



CG-VAKTM
SOFTWARE & EXPORTS LTD.

An ISO 9001 : 2008 Certified Company

17th Annual Report 2012

BOARD OF DIRECTORS

Mr.C. Ganapathy, B.Sc., Agri.	Executive Chairman
Mr.M. Durairaj, M.Sc., B.Ed.,	Independent Director
Mr.S. Mohan, B.E.	Independent Director
Mr.S. Muthukumar B.Sc., B.E.	Independent Director
Mr.A.Sankar B.A	Independent Director
Mr.G.Suresh, B.E., M.B.A	Managing Director

COMPANY SECRETARY

Shainshad Aduvanni

AUDITORS

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

BANKERS

State Bank of India
Union Bank of India
Indian Overseas Bank
Bank of America

REGISTERED OFFICE

171, Mettupalayam Road
Coimbatore 641 043
INDIA

REGISTRARS & SHARE TRANSFER AGENTS

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

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 17th Annual General Meeting of CG-VAK Software And Exports Limited will be held on Friday the 21st day of September 2012 at 4.30 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 31st March 2012 and Auditors' Report thereon.
2. To appoint a Director in the place of Mr.S.Mohan, 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.

NOTES

1. 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.
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 no. 2.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, the 13th September, 2012 to Friday, the 21st September, 2012 (both days inclusive).
4. 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 : 30th May, 2012

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 NO. 2.

i. Name of the Director	Mr.S.Mohan
Age	51 years
Date of appointment on Board	28/10/2004
Date of last reappointment	26/08/2008
Expertise in specific functional areas	Marketing and General administration.
Qualification	B.E.,
No. of Equity Shares held in Company	1000 Equity Shares (as on 31.03.2012)
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

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

Place: Coimbatore
Date : 30th May, 2012

G. SURESH
Managing Director

DIRECTORS' REPORT

Dear Shareholders,

The Directors of your Company take pleasure in presenting the 17th Annual Report on the business of your Company and the Audited Financial Accounts for the year ended 31st March 2012.

FINANCIAL RESULTS 2011-12

During the year under review, your Company has achieved a turnover of **Rs. 659.99 Lakhs** as against **Rs. 633 Lakhs** in the previous year. There is a net loss of Rs. 123.67 lakhs as against the net Profit of Rs. 11.27 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. 19.55 crores** as compared to previous year was **Rs. 17.65 crores**.

REVIEW OF BUSINESS

The year under report had been a very challenging one for your Company due to slow recovery of North American economy, uncertainties in the global market and huge currency volatility.

The contributions of business from various markets were:

Software services contributed to 97% and BPO services 3 %.

Business from Offshore Software Services was Rs.639.78 lakhs during the year 2011-2012 as against Rs. 527.81 in the previous year. The increase has been at 21% compared with previous year.

Our BPO Service line has done a business of Rs. 20.20 lakhs during the year 2011-12 as against Rs. 63.18 lakhs during the previous year. There is a significant drop of 68% in the business due to many of our customers have stopped outsourcing and moved to EMR (Electronic medical records) as per new policies of the US government.

The company incurred huge loss due to expected projects not materialized for which company has already recruited staffs, Bad debts and Foreign exchange loss.

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 global market IT services market is expected to be challenging due to uncertainties in the European market and the slow recovery in the US market. However, the company has been growing positively in the offshore software services business and this momentum is likely to continue this year.

There has been significant success in terms of the Quality of service and we have received many client appreciations and significant amount of repeat business. In addition to North America, our business and customer base from Australia and Europe is also expanding as planned.

The company will continue its focus on the in OPD (Out-sourced Product development) market space where it has achieved significant success. Geographically the company is planning to strengthen its presence in the markets it is operating. The contribution from Software Services is expected to grow positively. The Company should perform better in the ensuing year FY 2012-13.

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 31st March, 2012.

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\$ 2.78 million during this year, compared to the US\$ 2.54 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

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr.S.Mohan retire from office by rotation, and being eligible offer himself for re-appointment at the ensuing Annual General Meeting of the Company.

Brief profile of the Director proposed to be re-appointed as required under Clause 49 of the Listing Agreement is annexed to the Notice convening the 17th Annual General Meeting forming part of this report.

AUDITORS

The Statutory Auditors of the Company M/s. S.Lakshminarayanan Associates, Chartered Accountants, Coimbatore, retire at the conclusion of the ensuing Annual General Meeting. The Statutory Auditors have confirmed their eligibility and willingness to accept the office on re-appointment. The Board recommends their re-appointment for the next term.

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 31st March, 2012.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

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 2011-2012, 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 2012 on a going concern basis.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company prepared in accordance with the applicable Accounting Standards forms a part of this Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report for the year under review, as stipulated under clause 49 of the Listing Agreement is presented in a separate section forming part of the Annual Report.

CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of Corporate Governance. Company continues to be compliant with the requirements enshrined in clause 49 of the Listing Agreement which relates to Corporate Governance.

A Report on Corporate Governance as stipulated under clause 49 of the Listing Agreement forms part of the Annual Report. A certificate from the Statutory Auditors of the Company, confirming compliance with the conditions of Corporate Governance, as stipulated under clause 49 forms part of this Report.

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 : 30th May, 2012

C.GANAPATHY
Chairman

Addendum to the Auditors' Report to the members of M/s. CGVAK Software And Exports Limited

With reference to the auditors' remark on non provision of gratuity claim (note no.4.11), we wish to state that no provision has been made as:

- a) The terms of appointment of former Managing Director, does not contain provisions for payment of gratuity and
 - b) The director was a Non Executive Director and did not take salary and hence he is not eligible for gratuity.
- The company has disputed the claim and the same is pending before the Labour Court.

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

Place: Coimbatore
Date : 30th May, 2012

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. 6,71,64,394 |
| 2. Foreign Exchange Outgo: | |
| (a) Foreign Travel : | Rs. 5,54,321 |
| (b) Cost of Services : | Rs. 1,80,028 |
| (c) Others : | Rs. 1,89,350 |
| Total: | Rs. 9,23,699 |

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

Place: Coimbatore
Date : 30th May, 2012

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 st March, 2012 |
| 3. No. of shares held in the Subsidiary
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
for the current financial year of the
Subsidiary so far as it concerns the
members of the holding company | : | |
| a. Dealt with or provided in the
accounts of the holding company | : | Nil |
| b. Not dealt with or provided in
the accounts of the holding company | : | USD 38, 469 |
| 6. The net aggregate of profit or losses
for the previous financial years of the
subsidiary so far as it concerns the
members of the holding company, | : | |
| a. Dealt with or provided in the
accounts of the holding company | : | Nil |
| b. Not dealt with or provided in
the accounts of the holding company | : | USD 4,61,840 |

G.Suresh
Managing Director

C.Ganapathy
Executive Chairman

S.Muthukumar
A.Sankar
Directors

Shainshad Aduvanni
Company Secretary

Place : Coimbatore
Date : 30th May 2012

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 four 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 01.04.2011 to 31.03.2012)	Attendance at Last AGM	No. of other Directorships held in Public Companies*	No. of Membership (M)/ Chairmanship (C) in other Board Committee(s)*
						(As on 31.03.2012)
1.	Mr.C.Ganapathy, Executive Chairman	Promoter, Executive Director	8	Yes	NIL	NIL
2.	Mr.G.Suresh, Managing Director	Promoter, Executive Director	8	Yes	NIL	NIL
3.	Mr.M.Duraiaraj	Independent, Non-Executive Director	1	No	NIL	NIL
4.	Mr.S.Muthukumar	Independent, Non-Executive Director	8	Yes	NIL	NIL
5.	Mr. S.Mohan	Independent, Non-Executive Director	3	No	NIL	NIL
6.	Mr.A. Sankar ¹	Independent, Non-Executive Director	6	Yes	NIL	NIL

Eight Board Meetings were held during the 12 month period ended 31.03.2012. The dates of the Board Meetings were held are 15.04.2011, 29.04.2011, 30.05.2011, 20.07.2011, 30.07.2011, 18.10.2011, 14.11.2011 and 09.02.2012.

* Directorships in Private Limited Companies, Foreign Companies and Companies under section 25 of the Companies Act, 1956 are excluded for this purpose.

¹ Mr. A. Sankar was appointed as additional director by the Board w.e.f. 30th May, 2011. He was also appointed as a Director by the Shareholders at the Annual General Meeting held on 26th August, 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 Four 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	2
3.	Mr.M.Duraiaraj	5	0
4.	Mr.A. Sankar ¹	5	3

The Committee met five times during the year on 29.04.2011, 28.05.2011, 30.07.2011, 14.11.2011 and 09.02.2012.

¹ Mr. A. Sankar was appointed as a Member of Audit Committee by the Board w.e.f 20.07.2011

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
1.	Mr.S.Muthukumar, Chairman
2.	Mr. S.Mohan
3.	Mr.M.Durairaj

The Committee has not met during the year under review.

Details of the remuneration paid to the Directors during the year ended 31st March 2012.

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 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 31.03.2012.

II. Non-Executive Directors

Remuneration by way of sitting fees is paid to all non-executive directors at the rate of Rs. 2000/- for attending each meeting of the Board.

Sl. No.	Name	Sitting Fees(Rs.)
1.	Mr.S.Muthukumar	16,000
2.	Mr.S.Mohan	6,000
3.	Mr.M.Durairaj	2,000
4.	Mr.A.Sankar	12,000

Details of Equity Shares of the Company held by Non-Executive Directors as on 31st March 2012:

Sl. No.	Name	No.of Equity Shares
1.	Mr.S.Muthukumar	2,500
2.	Mr.S.Mohan	1,000
3.	Mr.M.Durairaj	10,000
4.	Mr.A.Sankar	Nil

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

During the year 2011-2012, No complaint were received from shareholders to the Company.

The Investor's Grievance Committee consists of One Executive Director and Three Independent Directors. The Chairman of the Committee is an Independent Director.

The Committee met five times during the year on 29.04.2011, 28.05.2011, 30.07.2011, 14.11.2011 and 09.02.2012

Sl.No	Name of the Director	No. of Meetings Held	No. of Meetings Attended
1.	Mr.S.Muthukumar, Chairman	5	5
2.	Mr. C. Ganapathy	5	5
3.	Mr. S.Mohan	5	2
4.	Mr.A.Sankar ¹	5	3

¹ Mr. A. Sankar was appointed as a Member of Investors' Grievance Committee by the Board w.e.f 20.07.2011

Mr. Shainshad Aduvanni, the Company Secretary is the Compliance Officer of the Company.

The Company has exclusively designated the following e-mail id for Investor Relations: shainshad@cgvakindia.com, chandru@cgvakindia.com. Members can also send e-mail to investorservices@cgvak.com

VI. Annual General Meetings

Year	Type	Location	Date	Time	Special Resolutions passed by the Shareholders
2009	AGM	Hotel Annalakshmi, 106-A, Race Course, Coimbatore	31.08.2009	4.30PM	NIL
2010	AGM	Hotel Annalakshmi, 106-A, Race Course, Coimbatore	30.08.2010	4.30PM	NIL
2011	AGM	Hotel Annalakshmi, 106-A, Race Course, Coimbatore	26.08.2011	4.35PM	Re-appointment of Mr.C.Ganapathy Executive Chairman for a period of 5 years w.e.f. 01.07.2011

Postal Ballot

No resolutions were passed by Postal ballot in the year under review

VII. Code of Conduct

- The company is adopting Code of Conduct for all the Directors and Senior Management Personnel. The CEO Certificate on Compliance is furnished separately.
- 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

- There are no materially significant related party transactions that may have potential conflict with the interests of Company at large
- There has been no instance 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 show cause notice vide their letter dated 18th November, 2010 and subsequently issued an order dated 17th May, 2011 and has suspended trading of securities for 5 days from 25th May, 2011 to 31st May, 2011 for various non-compliances.
- The Company is not implementing whistle blower Policy. However no personnel have been denied access to the Audit Committee of the Company.
- The Company has implemented all mandatory requirement of Clause 49 of the listing agreement. Details of Compliance of non mandatory requirement are given below.
 - Chairman of the Board The Company has an Executive Chairman.
 - 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

- Periodical Financial 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. The results are also displayed on the Company's website at www.cgvak.com.
- The Company is filling/submitting its Shareholding Pattern, Financial Results and Report on Corporate Governance on quarterly basis to the Stock Exchanges.

X. General Information for Shareholders:

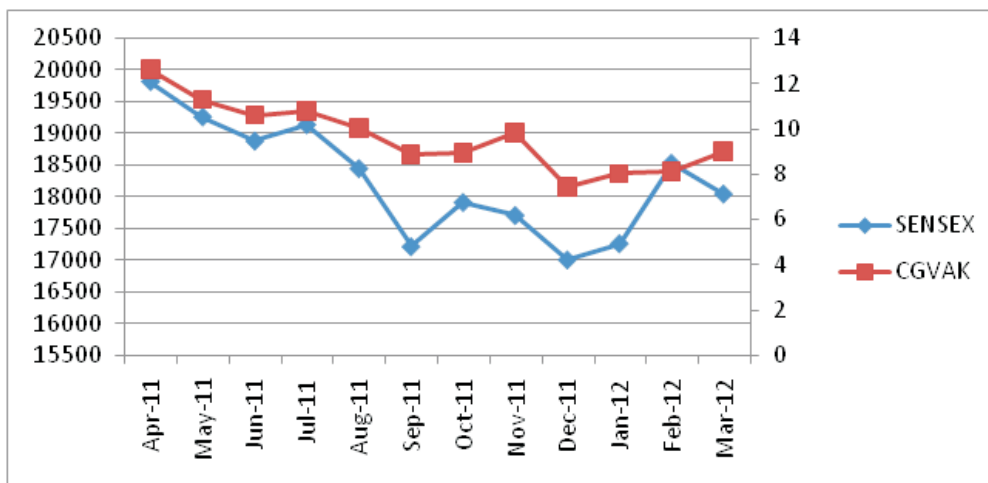
- AGM Date , Time & Venue : 21st September, 2012
4.30 pm
Hotel Annalakshmi
106-A, Race Course Road,
Coimbatore 641018.

- | | |
|---|--|
| <p>2. Financial Calendar for the year 2012 - 2013
 Results for Quarter Ending June 30, 2012
 Results for Quarter Ending September 30, 2012
 Results for Quarter Ending December 31, 2012
 Results for Quarter Ending March 31, 2013</p> <p>3. Date of Book Closure</p> <p>4. Dividend payment due date</p> <p>5. Listing on Stock Exchange</p> <p>Type of Security</p> <p>6. Stock Code
 ISIN</p> <p>7. Application for delisting of shares from Coimbatore Stock Exchange filed.</p> | <p>Will be published on or before:
 14th August, 2012
 14th November, 2012
 14th February, 2013
 30th May, 2013
 13th September, 2012 to 21st September, 2012
 (Both days inclusive)
 No dividend recommended
 Bombay Stock Exchange,
 P.J.Towers, Dalal Street,
 Mumbai 400 001.
 Equity
 531489, CG VAK SOF E
 INE084D01010</p> |
|---|--|

8. Market Price Data
Share Price for the year 2011 - 12

Month	High	Low	Close
Apr 2011	12.63	9.97	10.75
May 2011	11.28	9.53	10.59
Jun 2011	10.60	9.40	10.19
Jul 2011	10.79	8.32	9.13
Aug 2011	10.02	7.90	9.33
Sep 2011	8.87	7.35	8.09
Oct 2011	8.91	8.09	8.90
Nov 2011	9.80	7.08	7.08
Dec 2011	7.42	6.74	7.05
Jan 2012	8.02	6.61	7.75
Feb 2012	8.12	6.50	7.72
Mar 2012	9.00	7.34	7.70

9. Movement of Share Price – BSE during 2011 - 2012



10. Registrar and Share Transfer Agents : S.K.D.C. Consultants Ltd.,
 Kanapathy Towers, 3rd 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 2012

Value (Rs.)	No. of Share Holders	%	Amount(Rs.)	%
Upto – 5,000	2,812	81.44	54,21,640	10.71
5,001 – 10,000	346	10.02	29,73,840	5.99
10,001 – 20,000	121	3.50	19,23,050	3.80
20,001 – 30,000	71	2.06	18,06,630	3.57
30,001 – 40,000	14	0.41	5,00,130	0.99
40,001 – 50,000	22	0.64	9,99,760	1.98
50,001 – 1,00,000	27	0.78	21,13,530	4.18
1,00,000 and above	40	1.16	3,48,61,420	68.90
Total	3,453	100.00	5,06,00,000	100.00

Shareholding pattern as on 31st March 2012

Category	No. of Shares Held	% of Shares held
Promoter and Promoter Group	18,33,389	36.23
Domestic Bodies Corporate	69,701	1.38
Non Resident Indians	12,823	0.25
Indian Public and Others	31,44,087	62.14
Total	50,60,000	100.00

13. Shares dematerialised as on 31.03.2012 : **88.90%**
 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, 3rd Floor
1391/A-1 Sathy Road, Ganapathy
Coimbatore 641 006.
Phone : 0422 – 6549995, 2539835, 2539836
Fax : 0422 – 2539837
e-mail : 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 : shainshad@cgvakindia.com
chandru@cgvakindia.com
investorservices@cgvak.com

16. Website of the Company : www.cgvak.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,
2nd 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 : 30th May, 2012

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 in its meeting held on.
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 31st March, 2012

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

Place : Coimbatore
Date : 30th May, 2012

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 31st March 2012 and that to the best of our 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 our knowledge and belief, no transactions entered into by the company during the year 2011-2012 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 : 30th May, 2012

G.Suresh
Managing Director / CEO

P.S.Subramanian
Chief Financial Officer

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

The Global economic environment recorded a trend of slow recovery and had volatility in currency and economic growth.

Global technology and related products and services spend is estimated to have crossed USD 1.7 trillion in 2011 showing a steady growth of 5.4% over 2010

The Indian Software and BPO export industry faced a challenging year due to slow recovery of the global economy and huge volatility in the currency.

During the year under review the Indian IT and related services export was estimated grow at 16.3% over last year. The Export revenue is likely to reach USD 69 billion. India continues to be the leader in global sourcing with an approximate market share of 58%. 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.660 lakhs as against Rs. 633 lakhs in the previous year. The net loss for the year is Rs. 123.67 lakhs as against the net Profit Rs. 11.27 lakhs in the previous year.

The company incurred huge loss due to expected projects not materialized for which company has already recruited staffs, Bad debts and Foreign exchange loss. 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 97% and BPO services 3%. Business from Software services for the year was Rs.640 lakhs as against Rs. 570 lakhs last year.

Business from Offshore Software Services was Rs.640 lakhs during the year 2011-2012 as against Rs. 528 lakhs in the previous year. The increase has been at 21% compared with previous year.

Business from BPO Services was Rs.20 lakhs during the year 2011-2012 as against Rs.63 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 practioners 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.0.13 lakhs as against Rs. 3.26 lakhs in the previous year.

There has been a significant increase in the offshore component of the revenue. Offshore business has grown by 12% over last year. Out of which Software services has grown by 21%.

4. Opportunities, Threats, Risks and Concerns

The company is seeing traction on the Outsource Product Development (OPD) market segment from North America and on Mobility. 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 well 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. The company is now adopting a very cautious approach in hedging the currency. High dependency on the North American market is again a risk, which we are trying to mitigate by expanding the geographical spread of our market. Currently we get over 69% of our business from the North America.

5. Outlook for the future:

The Global IT outsourcing market is expected to grow at about 8% and the IT –BPO exports from India is expected to grow 11-14% during the year 2012-13. Though cost is a major factor in outsourcing, the company has been building domain expertise, innovative delivery methods in the Outsourced Product Development space that will help in differentiating our service offerings to win deals. The strategy of focusing on offshore services has yielded results and that trend would continue this year. A positive growth and on the overall business is expected in the current year which will turn around the company from losses.

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 31st March 2012 the employee strength stood at 176.

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

Place: Coimbatore
Date : 30th May, 2012

C.GANAPATHY
Chairman

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
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 31st March, 2012 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 implementation 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 explanations given to us, and the representation made by 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 shareholder/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.

Place : Coimbatore
Date: 30th May, 2012

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

**Auditors' 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 31st March 2012, the Profit and Loss Statement 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 and Profit and 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 and Loss account and Balance Sheet read together with 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 31st March, 2012 and taken on record by the board of directors, we report that none of the directors are disqualified as of 31st March, 2012 from being as directors in terms of section 274(1)(g) of the companies Act, 1956.
 - (f) Attention is invited to Note No.4.11 (regarding non-provision for gratuity claim).
 - (g) 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 and Loss account read together 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 31st March, 2012.
 - (ii) in the case of the Statement of Profit and Loss account of the LOSS 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.

Place : Coimbatore
Date: 30th May, 2012

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

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 has 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 in to 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 directions 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 Deposits) Rules 1975, with regard to deposits accepted from the public. According to the information and explanation given to us, 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) (d) 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, but has not incurred cash losses 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.

Place : Coimbatore
Date: 30th May, 2012

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

BALANCE SHEET AS AT 31ST MARCH 2012

Note No			31-Mar-2012 Rs	31-Mar-2011 Rs
I	<u>EQUITY & LIABILITIES:-</u>			
	<u>Shareholders' Funds:</u>			
1	Share Capital	2.01	5,05,33,700	5,05,33,700
2	Reserves & Surplus	2.02	1,41,73,252	2,65,41,180
			6,47,06,952	7,70,74,880
	<u>Non Current Liabilities:-</u>			
3	Long Term Borrowings	2.03	77,31,433	55,35,563
4	Other Long Term Liabilities		2,94,958	2,98,451
5	Long Term Provisions		17,74,385	17,03,066
			98,00,776	75,37,080
	<u>Current Liabilities:-</u>			
6	Trade Payables		54,17,956	53,35,867
7	Other Current Liabilities	2.04	1,21,12,340	1,32,36,012
8	Short Term Provisions	2.05	0	1,85,000
			1,75,30,296	1,87,56,879
			9,20,38,024	10,33,68,839
II	<u>Assets:</u>			
	<u>Non Current Assets</u>			
1	Fixed Assets	2.06		
i	Tangible Assets		1,87,91,869	1,97,01,417
ii	Intangible Assets		79,06,888	97,84,812
			2,66,98,757	2,94,86,229
2	Non Current Investments	2.07	3,31,01,761	3,31,01,761
3	Deferred Tax Asset (net)	2.08	17,19,184	1,16,416
4	Long Term Loans & Advances	2.09	1,10,28,333	1,29,77,307
	<u>Current Assets</u>			
5	Trade Receivables	2.10	1,54,49,660	1,81,76,154
6	Cash & Cash Equivalents	2.11	14,24,791	41,06,627
7	Short Term Loans & Advances	2.12	25,75,433	53,57,543
8	Other Current Assets		40,105	46,802
	Total Current Assets		1,94,89,989	2,76,87,126
			9,20,38,024	10,33,68,839

As per Report of even date

For S Lakshminarayanan Associates
 Chartered Accountant
 S Lakshminarayanan
 Partner (M.No.012024)
 Firm Regn No.006609S

G.Suresh
Managing Director

S.Muthukumar
 A.Sankar
Directors

C.Ganapathy
Executive Chairman

Shainshad Aduvanni
Company Secretary

Place : Coimbatore
 Date : 30th May 2012

PROFIT & LOSS STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

Note No			31-Mar-2012 Rs	31-Mar-2011 Rs
	<u>Income:</u>			
I	Revenue from Operations	3.01	6,59,98,517	6,33,06,961
II	Other Income	3.02	14,16,276	65,59,339
	Total Revenue		6,74,14,793	6,98,66,300
III	<u>Expenditure:</u>			
	Employee Benefit Expense	3.03	5,33,80,368	4,73,01,685
	Operating & Other Expenses	3.04	1,93,34,428	1,38,30,272
	Finance Cost	3.05	24,19,188	19,46,481
	Depreciation & Amortization		62,51,505	58,22,998
			8,13,85,489	6,89,01,436
IV	Profit/ (Loss) Before Taxes		(1,39,70,696)	9,64,864
V	Tax Expense			
	Current Tax		0	185000
	Deferred Tax		(16,02,768)	(3,47,000)
			(16,02,768)	(1,62,000)
VI	Profit / (Loss) for the Year		(1,23,67,928)	11,26,864
	Earnings Per Share (par value of Rs.10 each) (Basic & Diluted)		(2.44)	0.22

As per Report of even date

For S Lakshminarayanan Associates
 Chartered Accountant
 S Lakshminarayanan
 Partner (M.No.012024)
 Firm Regn No.006609S

G.Suresh
Managing Director

S.Muthukumar
 A.Sankar
Directors

C.Ganapathy
Executive Chairman

Shainshad Aduvanni
Company Secretary

Place : Coimbatore
 Date : 30th May 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

	31-Mar-2012 Rs	31-Mar-2011 Rs
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (Loss) Before Tax and Extra-Ordinary Items	(1,39,70,696)	9,64,864
<u>Adjustments for</u>		
Depreciation & Amortization	62,51,505	58,22,998
Finance Cost	24,19,188	19,46,482
Operating Profit/ (Loss) Before Working Capital Changes	(53,00,003)	87,34,344
<u>Adjustments for</u>		
Increase / (Decrease) in Trade & Other Receivables	77,26,775	(40,61,284)
Increase / (Decrease) in Trade & Other Payables	1,21,847	(22,74,148)
Changes in Working Capital	78,48,622	(63,35,432)
Cash Generated From Operations	25,48,619	23,98,912
Tax Expense	0	(1,85,000)
Net Cash Generated from Operating Activities	25,48,619	22,13,912
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(37,85,925)	(21,18,373)
Sale of Fixed Assets	3,21,893	0
Net Cash Generated from Investing Activities	(34,64,032)	(21,18,373)
C CASH FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	6,52,765	3,21,693
Finance Cost	(24,19,188)	(19,46,482)
Net Cash Generated from Financing Activities	(17,66,423)	(16,24,789)
Net Increase/(Decrease) in Cash & Cash Equivalents	(26,81,836)	(15,29,250)
Add:Opening Balance of Cash & Cash Equivalents	41,06,627	56,35,877
Closing Balance of Cash & Cash Equivalents	14,24,791	41,06,627

As per Report of even date

For S Lakshminarayanan Associates
 Chartered Accountant
 S Lakshminarayanan
 Partner (M.No.012024)
 Firm Regn No.006609S

G.Suresh
Managing Director

 S.Muthukumar
 A.Sankar
Directors

C.Ganapathy
Executive Chairman

 Shainshad Aduvanni
Company Secretary

Place : Coimbatore
 Date : 30th May 2012

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS

Note No	31-Mar-2012 Rs	31-Mar-2011 Rs
1.00	Significant Accounting Policies	
a	<u>Fixed Assets:</u>	
	Fixed assets are stated at cost less accumulated depreciation. The carrying amount 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 whenever the carrying amount of an asset exceeds its recoverable amount. The reduction is treated as impairment loss and recognised in the statement of profit & loss account.	
b	<u>Investments:</u>	
	Investments held are all long term based on Management's intention at the time of purchase. Cost of overseas investments comprise of Indian rupee value of consideration paid for the investment translated at the exchange rate prevailing at the date of investment.	
c	<u>Current Assets:</u>	
	Trade Receivables are stated at net realisable value	
d	<u>Income recognition:</u>	
	Revenue from software development services, products are recognised when services are recognised on completion of contract or stage of completion as per applicable terms and conditions agreed with customers. Revenue from contracts priced on time are recognised when services are rendered and related costs incurred.	
e	<u>Foreign Currency Transaction:</u>	
	Foreign currency denominated monetary assets are translated at the exchange rates prevailing on the date of the balance sheet. Items of revenue and expenditure are translated at the rates prevailing on the date of the transaction. The resultant differences are recognised in the Statement of Profit & Loss account.	
f	<u>Retirement Benefits</u>	
	Company provides for gratuity for eligible employees determined by actuarial valuation.	
g	<u>Forward Contracts in foreign currencies</u>	
	The company uses forward contracts to hedge its exposure to movements in foreign exchange rates. The use of these forward contracts reduce the risk or cost of the company and not used for speculative or trading purposes.	
2.01	<u>Share Capital:</u>	
i	<u>Authorised Capital:</u>	
	70,00,000 Equity Shares of Rs.10 each	7,00,00,000
ii	<u>Issued, Subscribed & Paid-Up Capital:</u>	
	50,60,000 Equity Shares of Rs.10 each	5,06,00,000
	Less: Calls in Arrears (Due from Directors - Nil)	66,300
		5,05,33,700
iii	<u>Reconciliation of number of Equity shares:-</u>	
	Shares outstanding as at 1st April 2011/ 1st April 2010	50,60,000
	Changes during the year	0
	Shares outstanding as at 31st March 2012/ 31st March 2011	50,60,000

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS

Note No	31-Mar-2012 Rs	31-Mar-2011 Rs																				
iv	List of shares held by shareholders holding more than 5% of the Aggregate shares in the company:-																					
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Name of the Shareholder</th> <th style="text-align: center;">Nos</th> <th style="text-align: center;">Shares held</th> <th style="text-align: center;">Shares held</th> </tr> </thead> <tbody> <tr> <td>Mr.G.Suresh</td> <td style="text-align: center;">Nos</td> <td style="text-align: right;">8,78,243</td> <td style="text-align: right;">8,32,465</td> </tr> <tr> <td>Mr.K.V.Kamaraj</td> <td style="text-align: center;">Nos</td> <td style="text-align: right;">5,21,674</td> <td style="text-align: right;">5,21,674</td> </tr> <tr> <td>Mr.C.Ganapathy</td> <td style="text-align: center;">Nos</td> <td style="text-align: right;">4,06,350</td> <td style="text-align: right;">4,06,350</td> </tr> <tr> <td>Mrs.S.Latha</td> <td style="text-align: center;">Nos</td> <td style="text-align: right;">3,55,686</td> <td style="text-align: right;">2,55,686</td> </tr> </tbody> </table>		Name of the Shareholder	Nos	Shares held	Shares held	Mr.G.Suresh	Nos	8,78,243	8,32,465	Mr.K.V.Kamaraj	Nos	5,21,674	5,21,674	Mr.C.Ganapathy	Nos	4,06,350	4,06,350	Mrs.S.Latha	Nos	3,55,686	2,55,686
Name of the Shareholder	Nos	Shares held	Shares held																			
Mr.G.Suresh	Nos	8,78,243	8,32,465																			
Mr.K.V.Kamaraj	Nos	5,21,674	5,21,674																			
Mr.C.Ganapathy	Nos	4,06,350	4,06,350																			
Mrs.S.Latha	Nos	3,55,686	2,55,686																			
v	The company has issued only one class of equity shares having a par value of Rs.10/share																					
2.02	<u>Reserves & Surplus:</u>																					
i	1,00,00,000	1,00,00,000																				
ii	Surplus in Profit & Loss Account																					
	Opening Balance	1,65,41,180																				
	Add/ (Less): Profit / (Loss) for the Year	11,26,864																				
	Profit & Loss Account - Surplus	1,65,41,180																				
	1,41,73,252	2,65,41,180																				
2.03	<u>Long Term Borrowings:-</u>																					
	<u>Secured Loans:-</u>																					
1	8,89,628	0																				
i	Hypothecation of assets acquired out of bank finance and second charge on the current assets																					
ii	Second charge over current assets to cover term loan exposure																					
iii	Personal Guarantee of The Managing Director & Executive Chairman																					
iv	Loan has not been fully availed as on the date of the balance sheet.																					
v	Extension of Equitable mortgage over land and building as collateral																					
vi	Interest paid @ 14.25% p.a.																					
vii	Total No of Instalments - 60; repayment commencing April 2012																					
viii	There is no continuing default in respect of this loan																					
	<u>Unsecured Loans:-</u>																					
2	60,85,000	50,40,000																				
i	Fixed deposits are accepted maturity ranging between 1 and 3 years																					
ii	Interest paid @ 11% p.a.																					
iii	There are no continuing defaults in respect of fixed deposits																					
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iii Kotak Mahindra Prime Ltd	0	17																				
	6,48,110	2,38,920																				
	Interest rates range between 8.5% % to 17.50 % on the above vehicle loans																					

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS

Note No		31-Mar-2012 Rs	31-Mar-2011 Rs
2.04	Other Current Liabilities		
a	Secured Current Maturities of Long term Debt		
i	State Bank of India - Term Loan - II Hypothecation - machinery, equipment acquired out of bank finance; second charge on the current assets; Loan has since been fully settled as of October 2011.	0	4,72,092
ii	State Bank of India - Term Loan - III Hypothecation of assets acquired out of bank finance and second charge on the current assets. Personal Guarantee of The Managing Director & Executive Chairman. Loan has not been fully availed as on the date of the balance sheet.	6,00,000	0
iii	State Bank of India Cash Credit Sanctioned Limit of Rs.1 Crore Hypothecation of Receivables due within 60 days, machinery, electrical fittings. Equitable Mortgage over land & building. Personal Guarantee of The Managing Director & Executive Chairman.	76,60,144	97,95,327
b	Unsecured Current Maturities of Long Term Debt:		
i	Fixed Deposits	17,07,200	8,63,410
ii	Vehicle Loans	8,13,546	9,30,666
c	Other payables		
i	Advance received from Customers	15,574	15,333
ii	Creditors for purchase of Assets	2,73,807	3,25,233
iii	Interest Accrued But not due on Fixed Deposits	5,70,124	2,60,432
iv	Other Current Liabilities	4,71,945	5,73,519
		1,21,12,340	1,32,36,012
2.05	Short Term Provisions		
i	Provision for Income Tax	0	18,500

2.06 Fixed Assets Schedule

Particulars	COST BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Cost As at 01- Apr- 11	Additons during the year	Sales/ Withdrawal	Cost as at 31- Mar- 12	upto 01- Apr- 11	Depreciation for the year	Sales/ Withdrawal	upto 31- Mar- 12	WDV 31- Mar- 12	WDV 31- Mar- 11
Tangible Fixed Assets										
Land	63,75,000	0	0	63,75,000	0	0	0	0	63,75,000	63,75,000
Building	45,18,689	0	0	45,18,689	10,29,564	71,498	0	11,01,062	34,17,627	34,89,125
Plant & Machinery	3,74,27,732	9,38,415	0	3,83,66,147	3,40,08,463	10,93,097	0	3,51,01,560	32,64,587	34,19,269
Electrical Fittings	50,80,202	3,17,931	5,94,422	48,03,711	31,32,706	5,37,358	2,72,529	3,39,75,35	14,06,176	19,47,496
Vehicles - Freehold	18,53,474	0	0	18,53,474	13,13,999	86,636	0	14,00,635	4,52,839	5,39,475
Vehicles - Leasehold	40,11,207	4,36,019	0	44,47,226	8,23,763	4,15,582	0	12,39,345	32,07,881	31,87,444
Furniture & Fittings	66,87,368	5,44,724	0	72,32,092	59,43,760	6,20,573	0	65,64,333	6,67,759	7,43,608
Sub Total - Tangible Assets	6,59,53,672	22,37,089	5,94,422	6,75,96,339	4,62,52,255	28,24,744	2,72,529	4880470	1,87,91,869	1,97,01,417
Previous YE 31-Mar-2011	6,39,83,643	19,70,029	0	6,59,53,672	4,38,08,921	24,43,334	0	4,62,52,255	1,97,01,417	2,01,74,722
Intangible Fixed Assets										
Software	3,37,61,869	15,48,837	0	3,53,10,706	2,39,77,057	34,26,761	0	2,74,03,818	79,06,888	97,84,812
Sub Total - Intangible Assets	3,37,61,869	15,48,837	0	3,53,10,706	2,39,77,057	34,26,761	0	2,74,03,818	79,06,888	97,84,812
Previous YE 31-Mar-2011	3,36,13,525	1,48,344	0	3,37,61,869	2,05,97,393	33,79,664	0	2,39,77,057	97,84,812	1,30,16,132
Grand Total	9,97,15,541	37,85,926	5,94,422	10,29,07,045	7,02,29,312	62,51,505	2,72,529	7,62,08,288	2,66,98,757	2,94,86,229
Previous YE -31.03.2011	9,75,97,168	21,18,373	0	9,97,15,541	6,44,06,314	58,22,998	0	7,02,29,312	2,94,86,229	3,31,90,854

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS

Note No	31-Mar-2012 Rs	31-Mar-2011 Rs
2.07	Non-Current Investments: (Valued at Cost)- Other Investments	
	<u>Investment in Equity Instruments:- (Fully paid - quoted)</u>	
i	100 Equity Shares of Rs.10 each	
	- Union Bank of India	1,600
		1,600
	<u>Investment in Equity Instruments:- (Fully paid - Unquoted)</u>	
ii	750 Equity Shares of US\$ 1,000 each	3,31,00,161
	- CGVAK Software USA Inc	3,31,00,161
	CGVAK Software USA Inc is a wholly owned subsidiary.	
	3,31,01,761	3,31,01,761
	<u>Quoted</u>	<u>Quoted</u>
	Aggregate Cost of Quoted Investments	1,600
	Face Value of Quoted Investments	1,000
	Aggregate Market Value of Quoted Investments	23,485
	<u>Unquoted</u>	<u>Unquoted</u>
	Aggregate Cost of Unquoted Investments	3,31,00,161
	Face Value of Unquoted Investments	3,31,00,161
2.08	Deferred Tax Assets (net)	
i	Fixed Assets	(5,11,412)
ii	Employee Benefits	(11,96,339)
iii	Trade Receivable	5,26,247
		7,86,508
	17,19,184	1,16,416
2.09	Long Term Loans & Advances:-	
i	Advance to Subsidiary	29,58,357
ii	Loan to Subsidiary	52,25,415
iii	Other Long term Advances	64,65,621
iv	Deposits	12,77,975
		3,26,380
	1,10,28,333	12,97,73,070
2.10	Trade Receivables - Unsecured -Considered Good	
i	Outstanding for a period less than 6 months	1,29,68,780
ii	Other debts	1,53,37,042
iii	<u>Doubtful Debts</u>	24,80,880
	Less: Provision for Doubtful Debts	53,76,874
	- Upto last year -	25,45,335
	- For the year -	28,31,540
		(53,76,874)
	1,54,49,660	25,45,335
iv	<u>Provision for Doubtful Debts</u>	1,81,76,154
	The Company evaluates all customer dues for collectability. The need for provisions is assessed based on various factors including collectability, present market indicators pertaining to the relevant country which could affect the ability to settle. Provisions are made for debtor dues exceeding one year or longer from the date of invoice as at the date of the balance sheet. The company pursues all recovery of dues irrespective of provisions made.+	

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS

Note No	31-Mar-2012 Rs	31-Mar-2011 Rs
2.11	<u>Cash & Cash Equivalents:-</u>	
i	1,96,833	70,739
ii	6,79,064	30,78,185
iii	5,48,894	9,57,703
	14,24,791	41,06,627
	<u>Details of Balances with banks as on the date of the balance sheet are as follows:-</u>	
	<u>Current Accounts</u>	
i	7,170	13,695
ii	0	7,383
iii	12,496	10,410
iv	53,591	50,420
v	8,762	8,852
vi	26,730	24,612
viii	8,506	2,09,848
ix	5,61,809	27,52,965
	6,79,064	30,78,185
	<u>Deposit Accounts</u>	
i	2,66,929	2,61,694
ii	2,81,965	6,96,009
	5,48,894	9,57,703
	<u>Deposit Accounts</u>	
i	3,06,929	3,01,694
ii	2,41,965	6,56,009
	5,48,894	9,57,703
	<u>Deposit Accounts maturity beyond 1 year</u>	
i	5,48,894	9,17,703
ii	0	40000
	5,48,894	957703
2.12	<u>Short Term Loans & Advances:</u>	
	3,24,117	26,27,459
	17,49,600	17,45,250
	2,32,015	7,37,346
	2,69,701	2,47,488
	25,75,433	53,57,543
3.01	<u>Revenue From Operations</u>	
	6,39,78,373	5,69,88,483
	2020,144	63,18,478
	6,59,98,517	633,06,961
3.02	<u>Other Income:</u>	
	12,20,569	9,49,928
	0	4,629,098
	800	0
	1,94,907	9,80,313
	14,16,276	65,59,339

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS

Note No	31-Mar-2012 Rs	31-Mar-2011 Rs
3.03	<u>Employee Benefit Expense</u>	
	4,75,32,311	3,71,29,307
	Salary & Incentives	
	7,74,324	57,76,026
	Professional Charges	
	16,26,707	14,95,199
	Staff Welfare	
	23,82,616	21,86,678
	Contribution to PF & ESI	
	1,38,820	75,613
	Retirement Benefits	
	9,25,591	6,38,862
	HRD Expenses	
	5,33,80,369	4,73,01,685
3.04	<u>Operating & Other Expense</u>	
	21,13,838	17,93,517
	Rent	
	19,86,746	18,90,708
	Power & Fuel	
	1,98,946	2,33,229
	Marketing Expenses	
	11,01,216	15,12,194
	Communication Expenses	
	33,00,000	33,00,000
	Director Remuneration	
	18,37,949	18,02,521
	Travelling Expenses	
	2,55,417	2,03,200
	Taxes & Licences	
	4,54,178	4,44,800
	Repairs & Maintenance	
	1,80,306	76,147
	Building Maintenance	
	4,42,941	3,35,748
	Vehicle Maintenance	
	28,33,073	0
	Foreign Exchange Loss	
	28,31,540	5,70,795
	Provision for Doubtful Debts	
	1,10,300	1,10,300
	Statutory Audit Fees	
	38,936	20,189
	Other Fees paid to Auditors	
	1,26,294	1,26,294
	Share Demat Expenses	
	7,16,532	4,04,223
	Bank Charges	
	8,06,216	10,06,407
	Other Administrative Expenses	
	1,93,34,428	1,38,30,272
3.05	<u>Finance Cost</u>	
	13,38,314	7,35,853
	Interest paid to Bank - Cash Credit	
	1,20,536	4,13,937
	Interest paid to Bank - Others	
	7,28,590	6,43,848
	Interest paid on Fixed Deposits	
	2,31,748	1,52,843
	Interest paid on Vehicle Loans	
	24,19,188	19,46,481
4.01	Estimated amount of contract remaining to be executed on capital account not provided for	
	Nil	Rs.3.95 lacs
4.02	Depreciation has been provided on straight line method as per the rates specified under Schedule XIV of the Companies Act, 1956. Pro rata depreciation has been charged on additions during the year.	
4.03	Quantitative details are not furnished as the company is engaged in the development of computer software, providing services in IT and ITES.	
4.04	<u>Earnings in foreign currency</u>	
	6,59,85,555	6,29,80,650
	(a) Sales	
	11,78,839	8,78,945
	(b) Interest	
	6,71,64,394	6,38,59,595

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS

Note No	31-Mar-2012 Rs	31-Mar-2011 Rs
Expenditure in foreign currency		
(a) Cost of services	1,80,028	49,74,008
(b) Travelling	5,54,321	5,59,200
(c) Others	1,89,350	7,38,662
	9,23,699	62,71,870

4.05 Income tax assessments have been completed upto Asst Year 2010-2011.

4.06 Basic and Diluted Earning Per Share (EPS) of Face Value of Rs.10 each is calculated as under :

Total Equity shares outstanding at the		
End of the year (Nos.)	50,53,370	50,53,370
Net Profit/(Loss) after tax	(1,23,67,428)	11,26,664
Earning Per Share (Basic)	(2.44)	0.22
Earning Per Share (Diluted)	(2.44)	0.22

4.07 Segment Analysis for the year ended 31st March 2012- Business Segment

Sl.No.	Particulars	Rs. in Lakhs	
		31-Mar-2012 (Audited)	31-Mar-2011 (Audited)
1	SEGMENT REVENUE		
	a) Software Services	639.79	569.89
	b) BPO Services	20.20	63.18
	Less : Inter Segment Revenue	---	---
	Net Sales/ Income from operations	659.99	633.07
2	SEGMENT RESULT (Profit before tax and Interest from each segment)		
	a) Software Services	(114.76)	(21.09)
	b) BPO Services	(14.91)	(15.34)
	Total	(129.67)	(36.43)
	Less : Interest	24.19	19.46
	Less : Other un-allocable expenditure	---	---
	Add : Other un-allocable Income	14.16	65.59
	Profit before tax & Extraordinary item	(139.70)	9.70
3	CAPITAL EMPLOYED		
	a) Software Services	635.18	734.59
	b) BPO Services	11.89	36.16
	Total	647.07	770.75

Segment Analysis for the year ended 31st March 2012 - Geographical Segment

Rs. in Lakhs

Sl.No.	Particulars	31-Mar-2012 (Audited)	31- Mar-2011 (Audited)
1	SEGMENT REVENUE		
	a) North America	457.47	534.97
	b) Rest of the world	202.38	94.84
	c) India	0.13	3.26
	Less : Inter Segment Revenue	---	---
	Net Sales/ Income from operations	659.98	633.07
2	SEGMENT RESULT (Profit before tax and Interest from each segment)		
	a) North America	(92.33)	(35.00)
	b) Rest of the world	(37.32)	(1.38)
	c) India	(0.02)	(0.05)
	Total	(129.67)	(36.43)
	Less : Interest	24.19	19.46
	Less : Other un-allocable expenditure	---	---
	Add : Other un-allocable Income	14.16	65.59
	Profit before tax & Extraordinary item	(139.70)	9.70
3	CAPITAL EMPLOYED		
	a) North America	447.84	702.81
	b) Rest of the world	199.10	65.51
	c) India	0.13	2.43
	Total	647.07	770.75

4.08. Disclosure in respect of Related parties in pursuant to Accounting Standard 18:
(a) List of Related Parties over which control exists:

- | | |
|--|---|
| 1. Wholly Owned Subsidiary | CG-VAK Software USA Inc. |
| 2. Other enterprises | Sindhu Gowtham Securities & Investments (P) Ltd |
| 3. Key managerial personnel | Mr.G. Suresh, Managing Director
Mr. C. Ganapathy, Executive Chairman |
| 4. Relatives of key managerial personnel | Mrs.G Saraswathy
Mrs.S Latha
Ms. S Sruthi
Minor S Gowtham |

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

	Subsidiary	KMP	Relatives of KMP
Interest Receipts	11,78,839	---	---
Salary	---	33,00,000	---
Rent	---	---	18,53,125
Interest paid on Fixed Deposits	---	---	4,64,892

Rs.

	31-Mar-12	31-Mar-11
Amount due to Related Parties	74,22,360	44,69,882

(d) Amount due from Related Parties

i Wholly owned Subsidiary - Loan	82,15,221	79,52,721
ii Wholly owned Subsidiary - Advance	29,58,357	52,25,415

4.09 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 31.03.2012	As on 31.03.2011
	(Rs.)	(Rs.)
Present value of funded obligations	15,98,542	17,03,065
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:

Current service cost	2,33,320	4,43,088
Interest on obligation	1,33,597	1,30,196
Expected return on plan assets	Nil	Nil
Net actuarial losses(gains) recognized in year	4,03,940	4,97,672
Total included in Labour cost	67,501	0

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

	For the year ended	For the year ended
	31.03.2012	31.03.2011
	(Rs.)	(Rs.)
Opening defined benefit obligation	17,03,065	16,27,453
Prior period adjustment	Nil	Nil
Service cost	2,33,320	4,43,088
Interest cost	1,33,597	1,30,196
Actuarial gains (Losses)	(4,03,940)	(4,97,672)
Benefits paid	(67,501)	---
Closing defined benefit obligation	15,98,542	17,03,065

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

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

Opening Net Liability	17,03,065	16,27,453
Expenses Reconginsed in Profit and Loss Account	1,38,820	75,613
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)

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.

- 4.10** On the issue of a claim for non-payment of fixed deposits amounting to Rs.3,25,900/- the company had disputed the claim. The Company Law Board has ruled in favour of the company vide its order dated 30th June, 2011
- 4.11** No Provision has been made for the following
- (a) A Claim for gratuity amounting to Rs.288461 preferred by a former Managing Director of the company filed before the Asst Commissioner of Labour. The company has disputed the claim and the claim is pending
 - (b) A claim for grauity amounting to Rs.882000 preferred by a former director of the company filed before the Asst Commissioner of Labour. The company has disputed the claim and the claim is pending
- 4.12** There are no amounts due to Small and Medium Enterprises due for more than 30 days as identified by the Company
- 4.13** Previous year figures have been regrouped/reclassified wherever found necessary.
- 4.14** Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21. The subsidiary considered in the consolidated financial statement is the wholly owned subsidiary CGVAK Software USA Inc

AUDITORS REPORT TO THE BOARD OF DIRECTORS OF CGVAK SOFTWARE AND EXPORTS LIMITED ON CONSOLIDATED FINANCIAL STATEMENTS OF CG VAK SOFTWARE AND EXPORTS LIMITED AND ITS SUBSIDIARY CGVAK SOFTWARE USA INC.,

We have audited the attached consolidated balance sheet of CGVAK SOFTWARE AND EXPORTS LIMITED and its subsidiary as at 31st March 2012, the Consolidated Profit and Loss Statement for the year then ended and the consolidated cash flow statement for the year ended that date.

These financial statements based on 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 frame work 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 over all 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.872.39 lacs
Total Revenues	Rs.1,299.15 lacs

which have been complied 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 2012,
- (b) The Consolidated Profit and Loss Statement 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: 30th May, 2012

BALANCE SHEET AS AT 31ST MARCH 2012 (CONSOLIDATED)

Note No			31-Mar-2012 Rs	31-Mar-2011 Rs
I	Equity & Liabilities			
	Shareholders' Funds:			
1	Share Capital	2.01	5,05,33,700	5,05,33,700
2	Reserves & Surplus	2.02	4,17,53,062	4,76,13,610
			9,22,86,762	9,81,47,310
	Non-Current Liabilities:			
3	Long Term Borrowings	2.03	77,31,433	55,35,563
4	Other Long Term Liabilities		2,94,958	2,98,452
5	Long Term Provisions		17,74,385	17,03,066
			98,00,776	75,37,081
	Current Liabilities:			
6	Trade Payables		2,04,66,116	1,74,98,823
7	Other Current Liabilities	2.04	1,21,12,340	1,32,36,012
8	Short Term Provisions	2.05	3,37,520	4,58,090
			3,29,15,976	3,11,92,925
			13,50,03,514	13,68,77,316
II	Assets:			
	Non-Current Assets:			
1	Fixed Assets	2.06		
i	Tangible Assets		1,87,91,869	1,97,01,418
ii	Intangible Assets		92,48,027	1,23,54,206
			2,80,39,896	3,20,55,624
2	Non-Current Investments	2.07	1,600	1,600
3	Deferred Tax Asset (net)	2.08	17,19,184	1,16,416
4	Long Term Advances	2.09	72,37,095	66,19,295
	Current Assets:			
5	TradeReceivabl	2.10	8,21,71,772	6,95,70,152
6	Cash & Cash Equivalent	2.11	64,33,737	1,21,83,381
7	Short Term Loans & Advances	2.12	93,60,125	1,62,84,046
8	Other Current Assets		40,105	46,802
	Total Current Assets		9,80,05,739	9,80,84,381
			13,50,03,514	13,68,77,316

As per Report of even date

For S Lakshminarayanan Associates
 Chartered Accountant
 S Lakshminarayanan
 Partner (M.No.012024)
 Firm Regn No.006609S

G.Suresh
Managing Director

S.Muthukumar
 A.Sankar
Directors

C.Ganapathy
Executive Chairman

Shainshad Aduvanni
Company Secretary

Place : Coimbatore
 Date : 30th May 2012

**STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2012
(CONSOLIDATED)**

		31-Mar-2012	31-Mar-2011
		Rs	Rs
Income:			
Revenue from Operations	3.01	19,55,41,276	17,64,76,910
Other Income	3.02	6,09,683	59,97,309
Total Revenue		19,61,50,959	18,24,74,219
Expenditure:			
Employee Benefit Expenses	3.03	16,11,88,082	14,28,95,786
Operating & Other Expenses	3.04	3,64,57,201	2,88,05,365
Finance Cost	3.05	24,19,188	19,55,909
Depreciation & Amortization		76,14,323	72,12,876
		20,76,78,794	18,08,69,936
Net Profit/(Loss) for the Year		(1,15,27,835)	16,04,283
Less:			
Provision for Income Tax		5,10,906	4,46,178
Provision for Deferred Tax		(16,02,768)	(3,47,000)
		(10,91,862)	99,178
Profit After Taxes		(1,04,35,973)	15,05,105
Earnings Per Share		(2.06)	0.30

As per Report of even date

For S Lakshminarayanan Associates
Chartered Accountant
S Lakshminarayanan
Partner (M.No.012024)
Firm Regn No.006609S

G.Suresh
Managing Director

S.Muthukumar
A.Sankar
Directors

C.Ganapathy
Executive Chairman

Shainshad Aduvanni
Company Secretary

Place : Coimbatore
Date : 30th May 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012 (CONSOLIDATED)

	31-Mar-2012 Rs	31-Mar-2011 Rs
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (Loss) Before Tax and Extra-Ordinary Items	(1,15,27,835)	16,04,283
Depreciation & Amortization	76,14,323	72,12,876
Finance Cost	24,19,188	19,55,909
Operating Profit/ (Loss) Before Working Capital Changes	(14,94,324)	1,07,73,068
Adjustments for		
Increase / (Decrease) in Trade & Other Receivables	(62,88,802)	(60,50,926)
Increase / (Decrease) in Trade & Other Payables	30,71,481	3,75,377
Changes in Working Capital	(32,17,321)	(56,75,549)
Cash Generated From Operations	(47,11,645)	50,97,519
Tax Expense	(5,10,906)	(4,46,178)
Cash Flow Before Extra Ordinary Items	(52,22,551)	46,51,341
Extra ordinary Items	45,75,426	1,46,207
Net Cash generated from Operating Activities	(6,47,125)	47,97,548
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(39,20,489)	(22,68,590)
Sale of Fixed Assets	3,21,893	0
Net Cash generated from Investing Activities	(35,98,596)	(22,68,590)
C CASH FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	9,15,265	(8,68,931)
Finance Cost	(24,19,188)	(19,55,909)
Net Cash generated from Financing Activities	(15,03,923)	(28,24,840)
Net Increase/(Decrease) in Cash & Cash Equivalents	(5749644)	(2,95,882)
Add: Opening Balance of Cash & Cash Equivalents	1,21,83,381	1,24,79,263
Closing Balance of Cash & Cash Equivalents	64,33,737	1,21,83,381

As per Report of even date

For S Lakshminarayanan Associates

Chartered Accountant

S Lakshminarayanan

Partner (M.No.012024)

Firm Regn No.006609S

G.Suresh
Managing Director

S.Muthukumar

A.Sankar

Directors
C.Ganapathy
Executive Chairman

Shainshad Aduvanni

Company Secretary

Place : Coimbatore

Date : 30th May 2012

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS (CONSOLIDATED)

Note No.		31-Mar-2012 Rs	31-Mar-2011 Rs																				
2.01	Share Capital:																						
	i Authorised Capital:																						
	70,00,000 Equity Shares of Rs.10 each	7,00,00,000	7,00,00,000																				
	ii 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																				
		5,05,33,700	5,05,33,700																				
	iii Reconciliation of number of Equity shares:-																						
	Shares outstanding as at																						
	1st April 2011/ 1st April 2010	50,60,000	50,60,000																				
	Changes during the year	0	0																				
	Shares outstanding as at 31st March 2012/ 31st March 2011	50,60,000	50,60,000																				
	iv List of shares held by shareholders holding more than 5% of the Aggregate shares in the company:-																						
	<table border="1"> <thead> <tr> <th>Name of the Shareholder</th> <th>Nos</th> <th>Shares held</th> <th>Shares held</th> </tr> </thead> <tbody> <tr> <td>Mr.G.Suresh</td> <td>Nos</td> <td>8,78,243</td> <td>8,32,465</td> </tr> <tr> <td>Mr.K.V.Kamaraj</td> <td>Nos</td> <td>5,21,674</td> <td>5,21,674</td> </tr> <tr> <td>Mr.C.Ganapathy</td> <td>Nos</td> <td>4,06,350</td> <td>4,06,350</td> </tr> <tr> <td>Mrs.S.Latha</td> <td>Nos</td> <td>3,55,686</td> <td>2,55,686</td> </tr> </tbody> </table>	Name of the Shareholder	Nos	Shares held	Shares held	Mr.G.Suresh	Nos	8,78,243	8,32,465	Mr.K.V.Kamaraj	Nos	5,21,674	5,21,674	Mr.C.Ganapathy	Nos	4,06,350	4,06,350	Mrs.S.Latha	Nos	3,55,686	2,55,686		
Name of the Shareholder	Nos	Shares held	Shares held																				
Mr.G.Suresh	Nos	8,78,243	8,32,465																				
Mr.K.V.Kamaraj	Nos	5,21,674	5,21,674																				
Mr.C.Ganapathy	Nos	4,06,350	4,06,350																				
Mrs.S.Latha	Nos	3,55,686	2,55,686																				
	v The company has issued only one class of equity shares having a par value of Rs.10/share																						
2.02	Reserves & Surplus:																						
	General Reserve	1,00,00,000	1,00,00,000																				
	Reserve on Consolidation	69,55,265	44,46,514																				
	Profit & Loss Account - Surplus - Opening Balance	3,52,33,770	3,16,61,991																				
	Profit / (Loss) for the Year	(1,04,35,973)	15,05,105																				
		2,47,97,797	3,31,67,096																				
		4,17,53,062	4,76,13,610																				
2.03	Long Term Borrowings:-																						
	Secured Loans:-																						
	1 State Bank of India - Term Loan - III	8,89,628	0																				
	i Hypothecation of assets acquired out of bank finance and second charge on the current assets																						
	ii Second charge over current assets to cover term loan exposure																						
	iii Personal Guarantee of The Managing Director & Executive Chairman																						
	iv Loan has not been fully availed as on the date of the balance sheet.																						
	v Extension of Equitable mortgage over land and building as collateral																						
	vi Interest paid @ 14.25% p.a.																						
	vii Total No of Instalments - 60; repayment commencing April 2012																						
	viii There is no continuing default in respect of this loan																						

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS (CONSOLIDATED)

Note No		31-Mar-2012 Rs	31-Mar-2011 Rs
Unsecured Loans:-			
2	Fixed Deposits	60,85,000	50,40,000
	i Fixed deposits are accepted maturity ranging between 1 and 3 years		
	ii Interest paid @ 11% p.a.		
	iii There are no continuing defaults in respect of fixed deposits		
3	i Vehicle Loans - Banks	1,08,695	2,56,643
	ii Vehicle Loans - Others	6,48,110	2,38,920
		77,31,433	55,35,563
	Vehicle Loans - Banks	Pending EMI	Pending EMI
		31-Mar-2012	31-Mar-2011
	i IndusInd Bank	23	35
	ii HDFC Bank	0	16
		1,08,695	2,15,743
		0	40,900
		1,08,695	2,56,643
	Vehicle Loans - Others		
	i Kotak Mahindra Prime Ltd	25	0
	ii Kotak Mahindra Prime Ltd	28	0
	iii Kotak Mahindra Prime Ltd	0	17
		1,39,862	0
		5,08,248	0
		0	2,38,920
		6,48,110	2,38,920
Interest rates range between 8.5% % to 17.50 % on the above vehicle loans			
2.04	Other Current Liabilities		
a	Secured Current Maturities of Long term Debt		
	i State Bank of India - Term Loan - II	0	4,72,092
	Hypothecation - machinery, equipment acquired out of bank finance; second charge on the current assets; Loan has since been fully settled as of October 2011.		
	ii State Bank of India - Term Loan - III	6,00,000	0
	Hypothecation of assets acquired out of bank finance and second charge on the current assets Personal Guarantee of The Managing Director & Executive Chairman. Loan has not been fully availed as on the date of the balance sheet.		
	iii State Bank of India Cash Credit	76,60,144	97,95,327
	Sanctioned Limit of Rs.1 Crore Hypothecation of Receivables due within 60 days, machinery, electrical fittings. Equitable Mortgage over land & building. Personal Guarantee of The Managing Director & Executive Chairman		
b	Unsecured Current Maturities of Long Term Debt:		
	i Fixed Deposits	17,07,200	8,63,410
	ii Vehicle Loans	8,13,546	9,30,666
c	Other payables		
	i Advance received from Customers	15,574	15,333
	ii Creditors for purchase of Assets	2,73,807	3,25,233
	iii Interest Accrued But not due on Fixed Deposits	5,70,124	2,60,432
	iv Other Current Liabilities	4,71,945	5,73,519
		1,21,12,340	1,32,36,012

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS (CONSOLIDATED)

Note No		31-Mar-2012 Rs	31-Mar-2011 Rs
2.05	Short Term Provisions		
i	Provision for Income Tax	3,37,520	4,58,090
2.06	Fixed Assets Schedule		

Particulars	COST BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Cost As at 01- Apr- 11	Additions during the year	Sales/ Withdrawal	Cost as at 31- Mar- 12	upto 01- Apr- 11	Depreciation for the year	Sales/ Withdrawal	upto 31- Mar- 12	WDV 31- Mar- 12	WDV 31- Mar- 11
Tangible Assets										
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	10,29,564	71,498	0	11,01,062	34,17,628	34,89,126
Plant & Machinery	4,20,47,682	10,72,978	0	4,31,20,660	3,86,28,412	12,27,660	0	3,98,56,072	32,64,588	34,19,270
Electrical Fittings	50,80,202	3,17,931	5,94,422	48,03,711	31,32,706	5,37,358	2,72,529	33,97,535	14,06,176	19,47,496
Vehicles - Freehold	31,84,699	0	0	31,84,699	26,45,225	86,636	0	27,31,861	4,52,838	5,39,474
Vehicles - Leasehold	40,11,207	4,36,019	0	44,47,226	8,23,763	4,15,582	0	12,39,345	32,07,881	31,87,444
Furniture & Fittings	70,57,347	5,44,724	0	76,02,070	63,13,739	6,20,573	0	69,34,312	6,67,759	7,43,608
Sub Total - Tangible assets	7,22,74,827	23,71,652	5,94,422	7,40,52,057	5,25,73,409	29,59,307	2,72,529	5,52,60,187	1,87,91,870	1,97,01,418
PYE 31st March 2011	7,01,54,581	21,20,246	0	7,22,74,827	4,99,58,569	26,14,840	0	5,25,73,409	1,97,01,418	2,01,96,012
Intangible Assets										
Software	4,38,75,975	15,48,837	0	4,54,24,812	3,15,21,769	46,55,016	0	3,61,76,785	92,48,027	1,23,54,206
Sub Total - Intangible Assets	4,38,75,975	15,48,837	0	4,54,24,812	3,15,21,769	46,55,016	0	3,61,76,785	92,48,027	1,23,54,206
PYE 31st March 2011	4,37,27,631	1,48,344	0	4,38,75,975	2,69,23,734	45,98,035	0	3,15,21,769	1,23,54,206	1,68,03,897
Grand Total	11,61,50,802	39,20,489	5,94,422	11,94,76,869	8,40,95,178	76,14,323	2,72,529	9,14,36,972	2,80,39,897	3,20,55,624
Previous YE 31-Mar-2011	11,38,82,213	22,68,589	0	11,61,50,802	7,68,82,303	72,12,876	0	8,40,95,179	3,20,55,623	3,69,99,910

2.07 Non-Current Investments:
(Valued At Cost) - Other Investments

Investment in Equity Instruments:- (Fully paid - quoted)

i	100 Equity Shares of Rs.10 each		
	- Union Bank of India	1,600	1,600
	Aggregate Cost of Quoted Investments	1,600	1,600
	Face Value of Quoted Investments	1,000	1,000
	Aggregate Market Value of Quoted Investments	23,485	34,745

2.08 Deferred Tax Assets (net)

i	Fixed Assets	(5,11,412)	(11,96,339)
ii	Employee Benefits	5,69,142	5,26,247
iii	Trade Receivable	16,61,454	7,86,508
		17,19,184	1,16,416

2.09 Long Term Loans & Advances:-

i	Other Long term Advances	66,12,068	61,29,577
ii	Deposits	6,25,027	4,89,718
		72,37,095	66,19,295

2.10 Trade Receivables - Unsecured - considered good

i	Outstanding for a period less than 6 months from	5,82,86,683	5,31,82,605
ii	Other Debts	2,38,85,089	1,63,87,546
iii	Doubtful Debts	53,76,874	25,45,335
	Less: Provision for Doubtful Debts		
	- Upto last year	(25,45,335)	(19,74,539)
	- For the year	(28,31,539)	(5,70,795)
		8,21,71,772	6,95,70,152

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS (CONSOLIDATED)

Note No.	31-Mar-2012 Rs	31-Mar-2011 Rs
2.11 Cash & Cash Equivalents		
i Cash in hand	7,42,878	5,91,427
ii Balance with Bank in current Account	51,41,965	1,06,34,251
iii Balance with Bank in Deposit Account	5,48,894	9,57,703
	64,33,737	1,21,83,381
Details of Balances with banks as on the date of the balance sheet are as follows:-		
Current Accounts		
i Indian Overseas Bank	7,170	13,695
ii Andhra Bank	0	7,383
iii State Bank of India Current A/c	12,496	10,410
iv State bank of India EEFC (USD)	53,591	50,420
v Union Bank of India Current A/c	8,762	8,852
vi Union Bank of India (USD)	26,730	24,612
vii Bank of America, New Jersey (USD)	8,506	2,09,848
viii Bank of America, California (USD)	5,61,809	27,52,965
ix Bank of America	44,62,901	75,56,066
	51,41,965	1,06,34,251
Deposit Accounts		
i Indian Overseas Bank	2,66,929	2,61,694
ii State Bank of India	2,81,965	6,96,009
	5,48,894	9,57,703
Deposit Accounts		
i Deposits held under lien	3,06,929	3,01,694
ii Clear Deposits	2,41,965	6,56,009
	5,48,894	9,57,703
Deposit Accounts maturity beyond 1 year		
i Deposits maturing within 1 year	5,48,894	9,17,703
ii Deposits maturing beyond 1 year	0	40,000
	5,48,894	9,57,703
2.12 Short Term Loans & Advances		
i Advances - Unsecured - Considered Good	3,24,117	26,27,459
ii Staff Advances	87,66,307	1,34,09,099
iii Prepaid Expenses	2,69,701	2,47,488
	93,60,125	1,62,84,046
3.01 Revenue from Operations		
i Software Services	19,35,21,132	17,01,58,432
ii Business Process Outsourcing Services	20,20,144	63,18,478
	19,55,41,276	17,64,76,910
3.02 Other Income:		
i Interest Receipts	41,730	70,983
ii Foreign Exchange Income	0	46,29,098
iii Dividend Receipts	800	0
iv Sundry Receipts	5,67,153	12,97,228
	6,09,683	59,97,309

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS (CONSOLIDATED)

Note No	31-Mar-2012 Rs	31-Mar-2011 Rs
3.03 Employee Benefit Expense:		
i Salary & Incentive	14,37,66,653	12,17,71,059
ii Software Consultancy	41,05,989	81,84,617
iii Staff Welfare	76,59,282	64,52,973
iv Contribution to PF & ESI	23,82,616	21,86,678
v Gratuity	1,38,820	75,613
vi HRD Expenses	31,34,722	42,24,846
	16,11,88,082	14,28,95,786
3.04 Operating & Other Expense:		
i Rent	39,74,407	36,67,146
ii Power & Fuel	19,86,746	18,90,708
iii Marketing Expenses	16,54,161	20,72,050
iv Communication Expenses	22,27,554	24,62,999
v Director Remuneration	33,00,000	33,00,000
vi Travelling Expenses	43,13,521	30,20,093
vii Taxes & Licences	79,55,489	71,22,039
viii Repairs & Maintenance	10,93,808	4,44,800
ix Building Maintenance	1,80,306	76,147
x Vehicle Maintenance	8,70,219	6,59,213
xi Foreign Exchange Loss	28,12,974	0
xii Provision for Doubtful Debts	28,31,540	5,70,795
xiii Auditors Remuneration	4,13,720	4,04,295
xiv Other Fees to Auditors	38,936	20,189
xv Share Demat Expenses	1,26,294	1,26,294
xvi Bank Charges	7,62,385	4,59,278
xvii Other Administrative Expenses	19,15,141	25,09,319
	3,64,57,201	2,88,05,365
3.05 Finance Cost:		
i Interest paid to Bank - Cash Credit	13,38,314	7,35,853
ii Interest paid to Bank - Others	1,20,536	4,23,365
iii Interest paid on Fixed Deposits	7,28,590	6,43,848
iv Interest paid on Vehicle Loans	2,31,748	1,52,843
	24,19,188	19,55,909

Segment Analysis for the year ended 31st March 2012- Business Segment -Consolidated

Rs. in Lakhs

Sl.No.	Particulars	31-Mar-2012	31- Mar-2011
1	SEGMENT REVENUE		
	a) Software Services	1935.21	1701.59
	b) BPO Services	20.20	63.18
	Less : Inter Segment Revenue	---	---
	Net Sales/ Income from operations	1955.41	1764.77
2	SEGMENT RESULT (Profit before tax and Interest from each segment)		
	a) Software Services	(82.28)	(8.98)
	b) BPO Services	(14.91)	(15.34)
	Total	(97.19)	(24.32)
	Less : Interest	24.19	19.56
	Less : Other un-allocable expenditure	---	---
	Add : Other un-allocable Income	6.10	59.97
	Profit before tax & Extraordinary item	(115.28)	16.09
3	CAPITAL EMPLOYED		
	a) Software Services	910.98	945.32
	b) BPO Services	11.89	36.16
	Total	922.87	981.47

Segment Analysis for the year ended 31st March 2012 - Geographical Segment -Consolidated

Rs. in Lakhs

Sl.No.	Particulars	31-Mar-2012	31- Mar-2011
1	SEGMENT REVENUE		
	a) North America	1,752.90	1,666.67
	b) Rest of the world	202.38	94.84
	c) India	0.13	3.26
	Less : Inter Segment Revenue	---	---
	Net Sales/ Income from operations	1,955.41	1,764.77
2	SEGMENT RESULT (Profit before tax and Interest from each segment)		
	a) North America	(116.10)	(89.57)
	b) Rest of the world	(18.84)	(63.08)
	c) India	(0.08)	(2.17)
	Total	(97.19)	(24.32)
	Less : Interest	24.19	19.56
	Less : Other un-allocable expenditure	---	---
	Add : Other un-allocable Income	6.10	59.97
	Profit before tax & Extraordinary item	(115.28)	16.09
3	CAPITAL EMPLOYED		
	a) North America	723.64	913.53
	b) Rest of the world	199.10	65.51
	c) India	0.13	2.43
	Total	922.87	981.47



CG-VAK SOFTWARE USA INC.
FINANCIAL STATEMENTS
MARCH 31, 2012

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 15th Annual Report and Financial Statements of the Corporation for the period ended March 31, 2012

Review of Business

Your corporation has sailed through a very challenging period. The total turnover has been \$ 2.783 million as against \$ 2.536 million in the previous year. The Company has achieved a net profit of \$0.038 million as against \$ 0.033 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, 2012 detailing the revenue and expenditure, asset and liabilities and the operational cash flow have been appended with Auditor's report.

May 3, 2012

BERTE.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, 2012, 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.

May 3, 2012

L. NAGANANDA
Certified Public Accountant

**CG-VAK SOFTWARE USA INC., NEW JERSEY****BALANCE SHEET AS AT MARCH 31, 2012
(IN THOUSAND DOLLARS ONLY)**

ASSETS	\$'000	LIABILITIES:	\$'000
CURRENT ASSETS		CURRENT LIABILITIES	
Cash in Bank (Note 1)	103	Accounts Payable & Accrued expenses	377
Accounts Receivable (Note 1)	1,373	Loans Payable	169
Prepaid expenses & Deferred Costs	285		
TOTAL CURRENT ASSETS	1,761	TOTAL CURRENT LIABILITIES	546
FIXED ASSETS (Note 1)		TOTAL LIABILITIES	546
Computers & Office Equipment	94	COMMITMENT & CONTINGENCY (Note 2)	
Computer Software	229	STOCKHOLDERS' EQUITY	
Office Furniture	8	Capital Stock	750
Automobile	30	Retained Earnings <Deficit>	500
Total Fixed Assets	361		
Less: Accumulated Depreciation	332	STOCKHOLDERS' EQUITY	1,250
TOTAL NET FIXED ASSETS	29		
OTHER ASSETS		TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	1,796
Deposits	6		
TOTAL ASSETS	1,796		

**STATEMENT OF INCOME & RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2012
(IN THOUSAND DOLLARS)**

	\$'000
CONSULTING FEES	2,783
OPERATING EXPENSES (Schedule 1)	2,733
NET INCOME <LOSS> FROM OPERATIONS	50
Provision for Income Taxes (Note 3)	(12)
NET INCOME <LOSS>	38
RETAINED EARNINGS -Beginning of the Year	462
RETAINED EARNINGS-End of the Year	500

**CG-VAK SOFTWARE USA INC., NEW JERSEY****SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED MARCH 31, 2012****(IN THOUSAND DOLLARS)**

SCHEDULE-1	\$'000
<u>OPERATING EXPENSES</u>	
Salary	2,062
Payroll taxes & Payroll processing	170
Visa Processing Professional fee & expenses	48
Employee Benefits	115
Consulting Fees	72
Marketing Expenses	31
Rent & Utility	40
Legal & Professional	7
Telephone & Telex	22
Office Supplies & Expenses	15
Internet & Web Site	2
Insurance	14
Travel	53
Bank charges	1
Postage	1
Interest	25
Automobile expense	9
Depreciation	32
Cleaning	14
TOTAL	<u>2,733</u>

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2012**(IN THOUSAND DOLLARS)**

INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	\$'000
Net Income	38
Adjustments to Reconcile Net Income to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	32
Decrease <Increase> in Accounts Receivable	<224>
Decrease <Increase> in Prepaid Expenses & Deposits	105
Increase <Decrease> in Accounts Payable and Accrued Expenses	< 1 8 >
NETCASH PROVIDED BY OPERATING ACTIVITIES	<u>(67)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	<2>
Net Cash Used in Investing Activities	<u><2></u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Loans Borrowed <repaid>	<8>
Net Cash Provided (Used) by Financing Activities	<u><8></u>
Net Increase (Decrease) in Cash and Cash Equivalents	(77)
Cash and Cash Equivalents at Beginning of Year	180
Cash and Cash Equivalents at End of Year (NOTE 1)	<u>103</u>

CG-VAK SOFTWARE USA INC., NEW JERSEY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- (a) Organization: The Corporation is incorporated under the laws of the State of New Jersey.
- (b) Revenue Recognition: Revenue and associated expenses are recorded on accrual basis.
- (c) Accounts Receivable: Accounts receivable have been adjusted for all known uncollectible accounts.
- (d) Fixed Assets: Fixed Assets are stated at cost. Expenditures which substantially increase estimated useful lives are capitalized. Maintenance, repairs and minor renewals are expensed 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.
- (e) 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

- (a) 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:

2012-2013 \$ 47,300

NOTE 3 INCOME TAXES

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

May 3, 2012

**BERTE.S
Vice President**

Notes

CG-VAK SOFTWARE AND EXPORTS LIMITED

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

PROXY FORM

I/Weof
..... Member(s)
of the above named Company, hereby appoint Sri of
.....in the district of.....
as my/our proxy to vote for me/us on my/our behalf at the SEVENTEENTH ANNUAL GENERAL MEETING
of the Company to be held on Friday the 21st September 2012 at 4.30 P.M. at Hotel Annalakshmi,
106-A, Race Course, Coimbatore - 641 018.

Signed this day of 2012.

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 SEVENTEENTH ANNUAL GENERAL MEETING of the Company to
be held on Friday the 21st September 2012 at 4.30 P.M. at Hotel Annalakshmi, 106-A, Race Course,
Coimbatore - 641 018.

Registered Folio No.

* Member's / Proxy's Signature

No. of Shares held :

(*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.

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

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.: _____

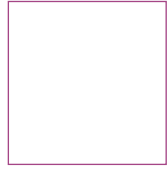
I/We _____ resident of _____
being a member/members of CG-VAK Software And Exports Ltd, hereby agree to receive the communication/documents through electronic mode at _____
(mention e-mail ID).

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.
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 :



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