



ANNUAL REPORT 2007-2008

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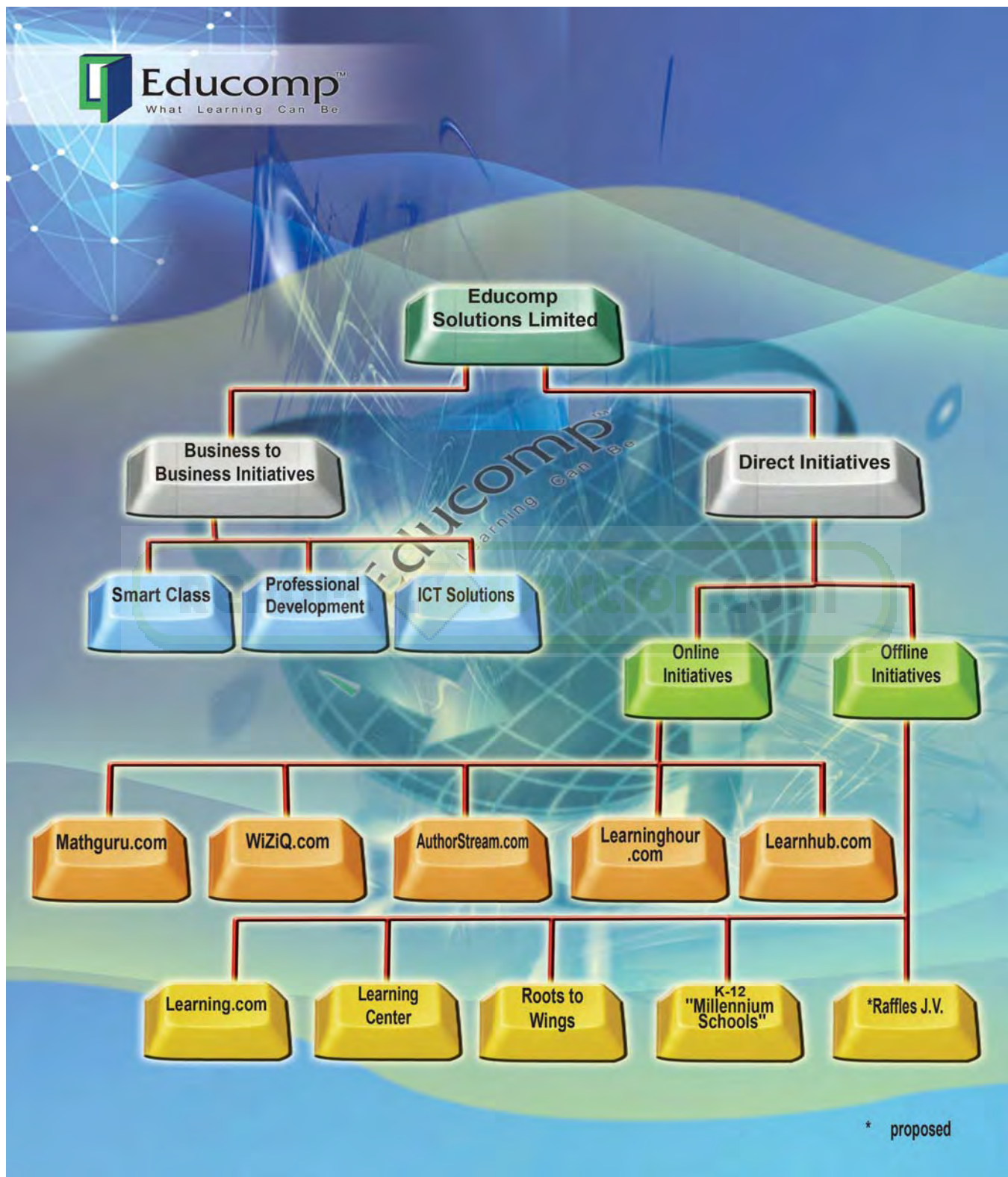
Annual Report 2007-08

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What Learning Can Be

Educomp Solutions Limited



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Introduction

Smart Nations and a Resilient Industry

These are turbulent times in the world. Rising fuel prices, currencies in turmoil and an unstable geo-political environment have again demonstrated that the education business model is both resilient and counter-cyclical. Education serves a critical function in helping societies become learning institutions and knowledge economies. It is also a sector that show almost no response to the volatility that plagues global trade today - education is a strong and stable industry. In bad times it produces an even better ROI.

As nations have changed, those that have invested in education ahead of the change curve have benefited by creating a pool of human capital that helped them scale, transform and move into the knowledge economy. Taiwan, Korea, Japan, Brazil, Singapore are all good example of nations in which a massive investment in education preceded economic transformation. India has to relook at its human capital strategy and focus on creating a "learning nation". One of the ways to do this is to leverage the power of Public Private Partnerships. PPP's create value across the chain by making every beneficiary a stakeholder. Educomp is playing an important role in creating viable public private partnership models to tap private capital and expertise and use it for national development.

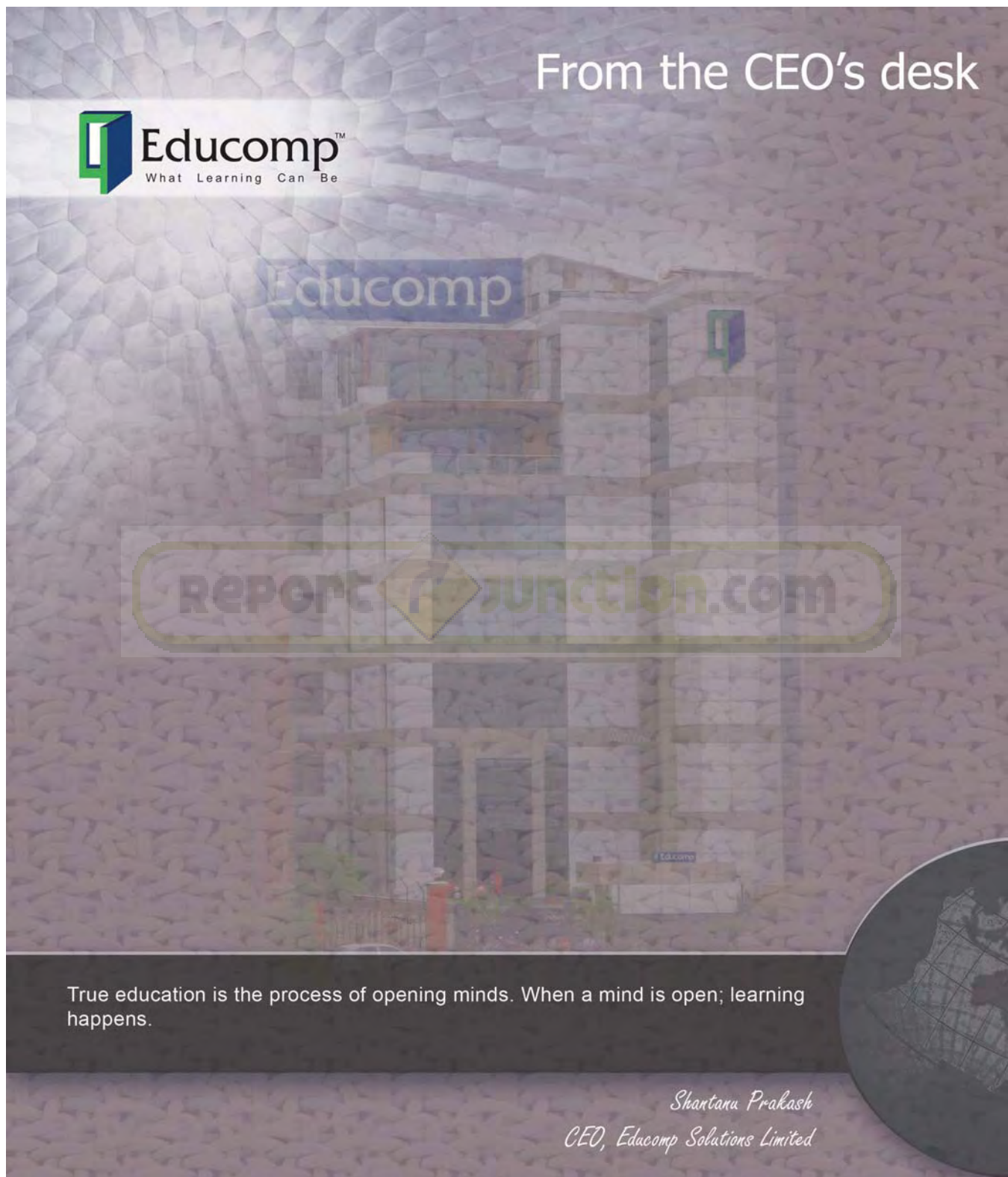
Smart nations learn from each other - cross border learning is the next big opportunity. At Educomp we have three powerful initiatives that leverage cross border intellectual capital. Our tutoring brand Learning Hour™ provides online help to students from across the world, Wiziq.com our student teacher marketplace enables thousands of teachers and students to find each other and conduct lessons seamlessly, thus enabling education interchange and education commerce and Learnhub.com our global education community brings together teachers, students and learners with similar interests into powerful learning communities allowing them to learn from each other, teach, debate and create.

Smart nations also provide universal access to learning as technology makes devices cheaper and more powerful the cost of high quality learning will drop dramatically. Educomp is leading this revolution though its O3 initiative where we provide low cost computing devices to enable each student to have personalized access to best practices based curriculum so that he can learn at his own pace while plugging into a global community. A revolutionary change in how classrooms function, one- on-one computing breaks the barriers of access to teachers, access to curriculum and for the first time since schools were invented, inverts the education delivery into a truly child centered model.

Through these and more initiatives each day we redefine what learning can be and even though the world may be in turmoil, the business of education goes smoothly.

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Educomp™
What Learning Can Be

Build, Own, Operate Schools and Create proprietary pedagogical systems, educational brands

ICT in government schools and teacher training

Smart Class and multimedia rich content and assessment

What learning can be

The coagulated particles settle to the bottom of the tank. This is called sedimentation.

Purification Of Water

Old MacDonald, The Farmer

FOUR makes the number 4. It's not the tail of a yak!

Old MacDonald had a farm, E-I-E-I-O! And on that farm he raised a team, E-I-E-I-O! And on that farm he raised a team, E-I-E-I-O! And on that farm he raised a team, E-I-E-I-O!

The image depicts a futuristic, curved digital interface, possibly a tablet or a large screen, displaying various educational content. The interface is divided into several sections. At the top, there is a header with the Educomp logo and the tagline 'What Learning Can Be'. Below this, there is a large, curved banner with the text 'Build, Own, Operate Schools and Create proprietary pedagogical systems, educational brands'. The main body of the interface is filled with various educational content, including images of school buildings, classrooms, and students. There are also sections for 'ICT in government schools and teacher training' and 'Smart Class and multimedia rich content and assessment'. At the bottom, there is a section titled 'Purification Of Water' which includes a diagram of a water purification process and a section titled 'Old MacDonald, The Farmer' which includes a song lyric. The overall theme is education and technology.

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From the CEO's Desk

Dear Shareholders,

The broad growth thesis for educomp is that the quest for achieving superior learning outcomes will involve multiplicity of touch points with students. Some of these are digital content inside classrooms, homework help delivered over the internet, teacher empowerment programs, integrated school curriculum, early childhood intervention and so on. There are many opportunities to solve problems in many different parts of the education supply chain, yet the decision to do so cannot be discrete, the thinking process employed to do so has to be holistic since the supply chain has many interdependencies which provide obvious synergies. Further our vision has to be broad enough to be able to see how we make the individual productive in a changing world and what role education and learning can play in it. A broad vision such as this helps crafts a corporate strategy that creates superior value for our shareholders.

In 2008, a number of significant events happened which were defining moments for us as a company, some went noticed and were applauded but many went unnoticed, yet were no less significant.

In FY 2008, we grew the mandate of Educomp to not simply focus on pieces of the puzzle but to look at the entire puzzle and we have some interesting insights which are shaping our corporate direction. I would summarize these in the following manner to look across the value chain at opportunities that show the following characteristics :

- a. Large market opportunity ie. scale
- b. Opportunity to solve a problem and create customer delight using strong IP and product differentiation ie. Barriers to entry/Competitive advantage
- c. High operating margins (typically in excess of 50%)
- d. Educomp's ability to execute

We, then look at potential synergies across educomp's pool of competencies to see how we can leverage these to work together so that the whole is greater than the sum of parts, for example using the SmartClass content in Learning Hour tutoring centers, Using Learning.com's award winning Easy Tech program in Singapore, Using our development centers in India to create IP for Singapore, creating a cross border team across US, India and Singapore to work on One-on-One computing opportunities, use our 4 million + client base in schools to fill the post K-12 courses etc.

While the strategy might be holistic, each part must deliver value. Look at how we have architected this :

Educomp's Solutions such as Smart_class™, Mathguru™, Online Tutoring, ICT and even K-12 initiatives, not only are they good examples of the 4 point listed above, they all solve specific problems in the education supply chain, for instance SmartClass is a response to the desire for high student achievement in school examinations and lack of concept clarity amongst students. Mathguru combats math-phobia and more importantly allows Educomp to establish a direct channel to the student home which can be pumped by other content in the future. Eduschools solve the problem of the shortage of quality schools in India. The innovation model at Educomp works like this. Identify the pain – develop a unique differentiated solution – scale based on a sticky business model – and repeat. There are several multi-billion dollar parts of the value chain that are in urgent need for attention and Educomp's innovation engine will keep delivering.

In a steady state we would have three parts of our business. A. Licensing of tools that help existing education system move to a higher standard of delivery. B. Direct Intervention – running schools, pre-schools and tutoring classes, online delivery etc. and C. Post K-12 initiatives such as vocational and professional education.

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In FY 2008 we took our first steps to lay the foundation for this, we successfully morphed from being an education ancillary to being a core education provider.

The financial highlights are no less impressive. Our revenue from operations increased by 145.93% over 2007, our EBDITA margins came in at 47.58 %, our earnings grew by 145.11 %. Our two year CAGR for total revenue growth is 126.92% and for profit growth is 124.48%.

Clearly the strategy is delivering results and value to our stakeholders.

There are a number of exciting new things that I would like to share with you.

Our step into post K-12 initiatives is very significant as it allows us to leverage the huge base that we are building in schools. Today we work with 6 million + students (both domestic and global front) and soon we will be working with 10 millions. We can fill up several learning centers just from our captive base of students. We have chosen to go into this area in a partnership with Raffles Education Corporation, a company that we greatly respect and which cuts our time to entry and time to achieve leadership in this area.

You would have noted that we made two significant announcements which have a bearing on our global business a) we acquired a majority stake in Learning.com and b) 50% stake in a JV with Raffles for China. These will effectively increase our reach in North America by 2 million students and in the case of our Learning.com acquisition and open a market as large as India thereby doubling our potential market opportunity in the case of China JV.

Our impending entry into vocational education is also significant as it provides a "move up" to the millions of students that we work with. It provides an opportunity to them to become economically empowered citizens. As India ramps up its economic development engine, millions of new job will be created which need a new educational order to deliver the skilled people that the economy needs. We are thinking deeply about how we can deliver on the same.

FY2009 is thus year 1 of our strategy to be:

- a. A Global Company operating in three of the highest education opportunity landscapes in the world.*
- b. Full service provider for India's "education quality" and "education access" problems.*

We have always felt that each year of our existence was our most exciting year and FY 09 promises to be another landmark year. I would like to thank "Team Educomp" for thinking like leaders and executing flawlessly and it is my privilege to work with some of the finest people in this Industry anywhere in the world. To our Shareholders, who have provided us support and inspiration, my message is " we've just started"

Shantanu Prakash

Chairman & Managing Director

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Educomp Solutions Limited

BOARD OF DIRECTORS (As on 2 nd June, 2008)	
Shantanu Prakash Jagdish Prakash Gopal Jain Sankalp Srivastava Shonu Chandra	<i>Chairman & Managing Director</i> <i>Whole-Time Director</i> <i>Director</i> <i>Director</i> <i>Director</i>
COMMITTEES OF THE BOARD AUDIT COMMITTEE Sankalp Srivastava Shonu Chandra Gopal Jain Shantanu Prakash	
	<i>Chairman, Independent & Non-Executive</i> <i>Member, Independent & Non-Executive</i> <i>Member, Independent & Non-Executive</i> <i>Member, Promoter & Executive Director</i>
SHAREHOLDERS' INVESTOR GRIEVANCE COMMITTEE Sankalp Srivastava Shonu Chandra Gopal Jain Jagdish Prakash	
	<i>Chairman, Independent & Non-Executive</i> <i>Member, Independent & Non-Executive</i> <i>Member, Independent & Non-Executive</i> <i>Member, Non Independent & Executive Director</i>
REMUNERATION COMMITTEE Sankalp Srivastava Shonu Chandra Gopal Jain	
	<i>Chairman, Independent & Non-Executive</i> <i>Member, Independent & Non-Executive</i> <i>Member, Independent & Non-Executive</i>
REGISTERED OFFICE 1211, Padma Tower I, 5, Rajendra Place, New Delhi -110 008.	
CORPORATE OFFICE Educomp Towers, 514, Udyog Vihar Phase III, Gurgaon - 122 001.	

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BRANCH OFFICES AT :

Bangalore	: 16, 80 Feet Road, 4 th Block, Koramanagala Bangalore-560 034.
Mumbai	: 2 nd Floor, Valech Chambers, Plot No, B-6, New Link Road, Andheri (W), Mumbai-400 053.
Noida	: Plot No 85, Special Economic Zone, Phase II, Sector 82, Noida.
Kolkata	: Suite no 6C, 2 nd Floor, 36B Shakespeare Sarani, Kolkata-700 017.
Kolkata	: 5, Satyen Dutta Road, Kolkata-700 029.
Chennai	: New No. 98, 7 th Avenue, Ashok Nagar, Chennai – 600 083.
Lucknow	: C-26, Sector –C, Chetan Vihar, Aliganj Scheme, Lucknow- 226 024.
Guwahati	: Krishna Market, SRCB Road, Fancy Bazaar, Guwahati- 781 001.
Chhattisgarh	: Flat No. 14, 3 rd Floor, Modern Complex, Behind Mantralaya, Moti Bagh Chowk, Raipur, Chattisgarh.
Orissa	: D/206, Baishnav Vihar Apartment, Near Durga Puja Mandap, Bomikhlal, Bhubaneshwar – 751006, Orissa.
Gandhi Nagar	: Plot No. 1662/1, 1 st floor, Sector 5C, Gandhinagar, Gujarat-382 005.
Secunderabad	: Plot No. 28 & 30, Jupiter Colony, Road No. 3, Near Sikh Village, Bowenpalli, Secunderabad-500 009.
Tripura	: Above MK Azad Computer Institute, Joynagar Middle Road, Agartala – 799 001.
Chandigarh	: SCF No. 63, Phase XI, Sector 65, S.A.S. Nagar, Mohali, Punjab-160 059.

OVERSEAS OFFICE :

Educomp Solutions Limited
88/6, 1/1 Somadevi Place,
Colombo-05, Sri Lanka

AUDITORS :

Anupam Bansal & Co, Chartered Accountants

BANKERS :

State Bank of Patiala, Commercial Branch, Chandralok Building, 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.