

**BOARD OF DIRECTORS**

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

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

S.Mohan, B.E.  
Director

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

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

**REGISTERED OFFICE**

171, Mettupalayam Road,  
Coimbatore – 641 043  
INDIA.

**SUBSIDIARY**

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

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

**AUDITORS**

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

**BANKERS**

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

**REGISTRARS & SHARE TRANSFER AGENTS**

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

**CONTENTS**

|  |   |    |
|--|---|----|
| Notice to the Members                                | - | 2  |
| Director's Report                                    | - | 4  |
| Corporate Governance                                 | - | 7  |
| Auditor's Report                                     | - | 15 |
| Balance Sheet  | - | 17 |
| Profit & Loss Account                                | - | 18 |
| Schedules  | - | 19 |
| Auditor's Report on Consolidated Financial Statement | - | 30 |
| Consolidated Balance Sheet                           | - | 31 |
| Consolidated Profit & Loss Account                   | - | 32 |
| Schedules to Consolidated Balance Sheet              | - | 33 |
| Annual Report of USA – Subsidiary                    | - | 39 |

**NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the 15th Annual General Meeting of the Shareholders of the Company will be held on Monday the 30th of August 2010 at 4.30 P.M. at Hotel Annalakshmi, 106-A, Race Course Road, Coimbatore – 641 018, to transact the following business.

**AGENDA****ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2010 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors' and Auditors' thereon.
2. To appoint a Director in the place of Mr.C.Ganapathy, who retires by rotation and is eligible for re appointment.
3. To appoint the Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS**

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

The consent of the company be and is hereby accorded to the reappointment of Mr.G.Suresh as Managing Director of the company for a further period of 5 years from 1<sup>st</sup> September 2010 to 31<sup>st</sup> August 2015 on the following terms and conditions with liberty to the board of directors to alter and vary the terms and conditions of the remuneration within the overall limits specified in Schedule XIII of the Companies act, 1956.

**(A) Salary**

Salary of Rs. 2,50,000/- per month

Commission on net profit: 1% of the net profits of the company computed in accordance with the sections 198, 309 & 349 of the companies act, 1956.

**(B) Perquisites:****(1) Conveyance**

Free use of the Company's car with driver for official and private purposes.

**(2) Club Fees**

Fees of clubs, subject to a maximum of two clubs (excluding admission and life membership fee).

**(3) Leave Travel concession:**

Entitled to travel with family by any mode ie., Air, Train, Road once in every two years for visiting any place in the world.

Note: Family for the purpose of Leave Travel shall besides the Managing Director, consist of spouse, wholly dependent parents and wholly dependent children of the Managing Director.

**(4) Medical Benefit:**

Actual expense incurred for the Managing Director and his family members.

**(5) Contribution to Provident Fund****(6) Telephone:**

The Company shall provide telephone at residence for office use.

**(7) Personal Accident Insurance.**

Perquisites shall however be restricted to an amount equal to the annual salary.

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

Place: Coimbatore  
Date: 27.05.2010

By Order of the Board  
**G.SURESH**  
Managing Director

**EXPLANATORY STATEMENT**

(Pursuant to Section 173 of The Companies Act, 1956)

**Item No.4**

The term of office of Mr.G.Suresh as Managing Director expires on 31<sup>st</sup> August 2010. Subject to the approval of the shareholders, the Board of directors at their meeting held on 27<sup>th</sup> May 2010 have reappointed Mr.G.Suresh as Managing Director for a further period of 5 years from 1<sup>st</sup> September 2010 to 31<sup>st</sup> August 2015 and have fixed the remuneration payable to him as set out in the text of the resolution. The proposed appointment, remuneration and perquisites conform to the requirements of Schedule XIII of the companies act, 1956. Part III of Schedule XIII of the companies act, 1956 requires the appointment and remuneration to be approved by a resolution of the shareholders at the general meeting. Mr.G.Suresh holds 710428 shares of the company as on 31.3.2010. The Board commends the resolution set out as item no.4 of the Notice for your approval.

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

Place: Coimbatore  
Date: 27.05.2010

By Order of the Board  
**G. SURESH**  
Managing Director

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**NOTES**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and to vote on his behalf and such a proxy need not be a member of the Company.
2. Instruments of Proxy for use at the above meeting must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 25.08.2010 to 30.08.2010 (both days inclusive).
4. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.

Place: Coimbatore  
Date: 27.05.2010

By Order of the Board  
**G.SURESH**  
Managing Director

**DIRECTOR'S REPORT**

Dear Members,

The Directors of your Company take pleasure in presenting the 15<sup>th</sup> Annual Report on the business of your Company and the Audited Financial Accounts for the year ended 31<sup>st</sup> March 2010.

**Financial Results 2009-10**

During the year under review, your Company has achieved a turnover of Rs. 594 Lakhs as against Rs. 723 Lakhs in the previous year. The Net Loss for the year Rs.(65.51) lakhs as against the net profit Rs. 19.01 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.16.50 crores as compared to previous year was Rs. 20.28 crores.

**Review of Business**

The year under report had been a challenging one for your Company due to global economic slowdown.

The contributions of business from various markets were:

Software services contributed to 86% and BPO services 14 %

The contribution of offshore business has grown over the last year. The offshore to on-site mix is 2.1:1 as compared to 9.9:1 in the previous year. There is a growth of 10% in the offshore revenue.

Business from Offshore Software Services was Rs.457.15 lakhs during the year 2009-2010 as against Rs. 404.87 in the previous year. The increase has been at 13% compared with previous year.

Our BPO Service line has done a business of Rs. 82.79 lakhs during the year 2009-10 as against Rs.86.10 lakhs during the previous year.

**Quality**

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

**Future Plans**

The IT services market is expected to be challenging and pricing pressures are predicted in the current year. Despite the unprecedented global economic downturn, the company has been growing positively in the offshore services segment for the last 3 years and this momentum in the offshore front is likely to continue this year. We have expanded geographically and now servicing clients from Australia, U.K, Switzerland, Ireland, Netherlands in addition to USA and Canada.

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

The company will continue its focus in OPD (Out-sourced Product development) market space where it has achieved significant success. The contribution from European and Australian markets is expected to grow positively. The Company should perform better in the ensuing year FY 2010-11.

**Dividend**

As the company is passing through a very challenging phase, your Directors do not consider prudent to recommend any dividend for the financial year ended March 31, 2010.

**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\$ 2.29 million during this year, compared to the US\$ 2.98 million during the previous year.

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

**Directors**

Mr. C. Ganapathy retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Resolution for the re-appointment of Mr.G.Suresh as Managing Director is brought for your approval.

**Auditors**

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

**Public Deposit**

The Deposits accepted by your Company are within the prescribed limits and the provision of Section 58-A of the Companies Act, 1956, and the rules framed there under are complied with. There are no unclaimed deposits as on 31.03.2010.

Information pursuant to Section 217(1) (e) of the Companies Act, 1956.

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.

**Particulars of Employees**

Particulars of Employees pursuant to section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Report of the Directors for the year ended 31<sup>st</sup> March 2010.

| Name & (Age)      | Designation/<br>Nature of Duties  | Remuneration<br>Rs. in lakhs<br>Gross | Qualification &<br>Experience<br>(Years)  | Date of<br>Commencement<br>of Employment | Last<br>Employment                      |
|-------------------|---|---------------------------------------|---|--|---|
| G. Suresh<br>(46) | Managing Director<br>General Management<br>of affairs of the<br>Company | 30.09                                 | Bachelor of<br>Engineering<br>(Mechanical) &<br>Master<br>of Business<br>Administration<br>(22) | 01st September<br>1995                   | Managing Partner<br>in<br>Market Makers |

- Note : 1. Mr G Suresh was appointed as Managing Director for a period of 5 years (1st September 2005 to 31<sup>st</sup> August 2010). He is reappointed for a period of 5 years (1st September 2010 to 31<sup>st</sup> August 2015) subject to the approval of shareholders at the ensuing Annual General Meeting.
2. Mr.G .Suresh is related to Mr.C Ganapathy , Chairman. Mr G.Suresh owns 14.04% of the equity Shares of the Company as on 31<sup>st</sup> March 2010.
3. Gross remuneration comprises salary, commission, allowances, monetary value of perquisites and the Company's Contribution to Provident fund.

**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 2010 on a going concern basis.

**Corporate Governance**

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

**Acknowledgement**

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

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

Place : Coimbatore  
Date : 27.05.2010

By Order of the Board  
**C. GANAPATHY**  
Chairman

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

FORM A -

NOT APPLICABLE

**FORM B****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 application 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 EARNINGS AND OUTGO**

Foreign Exchange Earnings                      Rs. 5,82,15,977/-

Foreign Exchange Outgo

|                   |                          |
|-------------------|--------------------------|
| Foreign Travel    | Rs. 3,80,343/-           |
| Cost of Services  | Rs. 87,45,948/-          |
| Others            | Rs. 11,09,222/-          |
| Software Purchase | <u>Rs. 27,07,672/-</u>   |
| Total             | <u>Rs. 1,29,43,185/-</u> |

Place : Coimbatore

Date : 27.05.2010

By Order of the Board

**C.GANAPATHY**

Chairman

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

- Name of the Subsidiary : CG-VAK Software USA Inc.
- Financial year ended : 31.03.2010
- No. of shares in the Subsidiary : 750 equity shares of \$ 1000/- each  
as on the above date
- Percentage of holding Equity : 100%
- 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
  - Dealt with or provided in the : Nil  
accounts of the holding company
  - Not Dealt with or provided in the : USD 19, 109/-  
accounts of the holding company
- 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
  - Dealt with or provided in the : Nil  
accounts of the holding company
  - Not Dealt with or provided in the : USD 4,19,234/-  
accounts of the holding company

**C.GANAPATHY**

Chairman

Place : Coimbatore

Date : 27.05.2010

**G.SURESH**

Managing Director

**S.MUTHUKUMAR**

Director

**S.MOHAN**

Director

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

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

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

**II. Board of Directors**

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

| <b>Name of Director</b> | <b>Category of Directorship</b> | <b>No. of Board Meetings Attended</b> | <b>Attendance in last AGM</b> |
|-------------------------|---------------------------------|---------------------------------------|-------------------------------|
| Mr.C.Ganapathy          | Executive Chairman              | 7                                     | Yes                           |
| Mr.G.Suresh             | Managing Director               | 7                                     | Yes                           |
| Mr.M.Durairaj           | Independent Director            | 1                                     | No                            |
| Mr.S.Muthukumar         | Independent Director            | 7                                     | Yes                           |
| Mr.S.Mohan              | Independent Director            | 7                                     | No                            |

Number of other Companies or Committees the Directors of the Company is Director/Member/Chairman

| <b>Name of Director</b> | <b>Other Directorship</b> | <b>Other Committee Position</b> |                 |
|-------------------------|---------------------------|---------------------------------|-----------------|
|                         |                           | <b>Member</b>                   | <b>Chairman</b> |
| Mr.C.Ganapathy          | 2                         | Nil                             | Nil             |
| Mr.G.Suresh             | 1                         | Nil                             | Nil             |
| Mr.M.Durairaj           | Nil                       | Nil                             | Nil             |
| Mr.S.Muthukumar         | Nil                       | Nil                             | Nil             |
| Mr.S.Mohan              | Nil                       | Nil                             | Nil             |

Seven Board Meetings were held during the 12 month period ended 31.03.2010. The dates of the Board Meetings were held are 21.05.2009, 20.06.2009, 25.06.2009, 31.07.2009, 02.09.2009, 30.10.2009 and 29.01.2010.

**III. Audit Committee**

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

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

| <b>Name of the Member</b>  | <b>Number of Meeting Attended</b> |
|----------------------------|-----------------------------------|
| Mr.S.Muthukumar - Chairman | 5                                 |
| Mr.S.Mohan                 | 5                                 |
| Mr.M.Durairaj              | 1                                 |

The Committee met five times during the year on 21.05.2009, 20.06.2009, 30.07.2009, 29.10.2009 and 28.01.2010.

**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 performs 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:

| <b>Name of the Member</b>  | <b>Number of Meeting Attended</b> |
|----------------------------|-----------------------------------|
| Mr.S.Muthukumar - Chairman | -                                 |
| Mr.M.Durairaj              | -                                 |
| Mr.S.Mohan                 | -                                 |

No meetings were held during the year 2009-2010.

Details of the remuneration paid to the Directors during the year ended 31<sup>st</sup> March 2010.

#### **I. Executive Directors**

| <b>Name</b>    | <b>Position</b>    | <b>Salary</b>  | <b>Commission</b> | <b>Total Remuneration</b> |
|----------------|--------------------|----------------|-------------------|---------------------------|
| 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             |

#### **II. Non-Executive Directors**

| <b>Name</b>     | <b>Sitting Fees</b> |
|-----------------|---------------------|
| Mr.M.Durairaj   | Rs.1,000/-          |
| Mr.S.Muthukumar | Rs.7,000/-          |
| Mr.S.Mohan      | Rs.7,000/-          |

#### **V. Investor's Grievance Committee**

The terms of reference of this Committee encompasses formulation of shareholder's servicing policies, looking into redressal of shareholders complaints.

No. of complaints received : Nil  
Pending Complaints : Nil

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

The Composition of the Committee is as under:

| <b>Name of the Member</b>  |
|----------------------------|
| Mr.S.Muthukumar - Chairman |
| Mr.C.Ganapathy             |
| Mr.S.Mohan                 |

The Committee met four times during the year on 21.05.2009, 30.07.2009, 29.10.2009 and 28.01.2010.

Compliance Officer – Mr.R.Chandrasekaran.

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

#### **VI. Annual General Meetings**

Particulars of Annual General Meeting held in the last three years

| <b>AGM</b>       | <b>Financial Year</b> | <b>Date</b> | <b>Time</b> | <b>Venue</b>                                      |
|------------------|-----------------------|-------------|-------------|---|
| 12 <sup>th</sup> | 2006-2007             | 28.09.2007  | 4.30 P.M.   | Hotel Annalakshmi, 106-A, Race Course, Coimbatore |
| 13 <sup>th</sup> | 2007-2008             | 26.09.2008  | 4.30 P.M.   | Hotel Annalakshmi, 106-A, Race Course, Coimbatore |
| 14 <sup>th</sup> | 2008-2009             | 31.08.2009  | 4.30 P.M.   | Hotel Annalakshmi, 106-A, Race Course, Coimbatore |

There were no special resolutions passed by the shareholders during the last three years. . No special resolution requiring a postal ballot was placed before the last Annual General Meeting.



**VII. Code of Conduct**

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

**VIII. Disclosures**

- (a). None of the transaction with any of the related parties were in conflict with the interest of the Company.
- (b). There has been no instances of any penalty / stricture imposed on the Company by Stock Exchanges / SEBI / any statutory authorities on any matter relating to capital market, during the last three years.
- (c). The Company is not implementing whistle blower Policy. However no personnel has been denied access to the Audit Committee of the Company.
- (d). The Company has implemented all mandatory requirement of Clause 49 of the listing agreement. Details of compliance of non mandatory requirement is given below.
  - 1). Chairman of the Board : The Company has an Executive Chairman.
  - 2). Remuneration Committee : The Company has formed remuneration committee. Details of the committee are given in point No.IV of the report on Corporate Governance.

**IX. Means of Communications**

The Management Discussion and Analysis forms part of the Annual Report.  
Quarterly results are published in the pro-forma prescribed by Stock Exchanges.

| Period                           | Approved on | Name of Newspaper – English / Tamil |
|----------------------------------|-------------|-------------------------------------|
| 1 <sup>st</sup> Quarter 30.06.09 | 31.07.2009  | Trinity Mirror / Makkal Kural       |
| 2 <sup>nd</sup> Quarter 30.09.09 | 30.10.2009  | Trinity Mirror / Makkal Kural       |
| 3 <sup>rd</sup> Quarter 31.12.09 | 29.01.2010  | Trinity Mirror / Makkal Kural       |
| 4 <sup>th</sup> Quarter 31.03.10 | 27.05.2010  | Trinity Mirror / 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 annual financial results of the Company are also communicated in the prescribed pro-forma to Stock Exchange and also published in the newspapers.

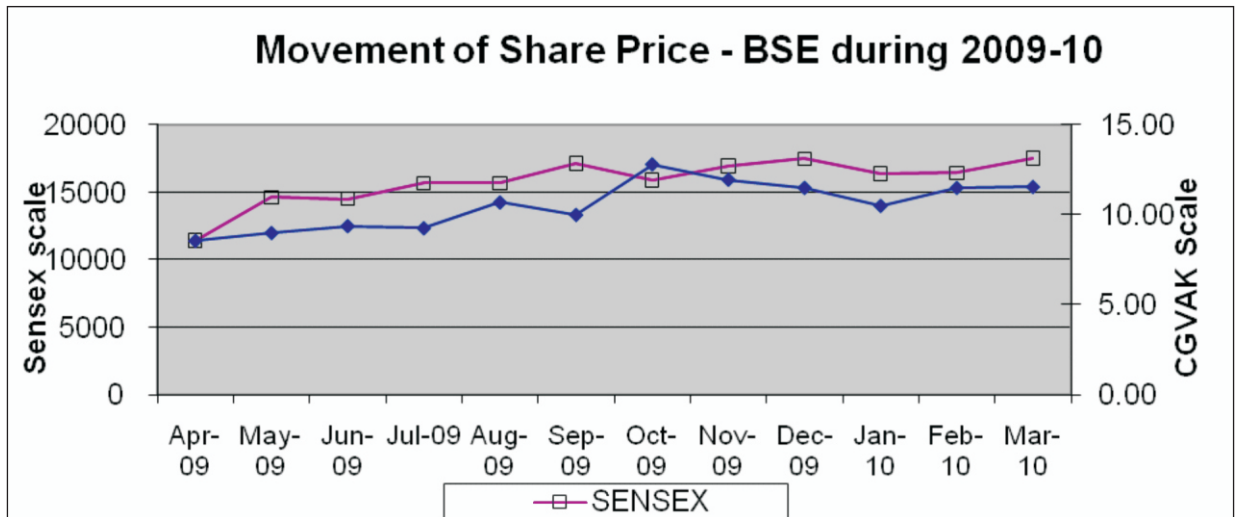
The Company is filing/submitting its Shareholding Pattern, Financial Results and Report on Corporate Governance on quarterly basis to the Stock Exchanges.

**X. Shareholder's Information**

1. AGM – Date , Time & Venue : 30.08.2010 at 4:30 pm  
Hotel Annalakshmi  
106-A, Race Course Road,  
Coimbatore – 641018.
2. Financial Calendar for the year 2010-2011 :
  - First Quarter Results : August 15, 2010
  - Second Quarter Results : October 15, 2010
  - Third Quarter Results : February 15, 2011
  - Fourth Quarter Results : End of May 2011
3. Date of Book Closure : 25.08.2010 to 30.08.2010 (Both days inclusive)
4. Dividend payment due date : No dividend recommended
5. Listing on Stock Exchange : Bombay Stock Exchange,  
P.J.Towers, Dalal Street,  
Mumbai – 400 001.
- Type of Security : Equity
6. Stock Code : 531489, CG VAK SOF E  
ISIN : INE084D01010
7. Application for delisting of shares from Coimbatore Stock Exchange filed.

**8. Market Price Data**  
**Share Price for the year 2009 - 10**

| Month  | High  | Low   | Close |
|--------|-------|-------|-------|
| Apr-09 | 9.41  | 8.41  | 8.56  |
| May-09 | 10.60 | 7.74  | 9.00  |
| Jun-09 | 11.25 | 8.47  | 9.38  |
| Jul-09 | 10.70 | 7.64  | 9.26  |
| Aug-09 | 12.00 | 8.00  | 10.69 |
| Sep-09 | 11.00 | 8.13  | 10.00 |
| Oct-09 | 18.75 | 8.07  | 12.80 |
| Nov-09 | 13.60 | 10.95 | 11.95 |
| Dec-09 | 12.75 | 11.11 | 11.50 |
| Jan-10 | 12.66 | 10.18 | 10.50 |
| Feb-10 | 12.06 | 10.93 | 11.50 |
| Mar-10 | 12.07 | 10.93 | 11.55 |

**9. Movement of Share Price – BSE during 2009 – 10**


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

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

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

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

**12. Distribution of Shareholding**

Shareholding pattern as on 31 st March 2010

| Value (Rs.)        | No. of Share Holders | %             | Amount(Rs.)        | %             |
|--------------------|----------------------|---------------|--------------------|---------------|
| Upto – 5,000       | 3018                 | 80.85         | 59,39,660          | 11.74         |
| 5,001 – 10,000     | 366                  | 9.80          | 31,72,290          | 6.27          |
| 10,001 – 20,000    | 149                  | 3.99          | 23,68,220          | 4.68          |
| 20,001 – 30,000    | 82                   | 2.20          | 20,92,860          | 4.14          |
| 30,001 – 40,000    | 20                   | 0.54          | 6,90,210           | 1.36          |
| 40,001 – 50,000    | 25                   | 0.67          | 11,55,350          | 2.28          |
| 50,001 – 1,00,000  | 29                   | 0.78          | 22,80,170          | 4.51          |
| 1,00,000 and above | 44                   | 1.18          | 3,29,01,240        | 65.02         |
| <b>Total</b>       | <b>3,733</b>         | <b>100.00</b> | <b>5,06,00,000</b> | <b>100.00</b> |

**Distribution of Shareholding as on 31.03.2010**

| Category  | No. of Shares Held | Percentage of Shares held |
|---|--------------------|---------------------------|
| <b>A. Promoter's Holding</b>  |                    |                           |
| 1. Promoters Indian Promoters   | 16,42,311          | 32.46                     |
| - Foreign Promoters   | 0                  | 0                         |
| 2. Persons acting in concert  | 0                  | 0                         |
| Subtotal  | 16,42,311          | 32.46                     |
| <b>B. Non-Promoters Holding</b>   |                    |                           |
| 3. Institutional Investors  | 0                  | 0                         |
| a. Mutual Funds and UTI   | 0                  | 0                         |
| b. Bank, Financial Institutions, Insurance Companies<br>(Central/State Govt. Institutions/Non-Government<br>Institutions) | 0                  | 0                         |
| c. Foreign Institutional Investors  | 0                  | 0                         |
| Subtotal  | 0                  | 0                         |
| 4. Others   |                    |                           |
| a. Private Corporate Bodies   | 1,42,876           | 2.82                      |
| b. Indian Public  | 32,56,257          | 64.35                     |
| c. NRI's/OCB's  | 18,556             | 0.37                      |
| d. Any Other (Please Specify)   | 0                  | 0                         |
| Subtotal  | 34,17,689          | 67.54                     |
| C. GDR and ADR holding  | 0                  | 0                         |
| <b>GRAND TOTAL</b>  | <b>50,60,000</b>   | <b>100.00</b>             |

- 13. Shares dematerialised as on 31.03.2010** : **79.02%**  
 Shares Dematerialised with : National Securities Depository Limited,  
 Trade World, 4 th Floor, Kamala Mills Compound,  
 Senapati Bapat Marg, Lower Parel, Mumbai – 400 013.  
 : Central Depository Services (India) Limited,  
 P.J.Towers, 28 th Floor, Dalal Street, Mumbai – 400 001.  
 Dematerialisation of shares : Commenced with effect from March'2001.

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

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

16. Website of the Company : [www.cgvak.com](http://www.cgvak.com)

17. Plant Location :

**India**

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

**New Jersey**

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

**California**

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

**Retirement of Director**

**Mr.C. Ganapathy is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.**

|                           |   |               |                          |
|---------------------------|---|---------------|--------------------------|
| Profile : Name            | : Mr.C.GANAPATH                                       | Age           | : 71 years               |
| Date of appointment       | : 25.09.2003  | Qualification | : B.sc (Agri)            |
| Status                    | : Director  | Profession    | : Business               |
| <u>Other Directorship</u> |   | Share Holding | : 3,85,850 Equity Shares |
|                           | 1. Sindu & Gowtham Securities and Investments Pvt Ltd |               |                          |
|                           | 2. G2 Technology Solutions (India) Pvt Ltd            |               |                          |

Place : Coimbatore  
Date : 27.05.2010

By Order of the Board  
**C.GANAPATHY**  
Chairman

**CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT FOR BOARD OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL**

**CEO Declaration**

I,G.Suresh, Managing Director hereby certify that the Board of Directors and the Senior Management Personnel have affirmed compliance with the Code of Conduct laid down by the Board of Directors.

Place : Coimbatore  
Date : 27.05.2010

**G.Suresh**  
Managing Director

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

Global technology and related products and services spend is estimated to have crossed USD 1.5 trillion in 2009 a decline of 2.9% over 2008. The Indian Software and BPO industry faced a very tough year due to Global economic slowdown and considerable reductions were experienced in IT service spends by customers worldwide. The Indian IT export market is estimated to cross USD 50 billion for the financial year 2010 achieving a growth of 5.4% over last year. The US market continues to be the major segment contributing 61% of our exports.

**2. Operational performance**

During the year under review your Company has achieved a turnover of Rs.594 lakhs as against Rs.723 lakhs in the previous year. The Net Loss for the year is Rs. (65.51) Lakhs as against the net profit Rs.19.01 lakhs in the previous year.

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

During the year under review the company added 86 new clients.

**3. Segment-wise Performance**

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

Business from Software Services contributed to 86% and BPO services 14%.

Business from Software services for the year was Rs.511 lakhs as against Rs.637 lakhs last year.

Business from Offshore Software Services was Rs.457 lakhs during the year 2009-2010 as against Rs.405 lakhs in the previous year. The increase has been at 13% compared with previous year.

Business from BPO Services was Rs.83 lakhs during the year 2009-2010 as against Rs.86 lakhs in the previous year. The BPO business operates on a thin margin and there has been a significant pricing pressure which has led to decrease in revenues.

Domestic revenue has been Rs.19.41 lakhs as against Rs.6.52 lakhs in the previous year.

**On-site Offshore Mix:**

There has been a significant increase in the offshore component of the revenue. Offshore business has grown by 10% over last year. Out of which Software services has grown by 13%. The Offshore to on-site mix is 9.9:1 as compared to 2.1:1 in the previous year. i.e., the share of offshore business has grown from 68% last year to 91% this year.

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

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

Though the Health care BPO segment is matured, the company is able to attract new customers mainly through reference from our existing customers who are very happy about the quality of service and response time we provide. This market segment is also providing us good opportunities of 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 off foreign exchange fluctuations. High dependency on the US market is again a risk, which we are trying to mitigate by expanding the geographical spread of our market. Currently we get over 86% of our business from the North America.

**5. Outlook for the future:**

The predictions are that the Global IT spending is expected to grow as the Global economic recovery gathers speed. The sales pipeline has been growing and current strategies are showing positive results from our clients. There is a significant increase in the offshore business of the company and this positive trend is expected to continue this year. A positive growth on the overall business is expected in the current year.

**6. Internal Controls & their Adequacy**

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

**7. Human Resources**

One of the top priorities for the company has been recruiting and retaining good talent. The company has made various HR initiatives to ensure that attrition rate is reduced and higher level of job satisfaction is attained for its engineers. The attrition rate for the year under review stood at **10%** which is in line with the industry standards.

**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.

Place : Coimbatore  
Date : 27.05.2010

By Order of the Board  
**C.GANAPATHY**  
Chairman

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

We have examined the compliance of Corporate Governance by **CG-VAK SOFTWARE & EXPORTS LIMITED** for the year ended 31<sup>st</sup> March' 2010 as stipulated in Clause 49 of the Listing Agreement of the said company, with the Stock Exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanation given to us, and the representations made by the directors and the management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

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

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

Place : Coimbatore  
Dated: 27.05.2010

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

Ladies and Gentlemen,

1. We report that we have audited the Balance Sheet of M/s. CG-VAK Software and Exports Limited as at 31<sup>st</sup> March 2010, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted the audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An Audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of The Companies Act, 1956, we enclose in Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred above, we state that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for our Audit.
  - b) In our opinion, proper books of account have been kept as required by law so far, as appears from our examination of the books.
  - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement, referred to in this Report are in agreement with the Books of Account.
  - d) In our opinion the Profit & Loss Account and Balance Sheet read together with the notes thereon, and the Cash Flow Statement, comply with the Accounting Standards referred to in sub section (3C) of Section 211 of The Companies Act, 1956.
  - e) On the basis of written representation received from all the Directors as of 31<sup>st</sup> March 2010 and taken on record by the Board of Directors, We report that none of the Directors are disqualified as of 31<sup>st</sup> March 2010 from being appointed as Directors in terms of Section 274 (1)(g) of The Companies Act, 1956.
  - f) In our opinion and according to the information and explanations given to us and on the basis of such checks as we considered appropriate, the said Balance Sheet and Profit & Loss Account read together with the Notes thereon give the information required by The Companies Act, 1956 in the manner so required and give a true and fair view of
    - (i) in the case of the Balance Sheet, of the STATE OF AFFAIRS as at 31<sup>st</sup> March, 2010
    - (ii) in the case of the Profit & 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 : 27.05.2010

**For S.Lakshminarayanan Associates**

Chartered Accountants

**S.Lakshminarayanan**

Partner

M.No.012024

Firm Regn. No. 006609S



**ANNEXURE TO AUDITOR'S REPORT**

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

Place: Coimbatore

Date : 27.05.2010

**For S.Lakshminarayanan Associates**

Chartered Accountants

**S.Lakshminarayanan**

Partner

M.No.012024

Firm Regn. No. 006609S



**BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2010**

|  | Schedule | 31-Mar-2010<br>Rs | 31-Mar-2009<br>Rs |
|--|----------|-------------------|-------------------|
| <b>Liabilities:</b>                          |          |                   |                   |
| <b>Shareholders' Funds:</b>                  |          |                   |                   |
| Share Capital                                | 1        | 5,05,33,700       | 5,05,33,700       |
| Reserves & Surplus                           | 2        | 2,54,14,317       | 3,19,64,771       |
|  |          | 7,59,48,017       | 8,24,98,471.00    |
| <b>Loan Funds:</b>                           |          |                   |                   |
| Secured Loans                                | 3        | 1,06,78,879       | 1,32,52,359       |
| Unsecured Loans                              | 4        | 77,87,109         | 78,02,736         |
|  |          | 1,84,65,988       | 2,10,55,095       |
| Deferred Tax Reserve                         | 5        | 2,30,584          | 6,57,784          |
|  |          | 9,46,44,589       | 10,42,11,350      |
| <b>Assets:</b>                               |          |                   |                   |
| Fixed Assets Gross Block                     | 6        | 9,75,97,169       | 9,06,35,370       |
| Depreciation                                 |          | 6,44,06,314       | 5,80,40,428       |
| Net Block                                    |          | 3,31,90,855       | 3,25,94,942       |
| Investments                                  | 7        | 3,31,01,761       | 3,31,01,761       |
| <b>Current Assets, Loans &amp; Advances:</b> |          |                   |                   |
| <b>A.Current Assets</b>                      |          |                   |                   |
| Debtors                                      | 8        | 1,40,60,475       | 2,38,61,114       |
| Cash & Bank Balances                         | 9        | 56,35,877         | 56,49,717         |
| <b>B.Loans &amp; Advances</b>                |          |                   |                   |
| Total Current Assets                         | 10       | 1,96,26,671       | 1,97,05,759       |
| Less: Current Liabilities & Provisions       | 11       | 3,93,23,023       | 4,92,16,590       |
|  |          | 1,09,71,050       | 1,07,01,943       |
|  |          | 2,83,51,973       | 3,85,14,647       |
|  |          | 9,46,44,589       | 10,42,11,350      |

**For S Lakshminarayanan Associates**  
Chartered Accountants

**C.Ganapathy**  
Executive Chairman

**G.Suresh**  
Managing Director

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

**S Muthukumar**  
Director

**S Mohan**  
Director

Place : Coimbatore  
Date : 27-05-2010

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2010**

|   | Schedule | 31-Mar-2010<br>Rs | 31-Mar-2009<br>Rs |
|---|----------|-------------------|-------------------|
| <b>Income:</b>  |          |                   |                   |
| Income from Software Development, Services & Products |          |                   |                   |
| - Overseas  | 12       | 5,74,87,587       | 7,16,87,088       |
| - Domestic  | 13       | 19,40,663         | 6,52,093          |
|   |          | 5,94,28,250       | 7,23,39,181       |
| Other Income  | 14       | 25,53,210         | 72,26,721         |
|   |          | 6,19,81,460       | 7,95,65,902       |
| <b>Expenditure:</b>                                   |          |                   |                   |
| Cost of Services                                      | 15       | 4,73,59,185       | 5,88,05,074       |
| Administrative Expenses                               | 16       | 1,32,67,939       | 1,04,53,160       |
| Interest  | 17       | 19,16,993         | 30,47,952         |
| Depreciation  |          | 63,65,886         | 49,23,335         |
|   |          | 6,89,10,003       | 7,72,29,521       |
| Net Profit/(Loss) for the Year                        |          | (69,28,543)       | 23,36,381         |
| Less: Prior Period Expenses                           |          | 0                 | 1,21,929          |
| Income Tax Paid/FBT for Prior Years                   |          | 49,111            | 0                 |
|   |          | 49,111            | 1,21,929          |
| Profit Before Taxes                                   |          | (69,77,654)       | 22,14,452         |
| Less: Provision for Income Tax                        |          | 0                 | 4,10,000          |
| Provision for Deferred Tax                            |          | (4,27,200)        | (2,16,600)        |
| Provision for Fringe Benefit Tax                      |          | 0                 | 1,20,000          |
|   |          | (4,27,200)        | 3,13,400          |
| Profit After Taxes                                    |          | (65,50,454)       | 19,01,052         |
| Add: Surplus B/fd                                     |          | 2,19,64,771       | 2,00,63,719       |
|   |          | 1,54,14,317       | 2,19,64,771       |
| <b>Appropriations</b>                                 |          |                   |                   |
| Surplus C/fd  |          | 1,54,14,317       | 2,19,64,771       |
|   |          | 1,54,14,317       | 2,19,64,771       |
| Earnings Per Share                                    |          | (1.29)            | 0.38              |

**For S. Lakshminarayanan Associates**  
Chartered Accountants

**C.Ganapathy**  
Executive Chairman

**G.Suresh**  
Managing Director

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

**S. Muthukumar**  
Director

**S. Mohan**  
Director

Place : Coimbatore  
Date : 27-05-2010

**SCHEDULE TO ACCOUNTS**

| Schedule  | 31-Mar-2010<br>Rs  | 31-Mar-2009<br>Rs  |
|---|--------------------|--------------------|
| <b>1 Share Capital:</b>   |                    |                    |
| Authorised Capital:<br>70,00,000 Equity Shares of Rs.10 each                                  | 7,00,00,000        | 7,00,00,000        |
| Issued, Subscribed & Paid-Up Capital:<br>50,60,000 Equity Shares of Rs.10 each                | 5,06,00,000        | 5,06,00,000        |
| Less: Calls in Arrears (Due from Directors - Nil)   | 66,300             | 66,300             |
|   | <b>5,05,33,700</b> | <b>5,05,33,700</b> |
| <b>2 Reserves &amp; Surplus:</b>  |                    |                    |
| General Reserve   | 1,00,00,000        | 1,00,00,000        |
| Profit & Loss Account - Surplus   | 1,54,14,317        | 2,19,64,771        |
|   | <b>2,54,14,317</b> | <b>3,19,64,771</b> |
| <b>3 Secured Loans:</b>   |                    |                    |
| State Bank of India   |                    |                    |
| - Cash Credit   | 0                  | 2,17,678           |
| - Foreign Currency Loan   | 93,57,433          | 99,52,649          |
| - Corporate Loan  | 0                  | 8,25,727           |
| - Term Loan   | 13,21,446          | 22,56,305          |
|   | <b>1,06,78,879</b> | <b>1,32,52,359</b> |
| (Secured against Machinery, Furniture, Software<br>and Equitable Mortgage on Land & Building) |                    |                    |
| <b>4 Unsecured Loans:</b>   |                    |                    |
| Fixed Deposits  | 57,90,900          | 70,08,550          |
| Vehicle Loans   | 22,19,568          | 9,00,375           |
| Less: Interest Suspense   | 2,23,359           | 1,06,189           |
|   | 19,96,209          | 7,94,186           |
|   | <b>77,87,109</b>   | <b>78,02,736</b>   |
| <b>5 Deferred Tax Reserve:</b>  |                    |                    |
| Opening Balance   | 6,57,784           | 8,74,384           |
| Add/(Less): Provision for the Year  | (4,27,200)         | (2,16,600)         |
|   | <b>2,30,584</b>    | <b>6,57,784</b>    |

**6. Fixed Assets**

|                           | COST BLOCK                |                             |                      |                           | DEPRECIATION BLOCK  |                              |                      |                     | NET BLOCK          |                    |
|---------------------------|---------------------------|-----------------------------|----------------------|---------------------------|---------------------|------------------------------|----------------------|---------------------|--------------------|--------------------|
|                           | Cost As at<br>01- Apr- 09 | Additons<br>during the year | Sales/<br>Withdrawal | Cost as at<br>31- Mar- 10 | upto<br>01- Apr- 09 | Depreciation<br>for the year | Sales/<br>Withdrawal | upto<br>31- Mar- 10 | WDV<br>31- Mar- 10 | WDV<br>31- Mar- 09 |
| Land                      | 63,75,000                 | 0                           | 0                    | 63,75,000                 | 0                   | 0                            | 0                    | 0                   | 63,75,000          | 63,75,000          |
| Building                  | 43,86,367                 | 1,32,323                    | 0                    | 45,18,690                 | 7,54,245            | 1,18,910                     | 0                    | 8,73,155            | 36,45,535          | 36,32,122          |
| Plant & Machinery         | 6,61,93,990               | 38,18,916                   | 0                    | 7,00,12,906               | 4,98,14,927         | 38,60,580                    | 0                    | 5,36,75,507         | 1,63,37,399        | 1,63,79,063        |
| Electrical Fittings       | 44,11,648                 | 4,01,051                    | 0                    | 48,12,699                 | 19,66,282           | 60,27,296                    | 0                    | 25,93,578           | 22,19,121          | 24,45,366          |
| Vehicles                  | 30,18,993                 | 24,09,846                   | 0                    | 54,28,839                 | 13,89,845           | 3,14,721                     | 0                    | 17,04,566           | 37,24,273          | 16,29,148          |
| Furniture & Fittings      | 62,49,371                 | 1,99,663                    | 0                    | 64,49,034                 | 41,15,129           | 14,44,379                    | 0                    | 55,59,508           | 8,89,526           | 21,34,242          |
|                           | <b>9,06,35,369</b>        | <b>69,61,799</b>            | <b>0</b>             | <b>9,75,97,168</b>        | <b>5,80,40,428</b>  | <b>63,65,886</b>             | <b>0</b>             | <b>6,44,06,314</b>  | <b>3,31,90,854</b> | <b>3,25,94,941</b> |
| Previous YE 31- Mar- 2009 | 8,20,32,554               | 1,11,07,041                 | 25,04,225            | 9,06,35,370               | 5,31,17,093         | 49,23,335                    | 0                    | 5,80,40,428         | 3,25,94,942        | 2,89,15,460        |

**SCHEDULE TO ACCOUNTS**

| Schedule  | 31-Mar-2010<br>Rs | 31-Mar-2009<br>Rs |
|---|-------------------|-------------------|
| <b>7 Investments: (Valued At Cost)</b>            |                   |                   |
| <b>Quoted :</b>                                   |                   |                   |
| 100 Equity Shares of Rs.10 each                   |                   |                   |
| - Union Bank of India                             | 1,600             | 1,600             |
| <b>Unquoted:</b>                                  |                   |                   |
| 750 Equity Shares of US\$ 1,000 each              | 3,31,00,161       | 3,31,00,161       |
| - CGVAK Software USA Inc                          |                   |                   |
|   | 3,31,01,761       | 3,31,01,761       |
|   | <b>Quoted</b>     | <b>Quoted</b>     |
| Cost  | 1,600             | 1,600             |
| Face Value  | 1,000             | 1,000             |
| Market Value                                      | 29,080            | 14,725            |
|   | <b>Unquoted</b>   | <b>Unquoted</b>   |
| Cost  | 3,31,00,161       | 3,31,00,161       |
| Face Value  | 3,31,00,161       | 3,31,00,161       |
| <b>8. Debtors: Considered Good</b>                |                   |                   |
| Outstanding for a period less than 6 months       |                   |                   |
| - from wholly owned subsidiary                    |                   |                   |
| - from others                                     | 1,16,13,089       | 1,59,91,135       |
| Other Debts                                       |                   |                   |
| - from wholly owned subsidiary                    | 0                 | 0                 |
| - from others                                     | 24,47,386         | 78,69,979         |
| Doubtful Debts                                    | 19,74,539         | 9,65,959          |
| Less: Provision for Doubtful Debts                |                   |                   |
| - Upto last year                                  | 9,65,959          |                   |
| - For the year                                    | 10,08,580         |                   |
|   | (19,74,539)       | (9,65,959)        |
|   | 1,40,60,475       | 2,38,61,114       |
| <b>9 Cash &amp; Bank Balances:</b>                |                   |                   |
| Cash in hand                                      | 53,823            | 13,228            |
| Balance with Scheduled Banks                      |                   |                   |
| - Current Account                                 | 39,28,263         | 37,440            |
| - Fixed Deposits                                  | 7,13,977          | 6,53,242          |
| - EEFC A/c (In US Dollars)                        | 70,456            | 31,974            |
| Balance with Non-Scheduled Banks                  |                   |                   |
| - Current Account (In US Dollars)                 | 8,69,358          | 48,99,275         |
| - Current Account (In UAE Dirhams)                | 0                 | 14,559            |
|   | 56,35,877         | 56,49,718         |
| <b>10 Loans &amp; Advances :</b>                  |                   |                   |
| Advances - Considered Good                        | 18,88,099         | 22,97,469         |
| Advance to Subsidiary                             | 78,60,565         | 62,95,071         |
| Loan to Subsidiary                                | 91,43,345         | 1,02,08,107       |
| Staff Advances                                    | 3,64,379          | 3,35,371          |
| Deposits  | 2,42,800          | 5,14,861          |
| Prepaid Expenses                                  | 1,27,483          | 54,880            |
|   | 1,96,26,671       | 1,97,05,759       |
| <b>11 Current Liabilities &amp; Provisions:</b>   |                   |                   |
| <u>A.Current Liabilities:</u>                     |                   |                   |
| Liability for Purchases (Due from Micro/SMEs-Nil) | 27,59,000         | 86,482            |
| Liability for Expenses                            | 60,48,097         | 94,05,309         |
| Liability for Other Finance                       | 19,66,195         | 5,22,153          |
| Interest Accrued But no due                       | 1,97,758          | 1,57,999          |
| <u>B.Provisions:</u>                              |                   |                   |
| Provision for Income Tax                          | 0                 | 4,10,000          |
| Provision for Fringe Benefit Tax                  | 0                 | 1,20,000          |
|   | 1,09,71,050       | 1,07,01,943       |

**SCHEDULE TO ACCOUNTS**

| Schedule   | 31-Mar-2010<br>Rs | 31-Mar-2009<br>Rs |
|--|-------------------|-------------------|
| <b>12 Income from Software Development, Product &amp; Services - Overseas:</b> |                   |                   |
| Onsite Software Services   | 54,34,341         | 2,32,41,620       |
| Offshore Software Services   | 4,37,74,635       | 3,98,35,200       |
| Business Process Outsourcing Services  | 82,78,611         | 86,10,268         |
|  | 5,74,87,587       | 7,16,87,088       |
| <b>13 Income from Software Development, Product &amp; Services - Domestic:</b> |                   |                   |
| Software Services  | 19,40,663         | 6,52,093          |
|  | 19,40,663         | 6,52,093          |
| <b>14 Other Income:</b>  |                   |                   |
| Interest Receipts  | 7,89,450          | 14,77,685         |
| Foreign Exchange Gain  | 13,27,679         | 55,47,621         |
| Dividend Receipts  | 0                 | 400               |
| Sundry Receipts  | 4,36,081          | 2,01,015          |
|  | 25,53,210         | 72,26,721         |
| <b>15 Cost of Services:</b>  |                   |                   |
| Cost of Services - Overseas  | 90,39,288         | 2,77,32,337       |
| Cost of Services - Domestic  | 3,23,78,638       | 2,58,40,435       |
| Transcription charges  | 10,98,360         | 3,97,389          |
| Project Expenses   | 6,58,585          | 1,64,602          |
| Staff Welfare  | 11,06,689         | 11,43,144         |
| Staff Training   | 4,62,890          | 3,63,496          |
| Contribution to PF & ESI   | 18,91,982         | 15,47,906         |
| Retirement benefits  | 3,45,405          | 13,04,894         |
| HRD Expenses   | 3,77,348          | 3,10,871          |
|  | 4,73,59,185       | 5,88,05,074       |
| <b>16 Administrative Expenses:</b>   |                   |                   |
| Rent   | 14,66,006         | 7,48,818          |
| Power & Fuel   | 16,17,298         | 21,45,849         |
| Printing & Stationery  | 1,25,868          | 1,48,388          |
| Communication Expenses   | 18,58,024         | 16,38,641         |
| Director Remuneration  | 33,00,000         | 9,00,000          |
| Marketing Expenses   | 3,02,389          | 4,79,177          |
| Travelling Expenses  | 9,28,313          | 11,38,450         |
| Membership, Subscription, Books & Periodicals                                  | 1,38,060          | 1,28,014          |
| Taxes & Licences   | 2,51,805          | 1,22,472          |
| Repairs & Maintenance  | 5,10,136          | 6,62,584          |
| Building Maintenance   | 1,52,287          | 1,45,365          |
| Vehicle Maintenance  | 3,25,935          | 2,38,436          |
| Auditors Remuneration  | 88,240            | 75,000            |
| Share Demat Expenses   | 1,43,015          | 1,21,418          |
| Dot Com Expenses   | 1,42,152          | 1,40,214          |
| ISO 9001 Expenses  | 1,33,455          | 62,919            |
| Legal & Consultancy  | 1,92,364          | 81,442            |
| Bank Charges   | 4,08,190          | 5,21,248          |
| Provision for Doubtful Debts   | 10,08,580         | 6,48,095          |
| Other Administrative Expenses  | 1,75,822          | 3,06,630          |
|  | 1,32,67,939       | 1,04,53,160       |

**Schedule to Accounts**

| <b>Schedule</b>                     | <b>31-Mar-2010<br/>Rs</b> | <b>31-Mar-2009<br/>Rs</b> |
|-------------------------------------|---------------------------|---------------------------|
| <b>17 Interest:</b>                 |                           |                           |
| Interest paid to Bank - Cash Credit | 2,86,350                  | 12,89,388                 |
| Interest paid to Bank - Others      | 8,12,821                  | 6,21,680                  |
| Interest paid on Fixed Deposits     | 6,74,540                  | 10,16,719                 |
| Interest paid on Vehicle Loans      | 1,43,282                  | 1,20,165                  |
|                                     | 19,16,993                 | 30,47,952                 |

**For S. Lakshminarayanan Associates**  
Chartered Accountants

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

Place : Coimbatore  
Date : 27-05-2010

**C.Ganapathy**  
Executive Chairman

**S. Muthukumar**  
Director

**G.Suresh**  
Managing Director

**S. Mohan**  
Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2010**

| Schedule   | 31-Mar-2010<br>Rs.in lacs | 31-Mar-2009<br>Rs. in lacs |
|--|---------------------------|----------------------------|
| <b>A</b>   |                           |                            |
| NET PROFIT BEFORE TAX & EXTRAORDINARY ITEMS        | (69.29)                   | 23.36                      |
| Adjustments for                                    |                           |                            |
| Depreciation                                       | 63.66                     | 49.23                      |
| Interest   | 19.17                     | 30.48                      |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES    | 13.54                     | 103.07                     |
| Adjustments for                                    |                           |                            |
| Trade & Other Receivables                          | 88.15                     | 51.87                      |
| Trade Payables                                     | 2.69                      | 37.05                      |
| CASH GENERATED FROM OPERATIONS                     | 104.38                    | 191.99                     |
| Interest Paid                                      | (19.17)                   | (30.48)                    |
| Income Tax   | 0.00                      | (5.30)                     |
| CASH FLOW BEFORE EXTRAORDINARY ITEMS               | 85.21                     | 156.21                     |
| Prior Period items                                 | (0.49)                    | (1.22)                     |
|  | 84.72                     | 154.99                     |
| <b>B</b>   |                           |                            |
| CASH FLOW FROM INVESTING ACTIVITIES                |                           |                            |
| Purchase of Fixed Assets                           | (69.62)                   | (86.03)                    |
| NET CASH USED IN INVESTMENT ACTIVITIES             | (69.62)                   | (86.03)                    |
| <b>C</b>   |                           |                            |
| CASH FROM FINANCING ACTIVITIES                     |                           |                            |
| Increase/(Decrease) in Secured Loans               | (25.73)                   | (21.48)                    |
| Increase/(Decrease) in Unsecured Loans             | (0.16)                    | (31.02)                    |
| Loan repaid by Subsidiary                          | 10.65                     | 15.40                      |
| NET CASH USED IN FINANCING ACTIVITIES              | (15.24)                   | (37.10)                    |
| Net Increase/(Decrease) in Cash & Cash Equivalents | (0.14)                    | 31.86                      |
| Add: Opening Balance of Cash & Cash Equivalents    | 56.50                     | 24.64                      |
| Closing Balance of Cash & Cash Equivalents         | 56.36                     | 56.50                      |

**For S. Lakshminarayanan Associates**  
Chartered Accountants

**C.Ganapathy**  
Executive Chairman

**G.Suresh**  
Managing Director

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

**S. Muthukumar**  
Director

**S. Mohan**  
Director

Place : Coimbatore  
Date : 27-05-2010

## **SIGNIFICANT ACCOUNTING POLICIES**

### **Fixed Assets:**

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

### **Investments:**

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

### **Current Assets:**

Debtors: Debtors are stated at net realizable value.

### **Revenue Recognition:**

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

### **Depreciation:**

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

### **Foreign Currency transactions:**

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

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



**NOTES ANNEXED AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2010**

|    | 31-Mar-2010   | 31-Mar-2009        |                    |
|----|---|--------------------|--------------------|
| 1  | Estimated amount of contracts remaining to be executed on capital account not provided for  | NIL                | NIL                |
| 2  | Depreciation has been charged on straight-line method as per the rates specified under schedule XIV of The Companies Act,1956. Depreciation has been calculated on prorata basis on additions during the year.  |                    |                    |
| 3  | The Term Loans from State Bank Of India are secured against specific Machinery and other assets and equitable mortgage of the Company's Land & Building.  |                    |                    |
| 4  | The Working Capital facilities are secured against the hypothecation of receivables and other current assets of the company.  |                    |                    |
| 5  | Quantitative Details: The Company is mainly engaged in development of Computer software. This is not capable of being expressed in generic units. Hence it is not possible to give quantitative details and information required under paragraphs 3,4c of Part II of Schedule VI of The Companies Act,1956. |                    |                    |
| 6. | <b>Income from Software Development , Services &amp; Products</b>   | <b>31.03.2010</b>  | <b>31.03.2009</b>  |
|    | Software Consultancy - Onsite   | 54,34,341          | 2,32,41,620        |
|    | Software Development - Offshore   | 4,57,15,298        | 4,04,87,293        |
|    | Medical Transcription   | 82,78,611          | 86,10,268          |
|    | <b>Total</b>  | <b>5,94,28,250</b> | <b>7,23,39,181</b> |
| 7  | <b>Earnings in Foreign Currency</b>   | <b>5,82,15,977</b> | <b>7,16,87,088</b> |
| 8  | <b>Expenditure in Foreign Currency</b>  |                    |                    |
|    | Foreign Travel  | 3,80,343           | 2,45,049           |
|    | Cost of services  | 87,45,948          | 2,64,05,118        |
|    | Others  | 11,09,222          | 14,72,013          |
|    | <b>Total</b>  | <b>1,02,35,513</b> | <b>2,81,22,180</b> |
|    | Fixed Assets Purchased in Foreign Currency  | 27,07,672          | 32,82,630          |
| 9  | <b>Detail of Remuneration paid to Managing Directors</b>  |                    |                    |
|    | Mr G Suresh   | 30,00,000          | 6,00,000           |
|    | Mr C Ganapathy  | 3,00,000           | 3,00,000           |
| 10 | Income Tax Assessments upto Assessment Year 2007-2008 have been completed.  |                    |                    |
| 11 | Basic & Diluted Earnings per share of Rs.10/- each  |                    |                    |
|    |   | 31.03.2010         | 31.03.2009         |
| A  | Numerator   |                    |                    |
|    | Net Profit After Tax  | (65,50,455)        | 19,01,052          |
| B  | Denominator   |                    |                    |
|    | Weighted Average Number of Equity Shares Outstanding  | 50,60,000          | 50,60,000          |
| C  | Basic & Diluted Earnings Per Share  | (1.29)             | 0.38               |

**12. Segment Analysis for the year ended 31<sup>st</sup> March 2010- Business Segment**

Rs. in Lakhs

| Sl.No. | Particulars  | 31-Mar-2010<br>(Audited) | 31- Mar-2009<br>(Audited) |
|--------|--|--------------------------|---------------------------|
| 1      | SEGMENT REVENUE  |                          |                           |
|        | a) Software Services   | 511.50                   | 637.29                    |
|        | b) BPO Services  | 82.78                    | 86.10                     |
|        | Less : Inter Segment Revenue   | ---                      | ---                       |
|        | Net Sales/ Income from operations                                    | 594.28                   | 723.39                    |
| 2      | SEGMENT RESULT<br>(Profit before tax and Interest from each segment) |                          |                           |
|        | a) Software Services   | (73.44)                  | (15.00)                   |
|        | b) BPO Services  | (2.21)                   | (3.43)                    |
|        | Total  | (75.65)                  | (18.43)                   |
|        | Less : Interest  | 19.17                    | 30.48                     |
|        | Less : Other un-allocable expenditure                                | ---                      | ---                       |
|        | Add : Other un-allocable Income                                      | 25.53                    | 72.27                     |
|        | Profit before tax & Extraordinary item                               | (69.29)                  | 23.36                     |
| 3      | CAPITAL EMPLOYED   |                          |                           |
|        | a) Software Services   | 709.38                   | 789.78                    |
|        | b) BPO Services  | 52.40                    | 35.20                     |
|        | Total  | 761.79                   | 824.98                    |

**Segment Analysis for the year ended 31<sup>st</sup> March 2010 - Geographical Segment**

Rs. in Lakhs

| Sl.No. | Particulars  | 31-Mar-2010<br>(Audited) | 31- Mar-2009<br>(Audited) |
|--------|--|--------------------------|---------------------------|
| 1      | SEGMENT REVENUE  |                          |                           |
|        | a) North America   | 501.87                   | 691.77                    |
|        | b) Middle East   | 7.35                     | 2.68                      |
|        | c) Rest of the world   | 65.66                    | 22.42                     |
|        | d) India   | 19.41                    | 6.52                      |
|        | Less : Inter Segment Revenue   | ---                      | ---                       |
|        | Net Sales/ Income from operations                                    | 594.28                   | 723.39                    |
| 2      | SEGMENT RESULT<br>(Profit before tax and Interest from each segment) |                          |                           |
|        | a) North America   | (64.79)                  | (18.08)                   |
|        | b) Middle East   | (0.86)                   | (0.43)                    |
|        | c) Rest of the world   | (7.71)                   | 0.06                      |
|        | d) India   | (2.28)                   | 0.02                      |
|        | Total  | (75.65)                  | (18.43)                   |
|        | Less : Interest  | 19.17                    | 30.48                     |
|        | Less : Other un-allocable expenditure                                | ---                      | ---                       |
|        | Add : Other un-allocable Income                                      | 25.53                    | 72.27                     |
|        | Profit before tax & Extraordinary item                               | (69.29)                  | 23.36                     |
| 3      | CAPITAL EMPLOYED   |                          |                           |
|        | a) North America   | 706.36                   | 731.80                    |
|        | b) Middle East   | ---                      | 73.35                     |
|        | c) Rest of the world   | 42.79                    | 15.36                     |
|        | d) India   | 12.64                    | 4.47                      |
|        | Total  | 761.79                   | 824.98                    |

13 Disclosure in respect of Related parties in pursuant to Accounting Standard 18:

(a) List of Related Parties over which control exists:

|                          |                         |
|--------------------------|-------------------------|
| CG-VAK Software USA Inc. | Wholly Owned Subsidiary |
| S. Latha                 | Lessor                  |

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

Key Managerial Personnel (KMP):

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

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

|                                 | Subsidiary | KMP        | Relatives of KMP |
|---------------------------------|------------|------------|------------------|
| Purchase of Assets              | 2707671.75 |            |                  |
| Interest Receipts               | 728389.61  |            |                  |
| Income from BPO Services        | 10978.62   |            |                  |
| Salary                          |            | 3300000.00 |                  |
| Rent                            |            |            | 1320000.00       |
| Interest paid on Fixed Deposits |            |            | 436429.00        |

(d) Amount due to Related Parties 40,40,413

(e) Amount due from Related Parties

|                        |         |           |
|------------------------|---------|-----------|
| CGVAK SOFTWARE USA Inc | Loan    | 91,43,345 |
| CGVAK SOFTWARE USA Inc | Advance | 78,60,565 |

14 Details of Auditors' Remuneration

|                                | 31-Mar-10 | 31-Mar-09 |
|--------------------------------|-----------|-----------|
| Audit Fees                     | 35,000    | 35,000    |
| Tax Audit Fees                 | 10,000    | 10,000    |
| Income tax Representation Fees | 30,000    | 30,000    |
| Total                          | 75,000    | 75,000    |

15 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 31.03.2010<br>(Rs.) | As on 31.03.2009<br>(Rs.) |
|---|---------------------------|---------------------------|
| Present value of funded obligations                               | 16,27,453                 | 12,82,048                 |
| Fair value of plan assets   | Nil                       | Nil                       |
| Net surplus in the Balance sheet (Grouped under Prepaid expenses) | Nil                       | Nil                       |

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

|  | For the year ended<br>31.03.2010<br>Rs. | For the year ended<br>31.03.2009<br>Rs. |
|--|---|---|
| Current service cost                           | 4,64,000                                | 1,92,679                                |
| Interest on obligation                         | 1,02,564                                | 73,198                                  |
| Expected return on plan assets                 | Nil                                     | Nil                                     |
| Net actuarial losses(gains) recognized in year | 2,21,159                                | (51,823)                                |
| Total included in Labour cost                  | 0                                       | 22,846                                  |

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

|                                    | <b>For the year ended<br/>31.03.2010<br/>(Rs.)</b> | <b>For the year ended<br/>31.03.2009<br/>(Rs.)</b> |
|------------------------------------|--|--|
| Opening defined benefit obligation | 12,82,048  | 9,87,194   |
| Prior period adjustment            | Nil  | Nil  |
| Service cost                       | 4,64,000   | 1,92,679   |
| Interest cost                      | 1,02,564   | 73,198   |
| Actuarial gains (Losses)           | (221,159)  | 51,823   |
| Benefits paid                      | - - -  | (22,846)   |
| Closing defined benefit obligation | 16,27,453  | 12,82,048  |

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

|  | <b>For the year ended<br/>31.03.2010<br/>(Rs.)</b> | <b>For the year ended<br/>31.03.2009<br/>(Rs.)</b> |
|--|--|--|
| Opening fair value of plan assets                                | Nil  | Nil  |
| Expected return  | Nil  | Nil  |
| Actuarial gains and (losses)                                     | Nil  | Nil  |
| Contribution by employer   | Nil  | Nil  |
| Assets acquired in an amalgamation in the nature of purchase     | Nil  | Nil  |
| Exchange differences on foreign plans                            | Nil  | Nil  |
| Benefits paid  | Nil  | Nil  |
| Closing fair value of plan assets                                | Nil  | Nil  |
| <b>Balance sheet Reconciliation</b>                              | Nil  | Nil  |
| Opening Net Liability  | 12,82,048  | 9,87,194   |
| Expenses Reconciled in Profit and Loss Account                   | <b>3,45,405</b>                                    | <b>13,04,894</b>                                   |
| Contribution made  | Nil  | Nil  |
| Closing unfunded status (Surplus-Grouped under prepaid expenses) | Nil  | Nil  |

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

|  | <b>For the year ended<br/>31.03.2010<br/>(Rs.)</b> | <b>For the year ended<br/>31.03.2009<br/>(Rs.)</b> |
|--|--|--|
| Discount rate current                    | 7.5%   | 7.5%   |
| Expected return per annum on plan assets | ---  | ---  |
| Salary Escalation per annum              | 6%   | 6%   |
| Retirement Age                           | 58 years   | 58 years   |
| Mortality                                | LIC 1994-96 rates                                  | LIC 1994-96 rates                                  |
| Attrition rate                           | 10%  | 10%  |

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

- 16 There are no amounts due to small enterprises and micro enterprises outstanding for more than 30 days as identified by the Company.
- 17 Previous Year figures have been regrouped and reclassified wherever found necessary. Figures have been rounded off to the nearest rupee.
- 18 The Consolidated Financial Statements are prepared in accordance with the Accounting Standard 21. The subsidiary considered in the Consolidated Financial Statements is the fully owned subsidiary CG-VAK Software USA Inc.,

**For S. Lakshminarayanan Associates**  
Chartered Accountants

**C.Ganapathy**  
Executive Chairman

**G.Suresh**  
Managing Director

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

**S. Muthukumar**  
Director

**S. Mohan**  
Director

Place : Coimbatore  
Date : 27-05-2010

**DETAILS REQUIRED UNDER PART IV OF SCHEDULE VI  
BALANCE SHEET EXTRACT AND GENERAL BUSINESS PROFILE**

**I Registration Details:**

|                    |                   |            |         |
|--------------------|-------------------|------------|---------|
| Registration No.   | 1 8 1 1 - 5 5 6 8 | State Code | 1 8     |
| Balance Sheet Date | 3 1               | 0 3        | 2 0 1 0 |
|                    | Date              | Month      | Year    |

**II Capital raised during the Year:**

|              |     |                   |     |
|--------------|-----|-------------------|-----|
| Public Issue | Nil | Rights Issue      | Nil |
| Bonus Issue  | Nil | Private Placement | Nil |

**III Position of Mobilisation and Deployment of Funds:**

|  |           |                           | Amount in<br>thousands |
|--|-----------|---------------------------|------------------------|
| Total Liabilities                                | 9 4 4 1 4 | Total Assets              | 9 4 4 1 4              |
| Sources of Funds:                                |           |                           |                        |
| Paid up Capital                                  | 5 0 5 3 4 | Reserves & Surplus        | 2 5 4 1 4              |
| Secured Loans                                    | 1 0 6 7 9 | Unsecured Loans           | 7 7 8 7                |
| Application of Funds:                            |           |                           |                        |
| Fixed Assets                                     | 3 3 1 9 1 | Investments               | 3 3 1 0 2              |
| Net Current Assets @                             | 2 8 1 2 1 | Miscellaneous Expenditure | 0                      |
| Accumulated Losses @ Net of Deferred Tax Reserve | 0         |                           |                        |

**IV Performance of the Company:**

|                    |             |                   | Amount in<br>thousands |
|--------------------|-------------|-------------------|------------------------|
| Total Income       | 6 1 9 8 1   | Total Expenditure | 6 8 9 1 0              |
| Profit Before Tax  | ( 6 9 2 9 ) | Profit After Tax  | ( 6 5 5 0 )            |
| Earnings Per Share | ( 1 . 2 9 ) | Dividend Rate     | 0 %                    |

**V Generic Names of three principal products/services of the company**

|                          |                   |
|--------------------------|-------------------|
| Item Code No. (ITC Code) | 85249009.10       |
| Product Description      | Computer Software |

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

We have examined the attached Consolidated Balance Sheet of **M/s. CG-VAK SOFTWARE AND EXPORTS LIMITED** and its subsidiary as at 31 st March 2010, the Consolidated Profit & Loss Account for the Year then ended and the Consolidated Cash Flow Statement for the Year ended on that date.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit. We have conducted our audit in accordance with generally accepted accounting standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements. We believe our audit provides a reasonable basis for our opinion.

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

|                        |                           |
|------------------------|---------------------------|
| Name of the Subsidiary | CG-VAK Software USA Inc., |
| Total Assets           | 842.29 lacs               |
| Total Revenues         | Rs.1091.17 lacs           |

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

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

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

- (a) The Consolidated Balance sheet gives a true and fair view of the consolidated state of affairs of CG-VAK Software and Exports Limited and its subsidiary as at 31 st March 2010.
- (b) The consolidated Profit & Loss Account gives a true and fair view of the consolidated results of CG-VAK 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  
Partner

Place : Coimbatore  
Dated: 27.05.2010

**CONSOLIDATED BALANCE SHEET 31<sup>st</sup> MARCH, 2010**

|  | Schedule | 31-Mar-2010<br>Rs | 31-Mar-2009<br>Rs |
|--|----------|-------------------|-------------------|
| <b>Liabilities:</b>                          |          |                   |                   |
| <b>Shareholders' Funds:</b>                  |          |                   |                   |
| Share Capital                                | 1        | 5,05,33,700       | 5,05,33,700       |
| Reserves & Surplus                           | 2        | 4,59,62,300       | 5,57,91,066       |
|  |          | 9,64,96,000       | 10,63,24,766      |
| <b>Loan Funds:</b>                           |          |                   |                   |
| Secured Loans                                | 3        | 1,06,78,878       | 1,32,52,359       |
| Unsecured Loans                              | 4        | 77,87,109         | 78,02,736         |
|  |          | 1,84,65,987       | 2,10,55,095       |
| Deferred Tax Reserve                         | 5        | 2,30,584          | 6,57,784          |
|  |          | 11,51,92,571      | 12,80,37,645      |
| <b>Assets:</b>                               |          |                   |                   |
| Fixed Assets Gross Block                     | 6        | 11,38,82,213      | 10,75,74,598      |
| Depreciation                                 |          | 7,68,82,303       | 6,95,27,406       |
|  |          | 3,69,99,910       | 3,80,47,192       |
| Investments                                  | 7        | 1,600             | 1,600             |
| <b>Current Assets, Loans &amp; Advances:</b> |          |                   |                   |
| <b>A.Current Assets</b>                      |          |                   |                   |
| Debtors                                      | 8        | 5,90,41,219       | 8,13,11,670       |
| Cash & Bank Balances                         | 9        | 1,24,79,263       | 1,10,08,470       |
| <b>B.Loans &amp; Advances</b>                | 10       | 2,74,28,150       | 3,00,18,490       |
| <b>Total Current Assets</b>                  |          | 9,89,48,632       | 12,23,38,630      |
| Less: Current Liabilities & Provisions       | 11       | 2,07,57,571       | 3,23,49,777       |
|  |          | 7,81,91,061       | 8,99,88,853       |
|  |          | 11,51,92,571      | 12,80,37,645      |

**For S. Lakshminarayanan Associates**  
Chartered Accountants

**C.Ganapathy**  
Executive Chairman

**G.Suresh**  
Managing Director

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

**S. Muthukumar**  
Director

**S. Mohan**  
Director

Place : Coimbatore  
Date : 27-05-2010

**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2010**

|   | Schedule | 31-Mar-2010<br>Rs | 31-Mar-2009<br>Rs |
|---|----------|-------------------|-------------------|
| <b>Income:</b>  |          |                   |                   |
| Income from Software Development, Services & Products |          |                   |                   |
| - Overseas  | 12       | 16,61,21,524      | 19,46,96,440      |
| - Domestic  |          | 19,40,663         | 6,52,093          |
|   |          | 16,80,62,187      | 19,53,48,533      |
| Other Income  | 13       | 22,98,219         | 74,90,126         |
|   |          | 17,03,60,406      | 20,28,38,659      |
| Expenditure:  |          |                   |                   |
| Cost of Services                                      | 14       | 13,81,60,910      | 15,73,01,698      |
| Administrative Expenses                               | 15       | 2,86,78,067       | 3,25,29,528       |
| Interest  | 16       | 19,52,042         | 30,47,952         |
| Depreciation  |          | 73,54,897         | 61,61,948         |
|   |          | 17,61,45,916      | 19,90,41,126      |
| Net Profit/(Loss) for the Year                        |          | (57,85,510)       | 37,97,533         |
| Less: Prior Period Expenses                           |          | 0                 | 1,21,929          |
| Income Tax Paid/FBT for Prior Years                   |          | 4,87,935          | 0                 |
| Profit Before Taxes                                   |          | (62,73,445)       | 36,75,604         |
| Less: Provision for Income Tax                        |          | 1,60,347          | 6,74,000          |
| Provision for Deferred Tax                            |          | (4,27,200)        | (2,16,600)        |
| Provision for Fringe Benefit Tax                      |          | 0                 | 1,20,000          |
| Profit After Taxes                                    |          | (60,06,592)       | 30,98,204         |
| Add: Surplus B/fd                                     |          | 3,76,68,583       | 3,45,70,379       |
|   |          | 3,16,61,991       | 3,76,68,583       |
| Appropriations  |          |                   |                   |
| Surplus C/fd  |          | 3,16,61,991       | 3,76,68,583       |
|   |          | 3,16,61,991       | 3,76,68,583       |
| Earnings Per Share                                    |          | (1.19)            | 0.61              |

**For S. Lakshminarayanan Associates**  
Chartered Accountants

**C.Ganapathy**  
Executive Chairman

**G.Suresh**  
Managing Director

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

**S. Muthukumar**  
Director

**S. Mohan**  
Director

Place : Coimbatore  
Date : 27-05-2010



**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

| Schedule   | 31-Mar-2010<br>Rs  | 31-Mar-2009<br>Rs  |
|--|--------------------|--------------------|
| <b>1 Share Capital:</b>  |                    |                    |
| Authorised Capital:<br>70,00,000 Equity Shares of Rs.10 each                               | 7,00,00,000        | 7,00,00,000        |
| Issued, Subscribed & Paid-Up Capital:<br>50,60,000 Equity Shares of Rs.10 each             | 5,06,00,000        | 5,06,00,000        |
| Less: Calls in Arrears (Due from Directors -Nil)   | 66,300             | 66,300             |
|  | <b>5,05,33,700</b> | <b>5,05,33,700</b> |
| <b>2 Reserves &amp; Surplus:</b>   |                    |                    |
| General Reserve  | 1,00,00,000        | 1,00,00,000        |
| Reserve on Consolidation   | 43,00,309          | 81,22,483          |
| Profit & Loss Account - Surplus  | 3,16,61,991        | 3,76,68,583        |
|  | <b>4,59,62,300</b> | <b>5,57,91,066</b> |
| <b>3 Secured Loans:</b>  |                    |                    |
| State Bank of India  |                    |                    |
| - Cash Credit  | 0                  | 2,17,678           |
| - Foreign Currency Loan  | 93,57,432          | 99,52,649          |
| - Corporate Loan   | 0                  | 8,25,727           |
| - Term Loan  | 13,21,446          | 22,56,305          |
|  | <b>1,06,78,878</b> | <b>1,32,52,359</b> |
| (Secured against Machinery, Furniture, Software and Equitable Mortgage on Land & Building) |                    |                    |
| <b>4 Unsecured Loans:</b>  |                    |                    |
| Fixed Deposits   | 57,90,900          | 70,08,550          |
| Vehicle Loans  | 22,19,568          | 9,00,375           |
| Less: Interest Suspense  | 2,23,359           | 1,06,189           |
|  | <b>19,96,209</b>   | <b>7,94,186</b>    |
|  | <b>77,87,109</b>   | <b>78,02,736</b>   |
| <b>5 Deferred Tax Reserve:</b>   |                    |                    |
| Opening Balance  | 6,57,784           | 8,74,384           |
| Add/(Less): Provision for the Year   | (4,27,200)         | (2,16,600)         |
|  | <b>2,30,584</b>    | <b>6,57,784</b>    |

**6. Fixed Assets**

|                         | COST BLOCK           |                           |                   |                      | DEPRECIATION BLOCK |                           |                   |                    | NET BLOCK          |                    |
|-------------------------|----------------------|---------------------------|-------------------|----------------------|--------------------|---------------------------|-------------------|--------------------|--------------------|--------------------|
|                         | Cost As at 01-Apr-09 | Additions during the year | Sales/ Withdrawal | Cost as at 31-Mar-10 | upto 01-Apr-09     | Depreciation for the year | Sales/ Withdrawal | upto 31-Mar-10     | WDV 31-Mar-10      | WDV 31-Mar-09      |
| Land                    | 63,75,000            | 0                         | 0                 | 63,75,000            | 0                  | 0                         | 0                 | 0                  | 63,75,000          | 63,75,000          |
| Building                | 43,86,367            | 1,32,323                  | 0                 | 45,18,690            | 7,54,245           | 1,18,910                  | 0                 | 8,73,155           | 36,45,535          | 36,32,122          |
| Plant & Machinery       | 8,14,32,013          | 56,42,236                 | 24,77,504         | 8,45,96,745          | 5,96,00,700        | 48,49,591                 | 0                 | 6,44,50,291        | 2,01,46,454        | 2,18,31,313        |
| Electrical Fittings     | 44,11,648            | 4,01,051                  | 0                 | 48,12,699            | 19,66,282          | 6,27,296                  | 0                 | 25,93,578          | 22,19,121          | 24,45,366          |
| Vehicles                | 43,50,219            | 24,09,846                 | 0                 | 67,60,065            | 27,21,071          | 3,14,721                  | 0                 | 30,35,792          | 37,24,273          | 16,29,148          |
| Furniture & Fittings    | 66,19,351            | 1,99,663                  | 0                 | 68,19,014            | 44,85,108          | 14,44,379                 | 0                 | 59,29,487          | 8,89,527           | 21,34,243          |
|                         | <b>10,75,74,598</b>  | <b>87,85,119</b>          | <b>24,77,504</b>  | <b>11,38,82,213</b>  | <b>6,95,27,406</b> | <b>73,54,897</b>          | <b>0</b>          | <b>7,68,82,303</b> | <b>3,69,99,910</b> | <b>3,80,47,192</b> |
| Previous YE 31-Mar-2009 | <b>10,04,18,146</b>  | <b>1,13,23,828</b>        | <b>41,67,376</b>  | <b>10,75,74,598</b>  | <b>6,33,65,458</b> | <b>61,61,948</b>          | <b>0</b>          | <b>6,95,27,406</b> | <b>3,80,47,192</b> | <b>3,70,52,688</b> |

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

| Schedule  | 31-Mar-2010<br>Rs | 31-Mar-2009<br>Rs |
|---|-------------------|-------------------|
| <b>7 Investments: (Valued At Cost)</b>              |                   |                   |
| Quoted :  |                   |                   |
| 100 Equity Shares of Rs.10 each                     |                   |                   |
| - Union Bank of India                               | 1,600             | 1,600             |
|   | 1,600             | 1,600             |
|   | Quoted            | Quoted            |
| Cost  | 1,600             | 1,600             |
| Face Value  | 1,000             | 1,000             |
| Market Value  | 29,080            | 14,246            |
| <b>8 Debtors: Considered Good</b>                   |                   |                   |
| <b>Outstanding for a period less than 6 months</b>  |                   |                   |
| - from others                                       | 5,65,93,833       | 7,34,41,691       |
| Other Debts   |                   |                   |
| - from others                                       | 24,47,386         | 78,69,979         |
| Doubtful Debts                                      | 19,74,539         | 9,65,959          |
| Less: Provision for Doubtful Debts                  |                   |                   |
| - Upto last year                                    | (9,65,959)        | (3,17,864)        |
| - For the year                                      | (10,08,580)       | (6,48,095)        |
|   | 5,90,41,219       | 8,13,11,670       |
| <b>9 Cash &amp; Bank Balances:</b>                  |                   |                   |
| Cash in hand  | 4,27,900          | 5,40,759          |
| Balance with Scheduled Banks                        |                   |                   |
| - Current Account                                   | 39,28,263         | 37,439            |
| - Fixed Deposits                                    | 7,13,977          | 6,53,242          |
| - EEFC A/c (In US Dollars)                          | 70,456            | 31,974            |
| Balance with Non-Scheduled Banks                    |                   |                   |
| - Current Account (In US Dollars)                   | 73,38,667         | 97,30,497         |
| - Current Account (In UAE Dirhams)                  | 0                 | 14,559            |
|   | 1,24,79,263       | 1,10,08,470       |
| <b>10 Loans &amp; Advances :</b>                    |                   |                   |
| Advances - Considered Good                          | 2,66,59,213       | 2,87,90,055       |
| Advance to Subsidiary                               | 0                 | 0                 |
| Loan to Subsidiary                                  | 0                 | 0                 |
| Staff Advances                                      | 3,64,379          | 3,35,371          |
| Deposits  | 2,77,075          | 8,38,184          |
| Prepaid Expenses                                    | 1,27,483          | 54,880            |
|   | 2,74,28,150       | 3,00,18,490       |
| <b>11 Current Liabilities &amp; Provisions:</b>     |                   |                   |
| <b>A. Current Liabilities:</b>                      |                   |                   |
| Liability for Purchases (Due from Micro/SMEs - Nil) | 51,328            | 86,482            |
| Liability for Expenses                              | 1,40,72,944       | 2,19,13,403       |
| Liability for Other Finance                         | 64,35,541         | 63,40,480         |
| Interest Accrued But no due                         | 1,97,758          | 1,57,999          |
| <b>B.Provisions:</b>                                |                   |                   |
| Provision for Income Tax                            | 0                 | 37,31,413         |
| Provision for Fringe Benefit Tax                    | 0                 | 1,20,000          |
|   | 2,07,57,571       | 3,23,49,777       |

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

| Schedule   | 31-Mar-2010<br>Rs | 31-Mar-2009<br>Rs |
|--|-------------------|-------------------|
| <b>12 Income from Software Development, Product &amp; Services - Overseas:</b> |                   |                   |
| Onsite Software Services   | 54,34,341         | 14,62,50,972      |
| Offshore Software Services   | 15,24,08,572      | 3,98,35,200       |
| Business Process Outsourcing Services  | 82,78,611         | 86,10,268         |
|  | 16,61,21,524      | 19,46,96,440      |
| <b>13 Other Income:</b>  |                   |                   |
| Interest Receipts  | 61,060            | 0                 |
| Foreign Exchange Income  | 13,27,679         | 55,47,621         |
| Dividend Receipts  | 0                 | 400               |
| Sundry Receipts  | 9,09,480          | 19,42,105         |
|  | 22,98,219         | 74,90,126         |
| <b>14 Cost of Services:</b>  |                   |                   |
| Cost of Services-Overseas  | 8,66,73,970       | 12,29,75,944      |
| Cost of Services - Domestic  | 3,23,78,638       | 2,58,40,435       |
| Transcription charges  | 10,87,971         | 3,97,389          |
| Project Fees   | 90,92,361         | 1,64,602          |
| Staff Welfare  | 58,50,345         | 14,47,887         |
| Staff Training   | 4,62,890          | 3,63,496          |
| Contribution to PF & ESI   | 18,91,982         | 15,47,906         |
| Retirement benefits  | 3,45,405          | 13,04,894         |
| HRD Expenses   | 3,77,348          | 32,59,145         |
|  | 13,81,60,910      | 15,73,01,698      |
| <b>15 Administrative Expenses:</b>   |                   |                   |
| Rent   | 41,84,340         | 30,38,959         |
| Power & Fuel   | 16,17,298         | 21,45,849         |
| Printing & Stationery  | 1,84,955          | 2,07,830          |
| Communication Expenses   | 27,00,365         | 25,50,730         |
| Director Remuneration  | 33,00,000         | 9,00,000          |
| Marketing Expenses   | 15,02,582         | 18,88,392         |
| Travelling Expenses  | 26,99,562         | 26,74,168         |
| Membership, Subscription, Books & Periodicals                                  | 1,38,060          | 1,28,014          |
| Taxes & Licences   | 71,96,274         | 73,95,486         |
| Repairs & Maintenance  | 5,10,136          | 6,79,729          |
| Building Maintenance   | 1,52,287          | 1,45,365          |
| Vehicle Maintenance  | 6,72,637          | 6,58,991          |

| Schedule                           | 31-Mar-2010<br>Rs | 31-Mar-2009<br>Rs |
|------------------------------------|-------------------|-------------------|
| Auditors Remuneration              | 3,99,693          | 3,64,575          |
| Share Demat Expenses               | 1,43,015          | 1,21,418          |
| Dot Com Expenses                   | 1,42,152          | 1,40,214          |
| ISO 9001 Expenses                  | 1,33,455          | 62,919            |
| Legal & Consultancy                | 3,42,465          | 81,442            |
| Bank Charges                       | 4,60,731          | 5,57,205          |
| Provision for Doubtful Debts       | 10,08,580         | 6,48,095          |
| Other Administrative Expenses      | 11,89,480         | 81,40,147         |
|                                    | 2,86,78,067       | 3,25,29,528       |
| <b>16 Interest:</b>                |                   |                   |
| Interest paid to Bank- Cash Credit | 2,86,350          | 12,89,388         |
| Interest paid to Bank-Others       | 8,47,870          | 6,21,680          |
| Interest paid on Fixed Deposits    | 6,74,540          | 10,16,719         |
| Interest paid on Vehicle Loans     | 1,43,282          | 1,20,165          |
|                                    | 19,52,042         | 30,47,952         |

Note

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

**For S. Lakshminarayanan Associates**  
Chartered Accountants

**C.Ganapathy**  
Executive Chairman

**G.Suresh**  
Managing Director

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

**S. Muthukumar**  
Director

**S. Mohan**  
Director

Place : Coimbatore  
Date : 27-05-2010

**CASH FLOW STATEMENT (CONSOLIDATED) FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2010**

| Schedule   | 31-Mar-2010<br>Rs in lakhs | 31-Mar-2009<br>Rs in lakhs |
|--|----------------------------|----------------------------|
| A  |                            |                            |
| NET PROFIT BEFORE TAX & EXTRAORDINARY ITEMS        | (57.86)                    | 37.98                      |
| Adjustments for Depreciation                       | 73.55                      | 61.62                      |
| Interest   | 19.52                      | 30.48                      |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES    | 35.21                      | 130.08                     |
| Adjustments for Trade & Other Receivables          | 248.60                     | (134.99)                   |
| Trade Payables                                     | (115.92)                   | 123.75                     |
| CASH GENERATED FROM OPERATIONS                     | 167.89                     | 118.84                     |
| Interest Paid                                      | (19.52)                    | (30.48)                    |
| Income Tax   | (1.60)                     | (7.94)                     |
| CASH FLOW BEFORE EXTRAORDINARY ITEMS               | 146.77                     | 80.42                      |
| Extra ordinary items                               | (38.22)                    | 98.40                      |
| Prior Period items                                 | (4.88)                     | (1.22)                     |
|  | 103.67                     | 177.60                     |
| B  |                            |                            |
| CASH FLOW FROM INVESTING ACTIVITIES                |                            |                            |
| Purchase of Fixed Assets                           | (87.85)                    | (88.20)                    |
| Sale of Fixed Assets                               | 24.77                      | 16.63                      |
| NET CASH USED IN INVESTMENT ACTIVITIES             | (63.08)                    | (71.57)                    |
| C  |                            |                            |
| CASH FROM FINANCING ACTIVITIES                     |                            |                            |
| Increase/(Decrease) in Secured Loans               | (25.72)                    | (21.48)                    |
| Increase/(Decrease) in Unsecured Loans             | (0.16)                     | (31.02)                    |
| NET CASH USED IN FINANCING ACTIVITIES              | (25.88)                    | (52.50)                    |
| Net Increase/(Decrease) in Cash & Cash Equivalents | 14.71                      | 53.53                      |
| Add: Opening Balance of Cash & Cash Equivalents    | 110.08                     | 56.55                      |
| Closing Balance of Cash & Cash Equivalents         | 124.79                     | 110.08                     |

**For S. Lakshminarayanan Associates**  
Chartered Accountants

**C.Ganapathy**  
Executive Chairman

**G.Suresh**  
Managing Director

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

**S. Muthukumar**  
Director

**S. Mohan**  
Director

Place : Coimbatore  
Date : 27-05-2010

**Consolidated Segment Analysis for the year ended 31st March 2010 - Business Segment**

| Sl.No. | Particulars  | 31-Mar-2010<br>(Audited)<br>Rs. in Lakhs | 31- Mar-2009<br>(Audited)<br>Rs. in Lakhs |
|--------|--|--|---|
| 1      | SEGMENT REVENUE<br>a) Software Services<br>b) BPO Services<br>Less : Inter Segment Revenue                         | 1597.84<br>82.78                         | 1867.39<br>86.10                          |
|        | Net Sales/ Income from operations  | 1680.62                                  | 1953.49                                   |
| 2      | SEGMENT RESULT<br>(Profit before tax and Interest<br>from each segment)<br>a) Software Services<br>b) BPO Services | (59.11)<br>(2.21)                        | (3.02)<br>(3.43)                          |
|        | Total  | (61.32)                                  | (6.45)                                    |
|        | Less : Interest  | 19.52                                    | 30.48                                     |
|        | Less : Other un-allocable expenditure  | ---                                      |   |
|        | Add : Other un-allocable Income  | 22.98                                    | 74.90                                     |
|        | Profit before tax & Extraordinary item   | (57.86)                                  | 37.97                                     |
| 3      | CAPITAL EMPLOYED<br>a) Software Services<br>b) BPO Services  | 914.86<br>52.40                          | 1028.05<br>35.20                          |
|        | Total  | 967.27                                   | 1063.25                                   |

**Segment Analysis for the year ended 31st March'2010 - Geographical Segment**

| Sl.No. | Particulars   | 31-Mar-2010<br>(Audited)<br>Rs. in Lakhs | 31- Mar-2009<br>(Audited)<br>Rs. in Lakhs |
|--------|---|--|---|
| 1      | SEGMENT REVENUE<br>a) North America<br>b) Middle East<br>c) Rest of the world<br>d) India<br>Less : Inter Segment Revenue                         | 1588.21<br>---<br>73.01<br>19.41<br>---  | 1921.86<br>2.68<br>22.43<br>6.52<br>---   |
|        | Net Sales/ Income from operations   | 1680.62                                  | 1953.49                                   |
| 2      | SEGMENT RESULT<br>(Profit before tax and Interest<br>from each segment)<br>a) North America<br>b) Middle East<br>c) Rest of the world<br>d) India | (121.54)<br>--<br>47.58<br>12.65         | (6.10)<br>(0.43)<br>0.06<br>0.02          |
|        | Total   | (61.32)                                  | (6.45)                                    |
|        | Less : Interest   | 19.52                                    | 30.48                                     |
|        | Less : Other un-allocable expenditure   | ---                                      | ---                                       |
|        | Add : Other un-allocable Income   | 22.98                                    | 74.90                                     |
|        | Profit before tax & Extraordinary item  | (57.86)                                  | 37.97                                     |
| 3      | CAPITAL EMPLOYED<br>a) North America<br>b) Middle East<br>c) Rest of the world<br>d) India  | 780.12<br>---<br>144.45<br>42.69         | 970.06<br>73.36<br>15.36<br>4.47          |
|        | Total   | 967.27                                   | 1063.25                                   |

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

## **FINANCIAL STATEMENTS**

### **MARCH 31, 2010**

Registered Office  
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 13th Annual Report and Financial Statements of the Corporation for the period ended March 31, 2010

#### **Review of Business**

Your corporation has sailed through a very challenging face. The total turnover has been \$ 2.295 million as against \$ 2.984 million of the previous year. The Company has achieved a net profit of \$ 0.019 million.

#### **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, 2010 detailing the revenue and expenditure, asset and liabilities and the operational cash flow have been appended with Auditor's report.

25.05.2010

**BERTIE.S**  
Vice President

### **AUDITOR'S REPORT**

To

The Shareholders of

**CG-VAK SOFTWARE USA INC**

We have compiled the accompanying balance sheet of CG-VAK SOFTWARE USA INC. as of March 31, 2010 and the related statements of income, retained earnings and cash flows for the year then ended, in accordance with the Statements on Standards for Accounting and Review Services established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management.

25.05.2010

**L. NAGANANDA**  
Certified Public Accountant

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

### BALANCE SHEET AS AT MARCH 31, 2010 (IN THOUSAND DOLLARS ONLY)

| ASSETS                            | \$'000       | LIABILITIES:  | \$'000       |
|-----------------------------------|--------------|---|--------------|
| <b>CURRENT ASSETS</b>             |              | <b>CURRENT LIABILITIES</b>                          |              |
| Cash in Bank (Note 1)             | 150          | Accounts Payable & Accrued expenses                 | 469          |
| Accounts Receivable (Note 1)      | 1,067        | Loans Payable                                       | 200          |
| Prepaid expenses & Deferred Costs | 536          |   |              |
|                                   | <b>1,753</b> | <b>TOTAL CURRENT LIABILITIES</b>                    | <b>669</b>   |
| <b>TOTAL CURRENT ASSETS</b>       |              | <b>TOTAL LIABILITIES</b>                            | <b>669</b>   |
|                                   |              | <b>COMMITMENT &amp; CONTINGENCY (Note 2)</b>        |              |
| <b>FIXED ASSETS (Note 1)</b>      |              | <b>STOCKHOLDERS' EQUITY</b>                         |              |
| Computers & Office Equipment      | 92           | Capital Stock                                       | 750          |
| Computer Software                 | 224          | Retained Earnings <Deficit>                         | 429          |
| Office Furniture                  | 8            |   |              |
| Automobile                        | 30           |   |              |
| Total Fixed Assets                | 354          | <b>STOCKHOLDERS' EQUITY</b>                         | <b>1,179</b> |
| Less: Accumulated Depreciation    | 265          |   |              |
| <b>TOTAL NET FIXED ASSETS</b>     | <b>89</b>    | <b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b> | <b>1,848</b> |
| <b>OTHER ASSETS</b>               |              |   |              |
| Deposits                          | 6            |   |              |
| <b>TOTAL ASSETS</b>               | <b>1,848</b> |   |              |

### STATEMENT OF INCOME & RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 2010 (IN THOUSAND DOLLARS)

|   | \$'000       |
|---|--------------|
| <b>CONSULTING FEES</b>                          | <b>2,295</b> |
| <b>OPERATING EXPENSES (Schedule 1)</b>          | <b>2,269</b> |
| <b>NET INCOME &lt;LOSS&gt; FROM OPERATIONS</b>  | <b>26</b>    |
| Provision for Income Taxes (Note 3)             | 7            |
| <b>NET INCOME &lt;LOSS&gt;</b>                  | <b>19</b>    |
| <b>RETAINED EARNINGS -Beginning of the Year</b> | <b>419</b>   |
| Prior period adjustment                         | <9>          |
| <b>RETAINED EARNINGS-End of the Year</b>        | <b>429</b>   |



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

### SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED MARCH 31, 2010 (IN THOUSAND DOLLARS)

| <b>SCHEDULE-1</b>                           | <b>\$'000</b> |
|---|---------------|
| <b>OPERATING EXPENSES</b>                   |               |
| Salary                                      | 1,633         |
| Payroll taxes & Payroll processing          | 135           |
| Visa Processing Professional fee & expenses | 23            |
| Employee Benefits                           | 100           |
| Consulting Fees                             | 177           |
| Marketing Expenses                          | 25            |
| Rent & Utility                              | 58            |
| Legal & Professional                        | 10            |
| Telephone & Telex                           | 15            |
| Office Supplies & Expenses                  | 21            |
| Internet & Web Site                         | 2             |
| Insurance                                   | 9             |
| Travel                                      | 14            |
| Bank charges                                | 1             |
| Postage                                     | 1             |
| Interest                                    | 16            |
| Automobile expense                          | 7             |
| Depreciation                                | 22            |
| <b>TOTAL</b>                                | <b>2,269</b>  |

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2010 (IN THOUSAND DOLLARS)

|  |  |                  |
|--|--|------------------|
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>  |  | <b>\$'000</b>    |
| Net Income   |  | 19               |
| Adjustments to Reconcile Net Income to Net Cash          |  |                  |
| Provided by Operating Activities:                        |  |                  |
| Depreciation and Amortization                            |  | 22               |
| Decrease <Increase> in Accounts Receivable               |  | 95               |
| Decrease <Increase> in Prepaid Expenses & Deposits       |  | 175              |
| Increase <Decrease> in Accounts Payable and              |  |                  |
| Accrued Expenses   |  | <280>            |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>         |  | <b>31</b>        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>              |  |                  |
| Sale of Fixed Assets                                     |  | 17               |
| <Increase> Decrease in Deposits                          |  | 0                |
| <b>Net Cash Used in Investing Activities</b>             |  | <b>17</b>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>             |  |                  |
| Loans Borrowed <repaid>                                  |  | <6>              |
| <b>Net Cash Provided (Used) by Financing Activities</b>  |  | <b>&lt;6&gt;</b> |
| Net Increase (Decrease) in Cash and Cash Equivalents     |  | 42               |
| Cash and Cash Equivalents at Beginning of Year           |  | 108              |
| <b>Cash and Cash Equivalents at End of Year (NOTE 1)</b> |  | <b>150</b>       |

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

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**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2010****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** : The Corporation is incorporated under the laws of the State of New Jersey.

**Revenue Recognition** : Revenue and associated expenses are recorded on accrual basis.

**Accounts Receivable** : Accounts receivable have been adjusted for all known uncollectible accounts.

**Fixed Assets** : Fixed Assets are stated at cost. Expenditures, which substantially increase, estimated useful lives are capitalized. Maintenance, repairs and minor renewals are 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.

**Cash Flows** : For purposes of the statement of cash flows, the corporation considers all highly liquid debt instruments purchases with a maturity of three months or less to be cash equivalents.

**NOTE 2 COMMITMENTS AND CONTINGENCIES**

**Lease Obligations** : The Corporation rents its office facilities under a non-cancelable operating lease, which expires on February 28, 2011. 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:

|           |           |
|-----------|-----------|
| 2010-2011 | \$ 47,300 |
|-----------|-----------|

**NOTE 3 INCOME TAXES**

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

25.05.2010

**BERTIE.S**  
Vice President

## CG-VAK SOFTWARE & EXPORTS LTD

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

### PROXY FORM

I/We .....of  
..... Member(s)  
of the above named Company, hereby appoint Sri ..... or failing him  
Sri ..... of ..... in the district of  
..... as my/our proxy to vote for me/us on my/our  
behalf at the FIFTEENTH ANNUAL GENERAL MEETING of the Company to be held on Monday the 30th  
August 2010 at 4.30 P.M. at Hotel Annalakshmi, 106-A, Race Course, Coimbatore - 641 018.

Signed this ..... day of ..... 2010.

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 & EXPORTS LTD

Registered Office : 171, Mettupalayam Road, Coimbatore - 641043

### Attendance Slip

(To be handed over at entrance of the Meeting Hall)

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 FIFTEENTH ANNUAL GENERAL MEETING of the Company to be  
held on Monday the 30th August 2010 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 handling over this slip)