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CG-VAK™

SOFTWARE & EXPORTS LTD.

An ISO 9001 : 2000 Certified Company

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13th Annual Report 2008

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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
No.7(Old No.11), Street No.1
S.N. Dass Layout,
West Power House Road,
Coimbatore – 641 012.

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

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NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the 13th Annual General Meeting of the Shareholders of the Company will be held on Friday the 26th September' 2008 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 2008 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.M.Durairaj, who retires by rotation and is eligible for re appointment.

3. To appoint a Director in the place of Mr.S.Mohan, who retires by rotation and is eligible for reappointment.

4. 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 : 30.06.2008

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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 22.09.2008 to 26.09.2008 (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.

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DIRECTOR'S REPORT

Dear Members,

The Directors of your Company take pleasure in presenting the 13th Annual Report on the business of your Company and th Audited Financial Accounts for the year ended 31st March 2008.

Financial Results 2007-08
During the year under review, your Company has achieved a turnover of Rs. 605 lakhs as against Rs. 538 lakhs in the previou year. The net loss after tax stood at Rs. (54.2) lakhs. The loss is mainly due to rupee appreciation (Foreign exchange loss contributing to the tune of Rs.50.41 lakhs during the year 2007-08.

Global Revenue
The global revenues for the Company including the business done by the Wholly Owned Subsidiary for the year under revie is Rs.18.09 crores as compared to previous year was Rs. 17.39 crores.

Review of Business
The year under report had been a challenging one for your Company. There has been a significant impact due to Rupe appreciation. There is growth of 12.46% in revenue. Due to the competition from the Indian and Global companies fo recruiting and retaining good talent , the cost of services has increased.

The contributions of business from various markets were:

Software services contributed to 84%, BPO services 15 % and Training 1 %.

The contribution of offshore business has grown significantly over the last year. The offshore to on-site mix is 1:1.1 a compared to 1:1.5 in the previous year. There is a growth of 33% in the offshore revenue.

Business from Offshore Software Services was Rs.195.25 lakhs during the year 2007-2008 as against Rs. 110.05 in th previous year. The increase has been at 77% compared with previous year.
Our BPO Service line has done a business of Rs. 93.44 lakhs during the year 2007-08 as against Rs.107.49 lakhs during th previous year.

Quality
Your company has a strict quality assurance and control programs to ensure that high level of Quality service is delivered to th customers. Matured and proven quality management systems are in place based on the requirements of ISO 9001:200 standards.

Future Plans
The IT Services Industry is maturing and more work is being moved offshore. The company has been growing positively in th Offshore services segment for the last 3 years and this momentum in the offshore front is likely to continue this year also. Th Key differentiation for CG-VAK has been the ability to react to the customer needs more quickly. By virtue of our smaller siz 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 retainin customers. The company will increase its focus on this segment. The contribution from Australia and UK is expected to gro positively. NASSCOM has predicted a sustained growth for the Indian IT Industry and this is providing an optimist backdrop to the company's plans. The Company should perform better in the ensuing Financial Year 2008-09.

Dividend
As the company is passing through a very challenging phase, your Directors do not consider prudent to recommend an dividend for the financial year ended March 31, 2008.

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 US$ 3.18 million during this year, compared to the US$ 3.45 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. annexed to this report.

Directors
Mr.S.Mohan is retiring by rotation at the ensuing Annual General Meeting and being eligible offer himself for r appointment.
Mr. M.Durairaj is retiring by rotation at the ensuing Annual General Meeting and being eligible offer himself for re appointment.

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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 31.03.2008.
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 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.

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and

4. Prepared the attached statement of accounts for the year ended 31st March 2008 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 : 30.06.2008

By Order of the Board
C. GANAPATHY
Chairman

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 : 30.06.2008

By Order of the Board
C. GANAPATHY
Chairman

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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 R&D activities.

B. TECHNOLOGY ABSORPTION

The Company has not absorbed technology from outside.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings	Rs. 5,97,27,258/-
Foreign Exchange Outgo	
Foreign Travel	Rs. 1,25,157/-
Onsite Services	Rs. 2,38,63,867/-
Others	Rs. 76,75,466/-
Total	Rs. 3,16,64,490/-

Place : Coimbatore
Date : 30.06.2008

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	:	31.03.2008
3.	No. of shares in the Subsidiary as on the above date	:	750 equity shares of $ 1000 each
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 accounts of the holding company	:	Nil
	b. Not Dealt with or provided in the accounts of the holding company	:	USD 39,003/-
6.	The net aggregate of profit or losses for the previous financial years of the subsidiary so far as it concerns the members of the holding company		
	a. Dealt with or provided in the accounts of the holding company	:	Nil
	b. Not Dealt with or provided in the accounts of the holding company	:	USD 3,49,490/-

C.GANAPATHY	**S.MUTHUKUMAR**	**S.MOHAN**	**G.SURESH**
Chairman	Director	Director	Managing Director

Place : Coimbatore
Date : 30.06.2008

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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	7	Yes
Mr.G.Suresh	Managing Director	6	Yes
Mr.M.Durairaj	Independent Director	2	No
Mr.S.Muthukumar	Independent Director	7	Yes
Mr.S.Mohan	Independent Director	6	No

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	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 31.03.2008. The dates of the Board Meetings were held are 28.06.07, 03.07.07, 27.07.07, 29.10.07, 15.12.07, 29.12.07 and 29.01.08.

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.S.Mohan	4
Mr.S.Durairaj	0

The Committee met four times during the year on 27.06.07, 26.07.07, 26.10.07 and 28.01.08.

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.

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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.M.Durairaj
Mr.S.Mohan

No meetings were held during the year 2007-08.

Details of the remuneration paid to the Directors during the year ended 31st March 2008.

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.3.00 lakhs	Nil*	Rs.3.00 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.2,000/-
Mr.S.Muthukumar	Rs.7,000/-
Mr.S.Mohan	Rs.6,000/-

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 5 times during the year on 04.06.07, 04.07.07, 05.10.07, 07.12.07 and 04.01.2008.

Compliance Officer – Mr.R. Suresh

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

VI. Annual General Meetings

Particulars of Annual General Meeting held in the last three years

AGM	Financial Year	Date	Time	Venue
10th	2004-2005	30.09.2005	4.30 P.M.	Hotel Annalakshmi, 106-A, Race Course, Coimbatore
11th	2005-2006	27.09.2006	4.30 P.M.	Hotel Annalakshmi, 106-A, Race Course, Coimbatore
12th	2006-2007	28.09.2007	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.

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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
1st Quarter	30.06.07	27.07.2007	Trinity Mirror / Makkal Kural
2nd Quarter	30.09.07	29.10.2007	Trinity Mirror / Makkal Kural
3rd Quarter	31.12.07	29.01.2008	Trinity Mirror / Makkal Kural
4th Quarter	31.03.08	30.06.2008	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 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	:	26.09.2008 @ 4:30 pm Hotel Annalakshmi 106-A, Race Course Road, Coimbatore - 641018.
2. Financial Calendar for the year 2008-2009	:	
First Quarter Results	:	End July 2008
Second Quarter Results	:	End October 2008
Third Quarter Results	:	End January 2009
Fourth Quarter Results	:	End June 2009
3. Date of Book Closure	:	22.09.2008 to 26.09.2008 (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

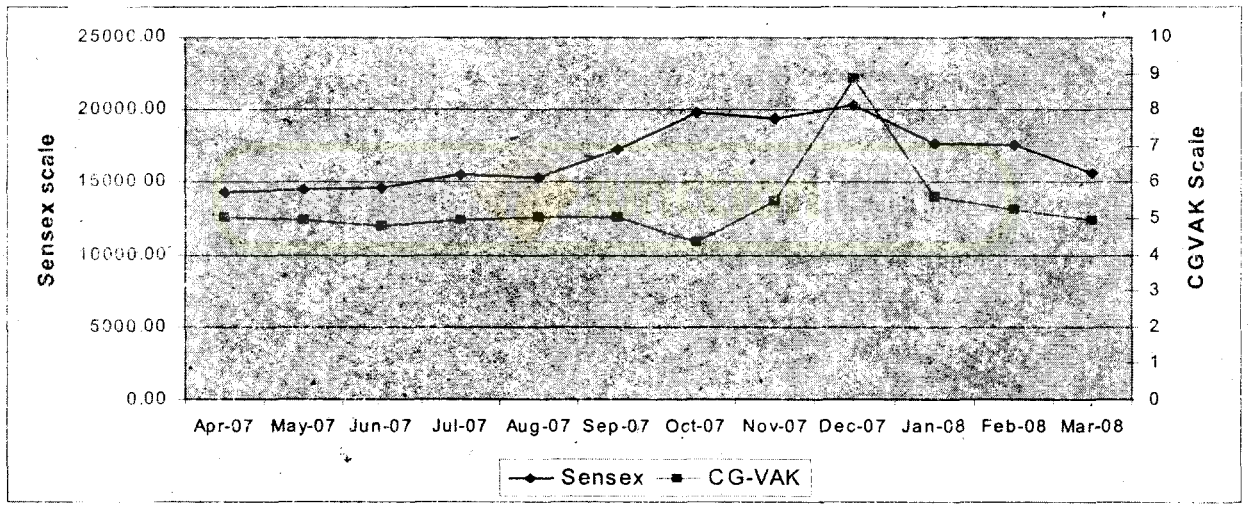
7. Application for delisting of shares from Coimbatore Stock Exchange filed.

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8. Market Price Data
Share Price for the year 2007-08

Month	High	Low	Close
Apr-07	5.34	4.56	5.06
May-07	5.50	4.51	4.95
Jun-07	5.20	4.50	4.80
Jul-07	7.20	4.24	4.94
Aug-07	6.00	4.60	5.03
Sep-07	5.63	4.85	5.06
Oct-07	5.10	4.21	4.33
Nov-07	6.62	3.96	5.47
Dec-07	8.86	5.15	8.86
Jan-08	11.28	5.14	5.63
Feb-08	6.33	4.77	5.25
Mar-08	5.45	4.06	4.97

9. Movement of Share Price – BSE during 2007 – 08



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.

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