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"Our Ultimate responsibility is to our shareholders. Our objective is to earn optimum return on the capital employed and build a financially strong Organisation. We wish to maintain a steady growth in our profits."

- mission statement

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Board of Directors

C. Ganapathy B.Sc. (Agri)
Chairman

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

Dr. S. K. Subramaniam B.E. M.Phil Ph.D(UK)
Director

K. Ramanathan B.Tech, MBA
Director

K. Manickam B.Sc. MBA
Managing Director

G. Suresh B.E., MBA
Managing Director

Auditors

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

Bankers

Union Bank of India
Indian Overseas Bank

Registered Office

171-171A , Mettupalayam Road
Coimbatore - 641 043.
INDIA.

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NOTICE TO THE SHARE HOLDERS

Notice is hereby given that the Fourth Annual General Meeting of the Company will be held on Wednesday the 29th September 1999 at 4.00 p.m. at the Chamber Hall in The Chamber of Commerce and Industry, Chamber Towers, 8/732 Avanashi Road, Coimbatore 641 018 to transact the following business:

AGENDA

Ordinary Business

1 To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31.03.1999 and the Balance Sheet as at 31.03.1999 and the Reports of Directors and Auditors thereon.

2 To declare a Dividend

3 To appoint a Director in the place of Dr. S.K. Subramaniam, who retires by roation and being eligible, offers himself for re-appointment

4 To appoint a Director in the place of Mr. M. Durairaj, who retires by rotation and being eligible offers himself for re-appointment.

5 To appoint Auditors to hold office till the conclustion of the next Annual General Meeting and to fix their remuneration.

Special Business:

6 To pass the following, with or without modification, as an ordinary business:

"RESOLVED that the Authorised Share Capital of the Company be increased from Rs.6.00 crores, divided into 60,00,000 equity shares of Rs.10/- each, to Rs.7.00 crores, divided into 60,00,000 equity shares of Rs.10/- each and 10,00,000 preference shares of Rs.10/- each. by the creation of 10,00,000 preference shares of Rs.10/- each."

7 To pass the following, with or without modification, as a Special Resolution:

"RESOLVED that the existing clause V of the Memorandum of Association be deleted and substituted as follows:

The Authorised Capital of the Company is Rs.7,00,00,000/- (Rupees Seven Crores only) divided into 60,00,000 equity shares of Rs.10/- each and 10,00,000 preference share of Rs.10/- each, and from time to time, to increase, reduce or modify the capital and divide all or any of the shares in the capital of the Company, for the time being, and to classify and reclassify such shares into other class or classes and to attach thereto respectively such preferential, deferred, qualified or other special rights,privileges, conditions or restrictions as may be determined by the Company in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges, conditons or restrictions, in such manner and by such persons as any, for the time being be permitted under the provisions, for the time being in force in that behalf."

8 To pass the following with or without modification as a Special Resolution:

"RESOLVED that the existing Clause 4 of the Articles of Association be deleted and substitued as follows:

The Authorised Capital of the Company is Rs.7,00,00,000/- (Rupees Seven Crores only) divided into 60,00,000 equity shares of Rs.10/- each and 10,00,000 preference share of Rs.10/- each, and from time to time, to increase, reduce or modify the capital and divide all or any of the shares in the capital of the Company, for the time being, and to classify and reclassify such shares into other class or classes and to attach thereto respectively such preferential, deferred, qualified or other specical rights, Previleges, conditions or restictions as may be determined by the company in accordance with the Articles of Assocation of the Company and to vary, modify or abrogate any such privileges, conditons or restrictions, in such manner and by such persons as any, for the time being be permitted under the provisions, for the time being in force in that behalf."

9 To pass the following with or without modification as a Special Resolution:

"RESOLVED that in accordance with the provisions,of Sec 81(1A) and all other applicable provisions if any, of the companies Act 1956, that 10,00,000 redeembale cumulative preference shares of Rs.10/- each, carrying a fixed dividend of not exceeding 13% be issued, at par and allotted to any person or persons including banks and financial institutions, at such manner and style as the Board of Directors may deem fit and to be redeemed at the option of the Company, within a period of 10 years from the date of issue of the preference shares."

"RESOLVED further that the said shares shall confer on the holders the following rights and restrictions.
a). The shares shall carry a right to Cumulative Preferential Dividend, in relation to the capital paid up on them.
b) The holding of the said shares shall have a right to attend the General Meeting of the Company and vote on resolution directly affecting their interest or where the dividend in respect thereof are in arrears for not less than 2 years on the date of the meeting, on all resolution at every meeting of the Company.
c). In winding up the holders of the said shares shall be entitled to a preferential rights of return of the amount paid up on the shares together with arrears of Cumulative Preferential Dividend due on the date of winding up, but shall not have any further rights or claim over the surplus assets of the Company."

By order of the Board
C.GANAPATHY
Chairman

Place : Coimbatore
Date : 25.08.99

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DIRECTOR'S REPORT

To

The Members of CG-VAK SOFTWARE AND EXPORTS LTD.

The Directors of your Company have great pleasure in presenting the 4th Annual Report on the business of your Company and the Audited Financial accounts for the year ended 31st March 1999.

1. Financial Results of 1999

During the year your Company's total business has been Rs.5.65 crores including that of the USA Subsidiary which has generated a business of 384 thousand US Dollars for the year ending 31st March 1999,

CG-VAK Software And Exports Ltd Rs.4.02 Crores	Rs.4.02 Crores
CG-VAK SOFTWARE USA Inc. USD. 384 thousand	Rs.1.63 Crores
	Rs.5.65 Crores

Your company had generated a turnover of Rs.4.02 crores as against Rs.3.43 crores in the previous year. The gross profit had increased to Rs. 1.01 crores as against Rs.85.81 lakhs in the previous year. The net profit for this year has been Rs. 76.16 lakhs.

2. Performance during the year under review

The existing business units have been performing satisfactorily. The USA operation has stabilized and its products and services have been accepted in the USA. The UAE business arm has also contributed well to the overall business. In the production/development front there has been continuous improvements in the products, services and technology which is a prime factor of requisite for software business. At your company employee retention averaging at 94% has been one of the best compared to Indian Software Industry.

The year under review has seen many developments in terms of stabilisation of existing products, entry into new product markets like banking, hospitality and health care solutions.

3. CG-VAK USA INC.

During the period the USA operation at New Jersey was streamlined. Our services have been well received by the American market. Our choosing of technology and business, focus on Client-Server Business Applications. USA, the largest importer of Indian Software has a relatively high usage of solutions in Client Server environment. Just in the very first year of full operations our USA Subsidiary has achieved a business volume of 384 thousand US Dollars. The Gross Profit has been at 26 Thousand US Dollars and Net Profit at 19 Thousand US Dollars. Profit margins are expected to better in the coming years.

4. Business in the UAE

Business of your Company in the UAE has been continuously improving. Existing assignments have been renewed and new offshore projects have been taken for our ERP product - CG-VAK FINANCIALS.

5. Future Plans and Prospects

California Operations

The New Jersey office caters to the east coast of the America. Another office has been planned to be set up at California. This office will focus on business for the Company's services in the Silicon Valley. All preliminary works are in progress and as scheduled, we should have the office infrastucture and people by the month of September/October 1999. The office is being set up as a Branch to our USA Susidiary.

Focus on the Internet

The internet has become a part of everyman's daily life. It has started changing not only business but also domestic and household life. A major focus for the coming year is to build strong internet technology and domain competence which can be leveraged for the future year. New products and services are scheduled to be developed and marketed in business to business e-commerce in the coming year.

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Upgradation of Existing Products

The products and services currently sold will undergo constant upgration and would be internet enabled. This would improve their marketability and revenues.

Future Revenue

With all the strategic business units in place, and performing progressively, and the addition of new operational outlets (California) and new products and service lines, definitely auger for continuous improvement in revenues and profits in the coming years.

ESOP

Skilled Professionals are an integral part of the Company's business. Hence the Company strives to attract and retain state of art and excellent talents through many innovative HR approaches. In an increasingly challenging and competitive business environment, it has become imperative that the Company must attract and retain qualified, tallented and experienced employees who form the single major factor of Business Strength.

The Software Industry, both in India and all over the world, affirm that "fostering a sence of belongingness in them" is best method of employee retention.

Your Company proposes to adopt the most innovative scheme of Employee Stock Option (ESOP) to its employees which will bring in a sense of belongingness in leading them to align their personal goals with that of the Company's.

The Board is happy to announce this decision and finalisation of the terms of this issue are in process. We shall present the ESOP plan very soon to the memebrs for your approval.

6. Dividend

The Directors are pleased to recommend a dividend of 10% for the year ending 31st March 1999 on the fully paid up equity shares of the Company, subject to the approval of the shareholders at the ensuing Annual General Meeting to be held on 29.09.1999.

7. Subsidiary at USA

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

8. Directors.

Dr. S.K. Subramaniam and Sri M.Durairaj Directos are retiring by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

9. Auditors

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

10. Public Deposits

The Deposits accepted by your company are within the prescibed limits and the provision of section 58-A of the Companies Act 1956 and the rules framed thereunder are complied with. There are no unclaimed deposits as on 31.03.1999.

11. Information pursuant to section 217 of the Companines 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 and outgo are appended hereto and form part of this report.

12. Particulars of Employees

There is no employee who is in receipt of remuneration in excess of the limits set under Section 217 (2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules 1975.

13. Acknowledgement

The Directors wish to express their grateful appreciation for the abundant assistance and co-operation received from Banks, Government Authorities and Shareholders.

They also wish to place on record their sincere appreciation for the hardwork and dedicated service put in by the employees at all levels.

Place : Coimbatore
Date : 25.08.99

For and on behalf of the Board
C. GANAPATHY
Chairman

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EXPLANATORY STATEMENT PURSUANT TO SEC 173(2) OF THE COMPANIES ACT OF 1956

ITEM NO 6

The Board of Directors of your Company has decided to increase the Authorised Share capital of the Company, from Rs.6.00 crores to Rs. 7.00 crores, by the creation of 10 lakhs cumulative redeemable preference shares of Rs. 10/- each. Necessary resolution, for increasing the Authorised Share capital and for amending the Memorandum and Articles of Association is placed before you for your approval.

None of the Directors are interested in this Resolution.

ITEM NO. 7 & 8

Consequent to the increase in the Authorised Share Capital of the Company, necessary alteration has to be made in the Memorandum of Association and Articles of Association of the Company.

Necessary resolution for making the alterations is placed before you for your approval.

None of the Directors are interested in this Resolutions.

ITEM NO 9

The Board of Directors of your Company, proposes to issue cumulative redeemable preference shares to Banks and/or financial institutions, to meet the working capital requirements of the Comapny.

The Board seeks your approval in this regard. The necessary resolution is brought before you for your approval.

None of the Directors are interested in this Resolution..

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 Reserch 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 EARNING AND OUTGO

Foreign Exchange Earnings Rs. 3,09,62,175

Foreign Exchange Outgo Rs. 1,65,91,475

Place : Coimbatore
Date : 25.08.99

For and on behalf of the Board
C.GANAPATHY
Chairman

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