

24th
Annual Report
2009-2010



VXL Instruments Limited

BOARD OF DIRECTORS

Arun Kumar Bhuwania	<i>Chairman</i>
D. S. Rao	<i>Vice Chairman</i>
M. V. Nagaraj	<i>Managing Director</i>
M. V. Shetty	<i>Whole Time Director</i>
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 0046/2852 3252

WORKS / DOMESTIC UNIT

No.86 A / B, 4th Cross,
Electronics City, Hosur Road,
Bangalore - 560 100.
Tel : 91-80-2852 0790

AUDITORS

Ishwar & Gopal
Chartered Accountants
Bangalore.

BANKERS

State Bank of India

**REGISTRARS AND SHARE
TRANSFER AGENTS**

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

REGISTERED OFFICE

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

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TWENTY FOURTH ANNUAL GENERAL MEETING

on Wednesday
the 22nd September, 2010
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 Fourth Annual General Meeting of the Members of the Company will be held at 3 p.m. on Wednesday the 22nd day, of September 2010 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 2010 and the Profit and Loss Account for the year ended on that date together with the reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Arun Kumar Bhuwania who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Kumar Shyam who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311 Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the Act) or any re-enactment or modifications thereof, and subject to the approval of the members be and is hereby accorded to the appointment of and the remuneration payable to, Mr. M V Nagaraj, as Managing Director of the Company with effect from 31.07.2010 for a period of three years on the terms and conditions and perquisites as set out in the Explanatory Statement, which terms and conditions and perquisites the Board of Directors (the Board) are at liberty to alter and vary but so as not to exceed the limits specified in Schedule XIII of the Act or any amendments thereto as may be agreed to between the Board and Mr. MV Nagaraj.”

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

“RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311 Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the Act) or any re-enactment or modifications thereof, and subject to the approval of the members be and is hereby accorded to the appointment of and the remuneration payable to,

Mr. M V Shetty, as Whole Time Director of the Company with effect from 01.10.2010 for a period of three years on the terms and conditions and perquisites as set out in the Explanatory Statement, which terms and conditions and perquisites the Board of Directors (the Board) are at liberty to alter and vary but so as not to exceed the limits specified in Schedule XIII of the Act, or any amendments thereto as may be agreed to between the Board and Mr. M V Shetty”.

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

“RESOLVED THAT subject to the approval of the members in terms of Section 31 of the Companies Act, 1956, the following alteration be incorporated in the Articles of Association of the Company viz:

Existing Article 25 to be deleted and replaced by the new Article 25 as follows:

25. The Directors of the Company for the time being shall subject to the provisions of the Companies Act, 1956 and the Rules framed there under be paid a sitting fee of such sum as may be decided by the Board from time to time for every meeting of the Board or of any Committee of the Board attended by them in addition to all traveling and halting expenses incurred by them in attending and returning from such meetings of the Board or /of any committee of the Board or/of General Meeting of the Company.”

By Order of the Board

Narayana Bhat

*Chief Financial Officer &
Company Secretary.*

Place : Bangalore
Date : 29th May 2010

Notes:

1. Explanatory Statement under Section 173(2) of the Companies Act, 1956 is attached to the notice of Special Businesses.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and such proxy need not be a member of the Company. The instrument appointing the proxy, must be received by the Company at the registered office not less than 48 hours before the meeting.
3. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.

4. Members/proxies should bring the Attendance slip sent herewith duly filled in to attend the meeting.
5. The Register of Members and Share Transfer Books shall remain closed from 17th September 2010 to 22nd September 2010 (both the days inclusive)
6. Members are requested to address all their correspondence including change of address, etc. to the present Registrars and Share Transfer Agent: Big Share Services Pvt. Ltd., E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai – 400 072.
7. Consequent upon amendment of Section 205A of the Companies Act, 1956 and introduction of Section 205 C of the Companies (Amendment) Act, 1999 the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of 7 years from the date of transfer to unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund setup by the Govt. of India and payments shall be made in respect of any such claims by the Fund.

By Order of the Board

Narayana Bhat

Place : Bangalore
Date : 29th May 2010

*Chief Financial Officer &
Company Secretary.*

INFORMATION REQUIRED TO BE FURNISHED UNDER LISTING AGREEMENT

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

1. Name : Mr. Arun Kumar Bhuwania
Age : 62 years
Qualification : B.Sc. Maths
Expertise : Management with focus on Business related to Electronics and Software
2. Name : Mr. Kumar Shyam
Age : 58 years
Qualification : B.Tech
Expertise : Engineering & Technology

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

Item No. 5:

The Board of Directors of the Company ("the Board") at its meeting held on 29th May 2010, on the

recommendation of the Remuneration Committee and subject to the approval of the Members, accorded its approval for re-appointment of Mr. M V Nagaraj as Managing Director for a further period of three years w.e.f. 31.07.2010 and for payment of remuneration and also for revision in the remuneration payable to Mr. M V Nagaraj, Managing Director w.e.f. 31.07.2010 as per the terms & conditions given below:

- i) Salary of Rs.95,000/- (Rupees Ninety Five thousand only)
- ii) Commission: In addition to salary, perquisites and other allowances, commission based on the net profit of the Company computed in the manner laid down in Section 309(5) and other applicable provisions, if any, of the Companies Act, 1956. Such Commission shall be of such percentage and of such amount as the Board of Directors of the Company may determine keeping in view of the performance of the Company in respect of each financial year.

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

- iii) Housing : Mr. M.V.Nagaraj shall be entitled to rent free furnished residential accommodation. In case no accommodation is provided by the Company, Mr. M.V.Nagaraj shall be entitled to House Rent Allowance of Rs. 30,000/- per month
- iv) Reimbursement of gas, electricity, water charges and furnishings.
- v) Reimbursement of medical expenses for self and family as per Company rules.
- vi) Leave Travel Concession for self and family as per Company rules.
- vii) Fees to clubs subject to maximum of two clubs,
- viii) Personal Accident Insurance, as per Company rules
- ix) Provision of car for business and personal purposes.
- x) Telephone at the residence.

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

- xi) Contribution to Provident Fund, Superannuation Fund or annuity Fund as per Company Schemes to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- xii) Earned/Privilege leave: On full pay and allowances as per rules of the Company. Leave encashment also as per Company rules.

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

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

The Board recommends the adoption of the resolution.

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

Item No.6:

The Board of Directors of the Company ("the Board") at its meeting held on 29th May 2010, on the recommendation of the Remuneration Committee and subject to the approval of the Members, accorded its approval for re-appointment of Mr. M V Shetty, as Whole-Time Director for a further period of three years w.e.f. 01.10.2010 and for payment of remuneration and also for revision in the remuneration payable to Mr. M V Shetty, Whole-Time Director w.e.f. 01.10.2010 as per the terms & conditions given below:

- i) Salary of Rs.90,000/- (Rupees Ninety Thousand only)
- ii) Commission: In addition to salary, perquisites and other allowances, commission based on the net profit of the Company computed in the manner laid down in Section 309(5) and other applicable provisions, if any, of the Companies Act, 1956. Such Commission shall be of such percentage and of such amount as the Board of Directors of the Company may determine keeping in view of the performance of the Company in respect of each financial year.
In addition to salary and commission, the following shall be allowed to Mr. M.V.Shetty
- iii) Housing : Mr. M.V. Shetty shall be entitled to rent free furnished residential accommodation.
In case no accommodation is provided by the Company, Mr. M.V.Shetty shall be entitled to House Rent Allowance of Rs. 30,000/- per month
- iv) Reimbursement of gas, electricity, water charges and furnishings.
- v) Reimbursement of medical expenses for self and family as per Company rules.
- vi) Leave Travel Concession for self and family as per Company rules.
- vii) Fees to clubs subject to maximum of two clubs,
- viii) Personal Accident Insurance, as per Company rules.
- ix) Provision of car for business and personal purposes.
- x) Telephone at the residence.

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

- xi) Contribution to Provident Fund, Superannuation Fund or annuity Fund as per Company Schemes to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- xii) Earned/Privilege leave: On full pay and allowances as per rules of the Company. Leave encashment also as per Company rules.

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

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

The Board recommends the adoption of the resolution.

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

Item No. 7:

Article No. 25 of the Articles of Association of your Company contains provision relating to the Sitting Fees to the Directors which was inserted long time back and the same is required to be replaced to pay sitting fees to Directors at higher rate for attending the Board and Committee Meetings.

It may be pertinent to note that at present Sitting Fees paid to Directors is Rs. 1,000/- per Board/Committee meeting attended. This special resolution is an enabling resolution to increase the present Sitting Fees to Directors.

In terms of Section 31 of the Companies Act, 1956, alteration of the Articles of Association can be effected only by passing a special resolution and accordingly the Directors recommend the special resolution in this item of the notice for approval of the shareholders.

Except Mr. M. V. Nagaraj and Mr. M. V. Shetty, all the other Directors are interested in the resolution.

By Order of the Board

Narayana Bhat

Chief Financial Officer &
Company Secretary.

Place : Bangalore
Date : 29th May 2010

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 2010.

FINANCIAL RESULTS Rs. in Lakhs

Particulars	2009-10	2008-09
Sales	7,748	8,069
Depreciation/Amortization	115	119
Profit/(Loss) before Taxation	34	32
Profit/(Loss) after Taxation	34	(205)
Less: Excess provision for taxation withdrawn	03	Nil
Balance carried forward	(2,474)	(2,511)

YEAR UNDER REVIEW

During the year under review, your Company achieved a net turnover of Rs. 775 million as compared to Rs.807 million in the previous financial year. Your Company has earned a profit after taxation of Rs. 3.4 million in the financial year as against Rs. 20.5 million loss in the previous year.

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

During the year under review, your Company has paid all installments due to State Bank of India on time. All the term loans have been repaid fully. We are proud to say that now your company is a long term debt free company.

OVERSEAS OPERATIONS

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

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

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

FUTURE PROSPECTS

A. GENERAL

As has been informed to the shareholders in earlier years the Company keeping in mind its overall

competitiveness in international markets is taking steps to close the unit at No. 86A & B, 4th Cross, Electronics City, Hosur Road, Bangalore – 560 100. This unit used to manufacture CRT Terminals (GVX) for which there is no demand over many years. The workforce had become surplus. The closure would involve payment of compensation under the provisions of the Industrial Disputes Act, 1947.

The closure would involve review by the concerned Labour Authorities of the Government of Karnataka, under The Industrial Disputes Act, 1947. The company is confident of defending the closure before the concerned Labour Authorities.

B. EXPORT

Market Forecast

The Research firm IDC reports that the thin-client market has grown by 46% in the four years since 2005 and that unit sales for 2009 were an estimated 2.4 million units. Forecast for the coming years vary by analyst but they all report a dramatic increase in growth, particularly in the Asian market. The most conservative estimate is from Forrester which is predicting annual growth rates of 45% in thin client shipments for the next four years. IDC forecasts a dramatic increase for 2010 with unit sales more than doubling to reach 5.3 million units with total sales of \$1.25 billion. At the same time virtually all analysts agree that PC shipments will remain flat at best with some predicting negative growth. Two key market drivers are primarily responsible for these growth projections in the thin client sector; virtualisation and environmental concerns.

Virtualisation - In just about every organisation, IT departments are being asked to do more with less. Virtualisation technologies offer a direct and readily quantifiable means of achieving this goal by consolidating computing resources. Employing virtualization yields both an immediate, one-time cost saving and potentially significant ongoing savings in reduced heating, time management etc. Additionally, virtualisation can greatly enhance an organization's business agility. A virtualised infrastructure is better positioned to respond to the changing demands that an organisation places on its I.T. infrastructure.

Green Computing – The growth of the environmental lobby and the rising cost of energy has helped to create the green computing movement which seeks to reduce the environmental impact of I.T. The client server model works particularly well in this regard as thin client desktops use about a quarter of the power

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required to run PC's because they have no moving parts. This in turn means greater reliability and longer lifecycles, thus greatly reducing the quantity of obsolete computer hardware.

Focus - VXL has been making terminals and thin clients for many years. Unlike many of our competitors that is all that we do – our total focus as a company is to produce thin clients which the market requires. VXL is a true manufacturer, i.e. we actually make the majority of the products we sell at our own manufacturing facility. This gives VXL a significant advantage over our competitors in that it allows us to be flexible in producing exactly what the customer requires.

Conclusion:

By general agreement of both analysts and industry experts, the thin client market is poised to undergo a period of dramatic growth. It seems evident that those companies who possess the skill, expertise and focus within the thin client arena will be ideally placed to benefit from this projected growth.

RESEARCH AND DEVELOPMENT

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

SUBSIDIARY COMPANIES

VXL, UK has managed to earn a profit of USD 7,329 for 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 Arun Kumar Bhuwania and Mr. Kumar Shyam 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 Company's investments in and receivables from a subsidiary and

accounting of deferred tax credits. In view of the long term prospects and steps taken to recover these receivables, the Directors feel that no provision need be made in the accounts.

FIXED DEPOSITS

Your Company has been accepting fixed deposits from the public and shareholders. The total amount of such fixed deposits as on 31st March, 2010 was **Rs.28.35 lakhs**. There were no unclaimed deposits as at that date.

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

CORPORATE GOVERNANCE:

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

INDUSTRIAL RELATIONS:

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 from 26.04.2008 to 03.08.2009

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 the unstinted co-operation extended by them.

For and on behalf of the Board of Directors

M.V. Nagaraj
Managing Director

M.V. Shetty
Whole Time Director

Place : Bangalore
Date : 29th May 2010

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. 90.17 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. 6,769.18 lakhs.

The foreign exchange outgo was Rs. 6,433.34 lakhs.

REPORT ON CORPORATE GOVERNANCE

The detailed report on Corporate Governance in respect of the financial year ended 31st March 2010 are set out below:

A. Company's Philosophy on Code of Governance

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

B. Board of Directors

Composition & Size of the Board

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

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

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

- | | |
|---------------|---------------|
| 1. 13.05.2009 | 4. 30.07.2009 |
| 2. 16.06.2009 | 5. 30.10.2009 |
| 3. 30.06.2009 | 6. 28.01.2010 |

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

Name of Director	Category of Directorship	No. of Board Meetings attended	Whether attended last AGM	No. of Directorship in other Companies incorporated in India	No. of Committee membership Members/ chairman in other companies in India
Arun Kumar Bhawania	Independent & Non-Executive	NIL	No	2	NIL
D S Rao	Independent & Non-Executive	NIL	No	NIL	NIL
M V Nagaraj	Promoter - Executive	6	Yes	2	NIL
M V Shetty	Promoter - Executive	6	Yes	1	NIL
Kumar Shyam	Promoter - Non Executive	NIL	Yes	1	NIL
K Prakash	Independent & Non-Executive	5	Yes	NIL	NIL

Committees of the Board

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

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Audit Committee

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

Name of Director	No. of Meetings attended	Remarks
K. Prakash	4	—
Kumar Shyam	4	—
D.S. Rao	NIL	—

Remuneration Committee

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

The details of remuneration paid to the Directors during the year 2009-10 are given below:

a. Executive Directors

(in Rs.)

Directors	Salary	Fixed Commission	Perquisites	Sitting Fees	Total
M V Nagaraj	9,00,000	—	4,60,085	—	13,60,085
M V Shetty	6,60,000	—	4,18,992	—	10,78,992
TOTAL	15,60,000	—	8,79,077	—	24,39,077

b. Non-executive Directors

Name	Sitting fees	Commission
K. Prakash	Rs.16,000	—
D.S. Rao	Rs. 7,000	—
Arun Kumar Bhawania	Rs.7,000	—
Kumar Shyam	Rs.52,000	—
TOTAL	Rs. 82,000	—

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, 2010, the Committee comprised of Mr. K Prakash, Mr. Kumar Shyam and Mr. M V Shetty. The Committee met four times during the year.

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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 14 Nos. of complaints received and resolved during the year ended 31st March, 2010. There were no pending share transfers as on the same date.

Name, designation & address of Compliance Officer

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

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

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

General Body Meetings

Location and time of the last three Annual General Meetings:

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

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

One Extra – ordinary General Meeting was held on 29.04.2009 in which Special Resolutions relating to Alteration in the Articles of Association and issue and allotment of further equity shares on preferential basis were passed by show of hands.

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.

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Means of Communication

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

General Shareholders' Information

AGM : Date : 22nd September, 2010
Time : 3.00 PM
Venue : Hotel Ajantha, MG Road, Bangalore-560 001

Financial calendar : April to March

Date of Book Closure : 17th September, 2010 to 22nd September, 2010

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, 2009	12.50	10.75
May, 2009	15.97	10.75
June, 2009	22.05	16.75
July, 2009	19.50	16.20
August, 2009	17.50	15.30
September, 2009	23.80	16.40
October, 2009	24.40	18.25
November, 2009	27.00	18.70
December, 2009	37.90	24.00
January, 2010	51.40	30.60
February, 2010	38.00	24.00
March, 2010	36.90	25.50

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 31-03-2010

Face Value Rs.10/-

Range (in Rs.)	No of Share Holders	% of Total Share Holders	Total Holding In Rs.	% of Total Capital
1 - 5000	4,801	90.31	63,32,790	4.74
5001 - 10000	233	4.38	19,48,810	1.47
10001 - 20000	125	2.35	19,60,950	1.47
20001 - 30000	37	0.70	9,57,860	0.72
30001 - 40000	14	0.26	5,11,250	0.38
40001 - 50000	18	0.34	8,62,640	0.64
50001 - 100000	29	0.55	19,80,220	1.48
100001 & above	59	1.11	11,89,45,480	89.10
TOTAL	5,316	100	13,35,00,000	100

Shareholding pattern as on 31-03-2010

Category	No of Shares	% Holding
Directors	7,18,980	5.39
Promoter but not Director	5,34,280	4.00
Directors'/Promoters'/ Relatives	2,84,860	2.13
TOTAL	15,38,120	11.52
Mutual Funds	3,000	0.02
Financial Institutions	900	0.01
Body Corporate	14,77,007	11.06
NRI	1,93,445	1.45
Foreign	80,71,350	60.46
Shares in Transit	2,577	0.02
General Public	20,63,601	15.46
TOTAL	13,350,000	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: +91-80-28520790

Export Oriented Factory

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

Address for correspondence

VXL Instruments Limited,
17, Electronics City,
Hosur Road,
Bangalore 560 100.
Phone : +91-80-2852 0046
Fax: +91-80-2852 0095
URL : www.vxl.net

AUDITORS' REPORT ON COMPLIANCE OF CORPORATE GOVERNANCE

To the Members of VXL Instruments Limited,

1. We have examined the compliance of conditions of Corporate Governance by VXL Instruments Limited, for the year ended on March 31, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange.
2. The Compliance of conditions of corporate governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.
4. We further state such compliance is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.
5. As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievances were pending for a period of one month against the Company as at 31st March 2010 as per the records maintained by the Shareholders' / Investors' Grievances Committee.

For Ishwar & Gopal
Chartered Accountants

K. V. Gopalakrishnayya

Partner

Membership No.: 21748

FRN - 001154S

Place : Bangalore
Date : 29th May 2010

**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 2010, 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 2010, from being appointed as director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said statement of accounts together with the notes thereon subject to:, **Note No.2 of Schedule 17B, regarding non-provision for diminution in the value of investment of Rs.5,169,261/ and receivables of Rs. 79,186,388 in respect of a subsidiary of the company whose accumulated losses are in excess of the paid-up capital, Note No12 in Schedule 17 B, regarding recognition and quantification of deferred tax asset of Rs 106,267,948/- 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 2010, and
 2. In the case of the Profit and Loss Account, of the profit for the year ended on that date.
 3. In so far as it relates to the cash flow statement, of the cash flows of the Company for the year ended on that date.

For Ishwar & Gopal
Chartered Accountants

K.V. Gopalakrishnaya
Partner

Place : Bangalore

Membership No.: 21748

Date : 29th May, 2010

FRN - 001154S

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

- (i) In respect of its Fixed Assets
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and the situation of its fixed assets
 - (b) The fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the company and nature of its business. No material discrepancies were noticed on such physical verification.
 - (c) In our opinion, the Company has not disposed off substantial part of fixed assets and therefore do not affect the going concern assumption
- (ii) In respect of its Inventories:
 - (a) As explained to us, inventories other than that lying with third parties have been physically verified by the management at reasonable intervals. In our opinion frequency of verification is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business;
 - (c) In our opinion the Company has maintained proper records of inventory. The discrepancies between the physical stocks and the book stocks were not material and have been properly dealt with in the books of account;
- (iii) Loans:
 - (a) During the year, the Company has not granted any loans to parties listed in the register maintained under Section 301 of the Companies Act, 1956. Hence clause 4 (iii) (a) to (d) of the Companies Auditor's Report Order, 2003 (as amended) is not applicable to the Company for the year under review.
 - (b) The Company has taken loans (in the form of fixed deposits) from 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. 1,28,70,000 and year end balance was Rs. 28,35,000/-
 - (c) In our opinion, the rate of interest and other terms on which the said loan have been taken are not, prima facie, prejudicial to the interest of the Company;
 - (d) As per the information furnished to us, the Company has not defaulted in payment of principal amount and interest as per the terms of the said deposits;
- (iv) Internal Control Procedures

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

VXL Instruments Limited

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

For Ishwar & Gopal

Chartered Accountants

K. V. Gopalakrishnayya

Partner

Membership No.: 21748

FRN 001154S

Place : Bangalore

Date : 29th May, 2010

Twenty Fourth Annual Report 2009 - 2010

BALANCE SHEET AS AT 31st MARCH, 2010

	SCHEDULE	AS AT 31.03.2010 Rs.	AS AT 31.03.2009 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	133,353,000	66,747,000
Reserves and Surplus	2	377,626,630	375,385,290
		510,979,630	442,132,290
LOAN FUNDS			
Secured	3	92,682,375	105,194,422
Unsecured	4	283,226,890	368,711,543
		375,909,265	473,905,965
TOTAL		886,888,895	916,038,255
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	453,486,047	445,677,720
Less: Depreciation		205,815,024	199,332,059
Net Block		247,671,023	246,345,661
INVESTMENTS	6	5,219,261	6,495,711
DEFERRED TAX ASSET		106,267,948	112,019,328
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	209,140,167	172,286,732
Sundry Debtors	8	290,525,135	373,710,832
Cash and Bank Balances	9	24,842,129	22,472,074
Loans and Advances	10	13,046,253	14,651,036
		537,553,684	583,120,674
Less: CURRENT LIABILITIES AND PROVISIONS	11		
Current Liabilities		250,583,253	276,690,591
Provisions		6,690,240	6,362,437
		257,273,493	283,053,028
NET CURRENT ASSETS		280,280,191	300,067,646
PROFIT AND LOSS ACCOUNT		247,450,472	251,109,909
TOTAL		886,888,895	916,038,255
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

For and on behalf of the Board

Chartered Accountants

K.V. Gopalakrishnayya

M.V. Nagaraj

M. V. Shetty

K. Prakash

Partner

Managing Director

Whole Time Director

Director

Membership No.: 21748

FRN 001154S

Date : 29th May 2010

Place : Bangalore

Narayana Bhat

CFO & Company Secretary

VXL Instruments Limited
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

SCHEDULE	YEAR ENDED 31.03.2010 Rs.	YEAR ENDED 31.03.2009 Rs.
INCOME		
Gross Sales	772,448,735	810,571,066
Excise Duty	6,408,141	6,762,442
Net Sales	766,040,594	803,808,624
Other Income	8,722,191	3,047,767
	774,762,785	806,856,391
EXPENDITURE		
Cost of materials	653,759,382	664,575,378
Employee related expenses	22,612,633	18,524,042
Other Expenses	53,220,654	74,337,076
Finance charges	30,313,808	34,359,345
	759,906,477	791,795,841
PROFIT / (LOSS) BEFORE DEPRECIATION	14,856,308	15,060,550
Depreciation & Amortisation	11,482,283	11,865,259
PROFIT / (LOSS) BEFORE TAXATION	3,374,025	3,195,291
PROVISION / (CREDIT) FOR TAXES		
Fringe Benefit Tax		300,000
Deferred Tax	5,751,380	23,426,341
Less : Deferred Tax Reserve Withdrawn	5,751,380	-
PROFIT / (LOSS) AFTER TAXATION	3,374,025	(20,531,050)
Excess Provision for taxation withdrawn	285,412	-
BALANCE OF PROFIT / (LOSS) BROUGHT FORWARD FROM PREVIOUS YEAR	(251,109,909)	(230,578,859)
BALANCE OF PROFIT / (LOSS) CARRIED OVER TO BALANCE SHEET	(247,450,472)	(251,109,909)
Weighted average Number of Equity Shares (Face value of Rs. 10 /- each)		
Basic (Weighted average)	11,963,135	6,689,400
Diluted	11,963,135	6,689,400
Earning per Share (Loss) of face value of Rs. 10 each		
Basic	0.28	(3.07)
Diluted	0.28	(3.07)
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

K.V. Gopalakrishnaya

Partner

Membership No.: 21748

FRN 001154S

Date : 29th May 2010

Place : Bangalore

For and on behalf of the Board

M.V. Nagaraj

Managing Director

M. V. Shetty

Whole Time Director

K. Prakash

Director

Narayana Bhat

CFO & Company Secretary

Twenty Fourth Annual Report 2009 - 2010

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2010

	AS AT 31.03.2010 Rs.	AS AT 31.03.2009 Rs.
SCHEDULE : 1		
SHARE CAPITAL		
Authorised:		
15,000,000 (15,000,000) Equity Shares of Rs.10/- each	<u>150,000,000</u>	150,000,000
Issued, Subscribed and Paid-up:		
1,33,50,000 (66,89,400) Equity Shares of Rs.10/- each	<u>1,33,500,000</u>	66,894,000
Less: Allotment and Call money in arrears - Other than Directors	<u>147,000</u>	147,000
	<u><u>1,33,353,000</u></u>	<u><u>66,747,000</u></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
 Add : Received during the year 7,992,720 137,288,827 - 129,296,107

General Reserve

As per last Balance Sheet 2,599,897 2,599,897

Revaluation Reserve

As per last Balance Sheet 211,438,226 211,438,226
 Addition on Revaluation of Land - 211,438,226 - 211,438,226

Deferred Tax Reserve

As per last Balance Sheet 29,997,415 29,997,415
 Less : Withdrawn during the year 5,751,380 24,246,035 - 29,997,415

377,626,630 375,385,290

VXL Instruments Limited**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2010**

	AS AT 31.03.2010 Rs.	AS AT 31.03.2009 Rs.
SCHEDULE : 3		
SECURED LOANS		
a. Working Capital from a Bank	91,913,456	83,170,688
b. Term Loan from Banks	-	22,023,734
c. Hire Finance from a Bank for purchase of Vehicle	768,919	-
	<u>92,682,375</u>	<u>105,194,422</u>

NOTE:

1. Working Capital from a Bank is secured by hypothecation of Inventories, Receivables, Book-Debts and other Current Assets, Equitable Mortgage of Factory Land and Building and immovable property of the company and charge on un-encumbered Plant and Machinery and personal guarantee of some of the Directors.
2. Instalments of term loan due within a year Rs. Nil (Rs. 165 Lakhs)
3. Instalments of vehicle loan due within a year Rs. 3.31 Lakhs (Rs. Nil)

SCHEDULE: 4**UNSECURED LOANS**

a. Fixed Deposits		
From – Directors	2,835,000	9,172,000
– Others	-	3,698,000
b. From Companies	280,391,890	355,841,543
	<u>283,226,890</u>	<u>368,711,543</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2010

SCHEDULE : 5

FIXED ASSETS

(in rupees)

DESCRIPTION	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK		
	As at 1st April, 2009	Additions during the year	Deductions during the year	As at 31st March, 2010	As at 1st April, 2009	For the year	On deductions	As at 31st March, 2010	As at 31st March, 2009
Own Assets									
Land	215,481,360	-	-	215,481,360	-	-	-	215,481,360	215,481,360
Buildings	27,553,295	-	-	27,553,295	16,477,814	639,604	-	10,435,877	11,075,481
Plant and machinery	36,669,093	-	-	36,669,093	33,045,743	505,589	-	3,117,761	3,623,350
Plastic mould	34,913,157	1,864,000	-	36,777,157	34,351,942	316,410	-	2,108,805	561,215
Electrical installation	7,049,937	-	-	7,049,937	5,771,377	177,848	-	1,100,712	1,278,560
Office Equipment	28,697,566	663,248	4,238,700	25,122,114	24,611,803	728,333	4,215,656	3,997,634	4,085,763
Air conditioners	223,565	-	-	223,565	201,837	3,022	-	18,706	21,728
Furniture and fittings	8,744,136	108,113	-	8,852,249	7,596,004	117,452	-	1,138,793	1,148,132
Vehicles	5,369,484	1,324,179	929,174	5,764,489	4,984,559	216,405	783,661	1,347,186	384,925
TOTAL	364,701,593	3,959,540	5,167,874	363,493,259	127,041,079	2,704,663	4,999,317	238,746,834	237,660,514
Leased Assets									
Vehicles	763,912	-	-	763,912	763,912	-	-	-	-
	763,912	-	-	763,912	763,912	-	-	763,912	-
Intangibles									
Product Development	80,212,216	9,016,660	-	89,228,876	71,527,067	8,777,620	-	8,924,189	8,685,149
	80,212,216	9,016,660	-	89,228,876	71,527,067	8,777,620	-	8,924,189	8,685,149
TOTAL	445,677,721	12,976,200	5,167,874	453,486,047	199,332,058	11,482,283	4,999,317	247,671,023	246,345,663
PREVIOUS YEAR	437,951,737	9,024,248	1,298,265	445,677,720	188,749,015	11,865,259	1,282,216	246,345,661	

VXL Instruments Limited
SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2010

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 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	1,500,000	-
		<u>1,500,000</u>
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 127,645 Equity Shares of VXL eTech Limited of Rs.10/- each, fully paid	50,000	50,000
	-	1,276,450
	<u>5,219,261</u>	<u>6,495,711</u>
SCHEDULE : 7		
INVENTORIES		
Raw Materials & Consumables	98,029,156	86,299,937
Work-in-Progress	61,876,389	40,731,083
Finished goods	42,948,966	41,609,373
Raw Materials in Transit	6,285,656	3,646,339
	<u>209,140,167</u>	<u>172,286,732</u>
SCHEDULE : 8		
SUNDRY DEBTORS		
(Unsecured)		
a. Debts outstanding for a period exceeding Six months		
Considered Good	82,736,987	94,656,304
Considered Doubtful	31,572,051	27,567,294
	114,309,038	122,223,598
Less: Provision for bad & doubtful debts	31,572,051	27,567,294
	82,736,987	94,656,304
Others considered good.	207,788,148	279,054,528
	<u>290,525,135</u>	<u>373,710,832</u>
SCHEDULE : 9		
CASH AND BANK BALANCES		
Cash on hand	4,118,522	3,638,032
Balances with Scheduled Banks in India :		
in Current Accounts	434,373	490,833
in Deposit Accounts	20,289,233	18,343,209
[Pledged with Bank against bank guarantee & Letter of Credit facilities to the extent of Rs. 1,88,65,901 (Rs.1,83,43,209)]	<u>24,842,129</u>	<u>22,472,074</u>

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2010

	Year Ended 31.03.2010 Rs.		Year Ended 31.03.2009 Rs.	
SCHEDULE: 10				
LOANS AND ADVANCES				
(Unsecured				
Advances recoverable in cash or				
in kind or for value to be received				
Considered Good	6,505,295		6,463,122	
Considered Doubtful	<u>28,768,888</u>		<u>28,768,888</u>	
	35,274,183		35,232,010	
Less : Provision for doubtful advances	<u>28,768,888</u>	6,505,295	<u>28,768,888</u>	6,463,122
Advances to Subsidiaries	<u>2,437,394</u>		<u>2,437,394</u>	
Less : Provision for doubtful advances	<u>2,437,394</u>	-	<u>2,437,394</u>	-
Balances with Excise authorities		1,053,735		2,123,472
Interest accrued but not due on deposits		705,093		705,093
Deposits		3,921,185		4,291,055
Advance Income Tax / TDS		860,945		1,068,294
		<u>13,046,253</u>		<u>14,651,036</u>
SCHEDULE: 11				
CURRENT LIABILITIES AND PROVISIONS				
Current liabilities				
Acceptances	127,900,000		130,700,000	
Sundry Creditors				
Total outstanding dues of micro enterprises and small enterprises	-		740,842	
Total outstanding dues of other than micro enterprises and small enterprises	108,648,108		126,806,580	
Advance Received from Customers	1,450,823		4,189,485	
Other Current Liabilities	11,862,772		13,532,134	
Share Application Money Refundable account	<u>721,550</u>	250,583,253	<u>721,550</u>	276,690,591
PROVISIONS FOR				
Fringe Benefit Tax	68,574		580,282	
Gratuity	4,384,194		3,872,033	
Leave Encashment	<u>2,237,472</u>	6,690,240	<u>1,910,122</u>	6,362,437
		<u>257,273,493</u>		<u>283,053,028</u>

VXL Instruments Limited**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
SCHEDULE: 12		
OTHER INCOME		
Interest received on deposits and loans (Gross, TDS - Rs. 105,185 (Rs. 3,13,606))	1,736,139	1,509,467
Provisions no longer required written back	1,688,153	975,297
Profit on sale of Fixed Assets	4,211,430	128,841
Dividend Received	7,500	7,500
Miscellaneous receipts	1,078,969	426,662
	<u>8,722,191</u>	<u>3,047,767</u>
SCHEDULE: 13		
COST OF MATERIALS		
1. Consumption of		
Raw Materials	296,422,415	459,350,214
Software License	378,206,039	152,168,196
Packing Materials	1,292,416	3,283,438
Consumable stores	<u>323,411</u>	<u>1,160,232</u>
	676,244,281	615,962,080
2. Change in Inventory		
Opening work-in-progress	40,731,083	102,178,358
Opening finished goods	<u>41,609,373</u>	<u>28,775,396</u>
	82,340,456	130,953,754
Closing work-in-progress	61,876,389	40,731,083
Closing finished goods	<u>42,948,966</u>	<u>41,609,373</u>
	104,825,355	82,340,456
Net (accretion) / depletion	(22,484,899)	48,613,298
	<u>653,759,382</u>	<u>664,575,378</u>
SCHEDULE: 14		
EMPLOYEE RELATED EXPENSES		
Salaries, Wages and Allowances	20,235,245	16,676,672
Contribution to Provident Fund and Other Funds	1,980,479	1,497,421
Welfare expenses	396,909	349,949
	<u>22,612,633</u>	<u>18,524,042</u>

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SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Year Ended 31.03.2010 Rs.		Year Ended 31.03.2009 Rs.	
SCHEDULE: 15				
OTHER EXPENSES				
Rent		1,263,432		1,262,016
Travelling and conveyance		2,508,844		2,126,220
Power and fuel		902,448		840,040
Communication costs		1,968,074		1,122,326
Rates, taxes and fees		563,516		1,007,320
Directors' sitting fees		81,000		16,000
Exchange fluctuation loss		394,106		21,226,162
Repairs and maintenance				
Plant & Machinery	210,018		54,535	
Buildings	208,555		8,352	
Others	<u>598,159</u>	1,016,732	<u>814,871</u>	877,758
Payment to Auditors				
Audit Fees	200,000		200,000	
Tax audit fees	85,000		85,000	
Certification	<u>25,000</u>	310,000	<u>37,500</u>	322,500
Commission		1,920,516		200,330
Insurance		610,720		1,155,546
Selling expenses		17,349,072		23,637,698
Miscellaneous expenses		15,350,977		11,279,916
Provision for bad and doubtful debts and advances		4,004,757		7,715,591
Loss on sale of Investments		446,758		-
Bad debts and advances written off		4,529,702		47,654
Provision for Diminution in Investments		-		<u>1,500,000</u>
		<u>53,220,654</u>		<u>74,337,076</u>
SCHEDULE: 16				
FINANCE CHARGES				
Interest paid on:				
Fixed loans		768,874		1,977,062
Other loans		11,078,149		13,668,854
Bank charges and others		18,466,785		18,713,429
		<u>30,313,808</u>		<u>34,359,345</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. 3) 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 incident to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rentals under operating leases are recognised in the profit and loss account on a straight-line basis.
- 6. Impairment of Assets:** The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment of the carrying amount of Company's assets. If any indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognized whenever the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is greater of the net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value, based on appropriate discounting factor. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation as if there was no impairment.
- 7. Investments :** Long term investments are valued at cost less provision, if any, for permanent diminution in value. Current investments are valued at lower of cost and net realisable value.
- 8. Inventories:** Inventories are valued at lower of cost (weighted average) and estimated net realisable value. 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.

b. Short term Employee Benefits:

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

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

11. Deferred Revenue Expenditure / Intangible assets

Revenue expenditure on product development is treated as an Intangible asset, grouped under fixed assets and amortized over the 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".

VXL Instruments Limited

B. NOTES ON ACCOUNTS

1. Provisions, Contingent Liabilities & Contingent Assets.

Particulars	As at 31st March,2010 Rs.	As at 31st March,2009 Rs.
A Guarantees issued by Bankers	21,824,518	16,456,347
B Liability on account of bills discounted with Banks. (Secured by Letters of Credit from buyers' bankers)	57,500,000	63,500,000
C Employees' Provident Fund contributions under appeal [Out of which Rs 1,069,469/- has been deposited with respective authority and shown under Current Assets].	2,138,938	2,138,938
D Central Sales Tax Liability under appeal (VAT Audit 2005-06)	3,327,514	Nil
E The Company has informed the Govt. of Karnataka of its intention to close the unit, manufacturing CRT Terminals as the product GVX terminal has been phased out. The matter is before the Labour Department/ Labour Court. Contingent liability, if any, on this has not been quantified.		
F The Company has made provision for leave salary on estimated basis. These being retirement benefits, an obligation to pay these amounts might arise at the time of resignation / superannuation of the employees. There is no reimbursement receivable against these obligations. The provision is made based on actuarial valuation.		

(Amount in Rs.)

Nature of obligation	The carrying amount at the beginning of the period	Additional provisions made during the year	Amounts incurred and charged against the provision during the period	Unused amounts reversed during the period	The carrying amount at the end of the period
Leave Salary	19,10,122	4,76,180	1,48,830	Nil	22,37,472

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

1. VXL Instruments Limited, U.K., a subsidiary in which the Company has 60% share holding amounting to Rs. 5,169,261/- has accumulated losses in excess of its total paid up capital. Net receivables from VXL Instruments Limited, U.K., as at 31st March 2010 is Rs.79,186,388/- (79,225,266/-). 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 2010, 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 2 (1) above Sundry Debtors includes Rs. 17,088 (Rs. 7,690,622/-) 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 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. Confirmation of balance has been obtained from Priya Ltd which forms over 90% of sales & purchases.

3. 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.

4. Retirement Benefit Plans

Defined contribution plans

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

The Company recognised Rs.826,145 (Rs. 681,613/-) 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 31.03.10.

(in Rs)

Particulars	As at 31.03.2010	As at 31.03.2009
1. Change in benefit obligation		
Projected Obligation at the beginning of the year	50,49,701	47,79,441
Interest Cost	4,03,976	3,82,355
Current Service Cost	4,79,613	4,86,646
Benefits Paid	(5,16,489)	(7,68,333)
Actuarial (Gain) / Loss	92,458	1,69,592
Projected Obligation at the end of the year	55,09,259	50,49,701
2. Change in Plan Assets		
Fair Value of the Plan Assets at the beginning of the year	11,77,668	11,56,266
Expected Return on Plan Assets	98,647	1,08,799
Employer's Contributions	3,65,239	2,00,000
Benefit Paid	(5,16,489)	(7,68,333)
Actuarial (Gain) / Loss	NIL	NIL
Adjustment related to prior year	NIL	4,80,936
Fair Value of the Plan Assets at the end of the year	11,25,065	11,77,668
Excess of (Obligations over Plan Assets) / Plan Assets Over Obligation	(43,84,194)	(38,72,033)

VXL Instruments Limited

3 Net Gratuity & Other Costs at the end of the year		
Service Cost	4,79,613	4,86,646
Interest on defined benefit obligation	4,03,976	3,82,355
Expected Return on Plan Assets	(98,647)	(1,08,799)
Net Actuarial Gain recognized in the year	92,458	1,69,592
Adjustment related to prior year	NIL	(4,16,201)
Net Gratuity Costs for the year	8,77,400	5,13,593
4. Category of assets		
Insurer Managed Funds	11,25,065	11,77,668
5. Assumptions		
Discount Rate	8%	8%
Salary Escalation Rate	8%	7%
Expected Return on Plan Assets Rate	7%	7%

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

6. Dues to Micro, Small and Medium Enterprises:

Sundry Creditors include Rs. Nil (Rs. 740,842) 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	31-03-2010	31-03-2009
a.	The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year;	Nil	7,40,842
b.	The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;	Nil	Nil
c.	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	Nil	Nil
d.	The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
e.	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil

7. Other Current liabilities include dues to Directors Rs. 300,000 (Rs. 5,15,832/-)

8. Managerial Remuneration under section 198 of the Companies Act, 1956. (Amount in Rs.)

	Year ended 31.03.2010	Year ended 31.03.09
Salaries and Allowances	24,39,077	24,43,060
Contribution to PF and Other Funds	1,87,200	1,87,200

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

9. Finance Charges include interest paid on deposit to Managing Director and Whole Time Director Rs. 5,38,751/- (Rs. 9,96,595/-)

10. Segment Information

The Company's segment information is as follows:

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

Description	2009-2010	2008-2009
Revenue (Sales and Services)		
Domestic	78,440,650	78,043,563
Overseas	694,008,085	732,527,503
	772,448,735	810,571,066
Segment Result		
Domestic	17,402,731	15,614,794
Overseas	84,757,483	92,430,350
	102,160,214	108,045,144
Less : Unallocated Expenses		
Overheads	68,472,380	70,490,508
Interest	30,313,808	34,359,345
Provision / (Credit) for taxes	-	23,726,341
Profit / (Loss) After Taxation	3,374,026	(20,531,050)
Secondary Segments (Business Segments)		
Revenue (Sales and Services)		
Data Processing Units	371,716,127	655,677,440
Computer Peripherals & Others	398,646,739	152,861,632
Service Charges	2,085,869	2,031,994
Total	772,448,735	810,571,066

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

VXL Instruments Limited

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

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)
 Mrs. Pravina Shetty (Wife of Mr. M. V. Shetty)

d. Disclosure of Related Party Transactions

(in Rupees)

Nature of transaction	Subsidiaries	Joint ventures and associates	Key managerial personnel and relatives
1. Sale of Goods/Fixed Assets	–	6,210,259	–
	–	(2,139,026)	–
2. Interest Paid	–	–	894,301
	–	–	(1,651,780)
3. Remuneration	–	–	2,626,277
	–	–	(2,630,260)
4. Purchase of Goods	–	–	–
	–	(37,449)	–

e. Balances with Related Parties

(in Rupees)

Nature of transaction	Subsidiaries	Joint ventures and associates	Key managerial personnel and relatives
1. Trade Receivables	79,173,965** (79,239,087)	–	–
2. Trade Payables	–	–	–
	–	(6,964)	–
3. Loans and Advance (Assets)	2,437,394** (2,437,394)	–	–
	–	(21,80,171)	–
4. Trade Advance (Liability)	–	1,339,400	–
	–	(3,669,375)	–
5. Trade Deposit Payable	–	–	2,835,000
	–	–	(12,870,000)
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. 106,267,948/-(Rs.112,019,328/-) 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,2010	As at 31st March,2009
Carry forward losses	81,486,210	89,234,238
Disallowances under Income tax	21,248,749	19,845,141
Fixed Assets	3,532,989	2,939,949
TOTAL	106,267,948	112,019,328

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	
		31.03.2010	31.03.2009	31.03.2010	31.03.2009
Data processing units	NA	120,000	120,000	39,730	60,259

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

13.2. Opening and Closing Stock

in Nos.

Class of materials	Opening Stock		Closing Stock	
	2009-2010	2008-2009	2009-2010	2008-2009
Data Processing Units	190	250	300	190

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	2009-2010		2008-2009	
	Quantity (Nos.)	Value (Rs.)	Quantity (Nos.)	Value (Rs.)
Data Processing Units	39,620	371,716,127	60,319	655,677,440
Computer Peripherals & Others		398,646,739		152,861,632
Service Charges		2,085,869		2,031,994
TOTAL		772,448,735		810,571,066

VXL Instruments Limited

13.4 Consumption of Raw Materials

Particulars	2009-2010		2008-2009	
	Quantity (Nos.)	Value (Rs.)	Quantity (Nos.)	Value (Rs.)
PCB Mother Board	42,431	133,657,650	64,605	205,314,690
IC Flash & Memory	39,356	25,778,180	60,865	38,649,275
DDR Ram	41,093	23,628,475	59,820	34,396,500
Fab Items	41,680	25,424,800	63,299	38,295,895
Power Supply	38,031	20,917,050	55,393	30,466,150
Software License	1,59,015	430,930,650	81,139	211,529,373
Others	Nil	15,907,476	Nil	57,310,197
TOTAL		676,244,281		615,962,080

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

Particulars	2009-2010		2008-2009	
	Value (Rs.)	%	Value (Rs.)	%
Imported	639,148,850	95	548,931,968	89
Indigenous	37,095,431	5	67,030,112	11
Total	676,244,281	100	615,962,080	100

Particulars	2009-10 in Rs.	2007-08 in Rs.
13.6 Value of imports calculated on CIF Basis		
Raw materials	641,544,926	674,098,138
13.7 Expenditure in Foreign Currency		
Travelling	Nil	10,500
Certification Fees	1,788,616	1,096,524
13.8 Earnings in foreign Currency calculated on FOB Basis		
Direct Exports	518,533	2,098,159
Deemed Exports through others	676,399,130	704,262,167

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. 12,63,432 (Rs. 12,62,016).

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

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

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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, 2010.

(in Rupees)

Subsidiary Company	Outstanding as at 31-03-2010	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 from a Bank is secured by hypothecation of Inventories, Receivables, Book-Debts and other Current Assets, Equitable Mortgage of Factory Land and Building and immovable property of the company and Charge on un-encumbered Plant and Machinery and personal guarantee of some of the Directors.

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

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

17. Lien on Term Deposit: Out of Rs. 20,289,233/- term deposit Rs. 18,865,901/- is under lien for Bank Guarantee and Letter of Credit

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

Particulars	2009-10	2008-09
Raw Material Cost	(20,249,985)	-
Directors Sitting Fees	62,000	-
Miscellaneous Expenses	110,700	-
Salaries	100,000	-
Membership Fees	-	34,719
Telephone Expenses	-	11,620
Conveyance	-	4,000
Sales promotion	-	836,828
Security Charges	-	193,103
Traveling Expenses	-	127,584
Rates and Taxes	-	50,000
TOTAL	19,977,285	1,257,854

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

For Ishwar & Gopal

Chartered Accountants

K.V. Gopalakrishnayya

Partner

Membership No.: 21748

FRN 001154S

Date : 29th May 2010

Place : Bangalore

For and on behalf of the Board

M.V. Nagaraj

Managing Director

M. V. Shetty

Whole Time Director

K. Prakash

Director

Narayana Bhat

CFO & Company Secretary

VXL Instruments Limited**STATEMENT OF CASH FLOW FOR THE YEAR ENDING 31st MARCH, 2010**

	31.03.2010 Rs.	31.03.2009 Rs.
CASH FLOW FROM OPERATIONS:		
Net Income before current income taxes	3,374,025	3,195,291
Provision for diminution in Investments		1,500,000
Profit on sale of fixed assets		
Interest received	(1,736,139)	(1,509,467)
Dividend Received	(7,500)	(7,500)
Depreciation	11,482,283	11,865,259
Provision for doubtful debts/ advances	4,004,757	7,715,591
Current income tax	207,349	(431,326)
Fringe Benefit Tax	285,412	(300,000)
Interest Expenses	30,313,808	34,359,345
(Increase)/decrease in trade and other receivables	80,578,375	32,955,100
(Increase)/decrease in inventories	(36,853,435)	50,307,885
Increase/(decrease) in trade payables	(25,779,539)	(75,614,716)
(Profit) / Loss on sale of investments	446,758	-
(Profit) / Loss on sale of fixed assets	(4,211,430)	(128,841)
Net cash from operations	62,104,724	63,906,621
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest Received	1,736,139	1,509,467
Dividend Received	7,500	7,500
Proceeds from sale of investments	829,692	-
Proceeds from sale of fixed assets	4,379,987	144,890
Purchase of fixed assets	(12,976,200)	(9,024,248)
Net cash from investing activities	(6,022,882)	(7,362,391)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net proceeds from borrowing	(97,996,700)	46,712,737
Proceeds from Issue of Shares	66,606,000	-
Share premium received	7,992,720	-
Decrease in Share Application Money	-	(74,249,653)
Interest paid	(30,313,808)	(34,359,345)
Net cash from financing activities	(53,711,788)	(61,896,260)
Net increase/(decrease) in cash and cash equivalents	2,370,055	(5,352,030)
Cash and cash equivalents at the beginning of the year	22,472,074	27,824,104
Cash and cash equivalents at the end of the year	24,842,129	22,472,074
Net increase/(decrease) in cash and cash equivalents	2,370,055	(5,352,030)

For Ishwar & Gopal
Chartered Accountants

For and on behalf of the Board

K.V. Gopalakrishnaya

Partner

Membership No.: 21748

FRN 001154S

Date : 29th May 2010

Place : Bangalore

M.V. Nagaraj

Managing Director

M. V. Shetty

Whole Time Director

K. Prakash

Director

Narayana Bhat

CFO & Company Secretary

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	31.03.2010	
II Capital Raised during the year (Amount in Rs. Thousands)		
Public Issue		Nil
Rights Issue		Nil
Private Placement - Preferential Issue		66,606
Bonus Issue		Nil
III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)		
Source of Funds		
Paid-up Capital		133,353
Reserves and Surplus		377,627
Secured Loans		92,682
Unsecured Loans		283,227
Total Liabilities		<u>886,889</u>
Application of Funds		
Net Fixed Assets		247,671
Investments		5,219
Net Current Assets		280,280
Defferred Tax		106,268
Accumulated Losses		247,451
Total Assets		<u>886,889</u>
IV Performance of Company (Amount in Rs. Thousands)		
Turnover including Other Income		774,763
Total Expenditure		771,389
Profit before Tax/(Loss)		3,374
Profit after Tax/(Loss)		3,374
Earning per Share (Rs.)		(0.28)
Dividend Rate (%)		Nil
V Generic names of three principal products / services of the company		
(As per monetary terms)		
Item Code Number (ITC Code)	8471 50 00	
Product Description	DATA PROCESSING UNITS	
Item Code Number (ITC Code)	8523 80 20	
Product Description	INFORMATION TECHNOLOGY SOFTWARE	

For Ishwar & Gopal
Chartered Accountants

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

Date : 29th May 2010
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, 2010

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, 2010	:	Rs. 0.17 Lakhs	7329 GBP
b) For the previous financial years	:	Rs.(-) 52.38 Lakhs	(-)19,02,271 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, 2010	:	NIL	NIL
b) For the previous financial years	:	NIL	NIL

Place : Bangalore
Date : 29th May 2010

M.V. Nagaraj <i>Managing Director</i>	M.V.Shetty <i>Whole Time Director</i>
K. Prakash <i>Director</i>	Narayana Bhat <i>CFO & Company Secretary</i>

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 Nineteenth Annual Report of the Company

FINANCIAL RESULTS	(Rs. in Lakhs)	
	2009-10	2008-09
Gross Revenue	0.74	2.01
Profit/(Loss) before tax	0.17	(37.36)
Profit/(Loss) after tax	0.17	(37.36)

OPERATIONS

You will observe from the accounts for the year 2009-10 that there was no business activity during the year 2009-10. 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 : 29th May, 2010

ANNEXURE TO DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

Since there were no business activity during the year, only minimal 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 : 29th May, 2010

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 2010, 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 directors prima facie are disqualified as on 31st March 2010, 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 8 regarding accounts of the Company having been prepared on a going concern basis not withstanding 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 2010, and
- b. In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For Ishwar & Gopal
Chartered Accountants

K.V. Gopalakrishnaya
Partner

Place : Bangalore

Date : 29th May, 2010

Membership No.: 21748

FRN 001154S

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 has not taken / granted any loans from parties listed in the register maintained under Section 301 of the Companies Act, 1956, and hence clause 4 (iii) (a) 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

Xlnet Software Systems Limited

- 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 Duty / 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 earned cash profit during the year and incurred cash losses 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. Gopalakrishnaya
Partner
Membership No.: 21748
FRN 001154S

Place : Bangalore
Date : 29th May, 2010

Nineteenth Annual Report 2009 - 2010

BALANCE SHEET AS AT 31STMARCH, 2010

	SCH	AS AT 31.03.10 Rs.	AS AT 31.03.09 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	450,000	450,000
Reserves and Surplus	2	2,400,000	2,400,000
TOTAL		<u>2,850,000</u>	<u>2,850,000</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	3	–	3,095,213
Less: Depreciation		–	3,038,520
Net Block		–	<u>56,693</u>
INVESTMENTS	4	10,000	10,000
CURRENT ASSETS, LOANS AND ADVANCES			
Cash and bank balances	5	73,903	13,653
		73,903	<u>13,653</u>
<i>LESS: CURRENT LIABILITIES AND PROVISIONS</i>			
	6	2,454,094	2,467,915
NET CURRENT ASSETS		(2,380,191)	(2,454,262)
PROFIT & LOSS ACCOUNT		5,220,191	5,237,569
TOTAL		<u>2,850,000</u>	<u>2,850,000</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	8		

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

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

For Ishwar & Gopal
Chartered Accountants

For and on behalf of the Board

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

M.V. Nagaraj
Director

M.V. Shetty
Director

Place : Bangalore
Date : 29th May,2010

Xlnet Software Systems Limited**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

	SCH	Year Ended 2009-2010 Rs.	Year Ended 2008-2009 Rs.
INCOME			
Excess Provision withdrawn		22,694	201,097
Profit on sale of Vehicle		51,812	–
		74,506	201,097
EXPENDITURE			
Other expenses	7	8,873	3,915,154
Depreciation	3	48,255	22,749
		57,128	3,937,903
PROFIT (LOSS) FOR THE YEAR		17,378	(3,736,806)
PROFIT (LOSS) AFTER TAXATION		17,378	(3,736,806)
Balance brought forward from previous year		(5,237,569)	1,500,763
PROFIT (LOSS) CARRIED OVER TO BALANCE SHEET		(5,220,191)	(5,237,569)
Earnings per share [Equity shares, par value Rs.10 each]			
– Basic and Diluted		0.39	(83.04)
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			
	8		

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. Gopalakrishnaya
Partner
Membership No.: 21748
FRN 001154S

M.V. Nagaraj
Director

M.V. Shetty
Director

Place : Bangalore
Date : 29th May,2010

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2010

	AS AT 31.03.2010 Rs.	AS AT 31.03.2009 Rs.
--	----------------------------	----------------------------

SCHEDULE : 1

SHARE CAPITAL

Authorised:

100,000 Equity Shares of Rs.10/- each 1,000,000 1,000,000

Issued, Subscribed and Paid-up:

45,000 Equity Shares of Rs.10/- each, fully paid 450,000 450,000

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

Less : Withdrawn during the year

2,400,000 2,400,000

SCHEDULE: 3

FIXED ASSETS

DESCRIPTION	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 1st April, 2009	Additions during the year	Deductions during the year	As at 31st March 2010	As at 1st April 2009	For the year	Deductions during the year	As at 31st March 2010	As at 31st March 2010	As at 31st March 2009
Plant and machinery	2,356,958	-	2,356,958	-	2,341,791	15,167	2,356,958	-	-	15,167
Equipment	52,385	-	52,385	-	42,645	9,740	52,385	-	-	9,740
Furniture and fittings	21,790	-	21,790	-	21,469	321	21,790	-	-	321
Vehicles	664,080	-	664,080	-	632,615	23,027	655,642	-	-	31,465
TOTAL	3,095,213	-	3,095,213	-	3,038,520	48,255	3,086,775	-	-	56,693
PREVIOUS YEAR	3,095,213	-	-	3,095,213	3,015,772	22,749	-	3,038,521	56,693	-

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

10,000 10,000

Xlnet Software Systems Limited**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2010**

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
SCHEDULE: 5		
CASH AND BANK BALANCES		
Cash on hand	191	191
Balance with Scheduled Bank in India:		
Current Account	<u>73,712</u>	<u>13,462</u>
	<u>73,903</u>	<u>13,653</u>
SCHEDULE: 6		
CURRENT LIABILITIES AND PROVISIONS		
Current liabilities		
Due to Holding Company (VXL Instruments Limited)	2,437,394	2,451,215
Other Current Liabilities	<u>16,700</u>	<u>16,700</u>
	<u>2,454,094</u>	<u>2,467,915</u>

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
SCHEDULE : 7		
OTHER EXPENSES		
Rates & Taxes	600	1,800
Bad Debts / Advances written off	-	3,905,081
Miscellaneous Expenses		-
Audit fees	5,000	5,000
For taxation matters	2,500	2,500
Service Tax	<u>773</u> 8,273	<u>773</u> 8,273
	<u>8,873</u>	<u>3,915,154</u>

SCHEDULE: 8

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

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	<table border="0" style="width: 100%;"> <tr> <td style="text-align: center;">As at</td> <td style="text-align: center;">As at</td> </tr> <tr> <td style="text-align: center;">31.03.2010</td> <td style="text-align: center;">31.03.2009</td> </tr> <tr> <td style="text-align: center;">256,850</td> <td style="text-align: center;">256,850</td> </tr> </table>	As at	As at	31.03.2010	31.03.2009	256,850	256,850
As at	As at						
31.03.2010	31.03.2009						
256,850	256,850						

- 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
FRN 001154S

M.V. Nagaraj
Director

M.V. Shetty
Director

Place : Bangalore
Date : 29th May, 2010

Xlnet Software Systems 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	12344
State Code	08
Balance Sheet Date	31.03.2010

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

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

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

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	-
Investments	10
Net Current Assets	(2,380)
Accumulated Losses	<u>5,220</u>
Total Assets	<u>2,850</u>

IV Performance of Company (Amount in Rs. Thousands)

Turnover including Other Income	75
Total Expenditure	57
Profit before Tax/(Loss)	17
Profit after Tax/(Loss)	17
Earning per Share (Rs.)	0.39
Dividend Rate (%)	Nil

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

(As per monetary terms)

Item Code Number (ITC Code)	8523 80 20
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. Gopalakrishnaya

Partner

Membership No.: 21748

FRN 001154S

Place : Bangalore

Date : 29th May,2010

M.V. Nagaraj

Director

M.V. Shetty

Director

VXL Instruments Limited (UK)

**DIRECTORS' REPORT FOR THE YEAR
ENDED 31st MARCH 2010**

The directors present their report with the financial statements of the company for the year ended 31st March, 2010.

Principal activities

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

Directors

The directors shown below have held office during the whole of the period from 1st April, 2009 to the date of this report

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

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

15th April 2010

On behalf of the board

D.S. Rao
Director

**BALANCE SHEET
AS AT 31st MARCH 2010**

	Notes	2009-10 in GBP	2008-09 in GBP
Fixed assets			
Intangible assets	4	-	-
Tangible assets	5	5,534	7,379
		<u>5,534</u>	<u>7,379</u>
Current assets			
Cash at bank and in hand		10,559	43,223
Loans & Advances		-	-
		<u>10,559</u>	<u>43,223</u>
Creditors : amounts falling due within one year	6	548,795	583,432
Net current liabilities		(538,236)	(540,209)
Total assets less current liabilities		<u>(532,702)</u>	<u>(532,830)</u>
Creditors			
Amounts falling due after more than one year	7	1,182,240	1,189,441
NET LIABILITIES		<u>1,714,942</u>	<u>1,722,271</u>
CAPITAL AND RESERVES			
Called up share capital	8	180,000	180,000
Profit and loss account	9	(1,894,942)	(1,902,271)
SHAREHOLDERS' FUNDS		<u>(1,714,942)</u>	<u>(1,722,271)</u>

The company is entitled to exemption from audit under Section 477 of the Companies Act, 2006 for the year ended 31st March 2010.

The members have not required the company to obtain an audit of its financial statements for the year ended 31st March 2010 in accordance with Section 476 of the Companies Act, 2006.

The directors acknowledge their responsibilities for:

- Ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act, 2006 and
- Preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act, 2006 relating to financial statements, so far as applicable to the company. The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).
The financial statements were approved by the Board of Directors on 15th April 2010 and were signed on its behalf by Mr. D.S. Rao.

**TRADING AND PROFIT AND LOSS
ACCOUNT FOR THE YEAR ENDED 31ST
MARCH 2010**

		2009-10 in GBP	2008-09 in GBP
Turnover		886,221	847,494
Cost of sales		45,896	42,944
Gross profit		<u>840,325</u>	<u>804,550</u>
Administrative expenses		831,971	802,496
Operating Profit on ordinary activities before taxation	2	8,354	2,054
Tax on profit on ordinary activities	3	1,025	18,668
PROFIT(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		<u>7,329</u>	<u>(16,614)</u>

VXL Instruments Limited (UK)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010.

1. Accounting Policies	2009-10	2008-09
	GBP	GBP
1.1 Accounting Convention		
The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)		
1.2 Turnover		
Turnover represents net invoiced sales of goods, excluding value added tax.		
1.3 Tangible Fixed assets and Depreciation Rates		
Depreciation is provided at the annual rates in order to write off each asset over its estimated useful life.		
1.4 Deferred Tax		
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.		
1.5. Pension Costs and other Post retirement benefits		
The Company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.		
1.6 Foreign Currency Translation		
Monetary assets and Liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the Balance sheet date.		
Transactions in foreign currencies are recorded at the rate of ruling at the date of transaction.		
All differences are taken to Profit and Loss account.		
2. Operating Profit		
Operating profit is stated after charging		
Depreciation-owned assets	1,845	2,460
Pension Costs	1,484	1,343
Directors' remuneration and other benefits etc	<u>114,000</u>	<u>110,000</u>
3. Taxation		
Analysis of the tax charge		
The tax charge on the profit on ordinary activities for the year was as follows:		
Current Tax: VAT Penalties	1,025	18,668
Tax on profit on ordinary activities	<u>1,025</u>	<u>18,668</u>
4. Other Intangible fixed assets		
As on 1st April	13,875	13,875
Amortisation	13,875	13,875
Net Book Value	-	-
5. TANGIBLE FIXED ASSETS		
PLANT AND MACHINERY		
As on 1st April	126,842	126,842
Depreciation		
As on 1st April	119,463	117,003
Charge for the year	1,845	2,460
As at 31st March	121,308	119,463
Net Book Value as at 31st March	5,534	7,379
6. Creditors: amounts falling due within one year.		
Trade creditors	317,160	308,387
Taxation and social security	53,916	24,255
Other creditors	<u>177,719</u>	<u>250,790</u>
	<u>548,795</u>	<u>583,432</u>
7. Creditors: amounts falling due after more than one year		
Other creditors	1,182,240	1,189,441

Eighteenth Annual Report 2009 - 2010

<p>8. Share capital</p> <p>Authorised 500000 Ordinary Shares of GBP 1 500,000 500,000</p> <p>Allotted, called up and fully paid 180000 Ordinary Shares of GBP 1 each 180,000 180,000</p> <p>9. RESERVES</p> <p>Balance at 1 April (1,902,271) (1,885,657) Retained profit/(loss) for the year 7,329 (16,614) Balance at 31 March (1,894,942) (1,902,271)</p> <p>10. Related party transactions 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.</p> <p>11. Ultimate Controlling Party The directors consider VXL Instruments Limited a Company registered in India, as its ultimate holding company</p> <p>It holds 60% of the Company's issued share capital</p>	<p>12. TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; width: 10%;">2009-10 GBP</th> <th style="text-align: right; width: 10%;">2008-09 GBP</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td style="text-align: right;"><u>886,221</u></td> <td style="text-align: right;"><u>847,494</u></td> </tr> <tr> <td>Cost of Sales</td> <td></td> <td></td> </tr> <tr> <td>Materials</td> <td style="text-align: right;">8,092</td> <td style="text-align: right;">281</td> </tr> <tr> <td>Carriage Inwards and import duty</td> <td style="text-align: right;"><u>37,804</u></td> <td style="text-align: right;"><u>42,663</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>45,896</u></td> <td style="text-align: right;"><u>42,944</u></td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;">840,325</td> <td style="text-align: right;">804,550</td> 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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 2010, 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 2010 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.***

Total Assets Rs. 11,17,313/- Total Revenues Rs. 61,601,222/-.
4. We report that the Consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21 – Consolidated Financial Statements – issued by the Institute of Chartered Accountants of India and on the basis of separate audited /reviewed financial statements of the subsidiaries included in the financial statements.
5. In our opinion and to the best of our information and according to the explanations given to us, subject to:, ***Note No.2 of Schedule 17B, regarding non-provision for diminution in the value of investment of Rs.5,169,261/ and receivables of Rs. 79,186,388 in respect of a subsidiary of the company whose accumulated losses are in excess of the paidup capital, Note No.12 in Schedule 17 B, regarding recognition and quantification of deferred tax asset of Rs 106,267,948/- 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 2010
 - b) The Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of VXL Instruments Limited and its subsidiaries for the year ended on that date, and
 - c) The Consolidated Cash Flow Statement gives a fair view of the Consolidated Cash Flow of VXL Instruments Limited and its Subsidiaries for the year ended on that date.

For Ishwar & Gopal
Chartered Accountants

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

Place : Bangalore
Date : 29th May 2010

Twenty Fourth Annual Report 2009 - 2010

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2010

		AS AT	AS AT
		31.03.2010	31.03.2009
SCHEDULE		Rs.	Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	133,353,000	66,747,000
Reserves and Surplus	2	404,372,015	395,329,815
		<u>537,725,015</u>	<u>462,076,815</u>
LOAN FUNDS			
Secured	3	92,682,375	105,194,422
Unsecured	4	296,690,582	383,660,954
		<u>389,372,957</u>	<u>488,855,376</u>
		<u>927,097,972</u>	<u>950,932,191</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	464,688,712	459,975,599
Less: Depreciation		216,608,569	213,027,741
Net Block		<u>248,080,143</u>	<u>246,947,858</u>
INVESTMENTS			
DEFERRED TAX ASSET	6	60,000	60,000
CURRENT ASSETS, LOANS AND ADVANCES		106,267,948	112,019,328
Inventories	7	209,140,167	172,286,732
Sundry Debtors	8	211,338,747	294,471,745
Cash and Bank Balances	9	25,624,222	25,595,620
Loans and Advances	10	13,046,253	14,651,036
		<u>459,149,389</u>	<u>507,005,133</u>
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	11	288,484,465	319,863,758
Provisions	11	6,690,240	6,362,437
		<u>295,174,705</u>	<u>326,226,195</u>
NET CURRENT ASSETS		<u>163,974,684</u>	<u>180,778,938</u>
PROFIT AND LOSS ACCOUNT		<u>408,715,197</u>	<u>411,126,067</u>
TOTAL		<u>927,097,972</u>	<u>950,932,191</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

For and on behalf of the Board

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

M.V. Nagaraj
Managing Director

M. V. Shetty
Whole Time Director

K. Prakash
Director

Date : 29th May 2010
Place : Bangalore

Narayana Bhat
CFO & Company Secretary

VXL Instruments Limited
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE	YEAR ENDED 31.03.2010 Rs.	YEAR ENDED 31.03.2009 Rs.
INCOME		
Gross Sales	834,049,956	874,425,501
Excise Duty	6,408,141	6,762,442
Net Sales	827,641,815	867,663,059
Other Income	8,796,697	3,248,864
	836,438,512	870,911,923
EXPENDITURE		
Cost of materials	657,042,092	667,883,998
Employee related expenses	43,336,787	39,847,016
Other Expenses	91,843,728	116,160,723
Finance charges	30,350,214	34,527,688
	822,572,821	858,419,425
PROFIT / (LOSS) BEFORE DEPRECIATION		
Depreciation & Amortisation	11,666,920	12,492,499
PROFIT / (LOSS) BEFORE TAXATION	2,198,771	(627,344)
PROVISION / (CREDIT) FOR TAXES		
Income Tax	73,313	
Fringe Benefit Tax	-	300,000
Deferred Tax	5,751,380	23,426,341
Less : Deferred Tax Reserve Withdrawn	5,751,380	-
PROFIT / (LOSS) AFTER TAXATION	2,125,458	(24,353,685)
Excess Provision for taxation withdrawn	285,412	-
BALANCE OF PROFIT / (LOSS) BROUGHT FORWARD FROM PREVIOUS YEAR	(411,126,067)	(386,772,382)
BALANCE OF PROFIT / (LOSS) CARRIED OVER TO BALANCE SHEET	(408,715,197)	(411,126,067)
Weighted average Number of Equity Shares (Face value of Rs. 10 /- each)		
Basic (Weighted average)	11,963,135	6,689,400
Diluted	11,963,135	6,689,400
Earning per Share (Loss) of face value of Rs. 10 each		
Basic	0.18	(3.64)
Diluted	0.18	(3.64)
SIGNIFICANT ACCOUNTING POLICIES	17	

AND NOTES ON ACCOUNTS

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

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

For Ishwar & Gopal

For and on behalf of the Board

Chartered Accountants

K.V. Gopalakrishnayya

M.V. Nagaraj

M. V. Shetty

K. Prakash

Partner

Managing Director

Whole Time Director

Director

Membership No.: 21748

FRN 001154S

Date : 29th May 2010

Place : Bangalore

Narayana Bhat

CFO & Company Secretary

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SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

	AS AT 31.03.2010 Rs.		AS AT 31.03.2009 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:			
1,33,50,000 (66,89,400) Equity Shares of Rs.10/- each	133,500,000		66,894,000
Less: Allotment and Call money in arrears - Other than Directors	<u>147,000</u>		<u>147,000</u>
	<u>133,353,000</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	
Add : Received during the year	7,992,720	137,288,827	129,296,107
General Reserve			
As per last Balance Sheet	4,999,897	4,999,897	
Adjustment for Provision for VXL eTech P Ltd	4,999,897	1,276,450	3,723,447
Revaluation Reserve			
As per last Balance Sheet	211,438,226	-	
Addition on Revaluation of Land	-	211,438,226	<u>211,438,226</u>
Deferred Tax Reserve			
As per last Balance Sheet	29,997,415	29,997,415	
Less : Withdrawn during the year	5,751,380	24,246,035	29,997,415
Foreign Currency Translation Reserve	<u>24,345,385</u>		<u>18,820,975</u>
	<u>404,372,015</u>		<u>395,329,815</u>

VXL Instruments Limited**SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010**

	AS AT 31.03.2010 Rs.	AS AT 31.03.2009 Rs.
SCHEDULE : 3		
SECURED LOANS		
a. Working Capital from a Bank	91,913,456	83,170,688
b. Term Loan from Banks	-	22,023,734
c. Hire Finance from a Bank for purchase of Vehicle	768,919	
	<u>92,682,375</u>	<u>105,194,422</u>

NOTE:

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

SCHEDULE: 4**UNSECURED LOANS**

a. Fixed Deposits		
From – Directors	2,835,000	9,172,000
– Others	-	3,698,000
b. From Companies	293,855,582	370,790,954
	<u>296,690,582</u>	<u>383,660,954</u>

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

SCHEDULE : 5

FIXED ASSETS

(in Rupees)

DESCRIPTION	GROSS BLOCK			DEPRECIATION / AMORTISATION					NET BLOCK	
	As at 1st April, 2009	Additions during the year	Deductions during year	As at 31st March, 2010	As at 1st April 2009	For the year	Adjustment for exchange fluctuation	Deductions during the year	As at 31st March, 2010	As at 31st March, 2009
Own Assets										
Land	215,481,360	-	-	215,481,360	-	-	-	-	215,481,360	215,481,360
Buildings	27,553,295	-	-	27,553,295	16,477,814	639,604	-	-	17,117,417	10,435,878
Plant and machinery	39,026,051	-	2,356,958	36,669,093	35,387,534	520,756	-	2,356,958	33,551,332	3,117,761
Plastic mould	34,913,157	1,864,000	-	36,777,157	34,351,942	316,410	-	-	34,668,352	2,108,805
Electrical installation	7,049,937	-	-	7,049,937	5,771,377	177,848	-	-	5,949,225	1,100,712
Equipment	36,838,642	663,248	4,291,085	33,210,805	32,247,861	851,987	-	4,268,041	28,831,807	4,378,998
Air conditioners	223,565	-	-	223,565	201,837	3,022	-	-	204,859	18,706
Furniture and fittings	9,803,517	108,113	21,790	9,889,840	8,604,840	140,241	-	21,790	8,723,291	1,166,549
Vehicles	6,033,564	1,324,179	1,593,254	5,764,489	5,617,174	239,432	-	1,439,303	4,417,303	1,347,186
TOTAL	376,923,088	3,959,540	8,263,087	372,619,541	138,660,379	2,889,300	-	8,086,092	133,463,586	239,155,955
Leased Assets										
Vehicles	763,912	-	-	763,912	763,912	-	-	-	763,912	-
TOTAL	763,912	-	-	763,912	763,912	-	-	-	763,912	-
Intangibles										
Goodwill	1,050,000	-	-	1,050,000	1,050,000	-	-	-	1,050,000	-
Software	1,026,383	-	-	1,026,383	1,026,383	-	-	-	1,026,383	-
Product Development	80,212,216	9,016,660	-	89,228,876	71,527,067	8,777,620	-	-	80,304,687	8,685,149
TOTAL	82,288,599	9,016,660	-	91,305,259	73,603,450	8,777,620	-	-	82,381,070	8,685,149
TOTAL	459,975,599	12,976,200	8,263,087	464,688,712	213,027,741	11,666,920	-	8,086,092	216,608,569	246,947,858
PREVIOUS YEAR	453,110,873	9,024,248	2,159,522	459,975,599	201,982,732	13,119,842	-	2,074,834	213,027,741	251,128,141

VXL Instruments Limited
SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

	AS AT 31.03.2010 Rs.	AS AT 31.03.2009 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	1,050,000
Less : Provision for Diminution in Investments	<u>1,050,000</u>	<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	98,029,156	86,299,937
Work-in-Progress	61,876,389	40,731,083
Finished goods	42,948,966	41,609,373
Raw Materials in Transit	6,285,656	3,646,339
	<u>209,140,167</u>	<u>172,286,732</u>
SCHEDULE: 8		
SUNDRY DEBTORS		
(Unsecured)		
a. Debts outstanding for a period exceeding		
Six months		
Considered Good	82,736,987	94,656,304
Considered Doubtful	31,572,051	27,567,294
	114,309,038	122,223,598
Less: Provision for bad & doubtful debts	<u>31,572,051</u>	<u>27,567,294</u>
	82,736,987	94,656,304
Others considered good.	128,601,760	199,815,441
	<u>211,338,747</u>	<u>294,471,745</u>

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SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

	AS AT 31.03.2010 Rs.	AS AT 31.03.2009 Rs.
SCHEDULE: 9		
CASH AND BANK BALANCES		
Cash on hand	4,118,712	3,638,223
Balances with Scheduled Banks		
in Current Accounts in India	508,085	504,294
in Current Accounts Outside India	708,192	3,109,895
in Deposit Accounts in India	20,289,233	18,343,209
[Pledged with Bank against bank guarantee & Letter of Credit facilities to the extent of Rs. 1,88,65,901 (Rs.1,83,43,209)]	<u>25,624,222</u>	<u>25,595,620</u>
SCHEDULE: 10		
LOANS AND ADVANCES		
(Unsecured)		
Advances recoverable in cash or in kind or for value to be received		
Considered Good	6,505,295	6,463,122
Considered Doubtful	<u>28,768,888</u>	<u>28,768,888</u>
	35,274,183	35,232,010
Less : Provision for doubtful advances	<u>28,768,888</u>	<u>28,768,888</u>
	6,505,295	6,463,122
Advances to Subsidiaries	-	-
Less : Provision for doubtful advances	-	-
Balances with Excise Authorities	1,053,735	2,123,472
Interest accrued but not due on deposits	705,093	705,093
Deposits	3,921,185	4,291,055
Advance Income Tax / TDS	860,945	1,068,294
	<u>13,046,253</u>	<u>14,651,036</u>
SCHEDULE: 11		
CURRENT LIABILITIES AND PROVISIONS		
Current liabilities		
Acceptances	127,900,000	130,700,000
Sundry Creditors		
- Dues to small-scale industrial undertaking	-	740,842
- Others	146,532,622	169,963,045
Advance Received from Customers	1,450,823	4,189,485
Other Current Liabilities	11,879,470	13,548,836
Share Application Money Refundable account	721,550	721,550
	<u>288,484,465</u>	319,863,758
PROVISIONS FOR		
Fringe Benefit Tax	68,574	580,282
Gratuity	4,384,194	3,872,033
Leave Encashment	<u>2,237,472</u>	<u>1,910,122</u>
	<u>6,690,240</u>	<u>6,362,437</u>
	<u>295,174,705</u>	<u>326,226,195</u>

**SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2010**

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
SCHEDULE: 12		
OTHER INCOME		
Interest received on deposits and loans	1,736,139	1,509,467
(Gross, TDS - Rs. 105,185 (Rs. 3,13,606))		-
Exchange Fluctuation	-	-
Provisions no longer required written back	1,710,847	1,176,394
Profit on sale of Fixed Assets	4,263,242	128,841
Dividend Received	7,500	7,500
Miscellaneous receipts	1,078,969	426,662
	<u>8,796,697</u>	<u>3,248,864</u>

**SCHEDULE: 13
COST OF MATERIALS**

1. Consumption of			
Raw Materials	299,705,126	462,658,834	
Software License	378,206,039	152,168,196	
Packing Materials	1,292,416	3,283,438	
Consumable stores	323,411	1,160,232	619,270,700
	<u>679,526,992</u>	<u>679,270,700</u>	
2. Change in Inventory			
Opening work-in-progress	40,731,083	102,178,358	
Opening finished goods	41,609,373	28,775,396	
	<u>82,340,456</u>	<u>130,953,754</u>	
Closing work-in-progress	61,876,389	40,731,083	
Closing finished goods	42,948,966	41,609,373	
	<u>104,825,355</u>	<u>82,340,456</u>	
Net (accretion) / depletion	(22,484,900)		48,613,298
	<u>657,042,092</u>		<u>667,883,998</u>

**SCHEDULE: 14
EMPLOYEE RELATED EXPENSES**

Salaries,wages and allowances	40,796,751	37,832,459
Contribution to Provident Fund and other funds	1,980,479	1,497,421
Welfare expenses	559,557	517,137
	<u>43,336,787</u>	<u>39,847,016</u>

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**SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2010**

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
SCHEDULE: 15		
OTHER EXPENSES		
Rent	3,305,971	3,385,453
Travelling and conveyance	5,532,849	5,625,921
Power and fuel	902,448	840,041
Communication costs	3,184,643	2,412,381
Rates, taxes and fees	564,116	959,120
Directors' sitting fees	81,000	16,000
Exchange Fluctuation Loss	1,784,910	9,695,966
Repairs and maintenance		
Plant & Machinery	210,018	54,535
Buildings	208,555	8,352
Others	772,179	983,599
Payment to Auditors		
Audit Fees	205,000	205,000
Taxation Matters	87,500	87,500
Certification	25,000	37,500
Service Tax	773	773
Commission	1,920,516	200,330
Insurance	1,111,538	1,640,929
Selling expenses	47,065,206	65,950,692
Miscellaneous expenses	15,900,289	14,825,698
Provision for bad and doubtful debts and advances	4,004,757	5,278,197
Loss on sale of Investments	446,758	
Bad debts and advances written off	4,529,702	3,952,735
Provision for diminution in Investments	-	-
	<u>91,843,728</u>	<u>116,160,723</u>
SCHEDULE: 16		
FINANCE CHARGES		
Interest paid on:		
Fixed loans	768,874	1,977,062
Other loans	11,078,149	13,668,854
Bank charges and others	18,503,191	18,881,772
	<u>30,350,214</u>	<u>34,527,688</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. 3) together with all costs directly attributable to their acquisition less accumulated depreciation.

4. Depreciation

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

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

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

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

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

In case of the subsidiary in India the Income Tax liability has not been recognized in view of the losses made by them.

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

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

Based on the information and explanations made available, the accounts of 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 Costs 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 of the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of shares, if any, which would have been issued on the conversion of dilutive potential equity shares.

14. Provisions, Contingent Liabilities and Contingent Assets

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

15. Segment Reporting

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

B. Notes on Accounts

Principles of Consolidation

- a. The Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries drawn upto the same reporting date, i.e., 31st March, 2010
- 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 by 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 Xlnet Software Systems Ltd	India	100%
2 VXL Instruments Limited (UK)	United Kingdom	60%

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1. Provisions, Contingent Liabilities & Contingent Assets.

Particulars	As at 31.03.10 Rs.	As at 31.03.09 Rs.
A. Guarantees issued by Bankers	218,24,518	16,456,347
B. Liability on account of bills discounted with Banks. (Secured by Letters of Credit from buyers' bankers)	57,500,000	63,500,000
C. Employees Provident Fund contributions under appeal [Out of which Rs 1,069,469/- has been deposited with respective authority and shown under Current Assets].	2,138,938	2,138,938
D. Central Sales Tax Liability under appeal	3,327,514	Nil
E. The Company has informed the Govt. of Karnataka of its intention to close the unit manufacturing CRT Terminals as the product GVX terminal has been phased out. The matter is before the Labour Department/Labour Court. Contingent liability, if any, on this has not been quantified.		
F. 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	19,10,122	4,76,180	1,48,830	Nil	22,37,472

2. a. Sundry Debtors includes Rs. 17,088 (Rs. 76,90,622) 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. Confirmation of balance has been obtained from Priya Limited which forms over 90% of Sales and Purchases
3. 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

4. Retirement Benefit Plans

Defined contribution plans

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

The Company recognised Rs. 826,145 (Rs. 681,613/-) for provident fund contributions in the profit and loss account. The contributions payable to these plans by the Company are at rates specified in the rules of the scheme.

VXL Instruments Limited

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 31.03.10

Particulars	(in Rs.)	
	As at 31.03.2010	As at 31.03.2009
1. Change in benefit obligation		
Projected Obligation at the beginning of the year	50,49,701	47,79,441
Interest Cost	4,03,976	3,82,355
Current Service Cost	4,79,613	4,86,646
Benefits Paid	(5,16,489)	(7,68,333)
Actuarial (Gain) / Loss	92,458	1,69,592
Projected Obligation at the end of the year	55,09,259	50,49,701
2. Change in Plan Assets		
Fair Value of the Plan Assets at the beginning of the year	11,77,668	11,56,266
Expected Return on Plan Assets	98,647	1,08,799
Employer's Contributions	3,65,239	2,00,000
Benefit Paid	(5,16,489)	(7,68,333)
Actuarial (Gain) / Loss	NIL	NIL
Adjustment related to prior year	NIL	4,80,936
Fair Value of the Plan Assets at the end of the year	11,25,065	11,77,668
Excess of (Obligations over Plan Assets) / Plan Assets Over Obligation	(43,84,194)	(38,72,033)
3 Net Gratuity & Other Costs at the end of the year		
Service Cost	4,79,613	4,86,646
Interest on defined benefit obligation	4,03,976	3,82,355
Expected Return on Plan Assets	(98,647)	(1,08,799)
Net Actuarial Gain recognized in the year	92,458	1,69,592
Adjustment related to prior year	NIL	(4,16,201)
Net Gratuity Cost for the year	8,77,400	5,13,593
4. Category of assets as at 31.03.2010		
Insurer Managed Funds	11,25,065	11,77,668
5. Assumptions		
Discount Rate	8%	8%
Salary Escalation Rate	8%	7%
Expected Return on Plan Assets Rate	7%	7%

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

6. Dues to Micro, Small and Medium Enterprises:

Sundry Creditors include Rs. Nil (Rs. 740,842) due to Micro, Small and Medium Enterprises. The information is determined based on the information available with the Company. The list of SSIs to whom the amount outstanding for more than 30 days are as under:

in Rupees

Sl. No.	Particulars	31-03-2010	31-03-2009
a.	The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year;	Nil	740,842
b.	The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;	Nil	Nil
c.	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	Nil	Nil
d.	The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
e.	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil

6. Other Current liabilities include dues to Directors Rs. 300,000 (Rs. 5,15,832)

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

in Rupees

Particulars	Year ended 31.03.10	Year ended 31.03.09
Salaries and Allowances	10,592,927	10,918,010
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.

8. Finance Charges include interest paid on deposit to Managing Director and Whole Time Director Rs. 5,38,751/- (Rs. 9,96,595/-)

9. Segment Information

The Company's segment information is as follows:

a. Primary Segments (Geographical Segments)

in Rupees

Description	2009-2010	2008-2009
Revenue (Sales and Services)		
Domestic	78,440,650	78,043,563
Overseas	755,609,307	796,381,938
	<u>834,049,957</u>	<u>874,425,501</u>

VXL Instruments Limited

Description	in Rupees	
	2009-2010	2008-2009
Segment Result		
Domestic	17,402,731	15,614,794
Overseas	143,075,994	152,976,165
	<u>160,478,725</u>	<u>168,590,959</u>
Less :		
Unallocated Expenses		
Overheads	127,929,740	134,690,615
Interest	30,350,214	34,527,688
Provision / (Credit) for Taxes	73,313	23,726,341
Profit / (Loss) After Taxation	<u>2,125,458</u>	<u>(24,353,685)</u>
b. Secondary Segments (Business Segments)		
Revenue (Sales and Services)		
Data Processing Units	433,317,349	719,531,875
Computer Peripherals & Others	398,646,739	152,861,632
Service Charges	2,085,869	2,031,994
Total	<u>834,049,957</u>	<u>874,425,501</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		
10. Disclosure of related parties / related party transactions		
a. Parties where control exists		
<i>Name of the Related Party</i>	<i>Nature of Relationship</i>	
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	
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 (upto 31.03.2010)	
c. Key management personnel and their relatives		
Mr. M.V. Nagaraj, <i>Managing Director</i>		
Mrs. Shanthy Nagaraj, <i>(Wife of Mr. M V Nagaraj)</i>		
Mr. M.V. Shetty, <i>Whole Time Director</i>		
Ms. Ridhima Shetty <i>(Daughter of Mr. M V Shetty)</i>		
Mr. Rishab Shetty <i>(Son of Mr. M V Shetty)</i>		
Mrs. Pravina V Shetty, <i>Wife of Mr. M. V. Shetty</i>		
Mr. D.S. Rao, <i>Vice-chairman – VXL Instruments Ltd, UK</i>		

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d. Disclosure of Related Party Transactions

in Rupees

Nature of transaction	Joint ventures and associates	Key management personnel and relatives
1. Sale of Goods	6,210,259	-
	(2,139,026)	-
2. Interest Paid	-	894,301
	-	(1,651,780)
3. Remuneration	-	10,780,127
	-	(11,105,210)
4. Purchase of Goods	-	-
	(37,449)	-

e. Balances with Related Parties

in Rupees

Nature of transaction	Joint ventures and associates	Key management personnel and relatives
1. Trade Receivables	79,173,965	
	(79,239,087)	
2. Trade Payables	-	300,000
	(6,964)	(300,000)
3. Loans and Advance (Assets)	-	-
	(21,80,171)	-
4. Trade Advance (Liability)	1,339,400	-
	(3,669,375)	-
5. Deposit Payable	-	2,835,000
	-	(12,870,000)
6. Investments	66,69,261	-
	(66,69,261)	-

11. Deferred Tax Assets / (Liabilities)

Deferred Tax Asset has been calculated as per the provisions of Accounting Standard (AS) 22 – Accounting for Taxes on Income - issued by the Institute of Chartered Accountants of India. In respect of Deferred Tax Asset of Rs. 106,267,948 (Rs. 112,019,328) 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 31.03.2010 Rs.	As at 31.03.2009 Rs.
Carry forward losses	81,486,210	89,234,238
Disallowances under Income tax	21,248,749	19,845,141
Fixed Assets	3,532,989	2,939,948
Net	106,267,948	112,019,328

VXL Instruments Limited

12. Operating Leases: The Company has taken various residential / commercial premises under cancelable operating leases. These lease agreements are normally renewed on expiry. Rent debited to profit and loss account Rs.3,305,971 (Rs. 3,385,453).

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

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

13. Securities for loans:

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

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

Hire Purchase Finance from a bank for purchase of vehicle is secured by hypothecation of vehicle.

Instalments payable within a year is Rs. 331,589 (Rs. Nil)

Lien on Term Deposit: Out of Rs. 20,289,233/- term deposit Rs. 18,865,901/- is under lien for Bank Guarantee and Letter of Credit.

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

Particulars	2009-10 Rs.	2008-09 Rs.
Raw Material Cost	(20,249,985)	-
Directors Sitting Fees	62,000	-
Miscellaneous Expenses	110,700	-
Salaries	100,000	-
Membership Fees	-	34,719
Telephone Expenses	-	11,620
Conveyance -	4,000	-
Sales promotion	-	836,828
Security Charges	-	193,103
Traveling Expenses	-	127,584
Rates and Taxes	-	50,000
Total	19,977,285	1,257,854

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

As per our report attached

For Ishwar & Gopal
Chartered Accountants

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

Date : 29th May, 2010
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, 2010

	31.03.2010 Rs.	31.03.2009 Rs.
CASH FLOW FROM OPERATIONS :		
Net Income before current income taxes	2,198,771	(627,344)
Interest received	(1,736,139)	(1,509,467)
Depreciation	11,666,919	13,119,841
Adjustment for Foreign Currency Translation	5,524,411	5,954,745
Provision for doubtful debts	4,004,757	5,278,197
Current income tax	134,036	(431,326)
Fringe Benefit Tax	285,412	(300,000)
Interest Expenses	30,350,214	34,527,688
(Increase)/decrease in trade and other receivables	80,534,678	36,634,729
(Increase)/decrease in Inventories	(36,853,435)	50,307,885
Increase/(decrease) in trade payables	(31,051,493)	(75,236,580)
(Profit) / Loss on sale of investments	1,267,450	-
(Profit) / Loss on sale of fixed assets	(4,263,242)	(128,841)
CASH FLOW FROM INVESTING ACTIVITIES:	62,062,339	67,589,527
Interest Received	1,736,139	1,509,467
Proceeds from sale of fixed assets	4,440,236	213,528
Proceeds from sale of investments	-	-
Purchase of fixed assets	(12,976,200)	(9,024,248)
Net cash from investing activities	(6,799,825)	(7,301,253)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net proceeds from borrowing	(99,482,419)	45,807,404
Proceeds from Issue of Shares	66,606,000	-
Share premium received	7,992,720	-
Decrease in Share Application Money	-	(74,249,653)
Interest paid	(30,350,214)	(34,527,688)
Net cash from financing activities	(55,233,913)	(62,969,936)
Net increase/(decrease) in cash and cash equivalents	28,601	(2,681,664)
Cash and cash equivalents at the beginning of the year	25,595,620	28,277,283
Cash and cash equivalents at the end of the year	25,624,222	25,595,620
Net increase/(decrease) in cash and cash equivalents	28,602	(2,681,664)

For Ishwar & Gopal
Chartered Accountants

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

Date : 29th May, 2010
Place : Bangalore

For and on behalf of the Board

M.V. Nagaraj
Managing Director

M. V. Shetty
Whole Time Director

K. Prakash
Director

Narayana Bhat
CFO & Company Secretary

INFORMATION FOR THE BENEFIT OF INVESTORS

- 1. Registered Office** : "House of Excellence"
No. 17, Electronics City, Hosur Road,
Bangalore - 560 100
Tel : 080-2852 0046 / 28523252
Fax : 080-2852 0095
- 2. Registrars and Share Transfer Agents** : Bigshare Services Pvt Ltd.,
E-2 /3, Ansa Industrial Estate,
Saki Vihar Road,
Saki Naka, Andheri (E) Mumbai - 400 072
Tel : 022-2847 0652 / 2847 0653
Fax : 022-2847 5207
Email:info@bigshareonline.com
- 3. Year ended on** : 31st March 2010
- 4. 24th Annual General Meeting** : Date - 22nd September, 2010
Time - 3 .00 P M
Venue - "Hotel Ajantha",
M.G. Road,
Bangalore - 560 001.
- 5. Register of Memebers & Share Transfer Book Closure** : 17.09.2010 to 22.09.2010 (both days inclusive)
- 6. Shares listed in Stock Exchange at** : Mumbai
- 7. Annual fees to Stock Exchange** : Paid upto date
- 8. Paid-up Share Capital** : Rs. 1,333.53 Lakhs

VXL INSTRUMENTS LIMITED

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

PROXY FORM

I/We.....
of.....
.....being Member(s) of VXL INSTRUMENTS LIMITED hereby appoint
(or failing him / her) of of
(failing him / her) of.....
as my / our proxy to attend and vote for me / us on my/our behalf at the **Annual General Meeting** of the Company to be held on Wednesday, the 22nd September, 2010 and at any adjournment(s) thereof.
As witness my / our hand(s) this 22nd day of September 2010

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

Affix
Revenue
Stamp

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



VXL INSTRUMENTS LIMITED

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

ATTENDANCE SLIP

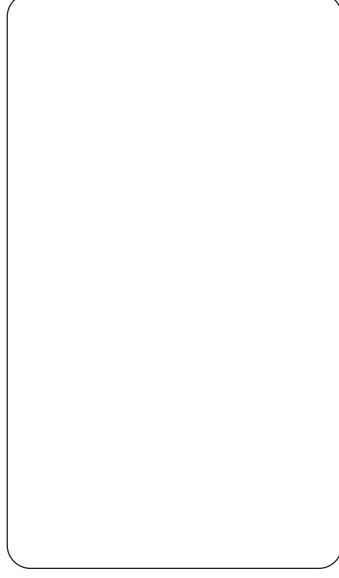
I hereby record my presence at the **Annual General Meeting** of the Company to be held on Wednesday the 22nd September, 2010

Name of the Shareholders
(In Block Letters)

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

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

BOOK - POST



If undelivered please return to:

VXL Instruments Limited

"House of Excellence"

17, Electronics City, Hosur Road

Bangalore - 560 100

Tel. : 91-080-28523252

Fax : 91-080-2852 0095

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