

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.

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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 31st 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 1st September 2010 to 31st 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 31st August 2010. Subject to the approval of the shareholders, the Board of directors at their meeting held on 27th May 2010 have reappointed Mr.G.Suresh as Managing Director for a further period of 5 years from 1st September 2010 to 31st 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 confirm 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 15th Annual Report on the business of your Company and the Audited Financial Accounts for the year ended 31st 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 31st March 2010.

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

- Note : 1. Mr G Suresh was appointed as Managing Director for a period of 5 years (1st September 2005 to 31st August 2010). He is reappointed for a period of 5 years (1st September 2010 to 31st 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 31st 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/-
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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**

- | | | | |
|----|---|---|-------------------------------------|
| 1. | Name of the Subsidiary | : | CG-VAK Software USA Inc. |
| 2. | Financial year ended | : | 31.03.2010 |
| 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 19, 109/- |
| 6. | The net aggregate of profit or losses for the previous financial years of the Subsidiary so far as it concerns the members of the holding company | | |
| | a. Dealt with or provided in the accounts of the holding company | : | Nil |
| | b. Not Dealt with or provided in the accounts of the holding company | : | USD 4,19,234/- |

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:

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	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

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 31.03.2010. 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:

Name of the Member	Number of Meeting Attended
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:

Name of the Member	Number of Meeting Attended
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 31st March 2010.

I. Executive Directors

Name	Position	Salary	Commission	Total Remuneration
Mr.G.Suresh	Managing Director	Rs.30.00 lakhs	Nil	Rs.30.00 lakhs
Mr.C.Ganapathy	Executive Chairman	Rs.3.00 lakhs	Nil	Rs.3.00 lakhs

II. Non-Executive Directors

Name	Sitting Fees
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:

Name of the Member
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

VI. Annual General Meetings

Particulars of Annual General Meeting held in the last three years

AGM	Financial Year	Date	Time	Venue
12 th	2006-2007	28.09.2007	4.30 P.M.	Hotel Annalakshmi, 106-A, Race Course, Coimbatore
13 th	2007-2008	26.09.2008	4.30 P.M.	Hotel Annalakshmi, 106-A, Race Course, Coimbatore
14 th	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 st Quarter 30.06.09	31.07.2009	Trinity Mirror / Makkal Kural
2 nd Quarter 30.09.09	30.10.2009	Trinity Mirror / Makkal Kural
3 rd Quarter 31.12.09	29.01.2010	Trinity Mirror / Makkal Kural
4 th 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.

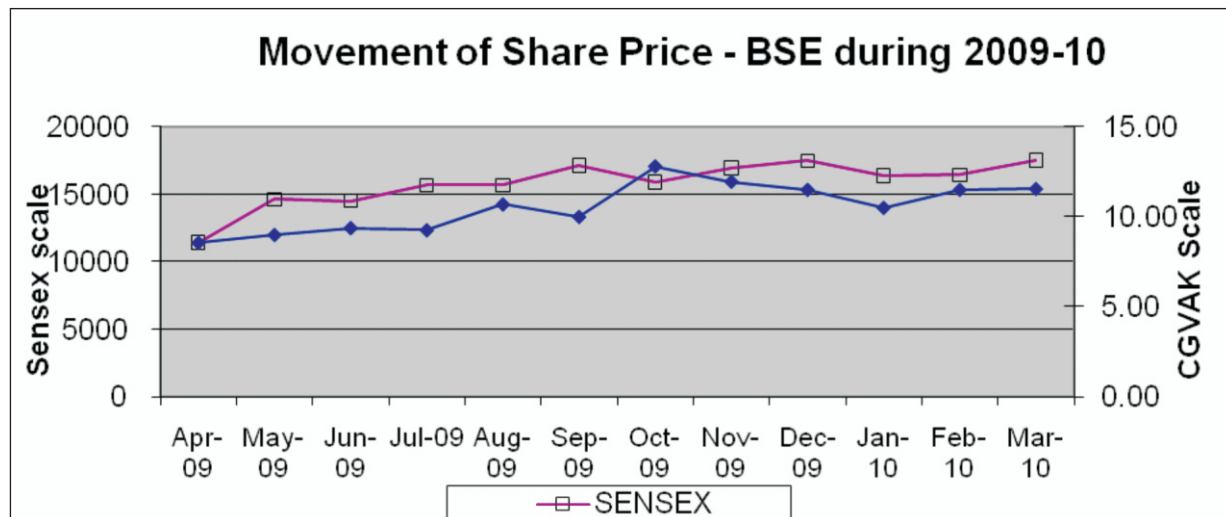
X. Shareholder's Information

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, 3rd Floor
 1391/A-1 Sathy Road, Ganapathy
 Coimbatore 641 006
 Ph: 0422-6549995
 Email id: info@skdc-consultants.com

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

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

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