



 Educomp
smartclass

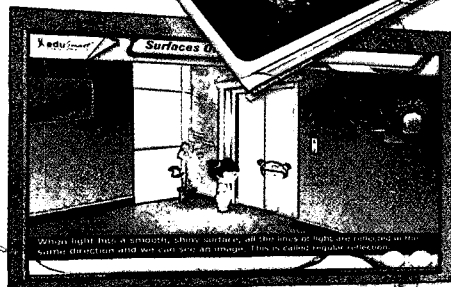
 Roots to
Wings
An Educomp Research Initiative

 The
Millennium School

mathguruTM

 iQUEST
Quality Education for Students and Teachers

Learning Hour



Annual Report 2006 - 2007



Educomp Solutions Limited

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Educomp Solutions Limited

Introduction

There is nothing more important to a nation than its investment in Education. We are currently living in a time when the formats in which societies have consumed education services are in the midst of a change. This change is the result of several factors including the emergence of the knowledge economy, the need for reskilling and retraining, the internet being available for collaborative learning, the low cost computing revolution and the breaking down of barriers to education mobility. Further rapidly rising incomes in many parts of the world has motivated families to allocate increasingly large amount of capital towards education services.

Educomp with its research driven , solution based approach is right in the center of this change. Our long standing focus on the K12 sector and many years of investing in R&D by creating robust, scaleable solutions has made it possible for us to lead some of this change.

We have been successful in making classrooms high performing, result oriented, & technology enabled. while helping schools to bridge the “ digital Divide “ we have prepared hundreds of thousands of teachers to take on the challenges of Education in the 21st Century.

We impact over 4 million students today and are rapidly moving forward in our goal to reach out to 10 million students shortly

As we move into a new year we look at rapidly increasing the market penetration of our portfolio of education services while reaching out and horizontally expanding our range of services.

There are several themes which we believe will change way people learn. Educomp is leveraging its IP, the experience of its 1500 strong team and its capital to ensure that we are not an observant in the large amount of value that will be generated by new age education but a key participant in this change.

Annual Report 2006-07

From the CEO's Desk

Dear Shareholders,

Your Company in the course of its decade long journey, it has gone from 2 to over 1400 people, from being a closely held company to one which is impacting 3.6 million students and India's first listed education company- a sector at the heart of India's skills-based economic boom.

The financial year 2006-07 has been among the most exciting year in the company's 12 year journey. We have grown in size, reach and stature and reaffirmed our leadership in the India K12 education markets

From our success of our successful foray into South Asian markets via an Acquisition of Ask n Learn, Singapore, over 100% growth in revenue and net income, launch of unique initiatives like Setting up Pre-Schools by the name of "Roots to Wings™", Learning Leadership System™, Smart Assessment system, Our brick and mortar schools Initiatives etc we have been busy in building value for both educators and shareholders.

Unexplored Growth Potential in an Under penetrated Market

With the K12 education spend in India being only 5 % of our present GDP, there is large unexploited growth potential. This growth is being further accelerated with education being on the top of the National Agenda and the realization that India can only sustain its 9-10% annual growth if it invests in education. The impending spending boom in education services is thus part of a long term systemic upgrade of the education system that is being carried out. Educomp will play a big role in India's rebuilding and retooling of the Indian education infrastructure.

The characteristics of the education spend taking place at the family level also help us. With over 30% of family income going towards consumption of education products and services – Educomp is directly positioned to catch the growth as incomes increase across the board in India and several parts of Asia

Across the world we see new trends that will shape the way teachers teach and students learn – 1:1 computing, online mentoring, skills based curriculum, for profit private schooling, individualized learning – we see these and more as growth themes across the world.

All major revenue lines for the company grew sharply our Company saw over 250% expansion in Both Smart_Class™ & ICT business segment of the Company with the growth in Smart_Class™ being 132% and ICT being 90.22% on y-o-y basis.

Mathguru™ the company's content over broadband portal has already established a growing and loyal following post its launch in September 2006

We launched India's first scientifically researched pre school curriculum Roots to Wings™ and now run schools in the Delhi region. We are also the first company in India to create an initiative to support the setting up of private schools in India.

Expanding our sales and marketing reach has been a key goal for the company. During the course of the year we have expanded our Smart_Class™ sales team to reach out across 51 locations in India with over 100 sales professionals which is targeted to reach 150 within the next year. Our high quality brand name and our reach are a huge barrier to entry for any future potential competitor.

Going Global

Your Company is also slowly but surely growing its global footprint by seeking to develop value-added partnerships in markets such as Thailand, Malaysia, the UAE and the entire APAC region, besides its existing licensing agreements in Singapore and USA. Our recent acquisition of the leading education provider in Singapore "Ask n Learn" is step in creating a APAC franchise for our IP, content and education solutions.

Your Company will continue to introduce research-based products and invest in new ventures for other parts of the value chain thus adding new sources of revenues and lines of business.

Strategic Acquisitions and Investments

In June 2007 your Company has unveiled its plan to become a core education provider for India – its infrastructure initiative to help set up schools will cater to the huge shortage of schools in India is a Rs. 2000 crore plan to be executed in 3 years and will provide high quality K12 education to over 200,000 students.

As a step towards its inorganic growth strategy, Your Company has acquired ASKnLearn Pte Ltd., Singapore, taken a strategic stake in ThreeBrix E Services Private Limited and invested in two separate companies Educomp Infrastructure Pvt. Ltd., Educomp School Management Limited to address the opportunity of setting up schools in India

This recent foray has moved your Company up in the value chain & your Company has now become a " Full Service Education Provider" well positioned to capture a share of the education wallet.

Market Size and Opportunity

In our journey we are helped by our very large domestic market with over 1 million schools and 220 million students in India India is one of the largest education markets in the world in terms of the number of students.

Educomp Solutions Limited

An additional 100 million students who should be in school are presently out of school. The number of privately run schools in India exceeds 50,000 as reported in the 2005-06 Annual Report, Department of Education, Government of India. Of these schools, scarcely 2% are IT-enabled, yet the awareness of the need for teachers to use digital content inside classrooms is spreading fast and with classrooms getting content enabled rapidly this sector business potential running into several billion dollars.

Digital content to aid instruction in a "whole class" setting is indeed a global trend as our forays into the US and Singapore have proven. Educomp is now leveraging our high quality intellectual assets and our reduced cost base to expand our content licensing business across the world.

Global penetration levels for this business are still in their low single digits in most parts of the developed and developing world.

Empowering teachers to become productive is a opportunity not just in India where there are 5 million teachers in the system with over 200,000 new teachers to be added in the next 12 months itself but across the world.

We are pleased to note that progressive governments across the world are increasing education spending and creating structures to fund the "business of education" – the education cess in India which is a 3% tax is expected to generate over \$ 3.5 billion for the government to spend.

There is a huge opportunity in the global markets, which are facing the challenge of an underperforming education system. The global market, comprising North American and European, stood at US\$35.3 billion in 2004 and is expected to grow at a compound annual growth to US\$42.1 billion by 2008. We see similar trends in the Asia Pacific markets.

While markets may be large in the aggregate, Educomp is making strategic moves to capture leadership positions in the high growth spaces of the overall education economy such as online mentoring, content over broadband, 1:1 computing, Teacher led content and For-Profit education. These broad themes will drive growth in the coming years. Our strategy is simple and based on four pillars of value creation.

- Identify critical education problems in segments that are scaleable, fast growing and high gross margin
- Create research driven portfolio of solutions that solve critical education problems
- Invest intellectual capital and financial capital to create pools of competencies to address and service customers
- Build and Acquire channels, brands and execution capability

FY 2008

We anticipate that in 2008 we will continue the trend of growing revenue and profits by over 100% and the business portfolio of the company will show revenue and profits both from organic and inorganic growth.

They key drivers for us in 2008 will be :

- Consolidate market leadership
- Increase reach, penetration and market share
- Grow margins in existing product lines while investing in new areas
- Acquire brands, product lines and intellectual capability

We will continue to seek to pursue selective strategic acquisitions and minority investments to augment our capabilities, broaden our service offerings and increase our geographic presence.

Research and Development

Research and IP development has been at the cornerstone of our success and our investments in research continue to be smartly directed at the new growth areas. We are working towards increasing our content production and development capability in Smart_Class™, Mathguru™, pre-school initiatives and our new K12 schools initiatives.

Awards and Recognition

During the year the company picked up several awards and recognitions it was ranked 346 in the BT 500 list of the most valuable private companies in India in November 2006, ranked 319 by Economic Times ET 500 March 2007 issue. The Outlook Business Magazine ranked us as a "FUTURE TITAN", one of the 10 hottest companies in India in November 2006.

We have been fortunate to have with us an excellent team that has brought an unparalleled level of sincerity, creativity and passion to our work. We exist because of this wonderful set of people who are joined together by a common vision to improve education quality and delivery.

I would like to take this opportunity to express my gratitude and thank all the customers, shareholders, members of the Board, suppliers, bankers, employees and team members of Educomp without which our growth story would not have been possible.

Shantanu Prakash

Chairman & Managing Director

VISION

- **To be the learning technology enablers to the world**
- **To transform the creation, management and delivery of learning content**



MISSION

- **To be among the top 10 K12 Learning solutions companies worldwide by 2010**
- **To Reach out to 10 million learners through our products by 2010**

Educomp Solutions Limited

Board of Directors

(As on 27th July 2007)

Shantanu Prakash	Chairman & Managing Director
Jagdish Prakash	Whole-Time Director
Gopal Jain	Director
Sankalp Srivastava	Director
Shonu Chandra	Director
Anjan Dutta	Director

Committees of the Board

AUDIT COMMITTEE

Sankalp Srivastava	Chairman, Independent &, Non Executive
Shonu Chandra	Member, Independent & Non Executive
Anjan Dutta	Member, Independent & Non Executive
Shantanu Prakash	Member, Promoter & Executive Director

SHAREHOLDERS' INVESTOR GRIEVANCE COMMITTEE

Sankalp Srivastava	Chairman, Independent & Non-Executive
Shonu Chandra	Member, Independent & Non-Executive
Anjan Dutta	Member, Independent & Non-Executive
Jagdish Prakash	Member, Executive

REMUNERATION COMMITTEE

Sankalp Srivastava	Chairman, Independent & Non Executive
Shonu Chandra	Member, Independent & Non Executive
Anjan Dutta	Member, Independent & Non Executive

REGISTERED OFFICE

1211, Padma Tower I, 5, Rajendra Place, New Delhi-110008

CORPORATE OFFICE :

514, Udyog Vihar, Phase-III, Gurgaon -122001

BRANCH OFFICES AT :

Domestic:

- Bangalore** : 16,80 Feet Road 4th Block, Koramanagala Bangalore-560034
- Mumbai** : 204 No. On The Second Floor of Samarpan Premises Co-Operative Society Ltd. Situated at New Link Road Chakala, Andheri (East), Mumbai-400059.
- Orissa** : D/206, Baishnav Vihar Apartment, Near Durga Puja Mandap, Bomikhlal, Bhubneshwar – 751006, Orissa.
- Tripura** : Above MK Azad Computer, Joynagar Middle Road, Agartala – 799001 Tripura.
- Uttar Pradesh** : C-26 , Sector- C , Chetan Vihar , Aliganj Scheme , lucknow -226024 ,Uttar Pradesh.
- West Bengal** : 5, Satyen Dutta Marg , Ground Floor , Kolkata-700 084 ,West Bengal.
- Chennai** : New No. 98, 7th Avenue, Ashok Nagar, Chennai-600 083.
- Gujarat** : Plot No. 1662/1 , First Floor , Sector -5C , Gandhi Nagar , Gujarat -382005.

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Overseas :

Edumatics Corporation

1655 Mesa Verde Ave. Suite 120
Ventura , CA 93003 USA

Asknlearn Pte. Ltd

10, Science Park Road
Singapore Science Park Road
Singapore Science Park II
Singapore -117684

Educomp Asia Pacific Pte. Ltd

80 Raffles Place
26-05 UOB Plaza 1
Singapore -048624

Educomp Solutions Limited

88/6 , 1/1 Somadevi Place
Colombo -05
Srilanka

STATUTORY AUDITORS

Anupam Bansal & Co, Chartered Accountants.

BANKERS

State Bank of Patiala, Commercial Branch, Chandralok Building, Janpath, New Delhi-1
State Bank of Bikaner & Jaipur, Industrial Finance Branch, 27 Barakhamba Road, New Delhi-1
ICICI Bank Ltd, Kailash Building, K.G.Marg, New Delhi-1.
Standard Chartered Bank, Connaught Place, New Delhi-1.

SUBSIDIARIES

Edumatics Corporation Inc.
Educomp Learning Private Limited
Whietstone Productions Private Limited
Educomp Infrastructure Private Limited
Educomp School Management Limited

SHARE TRANSFER AGENT

Intime Spectrum Registry Limited, A-40, 2nd Floor,
Naraina Industrial Area, Phase-II, New Delhi-28

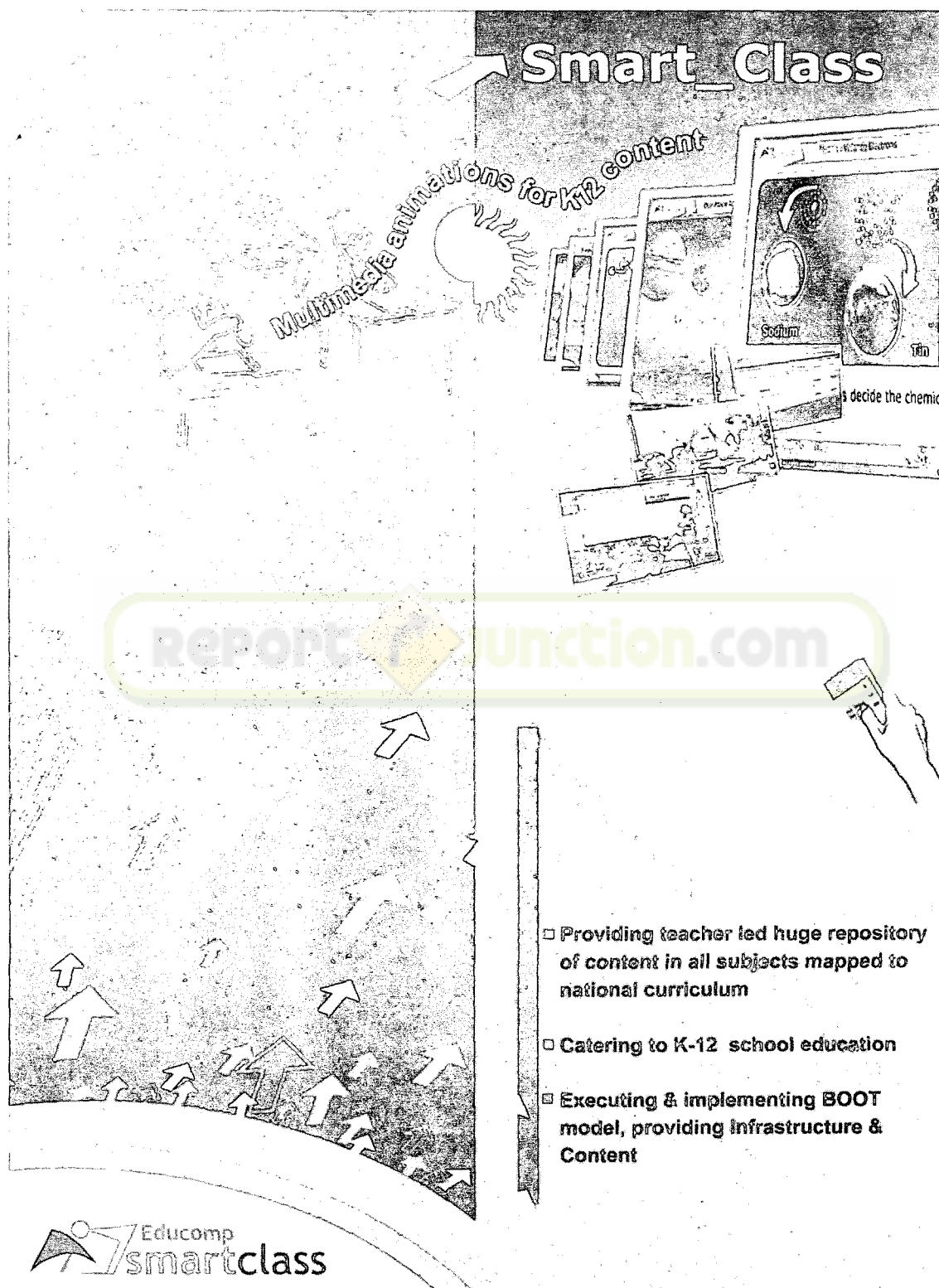
LISTED AT

National Stock Exchange Limited, Bombay Stock Exchange Limited

COMPANY SECRETARY

Mohit Maheshwari

Educomp Solutions Limited



The graphic features a large, stylized sun in the upper left with the text "Multimedia Animations for K12 content" written in a curved path around it. To the right, several overlapping images of educational software interfaces are shown, including one with a periodic table highlighting Sodium and Tin, and another with the text "decide the chemic". A hand is depicted holding a small device in the lower right. The background is filled with numerous upward-pointing arrows of varying sizes, suggesting growth and progress. A large, semi-transparent watermark "REPORT JUNCTION.COM" is centered across the middle of the graphic.

Smart_Class

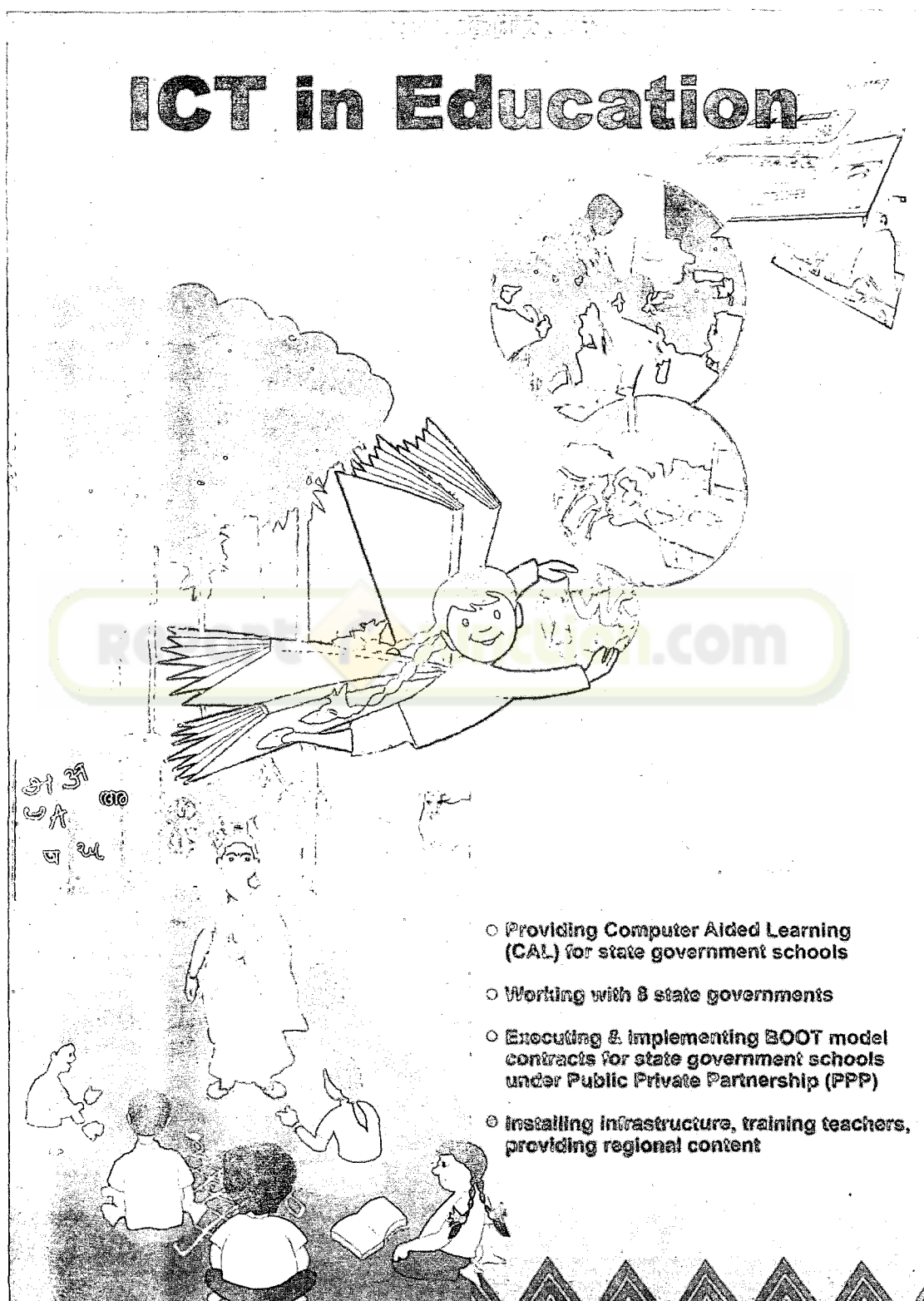
Multimedia Animations for K12 content

REPORT JUNCTION.COM

- Providing teacher led huge repository of content in all subjects mapped to national curriculum
- Catering to K-12 school education
- Executing & implementing BOOT model, providing Infrastructure & Content

Educomp smartclass

ICT in Education



- Providing Computer Aided Learning (CAL) for state government schools
- Working with 8 state governments
- Executing & Implementing BOOT model contracts for state government schools under Public Private Partnership (PPP)
- Installing infrastructure, training teachers, providing regional content