

everon

ANNUAL REPORT

2005-06

Report  junction.com

EVERONN SYSTEMS INDIA LIMITED

DIRECTORS' REPORT

To the members,

The directors are pleased to present the Annual Report together with the audited statement of accounts for the year ended 31 March 2006.

1. Financial Results

(Rupees in lakhs)

Particulars	2005-06	2004-05
Total Revenue	3,117.90	1,954.22
Operating Profit	1,446.63	1,007.43
Depreciation	601.24	547.24
Interest	164.64	155.23
Profit Before Tax	680.75	304.96
Provision for Taxation	276.59	123.71
Profit After Tax	404.16	181.25
Add: Profit B/F. From previous year	241.45	127.18
Profit Available for Appropriations	645.62	308.43
Appropriation:		
Proposed Dividend	1.92	6.01
Tax on Proposed Dividend	1.92	6.01
Transfer to General Reserve	40.42	18.13
Balance Carried to Balance Sheet	186.13	241.45

2. Operating Results

The revenue for the year grew at 60.34% over the previous year to reach Rs.3133.40 Lakhs. EBIDTA stood at Rs.1, 446.63 Lakhs and the profit before tax at Rs.680.75 Lakhs.

3. Dividend

The Directors recommend a dividend of 10% of paid up equity share capital for the year ended 31st march 2006.

4. Business Performance

During the year 05-06 the company reached significant milestones and records in terms of Business Growth, profits and progress.

The IT contract education Division by the end of the year has grown to cover 1480 schools in 13 States in India. The company is also in the verge of finalizing IT Education Contracts in three more states. The number of people in this segment touched an all time high of 3100 people. Total machines added were to the tune of 7000 numbers.

The segment has now acquired the capability to operate in any Geographic location and has plans to explore overseas market in the forthcoming year.

The division continues to extract maximum value out of the people by-using them in

- a. Educating general public- post school hours;
- b. Developing software for clients and
- c. Developing Content and Courseware for the courses offered by the company.

The division is renamed as Institutional Education - Infrastructure Services to better signify the areas of operations of the division.

During the year one of the schools received the Computer Literacy Award - 2004 from the Hon'ble President of India.

The Remote Learning Division now re-christened - Virtual & Tech Enabled Learning Solutions after an initial hiccup has shown significant growth prospects. This Division was inaugurated during 04-05 and initially few of the engineering colleges were covered. During the year Virtual classrooms have been established in 52 colleges. Apart from Engineering Colleges, Arts and Science colleges have also been covered and courses catering to these disciplines have been introduced.

During the year curriculum based support education for School segment was test launched and validated. Courses that blend teacher, technology and content have received appreciation from Management, Faculty and Students of the schools who experienced it. The school model is slated to go fully operational in the year 06-07.

Retail segment was also opened up and during the year three Retail Centers have been inaugurated. Courses that would cater to the general populace would be pursued. These centers would enable education through a Virtual medium as well as brick and mortar medium.

As a strategy a Placement Support Division has been put in place essentially to assist the 'company trained students' get better career opportunities. This Division apart from assisting students in getting better placement opportunities would seek to assist other students also identify career opportunities.

To effectively use the resources, Direcway hitherto an independent SBU of the company, has been brought under ViTELS Division.

5. Knowledge Resource Division

Content and courses are the live wires of the ViTELS Division. A separate Resources Team has been created. This team would research on the Knowledge needs, create and acquire content, access resource personnel and put in place an effective delivery mechanism. The company aims at creating a large repository of content that caters to the varied segments of the population.

The ViTELS today has a strong 70 member team.

6. New Initiatives

The company is working on Virtual education and On-line Tuition initiative for overseas market. Similarly the company is looking at options of bringing foreign University Education into India.

7. Particulars of Employees

Particulars, required under the provisions of section 217 (2A) of the Companies Act 1956, read with the Companies (Particulars of employees) Rule, 1975, are NIL.

8. Industry and General Outlook.

Education as an industry has matured in India. India has always been a Knowledge Driven Economy and globalisation has opened the doors of opportunity for the Society.

Increased involvement and spend of the Government in Education offers a spectrum hitherto untapped. The stress on Public-Private partnership in the sphere of education has widened the opportunities for private players. This augurs well with the objectives of the company.

The budget allotment for the year 06-07 for education in India is Rs. 241 billion. The Sarva Siksha Abhiyan alone would have a spend budget of Rs. 100 billion.

At present there are eight lakh schools in the Government segment and another two lakh schools in the Private sector. More than 202 million students attend schools. There are more than 16,000 colleges and 14,000 corporates in India. The scope for training and placement services is vast and your company has evolved a plan that would take it to the higher levels of growth.

In the Global sphere Education and Training market which is \$32 billion today would reach \$42 billion by 2008 at a CAGR of 5 %. With not many players around, the segment is expected to offer highgrowth potential for the company.

In general the economy is on an upswing. Economy is expected to grow at over 7 % next year and this pace of growth should hold for the next few years.

9. IPO

The company has definite plans of growth and is actively looking at accessing the Capital market. The Financial results for the year is encouraging and it re-emphasises our belief in the Growth potential of the company.

10. Corporate Governance

The Board has met nine times in the year. The company in its own interest is implementing Corporate Governance as a practice.

Responsibility Statement

The directors confirm

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- b) that they have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year and of the profits of the company for that period.
- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other regularities;

- d) that they have prepared the annual accounts on a going concern basis.

11. Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo

Information pursuant to section 217 (1)(e) of the Companies Act, 1956 read with the Company's (Disclosure of particulars in the report of the Board of Directors) rules 1988 is provided hereunder.

- (i) Conservation of Energy - The company has planned and installed equipments in a manner that maximum energy is conserved
- (ii) The company's business being IT education, every effort is made to ensure that changes in technology are communicated throughout the organization at every stage.
- (iii) The foreign exchange earnings and outflows is NIL.

12. Directors

Mr.Arunkumar has been appointed as Additional Director of the company as per section 260 of the Companies Act. He will hold office untill the conclusion of the General Meeting. Notices u/s 257 received from the share holder proposing the name of Mr. Arun Kumar to be appointed as Director at the Annual General Meeting.

13. Auditors

M/s.P.Chandrasekar, Chartered Accountants were the statutory auditors of the company. They have expressed their intention to continue and therefore seek re-appointment at the ensuing Annual General Meeting of the company.

14. Acknowledgements

Your directors would like to express its sincere appreciation to all the business associates for their support and contribution during the year. The Directors would also like to thank shareholders, customers, suppliers and bankers for the continued support given by them to the Company. Your directors wish to express their gratitude and appreciation to the employees of the company for their hard work, loyalty and professionalism. The employees continue to remain the Company's most valuable assets and their relentless efforts have enabled the Company to aim at greater heights.

For and on behalf of the Board

Sd\-

Place: Chennai
Date: 17th April 2006

P.KISHORE
Managing Director



AUDITORS REPORT

To the Shareholders of Everonn Systems India Limited

1. We have audited the attached Balance Sheet of **M/s. Everonn Systems India Limited** as at 31st March 2006 and the Profit and Loss Account and also the Cash flow Statement for the year ended on that date annexed hereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

- 4 Further to our comments in the annexure referred to above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the company, so far as it appears from our examination of those books.
 - c) The Balance Sheet and Profit and Loss account and Cash flow statement referred to in this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet and Profit and Loss account and Cash flow statement comply with the Accounting Standards prescribed by the Institute of Chartered Accountants of India and referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of the written representations received from directors as on 31.03.2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
2. Fixed Assets have been physically verified by the Management during the year and there is regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and nature of its assets. As reported to us no material discrepancies have been noticed on such verification.
3. Substantial part of the Fixed Assets have not been sold during the year under review affecting going concern.
4. The company's inventories are inspected periodically by the Company's Management.
5. The procedures of physical verification of inventory followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
6. The company has maintained proper records of Inventory. The discrepancies noticed on verification between the Physical stocks and the book records were not material and have been properly dealt with in the books of account.
7. The company has not availed loans from parties listed in the register maintained under section 301 of the companies Act 1956.
8. The company has not granted loans to companies, firms or other parties listed in the Register maintained Under section 301 of the companies Act 1956.
9. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of Inventory, fixed assets and with regard to rendering services. No Major weaknesses in internal controls were observed.
10. According to the information and explanations given to us, and based on our verification, we are of the opinion that there are no transactions that were required to be entered in the register maintained under section 301 of the companies Act 1956.
11. In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the companies Act 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year.
12. The company has not accepted any deposits from the public during the year requiring the compliance of provisions of Section 58A and Section 58AA or any other relevant provisions of the companies act 1956.
13. In our opinion the company has an Internal Audit system commensurate with the size and nature of its business.

14. The Central Government has not prescribed the Maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for any of the products of the company.
15. As per the information and explanations made available to us and also based on the records made available to us, in our opinion the Company is regular in depositing the undisputed statutory dues including ESI, Income Tax, Sales Tax, Fringe Benefit Tax, Service Tax and other statutory dues, excepting Provident Fund in few cases there were delays in remittance. There are no outstanding dues in respect of the above items which are more than six months as at the balance sheet date.
16. According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
17. The company has not incurred cash losses during the year covered by our audit and also during the immediately preceding financial year.
18. As per the information and explanations made available to us the company has not defaulted in repayment of dues to any financial institutions, bank or debenture holder.
19. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
20. The company is not a chit fund or a nidhi / mutual benefit fund / society and therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
21. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments and therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
22. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for any loans taken by others from Banks and Financial Institutions.
23. In our opinion, the term loans have been applied for the purpose for which they were raised.
24. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long term investment.
25. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
26. According to the information and explanations given to us and based on the Records examined by us, no Debentures have been issued during the year.