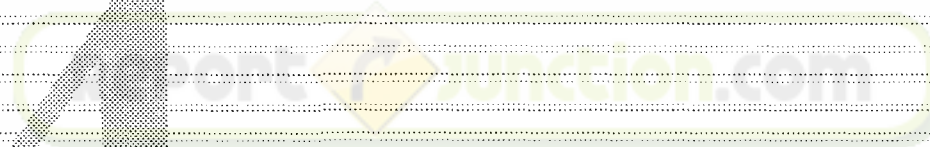




An ISO 9001 : 2000 Certified Company



12th Annual Report

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**BOARD OF DIRECTORS**

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

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

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

S.Mohan, B.E.
Director

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

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. 3902
Coimbatore – 641 018.

REGISTRARS & SHARE TRANSFER AGENTS

S.K.D.C. Consultants Limited
P.B. No. 2979
No.11, S.N. Dass Layout
Street No.1, Tatabad
Coimbatore – 641 012.

REGISTERED OFFICE

171, Mettupalayam Road,
Coimbatore – 641 043
INDIA.

SUBSIDIARY

CG-VAK Software USA Inc.,
666, Plainsboro Road
Suite 516
Plainsboro
New Jersey 08536

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NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the 12th Annual General Meeting of the Shareholders of the Company will be held on Friday the 28th September 2007 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 31st March 2007 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.S.Muthukumar, 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.

By Order of the Board
G.SURESH
 Managing Director

Place : Coimbatore
 Date : 28.06.2007

Report  junction.com

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 21.09.2007 to 28.09.2007 (both days inclusive). If any, transfers/correspondences related to shares to contact our Registrars and Share Transfer Agents M/s.S.K.D.C. Consultants Limited, Coimbatore.
4. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.

By Order of the Board
G.SURESH
 Managing Director

Place : Coimbatore
 Date : 28.06.2007



DIRECTOR'S REPORT

Dear Members,

The Director's of your Company have immense pleasure in presenting the 12th Annual Report on the business of your Company and the Audited Financial Accounts for the year ended 31st March 2007.

Financial Results 2006-07

During the year under review, your Company has achieved a turnover of Rs. 538.02 lakhs as against Rs. 503.17 lakhs in the previous year. The net profit after tax stood at Rs. 2.55 lakhs as compared to Rs. 1.47 lakhs in the previous year.

Global Revenue

The global revenues for the Company including the business done by the Wholly Owned Subsidiary for the year under review is Rs. 17.39 crores as compared to previous year was Rs.16.85 crores..

Review of Business

The year under report had been a challenging one for your Company. The profit increased marginally to Rs. 2.55 lakhs as compared to the previous year Rs.1.47 lakhs, and there is a growth of 6.92% in revenue. Due to the competition from the Indian and Global companies for recruiting and retaining good talent, the cost of services has increased.

The contributions of business from various markets were:

Software services contributed to 79%, BPO services 20 % and Training 1 %.

The contribution of offshore business has grown significantly over the last year. The offshore to on-site mix is 1:1.5 as compared to 1:3 in the previous year. There is a growth of 74% in the offshore revenue.

Business from Offshore Software Services was Rs.110.05 lakhs during the year 2006-2007 as against Rs.51.60 in the previous year. The increase has been at 113% compared with previous year.

Our BPO business grew by 46% and has done a business of Rs. 107.09 lakhs during the current year when compared to Rs. 73.21 lakhs of 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 9001:2000 standards.

Future Plans

The IT Services Industry is maturing and more work is being moved offshore. The company has already gained momentum in the offshore front and the offshore mix will increase this year. 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 has made success in OPD (Out-sourced Product Development) market space by acquiring and retaining customers. The company will increase its focus on this segment. The Company should perform better in the ensuing year with improvement in market conditions.

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, 2007.

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\$ 3.45 million during this year, compared to the US\$ 3.52 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.S.Muthukumar is retiring by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

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 thereunder are complied with. There are no unclaimed deposits as on 31.03.2007.

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

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

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 judgements 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 2007 on a going concern basis.

Corporate Governance

The Board of Directors of your Company has taken all necessary steps to comply with Clause 49 of the Listing Agreement with The Stock Exchanges, which becomes applicable to the Company from the Financial Year 2002 – 2003.

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 hardwork of the employees working in India, USA and at various client locations overseas, turning every milestone to reach our corporate vision.

Place : Coimbatore

Date : 28.06.2007

By Order of the Board

G.SURESH

Managing Director

ADDENDUM

With reference to the Auditor's remark on non-provision of gratuity liability, we wish to state that the same will be recognized on actual payment.

Place : Coimbatore

Date : 28.06.2007

By Order of the Board

G.SURESH

Managing Director

**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 applications engines, re-usable codes and libraries as a part of R&D activities.

B. TECHNOLOGY ABSORPTION

The Company has not absorbed technology from outside.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

| | |
|---------------------------|------------------|
| Foreign Exchange Earnings | Rs. 5,26, 21,139 |
|---------------------------|------------------|

Foreign Exchange Outgo

| | |
|----------------|--------------|
| Foreign Travel | Rs. 4,12,290 |
|----------------|--------------|

| | |
|-----------------|-----------------|
| Onsite Services | Rs. 1,25,03,420 |
|-----------------|-----------------|

| | |
|--------|-----------------|
| Others | Rs. 1,49,57,084 |
|--------|-----------------|

| | |
|-------|-----------------|
| Total | Rs. 2,78,72,794 |
|-------|-----------------|

Place : Coimbatore

Date : 28.06.2007

By Order of the Board

C.GANAPATHY

Chairman

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

1. Name of the Subsidiary : CG-VAK Software USA Inc.
2. Financial year ended : 31.03.2007
3. No. of shares in the Subsidiary : 750 equity shares of \$ 1000 each
as on the above date
4. Percentage of holding Equity : 100%
5. Net aggregate of profits or losses
for the current financial year of the
subsidiary so far as it concerns the
members of the holding company
 - a. Dealt with or provided in the : Nil
accounts of the holding company
 - b. Not Dealt with or provided in the : USD 52,552/-
accounts of the holding company
6. The net aggregate of profit or losses
for the previous financial years of the
subsidiary so far as it concerns the
members of the holding company
 - a. Dealt with or provided in the : Nil
accounts of the holding company
 - b. Not Dealt with or provided in the : USD 2,97,388/-
accounts of the holding company

C.GANAPATHY
Chairman

S.MUTHUKUMAR
Director

S.MOHAN
Director

G.SURESH
Managing Director

Place : Coimbatore

Date : 28.06.2007

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:

| Name of Director | Category of Directorship | No. of Board Meetings Attended | Attendance in last AGM |
|------------------|--------------------------|--------------------------------|------------------------|
| Mr.C.Ganapathy* | Executive Chairman | 8 | Yes |
| Mr.G.Suresh | Managing Director | 8 | Yes |
| Mr.M.Durairaj | Independent Director | 1 | No |
| Mr.S.Muthukumar | Independent Director | 8 | Yes |
| Mr.S.Mohan | Independent Director | 8 | Yes |

* Appointed as an Executive Chairman w.e.f. 01.07.2006

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

| Name of Director | Other Directorship | Other Committee Position | |
|------------------|--------------------|--------------------------|----------|
| | | Member | Chairman |
| Mr.C.Ganapathy | 3 | Nil | Nil |
| Mr.G.Suresh | 2 | Nil | Nil |
| Mr.M.Durairaj | Nil | Nil | Nil |
| Mr.S.Muthukumar | Nil | Nil | Nil |
| Mr.S.Mohan | Nil | Nil | Nil |

Eight Board Meetings were held during the 12 month period ended 31.03.2007. The dates of the Board Meetings were held are 24.05.06, 29.06.06, 28.07.06, 23.08.06, 27.10.06, 18.12.06, 29.01.07 and 12.03.07.

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:

| Name of the Member | Number of Meeting Attended |
|----------------------------|----------------------------|
| Mr.S.Muthukumar - Chairman | 4 |
| Mr.C.Ganapathy* | 1 |
| Mr.S.Mohan | 4 |
| Mr.S.Durairaj** | 1 |

* Ceased to be member w.e.f. 24.05.2006

** Appointed as a member w.e.f. 24.05.2006

The Committee met four times during the year on 28.06.06, 27.07.06, 26.10.06 and 27.01.07.

IV. Remuneration Committee

This is a non-Mandatory requirement. 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:

| Name of the Member |
|--------------------|
|--------------------|

| |
|----------------------------|
| Mr.S.Muthukumar - Chairman |
| Mr.C.Ganapathy* |
| Mr.M.Durairaj** |
| Mr.S.Mohan |

* Ceased to be member w.e.f. 24.05.2006

** Appointed as a member w.e.f. 24.05.2006

The Committee met once during the year on 28.06.06.

Details of the remuneration paid to the Directors during the year ended 31st March 2007.

I. Executive Directors

| Name | Position | Salary | Commission | Total Remuneration |
|----------------|--------------------|---------------|------------|--------------------|
| Mr.G.Suresh | Managing Director | Rs.6.00 lakhs | Nil* | Rs.6.00 lakhs |
| Mr.C.Ganapathy | Executive Chairman | Rs.2.25 lakhs | Nil* | Rs.2.25 lakhs |

* The Managing Director and the Executive Chairman have waived their commission due to them.

II. Non-Executive Directors

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

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:

| Name of the Member |
|--------------------|
|--------------------|

| |
|----------------------------|
| Mr.S.Muthukumar - Chairman |
| Mr.C.Ganapathy |
| Mr.S.Mohan |

The Committee met 12 times during the year on 03.04.2006, 08.05.2006, 05.06.2006, 05.07.2006, 07.08.2006, 07.09.2006, 04.10.2006, 03.11.2006, 04.12.2006, 05.01.2007, 05.02.2007 and 05.03.2007.

Compliance Officer – Mr.V.Venugopal

The Company has exclusively designated the following e-mail id for Investor Relations: venu@cgvakindia.com

VI. Annual General Meetings

Particulars of Annual General Meeting held in the last three years

| AGM | Financial Year | Date | Time | Venue |
|------------------|----------------|------------|-----------|---|
| 9 th | 2003-2004 | 27.09.2004 | 4.30 P.M. | Hotel Annalakshmi, 106-A, Race Course, Coimbatore |
| 10 th | 2004-2005 | 30.09.2005 | 4.30 P.M. | Hotel Annalakshmi, 106-A, Race Course, Coimbatore |
| 11 th | 2005-2006 | 27.09.2006 | 4.30 P.M. | Hotel Annalakshmi, 106-A, Race Course, Coimbatore |

The special resolutions as set out in the respective notice to the members were passed by the shareholders. 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.
 - 3). Audit Qualification : Non provision of gratuity liability.

IX. Means of Communications

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

| Period | Approved on | Name of Newspaper – English / Tamil |
|----------------------------------|-------------|-------------------------------------|
| 1 st Quarter 30.06.06 | 27.07.2006 | Trinity Mirror / Makkal Kural |
| 2 nd Quarter 30.09.06 | 26.10.2006 | Trinity Mirror / Makkal Kural |
| 3 rd Quarter 31.12.06 | 27.01.2007 | Trinity Mirror / Makkal Kural |
| 4 th Quarter 31.03.07 | 28.06.2007 | Trinity Mirror / Makkal Kural |

As the Company publishes the audited results within the stipulated period of 3 months 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 StockExchange 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.

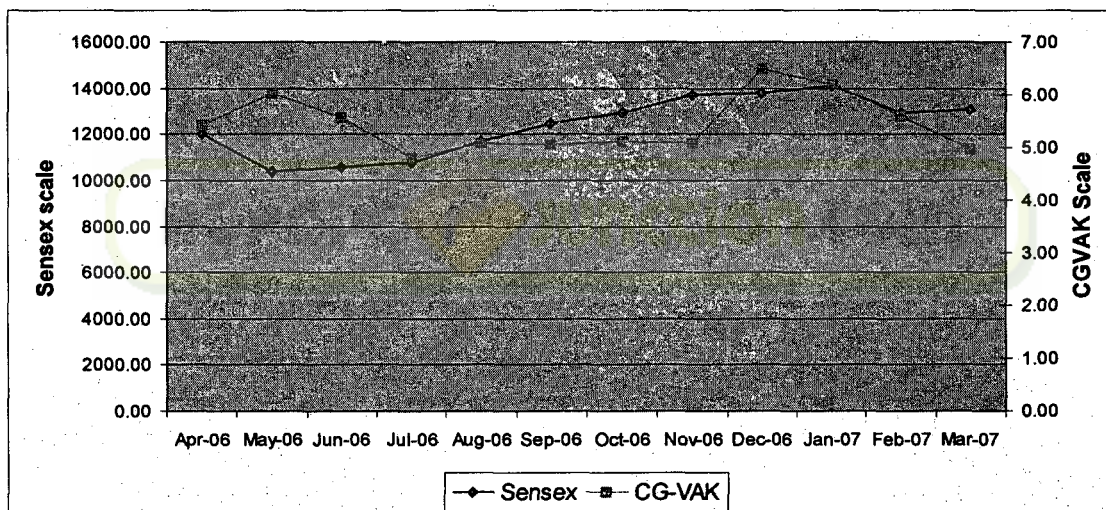
X. Shareholder's Information

1. AGM – Date , Time & Venue : 28.09.2007 @ 4:30 pm
Hotel Annalakshmi
106-A, Race Course Road,
Coimbatore – 641018.
2. Financial Calendar for the year 2007-2008 :
 - First Quarter Results : July 2007
 - Second Quarter Results : October 2007
 - Third Quarter Results : January 2008
 - Fourth Quarter Results : June 2008
3. Date of Book Closure : 21.09.2007 to 28.09.2007 (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. The Equity Shares of the company has been delisted from the Madras Stock Exchange since January 2007.
8. Application for delisting of shares from Coimbatore Stock Exchange filed.

8. Market Price Data**Share Price for the year 2006-07**

| Month | High | Low | Close |
|--------|------|------|-------|
| Apr-06 | 7.13 | 5.00 | 5.43 |
| May-06 | 8.45 | 5.00 | 6.03 |
| Jun-06 | 8.25 | 3.80 | 5.56 |
| Jul-06 | 7.00 | 3.70 | 4.80 |
| Aug-06 | 6.20 | 4.30 | 5.08 |
| Sep-06 | 6.19 | 4.61 | 5.05 |
| Oct-06 | 5.70 | 5.00 | 5.12 |
| Nov-06 | 5.85 | 4.57 | 5.08 |
| Dec-06 | 8.10 | 4.49 | 6.50 |
| Jan-07 | 7.25 | 6.04 | 6.20 |
| Feb-07 | 7.19 | 5.56 | 5.60 |
| Mar-07 | 5.88 | 4.38 | 4.97 |

| Period | BSE Index | CG-VAK |
|--------|-----------|--------|
| Apr-06 | 12042.56 | 5.43 |
| May-06 | 10398.61 | 6.03 |
| Jun-06 | 10609.25 | 5.56 |
| Jul-06 | 10743.88 | 4.80 |
| Aug-06 | 11699.05 | 5.08 |
| Sep-06 | 12454.42 | 5.05 |
| Oct-06 | 12961.90 | 5.12 |
| Nov-06 | 13696.31 | 5.08 |
| Dec-06 | 13786.91 | 6.50 |
| Jan-07 | 14090.92 | 6.20 |
| Feb-07 | 12938.09 | 5.60 |
| Mar-07 | 13072.10 | 4.97 |

9. Movement of Share Price – BSE during 2006 – 07**10. Registrar and Share Transfer Agents**

S.K.D.C. Consultants Ltd.,
 No.11, Street No.1, S.N.Dass Layout,
 West Power House Road, Coimbatore – 641 012.
 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.