

QUALITATIVE CHANGE

A magnifying glass with a black handle and a silver rim is positioned over the word 'QUALITATIVE' in the title. The lens of the magnifying glass is centered over the word, making it appear larger and more prominent. The background of the cover features a stylized, abstract design with curved lines and a grid pattern, rendered in a light gray tone.

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Aptech Limited Annual Report 2008

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QUALITATIVE CHANGE

Change is the only constant.

The world order changed in the last 12 months. Countries across the world have been severely impacted by the global economic slowdown, fuelled by the global liquidity crisis. And yet it brings to the fore, change.

Over the last few years, Aptech too has changed, qualitatively. We focused on the means, not the end. We focused on the process. We looked within, before looking beyond. We are confident that Aptech has evolved into a far better qualitative player in the education and learning solutions space globally.

The qualitative change has been inclusive and visible in each business vertical.

We have invested in enhancing the quality of our faculty, infrastructure, courses, education delivery and brands.

We believe this qualitative change will enable Aptech to build sustainable competitive advantage in its businesses. And the qualitative changes will create, drive and enhance sustainable value for every stakeholder.

We have focused on investing in businesses which are cash-flow positive:

- Building retail businesses/ brands catering to different customer segments
- Gradual de-focus on the capital intensive, government school business

We like change. We like to embrace change. We like to benefit from change.

And we prefer changing qualitatively.

Chairman's Statement



Our journey with Aptech so far has been eventful, and we have had great learnings in the process. The progress has been slow, but sure. Aptech has changed, for the better. Some of the medicine has been bitter, but the effects are now becoming visible. Some key positions have undergone changes, some have been rotated. We have taken care to differentiate between "Investing in New Businesses" and "Di-worseifying". Let me share some elements of the change and of the New Aptech.

There is greater strategic focus leading to elimination or reduction of sub-scale businesses, negative cash-flow businesses and flawed business models. Where appropriate, business models have been corrected or are in the process of correction. Financial discipline has been enhanced, systems processes improved and performance thresholds raised. Operating cash-flows and the Balance Sheet structure have improved qualitatively. We hope to be able to demonstrate the fruits of our efforts.

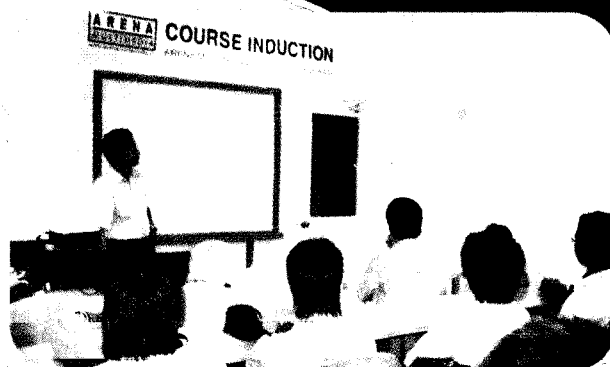
A major milestone has also been achieved this year with regard to our stake in the China JV. We have sold the same this year. We are also hopeful about our new investment in Beijing JadeBird IT Education Company Limited (BJBC), which is progressing well towards a listing on an international exchange. While we have consolidated 2007 and 2008 results with the China JV numbers now, we must point out to you that consolidation of the China JV will cease from 2009 as a consequence of the sale of our stake in the China JV.

Our core businesses are reflecting the qualitative change that has been undertaken. There is a marked improvement in operating parameters. Degree courses have been introduced in Animation, IT, Aviation Management and Networking. We have achieved success in some of these Degree courses, and are working towards making the others as valuable. Most of our Retail verticals are now gaining critical mass. The challenge is to take them to the next level.

We are grateful to the shareholders for their patience over the last few years. We are committed to ensuring that their patience has not been in vain. As fellow-shareholders, we have great aspirations for Aptech but they are rooted in reality. As always, we remain committed to creating, nurturing and enhancing long-term shareholder value.

Yours sincerely,

Rakesh Jhunjhunwala



Retail

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Aptech has a distinctive focus - to service the learning and education needs of both individuals and institutions, not just in India, but across the world. Our retail services bouquet focuses on the mass need for IT education, specialized need for Animation training, niche yet growing need for Aviation, Travel and Tourism and Hospitality training, the focused need for Hardware and Networking training and English language training.

The retail business has evolved qualitatively over the last three years. The franchisee model preferred by Aptech has ensured better ROI and higher scalability. Some of the changes undertaken by the Company are:

- Development of market oriented courses for existing and new brands including:
 - Career courses that have a longer duration, higher fees and margins.
 - Degree courses which provide the student a formal university degree.
- Introduction of new learning verticals to service different customer segments and emerge as a comprehensive learning solutions provider in the retail segment:
 - In 2006, we acquired Avalon Aviation Academy to offer courses in the Travel and Tourism, Hospitality and Aviation.
 - In 2007, we launched Hardware and Networking courses under the brand, N-Power.
 - In 2009, we acquired the English language training business of the Bangalore-based First English Education Institute Limited (FEEIL) with the objective of offering English language training under the brand, English Express.
- Advertising and marketing expenditure across brands in India increased from Rs. 83 million in 2006 to over Rs. 190 million in 2008, an increase of around 130%.
- In 2008, we introduced online enrolments to reduce the student acquisition cost.



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- Specific initiatives to ensure a high standard of quality and consistency in education delivery across the entire network including:
 - Faculty Certification Process and Train the Trainers programmes that bring uniformity in delivery standards across the globe.
 - The online centralized "Certificate Authentication" programme for all students through which one can confirm that an individual is a bonafide Aptech student, establishes confidence in the minds of prospective employers.
 - Students in all courses have access to exhaustive and updated content.
 - "Print on Demand" facility introduced in 2008, enhances speedy execution of delivery of study material across the globe.
 - A centralized system of invigilation for examinations was introduced. This has enhanced the credibility of our certification.
- E-Projects, which students are required to submit directly to Aptech, serve as a clear "Knowledge Transfer Platform".
- Yearly enrolments have increased from around 50,000 in 2006 to over 100,000 in 2008 signifying our ability to launch new verticals (new brands) and to attract students across all brands.
- Implementation of SAP ERP, as well as an integrated customized online portal to manage the retail network more efficiently. This integrated system captures financial and academic details of students. It has substantially enhanced productivity and enabled decision making.

The contribution of the retail business has increased from 57.27% in 2006 to 82.66% in 2008. Going forward, with our extensive reach, strong brands and high ROI business model, we are well poised to capture the attractive opportunity in the retail segment of the learning solutions space.

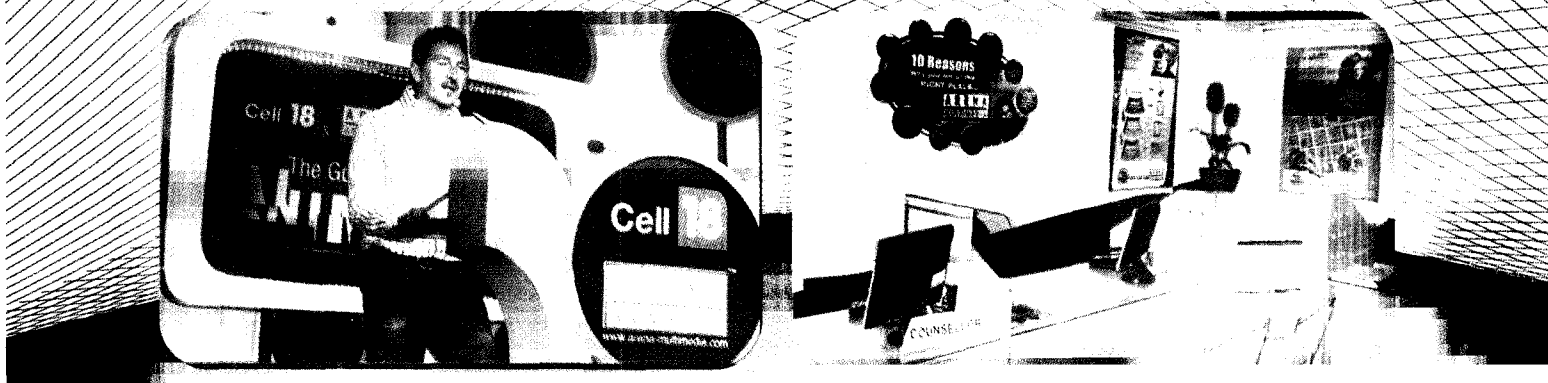
Arena has been a leader in Animation and Multimedia education in India since inception and is a household name in this space. Arena has a dominant market share and has trained about 250,000 students over the past 10 years. Arena's business has grown by 128% in the last two years. But more importantly, Arena has also transformed its business model qualitatively. Key initiatives include:

- Career oriented diploma and degree programmes in the Animation and Multimedia space.
- In 2006, Diploma in Animation Engineering (DAE) was introduced by the Company. It is a very

popular career course with an in-built six month internship for students, giving them experience of real life work situations.

- In 2009, we introduced a B.Sc degree in Multimedia and Animation, in collaboration with the Manonmaniam Sundaranar University.
- Organising a series of seminars, 'Perspectives', across the Country every year. Prominent industry stalwarts and professionals are invited to interact with students thereby enabling the students to learn about the latest trends and developments in the field.

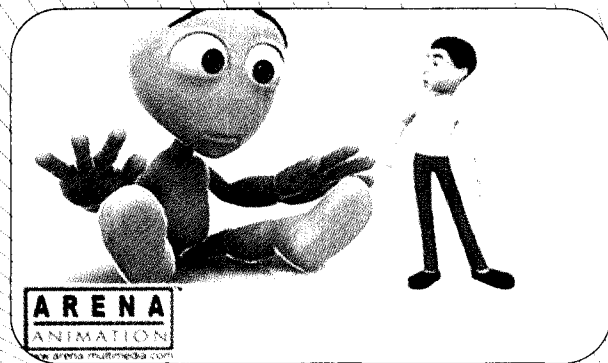
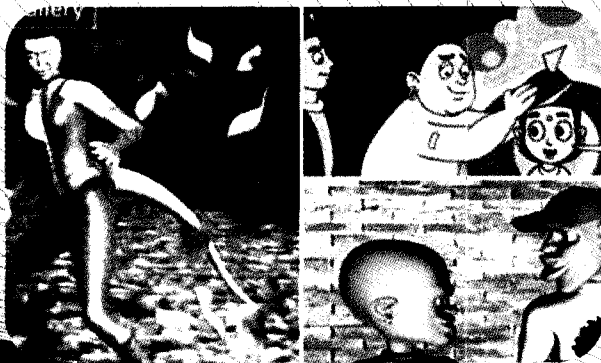
Arena



- Launched the Golden Cursor Animation Awards in 2008 in collaboration with CNBC-TV18, providing a platform to showcase the work being done by companies and students to a global audience. This has significantly improved the brand visibility and positioned Arena as a leader in its field.
- Enhancing reach in India and other countries.
 - We have set up centres in Tier II and Tier III cities in the Country to cater to the growing demand for these courses. We have established 158 Arena centres across the country at the end of 2008.
 - We have expanded our global footprint in countries like Vietnam, Nigeria, Mongolia, Saudi Arabia, Syria, Jordan, Pakistan, UAE etc.
- In 2008, around 93% of the faculty was certified ensuring the highest standards of quality in education delivery.
- Income per centre has increased by 94% in the last two years, indicating increasing throughput across centres. Focus on productivity has resulted in an increase of 157% in revenue per employee in this division over the last two years.

With the Multimedia and Animation industry exhibiting tremendous growth potential, Arena will continue to build upon its leadership position in this space and seek to maximize its market share and ROI.

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Aptech Computer Education (ACE)

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ACE is the flagship brand of the Company and has been offering quality IT education globally and in India for the past 22 years. The ACE business services the mass need for both career-led and general IT education, empowering India's tomorrow with IT education. The ACE business has seen not just quantitative growth over the last three years, but more importantly, a qualitative growth in many areas. In terms of numbers, revenues have grown by over 75% from 2006 to 2008. Key initiatives include:

- In 2006, introduced an internship programme in the Aptech Certified Computer Professional (ACCP) course to provide the students on-the-job training to enhance their employment prospects.
- In 2007, introduced soft-skills and English training to develop students' personality, introduced in selected centres.
- In 2009, introduced a career course offering B.Sc degree in Computer Applications, in collaboration with the Manonmaniam Sundaranar University.
- Around 88% of the faculty was certified in 2008, compared to 67% in 2005. This has enhanced the quality of education delivery across our centres.
- Right sizing of the franchisee network has resulted in a higher throughput per centre and higher ROI for our franchisees.
 - Revenue per centre has grown by over 23% from 2007 to 2008.
 - Enrolments per centre has increased by around 24% in the last one year.
- Significantly higher focus on placement for our students has resulted in an increase of 72% in the number of students placed and 79% in the number of companies recruiting from our centres.

With a focused strategy, career oriented courses, degree programmes, certification courses, trained faculty, internships, placements and highly motivated franchisees, ACE is well-positioned to be a prominent player in the IT education market.