



**CG-VAK**<sup>TM</sup>  
**SOFTWARE & EXPORTS LTD.**

An ISO 9001 : 2008 Certified Company

**16<sup>th</sup>**  
**Annual**  
**Report**  
**2011**

**BOARD OF DIRECTORS**

Mr.C. Ganapathy, B.Sc., (Agri.)  
Chairman

Mr.M. Durairaj, M.Sc., B.Ed.,  
Director

Mr.S. Mohan, B.E.  
Director

Mr.S. Muthukumar B.Sc., B.E.  
Director

Mr.A.Sankar B.A  
Director  
(w.e.f. 30.05.2011)

Mr.G.Suresh, B.E., M.B.A  
Managing Director

**AUDITORS**

M/s. S.Lakshminarayanan Associates  
Chartered Accountants  
"Lakshya"  
1056/1, Avinashi Road  
Coimbatore 641 018

**BANKERS**

State Bank of India  
Commercial Branch  
1443, Trichy Road  
P.B.No. 3902  
Coimbatore - 641 018

**REGISTRARS & SHARE TRANSFER AGENTS**

S.K.D.C. Consultants Limited  
Kanapathy Towers, 3rd Floor  
1391/A-1 Sathy Road, Ganapathy  
Coimbatore - 641 006

**REGISTERED OFFICE**

171, Mettupalayam Road  
Coimbatore - 641 043  
INDIA

**SUBSIDIARY**

CG-VAK Software USA Inc.,  
1661, Tice Valley Blvd,  
Suite#101, Walnut Creek,  
California - 94595

CG-VAK Software USA Inc.,  
100, Overlook Centre  
2nd Floor  
Princeton  
New Jersey - 08540

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**CG-VAK SOFTWARE AND EXPORTS LIMITED**  
**Registered Office: 171, Mettupalayam Road, Coimbatore 641 043**

**NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the 16<sup>th</sup> Annual General Meeting of CG-VAK Software And Exports Limited will be held on Friday the 26<sup>th</sup> day of August 2011 at 4.35 PM at Hotel Annalakshmi, 106-A, Race Course Road, Coimbatore 641 018, to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Directors' Report, the accounts of the Company for the year ended 31<sup>st</sup> March 2011 and Auditors' Report thereon.
2. To appoint a Director in the place of Mr.M.Durairaj, who retires by rotation and is eligible for reappointment.
3. To appoint the Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS:**

4. To appoint Mr.A.Sankar as a Director of the Company and for that purpose to consider and if deemed fit, to pass the following Ordinary Resolution of which notice has been received from a member of the Company as required under section 257 of the Companies Act, 1956  
“RESOLVED THAT Mr.A.Sankar be and is hereby appointed as a Director of the Company subject to retirement by rotation.”
5. To consider and if thought fit, to pass with or without modification the following resolutions as Special Resolutions:  
“RESOLVED THAT pursuant to Sec.198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the reappointment of Mr.C.Ganapathy, Executive Chairman of the Company for a period of 5 years with effect from 1<sup>st</sup> July, 2011 on the terms and conditions including remuneration as set out hereunder:  
  - (A) Salary : Rs. 25,000/- per month  
Commission on net profit: One percent of the net profits of the Company.
  - (B) Perquisites:
    - (1) Conveyance  
Free use of the Company's car with driver for official and private purposes.
    - (2) Club Fees  
Fees of clubs, subject to a maximum of two clubs (excluding admission and life membership fee).
    - (3) Leave Travel concession:  
Entitled to travel with family by any mode ie., Air, Train, Road once in every two years for visiting any place in the World.  
Note: Family for the purpose of Leave Travel shall besides the Executive Chairman, consists of spouse, wholly dependent parents and wholly dependent children of the Executive Chairman.
    - (4) Medical Benefit:  
Actual expense incurred for the Executive Chairman and his family members.
    - (5) Contribution to Provident Fund
    - (6) Telephone: The Company shall provide telephone at residence for office use.
    - (7) Personal Accident Insurance.  
Perquisites shall however be restricted to an amount equal to the annual salary.

“RESOLVED further that in the absence or inadequacy of profits in any financial year, the Executive Chairman shall be paid a minimum remuneration of the Salary mentioned above and the perquisites and allowances will be within the overall ceiling as specified by Section II of Part II of Schedule XIII to the Companies Act, 1956, as in force, from time to time.”

**NOTES**

1. Explanatory statement is annexed to the notice of the 16<sup>th</sup> Annual General Meeting of the Company as required by Section 173(2) of the Companies Act, 1956 in respect of item nos. 4 and 5.
2. Details pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking appointment/reappointment at the Annual General Meeting are separately annexed hereto for item nos. 4 and 5.
3. ANY MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXIES SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE MEETING.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 22<sup>nd</sup> August, 2011 to 27<sup>th</sup> August, 2011 (both days inclusive).
5. The practice of distributing copies of Annual Reports at the Annual General Meeting has been discontinued in view of the high cost of paper and printing. Shareholders are therefore, requested to bring their copy of the Annual Report to the meeting.

(By Order of the Board)  
for CG-VAK SOFTWARE AND EXPORTS LIMITED

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

G. SURESH  
Managing Director

**PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES, FOLLOWING INFORMATION IS FURNISHED ABOUT THE DIRECTORS PROPOSED TO BE APPOINTED/REAPPOINTED, VIDE ITEM Nos. 2, 4 AND 5.**

i. Name of the Director	: Mr.M.Duraiaraj
Age	: 61 Years
Date of appointment on Board	: 02 / 08 / 1995
Date of last reappointment	: 26 / 08 / 2008
Expertise in specific functional areas	: Educationist based at Dubai. Has expertise in General Administration and Management.
Qualification	: M.Sc., B.Ed.,
No.of Equity Shares held in Company	: 10,000 Equity Shares (as on 31.03.2011)
List of outside Directorships in Public Companies	: NIL
Chairman/Member of the Committees of Board of Directors of the Company	: 1. Member in Audit Committee, : 2. Member in Remuneration Committee.
Chairman/Member of the Committees of Board of Directors of other Companies in which he is a Director	: NIL
Relationship with other Directors	: NIL
ii. Name of the Director	: Mr.A.Sankar
Age	: 61 Years
Date of appointment on Board	: 30 / 05 / 2011
Date of last reappointment	: NA
Expertise in specific functional areas	: Has vast experience in Banking. Has expertise in General Management, Accounting and Finance.
Qualification	: BA
No.of Equity Shares held in Company	: NIL (as on 31.03.2011)
List of outside Directorships in Public Companies	: NIL

Chairman/Member of the Committees of Board of Directors of the Company	:	1. Member in Audit Committee, 2. Member in Remuneration Committee. 3. Member in Investor's Grievance Committee
Chairman/Member of the Committees of Board of Directors of other Companies in which he is a Director	:	NIL
Relationship with other Directors	:	NIL
<b>iii.</b>		
Name of the Director	:	Mr.C.Ganapathy
Age	:	71 Years
Date of appointment on Board	:	01 / 12 / 1995
Expertise in specific functional areas	:	He has 32 years of valuable Experience in various fields like General Management, Production, Marketing and Finance.
Qualification	:	B.Sc (Agri)
No.of Equity Shares held in Company	:	4,06,350 Equity Shares (as on 31.03.2011)
List of outside Directorships in Public Companies	:	NIL
Chairman/Member of the Committees of Board of Directors of the Company	:	1. Member in Investor's Grievance Committee
Chairman/Member of the Committees of Board of Directors of other Companies in which he is a Director	:	NIL
Relationship with other Directors	:	Father of Managing Director Mr.G.Suresh

**EXPLANATORY STATEMENT ANNEXED TO THE NOTICE OF THE 16<sup>TH</sup> ANNUAL GENERAL MEETING OF THE COMPANY IN RESPECT OF ITEM NOS. 4 AND 5 OF NOTICE DATED 30<sup>TH</sup> MAY 2011**

**Item No.4**

Mr.A.Sankar was appointed as an Additional Director of the Company by the Board of Directors pursuant to the provisions contained in Article 145 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. According to the provisions of the said Article and Section 257 of the said Act, notice has been received from a member along with a deposit of Rs.500/-, signifying his intention to purpose Mr.A.Sankar as a candidate for the office of Director. Mr.A.Sankar has got very good exposure in Banking Management for more than thirty years. Mr.A.Sankar does not hold directorship in any of the Companies in India. It is in the interest of the Company to avail of his services as a member of the Board.

The Board recommends the resolution seeking your approval to the appointment of Mr.A.Sankar as Director of the Company.

None of the Directors, except Mr.A.Sankar, are concerned or interested in this resolution.

**Item No.5**

Mr.C.Ganapathy's tenure of appointment as Executive Chairman expires on 30<sup>th</sup> June 2011. The Remuneration Committee meeting was held on 20<sup>th</sup> April 2011 and Mr.C.Ganapathy's re-appointment as Executive Chairman for the next 5 years from 1<sup>st</sup> July 2011 to 30<sup>th</sup> June 2016 was recommended to the board.

The Board of Directors at their meeting held on 29<sup>th</sup> April 2011 approved the re-appointment of Mr.C.Ganapathy as Executive Chairman for a period of 5 years with effect from 1<sup>st</sup> July 2011 subject to the approval of the shareholders.

The proposed re-appointment, remuneration and perquisites are within the limits prescribed in Schedule XIII of the Companies Act, 1956 and require the approval of the shareholders as per the provisions of the Companies Act, 1956. Accordingly the resolution set out in item 5 is proposed for your approval.

The resolution in item 5 in the notice together with this explanatory statement may be treated as an abstract u/s 302 of the Companies Act, 1956.

Mr.C.Ganapathy, Chairman and Mr.G.Suresh, Managing Director are interested in the said resolution.

(By Order of the Board)  
for CG-VAK SOFTWARE AND EXPORTS LIMITED

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

G.SURESH  
Managing Director

**DIRECTOR'S REPORT**

Dear Members,

The Directors of your Company take pleasure in presenting the 16<sup>th</sup> Annual Report on the business of your Company and the Audited Financial Accounts for the year ended 31<sup>st</sup> March 2011.

**FINANCIAL RESULTS 2010-11**

During the year under review, your Company has achieved a turnover of **Rs. 633 Lakhs** as against **Rs. 594 Lakhs** in the previous year. The net profit for the year is Rs. 11.27 lakhs as against the net Loss Rs. (65.50) lakhs in the previous year.

**GLOBAL REVENUE**

The global revenues for the Company including the business done by the Wholly Owned Subsidiary for the year under review is **Rs. 17.65 crores** as compared to **Rs. 16.81 crores** during previous year.

**REVIEW OF BUSINESS**

The year under report had been a challenging one for your Company due to slow recovery of North American economy.

The contributions of business from various markets were:

Software services contributed to 90% and BPO services 10 %.

The contribution of offshore business has grown over the last year. The offshore to on-site mix is 14:1 as compared to 9.9:1 in the previous year. There is a growth of 9.5% in the offshore revenue.

Business from Offshore Software Services was Rs. 527.81 lakhs during the year 2010-2011 as against Rs. 457.15 in the previous year. The increase has been at 15% compared with previous year.

Our BPO Service line has done a business of Rs. 63.18 lakhs during the year 2010-11 as against Rs. 82.79 lakhs during the previous year.

**QUALITY**

Your company has a strict quality assurance and control programs to ensure that high level of Quality service is delivered to the customers. Matured and proven quality management systems are in place based on the requirements of ISO 9001:2008 standards.

**FUTURE PLANS**

The IT services market is expected to be challenging and pricing pressures are predicted in the current year. In spite of the global economic downturn and slow recovery, the company has been growing positively in the offshore services segment for the last 3 years and this momentum in the offshore front is likely to continue this year. We have expanded geographically and we are now servicing clients from Australia, Europe in addition to USA and Canada.

The Key differentiation for CG-VAK has been the ability to react to the customer needs more quickly. By virtue of our smaller size we are able to make radical changes to meet the changing needs of the market. The company will give focus on cost and operational efficiencies to sustain its competitiveness.

The company will continue its focus in OPD (Out-sourced Product development) market space where it has achieved significant success. The contribution from Software Services is expected to grow positively. The Company should perform better in the ensuing year FY 2011-12.

**DIVIDEND**

As the company is passing through a very challenging phase, your Directors do not consider prudent to recommend any dividend for the financial year ended March 31, 2011.

**US SUBSIDIARY: CG-VAK SOFTWARE USA INC.**

Your Company's Wholly Owned Subsidiary at USA, CG-VAK Software USA Inc. has made a Sales Turnover of US\$ 2.54 million during this year, compared to the US\$ 2.29 million during the previous year.

As required under Section 212 of the Companies Act, 1956, the Annual Report of M/s. CG-VAK Software USA Inc. is annexed to this report.

**DIRECTORS**

Mr. M. Durairaj is retiring by rotation at the ensuing Annual General Meeting and is being eligible offer to himself for reappointment.

Mr. A. Sankar who was appointed as Additional Director holds office upto the date of ensuing Annual General Meeting. A notice has been received from a shareholder proposing him to be appointed as a Director.

Resolution for the reappointment of Mr. C. Ganapathy as Executive Chairman is brought for your approval.

**AUDITORS**

M/s. S. Lakshminarayanan Associates, Chartered Accountants, Coimbatore retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

**PUBLIC DEPOSIT**

The Deposits accepted by your Company are within the prescribed limits and the provision of Section 58-A of the Companies Act, 1956, and the rules framed there under are complied with. There are no unclaimed deposits as on 31.03.2011.

**CONSERVATION OF ENERGY ETC.**

As per the requirement of Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, the information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are appended hereto and form part of this report.

**INFORMATION AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956**

As the Company has no employee drawing a salary of Rs.5, 00,000/- per month or above or Rs.60, 00,000/- per annum or above during the year 2010-2011, there are no particulars to be furnished under section 217(2A) of the Companies Act, 1956.

**DIRECTOR'S RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors have:

1. Followed in the preparation of the Annual Accounts, the applicable accounting standards.
2. Selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the financial position of the Company for the period.
3. Taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of The Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

and

4. Prepared the attached statement of accounts for the year ended 31st March 2011 on a going concern basis.

**MANAGEMENT DISCUSSION AND ANALYSIS**

Pursuant to Clause 49 of the Listing Agreement, a Management Discussion and Analysis Report is given as addition to this report.

**CORPORATE GOVERNANCE**

As required by the existing clause 49 of the listing agreement entered into with the stock exchanges a separate report on corporate governance is given as part of the annual report with the auditor's statement on its compliance.

**ACKNOWLEDGEMENT**

The Directors of your Company would like to take this opportunity to thank one and all associated with it enabling it to scale greater heights and emerge as a recognized software solutions vendor in the industry. The faith and confidence shown on your Company by banks, global clients, government authorities and shareholders has propelled our enthusiasm and strengthen our determination to achieve our vision.

Finally your Directors would like to express their sincere thanks to the dedication and committed hard work of the employees working in India, USA and at various client locations to reach our corporate vision.

(By Order of the Board)  
for CG-VAK SOFTWARE AND EXPORTS LIMITED

Place: Coimbatore  
Date : 30<sup>th</sup> May, 2011

C.GANAPATHY  
Chairman

Addendum to Auditor's Report to the members of  
M/s. CG-VAK Software And Exports Ltd, Coimbatore

Refer point number 4(f)&(g) regarding non provision on claim for non payment of fixed deposit, We wish to state that the claim is not maintainable and time barred. We have since disputed the claim and orders are awaited. Regarding non provision for a claim of gratuity, we wish to state that the terms of appointment does not contain provisions for payment of gratuity. The Company has disputed the claim and orders are awaited.

Regarding the Auditor's remark on non-appointment of Full time company secretary, we wish to state that steps are being taken to appoint a full time company secretary.

(By Order of the Board)  
for CG-VAK SOFTWARE AND EXPORTS LIMITED

Place: Coimbatore  
Date : 30<sup>th</sup> May, 2011

C.GANAPATHY  
Chairman

**INFORMATION PURSUANT TO THE COMPANIES  
(DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES 1988  
FORM A**

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

**FORM A - NOT APPLICABLE**

**FORM B**

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION**

- A. RESEARCH AND DEVELOPMENT** The nature of the business of software development involves inbuilt, constant Research and Development as a part of its process of manufacturing (development). The Company is developing applications engines, re-usable codes and libraries as a part of its R&D activities.
- B. TECHNOLOGY ABSORPTION** The Company has not absorbed technology from outside.
- C. FOREIGN EXCHANGE EARNING AND OUTGO**
- |                               |                 |
|-------------------------------|-----------------|
| 1. Foreign Exchange Earnings: | Rs. 6,38,59,595 |
| 2. Foreign Exchange Outgo:    |                 |
| (a) Foreign Travel :          | Rs. 5,59,200    |
| (b) Cost of Services :        | Rs. 49,74,008   |
| (c) Others :                  | Rs. 7,38,662    |
| Total:                        | Rs. 62,71,870   |

(By the Order of Board)  
for CG-VAK SOFTWARE AND EXPORTS LIMITED

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

C.GANAPATHY  
Chairman

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,  
RELATING TO SUBSIDIARY COMPANY.**

- |  |   |                                     |
|--|---|-------------------------------------|
| 1. Name of the Subsidiary  | : | CG-VAK Software USA Inc.            |
| 2. Financial year ended  | : | 31.03.2011                          |
| 3. No. of shares held in the Subsidiary<br>As on the above date  | : | 750 equity shares of \$ 1000/- each |
| 4. Percentage of holding of equity   | : | 100%                                |
| 5. Net aggregate of profits or losses<br>for the current financial year of the<br>Subsidiary so far as it concerns the<br>members of the holding company       | : |                                     |
| a. Dealt with or provided in the<br>accounts of the holding company  | : | Nil                                 |
| b. Not dealt with or provided in<br>the accounts of the holding company  | : | USD 32, 722/-                       |
| 6. The net aggregate of profit or losses<br>for the previous financial years of the<br>subsidiary so far as it concerns the<br>members of the holding company, | : |                                     |
| a. Dealt with or provided in the<br>accounts of the holding company  | : | Nil                                 |
| b. Not dealt with or provided in<br>the accounts of the holding company  | : | USD 4,29,114/-                      |

C.GANAPATHY  
Chairman  
Place: Coimbatore  
Date: 30<sup>th</sup> May, 2011

G.SURESH  
Managing Director

S.MUTHUKUMAR  
Director

S.MOHAN  
Director



**REPORT OF CORPORATE GOVERNANCE  
(In Compliance with Clause 49 of the Listing Agreement)**

**I. Company's Philosophy on Corporate Governance**

Your Company believes that good Corporate Governance practice enables the Management to direct and control the affairs of the Company in an efficient manner and to achieve its ultimate goal of maximizing value for all its share holders. The Company's efforts are towards efficient conduct of its business and fulfilling its obligations towards employees and shareholders, guided by a strong emphasis on transparency, accountability and integrity.

**II. Board of Directors**

The Board consists of one Executive Chairman, one Managing Director and three Independent Directors. The composition of Directors and their attendance at the Board Meeting during the year and the last Annual General Meeting are as follows:

Sl No	Name of Director	Category of Directorship	No. of Board Meetings (From 01.04.2010 to 31.03.2011)	Attendance at Last AGM	No. of other Directorships held in Public/Private Companies	No. of Member ship(M)/ Chairman ship (C) in other Board Committee(s)
						(As on 31.03.2011)
1.	Mr.C.Ganapathy, Executive Chairman	Promoter, Executive Director	6	Yes	2	NIL
2.	Mr.G.Suresh, Managing Director	Promoter, Executive Director	6	Yes	1	NIL
3.	Mr.M.Durairaj	Independent, Non-Executive Director	1	No	NIL	NIL
4.	Mr.S.Muthukumar	Independent, Non-Executive Director	6	Yes	NIL	NIL
5.	Mr. S.Mohan	Independent, Non-Executive Director	6	No	NIL	NIL

Six Board Meetings were held during the 12 month period ended 31.03.2011. The dates of the Board Meetings were held are 29.04.2010, 27.05.2010, 30.07.2010, 06.08.2010, 29.10.2010 and 09.02.2011.

**III. Audit Committee**

The primary objective of this committee is to monitor and provide effective supervision of the financial control and reporting process. The terms of reference of the Audit Committee are in tandem with those laid down by Stock Exchange regulations and the provisions of The Companies Act, 1956.

The Audit Committee consists of Three Independent Directors. The Composition of the Committee is as below:

Sl.No	Name of the Director	No. of Meetings Held	No. of Meetings Attended
1.	Mr.S.Muthukumar, Chairman	5	5
2.	Mr. S.Mohan	5	5
3.	Mr.M.Durairaj	5	0

The Committee met five times during the year on 29.04.2010, 26.05.2010, 29.07.2010, 28.10.2010 and 08.02.2011.

**IV. Remuneration Committee**

The Remuneration Committee has been constituted for the purpose of approving from time to time, the remuneration payable to the Managing Director and Executive Director's and to discharge any other statutory duties & functions as may specified under the law, or to perform such tasks as may be entrusted by the Board of Directors from time to time.

The Remuneration Committee consists of three Independent Directors. The Composition of the Committee is as below:

Sl.No	Name of the Director	No. of Meetings Held	No. of Meetings Attended
1.	Mr.S.Muthukumar, Chairman	1	1
2.	Mr. S.Mohan	1	1
3.	Mr.M.Durairaj	1	1

The Committee met one time during the year on 08.05.2010 and approved the re-appointment of Mr.G.Suresh. Managing Director for 5 years from 1<sup>st</sup> September 2010 and the remuneration payable to him.

Details of the remuneration paid to the Directors during the year ended 31<sup>st</sup> March 2011.

#### I. Executive Directors

Name	Position	Salary	Commission	Total Remuneration
Mr.G.Suresh	Managing Director	Rs.30.00 lakhs	Nil	Rs.30.00 lakhs
Mr.C.Ganapathy	Executive Chairman	Rs.3.00 lakhs	Nil	Rs.3.00 lakhs

The Managing Director and Executive Chairman waived the commission of 1% due to them. The Company is of the opinion that the computation of net profit under Sec.349 of the Companies Act, 1956 is not required to be made as no commission is paid/payable to the Directors for the year end 31.03.2011.

#### II. Non-Executive Directors

Remuneration by way of sitting fees is paid to all non-executive directors at the rate of Rs. 1000/- per sitting upto 29.10.2010 and revised Rs.2000/- per sitting from there onwards for attending the Board meeting.

Name	Sitting Fees
Mr.S.Muthukumar	Rs.8,000/-
Mr.S.Mohan	Rs.8,000/-
Mr.M.Durairaj	Rs.1,000/-

#### Details of Equity Shares of the Company held by Non-Executive Directors as on 31<sup>st</sup> March 2011:

1.	Mr.S.Muthukumar	:	2,500
2.	Mr.S.Mohan	:	51,000
3.	Mr.M.Durairaj	:	10,000

#### V. Share holder's/Investor's Grievance Committee

During the year 2010-2011, 2 complaints were received from shareholders. And there is no complaint pending at the end of 31<sup>st</sup> March 2011.

The Investor's Grievance Committee consists of One Executive Director and Two Independent Directors.

The Committee met four times during the year on 29.04.2010, 29.07.2010, 28.10.2010 and 08.02.2011

Sl.No	Name of the Director	No. of Meetings Held	No. of Meetings Attended
1.	Mr.S.Muthukumar, Chairman	4	4
2.	Mr. C. Ganapathy	4	4
3.	Mr. S.Mohan	4	4

Mr. R.Chandrasekaran is the Compliance Officer.

The Company has exclusively designated the following e-mail id for Investor Relations: [chandru@cgvakindia.com](mailto:chandru@cgvakindia.com).

Members can also send e-mail to [investorservices@cgvak.com](mailto:investorservices@cgvak.com).

#### VI. Annual General Meetings

Year	Type	Location	Date	Time	Special Resolutions passed by the Shareholders
2008	AGM	Hotel Annalakshmi, 106-A, Race Course, Coimbatore	26.09.2008	4.30 P.M	NIL
2009	AGM	Hotel Annalakshmi, 106-A, Race Course, Coimbatore	31.08.2009	4.30 P.M	NIL
2010	AGM	Hotel Annalakshmi, 106-A, Race Course, Coimbatore	30.08.2010	4.30P.M	NIL

**VII. Code of Conduct**

- (a). The company is adopting Code of Conduct for all the Directors and Senior Management Personnel. The CEO Certificate on Compliance is furnished separately.
- (b). CEO / CFO Certification  
CEO / CFO Certification under the Corporate Governance Guidelines prescribed by SEBI has been submitted to the Board by the CEO and CFO.

**VIII. Disclosures**

- (a) None of the transaction with any of the related parties were in conflict with the interest of the Company.
- (b) There have been no instances of any penalty / stricture imposed on the Company by Stock Exchanges / SEBI / any statutory authorities on any matter relating to capital market, during the last three years. However, the Bombay Stock Exchange has issued a showcause notice vide their letter dated 18<sup>th</sup> November 2010 and subsequently issued an order dated 17<sup>th</sup> May 2011 and has suspended trading of securities for 5 days from 25<sup>th</sup> May 2011 to 31<sup>st</sup> May 2011 for various non-compliances.
- (c) The Company is not implementing whistle blower Policy. However no personnel have been denied access to the Audit Committee of the Company.
- (d) The Company has implemented all mandatory requirements of Clause 49 of the listing agreement. Details of Compliance of non mandatory requirements are given below.
  1. Chairman of the Board The Company has an Executive Chairman.
  2. Remuneration Committee The Company has formed remuneration committee. Details of the committee are given in point No.IV of the report on Corporate Governance.

**IX. Means of Communications**

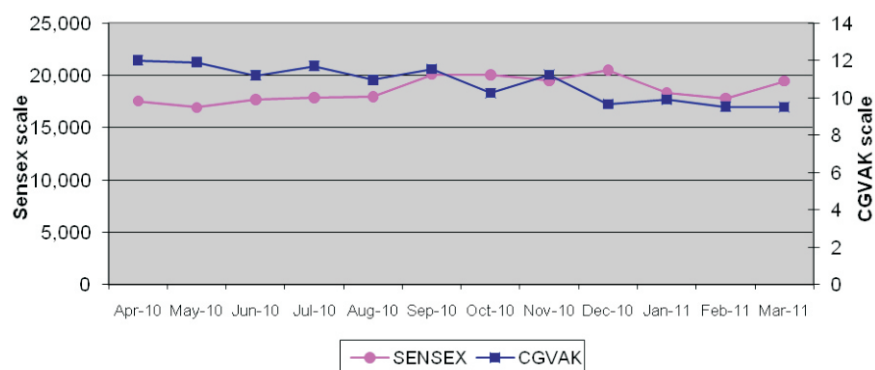
- (a) Quarterly results are published in the pro-forma prescribed by Stock Exchanges in English Newspaper including "Trinity Mirror" and Tamil Newspaper "Makkal Kural". As the Company publishes the audited results within the stipulated period of 60 days from the date of the close of financial year as required by Listing Agreement with the Stock Exchanges, the unaudited results for the last quarter of the financial year are not published.
- (b) The annual financial reports of the Company are also communicated in prescribed Pro-forma to Stock Exchanges and also published in Newspapers.
- (c) The Company is filling/submitted its Shareholding Pattern, Financial Results and Report on Corporate Governance on quarterly basis to the Stock Exchanges and also displayed in our company's website [www.cgvak.com](http://www.cgvak.com).

**X. General Information for Shareholders:**

- |   |   |  |
|---|---|--|
| <b>1. AGM Date , Time&amp; Venue</b>  | : | 26.08.2011 at 4.35 pm<br>Hotel Annalakshmi<br>106-A, Race Course Road,<br>Coimbatore 641018. |
| <b>2. Financial Calendar for the year 2011-2012</b>                                 |   | <b>Will be published on or before:</b>   |
| Results for Quarter Ending June 30, 2011  |   | 14 <sup>th</sup> August, 2011  |
| Results for Quarter Ending September 30, 2011                                       |   | 14 <sup>th</sup> November, 2011  |
| Results for Quarter Ending December 31, 2011  |   | 14 <sup>th</sup> February, 2012  |
| Results for Quarter Ending March 31, 2012   |   | 30 <sup>th</sup> May, 2012   |
| <b>3. Date of Book Closure</b>  |   | 22.08.2011 to 27.08.2011(Both days inclusive)  |
| <b>4. Dividend payment due date</b>   |   | No dividend recommended  |
| <b>5. Listing on Stock Exchange</b>   |   | Bombay Stock Exchange,<br>P.J.Towers, Dalal Street,<br>Mumbai 400 001.                       |
| Type of Security  |   | Equity   |
| <b>6. Stock Code</b>  |   | 531489, CG VAK SOF E   |
| ISIN  |   | INE084D01010   |
| <b>7. Application for delisting of shares from Coimbatore Stock Exchange filed.</b> |   |  |

**8. Market Price Data**  
**Share Price for the year 2010 - 11**

Month	High	Low	Close
Apr-10	12.19	10.88	12.00
May-10	12.50	9.51	11.90
Jun-10	14.00	9.68	11.20
Jul-10	12.80	9.85	11.70
Aug-10	11.64	9.81	10.95
Sep-10	13.00	8.84	11.54
Oct-10	12.00	9.62	10.25
Nov-10	12.00	9.27	11.23
Dec-10	12.35	9.05	9.67
Jan-11	11.44	9.03	9.90
Feb-11	11.30	8.13	9.52
Mar-11	10.58	9.44	9.50

**9. Movement of Share Price – BSE during 2010-11**


**10. Registrar and Share Transfer Agents** : S.K.D.C. Consultants Ltd.,  
 Kanapathy Towers, 3<sup>rd</sup> Floor  
 1391/A-1 Sathy Road, Ganapathy  
 Coimbatore 641 006  
 Ph: 0422-6549995  
 Email id: info@skdc-consultants.com

**11. Share Transfer System** : The Investor Relation Committee approves share transfers and related activities.

The average time taken for processing of share transfers including despatch of share certificates was 15-20 days.

The time taken to process for dematerialization request was 1 to 9 days from the date of receipt of request.

**12. Distribution of Shareholding as on 31st March 2011**

Value (Rs.)	No. of Share Holders	%	Amount(Rs.)	%
Upto – 5,000	2,876	81.22	55,69,280	11.01
5,001 – 10,000	350	9.88	30,30,690	5.99
10,001 – 20,000	134	3.78	21,45,050	4.24
20,001 – 30,000	74	2.09	18,83,130	3.72
30,001 – 40,000	13	0.37	4,57,630	0.90
40,001 – 50,000	22	0.62	9,99,760	1.98
50,001 – 1,00,000	27	0.76	21,31,250	4.21
1,00,000 and above	45	1.27	34,83,210	67.95
Total	3,541	100.00	5,06,00,000	100.00

**Shareholding pattern as on 31st March 2011**

Category	No. of Shares Held	% of Shares held
<b>A. Promoter's Holding</b>		
1. Promoters Indian Promoters	16,87,611	33.35
- Foreign Promoters	0	0
2. Persons acting in concert	0	0
Subtotal	16,87,611	33.35
<b>B. Non-Promoters Holding</b>		
3. Institutional Investors	0	0
a. Mutual Funds and UTI	0	0
b. Bank, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Government Institutions)	0	0
c. Foreign Institutional Investors	0	0
Subtotal	0	0
4. Others		
a. Private Corporate Bodies	1,03,109	2.04
b. Indian Public	32,56,280	64.35
c. NRI's/OCB's	13,000	0.26
d. Any Other (Please Specify)	0	0
Subtotal	33,72,389	66.65
C. GDR and ADR holding	0	0
<b>GRAND TOTAL</b>	<b>50,60,000</b>	<b>100.00</b>

- 13. Shares dematerialised as on 31.03.2011 : 79.41%**  
 Shares Dematerialised with : National Securities Depository Limited,  
 Trade World, 4 th Floor, Kamala Mills Compound,  
 Senapati Bapat Marg, Lower Parel, Mumbai – 400 013.  
 : Central Depository Services (India) Limited,  
 P.J.Towers, 28 th Floor, Dalal Street, Mumbai – 400 001.  
 Dematerialisation of shares : Commenced with effect from March 2001.

**14. Address for Correspondence :**  
 M/s. S.K.D.C. Consultants Limited,  
 Kanapathy Towers, 3<sup>rd</sup> Floor  
 1391/A-1 Sathy Road, Ganapathy  
 Coimbatore 641 006.  
 Phone : 0422 – 6549995, 2539835, 2539836  
 Fax : 0422 – 2539837  
 e-mail : [info@skdc-consultants.com](mailto:info@skdc-consultants.com)

**15. Address for Communication to the Company :**  
**CG-VAK Software And Exports Limited,**  
**171, Mettupalayam Road,**  
**Coimbatore – 641043.**  
**Phone : 0422 – 2434491/92/93**  
**Fax : 0422 – 2440679**  
**e-mail : [chandru@cgvakindia.com](mailto:chandru@cgvakindia.com) and**  
**[investorservices@cgvak.com](mailto:investorservices@cgvak.com)**

**16. Website of the Company : www.egvak.com**

**17. Plant Location : (Being Software Company, the company has offices which are given below)**

**India**

CG-VAK Software & Exports Ltd.,  
171, Mettupalayam Road,  
Coimbatore – 641043.  
India.

**New Jersey**

CG-VAK Software USA Inc.  
100, Overlook Centre,  
2<sup>nd</sup> Floor,  
Princeton,  
New Jersey – 08540.

**California**

CG-VAK Software USA Inc.,  
1661, Tice Valley Blvd,  
Suite#101,  
Walnut Creek,  
California - 94595

(By the Order of Board)  
for CG-VAK SOFTWARE AND EXPORTS LIMITED

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

C.GANAPATHY  
Chairman

**CODE OF CONDUCT- DECLARATION UNDER CLAUSE 49 (I) (D) OF THE LISTING AGREEMENT**

This is to certify that:

1. In pursuance of provisions of Clause 49 (I)(D) of the Listing Agreement with the Stock Exchange, a code of conduct for Board of Directors and Senior Management Personnel has been approved by the Board.
2. The said code of conduct has been uploaded on the Company's website and also circulated to the members of the Board and the Senior Management Personnel.
3. All Board members and Senior Management personnel have affirmed with said Code of Conduct for the period of 31<sup>st</sup> March, 2011

(By the Order of Board)  
for CG-VAK SOFTWARE AND EXPORTS LIMITED

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

G.Suresh  
Managing Director

**CEO AND CFO CERTIFICATION**

To the Board of Directors of CGVAK Software And Exports Limited

In compliances with Clause 49 (V) of the Listing Agreement with the Stock Exchanges, we hereby certify that:

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31<sup>st</sup> March 2011 and that to the best of their knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of their knowledge and belief, no transactions entered into by the company during the year 2010-2011 which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of internal control systems of the company and we have not observed any deficiencies in the design or operation of internal controls.
- (d) We have indicated to the auditors and the Audit committee that there are:
  - (i) no significant changes in internal control over financial reporting during the year;
  - (ii) no significant changes in accounting policies during the year; and
  - (iii) no instances of significant fraud where the involvement of the management or an employee having a significant role in the company's internal control system have been observed.

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

**G.Suresh**  
**Managing Director / CEO**

**P.S.Subramanian**  
**CFO**

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****1. Industry Structure:**

The global economy has managed to sustain the trend of economic recovery during the year under review. Global technology and related products and services spend is estimated to have crossed USD 1.6 trillion in 2010 showing a growth of 4%.

The Indian Software and BPO export industry faced a challenging year due to slow recovery of the global economy and reductions in the IT service spending by customers worldwide.

During the year under review the Indian IT and related services export was estimated grow at 18% over last year. India continues to be the leader in global sourcing with an approximate market share of 55%. The export revenues are estimated to grow at 16-18% during the financial year 2011-12. The US market continues to be the major segment of our country's exports.

**2. Operational performance**

During the year under review your Company has achieved a turnover of Rs.633 lakhs as against Rs.594 lakhs in the previous year. The net profit for the year under review is Rs. 11.27 lakhs as against a net Loss of Rs.(65.50) lakhs in the previous year.

The company strengthened its focus on the offshore software services and Outsourced Product Development (OPD) market segment.

**3. Segment-wise Performance**

During the year, the segment wise revenue is as follows:-

Business from Software Services contributed to 90% and BPO services 10%. Business from Software services for the year was Rs.570 lakhs as against Rs.511 lakhs last year.

Business from Offshore Software Services was Rs.528 lakhs during the year 2010-2011 as against Rs.457 lakhs in the previous year. The increase has been at 15% compared with previous year.

Business from BPO Services was Rs.63 lakhs during the year 2010-2011 as against Rs.83 lakhs in the previous year. The Health care BPO business particularly Medical Transcription services has been hit by the recent policies of the US government forcing the medical practitioners to convert to Electronic Medical Records (EMR). This has led to many clients moving to EMR and there has been significant drop in BPO revenues.

Domestic revenue has been Rs.3.26 lakhs as against Rs.19.41 lakhs in the previous year.

**On-site Offshore Mix:**

There has been a significant increase in the offshore component of the revenue. Offshore business has grown by 10% over last year. Out of which Software services has grown by 15%.

The Offshore to on-site mix is 14:1 as compared to 9.9:1 in the previous year. i.e., the share of offshore business has grown from 91% last year to 93% this year.

**4. Opportunities, Threats, Risks and Concerns**

The company is seeing traction on the Outsource Product Development (OPD) market segment from North America. The IT spend is expected to grow once the global economic recovery process gathers speed and the levels of discretionary spending increases. The sales pipeline has been growing and this provides good opportunities for growth.

There is stiff competition from large Indian and International IT companies for business.

Our Industry is marked by high attrition rate and the prime challenge is to retain the best talent. We are trying to mitigate the risk by offering good HR practices and providing an opportunity to work in our US subsidiary. The company is exposed to the risks and benefits of foreign exchange fluctuations. High dependency on the US market is again a risk, which we are trying to mitigate by expanding the geographical spread of our market. Currently we get over 85% of our business from the North America.

**5. Outlook for the future:**

The predictions are that the Global IT spending is expected to grow as the Global economic recovery gathers speed. It is predicted that Indian software export industry's revenues to grow by 16-18% in 2011-12. The sales pipeline for the company has been growing and current strategies are showing positive results from our clients.

There is a significant increase in the offshore business of the company and this positive trend is expected to continue this year. A positive growth on the overall business is expected in the current year.

**6. Internal Controls & their Adequacy**

We have a good control mechanism in place at all our departments. As we are an ISO 9001:2008 Certified Company, we have a well-matured development process in place where there is an enhancement of the processes in all our departments. Every department has Performance Objectives fixed for each year and the same is reviewed every month. The Company has also a Risk Management plan in place where the potential risks are identified and a mitigation plan is also in place for each of the identified risks.

**7. Human Resources**

One of the top priorities for the company has been recruiting and retaining good talent. The company has made various HR initiatives to ensure that higher level of job satisfaction is attained for its engineers. Also company adopts continuous skill enhancement practice for its engineers. As of 31 March 2011 the employee strength stood at 192.

**8 Caution**

The views and statements expressed or implied in the Management Discussions and Analysis are based on available information, experience and our own assessments. They are subject to alterations. The Company's actual Performance may differ due to national or international ramifications, Government Regulations, Policies, Tax Laws and other unforeseen factors over which the Company do not or may not have any control.

(By the Order of Board)  
for CG-VAK SOFTWARE AND EXPORTS LIMITED

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

C.GANAPATHY  
Chairman

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE TO THE MEMBERS OF  
M/s.CG-VAK SOFTWARE AND EXPORTS LIMITED**

We have examined the compliance of Corporate Governance by **CG-VAK SOFTWARE AND EXPORTS LIMITED** for the year ended 31<sup>st</sup> March' 2011 as stipulated in Clause 49 of the Listing Agreement of the said company, with the Stock Exchanges.

The compliance of the 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 Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanation given to us, and 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.

We state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Shareholders / Investor Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **S.Lakshminarayanan Associates**  
Chartered Accountants  
**S.Lakshminarayanan**  
Partner  
M.No. 012024  
Regn. No. 006609S

Place : Coimbatore  
Dated: 30<sup>th</sup> May, 2011



**Auditor's Report to the Members of  
M/s. CG-VAK Software And Exports Limited, Coimbatore**

Ladies and Gentlemen,

1. We report that we have audited the Balance Sheet of M/s. CG-VAK Software and Exports Limited as at 31<sup>st</sup> March 2011, the Profit & Loss Account and the 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 the 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 misstatement. 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, significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of The Companies Act, 1956, we enclose in Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred above, we state that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for our Audit.
  - b) In our opinion, proper books of account have been kept as required by law so far, as appears from our examination of the books.
  - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement, referred to in this Report are in agreement with the Books of Account.
  - d) In our opinion the Profit & Loss Account and Balance Sheet read together with the notes thereon, and the Cash Flow Statement, comply with the Accounting Standards referred to in sub section (3C) of Section 211 of The Companies Act, 1956.
  - e) On the basis of written representation received from all the Directors as of 31<sup>st</sup> March 2011 and taken on record by the Board of Directors, We report that none of the Directors are disqualified as of 31<sup>st</sup> March 2011 from being appointed as Directors in terms of Section 274 (1)(g) of The Companies Act, 1956.
  - f) Attention is invited to the non-appointment of full time company secretary U/s.383A of the Companies Act, 1956.
  - g) Attention is invited to Note no. 16 (regarding non-provision for repayment of fixed deposit, gratuity claim).
  - h) In our opinion and according to the information and explanations given to us and on the basis of such checks as we considered appropriate, the said Balance Sheet and Profit & Loss Account read together with the Notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view of
    - (i) in the case of the Balance Sheet, of the STATE OF AFFAIRS as at 31<sup>st</sup> March, 2011
    - (ii) in the case of the Profit & Loss Account of the PROFIT for the year ended that date and
    - (iii) in the case of the Cash Flow Statement of the CASH FLOWS for the year ended that date.

**For S.Lakshminarayanan Associates**

Chartered Accountants

**S.Lakshminarayanan**

Partner

M.No.012024

Firm Regn. No.

006609S

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE REPORT OF EVEN DATE OF  
THE AUDITORS TO THE MEMBERS OF THE  
M/s. CG-VAK SOFTWARE AND EXPORTS LIMITED

1. (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.  
(b) The fixed assets of the Company have been physically verified by the Management during the year and no serious discrepancies between the book records and physical inventory have been noticed.  
(c) No substantial portion of fixed assets have been disposed during the year.
2. As the Company does not hold any inventories Clause 4 (ii) of the Companies (Audit Report) Order 2003 is not applicable.
3. (a) The Company has neither taken nor granted any loans, secured or unsecured, from companies, firms and other parties listed in the register maintained under Section 301 of the Companies Act, 1956.  
(b) There being no loan taken nor granted Clauses 4 (iii) (b), (c), (d), (e), (f), (g) are not applicable.
4. In our opinion and according to the information and explanations given to us, the internal control procedures of the company relating to purchases of fixed assets and for sale of services are commensurate with its size and nature of its business. The activities of the Company do not involve purchase of inventory or sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system.
5. According to the information and explanations given to us, there are no transactions made in pursuance of contracts/arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
6. In our opinion and according to the information and explanation given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of The Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules 1975, with regard to deposits accepted from the public. No Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
7. In our opinion, the Company's internal audit system is commensurate with its size and nature of its business.
8. According to the information and explanation given to us, the Central Government has not prescribed the maintenance of Cost Records under Section 209 (1) in respect of services carried on by the Company.
9. (a) According to the information and explanations given to us, the Company is regular in depositing with the appropriate authorities the undisputed statutory dues relating to Provident Fund, Employees State Insurance, Investor Education Protection Fund, Income Tax, Wealth Tax, Sales tax, Service Tax, Customs duty, Excise duty, Cess and other material Statutory dues applicable to it.  
(b) According to the information and explanations given to us and the records examined by us, there are no dues of Income tax, Wealth tax, Cess, Customs Duty, Excise Duty and Service Tax which have not been deposited on account of any dispute.
10. The Company did not have any Accumulated losses of the Company at the end of the financial year. The Company has incurred Cash losses during the financial year under report. No cash losses were incurred in the immediately preceding Financial Year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.
12. The Company has not advanced loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
13. The company is not a chit fund/nidhi/mutual benefit fund/society.
14. The Company does not deal/trade in shares/securities/debentures/other investments.
15. The Company has not given any guarantee on loans taken by others.
16. In our opinion, the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanation given to us and based on an examination of the Balance Sheet of the company, we report that No funds raised on short-term basis have been used for long-term investment.
18. The Company has not made any preferential allotment of shares during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any funds during the year by way of public issue.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For S.Lakshminarayanan Associates**  
Chartered Accountants  
**S.Lakshminarayanan**  
Partner

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

M.No.012024  
Firm Regn. No.006609S

**BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2011**

	Schedule	31-Mar-2011 Rs	31-Mar-2010 Rs
<b>Liabilities:</b>			
<b>Shareholders' Funds:</b>			
Share Capital	1	5,05,33,700	5,05,33,700
Reserves & Surplus	2	2,65,41,179	2,54,14,315
		7,70,74,879	7,59,48,015
<b>Loan Funds:</b>			
Secured Loans	3	1,02,67,419	1,06,78,879
Unsecured Loans	4	73,29,639	77,87,109
		1,75,97,058	1,84,65,988
Deferred Tax Reserve	5	0	2,30,584
		9,46,71,937	9,46,44,589
<b>Assets:</b>			
Fixed Assets Gross Block	6	9,97,15,541	9,75,97,169
Less: Depreciation		7,02,29,312	6,44,06,314
Net Block		2,94,86,229	3,31,90,855
Investments	7	3,31,01,761	3,31,01,761
<b>Current Assets, Loans &amp; Advances:</b>			
<b>A.Current Assets</b>			
Debtors	8	1,81,76,154	1,40,60,475
Cash & Bank Balances	9	41,06,627	56,35,877
<b>B.Loans &amp; Advances</b>			
Total Current Assets		4,06,64,433	3,93,23,023
Less: Current Liabilities & Provisions	11	86,96,902	1,09,71,050
		3,19,67,531	2,83,51,973
Deferred Tax Reserve	5	1,16,416	0
		9,46,71,937	9,46,44,589

**For S Lakshminarayanan Associates**  
Chartered Accountants

**S.Lakshminarayanan**  
Partner  
M.No.012024

**C.Ganapathy**  
Executive Chairman

**S Muthukumar**  
Director

**G.Suresh**  
Managing Director

**S Mohan**  
Director

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2011**

	Schedule	31-Mar-2011 Rs	31-Mar-2010 Rs
<b>Income:</b>			
Income from Software Development, Services & Products			
- Overseas	12	6,29,80,650	5,74,87,587
- Domestic	13	3,26,311	19,40,663
		6,33,06,961	5,94,28,250
Other Income	14	65,59,339	25,53,210
		6,98,66,300	6,19,81,460
<b>Expenditure:</b>			
Cost of Services	15	4,73,01,685	4,73,59,185
Administrative Expenses	16	1,38,25,351	1,32,67,939
Interest	17	19,46,481	19,16,993
Depreciation		58,22,998	63,65,886
		6,88,96,515	6,89,10,003
Net Profit/(Loss) for the Year		9,69,785	(69,28,543)
Less: Prior Period Expenses		4,921	0
Income Tax Paid/FBT for Prior Years		0	49,111
		4,921	49,111
Profit Before Taxes		9,64,864	(69,77,654)
Less: Provision for Income Tax		1,85,000	0
Provision for Deferred Tax		(3,47,000)	(4,27,200)
		(1,62,000)	(4,27,200)
Profit After Taxes		11,26,864	(65,50,454)
Add: Surplus B/fd		1,54,14,315	2,19,64,771
		1,65,41,179	1,54,14,315
<b>Appropriations</b>			
Surplus C/fd		1,65,41,179	1,54,14,315
		1,65,41,179	1,54,14,315
Earnings Per Share		0.22	(1.29)

**For S. Lakshminarayanan Associates**  
Chartered Accountants

**C.Ganapathy**  
Executive Chairman

**G.Suresh**  
Managing Director

**S.Lakshminarayanan**  
Partner  
M.No.012024

**S. Muthukumar**  
Director

**S. Mohan**  
Director

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

**SCHEDULE TO ACCOUNTS**

Schedule	31-Mar-2011 Rs	31-Mar-2010 Rs
<b>1. Share Capital:</b>		
Authorised Capital:		
70,00,000 Equity Shares of Rs.10 each	7,00,00,000	7,00,00,000
Issued, Subscribed & Paid-Up Capital:		
50,60,000 Equity Shares of Rs.10 each	5,06,00,000	5,06,00,000
Less: Calls in Arrears (Due from Directors - Nil)	66,300	66,300
	<u>5,05,33,700</u>	<u>5,05,33,700</u>
<b>2. Reserves &amp; Surplus:</b>		
General Reserve	1,00,00,000	1,00,00,000
Profit & Loss Account - Surplus	1,65,41,179	1,54,14,316
	<u>2,65,41,179</u>	<u>2,54,14,316</u>
<b>3. Secured Loans:</b>		
State Bank of India		
- Cash Credit	97,95,327	0
- Foreign Currency Loan	0	93,57,433
- Term Loan	4,72,092	13,21,446
(Secured against Machinery, Furniture, Software and Equitable Mortgage on Land & Building)		
	<u>1,02,67,419</u>	<u>1,06,78,879</u>
<b>4. Unsecured Loans:</b>		
Fixed Deposits	59,03,410	57,90,900
Vehicle Loans	15,51,848	22,19,568
Less: Interest Suspense	1,25,619	2,23,359
	<u>14,26,229</u>	<u>19,96,209</u>
	<u>73,29,639</u>	<u>77,87,109</u>
<b>5. Deferred Tax Reserve:</b>		
Opening Balance	2,30,584	6,57,784
Add/(Less): Provision for the Year	(3,47,000)	(4,27,200)
	<u>(1,16,416)</u>	<u>2,30,584</u>

**6. Fixed Assets**

Particulars	COST BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Cost As at 01- Apr- 10	Additions during the year	Sales/ Withdrawal	Cost as at 31- Mar- 11	upto 01- Apr- 10	Depreciation for the year	Sales/ Withdrawal	upto 31- Mar- 11	WDV 31- Mar- 11	WDV 31- Mar- 10
Land	63,75,000	0	0	63,75,000	0	0	0	0	63,75,000	63,75,000
Building	45,18,690	0	0	45,18,690	8,73,155	1,56,409	0	10,29,564	34,89,126	36,45,535
Plant & Machinery	7,00,12,907	11,76,695	0	7,11,89,602	5,36,75,506	43,10,013	0	5,79,85,519	1,32,04,083	1,63,37,401
Electrical Fittings	48,12,699	2,67,503	0	50,80,202	25,93,578	5,39,128	0	31,32,706	19,47,496	22,19,121
Vehicles	54,28,839	4,35,841	0	58,64,680	17,04,566	4,33,196	0	21,37,762	37,26,918	37,24,273
Furniture & Fittings	64,49,034	2,38,334	0	66,87,368	55,59,509	3,84,252	0	59,43,761	7,43,607	8,89,525
	<u>9,75,97,169</u>	<u>21,18,373</u>	<u>0</u>	<u>9,97,15,542</u>	<u>6,44,06,314</u>	<u>58,22,998</u>	<u>0</u>	<u>7,02,29,312</u>	<u>2,94,86,230</u>	<u>3,31,90,855</u>
Previous YE 31- Mar- 2010	9,06,35,370	69,61,799	0	9,75,97,169	5,80,40,428	63,65,886	0	6,44,06,314	3,31,90,855	3,25,94,942

**SCHEDULE TO ACCOUNTS**

Schedule	31-Mar-2011 Rs	31-Mar-2010 Rs
<b>7. Investments: (Valued At Cost)</b>		
<b>Quoted :</b>		
100 Equity Shares of Rs.10 each		
- Union Bank of India	1,600	1,600
<b>Unquoted:</b>		
750 Equity Shares of US\$ 1,000 each	3,31,00,161	3,31,00,161
- CGVAK Software USA Inc		
	3,31,01,761	3,31,01,761
	<b>Quoted</b>	<b>Quoted</b>
Cost	1,600	1,600
Face Value	1,000	1,000
Market Value	34,745	29,080
	<b>Unquoted</b>	<b>Unquoted</b>
Cost	3,31,00,161	3,31,00,161
Face Value	3,31,00,161	3,31,00,161
<b>8. Debtors: Considered Good</b>		
Outstanding for a period less than 6 months		
- from wholly owned subsidiary	0	0
- from others	1,53,37,042	1,16,13,089
Other Debts		
- from wholly owned subsidiary	0	0
- from others	28,39,112	24,47,386
Doubtful Debts	25,45,335	19,74,539
Less: Provision for Doubtful Debts		
- Upto last year	19,74,540	
- For the year	5,70,795	(19,74,539)
	1,81,76,154	1,40,60,475
<b>9. Cash &amp; Bank Balances:</b>		
Cash in hand	70,739	53,823
Balance with Scheduled Banks		
- Current Account	40,340	39,28,263
- Fixed Deposits	9,57,703	7,13,977
- EEFC A/c (In US Dollars)	75,032	70,456
Balance with Non-Scheduled Banks		
- Current Account (In US Dollars)	29,62,813	8,69,358
	41,06,627	56,35,877
<b>10. Loans &amp; Advances :</b>		
Advances - Considered Good	38,00,302	18,88,099
Advance to Subsidiary	52,25,415	78,60,565
Loan to Subsidiary	79,52,721	91,43,345
Staff Advances	8,29,346	3,64,379
Deposits	3,26,380	2,42,800
Prepaid Expenses	2,47,488	1,27,483
	1,83,81,652	1,96,26,671
<b>11. Current Liabilities &amp; Provisions:</b>		
<b>A.Current Liabilities:</b>		
Liability for Purchases (Due from Micro/SMEs-Nil)	3,25,233	27,59,000
Liability for Expenses	70,56,973	60,48,097
Liability for Other Finance	8,69,264	19,66,195
Interest Accrued But no due	2,60,432	1,97,758
<b>B.Provisions:</b>		
Provision for Income Tax	1,85,000	0
	86,96,902	1,09,71,050

**SCHEDULE TO ACCOUNTS**

Schedule	31-Mar-2011 Rs	31-Mar-2010 Rs
<b>12. Income from Software Development, Product &amp; Services - Overseas:</b>		
Onsite Software Services	42,07,754	54,34,341
Offshore Software Services	5,24,54,418	4,37,74,635
Business Process Outsourcing Services	63,18,478	82,78,611
	<u>6,29,80,650</u>	<u>5,74,87,587</u>
<b>13. Income from Software Development, Product &amp; Services - Domestic:</b>		
Software Services	3,26,311	19,40,663
	<u>3,26,311</u>	<u>19,40,663</u>
<b>14. Other Income:</b>		
Interest Receipts	9,49,928	7,89,450
Foreign Exchange Gain	46,29,098	13,27,679
Sundry Receipts	9,80,313	4,36,081
	<u>65,59,339</u>	<u>25,53,210</u>
<b>15. Cost of Services:</b>		
Cost of Services - Overseas	49,74,008	90,39,288
Cost of Services - Domestic	3,71,29,307	3,23,78,638
Transcription charges	3,50,490	10,98,360
Project Expenses	4,51,528	6,58,585
Staff Welfare	11,66,254	11,06,689
Staff Training	3,28,945	4,62,890
Contribution to PF & ESI	21,86,678	18,91,982
Retirement benefits	75,613	3,45,405
HRD Expenses	6,38,862	3,77,348
	<u>4,73,01,685</u>	<u>4,73,59,185</u>
<b>16. Administrative Expenses:</b>		
Rent	17,93,517	14,66,006
Power & Fuel	18,90,708	16,17,298
Printing & Stationery	1,38,548	1,25,868
Communication Expenses	15,12,194	18,58,024
Director Remuneration	33,00,000	33,00,000
Marketing Expenses	2,33,229	3,02,389
Traveling Expenses	18,02,521	9,28,313
Membership, Subscription, Books & Periodicals	2,40,434	1,38,060
Taxes & Licences	2,03,200	2,51,805
Repairs & Maintenance	4,44,800	5,10,136
Building Maintenance	76,147	1,52,287
Vehicle Maintenance	3,35,748	3,25,935
Auditors Remuneration	1,10,300	88,240
Other Fees paid to Auditors	20,189	8,272
Share Demat Expenses	1,26,294	1,26,470
Dot Com Expenses	1,98,314	1,42,152
ISO 9001 Expenses	39,910	1,33,455
Legal & Consultancy	1,86,787	1,84,092
Listing Fees	16,545	16,545
Bank Charges	4,04,223	4,08,190
Provision for Doubtful Debts	5,70,795	10,08,580
Other Administrative Expenses	1,80,948	1,75,822
	<u>1,38,25,351</u>	<u>1,32,67,939</u>

**Schedule to Accounts**

Schedule	31-Mar-2011 Rs	31-Mar-2010 Rs
<b>17. Interest:</b>		
Interest paid to Bank - Cash Credit	7,35,853	2,86,350
Interest paid to Bank - Others	4,13,937	8,12,821
Interest paid on Fixed Deposits	6,43,848	6,74,540
Interest paid on Vehicle Loans	1,52,843	1,43,282
	19,46,481	19,16,993

**For S. Lakshminarayanan Associates**  
Chartered Accountants

**C.Ganapathy**  
Executive Chairman

**G.Suresh**  
Managing Director

**S.Lakshminarayanan**  
Partner  
M.No.012024  
Firm Reg No. 0066095

**S. Muthukumar**  
Director

**S. Mohan**  
Director

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

## SIGNIFICANT ACCOUNTING POLICIES

**Fixed Assets:**

Fixed assets are stated at cost of acquisition less accumulated depreciation. The carrying amounts of assets are reviewed at each balance sheet date if there is an indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The reduction is treated as impairment loss and is recognised in the profit & loss account.

**Investments:**

Investments are stated at cost. Investments in shares of fully owned foreign subsidiary are stated at cost and expressed in Indian rupees at the rate of exchange prevailing at the time of actual remittance.

**Current Assets:**

Debtors: Debtors are stated at net realizable value.

**Revenue Recognition:**

Items of Income & Expenditure are recognised on accrual basis. Revenue from software development, Services & Products are recognized on completion of contract or stage of completion as per the applicable terms & conditions agreed with customers.

**Depreciation:**

Depreciation is charged on Straight line method as per rates specified in Schedule XIV of the Companies Act, 1956. Depreciation has been calculated on prorata basis on additions during the year.

**Foreign Currency transactions:**

Income from Software Development, Services & products and expenses are recorded at rates prevailing on the date of the transaction. Expenses incurred in foreign currency are recorded at rates prevailing when the expenditure was incurred. The foreign exchange difference which have arisen during the year have been recognised in the period in which they arise.

Monetary Current Assets & Current Liabilities that are denominated in foreign currency are translated at the exchange rate prevalent as at the date of the balance sheet. The resultant difference is recognised in the Profit & Loss Account.



**NOTES ANNEXED AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2011**

- |   | <u>31-Mar-2011</u> | <u>31-Mar-2010</u> |
|---|--------------------|--------------------|
| 1. Estimated amount of contracts remaining to be executed on capital account not provided for   | Rs.3.95 lacs       | NIL                |
| 2. Depreciation has been charged on straight-line method as per the rates specified under schedule XIV of The Companies Act,1956. Depreciation has been calculated on prorata basis on additions during the year.   |                    |                    |
| 3. The term loans from state bank of India are secured against fixed assets and second charge over current assets and personal guarantee of Mr.C.Ganapathy, Executive Chairman and Mr.G.Suresh, Managing Director. The working capital facilities are secured against hypothecation of receivables and other current assets of the company. |                    |                    |
| 4. Quantitative Details: The Company is mainly engaged in development of Computer software. This is not capable of being expressed in generic units. Hence it is not possible to give quantitative details and information required under paragraphs 3, 4C of Part II of Schedule VI of the Companies Act,1956.                             |                    |                    |

<b>5.</b>	<b>Income from Software Development , Services &amp; Products</b>	<b>31.03.2011</b>	<b>31.03.2010</b>
	Software Consultancy - Onsite	42,07,754	54,34,341
	Software Development - Offshore	5,27,80,729	4,57,15,298
	Medical Transcription	63,18,478	82,78,611
	Training fees	---	---
	<b>Total</b>	<b>6,33,06,961</b>	<b>5,94,28,250</b>
<b>6.</b>	<b>Earnings in Foreign Currency</b>	<b>6,38,59,595</b>	<b>5,74,87,587</b>
<b>7.</b>	<b>Expenditure in Foreign Currency</b>		
	Foreign Travel	5,59,200	3,80,343
	Cost of services	49,74,008	87,45,948
	Others	7,38,662	11,09,222
	<b>Total</b>	<b>62,71,870</b>	<b>1,02,35,514</b>
	Fixed Assets Purchased in Foreign Currency	---	2,707,672

- |           |   |            |            |
|-----------|---|------------|------------|
| <b>8.</b> | <b>Detail of Remuneration paid to Directors</b>   | <b>Rs.</b> | <b>Rs.</b> |
|           | Mr G Suresh   | 30,00,000  | 30,00,000  |
|           | Mr C Ganapathy  | 3,00,000   | 3,00,000   |
|           | Mr. C. Ganapathy, Executive Chairman and Mr. G. Suresh , Managing Director have waived the Commission due to them at 1% on Net Profits. |            |            |

9. Income Tax Assessments upto Assessment Year 2009-2010 have been completed.

10. Basic & Diluted Earnings per share of Rs.10/- each

		31.03.2011	31.03.2010
A	Numerator Net Profit After Tax	11,26,864	(65,50,455)
B	Denominator Weighted Average Number of Equity Shares Outstanding	50,60,000	50,60,000
C	Basic & Diluted Earnings Per Share	0.22	(1.29)

**11. Segment Analysis for the year ended 31<sup>st</sup> March 2011- Business Segment**

Rs. in Lakhs

Sl.No.	Particulars	31-Mar-2011 (Audited)	31- Mar-2010 (Audited)
1	SEGMENT REVENUE		
	a) Software Services	569.89	511.50
	b) BPO Services	63.18	82.78
	c) Training	---	---
	Less : Inter Segment Revenue	---	---
	Net Sales/ Income from operations	633.07	594.28
2	SEGMENT RESULT (Profit before tax and Interest from each segment)		
	a) Software Services	(21.09)	(73.44)
	b) BPO Services	(15.34)	(2.21)
	Total	(36.43)	(75.65)
	Less : Interest	19.46	19.17
	Less : Other un-allocable expenditure	---	---
	Add : Other un-allocable Income	65.59	25.53
	Profit before tax & Extraordinary item	9.70	(69.29)
3	CAPITAL EMPLOYED		
	a) Software Services	733.54	709.38
	b) BPO Services	36.04	52.40
	Total	769.58	761.78

**Segment Analysis for the year ended 31<sup>st</sup> March 2011 - Geographical Segment**

Rs. in Lakhs

Sl.No.	Particulars	31-Mar-2011 (Audited)	31- Mar-2010 (Audited)
1	SEGMENT REVENUE		
	a) North America	534.97	501.87
	b) Rest of the world	94.84	73.00
	c) India	3.26	19.41
	Less : Inter Segment Revenue	---	---
	Net Sales/ Income from operations	633.07	594.28
2	SEGMENT RESULT (Profit before tax and Interest from each segment)		
	a) North America	(35.00)	(64.79)
	b) Rest of the world	(1.38)	(8.58)
	c) India	(0.05)	(2.28)
	Total	(36.43)	(75.65)
	Less : Interest	19.46	19.17
	Less : Other un-allocable expenditure	---	---
	Add : Other un-allocable Income	65.59	25.53
	Profit before tax & Extraordinary item	9.70	(69.29)
3	CAPITAL EMPLOYED		
	a) North America	701.54	706.36
	b) Rest of the world	65.61	42.78
	c) India	2.43	12.64
	Total	769.58	761.78

**12. Disclosure in respect of Related parties in pursuant to Accounting Standard 18:**

- (a) List of Related Parties over which control exists:
- |                                       |   |
|---------------------------------------|---|
| Wholly Owned Subsidiary               | CG-VAK Software USA Inc.  |
| Other enterprises                     | Sindhu Gowtham Securities & Investments (P) Ltd   |
| Relatives of key managerial personnel | Mrs.G Saraswathy<br>Mrs.S Latha<br>Mrs.C Lakshmi<br>Master S Gowtham<br>Ms. S Sruthi<br>Mrs.L Radhamani |

- (b) Other related Parties with whom the company has entered into transactions during the year:

Key Managerial Personnel (KMP):

- |                |                    |
|----------------|--------------------|
| Mr.G.Suresh    | Managing Director  |
| Mr.C.Ganapathy | Executive Chairman |

- (c) During the year, the following transactions were carried out with related parties in the normal course of business: Rs.

	Subsidiary	KMP	Relatives of KMP
Purchase of Assets	---	---	---
Interest Receipts	8,78,945	---	---
Salary	---	33,00,000	---
Rent	---	---	15,90,600
Interest paid on Fixed Deposits	---	---	3,72,327

Rs.

- (d)
- |                               | 31-Mar-11 | 31-Mar-10 |
|-------------------------------|-----------|-----------|
| Amount due to Related Parties | 44,69,882 | 40,40,413 |

- (e) Amount due from Related Parties 31-Mar-11 31-Mar-10 Rs.

		31-Mar-11	31-Mar-10
CGVAK SOFTWARE USA Inc	Loan	79,52,721	91,43,345
CGVAK SOFTWARE USA Inc	Advance	52,25,415	78,60,365

**13. Details of Auditors' Remuneration**

	31-Mar-11	31-Mar-10	Rs.
Audit Fees	45,000	35,000	
Tax Audit Fees	20,000	10,000	
Income tax Representation Fees	35,000	30,000	
Total	1,00,000	75,000	

**14. Disclosure under Accounting Standard 15 on Employee Benefits:**

Disclosures in respect of Defined benefit obligations in respect of gratuity pursuant to Accounting Standard 15. The amounts recognized in the balance sheet are as follows

	As on 31.03.2011 (Rs.)	As on 31.03.2010 (Rs.)
Present value of funded obligations	17,03,065	16,27,453
Fair value of plan assets	Nil	Nil
Net surplus in the Balance sheet (Grouped under Prepaid expenses)	Nil	Nil

The amount recognized in the statement of profit and loss are as follows:

	For the year ended 31.03.2011 Rs.	For the year ended 31.03.2010 Rs.
Current service cost	4,43,088	4,64,000
Interest on obligation	1,30,196	1,02,564
Expected return on plan assets	Nil	Nil
Net actuarial losses(gains) recognized in year	4,97,672	2,21,159
Total included in Labour cost	0	0

Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balance thereof are as follows

	<b>For the year ended 31.03.2011 (Rs.)</b>	<b>For the year ended 31.03.2010 (Rs.)</b>
Opening defined benefit obligation	16,27,453	12,82,048
Prior period adjustment	Nil	Nil
Service cost	4,43,088	4,64,000
Interest cost	1,30,196	1,02,564
Actuarial gains (Losses)	(4,97,672)	(2,21,159)
Benefits paid	---	---
Closing defined benefit obligation	17,03,065	16,27,453

Changes in the fair value of plan assets representing reconciliation of the opening and closing balance thereof are as follows:

	<b>For the year ended 31.03.2011 (Rs.)</b>	<b>For the year ended 31.03.2010 (Rs.)</b>
Opening fair value of plan assets	Nil	Nil
Expected return	Nil	Nil
Actuarial gains and (losses)	Nil	Nil
Contribution by employer	Nil	Nil
Assets acquired in an amalgamation in the nature of purchase	Nil	Nil
Exchange differences on foreign plans	Nil	Nil
Benefits paid	Nil	Nil
Closing fair value of plan assets	Nil	Nil
Balance sheet Reconciliation	Nil	Nil
Opening Net Liability	16,27,453	12,82,048
Expenses Recongined in Profit and Loss Account	75,613	3,45,405
Contribution made	Nil	Nil
Closing unfunded status (Surplus-Grouped under prepaid expenses)	Nil	Nil

Principal actuarial assumptions at the balance sheet date (expressed as weighted average)

	<b>For the year ended 31.03.2011 (Rs.)</b>	<b>For the year ended 31.03.2010 (Rs.)</b>
Discount rate current	7.5%	7.5%
Expected return per annum on plan assets	---	---
Salary Escalation per annum	6%	6%
Retirement Age	58 years	58 years
Mortality	LIC 1994-96 rates	LIC 1994-96 rates
Attrition rate	10%	10%

The estimates of future salary increases, considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

15. The company does not have a Company Secretary as required u/s 383 A of the Companies Act 1956. Thus there was no Company Secretary.
16. No provision has been made against
  - (A) A claim for non payment of fixed deposit amounting to Rs.3,25,900. The company has disputed the same before the company law board and orders are awaited.
  - (B) A claim for gratuity amounting to Rs.2,88,461 filed before the Asst Commissioner of Labour. The company has disputed the claim and the petition is pending.
17. The Bombay Stock Exchange vide its order dated 17th May 2011 has suspended trading of the company's shares in the stock exchange for a period of 5 days from 25th May 2011 to 31st May 2011 for non compliance of certain clauses of the Listing Agreement. Steps are being taken to ensure better compliance in future.
18. There are no amounts due to Small Scale Industrial undertakings outstanding for more than 30 days as identified by the Company
19. Previous Year figures have been regrouped and reclassified wherever found necessary. Figures have been rounded off to the nearest rupee.
20. The Consolidated Financial Statements are prepared in accordance with the Accounting standard 21. The subsidiary considered in the Consolidated Financial Statements is the Wholly Owned Subsidiary CGVAK Software USA Inc.,

**For S. Lakshminarayanan Associates**

Chartered Accountants  
**S.Lakshminarayanan**  
 Partner  
 M.No.012024  
 Place : Coimbatore  
 Date : 30<sup>th</sup> May, 2011

**C.Ganapathy**

Executive Chairman  
**S. Muthukumar**  
 Director

**G.Suresh**

Managing Director  
**S. Mohan**  
 Director

**STATEMENT PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956  
BALANCESHEET ABSRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

 Registration No 

0	0	5	5	6	8
---	---	---	---	---	---

 State Code 

				1	8
--	--	--	--	---	---

 Balance sheet Date 

31
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03
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2011
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 Date Month Year

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

Public Issue	Rights Issue										
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>			N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>			N	I	L
		N	I	L							
		N	I	L							
Bonus Issue	Private Placement										
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>			N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>			N	I	L
		N	I	L							
		N	I	L							

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

Total Liabilities	Total Assets												
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>9</td><td>4</td><td>6</td><td>7</td><td>2</td></tr></table>		9	4	6	7	2	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>9</td><td>4</td><td>6</td><td>7</td><td>2</td></tr></table>		9	4	6	7	2
	9	4	6	7	2								
	9	4	6	7	2								
<b>Sources of Funds</b>													
Paid-up Capital	Reserves & Surplus												
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>5</td><td>0</td><td>5</td><td>3</td><td>4</td></tr></table>		5	0	5	3	4	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>2</td><td>6</td><td>5</td><td>4</td><td>1</td></tr></table>		2	6	5	4	1
	5	0	5	3	4								
	2	6	5	4	1								
Secured Loans	Unsecured Loans												
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	1	0	2	6	7								
	7	3	3	0									
<b>Application of Funds</b>													
Net Fixed Assets	Investments												
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>2</td><td>9</td><td>4</td><td>8</td><td>6</td></tr></table>		2	9	4	8	6	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>3</td><td>3</td><td>1</td><td>0</td><td>2</td></tr></table>		3	3	1	0	2
	2	9	4	8	6								
	3	3	1	0	2								
Net Current Assets	Misc. Expenditure												
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>3</td><td>1</td><td>9</td><td>6</td><td>8</td></tr></table>		3	1	9	6	8	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>1</td><td>1</td><td>6</td></tr></table>			1	1	6	
	3	1	9	6	8								
		1	1	6									
Accumulated Losses													
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>				N	I	L							
			N	I	L								

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

Turnover	Total Expenditure												
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>6</td><td>9</td><td>8</td><td>6</td><td>6</td></tr></table>		6	9	8	6	6	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>6</td><td>8</td><td>8</td><td>9</td><td>7</td></tr></table>		6	8	8	9	7
	6	9	8	6	6								
	6	8	8	9	7								
Profit Before Tax	Profit After Tax												
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>9</td><td>6</td><td>5</td></tr></table>				9	6	5	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>1</td><td>1</td><td>2</td><td>7</td></tr></table>		1	1	2	7	
			9	6	5								
	1	1	2	7									
Earnings Per Share in Rs.	Dividend Rate %												
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>0</td><td>.</td><td>2</td><td>2</td></tr></table>		0	.	2	2	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>			N	I	L		
	0	.	2	2									
		N	I	L									

**V Generic Names of Three Principal Products/Services of Company (as per Monetary Terms)**

 Item Code No. (ITC Code) 

8	5	2	4	9	0	0	9	.	1	0
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 Product Description 

C	O	M	P	U	T	E	R	S	O	F	T	W	A	R	E
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**For S. Lakshminarayanan Associates**  
Chartered Accountants

**C.Ganapathy**  
Executive Chairman

**G.Suresh**  
Managing Director

**S.Lakshminarayanan**  
Partner  
M.No.012024

**S. Muthukumar**  
Director

**S. Mohan**  
Director

 Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2011**

Schedule	31-Mar-2011 Rs.in lacs	31-Mar-2010 Rs. in lacs
<b>A</b>		
NET PROFIT BEFORE TAX & EXTRAORDINARY ITEMS	9.70	(69.29)
Adjustments for		
Depreciation	58.23	63.66
Interest	19.46	19.17
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	87.39	13.54
Adjustments for		
Trade & Other Receivables	(40.63)	88.15
Trade Payables	(22.74)	2.69
Miscellaneous Expenditure	0.00	0.00
CASH GENERATED FROM OPERATIONS	24.02	104.38
Income Tax	(1.85)	0.00
CASH FLOW BEFORE EXTRAORDINARY ITEMS	22.17	104.38
Extra ordinary items	0.00	0.00
Prior Period items	(0.05)	(0.49)
	<u>22.12</u>	<u>103.89</u>
<b>B</b>		
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(21.18)	(69.62)
Sale of Fixed Assets	0.00	0.00
Purchase of Investments	0.00	0.00
NET CASH USED IN INVESTMENT ACTIVITIES	<u>(21.18)</u>	<u>(69.62)</u>
<b>C</b>		
CASH FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Secured Loans	(4.11)	(25.73)
Increase/(Decrease) in Unsecured Loans	(4.57)	(0.16)
Interest paid	(19.46)	(19.17)
Loan repaid by Subsidiary	11.91	10.65
NET CASH USED IN FINANCING ACTIVITIES	<u>(16.23)</u>	<u>(34.41)</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	(15.29)	(0.14)
Add: Opening Balance of Cash & Cash Equivalents	56.36	56.50
Closing Balance of Cash & Cash Equivalents	41.07	56.36

**For S. Lakshminarayanan Associates**  
Chartered Accountants

**C.Ganapathy**  
Executive Chairman

**G.Suresh**  
Managing Director

**S.Lakshminarayanan**  
Partner  
M.No.012024

**S. Muthukumar**  
Director

**S. Mohan**  
Director

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

**AUDITORS REPORT TO THE BOARD OF DIRECTORS OF  
M/s. CG-VAK SOFTWARE AND EXPORTS LIMITED  
ON CONSOLIDATED FINANCIAL STATEMENTS OF  
M/s. CG-VAK SOFTWARE AND EXPORTS LIMITED AND ITS SUBSIDIARY  
CG-VAK SOFTWARE USA Inc.,**

We have examined the attached Consolidated Balance Sheet of **CGVAK SOFTWARE AND EXPORTS LIMITED** and its subsidiary as at 31st March 2011, the Consolidated Profit & Loss Account for the Year then ended and the Consolidated Cash Flow Statement for the Year ended that date.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit. We have conducted our audit in accordance with generally accepted accounting standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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 the Management, as well as evaluating the overall financial statements. We believe our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the said subsidiary.

Name of the Subsidiary	CGVAK Software USA Inc.,
Total Assets	Rs. 797.87 lacs
Total Revenues	Rs. 1134.87 lacs

which have been compiled by other Auditors, certified by the Management and have been furnished to us, and our opinion, so far as it relates to the amounts included in respect of the subsidiary is based solely on these certified financial statements.

We report that the financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated financial Statements, issued by the Institute of Chartered Accountants of India, and on the basis of the separate certified financial statements of its subsidiary included in the financial statement.

On the basis of the information and explanations given to us and on the consideration of the separate financial statements of the subsidiary, We are of the opinion that

- (A) The Consolidated Balance sheet gives a true and fair view of the consolidated state of affairs of CGVAK Software And Exports Limited and its subsidiary as at 31st March 2011
- (B) The consolidated Profit & Loss Account gives a true and fair view of the consolidated results of CGVAK Software And Exports Limited and its subsidiary for the year then ended.
- (C) The Consolidated Cash Flow Statement gives a true and fair view of the Consolidated Cash Flows of the company and its subsidiary for the year then ended.

**For S.Lakshminarayanan Associates**  
Charetered Accountants  
**S.Lakshminarayanan**  
M.No.012024  
Firm Regn No.006609S  
Partner

Place : Coimbatore  
Dated: 30<sup>th</sup> May, 2011

**CONSOLIDATED BALANCE SHEET 31<sup>st</sup> MARCH, 2011**

	Schedule	31-Mar-2011 Rs	31-Mar-2010 Rs
<b>Liabilities:</b>			
<b>Shareholders' Funds:</b>			
Share Capital	1	5,05,33,700	5,05,33,700
Reserves & Surplus	2	4,76,13,610	4,59,62,300
		9,81,47,310	9,64,96,000
<b>Loan Funds:</b>			
Secured Loans	3	1,02,67,419	1,06,78,878
Unsecured Loans	4	73,29,638	77,87,109
		1,75,97,057	1,84,65,987
Deferred Tax Reserve	5	0	2,30,584
		11,57,44,367	11,51,92,571
<b>Assets:</b>			
Fixed Assets Gross Block	6	11,61,50,802	11,38,82,213
Less: Depreciation		8,40,95,179	7,68,82,303
		3,20,55,623	3,69,99,910
Investments	7	1,600	1,600
<b>Current Assets, Loans &amp; Advances:</b>			
<b>A.Current Assets</b>			
Debtors	8	6,95,70,152	5,90,41,219
Cash & Bank Balances	9	1,21,83,381	1,24,79,263
<b>B.Loans &amp; Advances</b>	10	2,29,50,143	2,74,28,150
Total Current Assets		10,47,03,676	9,89,48,632
Less: Current Liabilities & Provisions	11	2,11,32,948	2,07,57,571
		8,35,70,728	7,81,91,061
Deferred Tax Asset	5	1,16,416	0
		11,57,44,367	11,51,92,571

**For S. Lakshminarayanan Associates**  
Chartered Accountants

**S.Lakshminarayanan**  
Partner  
M.No.012024  
Firm Regn No.006609S

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

**C.Ganapathy**  
Executive Chairman

**S. Muthukumar**  
Director

**G.Suresh**  
Managing Director

**S. Mohan**  
Director



**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2011**

	Schedule	31-Mar-2011 Rs	31-Mar-2010 Rs
<b>Income:</b>			
Income from Software Development, Services & Products			
- Overseas	12	17,61,50,599	16,61,21,524
- Domestic		3,26,311	19,40,663
		17,64,76,910	16,80,62,187
Other Income	13	59,97,309	22,98,219
		18,24,74,219	17,03,60,406
Expenditure:			
Cost of Services	14	14,28,95,786	13,81,60,910
Administrative Expenses	15	2,88,00,444	2,86,78,067
Interest	16	19,55,909	19,52,042
Depreciation		72,12,876	73,54,897
		18,08,65,015	17,61,45,916
Net Profit/(Loss) for the Year		16,09,204	(57,85,510)
Less: Prior Period Expenses		4,921	0
Income Tax Paid/FBT for Prior Years		0	4,87,935
Profit Before Taxes		16,04,283	(62,73,445)
Less: Provision for Income Tax		4,46,178	1,60,347
Provision for Deferred Tax		(3,47,000)	(4,27,200)
Profit After Taxes		15,05,105	(60,06,592)
Add: Surplus B/fd		3,16,61,991	3,76,68,583
		3,31,67,096	3,16,61,991
Appropriations			
Surplus C/fd		3,31,67,096	3,16,61,991
Earnings Per Share		0.30	(1.19)

**For S. Lakshminarayanan Associates**  
Chartered Accountants

**S.Lakshminarayanan**  
Partner  
M.No.012024  
Firm Regn No.006609S

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

**C.Ganapathy**  
Executive Chairman

**S. Muthukumar**  
Director

**G.Suresh**  
Managing Director

**S. Mohan**  
Director

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

Schedule	31-Mar-2011 Rs	31-Mar-2010 Rs
<b>1. Share Capital:</b>		
Authorised Capital: 70,00,000 Equity Shares of Rs.10 each	7,00,00,000	7,00,00,000
Issued, Subscribed & Paid-Up Capital: 50,60,000 Equity Shares of Rs.10 each	5,06,00,000	5,06,00,000
Less: Calls in Arrears (Due from Directors -Nil)	66,300	66,300
	<b>5,05,33,700</b>	<b>5,05,33,700</b>
<b>2. Reserves &amp; Surplus:</b>		
General Reserve	1,00,00,000	1,00,00,000
Reserve on Consolidation	44,46,514	43,00,309
Profit & Loss Account - Surplus	3,31,67,096	3,16,61,991
	<b>4,76,13,610</b>	<b>4,59,62,300</b>
<b>3. Secured Loans:</b>		
State Bank of India		
- Cash Credit	97,95,327	0
- Foreign Currency Loan	0	93,57,432
- Corporate Loan	0	0
- Term Loan	4,72,092	13,21,446
(Secured against Machinery, Furniture, Software and Equitable Mortgage on Land & Building)		
	<b>1,02,67,419</b>	<b>1,06,78,878</b>
<b>4. Unsecured Loans:</b>		
Fixed Deposits	59,03,410	57,90,900
Vehicle Loans	15,51,848	22,19,568
Less: Interest Suspense	1,25,620	2,23,359
	<b>14,26,228</b>	<b>19,96,209</b>
	<b>73,29,638</b>	<b>77,87,109</b>
<b>5. Deferred Tax Reserve:</b>		
Opening Balance	2,30,584	6,57,784
Add/(Less): Provision for the Year	(3,47,000)	(4,27,200)
	<b>(1,16,416)</b>	<b>2,30,584</b>

**6. Fixed Assets**

	COST BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Cost As at 01-Apr-10	Additions during the year	Sales/Withdrawal	Cost as at 31-Mar-11	upto 01-Apr-10	Depreciation for the year	Sales/Withdrawal	upto 31-Mar-11	WDV 31-Mar-11	WDV 31-Mar-10
Land	63,75,000	0	0	63,75,000	0	0	0	0	63,75,000	63,75,000
Building	45,18,690	0	0	45,18,690	8,73,155	1,56,409	0	10,29,564	34,89,126	36,45,535
Plant & Machinery	8,45,96,745	13,26,911	0	8,59,23,656	6,44,50,291	56,99,891	0	7,01,50,181	1,57,73,475	2,01,46,455
Electrical Fittings	48,12,699	2,67,503	0	50,80,202	25,93,578	5,39,128	0	31,32,706	19,47,496	22,19,121
Vehicles	67,60,065	4,35,841	0	71,95,906	30,35,792	4,33,196	0	34,68,988	37,26,918	37,24,273
Furniture & Fittings	68,19,013	2,38,334	0	70,57,347	59,29,487	3,84,251	0	63,13,739	7,43,608	8,89,525
	<b>11,38,82,212</b>	<b>22,68,589</b>	<b>0</b>	<b>11,61,50,802</b>	<b>7,68,82,303</b>	<b>72,12,875</b>	<b>0</b>	<b>8,40,95,178</b>	<b>3,20,55,623</b>	<b>3,69,99,909</b>
Previous YE 31- Mar- 2010	10,75,74,598	87,85,118	24,77,504	11,38,82,212	6,95,27,405	73,54,897	0	7,68,82,303	3,69,99,909	3,80,47,192

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

Schedule	31-Mar-2011 Rs	31-Mar-2010 Rs
<b>7. Investments: (Valued At Cost)</b>		
Quoted :		
100 Equity Shares of Rs.10 each		
- Union Bank of India	1,600	1,600
	1,600	1,600
	Quoted	Quoted
Cost	1,600	1,600
Face Value	1,000	1,000
Market Value	34,745	29,080
<b>8. Debtors: Considered Good</b>		
<b>Outstanding for a period less than 6 months</b>		
- from others	6,67,31,039	5,65,93,833
Other Debts		
- from others	28,39,112	24,47,386
Doubtful Debts	25,45,335	19,74,539
Less: Provision for Doubtful Debts		
- Upto last year	(19,74,539)	(9,65,959)
- For the year	(5,70,795)	(10,08,580)
	6,95,70,152	5,90,41,219
<b>9. Cash &amp; Bank Balances:</b>		
Cash in hand	5,91,427	4,27,900
Balance with Scheduled Banks		
- Current Account	40,340	39,28,263
- Fixed Deposits	9,57,703	7,13,977
- EEFC A/c (In US Dollars)	75,032	70,456
Balance with Non-Scheduled Banks		
- Current Account (In US Dollars)	1,05,18,879	73,38,667
	1,21,83,381	1,24,79,263
<b>10. Loans &amp; Advances :</b>		
Advances - Considered Good	2,13,83,591	2,66,59,213
Staff Advances	8,29,346	3,64,379
Deposits	4,89,718	2,77,075
Prepaid Expenses	2,47,488	1,27,483
	2,29,50,143	2,74,28,150
<b>11. Current Liabilities &amp; Provisions:</b>		
<b>A. Current Liabilities:</b>		
Liability for Purchases (Due from Micro/SMEs - Nil)	3,25,233	51,328
Liability for Expenses	1,92,19,929	1,40,72,944
Liability for Other Finance	8,69,264	64,35,54
Interest Accrued But no due	2,60,432	1,97,758
<b>B.Provisions:</b>		
Provision for Income Tax	4,58,090	0
	2,11,32,948	2,07,57,571

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

Schedule	31-Mar-2011 Rs	31-Mar-2010 Rs
<b>12. Income from Software Development, Product &amp; Services - Overseas:</b>		
Onsite Software Services	11,73,77,703	11,40,68,278
Offshore Software Services	5,24,54,418	4,37,74,635
Business Process Outsourcing Services	63,18,478	82,78,611
	17,61,50,599	16,61,21,524
<b>13. Other Income:</b>		
Interest Receipts	70,983	61,060
Foreign Exchange Income	46,29,098	13,27,679
Sundry Receipts	12,97,228	9,09,480
	59,97,309	22,98,219
<b>14. Cost of Services:</b>		
Cost of Services-Overseas	8,46,41,752	8,66,73,970
Cost of Services - Domestic	3,71,29,307	3,23,78,638
Transcription charges	3,50,490	10,87,971
Project Fees	78,34,127	90,92,361
Staff Welfare	61,24,028	58,50,345
Staff Training	3,28,945	4,62,890
Contribution to PF & ESI	21,86,678	18,91,982
Retirement benefits	75,613	3,45,405
HRD Expenses	42,24,846	3,77,348
	14,28,95,786	13,81,60,910
<b>15. Administrative Expenses:</b>		
Rent	36,67,146	41,84,340
Power & Fuel	18,90,708	16,17,298
Printing & Stationery	1,52,720	1,84,955
Communication Expenses	24,62,999	27,00,365
Director Remuneration	33,00,000	33,00,000
Marketing Expenses	20,72,050	15,02,582
Travelling Expenses	30,20,093	26,99,562
Membership, Subscription, Books & Periodicals	2,40,434	1,38,060
Taxes & Licences	71,22,039	71,96,274
Repairs & Maintenance	4,44,800	5,10,136
Building Maintenance	7,61,47	1,52,287
Vehicle Maintenance	6,59,213	6,72,637

Schedule	31-Mar-2011 Rs	31-Mar-2010 Rs
Auditors Remuneration	4,04,295	3,99,693
Other Fees to Auditors	20,189	8,272
Share Demat Expenses	1,26,294	1,26,470
Dot Com Expenses	1,98,314	1,42,152
ISO 9001 Expenses	39,910	1,33,455
Legal & Consultancy	2,34,468	3,34,193
Listing Fees	16,545	16,545
Bank Charges	4,59,278	4,60,731
Provision for Doubtful Debts	5,70,795	10,08,580
Other Administrative Expenses	16,22,007	11,89,480
	2,88,00,444	2,86,78,067
<b>16. Interest:</b>		
Interest paid to Bank - Cash Credit	7,35,853	2,86,350
Interest paid to Bank - Others	4,23,365	8,47,870
Interest paid on Fixed Deposits	6,43,848	6,74,540
Interest paid on Vehicle Loans	1,52,843	1,43,282
	19,55,909	19,52,042

Note

Statutory information and notes on accounts are disclosed in separate financial statements of holding and subsidiary companies. Since none of the above notes have material effect on the consolidated financial statements, separate notes on accounts have not been furnished along with Consolidated financial statements.

**For S. Lakshminarayanan Associates**  
Chartered Accountants

**S.Lakshminarayanan**  
Partner  
M.No.012024  
Firm Regn No.006609S

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

**C.Ganapathy**  
Executive Chairman

**S. Muthukumar**  
Director

**G.Suresh**  
Managing Director

**S. Mohan**  
Director

**CASH FLOW STATEMENT (CONSOLIDATED) FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011**

Schedule	31-Mar-2011 Rs in lakhs	31-Mar-2010 Rs in lakhs
<b>A</b>		
NET PROFIT BEFORE TAX & EXTRAORDINARY ITEMS	16.09	(57.86)
Adjustments for Depreciation	72.13	73.55
Interest	19.56	19.52
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	107.78	35.21
Adjustments for Trade & Other Receivables	(60.51)	248.60
Trade Payables	3.75	(115.92)
Miscellaneous Expenditure	0.00	0.00
CASH GENERATED FROM OPERATIONS	51.02	167.89
Income Tax	(4.46)	(1.60)
CASH FLOW BEFORE EXTRAORDINARY ITEMS	46.56	166.29
Extra ordinary items	1.46	(38.22)
Prior Period items	(0.05)	(4.88)
	47.97	123.19
<b>B</b>		
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(22.69)	(87.85)
Sale of Fixed Assets	0.00	24.77
NET CASH USED IN INVESTMENT ACTIVITIES	(22.69)	(63.08)
<b>C</b>		
CASH FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Secured Loans	(4.11)	(25.72)
Increase/(Decrease) in Unsecured Loans	(4.57)	(0.16)
Interest paid	(19.56)	(19.52)
NET CASH USED IN FINANCING ACTIVITIES	(28.24)	(45.40)
Net Increase/(Decrease) in Cash & Cash Equivalents	(2.96)	14.71
Add: Opening Balance of Cash & Cash Equivalents	124.79	110.08
Closing Balance of Cash & Cash Equivalents	121.83	124.79

**For S. Lakshminarayanan Associates**  
Chartered Accountants

**C.Ganapathy**  
Executive Chairman

**G.Suresh**  
Managing Director

**S.Lakshminarayanan**  
Partner  
M.No.012024  
Firm Regn No.006609S

**S. Muthukumar**  
Director

**S. Mohan**  
Director

Place : Coimbatore  
Date : 30<sup>th</sup> May, 2011

**Consolidated Segment Analysis for the year ended 31st March 2011 - Business Segment**

Sl.No.	Particulars	31-Mar-2011 (Audited) Rs. in Lakhs	31- Mar-2010 (Audited) Rs. in Lakhs
1	SEGMENT REVENUE		
	a) Software Services	1701.59	1597.84
	b) BPO Services	63.18	82.78
	C) Training	---	---
	Less : Inter Segment Revenue	---	---
	Net Sales/ Income from operations	1764.77	1680.62
2	SEGMENT RESULT (Profit before tax and Interest from each segment)		
	a) Software Services	(8.98)	(59.11)
	b) BPO Services	(15.34)	(2.21)
	Total	(24.32)	(61.32)
	Less : Interest	19.56	19.52
	Less : Other un-allocable expenditure	---	---
	Add : Other un-allocable Income	59.97	22.98
	Profit before tax & Extraordinary item	16.09	(57.86)
3	CAPITAL EMPLOYED		
	a) Software Services	944.27	914.86
	b) BPO Services	36.04	52.40
	Total	980.31	967.27

**Segment Analysis for the year ended 31st March 2011 - Geographical Segment**

Sl.No.	Particulars	31-Mar-2011 (Audited) Rs. in Lakhs	31- Mar-2010 (Audited) Rs. in Lakhs
1	SEGMENT REVENUE		
	a) North America	1666.67	1588.21
	b) Rest of the world	94.84	73.01
	c) India	3.26	19.41
	Less : Inter Segment Revenue	---	---
	Net Sales/ Income from operations	1764.77	1680.62
2	SEGMENT RESULT (Profit before tax and Interest from each segment)		
	a) North America	(89.57)	(121.54)
	b) Rest of the world	63.08	47.58
	c) India	2.17	12.65
	Total	(24.32)	(61.32)
	Less : Interest	19.56	19.52
	Less : Other un-allocable expenditure	---	---
	Add : Other un-allocable Income	59.97	22.98
	Profit before tax & Extraordinary item	16.09	(57.86)
3	CAPITAL EMPLOYED		
	a) North America	766.38	780.12
	b) Rest of the world	206.28	144.45
	c) India	7.65	42.69
	Total	980.31	967.27

# **CG-VAK SOFTWARE USA INC.**

## **FINANCIAL STATEMENTS**

### **MARCH 31, 2011**

100, Overlook Centre, 2nd Floor,  
Princeton, New Jersey-08540

#### **DIRECTOR'S REPORT**

To

The Members of **CG-VAK SOFTWARE USA INC.**,

Your Directors take great pleasure in presenting their 14th Annual Report and Financial Statements of the Corporation for the period ended March 31, 2011

##### **Review of Business**

Your corporation has sailed through a very challenging period. The total turnover has been \$ 2.536 million as against \$ 2.295 million in the previous year. The Company has achieved a net profit of \$0.032 million as against \$ 0.019 million in the previous year.

##### **Future Outlook**

The consulting service market is expected to be challenging and pricing pressure is expected to continue. Our offshore marketing team in India has been trained well on the US market and has already started contributing to our business. As a team we are making best efforts in improving the performance for the current year.

##### **Financial Statements**

The financial statements for the period ending March 31, 2011 detailing the revenue and expenditure, asset and liabilities and the operational cash flow have been appended with Auditor's report.

23<sup>rd</sup> May, 2011

**BERTIE.S**

Vice President

#### **AUDITOR'S REPORT**

To

The Shareholders of

##### **CG-VAK SOFTWARE USA INC**

We have compiled the accompanying balance sheet of CG-VAK SOFTWARE USA INC. as of March 31, 2011, and the related statements of income, retained earnings, and cash flows for the year then ended. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide assurance about whether the financial statements are in accordance with the accounting principles generally accepted in the United States of America.

Management is responsible for preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements.

Our responsibility is to conduct the compilation in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

23<sup>rd</sup> May, 2011

**L. NAGANANDA**

Certified Public Accountant



## CG-VAK SOFTWARE USA INC., NEW JERSEY

### BALANCE SHEET AS AT MARCH 31, 2011 (IN THOUSAND DOLLARS ONLY)

ASSETS	\$'000	LIABILITIES:	\$'000
<b>CURRENT ASSETS</b>		<b>CURRENT LIABILITIES</b>	
Cash in Bank (Note 1)	180	Accounts Payable & Accrued expenses	394
Accounts Receivable (Note 1)	1,148	Loans Payable	178
Prepaid expenses & Deferred Costs	393		
	<b>1,721</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>572</b>
<b>TOTAL CURRENT ASSETS</b>		<b>TOTAL LIABILITIES</b>	<b>572</b>
		<b>COMMITMENT &amp; CONTINGENCY (Note 2)</b>	
<b>FIXED ASSETS (Note 1)</b>		<b>STOCKHOLDERS' EQUITY</b>	
Computers & Office Equipment	92	Capital Stock	750
Computer Software	229	Retained Earnings <Deficit>	462
Office Furniture	8		
Automobile	30		
Total Fixed Assets	359	<b>STOCKHOLDERS' EQUITY</b>	<b>1,212</b>
Less: Accumulated Depreciation	300		
	<b>59</b>	<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>1,784</b>
<b>TOTAL NET FIXED ASSETS</b>			
<b>OTHER ASSETS</b>			
Deposits	4		
	<b>1,784</b>		
<b>TOTAL ASSETS</b>			

### STATEMENT OF INCOME & RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 2011 (IN THOUSAND DOLLARS)

	\$'000
<b>CONSULTING FEES</b>	2,536
<b>OPERATING EXPENSES (Schedule 1)</b>	2,491
<b>NET INCOME &lt;LOSS&gt; FROM OPERATIONS</b>	<b>45</b>
Provision for Income Taxes (Note 3)	12
<b>NET INCOME &lt;LOSS&gt;</b>	<b>33</b>
<b>RETAINED EARNINGS -Beginning of the Year</b>	429
	<b>462</b>
<b>RETAINED EARNINGS-End of the Year</b>	

## CG-VAK SOFTWARE USA INC., NEW JERSEY

### SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED MARCH 31, 2011 (IN THOUSAND DOLLARS)

<b>SCHEDULE-1</b>	<b>\$'000</b>
<b><u>OPERATING EXPENSES</u></b>	
Salary	1,761
Payroll taxes & Payroll processing	146
Visa Processing Professional fee & expenses	79
Employee Benefits	110
Consulting Fees	163
Marketing Expenses	41
Rent & Utility	47
Legal & Professional	7
Telephone & Telex	18
Office Supplies & Expenses	8
Internet & Web Site	3
Insurance	18
Travel	27
Bank charges	1
Postage	1
Interest	20
Automobile expense	7
Depreciation	33
Delivery and Freight	1
<b>TOTAL</b>	<b><u>2,491</u></b>

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2011 (IN THOUSAND DOLLARS)

<b>INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>\$'000</b>
Net Income		33
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization		33
Decrease <Increase> in Accounts Receivable		<81>
Decrease <Increase> in Prepaid Expenses & Deposits		144
Increase <Decrease> in Accounts Payable and Accrued Expenses, prior period adjustments		< 7 4 >
<b>NETCASH PROVIDED BY OPERATING ACTIVITIES</b>		<b><u>55</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets		<3>
<b>Net Cash Used in Investing Activities</b>		<b><u>&lt;3&gt;</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loans Borrowed <repaid>		<22>
<b>Net Cash Provided (Used) by Financing Activities</b>		<b><u>&lt;22&gt;</u></b>
Net Increase (Decrease) in Cash and Cash Equivalents		30
Cash and Cash Equivalents at Beginning of Year		<u>150</u>
<b>Cash and Cash Equivalents at End of Year (NOTE 1)</b>		<b><u>180</u></b>

 23<sup>rd</sup> May, 2011

**BERTIE.S**  
Vice President

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**CG-VAK SOFTWARE USA INC., NEW JERSEY**

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**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2011****NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- Organization**           :   The Corporation is incorporated under the laws of the State of New Jersey.
- Revenue Recognition**   :   Revenue and associated expenses are recorded on accrual basis.
- Accounts Receivable**   :   Accounts receivable have been adjusted for all known uncollectible accounts.
- Fixed Assets**           :   Fixed Assets are stated at cost. Expenditures, which substantially increase, estimated useful lives are capitalized. Maintenance, repairs and minor renewals are expended as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation or amortization are removed from the accounts and resulting gains or losses are included in operations. Depreciation for financial statement and income tax purposes is computed by the straight-line and accelerated methods respectively over the estimated useful lives of the respective assets.
- Cash Flows**            :   For purposes of the statement of cash flows, the corporation considers all highly liquid debt instruments purchases with a maturity of three months or less to be cash equivalents.

**NOTE 2           COMMITMENTS AND CONTINGENCIES**

- Lease Obligations**     :   The Corporation rents its office facilities under a non-cancelable operating lease which expires on March 31, 2012. The lease provides in part for the payment of contingent rentals based upon escalation of real estate taxes and certain operating expenses. Future minimum rental payments under the lease are as follows:

2011-2012	\$ 47,300
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**NOTE 3           INCOME TAXES**

Income tax provision represents Federal and State Corporate Income and franchise taxes.

23<sup>rd</sup> May, 2011

**BERTIE.S**  
Vice President

**CG-VAK SOFTWARE AND EXPORTS LIMITED**

Registered Office : 171, Mettupalayam Road, Coimbatore - 641 043

**PROXY FORM**

I/We .....of  
..... Member(s)  
of the above named Company, hereby appoint Sri ..... or failing him  
Sri ..... of .....in the district of  
..... as my/our proxy to vote for me/us on my/our  
behalf at the SIXTEENTH ANNUAL GENERAL MEETING of the Company to be held on Friday the 26th  
August 2011 at 4.35 P.M. at Hotel Annalakshmi, 106-A, Race Course, Coimbatore - 641 018.

Signed this ..... day of ..... 2011.

Reg. Folio No.

No. of Shares held :

Affix  
Rupee 1  
Revenue  
Stamp

Signature of the Member

The Companies Act, 1956 lays down that an instrument appointing a proxy shall be deposited at the  
Registered Office of the Company not less than 48 hours before the time of holding the Meeting.

**CG-VAK SOFTWARE AND EXPORTS LIMITED**

Registered Office : 171, Mettupalayam Road, Coimbatore - 641 043

**ATTENDANCE SLIP**

Full Name of the Member attending (IN BLOCK LETTERS).....

Full Name of the First Joint Holder .....

Name of the Proxy.....  
(To be filled in if the Proxy Form has duly deposited with the Company)

I hereby record my presence at the SIXTEENTH ANNUAL GENERAL MEETING of the Company to be  
held on Friday the 26th August 2011 at 4.35 P.M. at Hotel Annalakshmi, 106-A, Race Course, Coimbatore  
- 641 018.

Registered Folio No.

No. of Shares held :

\* Member's / Proxy's Signature

(\*To be signed at the time of handing over this slip)

## GREEN INITIATIVE IN THE CORPORATE GOVERNANCE

The Ministry of Corporate Affairs (MCA) has taken a 'Green initiative in the Corporate Governance' by allowing paperless compliances by companies vide its Circular Nos. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011 stating that the service of documents by the companies to its members can be made through electronic mode.

The advantages of sending documents in electronic mode are:

1. Receive communication promptly
2. Reduce paper consumption and save trees
3. Avoid loss of document in postal transit and
4. Save costs on paper and on postage

Considering the move taken by the MCA as a welcome step for the society at large, the Company has started sending documents such as notices of general meeting(s), audited financial statements, auditor's report, director's report etc., to the shareholders through e-mail. Please note that all such documents are also available on the Company's website [www.cgvak.com](http://www.cgvak.com).

We solicit your valuable co-operation and support in our endeavour to contribute our bit to the environment.

*Please send the below form to:*

**The Compliance Officer**

**CG-VAK Software And Exports Ltd**

**171 Mettupalayam Road, Coimbatore 641 043,**

**E-mail: [investorservices@cgvak.com](mailto:investorservices@cgvak.com)**

**Ph: 0422-2434491 or 2434492, Fax: 0422- 2440679**

YOU ARE REQUESTED TO FILL THE DETAILS IN THE FORMAT PROVIDED BELOW SO AS TO ENABLE THE COMPANY TO SEND THE DOCUMENTS THROUGH ELECTRONIC MODE.

### FORM

Folio No.: \_\_\_\_\_ (in case of members holding shares in physical form)

DP-ID No.: \_\_\_\_\_ Client ID No.: \_\_\_\_\_

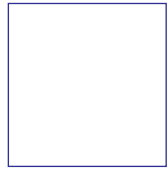
I/We \_\_\_\_\_ resident of \_\_\_\_\_  
being a member/members of CG-VAK Software And Exports Ltd, hereby agree to receive the communication/documents through electronic mode at \_\_\_\_\_  
(mention e-mail ID).

\_\_\_\_\_  
Signature of Member(s)

Note:

1. Members holding shares in dematerialized form are advised to register their e-mail address with the concerned Depository Participants.
2. Members holding shares in physical form are advised to update/register their e-mail address at [investorservices@cgvak.com](mailto:investorservices@cgvak.com).
3. Members holding shares in physical form are also requested to demat the same at the earliest.

BOOK - POST



To

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If undelivered please return to :



**CG-VAK**<sup>TM</sup>  
**SOFTWARE & EXPORTS LTD.**

An ISO 9001 : 2008 Certified Company

171, Mettupalayam Road  
Coimbatore - 641 043 India  
Ph : 91-422 - 2434491 / 92 / 93  
Fax : 91-422-2440679  
[www.cgvak.com](http://www.cgvak.com)