loans	1,977,062	2,375,537
Other loans	13,668,854	17,231,285
Bank charges and others	18,713,429	47,810,504
	<u>34,359,345</u>	<u>67,417,326</u>

SCHEDULE: 17

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. Significant Accounting Policies

1. **Basis of Preparation:** The accounts have been prepared and presented under the historical cost convention on accrual basis following generally accepted accounting principles in India (GAAP) and comply with the Accounting Standards prescribed by the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956 to the extent applicable.
2. **Uses of Estimates:** The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenditure during the year
3. **Fixed assets :** Fixed assets are disclosed in the accounts at historical cost (except land which has been revalued as in Sl. No. B. 4) together with all costs directly attributable to their acquisition less accumulated depreciation.
4. **Depreciation:** Depreciation is computed on the written-down value of assets and provided at the rates mentioned in Schedule XIV of the Companies Act, 1956. In the case of additions/deletions, pro-rata depreciation is provided from the date of additions/up till the date of disposal. In respect of assets with cost not exceeding Rs.5,000/- depreciation at the rate of 100% is provided for the whole year.
5. **Leases:** Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rentals under operating leases are recognised in the profit and loss account on a straight-line basis.
6. **Impairment of Assets:** The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment of the carrying amount of Company's assets. If any indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognized whenever the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is greater of the net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value, based on appropriate discounting factor. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation as if there was no impairment.
7. **Investments :** Long term investments are valued at cost less provision, if any, for permanent diminution in value. Current investments are valued at lower of cost and net realisable value.
8. **Inventories:** Inventories are valued at lower of cost (weighted average) and estimated net realisable value. Adequate provision has been made in the accounts for damaged, obsolete and slow moving items.
9. **Employee Benefits:**
 - a. **Post employment benefit plans:**
Contributions to defined contribution retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contributions. For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

VXL Instruments Limited

b. Short term Employee Benefits:

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

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

11. Deferred Revenue Expenditure / Intangible assets

Revenue expenditure on product development is treated as an Intangible asset, grouped under fixed assets and amortised over the period of life.

12. Income Tax

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

Deferred tax is recognised in respect of timing differences on account of differences between accounting income and taxable income arising in one period and capable of adjustment in subsequent period(s).

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

Fringe Benefit Tax is provided on the value of fringe benefits provided / deemed to be provided to employees

13. Warranties

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

14. Borrowing Costs

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

15. Earning Per Share

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

16. Provisions, Contingent Liabilities and Contingent Assets

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

17. Segment Reporting

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

B. NOTES ON ACCOUNTS

1. Pursuant to the Order passed by the High Court of Karnataka approving reduction of capital, all the shares issued earlier but awaiting Listing have been listed by the Bombay Stock Exchange. Share Application Money of Rs, 7,42,49,653/- received from overseas investors has been returned to them as the share issue procedure could not be completed within the time stipulated by SEBI.

2. Provisions, Contingent Liabilities & Contingent Assets.

Particulars	As at 31st March,2009 Rs.	As at 31st March,2008 Rs.
A Guarantees issued by Bankers	16,456,347	12,068,366
B Letter of Credit outstanding	-	20,692,409
C Liability on account of bills discounted with Banks. (Secured by Letters of Credit from buyers' bankers)	63,500,000	8,800,000
D Employees' Provident Fund contributions under appeal [Out of which Rs 1,069,469/- has been deposited with respective authority and shown under Current Assets].	2,138,938	2,138,938
E Central Sales Tax Liability under appeal	-	9,906,886
F. Certain employees at Unit II, manufacturing CRT Terminals (GVX) have abstained from work. The matter is before the Labour Department/Labour Court. Contingent liability, if any, on this has not been quantified.		
G. The Company has made provision for leave salary on estimate basis. These being retirement benefits, an obligation to pay these amounts might arise at the time of resignation / superannuation of the employees. There is no reimbursement receivable against these obligations. The provision is made based on actuarial valuation.		

(Amount in Rs.)

Nature of obligation	The carrying amount at the beginning of the period	Additional provisions made during the year	Amounts incurred and charged against the provision during the period	Unused amounts reversed during the period	The carrying amount at the end of the period
Leave Salary	15,16,580	6,43,602	2,50,060	Nil	19,10,122

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

1. VXL Instruments Limited, U.K., a subsidiary in which the Company has 60% share holding amounting to Rs. 5,169,261/- has accumulated losses in excess of its total paid up capital. Net receivables from VXL Instruments Limited, U.K., as at 31st March 2009 is Rs.79,225,266 (79,450,720). 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. Since these bills are outstanding for a substantial period, the same have been stated at the exchange rate prevailing at the time of Billing.
2. XLnet Software Systems Limited, a 100% subsidiary, in which the total investment by the company is Rs. 1,500,000 has accumulated losses in excess of its paid up capital and has temporarily discontinued business since 2004. Amount due from XLnet Software Systems Limited, as at 31st March 2009, classified under Loans and Advances is Rs. 24,37,394 (Rs. 24,37,394) and classified under sundry debtors is Rs. 13,821 (Rs. 13,821). The Company has made provision for investment in and amounts due from the Company.
 - a. Apart from the receivable referred in to clause 3 (1) above Sundry Debtors includes Rs.7,690,622 (Rs. 11,538,678) overdue for long period. In the opinion of the management they are recoverable and hence no provision is made for the same.

VXL Instruments Limited

b. Confirmation of balance of certain parties 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.

4. Freehold Land of the Company has been revalued as on 26th February 2008 based on valuation obtained by the Company and the resulting credit of Rs. 211,438,226 has been credited to revaluation reserve.

5. Retirement Benefit Plans

Defined contribution plans

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

The Company recognised Rs.681,613 (13,98,814) for provident fund contributions in the profit and loss account. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

Defined benefit plans

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

The following table sets out the funded status of the gratuity plan and the amounts recognized in the Company's financial statements as at 31.03.09.

Particulars	(in Rs)	
	As at 31.03.2009	As at 31.03.2008
1. Change in benefit obligation		
Projected Obligation at the beginning of the year	47,79,441	53,09,464
Interest Cost	3,82,355	4,24,757
Current Service Cost	4,86,646	7,36,564
Benefits Paid	(7,68,333)	(10,25,123)
Actuarial (Gain) / Loss	1,69,592	6,66,221
Projected Obligation at the end of the year	50,49,701	47,79,441
2. Change in Plan Assets		
Fair Value of the Plan Assets at the beginning of the year	11,56,266	17,81,389
Expected Return on Plan Assets	1,08,799	1,42,511
Employer's Contributions	2,00,000	7,62,833
Benefit Paid	(7,68,333)	(10,25,123)
Actuarial (Gain) / Loss	NIL	5,05,344
Adjustment related to prior year	4,80,936	
Fair Value of the Plan Assets at the end of the year	11,77,668	11,56,266
Excess of (Obligations over Plan Assets) / Plan Assets Over Obligation	(38,72,033)	(36,23,175)

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3. Net Gratuity & Other Costs at the end of the year		
Service Cost	4,86,646	7,36,564
Interest on defined benefit obligation	3,82,355	4,24,757
Expected Return on Plan Assets	(1,08,799)	(1,42,511)
Net Actuarial Gain recognized in the year	1,69,592	11,56,266
Adjustment related to prior year	(4,16,201)	0
Net Gratuity Costs for the year	5,13,593	21,75,076
4. Category of assets		
Insurer Managed Funds	11,77,668	11,56,266
5. Assumptions		
Discount Rate	8%	8%
Salary Escalation Rate	7%	9%
Expected Return on Plan Assets Rate	7%	7%

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

6. Dues to Micro, Small and Medium Enterprises:

Sundry Creditors include Rs. 740,842 (Rs. 949,054) 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 amount outstanding for more than 30 days are as under:

(Amount in Rs.)

Sl. No.	Particulars	31-03-2009	31-03-2008
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;	7,40,842	9,49,054
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;	-	-
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;	-	-
d.	The amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
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.	-	-

7. Other Current liabilities includes dues to Directors Rs. 5,15, 832 (Rs. 11,56,414)

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

	Year ended 31.03.09	Year ended 31.03.08
Salaries and Allowances	24,43,060	24,18,097
Contribution to PF and Other Funds	1,87,200	1,87,200

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

VXL Instruments Limited

9. Finance Charges include interest paid on deposit to Managing Director and Whole-Time Director Rs. 9,96,595/- (Rs. 10,12,750)

10. Segment Information

The Company's segment information is as follows:

a. Primary Segments (Geographical Segments) (in Rupees)

Description	2008-2009	2007-2008
Revenue (Sales and Services)		
Domestic	78,043,563	134,673,274
Overseas	732,527,503	813,487,098
	<u>810,571,066</u>	<u>948,160,373</u>
Segment Result		
Domestic	15,614,794	13,837,081
Overseas	92,430,350	62,903,510
	<u>108,045,144</u>	<u>76,740,591</u>
<i>Less : Unallocated Expenses</i>		
Overheads	70,385,185	98,803,400
Interest	34,359,345	67,417,326
Provision / (Credit) for taxes	23,726,341	(33,783,868)
Profit / (Loss) After Taxation	<u>(20,425,727)</u>	<u>(55,696,267)</u>

Secondary Segments (Business Segments)

Revenue (Sales and Services)		
Data Processing Units	655,677,440	442,669,485
Computer Peripherals & Others	152,861,632	503,648,033
Service Charges	2,031,994	1,842,855
Total	<u>810,571,066</u>	<u>948,160,373</u>

Primary/Secondary Segment reporting format

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

Segment assets and liabilities

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

11. Disclosure of related parties / related party transactions

a. Parties where control exists

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

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

Name of the Related Party	Nature of Relationship
VXL eTech Limited	Associate Company
Prismatic Engineering P Ltd	Associate Company

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, Wholetime Director
 Ms. Ridhima Shetty (Daughter of Mr. M V Shetty)
 Mr. Rishab Shetty (Son of Mr. M V Shetty)

d. Disclosure of Related Party Transactions

(in Rupees)

Nature of transaction	Subsidiaries	Joint ventures and associates	Key management personnel and relatives
1. Sale of Goods	-	2,139,026 (19,329,478)	-
2. Interest Paid	-	-	1,651,780 (1,688,500)
3. Remuneration	-	-	2,630,260 (2,605,297)
4. Purchase of Goods	-	37,449 (39,449)	-

e. Balances with Related Parties

(in Rupees)

Nature of transaction	Subsidiaries	Joint ventures and associates	Key management personnel and relatives
1. Trade Receivables	79,239,087 ** (79,464,541)	-	-
2. Trade Payables	-	6,964	-
	(62,163)	(2,078)	-
3. Loans and Advance (Assets)	2,437,394 ** (2,437,394)	2,180,171	-
4. Trade Advance (Liability)	-	3,669,375	-
	(-)	(4,108,996)	(1,720,495)
5. Trade Deposit Payable	-	-	12,870,000
	(-)	-	(13,508,000)
6. Investments	6,669,261** (6,669,261)	-	-
	-	(-)	-

** The Company has made provision for advances to and investments in a subsidiary XL Net Software Systems Limited.

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12. Deferred Tax Assets / (Liabilities)

Deferred Tax Asset has been calculated as per the provisions of Accounting Standard (AS) 22 – Accounting for Taxes on Income - issued by the Institute of Chartered Accountants of India. In respect of Deferred Tax Asset of Rs.112,019,328 (Rs.135,445,669) detailed below, the Company's management is confident of earning sufficient profits in the future to be able to set off this amount and hence the Deferred Tax Asset has been recognised and quantified.

(in Rupees)

Deferred Tax Assets / (Liabilities) On account of	As at 31st March,2009	As at 31st March,2008
Carry forward losses	89,234,238	115,762,090
Disallowances under Income tax	19,845,141	17,354,610
Fixed Assets	2,939,949	2,328,970
TOTAL	112,019,328	135,445,670

13. Information pursuant to the provisions of paragraphs 3, 4C & 4D of Part II to Schedule VI of the Companies Act, 1956 :

13.1. Licensed Capacity, Installed Capacity and Production

Class of Goods	Licenced Capacity	Installed Capacity *		Actual Production	
		31.03.2009	31.03.2008	31.03.2009	31.03.2008
Data processing units	NA	120,000	120,000	60,259	51,126

* Certified by the Managing Director.
Actual production excludes bought out items / components

13.2. Opening and Closing Stock

Class of materials	Opening Stock		Closing Stock	
	2008-2009	2007-2008	2008-2009	2007-2008
Data Processing Units (Nos.)	250	317	190	250

Note : As there are a large number of spares and other items included under "Other Computer Peripherals", it is not possible to give quantitative details thereof.

Closing Stock of Finished Goods exclude removed for demonstration purpose.

13.3 Sales Turnover

Particulars	2008-2009		2007-2008	
	Quantity (Nos.)	Value (Rs.)	Quantity (Nos.)	Value (Rs.)
Data Processing Units	60,319	655,677,440	51,193	442,669,485
Computer Peripherals & Others		152,861,632		503,648,033
Service Charges		2,031,994		1,842,855
TOTAL		810,571,066		948,160,373

13.4 Consumption of Raw Materials

Particulars	2008-2009		2007-2008	
	Quantity (Nos.)	Value (Rs.)	Quantity (Nos.)	Value (Rs.)
PCB Mother Board	64,605	205,314,690	52,200	138,486,600
Flash & Memory	60,865	38,649,275	55,663	42,565,496
DDR Ram	59,820	34,396,500	50,322	38,596,974
Fab Items	63,299	38,295,895	46,683	25,675,650
Power Supply units	55,393	30,466,150	41,452	19,192,276
Software License	81,139	211,529,373	196,380	464,134,311
Others		57,310,197		135,504,591
Total		615,962,080		864,155,898

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

Particulars	2008-2009		2007-2008	
	Value (Rs.)	%	Value (Rs.)	%
Imported	548,931,968	89	789,505,546	91
Indigenous	67,030,112	11	74,650,352	9
Total	615,962,080	100	864,155,898	100

Particulars	2008-09 in Rs.	2007-08 in Rs.
13.6 Value of imports calculated on CIF Basis		
Raw materials	674,098,138	725,628,961
13.7 Expenditure in Foreign Currency		
Travelling	10,500	146,458
Certification Fees	1,096,524	718,532
13.8 Earnings in foreign Currency calculated on FOB Basis		
Direct Exports	2,098,159	11,306,384
Deemed Exports	704,262,167	784,479,861

14. Operating Leases: The Company has taken various residential / commercial premises under cancelable operating leases. These lease agreements are normally renewed on expiry. Rent debited to profit and loss account Rs. 12,62,016 (Rs. 11,25,250).

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

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

VXL Instruments Limited

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

Amount of loans and advances in the nature of loans outstanding from the subsidiaries for the year ended March 31, 2009

(in Rupees)

Subsidiary Company	Outstanding as at 31-03-2009	Maximum Amount Outstanding during the Year
VXL Instruments Limited (UK)	-	-
Xlnet Software Systems Limited	24,37,394	24,37,394

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

No of Shares

VXL Instruments Limited (UK)	1,08,000
Xlnet Software Systems Limited	45,000

16. Securities for Loans:

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

Installments due within a year Rs.165.00 Lakhs (Rs. 115.00 Lakhs)

17. Earnings per share:

in Rupees

Particulars	2008-09	2007-08
Profit / (Loss) After Taxation	(20,531,050)	(55,696,267)
Weighted Average Number of Shares		
Basic	6,689,400	6,689,400
Diluted	6,689,400	7,919,400
Earnings per share (Basic and Diluted)		
Basic	(3.07)	(8.33)
Diluted	(3.07)	(7.03)

Note: Since the share application money has been refunded, the same has not been considered for computing diluted earnings per share.

18. Previous year's figures have been recast and regrouped wherever necessary to make comparable with those of the current year.

19. Figures in Bracket relate to previous year.

For Ishwar & Gopal
Chartered Accountants

K.V. Gopalakrishnaya

Partner

Membership No.: 21748

Date : 30th June 2009

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 CASH FLOW FOR THE YEAR ENDING 31st MARCH, 2009

	31.03.2009 Rs.	31.03.2008 Rs.
CASH FLOW FROM OPERATIONS :		
Net Income before current income taxes	3,195,291	(89,480,134)
Transitional Adjustment for Gratuity	-	(1,448,099)
Provision for diminution in Investments	1,500,000	-
Interest received	(1,509,467)	(1,213,645)
Dividend Received	(7,500)	-
Depreciation	11,865,259	17,617,307
Provision for doubtful debts/ advances	7,715,591	31,672,856
Current income tax	(431,326)	(195,830)
Fringe Benefit Tax	(300,000)	(335,000)
Interest Expenses	34,359,345	67,417,326
(Increase)/decrease in trade and other receivables	32,955,100	(216,817,283)
(Increase)/decrease in Inventories	50,307,885	(13,763,577)
Increase/(decrease) in trade payables	(75,614,716)	196,842,757
(Profit) / Loss on sale of fixed assets	(128,841)	(18,553)
Net cash from operations	63,906,621	(9,721,874)
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest Received	1,509,467	1,213,645
Dividend Received	7,500	-
Proceeds from sale of fixed assets	144,890	22,667
Purchase of fixed assets	(9,024,248)	(9,809,112)
Net cash from investing activities	(7,362,391)	(8,572,800)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net proceeds from borrowing	46,712,737	95,056,677
Decrease in Share Application Money	(74,249,653)	-
Interest paid	(34,359,345)	(67,417,326)
Net cash from financing activities	(61,896,260)	27,639,352
Net increase/(decrease) in cash and cash equivalents	(5,352,030)	9,344,677
Cash and cash equivalents at the beginning of the year	27,824,104	18,479,427
Cash and cash equivalents at the end of the year	22,472,074	27,824,104
Net increase/(decrease) in cash and cash equivalents	(5,352,030)	9,344,677
Cash & Cash Equivalent consists of		
Cash on hand	3,638,033	5,547,892
Balance with Scheduled Banks		
in Current Accounts	490,832	896,869
in Deposit Accounts	18,343,209	21,379,343
	<u>22,472,074</u>	<u>27,824,104</u>

For Ishwar & Gopal
Chartered Accountants

K.V. Gopalakrishnaya
Partner

Membership No.: 21748

Date : 30th June 2009

Place : Bangalore

For and on behalf of the Board

M.V. Nagaraj
Managing Director

M. V. Shetty
Whole Time Director

K. Prakash
Director

Narayana Bhat
CFO & Company Secretary

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

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

I Registration Details	
Registration Number	7492
State Code	08
Balance Sheet Date	31.03.2009
II Capital Raised during the year (Amount in Rs. Thousands)	
Public Issue	-
Rights Issue	-
Private Placement	-
Bonus Issue	-
III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)	
Source of Funds	
Paid-up Capital	66,747
Share Application money pending allotment	
Reserves and Surplus	375,385
Secured Loans	105,195
Unsecured Loans	368,711
Total Liabilities	<u>916,038</u>
Application of Funds	
Net Fixed Assets	246,346
Investments	6,496
Net Current Assets	300,067
Deferred Tax	112,019
Accumulated Losses	251,110
Total Assets	<u>916,038</u>
IV Performance of Company (Amount in Rs. Thousands)	
Turnover including Other Income	806,856
Total Expenditure	803,661
Profit before Tax/(Loss)	3,195
Profit after Tax/(Loss)	(20,531)
Earning per Share (Rs.)	(3.07)
Dividend Rate (%)	-
V Generic names of three principal products / services of the company (As per monetary terms)	
Item Code Number (ITC Code)	8471 50 00
Product Description	DATA PROCESSING UNITS
Item Code Number (ITC Code)	8523 80 20
Product Description	INFORMATION TECHNOLOGY SOFTWARE

For Ishwar & Gopal
Chartered Accountants**K.V. Gopalakrishnayya**
Partner
Membership No.: 21748Date : 30th June 2009
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, 2009

1. Name of the company	:	Xinet Software Systems Limited	VXL Instruments Limited - UK
2. Holding Company's interest	:	44,999 Equity Shares of Rs. 10 each fully paid up (100%)	1,08,000 Equity Shares of equity capital GBP 1 (each fully paid up -60%)
3. Net 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, 2009	:	Rs.(-) 37.00 Lakhs	(-)16,614 GBP
b) For the previous financial years	:	Rs.(-) 15.00 Lakhs	(-)18,85,857 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, 2009	:	-	-
b) For the previous financial years	:	-	-

Place : Bangalore
Date : 30th June 2009

M.V. NagaraJ
Managing Director

M.V.Shetty
Whole Time Director

K. Prakash
Director

Narayana Bhat
CFO & Company Secretary

SUBSIDIARIES

Xlnet Software Systems Limited

BOARD OF DIRECTORS

M.V. Nagaraj *Director*

M.V. Shetty *Director*

REGISTERED OFFICE

"House of Excellence"
No.17, Electronics City,
Hosur Road,
BANGALORE - 560 100.

AUDITORS

Ishwar & Gopal
Chartered Accountants

VXL INSTRUMENTS LIMITED (UK)

BOARD OF DIRECTORS

D.S. Rao *Director*

Frank Noon *Director*

M.V. Nagaraj *Director*

M.V. Shetty *Director*

Kumar Shyam *Director*

REGISTERED OFFICE

Carrington Business park
Carrington
Manchester
Cheshire
M31 4DD

DIRECTORS' REPORT

To

The Members

Xlnet Software Systems Limited

Your Directors present their Eighteenth Annual Report of the Company

FINANCIAL RESULTS	(Rs. in Lakhs)	
	2008-09	2007-08
Gross Revenue	-	-
Profit/(Loss) before tax	(37.00)	(0.42)
Profit/(Loss) after tax	(37.00)	(0.42)

OPERATIONS

You will observe from the accounts for the year 2008-09 that there was no business activity during the year 2008-09. Foreseeing the huge potential in the arena of Software services and technical consultancy, your company is going to provide the services to the parent company and subsequently foray into other areas

DIRECTORS

Mr. M V Shetty and Mr. M V Nagaraj, Directors, retire by rotation and being eligible, offer themselves for re-election.

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.

AUDITORS

Messrs Ishwar & Gopal, being eligible, offer themselves for re-appointment as auditors.

PARTICULARS OF EMPLOYEES

There was no employee drawing remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956.

FIXED DEPOSITS

Your Company has not accepted any deposit during the year.

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.

For and on behalf of the Board of Directors

M.V. Shetty **M.V. Nagaraj**
Director *Director*

Place : Bangalore

Date : 30th June, 2009

ANNEXURE TO DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

Since there were no business activity during the year, no electricity and fuel was consumed.

B. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

There were no R & D activities carried out during the year.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Company neither incurred nor earned any foreign exchange during the year under review.

For and on behalf of the Board of Directors

M.V. Shetty **M.V. Nagaraj**
Director *Director*

Place : Bangalore

Date : 30th June, 2009

AUDITORS' REPORT TO THE MEMBERS OF XLNET SOFTWARE SYSTEMS LIMITED

1. We have audited the attached Balance Sheet of **Xlnet Software Systems Limited**, as at 31st March 2009, and also the Profit & Loss Account of the Company 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 director prima facie is disqualified as on 31st March 2009, from being appointed as director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said statement of accounts together with the notes thereon subject to: **Note No.B-1 in Schedule 9 regarding accounts of the Company having been prepared on a going concern basis notwithstanding temporary discontinuance of the existing business of the Company** 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.

- a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2009, and
- b. In the case of the Profit and Loss Account, of the Loss for the year ended on that date.

For Ishwar & Gopal

Chartered Accountants

K.V. Gopalakrishnaya

Partner

Place : Bangalore

Date : 30th June, 2009

Membership No.: 21748

**ANNEXURE TO THE AUDITORS' REPORT OF
EVEN DATE TO THE MEMBERS OF
Xlnet Software Systems 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) The Company has not disposed off fixed assets during the year under review and therefore do not affect the going concern assumption.
- (ii) In respect of its Inventories: As the Company does not have any inventory during the year under review, the clauses ii (a) to (c) are not applicable.
- (iii) Loans:
 - (a) The Company during the prior year has given Rs. 256,850 advance to a Company listed in the register maintained under Section 301 of the Companies Act, 1956;
 - (b) We have been informed that, the advance referred to in iii(a) above is not recoverable and hence the same is written off in the accounts, during the year under review;
 - (c) The Company has not taken any loans from parties listed in the register maintained under Section 301 of the Companies Act, 1956, and hence clause 4 (iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company for the year under review;
- (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. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls;
- (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, there are no transactions entered in the registers maintained under Section 301;
- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted deposits from public to which the provisions of section 58A and 58AA of the Companies Act, 1956 and Companies (Acceptance of Deposit) Rules, 1975 apply. No order has been passed by the Company Law Board;
- (vii) The requirement of internal audit is not applicable to the Company for the year under review.
- (viii) We have been informed that the Central Government has not prescribed maintenance of Cost records in respect of products of the Company under Section 209 (1) (d) of the Companies Act, 1956.
- (ix) In respect of Statutory Dues:
- (a) We have been informed that there were no undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth tax, sales tax, service tax, custom duty, excise duty, cess and any other material statutory dues applicable to it and the company is generally regular in payment of the same with appropriate authorities, wherever applicable;
- (b) As explained to us, there are no disputed Income Tax, Custom Tax/ Wealth tax/ Excise Duty/ Cess as at the end of the year;
- (x) As per the Balance Sheet, accumulated losses of the Company as at the end of the financial year is not more than 50% of its net worth. The Company has incurred cash losses during the year and in the immediately year preceding.
- (xi) Based on our audit procedures and on the information and explanations given by the management, there are no dues to financial institutions / bank.
- (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.
- (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) During the year, the Company has not availed any term loan from banks / financial institutions;
- (xvii) On the basis of our examination of the books of accounts and the information and explanation given to us, in our opinion, the funds raised on short-term basis have not been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital;
- (xviii) During the year under review, the Company has not made preferential allotment of shares.
- (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

Place : Bangalore
Date : 30th June, 2009

Xlnet Software Systems Limited
BALANCE SHEET AS AT 31STMARCH, 2009

	SCH	AS AT 31.03.09 Rs.	AS AT 31.03.08 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	450,000	450,000
Reserves and Surplus	2	2,400,000	899,237
TOTAL		2,850,000	1,349,237
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	3	3,095,213	3,095,213
Less: Depreciation		3,038,520	3,015,772
Net Block		56,993	79,441
INVESTMENTS	4	10,000	10,000
CURRENT ASSETS, LOANS AND ADVANCES			
Cash and bank balances	5	13,653	13,653
Loans and advances	6	-	3,905,081
		13,653	3,918,734
Less: CURRENT LIABILITIES AND PROVISIONS	7	2,467,915	2,658,938
NET CURRENT ASSETS		(2,454,262)	1,259,796
Profit and Loss account		5,237,569	-
TOTAL		2,850,000	1,349,237
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	9		

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

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

For Ishwar & Gopal
Chartered Accountants

For and on behalf of the Board

K.V. Gopalakrishnayya
Partner
Membership No.: 21748

M.V. Nagaraj
Director

M.V. Shetty
Director

Place : Bangalore
Date : 30th June,2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	SCH	Year Ended 2008-2009 Rs.	Year Ended 2007-2008 Rs.
INCOME			
Excess Provision Withdrawn		<u>201,097</u>	-
		<u>201,097</u>	-
EXPENDITURE			
Other expenses	8	3,915,154	8,427
Depreciation	3	<u>22,749</u>	33,601
		<u>3,937,903</u>	42,028
LOSS FOR THE YEAR BEFORE TAXATION		3,736,806	42,028
LOSS AFTER TAXATION		3,736,806	42,028
Balance brought forward from previous year		<u>1,500,763</u>	1,458,735
LOSS CARRIED OVER TO BALANCE SHEET		<u>5,237,569</u>	<u>1,500,763</u>
Earnings per share [Equity shares, par value Rs.10 each]			
- Basic and Diluted		(83.04)	(0.93)
Weighted average number of shares used in computing earnings per share			
- Basic and Diluted		45,000	45,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	9		

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

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

For Ishwar & Gopal
Chartered Accountants

For and on behalf of the Board

K.V. Gopalakrishnayya
Partner
Membership No.: 21748

M.V. Nagaraj
Director

M.V. Shetty
Director

Place : Bangalore
Date : 30th June,2009

Xlnet Software Systems Limited
SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2009

	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
--	----------------------------	----------------------------

SCHEDULE : 1
SHARE CAPITAL

Authorised:

100,000 Equity Shares of Rs.10/- each	1,000,000	1,000,000
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Issued, Subscribed and Paid-up:

45,000 Equity Shares of Rs.10/- each, fully paid	450,000	450,000
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All the above Shares are held by the holding Company,
VXL Instruments Limited and nominee

SCHEDULE: 2
RESERVES AND SURPLUS

General Reserve

As per last Balance Sheet	2,400,000	2,400,000
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Balance in Profit and Loss Account	-	(1,500,763)
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	2,400,000	899,237
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SCHEDULE: 3
FIXED ASSETS

DESCRIPTION	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 1st April, 2008	Additions during the year	Deductions during the year	As at 31st March 2009	As at 1st April 2008	For the year	On deductions	As at 31st March 2009	As at 31st March 2009	As at 31st March 2008
Plant and machinery	2,356,958	-	-	2,356,958	2,331,680	10,111	-	2,341,791	15,167	25,278
Office Equipment	52,385	-	-	52,385	41,071	1,574	-	42,645	9,740	11,314
Furniture and fittings	21,790	-	-	21,790	21,398	71	-	21,469	321	392
Vehicles	664,080	-	-	664,080	621,622	10,993	-	632,615	31,465	42,458
TOTAL	3,095,213	-	-	3,095,213	3,015,772	22,749	-	3,038,521	56,693	79,441
PREVIOUS YEAR	3,095,213	-	-	3,095,213	2,982,171	33,601	-	3,015,772	79,441	

SCHEDULE: 4
INVESTMENTS

(At cost - non-trade)

Unquoted

400 Equity shares of the Shamrao Vithal

Co-operative Bank Ltd., of Rs. 25/- each, fully paid	10,000	10,000
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	10,000	10,000
--	--------	--------

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2009

	As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
SCHEDULE: 5		
CASH AND BANK BALANCES		
Cash on hand	191	191
Balance with Scheduled Bank in India:		
Current Account	<u>13,462</u>	<u>13,462</u>
	<u>13,653</u>	<u>13,653</u>
SCHEDULE: 6		
LOANS AND ADVANCES		
(Unsecured and Considered Good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	-	3,799,081
Deposits	-	106,000
	<u>-</u>	<u>3,905,081</u>
SCHEDULE: 7		
CURRENT LIABILITIES AND PROVISIONS		
Current liabilities		
Due to Holding Company (VXL Instruments Limited)	2,451,215	2,419,661
Other Current Liabilities	16,700	54,661
Provision		
For Gratuity	-	184,616
	<u>2,467,915</u>	<u>2,658,938</u>

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	Year Ended 31.03.2009 Rs.	Year Ended 31.03.2008 Rs.
SCHEDULE : 8		
OTHER EXPENSES		
Rates and Taxes	1,800	-
Bad debts Written off	3,905,081	-
Audit fees	5,000	5,000
For taxation matters	2,500	2,500
Service Tax	<u>773</u>	<u>827</u>
	<u>3,915,154</u>	<u>8,427</u>

SCHEDULE: 9

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. Significant Accounting Policies

1. Accounting convention
The accounts have been prepared as per historical cost convention and on accrual basis.
2. Fixed assets
Fixed assets are disclosed in the accounts at historical cost together with all costs directly attributable to their acquisition less accumulated depreciation.
3. 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/uptil 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.
4. Retirement benefits
Liability for payment of Gratuity to erstwhile eligible employees has been made as per the provisions of the Payment of Gratuity act ,1972. Leave encashment benefits have not been valued as there are no employees of the company as at the close of the accounting year.
5. Income Tax
 - a. 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.
 - b. In line with the requirements of Accounting Standard (AS) 22 -Accounting For Taxes on Income - issued by the Institute of Chartered Accountants of India and effective from 1st April ,2001, deferred tax is recognised in respect of timing difference on account of difference between accounting income and taxable income arising in one period and capable of adjustment in subsequent period(s). However, during the year under review , on a conservative basis, deferred tax assets have not been considered.

B. Notes on Accounts

- 1) Based on the information and explanations made available, the accounts of the Company have been prepared on a going concern basis notwithstanding temporary discontinuance of the existing business by the Company since the year 2004.
- 2) No provision for Income Tax has been made in the accounts in view of the loss for the year.
- 3) Included under Loans and Advance in Schedule 6 is amount due

	As at	As at
	31.03.2009	31.03.2008
a. From Private Limited company in which some of the directors of the company are interested as Directors and represents pre-incorporation expenses incurred by the Company to be converted into equity capital	-	256,850
b. From a Private Limited Company and represents value of fixed assets transferred to the said private company which remains to be adjusted	-	3,502,711
- 4) Since the Company is engaged in production of software and rendering of consultancy services which are not amenable to quantification, information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of shedule VI of the companies Act , 1956 are not given.
- 5) Previous year's figures have been recast and regrouped wherever necessary to make them comparable with those of the current year.

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

M.V. Nagaraj
Director

M.V. Shetty
Director

Place : Bangalore
Date : 30th June, 2009

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

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

I Registration Details		
Registration Number	12344	
State Code	08	
Balance Sheet Date	31.03.2009	
II Capital Raised during the year (Amount in Rs. Thousands)		
Public Issue		-
Rights Issue		-
Private Placement		-
Bonus Issue		-
III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)		
Total Liabilities		2,850
Total Assets		2,850
Source of Funds		
Paid-up Capital		450
Reserves and Surplus		2,400
Secured Loans		-
Unsecured Loans		-
Total Liabilities		<u>2,850</u>
Application of Funds		
Net Fixed Assets		57
Investments		10
Net Current Assets		(2,454)
Accumulated Losses		<u>5,237</u>
Total Assets		<u>2,850</u>
IV Performance of Company (Amount in Rs. Thousands)		
Turnover including Other Income		201
Total Expenditure		3,938
Profit before Tax/(Loss)		(3,737)
Profit after Tax/(Loss)		(3,737)
Earning per Share (Rs.)		(83.04)
Dividend Rate (%)		-
V Generic names of three principal products / services of the company		
(As per monetary terms)		
Item Code Number (ITC Code)	85249904.1	
Product Description	SOFTWARE DEVELOPMENT	

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

M.V. Nagaraj
Director

M.V. Shetty
Director

Place : Bangalore
Date : 30th June,2009

VXL Instruments Limited (UK)

DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH 2009

The Directors present their report and financial statements of the company for the year ended 31 March, 2009.

Principal activities

The principal activity of the company continued to be that of importers and wholesalers of computer peripherals.

Directors

The Directors shown below have held office during the whole of the period from 1st April, 2008 to the date of this report

D.S. Rao

M.V. Nagaraj

Frank Noon

M.V. Shetty (Appointed 1 July 2004)

Kumar Shyam (Appointed 1 July 2004)

Directors' Interests

The Directors' interests in the shares of the company were as stated below:

	Ordinary Shares of GBP 1 each	
	31st March 2009	31st March 2008
D.S. Rao	72,000	72,000
M.V. Nagaraj	-	-
Frank Noon	-	-
M.V. Shetty	-	-
Kumar Shyam	-	-

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act, 1985 relating to small companies.

On behalf of the board

D.S. Rao
Director

BALANCE SHEET AS AT 31st MARCH 2009

In preparing these financial statements:

- The Directors are of the opinion that the company is entitled to the exemption from audit conferred by section 249A(1) of the Companies Act, 1985.
- No Notice has been deposited under Section 249B(2) of the Companies, Act, 1985, and
- The Directors acknowledge their responsibilities for:
 - Ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act, 1985, and
 - Preparing accounting which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit and loss for the financial year in accordance with the requirements of Section 226 and which other wise comply with the requirements of this Act relating to Accounts, so far as applicable to the Company.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act, 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June, 2002).

The Financial Statements were approved by the Board on 21.05.2009

On behalf of the Board

D.S. Rao
Director

**BALANCE SHEET
AS AT 31st MARCH 2009**

	Notes	2008-09 in GBP	2007-08 in GBP
Fixed assets			
Intangible assets		-	-
Tangible assets		<u>7,379</u>	<u>9,839</u>
		<u>7,379</u>	<u>9,839</u>
Current assets			
Stocks		-	-
Debtors		-	-
Cash at bank and in hand		43,223	5,582
Loans & Advances		-	-
		<u>43,223</u>	<u>5,582</u>
Creditors : amounts falling due within one year	4	<u>583,432</u>	<u>531,544</u>
Net current liabilities		(540,209)	(525,962)
Total assets less current liabilities		<u>(532,830)</u>	<u>(516,123)</u>
Financed by :			
Called up share capital profit and loss account	6	180,000	180,000
Profit and loss account		(1,902,271)	(1,885,657)
Long term Liabilities	5	1,189,441	1,189,534
		<u>(532,830)</u>	<u>(516,123)</u>

**PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 31ST MARCH 2009**

	Notes	2008-09 in GBP	2007-08 in GBP
Turnover		847,494	940,201
Cost of sales		<u>42,944</u>	<u>63,345</u>
Gross profit		804,550	876,856
Administrative expenses 10		821,164	835,765
Operating Profit /(Loss)		(16,614)	41,091
Profit/(Loss) on ordinary activities before taxation		<u>(16,614)</u>	<u>41,091</u>
Income Tax		-	-
Profit/(Loss) on ordinary activities after taxation		<u>(16,614)</u>	<u>41,091</u>

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8 Related party transactions

During the year the company had the following transactions with related parties:-

VXL Instruments Limited , a Company incorporated in India. The amount due to VXL Instruments Limited as at the balance sheet date amounted to GBP 9,87,340, (9,87,340) and is included in note 5 to the financial statements.

9 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.

10. SCHEDULE OF ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED 31ST MARCH 2009

	2008-09 GBP	2007-08 GBP
Administrative Expenses		
Directors Remuneration	110,000	90,000
Wages & Salaries	166,760	183,969
Medical Insurance	-	1,639
Rent & Rates	27,561	27,272
Insurance	6,300	6,407
Telephone and Fax	16,895	15,148
Printing Postage and Stationery	-	3,197
Advertising and promotion	29,886	26,566
Motor running expenses	26,074	25,213
Travel & Subsistence	21,058	24,654
Miscellaneous Expenses	-	6,048
Sundry Expenses	19,680	7,533
Entertaining	1,132	1,476
Legal & Professional Fees	137	1,174
Accountancy fees	12,836	5,300
Profit / loss on Foreign currency	-	5,503
Staff Welfare	-	704
Overseas Office Expenses	529,042	397,216
Repairs & renewals	2,190	-
Exchange Fluctation	(153,032)	-
Finance Cost	-	-
Bank charges	2,185	3,466
Depreciation		
on Plant & Machinery	2,460	3,280
TOTAL	821,164	835,765

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 2009, 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 2009 was compiled by the Management of the said Company was not audited, any adjustments to the balances could have consequential effects on the attached Consolidated Financial Statements. The details of assets and revenues in respect of this subsidiary are given below.*
4. We report that the Consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21 – Consolidated Financial Statements – Issued by the Institute of Chartered Accountants of India and on the basis of separate audited /reviewed financial statements of the subsidiaries included in the financial statements.
5. In our opinion and to the best of our information and according to the explanations given to us, subject to: **Note 3B of Schedule 17A regarding non provision for long overdue receivables amounting Rs 76,90,622, Note No.12 in Schedule 17 B, regarding recognition and quantification of deferred tax asset of Rs 112,019,328/- 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 2009
 - 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

Place : Bangalore
Date : 30th June 2009

**Total Assets Rs. 35,55,398/- Total Revenues
Rs. 63,854,435/-**

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CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2009

	SCHEDULE	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	66,747,000	66,747,000
Share Application money pending allotment [Includes Securities Premium]		-	74,249,653
Reserves and Surplus	2	395,329,815	389,375,070
		<u>462,076,815</u>	<u>530,371,723</u>
LOAN FUNDS			
Secured	3	105,194,422	128,499,338
Unsecured	4	383,660,954	314,548,634
		<u>488,855,376</u>	<u>443,047,972</u>
		<u>950,932,191</u>	<u>973,419,695</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	459,975,599	453,110,873
Less: Depreciation		213,027,741	201,982,734
Net Block		<u>246,947,858</u>	251,128,139
INVESTMENTS	6	60,000	60,000
DEFERRED TAX ASSET		112,019,328	135,445,669
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	172,286,732	222,594,617
Sundry Debtors	8	294,471,745	332,732,626
Cash and Bank Balances	9	25,595,620	28,277,283
Loans and Advances	10	14,651,036	17,871,753
		<u>507,005,133</u>	601,476,279
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	11	319,863,758	395,813,121
Provisions	11	6,362,437	5,649,653
NET CURRENT ASSETS		<u>180,778,938</u>	<u>200,013,505</u>
PROFIT AND LOSS ACCOUNT		<u>411,126,067</u>	<u>386,772,382</u>
		<u>950,932,191</u>	<u>973,419,695</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			

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

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

For Ishwar & Gopal
Chartered Accountants

For and on behalf of the Board

K.V. Gopalakrishnayya
Partner

M.V. Nagaraj
Managing Director

M. V. Shetty
Whole Time Director

K. Prakash
Director

Membership No.: 21748

Date : 30th June 2009

Place : Bangalore

Narayana Bhat
CFO & Company Secretary

VXL Instruments Limited
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	SCHEDULE	YEAR ENDED 31.03.2009 Rs.	YEAR ENDED 31.03.2008 Rs.
INCOME			
Gross Sales		874,425,501	1,024,923,083
Excise Duty		6,762,442	13,874,141
Net Sales		867,663,059	1,011,048,942
Other Income	12	3,248,864	11,864,554
		870,911,923	1,022,913,496
EXPENDITURE			
Cost of materials	13	667,883,998	846,099,791
Employee related expenses	14	39,847,016	51,553,674
Other Expenses	15	116,160,723	126,276,816
Finance charges	16	34,527,688	67,705,714
		858,419,425	1,091,635,995
PROFIT / (LOSS) BEFORE DEPRECIATION		12,492,498	(68,722,499)
Depreciation & Amortisation		13,119,842	17,887,922
PROFIT / (LOSS) BEFORE TAXATION		(627,344)	(86,610,421)
PROVISION / (CREDIT) FOR TAXES			
Fringe Benefit Tax		300,000	335,000
Deferred Tax / (Credit)		23,426,341	(34,118,868)
PROFIT / (LOSS) AFTER TAXATION		(24,353,685)	(52,826,553)
Transitional Adjustment for Gratuity (net of deferred tax)		-	955,890
BALANCE OF PROFIT / (LOSS) BROUGHT FORWARD FROM PREVIOUS YEAR		(386,772,382)	(332,989,939)
BALANCE OF PROFIT / (LOSS) CARRIED OVER TO BALANCE SHEET		(411,126,067)	(386,772,382)
Weighted average Number of Equity Shares (Face value of Rs. 10 /- each)			
Basic (Weighted average)		6,689,400	6,689,400
Diluted		6,689,400	7,919,400
Earning per Share (Loss) of face value of Rs. 10 each			
Basic		(3.64)	(7.90)
Diluted		(3.64)	(6.67)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 17

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

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

For Ishwar & Gopal
Chartered Accountants

For and on behalf of the Board

K.V. Gopalakrishnayya
Partner
Membership No.: 21748

M.V. Nagaraj
Managing Director

M. V. Shetty
Whole Time Director

K. Prakash
Director

Date : 30th June 2009
Place : Bangalore

Narayana Bhat
CFO & Company Secretary

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009

	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
SCHEDULE : 1		
SHARE CAPITAL		
Authorised:		
15,000,000 (15,000,000) Equity Shares of Rs.10/- each	<u>150,000,000</u>	<u>150,000,000</u>
Issued, Subscribed and Paid-up:		
66,89,400 (66,89,400) Equity Shares of Rs.10/- each	66,894,000	66,894,000
<i>Less:</i> Allotment and Call money in arrears - Other than Directors	<u>147,000</u>	<u>147,000</u>
	<u>66,747,000</u>	<u>66,747,000</u>
Of the above,		
a) 2,326,830 Equity Shares of Rs.10/- each allotted as bonus shares by Capitalisation of free reserves and Securities premium account.		
b) 273,360 Equity Shares of Rs.10/- each issued pursuant to a scheme of amalgamation without payment being received in cash.		
SCHEDULE: 2		
RESERVES AND SURPLUS		
Capital Reserve		
As per last Balance Sheet	2,053,645	2,053,645
Securities Premium		
As per last Balance Sheet	129,296,107	129,296,107
General Reserve		
As per last Balance Sheet	4,999,897	4,999,897
<i>Less</i> : Provision for VXL Etech	1,276,450	3,723,447
	3,723,447	1,276,450
	3,723,447	3,723,447
Revaluation Reserve		
As per last Balance Sheet	211,438,226	-
Addition on Revaluation of Land	<u>-</u>	<u>211,438,226</u>
	211,438,226	211,438,226
Deferred Tax Reserve		
As per last Balance Sheet	29,997,415	29,997,415
Foreign Currency Translation Reserve	18,820,975	12,866,230
	<u>395,329,815</u>	<u>389,375,070</u>

VXL Instruments Limited**SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009**

	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
SCHEDULE : 3		
SECURED LOANS		
a. Working Capital from a Bank	83,170,688	90,697,045
b. Term Loan from Banks	22,023,734	37,802,293
	<u>105,194,422</u>	<u>128,499,338</u>

NOTE:

1. Working Capital and Term Liabilities to a Bank is secured by hypothecation of Inventories, Receivables, Book-Debts and other Current Assets, Equitable Mortgage of Factory Land and Building and immovable property of the company and Charge on un-encumbered Plant and Machinery and personal guarantee of some of the Directors.
2. Instalments due within a year Rs.165.00 Lakhs (Rs. 115 Lakhs)

SCHEDULE: 4**UNSECURED LOANS**

a. Fixed Deposits		
From -- Directors	9,172,000	10,532,000
-- Others	3,698,000	6,570,000
b. From Companies	370,790,954	297,446,634
	<u>383,660,954</u>	<u>314,548,634</u>

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE : 5

FIXED ASSETS

(in Rupees)

DESCRIPTION	GROSS BLOCK			DEPRECIATION / AMORTISATION					NET BLOCK		
	As at 1st April, 2008	Additions during the year	Deductions during year	As at 31st March, 2009	As at 1st April 2008	For the year	Adjustment for exchange fluctuation	Deductions during the year	As at 31st March, 2009	As at 31st March, 2009	As at 31st March, 2008
Own Assets											
Land	215,481,360	-	-	215,481,360	-	-	-	-	-	215,481,360	215,481,360
Buildings	27,553,295	-	-	27,553,295	15,794,508	683,306	-	-	16,477,814	11,075,481	11,758,787
Plant and machinery	39,026,051	-	-	39,026,051	34,788,920	598,614	-	-	35,387,534	3,638,517	4,237,131
Plastic mould	34,913,157	-	-	34,913,157	33,977,797	374,145	-	-	34,351,942	561,215	935,360
Electrical installation	7,049,937	-	-	7,049,937	5,584,794	206,583	-	-	5,771,377	1,278,560	1,485,143
Equipment	37,601,981	-	763,339	36,838,642	31,955,450	993,430	-	701,019	32,247,861	4,590,781	5,646,531
Air conditioners	223,565	-	-	223,565	198,326	3,511	-	-	201,837	21,728	25,239
Furniture and fittings	9,901,436	-	97,919	9,803,517	8,538,184	158,256	-	91,599	8,604,841	1,198,676	1,363,252
Vehicles	7,046,820	285,000	1,298,265	6,033,563	6,769,040	130,350	-	1,282,216	5,617,174	416,390	277,788
TOTAL	378,797,610	285,000	2,159,522	376,923,088	137,587,019	3,148,195	-	2,074,834	138,660,379	238,262,708	241,210,591
Leased Assets											
Vehicles	763,912	-	-	763,912	554,992	208,920	-	-	763,912	-	208,920
TOTAL	763,912	-	-	763,912	554,992	208,920	-	-	763,912	-	208,920
Intangibles											
Goodwill	1,050,000	-	-	1,050,000	-	1,050,000	-	-	1,050,000	-	1,050,000
Software	1,026,383	-	-	1,026,383	1,026,383	-	-	-	1,026,383	-	-
Product Development	71,472,968	8,739,248	-	80,212,216	62,814,340	8,712,727	-	-	71,527,067	8,685,149	8,658,628
TOTAL	73,549,351	8,739,248	-	82,288,599	63,840,723	9,762,727	-	-	73,603,450	8,685,149	9,708,628
TOTAL	453,110,873	9,024,248	2,159,522	459,975,599	201,982,734	13,119,842	-	2,074,834	213,027,741	246,947,858	251,128,139
PREVIOUS YEAR	230,747,879	222,459,728	96,734	453,110,873	183,059,976	17,887,922	1,127,456	92,620	201,982,734	251,128,139	47,687,903

VXL Instruments Limited
SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009

	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
SCHEDULE : 6		
INVESTMENTS		
(At cost - non-trade)		
LONG-TERM		
A. Unquoted - Subsidiary Companies		
45,000 Equity Shares of XLnet Software Systems Limited of Rs.10/- each, fully paid	1,050,000	
Less : Provision for Diminution in Investments	<u>1,050,000</u>	-
108,000 Equity Shares of VXL Instruments Limited - U.K of GBP 1 each, fully paid		-
Other Investments		
2,400 Equity Shares of the Shamrao Vithal Co-operative Bank Ltd. of Rs.25/- each, fully paid	60,000	60,000
127,645 Equity Shares of VXL eTech Limited of Rs.10/- each, fully paid	-	
Less : Provision for VXL eTech Limited	-	-
	<u>60,000</u>	<u>60,000</u>
SCHEDULE: 7		
INVENTORIES		
Raw materials & Consumables	86,299,937	86,761,278
Work-in-Progress	40,731,083	102,178,358
Finished goods	41,609,373	28,775,396
Raw Materials in Transit	3,646,339	4,879,585
	<u>172,286,732</u>	<u>222,594,617</u>
SCHEDULE: 8		
SUNDRY DEBTORS		
(Unsecured)		
a. Debts outstanding for a period exceeding		
Six months		
Considered Good	94,656,304	6,077,702
Considered Doubtful	27,567,294	22,289,097
	<u>122,223,598</u>	<u>28,366,799</u>
Less: Provision for bad & doubtful debts	27,567,294	22,289,097
	<u>94,656,304</u>	6,077,702
Others considered good.	199,815,441	326,654,924
	<u>294,471,745</u>	<u>332,732,626</u>

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009

	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
SCHEDULE: 9		
CASH AND BANK BALANCES		
Cash on hand	3,638,223	5,548,083
Balances with Scheduled Banks		
in Current Accounts in India	504,294	910,331
in Current Accounts Outside India	3,109,895	439,526
in Deposit Accounts in India	18,343,209	21,379,343
[Pledged with Bank against bank guarantee & Letter of Credit facilities to the extent of Rs. 1,83,43,209 (Rs.2,00,57,471)]	<u>25,595,620</u>	<u>28,277,283</u>
SCHEDULE: 10		
LOANS AND ADVANCES		
(Unsecured)		
Advances recoverable in cash or in kind or for value to be received		
Considered Good	6,463,122	9,374,596
Considered Doubtful	28,768,888	28,768,888
	<u>35,232,010</u>	<u>38,143,484</u>
Less : Provision for doubtful advances	<u>28,768,888</u>	<u>28,768,888</u>
	64,63,122	9,374,596
Balances with Excise authorities	2,123,472	2,508,889
Interest accrued but not due on deposits	705,093	470,665
Deposits	4,291,055	4,880,634
Advance Income Tax / TDS	1,068,294	636,969
	<u>14,651,036</u>	<u>17,871,753</u>
SCHEDULE: 11		
CURRENT LIABILITIES AND PROVISIONS		
Current liabilities		
Acceptances	130,700,000	114,200,000
Sundry Creditors		
- Dues to small-scale industrial undertaking	740,842	949,054
- Others	169,963,045	250,767,151
Advance Received from Customers	4,189,485	4,945,182
Other Current Liabilities	13,548,836	24,230,184
Share Application Money Refundable account	721,550	721,550
	<u>319,863,758</u>	395,813,121
Provisions for		
Fringe Benefit Tax	580,282	325,282
Gratuity	3,872,033	3,807,791
Leave Encashment	1,910,122	1,516,580
	<u>6,362,437</u>	5,649,653
	<u>326,226,195</u>	<u>401,462,774</u>

VXL Instruments Limited
**SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2009**

	Year Ended 31.03.2009 Rs.	Year Ended 31.03.2008 Rs.
SCHEDULE: 12		
OTHER INCOME		
Interest received on deposits and loans	1,509,467	1,213,645
(Gross, TDS - Rs. 3,13,606 (Rs.117,437)	-	
Exchange Fluctuation	-	465,703
Provisions No longer required written back	1,176,394	6,970,322
Profit on sale of Fixed Assets	128,841	18,553
Dividend Received	7,500	
Sales Tax Refund Received	-	3,138,031
Miscellaneous receipts	426,662	58,300
	<u>3,248,864</u>	<u>11,864,554</u>
SCHEDULE: 13		
COST OF MATERIALS		
1. Consumption of		
Raw Materials	462,658,834	848,516,979
Software License	152,168,196	18,964,863
Packing Materials	3,283,438	1,512,819
Consumable stores	1,160,232	431,859
	<u>619,270,700</u>	<u>869,426,519</u>
2. Change in Inventory		
Opening work-in-progress	102,178,358	95,001,814
Opening finished goods	28,775,396	12,625,212
	<u>130,953,754</u>	<u>107,627,026</u>
Closing work-in-progress	40,731,083	102,178,358
Closing finished goods	41,609,373	28,775,396
	<u>82,340,456</u>	<u>130,953,754</u>
Net (accretion) / depletion	<u>48,613,298</u>	(23,326,728)
	<u>667,883,998</u>	<u>846,099,791</u>
SCHEDULE: 14		
EMPLOYEE RELATED EXPENSES		
Salaries,wages and allowances	37,832,459	46,606,139
Contribution to Provident Fund and other funds	1,497,421	4,287,776
Welfare expenses	517,137	659,760
	<u>39,847,016</u>	<u>51,553,674</u>

**SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2009**

	Year Ended 31.03.2009 Rs.		Year Ended 31.03.2008 Rs.
SCHEDULE: 15			
OTHER EXPENSES			
Rent	3,385,453		3,394,417
Travelling and conveyance	5,625,921		7,022,797
Power and fuel	8,40,041		837,629
Communication costs	2,412,381		2,454,345
Rates, taxes and fees	959,120		219,997
Directors' sitting fees	16,000		16,000
Exchange Fluctuation Loss	9,695,966		8,482,636
Repairs and maintenance			
Plant & Machinery	54,535	7,856	
Buildings	8,352	191,316	
Others	<u>983,600</u>	<u>1,046,487</u>	701,605
Payment to Auditors			
Audit Fees	205,000	205,000	
Tax audit fees	87,500	87,500	
Certification	37,500	27,500	
Service Tax	<u>773</u>	<u>330,773</u>	320,927
Commission	200,330		1,716,848
Insurance	1,640,929		1,672,309
Selling expenses	65,950,692		19,202,498
Miscellaneous expenses [Includes Prior year expenses Rs. 476,292 (Rs. 4,968,115)]	14,825,698		47,317,371
Provision for bad and doubtful debts and advances	5,278,197		31,672,856
Bad debts and advances written off	<u>3,952,735</u>		<u>1,244,581</u>
	<u>116,160,723</u>		<u>126,276,816</u>
SCHEDULE: 16			
FINANCE CHARGES			
Interest paid on:			
Fixed loans	1,977,062		2,375,537
Other loans	13,668,854		17,231,285
Bank charges and others	<u>18,881,772</u>		<u>48,098,892</u>
	<u>34,527,688</u>		<u>67,705,714</u>

SCHEDULE: 17

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. Significant Accounting Policies

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

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

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

2. Uses of Estimates: The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenditure during the year

3. Fixed assets : Fixed assets are disclosed in the accounts at historical cost (except land which has been revalued as in Sl. No. B. 4) together with all costs directly attributable to their acquisition less accumulated depreciation.

4. Depreciation

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

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

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

7. Foreign Currency Transactions

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

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

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

8. Employee Benefits:

a. Post employment benefit plans:

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

b. Short term Employee Benefits:

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

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

9. Deferred Revenue Expenditure (Miscellaneous Expenditure)

Revenue expenditure on product development is treated as an Intangible Asset, grouped under Fixed assets and amortised over the period of life.

10. Income Tax

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

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

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

Fringe Benefit tax is provided based on the fringe benefits provided / deemed to be provided to employees.

In case of the subsidiary at UK and the subsidiary in India the Income Tax liability has not been recognised in view of the losses made by them.

Based on the information and explanations made available, the accounts of M/s. XLnet software Systems Limited have been prepared on a going concern basis notwithstanding temporary discontinuance of the existing business by the company

11. Warranties

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

12. Borrowing Costs

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

VXL Instruments Limited

13. Earning Per Share

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

14. Provisions, Contingent Liabilities and Contingent Assets

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

15. Segment Reporting

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

B. Notes on Accounts

Principles of Consolidation

- a. The Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries drawn upto the same reporting date, i.e., 31st March, 2009
- b. The said consolidated statements have been combined on a line-by-line basis by adding together the book values of assets, liabilities, income and expenditure after eliminating intra-group balances and transactions and any unrealised profit/loss included therein.
- c. The Consolidated Financial Statements have been prepared using uniform accounting policies, to the extent possible, similar to that of the Company's separate financial statements.
- d. The excess of cost in the books of the parent Company of its investment in its subsidiary on the date of such investment is recognised as goodwill arising on consolidation and is disclosed in the financial statements.
- e. Investment in Associate Companies have been accounted for using the 'equity method' as covered by Accounting Standard No. 23 issued by the Institute of Chartered Accountants of India.
- f. The losses applicable to the minority share holding have been adjusted to the extent of their equity holdings.
- g. Companies included in consolidation :

Name of the Subsidiary	Country of Incorporation	Percentage of ownership
1 Xinet Software Systems Ltd	India	100%
2 VXL Instruments Limited (UK)	United Kingdom	60%

1. Share Application Money of Rs, 7,42,49,653/- received from overseas investors has been returned to them as the share issue procedure could not be completed within the time stipulated by SEBI.

2. Provisions, Contingent Liabilities & Contingent Assets.

Particulars	As at 31.03.09 Rs.	As at 31.03.08 Rs.
A Guarantees issued by Bankers	16,456,347	12,068,366
B Letter of Credit Outstanding	Nil	20,692,409
C Liability on account of bills discounted with Banks. (Secured by Letters of Credit from buyers' bankers)	63,500,000	8,800,000
D Employees Provident Fund contributions under appeal [Out of which Rs 1,069,469/- has been deposited with respective authority and shown under Current Assets].	2,138,938	2,138,938
E Central Sales Tax Liability under appeal	Nil	9,906,886
F. Certain employees at Unit II, manufacturing CRT Terminals (GVX) have abstained from work. The matter is before the Labour Department/Labour Court. Contingent liability, if any, on this has not been quantified.		
G. The Company has made provision for leave salary on estimated basis. These being retirement benefits, an obligation to pay these amounts might arise at the time of resignation / superannuation of the employees. There is no reimbursement receivable against these obligations. The provision is made based on actuarial valuation given by Life Insurance Corporation of India.		

Amount in Rs.

Nature of obligation	The carrying amount at the beginning of the period	Additional provisions made during the year	Amounts incurred and charged against the provision during the period	Unused amounts reversed during the period	The carrying amount at the end of the period
Leave Salary	1,516,580	643,602	250,060	Nil	1,910,122

3. a. Sundry Debtors includes Rs. 76,90,622 (11,538,678) overdue for long period. In the opinion of the management they are recoverable and hence no provision is made for the same.
- b. 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.
4. Freehold Land of the Company has been revalued as on 26th February 2008 based on valuation obtained by the Company and the resulting credit of Rs. 211,438,226 has been credited to revaluation reserve

5. Retirement Benefit Plans

Defined contribution plans

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

The Company recognised Rs.681,613 (13,98,814) for provident fund contributions and 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.

VXL Instruments Limited

Defined benefit plans

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

The following table sets out the funded status of the gratuity plan and the amounts recognized in the Company's financial statements as at 31.03.09.

Particulars	(in Rs.)	
	As at 31.03.2009	As at 31.03.2008
1. Change in benefit obligation		
Projected Obligation at the beginning of the year	4,779,441	5,309,464
Interest Cost	382,355	424,757
Current Service Cost	486,646	736,564
Benefits Paid	(768,333)	(1,025,123)
Actuarial (Gain) / Loss	169,592	666,221
Projected Obligation at the end of the year	5,049,701	4,779,441
2. Change in Plan Assets		
Fair Value of the Plan Assets at the beginning of the year	1,156,266	1,781,389
Expected Return on Plan Assets	108,799	142,511
Employer's Contributions	200,000	762,833
Benefit Paid	(768,333)	(1,025,123)
Actuarial (Gain) / Loss	NIL	505,344
Adjustment related to prior year	480,936	-
Fair Value of the Plan Assets at the end of the year	1,177,668	1,156,266
Excess of (Obligations over Plan Assets) / Plan Assets Over Obligation	(3,872,033)	(3,623,175)
3 Net Gratuity & Other Costs at the end of the year		
Service Cost	486,646	736,564
Interest on defined benefit obligation	382,355	424,757
Expected Return on Plan Assets	(108,799)	(142,511)
Net Actuarial Gain recognized in the year	169,592	1,156,266
Adjustment related to prior year	(416,201)	-
Net Gratuity Costs for the year	513,593	2,175,076
4. Category of assets		
Insurer Managed Funds	1,177,668	1,156,266
5. Assumptions		
Discount Rate	8%	8%
Salary Escalation Rate	7%	9%
Expected Return on Plan Assets Rate	7%	7%

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

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6. Dues to Micro, Small and Medium Enterprises:

Sundry Creditors include Rs. 740,842 (Rs. 949,054) 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:

Sl. No.	Particulars	31-03-2009	31-03-2008
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;	740,842	949,054
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;	-	-
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;	-	-
d.	The amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
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.	-	-

7. Other Current liabilities include dues to Directors Rs. 515,832 (Rs. 11,56,414)

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

in Rupees

Particulars	Year ended 31.03.09	Year ended 31.03.08
Salaries and Allowances	2,443,060	2,418,097
Contribution to PF and Other Funds	187,200	187,200

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

VXL Instruments Limited

9. Finance Charges include interest paid on deposit to Managing Director and Whole time Director Rs. 996,595(Rs. 1,012,750)

10. Segment Information

The Company's segment information is as follows:

a. Primary Segments (Geographical Segments) (in Rupees)

Description	2008-2009	2007-2008
Revenue (Sales and Services)		
Domestic	78,043,563	134,673,274
Overseas	796,381,938	890,249,809
	<u>874,425,501</u>	<u>1,024,923,083</u>
Segment Result		
Domestic	15,614,794	13,837,081
Overseas	152,976,165	148,232,681
	<u>168,590,959</u>	<u>162,069,762</u>
Less :		
Unallocated Expenses		
Overheads	134,585,292	180,974,468
Interest	34,527,688	67,705,715
Provision / (Credit) for Taxes	23,726,341	(33,783,868)
Profit / (Loss) After Taxation	<u>(24,248,362)</u>	<u>(52,826,553)</u>

b. Secondary Segments (Business Segments)

Revenue (Sales and Services)		
Data Processing Units	712,769,433	519,432,196
Computer Peripherals & Others	152,861,632	503,648,033
Service Charges	2,031,994	1,842,854
Total	<u>867,663,059</u>	<u>1,024,923,083</u>

Primary/Secondary Segment reporting format

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

Segment assets and liabilities

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

11. Disclosure of related parties / related party transactions

a. Parties where control exists

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

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

<i>Name of the Related Party</i>	<i>Nature of Relationship</i>
VXL eTech Limited	Associate Company
Prismatic Engineering P Ltd	Associate Company

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)*

d. Disclosure of Related Party Transactions

in Rupees

Nature of transaction	Joint ventures and associates	Key management personnel and relatives
1. Sale of Goods	2,139,026 (19,329,478)	
2. Interest Paid		1,651,780 (1,688,500)
3. Remuneration		2,630,260 (2,605,297)
4. Purchase of Goods	37,449 (39,449)	

e. Balances with Related Parties

in Rupees

Nature of transaction	Joint ventures and associates	Key management personnel and relatives
1. Trade Receivables	-	-
	(-)	(-)
2. Trade Payables	6,964 (2,078)	-
		(-)
3. Loans and Advance (Assets)	2,180,171 (-)	-
		(-)
4. Trade Advance (Liability)	3,669,375 (4,108,996)	-
		(1,720,495)
5. Deposit Payable	-	12,870,000
	(-)	(13,508,000)
6 Investments	-	-
	(-)	(-)

VXL Instruments Limited

12. Deferred Tax Assets / (Liabilities)

Deferred Tax Asset has been calculated as per the provisions of Accounting Standard (AS) 22 – Accounting for Taxes on Income - issued by the Institute of Chartered Accountants of India. In respect of Deferred Tax Asset of Rs. 112,019,328 (Rs. 135,445,669) detailed below, the Company's management is confident of earning sufficient profits in the future to be able to set off this amount and hence the Deferred Tax Asset has been recognised and quantified.

Deferred Tax Assets / (Liabilities) On account of	As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
Carry forward losses	89,234,238	115,762,090
Disallowances under Income tax	19,845,141	17,354,609
Fixed Assets	2,939,948	2,328,970
Net	112,019,328	135,445,669

13. Operating Leases: The Company has taken various residential / commercial premises under cancelable operating leases. These lease agreements are normally renewed on expiry. Rent debited to profit and loss account Rs. 1,262,016 (Rs. 1,125,250).

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

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

14. Securities for loans:

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

Installments due within a year Rs.165 Lakhs (Rs. 115 Lakhs)

15. Previous year's figures have been recast and regrouped wherever necessary to make comparable with those of the current year.

16. Figures in bracket relate to previous year.

As per our report attached

For Ishwar & Gopal
Chartered Accountants

K.V. Gopalakrishnayya
Partner

Membership No.: 21748

Date : 30th June 2009

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, 2009

	31.03.2009 Rs.	31.03.2008 Rs.
CASH FLOW FROM OPERATIONS :		
Net Income before current income taxes	(627,344)	(86,610,421)
Transitional Adjustment for Gratuity	-	(1,448,099)
Interest received	(1,509,467)	(1,213,645)
Depreciation	13,119,841	17,887,922
Adjustment for Foreign Currency Translation	5,954,745	12,781,296
Provision for doubtful debts	5,278,197	31,672,856
Current income tax	(431,326)	(195,830)
Fringe Benefit Tax	(300,000)	(335,000)
Interest Expenses	34,527,688	67,705,714
(Increase)/decrease in trade and other receivables	36,634,729	(228,421,128)
(Increase)/decrease in Inventories	50,307,885	(13,763,577)
Increase/(decrease) in trade payables	(75,236,580)	189,736,855
(Profit) / Loss on sale of fixed assets	(128,841)	(18,553)
CASH FLOW FROM INVESTING ACTIVITIES:	<u>67,589,527</u>	<u>(12,221,610)</u>
Interest Received	1,509,467	1,213,645
Proceeds from sale of fixed assets	213,528	22,667
Purchase of fixed assets	(9,024,248)	(9,809,112)
Net cash from investing activities	<u>(7,301,253)</u>	<u>(8,572,800)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Net proceeds from borrowing	45,807,404	97,503,508
Decrease in Share Application Money	(74,249,653)	
Interest paid	(34,527,688)	(67,705,714)
Net cash from financing activities	<u>(62,969,937)</u>	<u>29,797,794</u>
Net increase/(decrease) in cash and cash equivalents	<u>(2,681,663)</u>	<u>9,003,384</u>
Cash and cash equivalents at the beginning of the year	28,277,283	19,273,898
Cash and cash equivalents at the end of the year	25,595,620	28,277,283
Net increase/(decrease) in cash and cash equivalents	<u>(2,681,663)</u>	<u>9,003,384</u>

For Ishwar & Gopal
Chartered Accountants

K.V. Gopalakrishnayya
Partner
Membership No.: 21748

Date : 30th June 2009
Place : Bangalore

For and on behalf of the Board

M.V. Nagaraj
Managing Director

M. V. Shetty
Whole Time Director

K. Prakash
Director

Narayana Bhat
CFO & Company Secretary

INFORMATION FOR THE BENEFIT OF INVESTORS

1. **Registered Office** : House of Excellence
No. 17, Electronics City, Hosur Road,
Bangalore - 560 100
Tel : 080-2852 0046 / 3022 2525 / 3022 2526
Fax : 080-2852 0095

2. **Registrars and Share Transfer Agents** : Bigshare Services Pvt Ltd.,
E-2 /3, Ansa Industrial Estate,
Saki Vihar Road,
Saki Naka, Andheri (E) Mumbai - 400 072
Tel : 022-2847 0652 / 2847 0653
Fax : 022-2847 5207
Email:info@bigshareonline.com

3. **Year ended on** : 31st March 2009

4. **23rd Annual General Meeting** : Date - 16th September, 2009
Time - 3 .00 P M
Venue - "Hotel Ajantha",
M.G. Road,
Bangalore - 560 001.

5. **Register of Members & Share Transfer Book Closure** : 11.09.2009 to 16.09.2009 (both days inclusive)

6. **Shares listed in Stock Exchange at** : Mumbai

7. **Annual fees to Stock Exchanges** : Paid upto date

8. **Paid-up Share Capital** : Rs. 667.47 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 (fail-
ing him / her) of.....

as my / our proxy to attend and vote for me / us on my/our behalf at the **Annual General Meeting** of the
Company to be held on Wednesday, the 16th September, 2009 and at any adjournment(s) thereof.

As witness my / our hand(s) this day of 2009

Folio No.....

No. of Shares held

Client ID No.

DP ID No.

Signed by

Affix
Revenue
Stamp

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



VXL INSTRUMENTS LIMITED

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

ATTENDANCE SLIP

I hereby record my presence at the **Annual General Meeting** of the Company to be held on Wednesday the
16th September, 2009

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. : 91-080-3022 2525/526

Fax : 91-080-2852 0095