



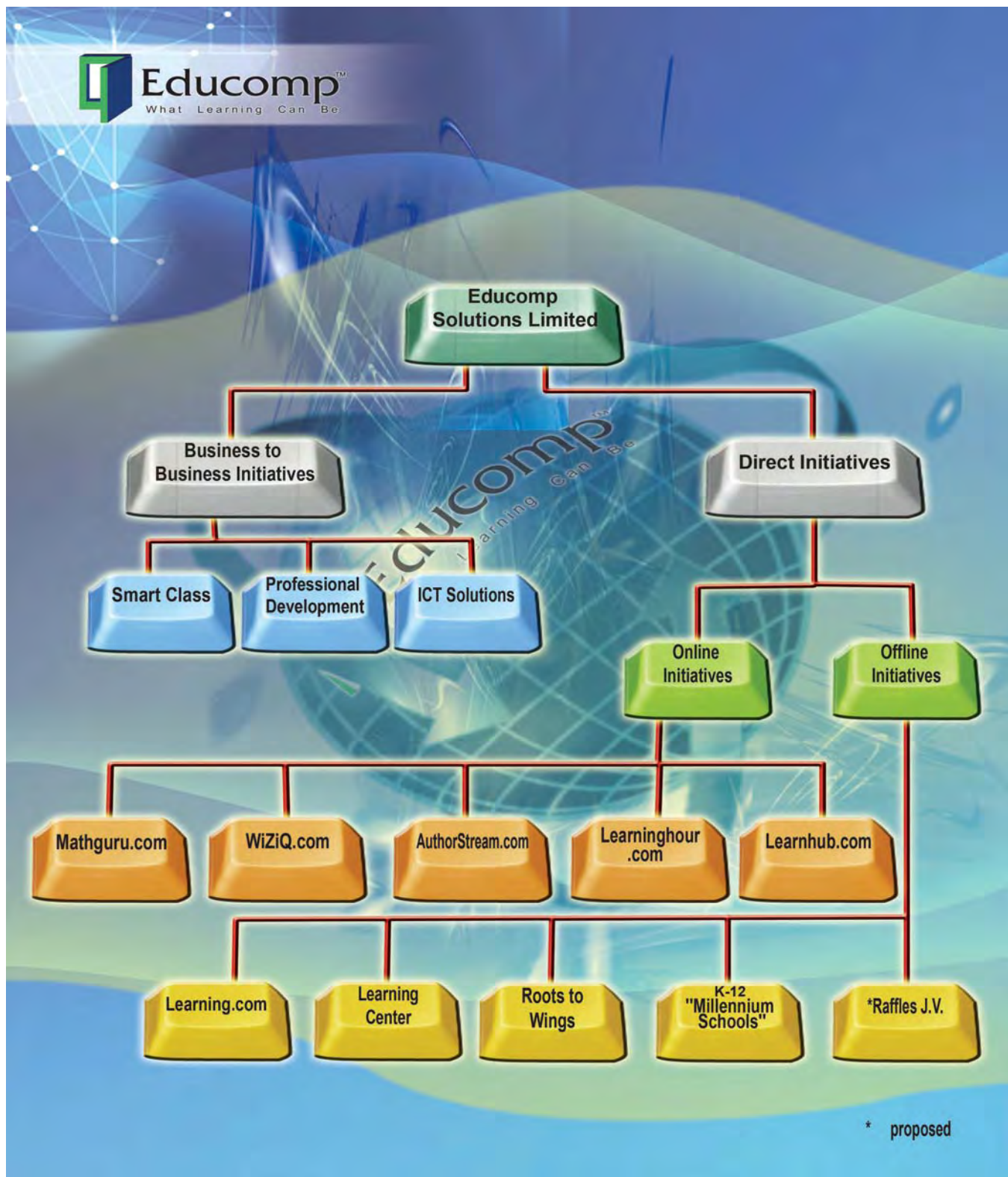
Educomp™
What Learning Can Be

ANNUAL REPORT 2007-2008



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Introduction

Smart Nations and a Resilient Industry

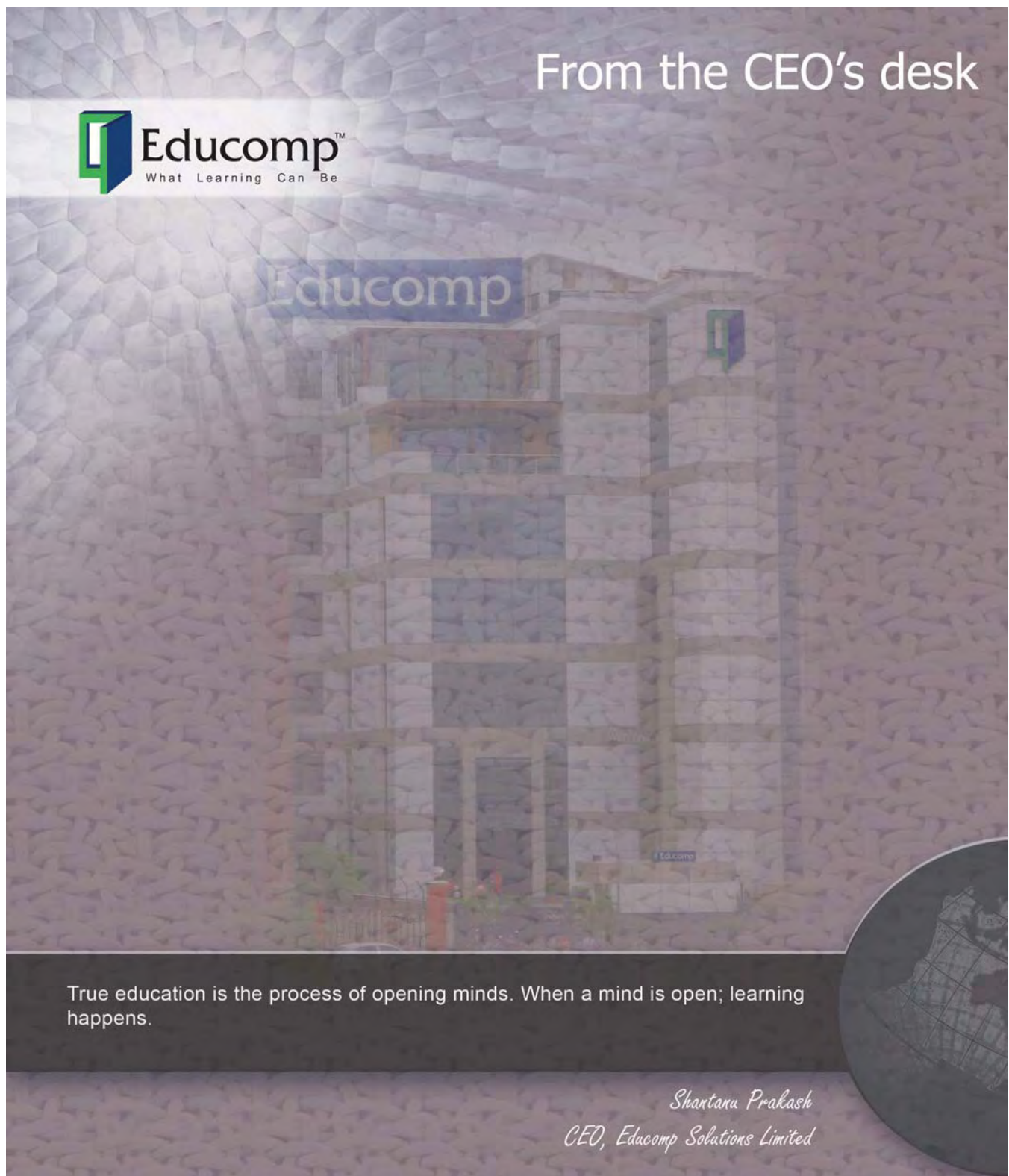
These are turbulent times in the world. Rising fuel prices, currencies in turmoil and an unstable geo-political environment have again demonstrated that the education business model is both resilient and counter-cyclical. Education serves a critical function in helping societies become learning institutions 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.

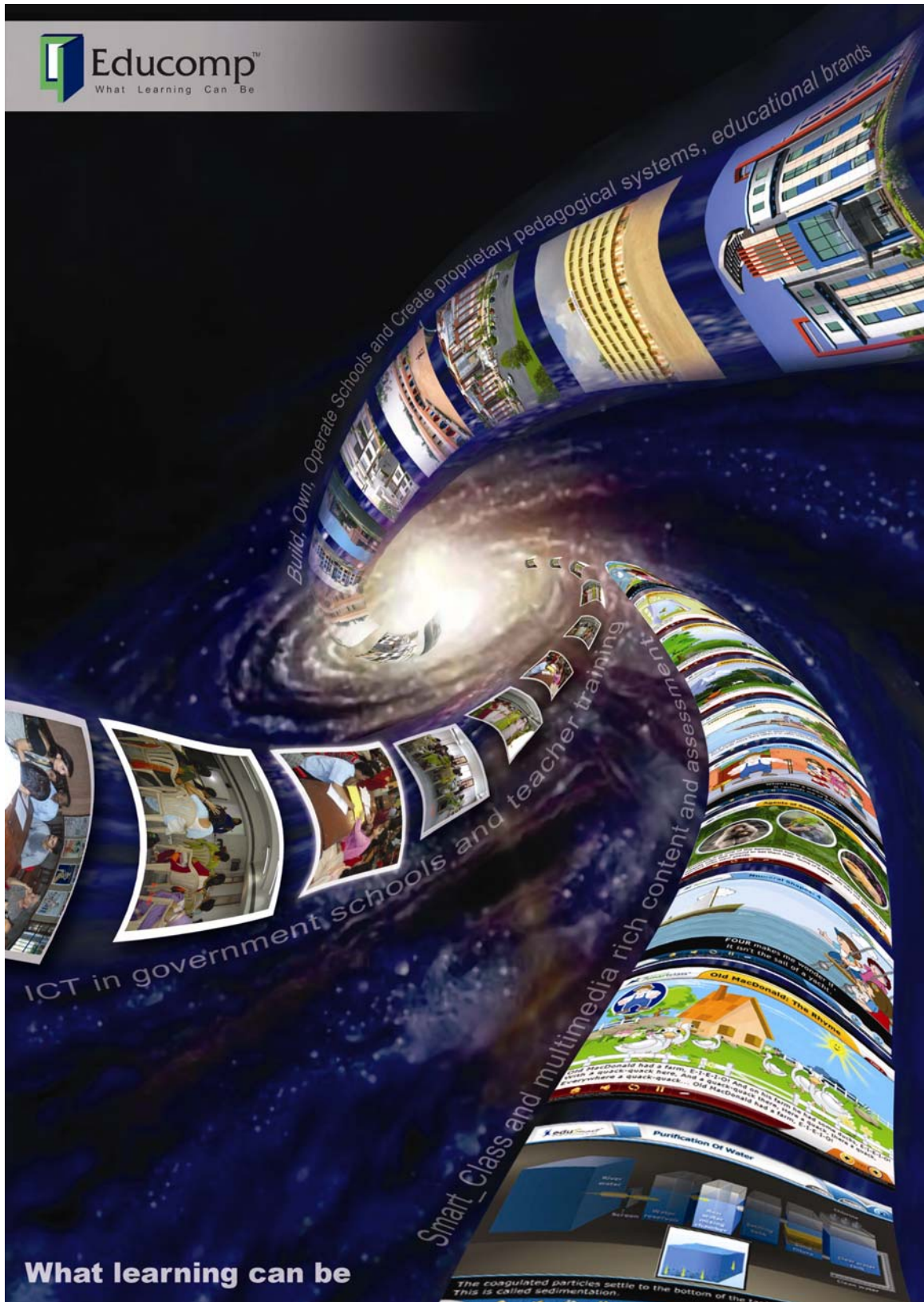
As nations have changed, those that have invested in education ahead of the change curve have benefited by creating a pool of human capital that helped them scale, transform and move into the knowledge economy. Taiwan, Korea, Japan, Brazil, Singapore are all good example of nations in which a massive 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 through 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.





What learning can be

Educomp Solutions Limited

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.

What Learning Can Be

Annual Report 2007-08

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

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	<i>Chairman, Independent & Non-Executive</i>
Shonu Chandra	<i>Member, Independent & Non-Executive</i>
Gopal Jain	<i>Member, Independent & Non-Executive</i>
Shantanu Prakash	<i>Member, Promoter & Executive Director</i>
SHAREHOLDERS' INVESTOR GRIEVANCE COMMITTEE	
Sankalp Srivastava	<i>Chairman, Independent & Non-Executive</i>
Shonu Chandra	<i>Member, Independent & Non-Executive</i>
Gopal Jain	<i>Member, Independent & Non-Executive</i>
Jagdish Prakash	<i>Member, Non Independent & Executive Director</i>
REMUNERATION COMMITTEE	
Sankalp Srivastava	<i>Chairman, Independent & Non-Executive</i>
Shonu Chandra	<i>Member, Independent & Non-Executive</i>
Gopal Jain	<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.	

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.

Educomp Solutions Limited

SUBSIDIARIES

Direct Subsidiaries

Educomp Learning Private Limited
Wheatstone Productions Private Limited
Educomp Infrastructure Private Limited
Educomp School Management Limited
Educomp Professional Education Limited
Educomp Software Limited
Threebrix E-Services Private Limited
Authorgen Technologies Private Limited
Edumatics Corporation Inc.
Educomp Asia Pacific Pte. Limited

Indirect Subsidiaries

Ask N Learn Pte Ltd, Singapore	<i>(Subsidiary of Educomp Asia Pacific Pte. Ltd)</i>
Singapore Learning.com Pte. Ltd, Singapore	<i>(Subsidiary of Ask n Learn Pte. Ltd)</i>
Pave Education Pte Ltd, Singapore	<i>(Subsidiary of Ask n Learn Pte. Ltd)</i>
Wiz Learn Pte Ltd, Singapore	<i>(Subsidiary of Ask n Learn Pte. Ltd)</i>
Learning.com, U.S.A	<i>(Subsidiary of Educomp Asia Pacific Pte. Ltd)</i>
Shikhya Solutions Inc.,U.S.A	<i>(Subsidiary of Authorgen Technologies Private Limited)</i>
Educomp Infrastructure Services Private Limited	<i>(Subsidiary of Educomp Infrastructure Private Limited)</i>

Associate

Savvica Inc., USA

SHARE TRANSFER AGENT :

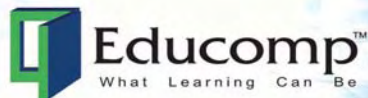
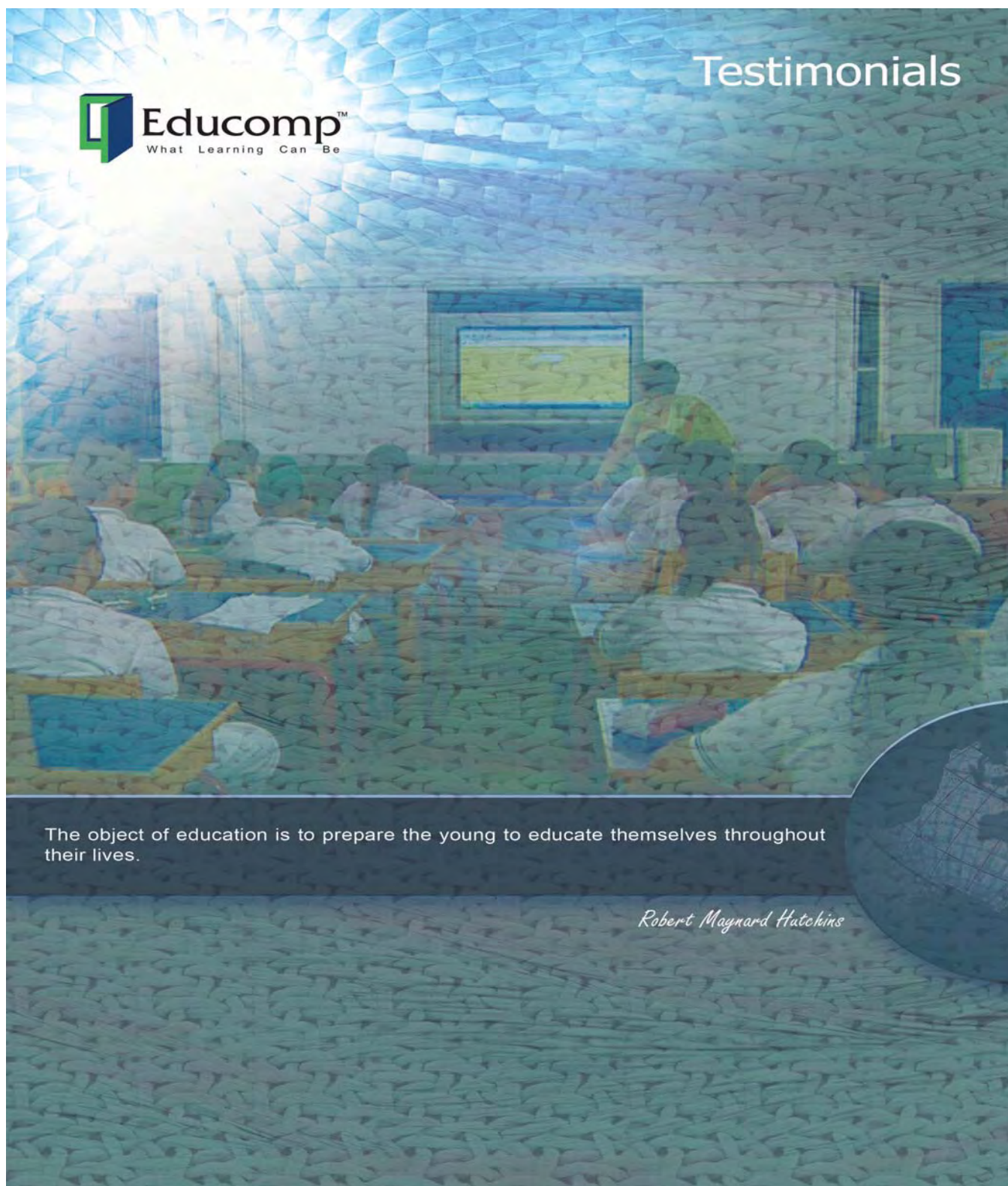
Intime Spectrum Registry Limited, A-40, 2nd Floor, Naraina Industrial Area, Phase-II, New Delhi-28

LISTED AT :

National Stock Exchange of India Limited, Bombay Stock Exchange Limited

COMPANY SECRETARY :

Mohit Maheshwari



Testimonials

The object of education is to prepare the young to educate themselves throughout their lives.

Robert Maynard Hutchins

Educomp™
What Learning Can Be

What **students** parents
educators have to say about our
Mathguru

This is the best tutorial site for Math. You will not even need a tutor. Join mathguru.com, it's the best.
Shivangi Bala
Student

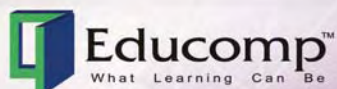
I am impressed with the way of teaching. This is the best way of self-learning.
Jaspreet
Teacher

I wish to put on record my deep appreciation for the online website. We both are doctorates and wanted best for our only daughter. Although, she was doing very well but your website helped her to get 99% marks in IX class examination. Please accept our sincere thanks and keep up the good work. Another plus point is your quick response.
Dr. Ravindra Kumar
Parent

It's really awesome. I have really enjoyed this site and now math has become my favorite subject. It's good for the children who are weak in mathematics.
Shivangi Sharma
Student

625/81
Less of exponent
1/2, 1/3, 2/3
1/2 + 1/3 = 5/6

Feedback



what **educators** have
to say about our

Professional Development

The sessions have been a good reinforcement. The collaterals are very informative and in tune with the latest trends in the field of education. IBL, critical thinking and classroom management techniques are being gradually incorporated into the curriculum.

*Primary In-Charge,
DPS- Ghaziabad*

The teachers have been enthused and empowered to innovate, enquire, create and modify their strategies in order to involve the children in a joyful learning environment.

*Principal, Cambridge School, Noida
Veena Sirohii*

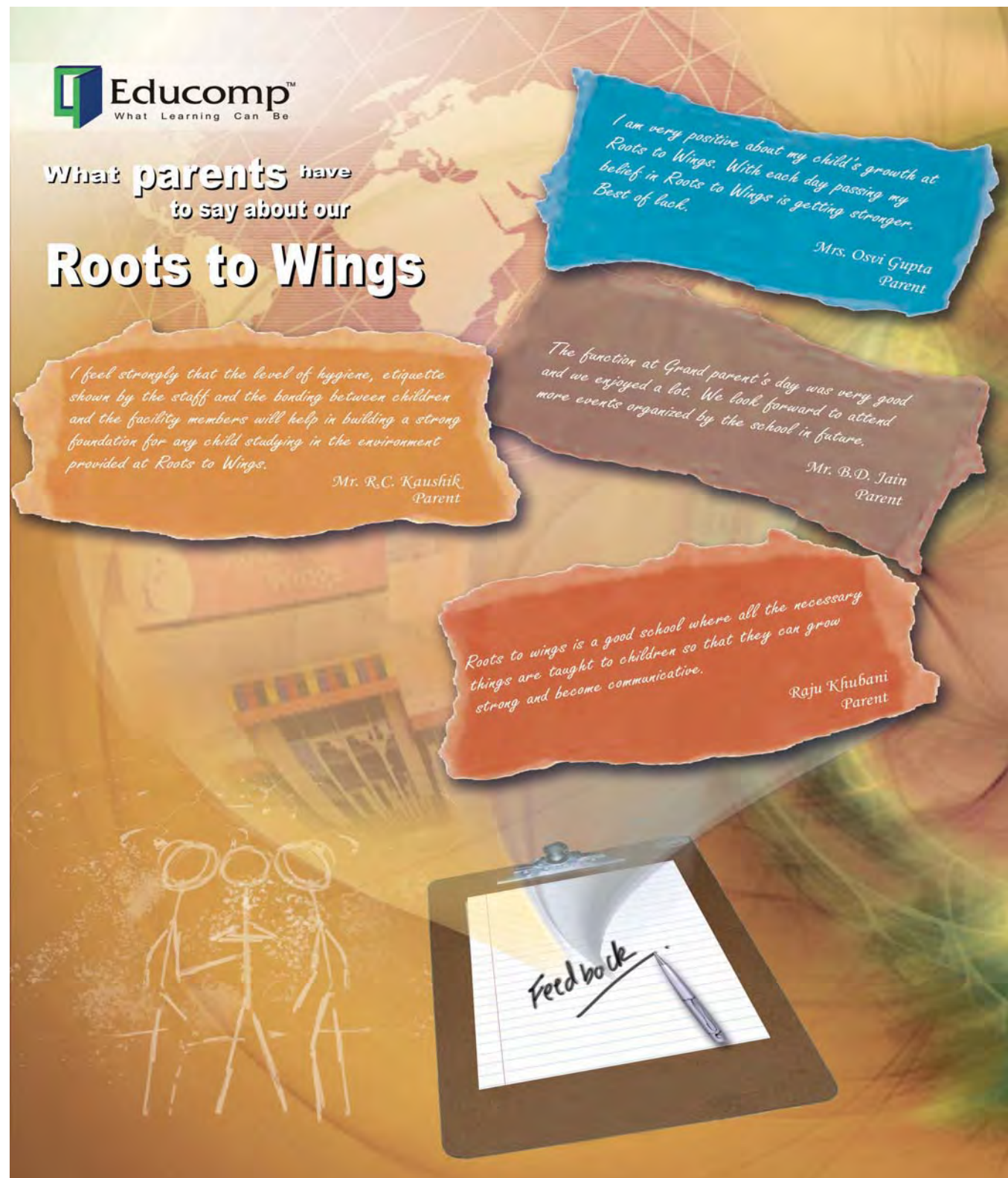
My students have grown to develop healthy competition. It has changed my outlook. I have motivated the children a lot and in turn, I am absolutely motivated.

*Pushkala Raman
Gitanjali, Hyderabad*

This has not only benefited teachers who have done the course but also others as these teachers talk to them about it

*Gita Karan
Gitanjali School, Hyderabad*





Educomp™
What Learning Can Be

What **parents** have
to say about our

Roots to Wings

I am very positive about my child's growth at Roots to Wings. With each day passing my belief in Roots to Wings is getting stronger. Best of luck.
Mrs. Osvi Gupta
Parent

I feel strongly that the level of hygiene, etiquette shown by the staff and the bonding between children and the facility members will help in building a strong foundation for any child studying in the environment provided at Roots to Wings.
Mr. R.C. Kaushik
Parent

The function at Grand parent's day was very good and we enjoyed a lot. We look forward to attend more events organized by the school in future.
Mr. B.D. Jain
Parent

Roots to wings is a good school where all the necessary things are taught to children so that they can grow strong and become communicative.
Raju Khubani
Parent

Feedback



What our Clients have to say about the Smart Class

It has always been my dream to see technology becoming an integral part of a teacher's life inside the classrooms and the smart class™ programme implemented by Educomp in our schools has indeed been like a dream come true.

Dr (Mrs) V.G. Parthasarthy
Dean and Director,
Padma Seshadri Group of Schools, Chennai

After the introduction of smart class™ to the students, the classroom atmosphere became lively. The students became more enthusiastic after viewing the smart class...

U.R.C.Palaniammal Matric Higher Secondary School,
Principal,
Erode

It gives me immense pleasure to put on record that Educomp apart from enhancing the learning process, has naturally boosted children's desire to explore...

P.K.R.Jain Sec. Public School,
Principal,
Ambala City

We are really proud to be associated with Educomp. I think ever since we started the model classroom concept with technology we haven't looked back.

Padma Bhushan Dr. Mrs. Shayama Chona
Principal, DPS, R.K. Puram

Feedback

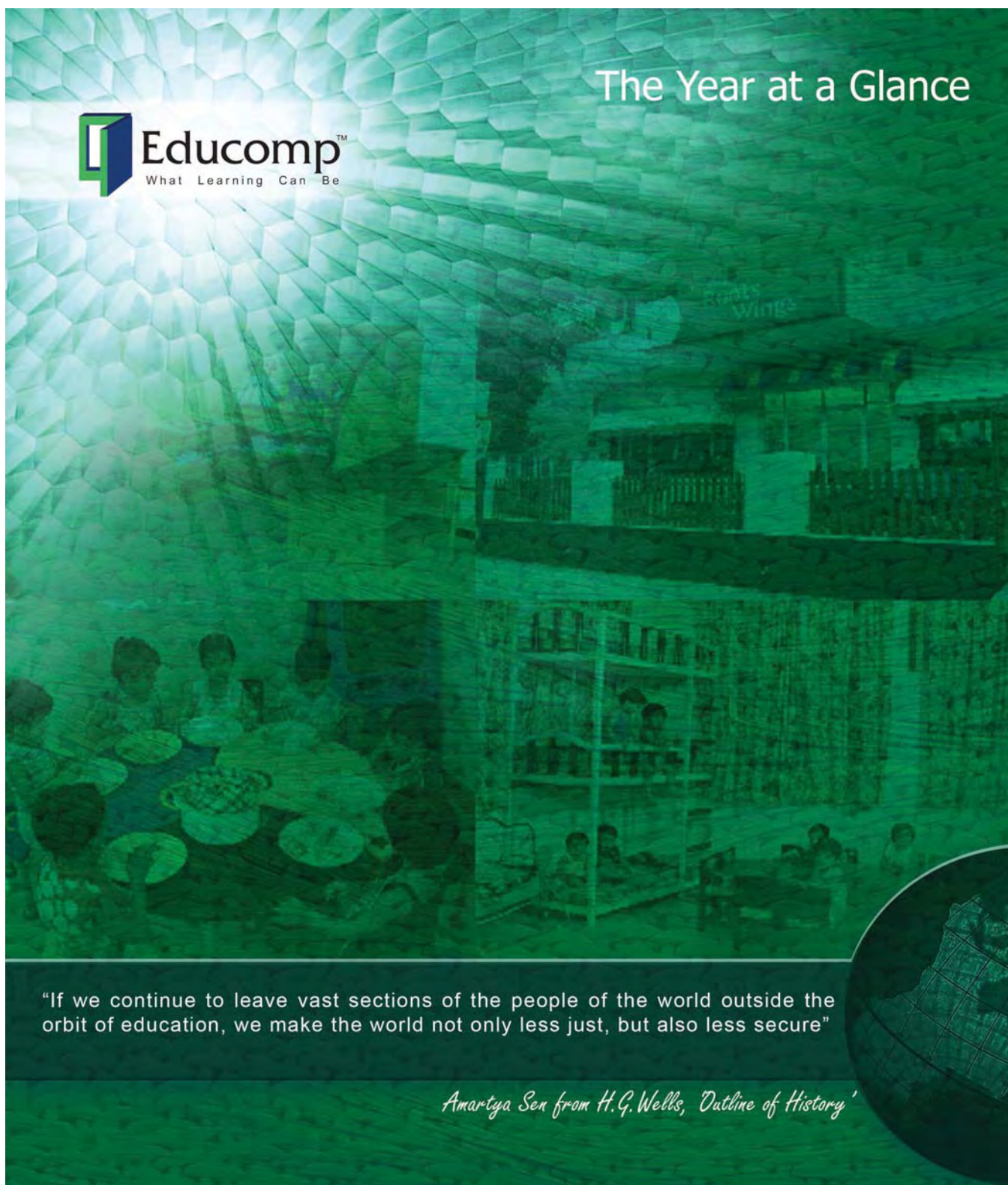
Educomp Solutions Limited

HIGHLIGHTS 2007-08 (STANDALONE BASIS)		
PARTICULARS	FIGURES (INR MILLION)	FIGURES (MILLION \$)
Revenue - Operational	Rs. 2,620.95 millions	\$ 65.57 millions
Year-on-Year Revenue Increase	145.93%	
EBITDA	Rs. 1,246.92 millions	\$ 31.20 millions
Year-on-Year EBITDA Increase	149.15%	
PBT	Rs. 1,029.96 millions	\$ 25.77 millions
Year-on-Year PBT Increase	129.37%	
Net Profit	Rs. 700.61 millions	\$ 17.53 millions
Year-on-Year PAT Increase	145.11%	
EPS –Basic*	Rs. 41.38	\$ 1.04
EPS –Diluted**	Rs. 35.13	\$ 0.88
NPR	26.73 %	
Total Assets	Rs. 7,332.78 millions	\$ 183.46 millions

Note: US \$/ INR Conversion rate considered at Rs. 39.97 as on 31st March, 2008.

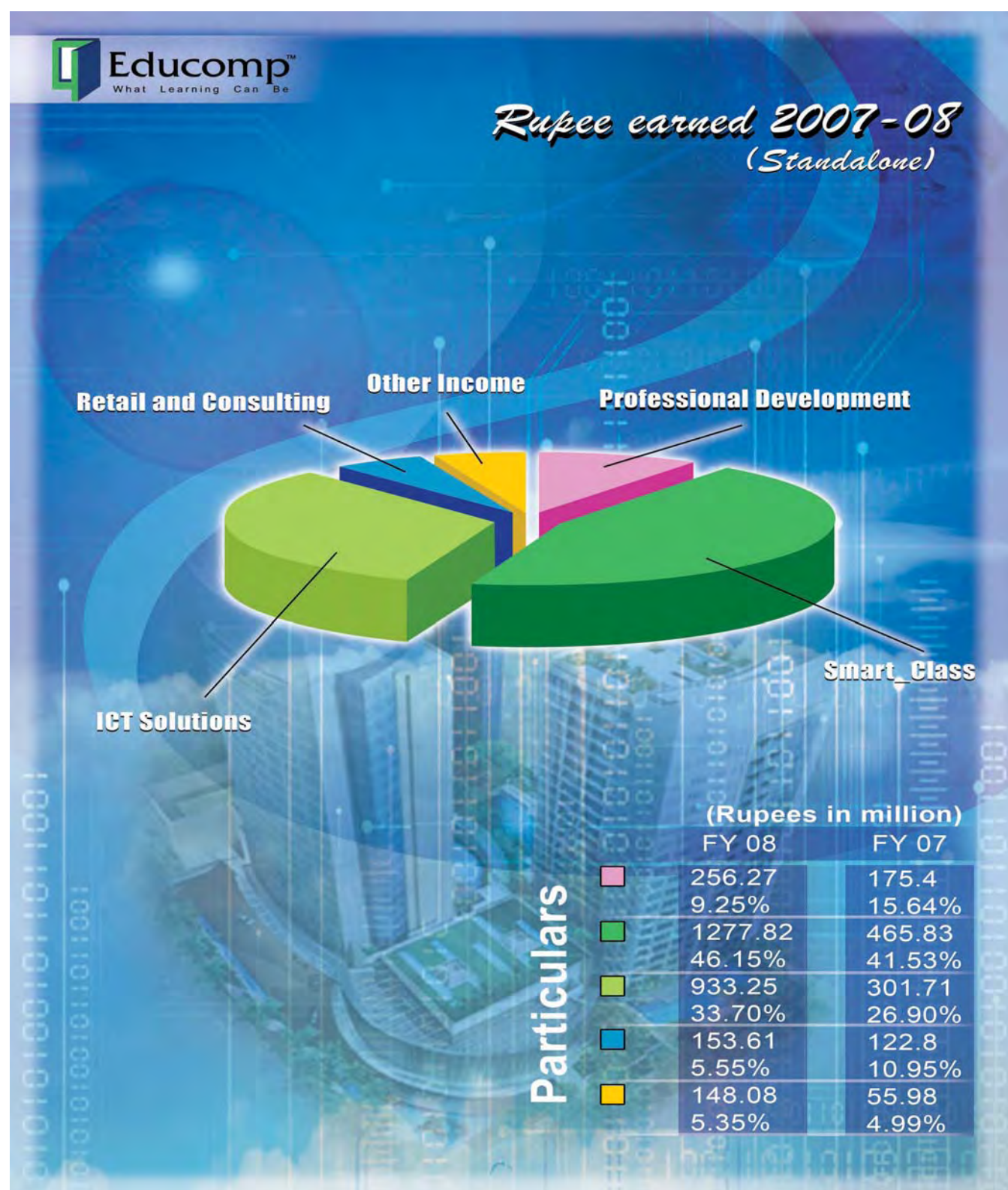
* Basic EPS calculated on a capital base of 16,931,280 No. of Equity Shares as per AS-20.

** Diluted EPS calculated on a capital base of 18,511,016 No. of Equity Shares as per AS-20.



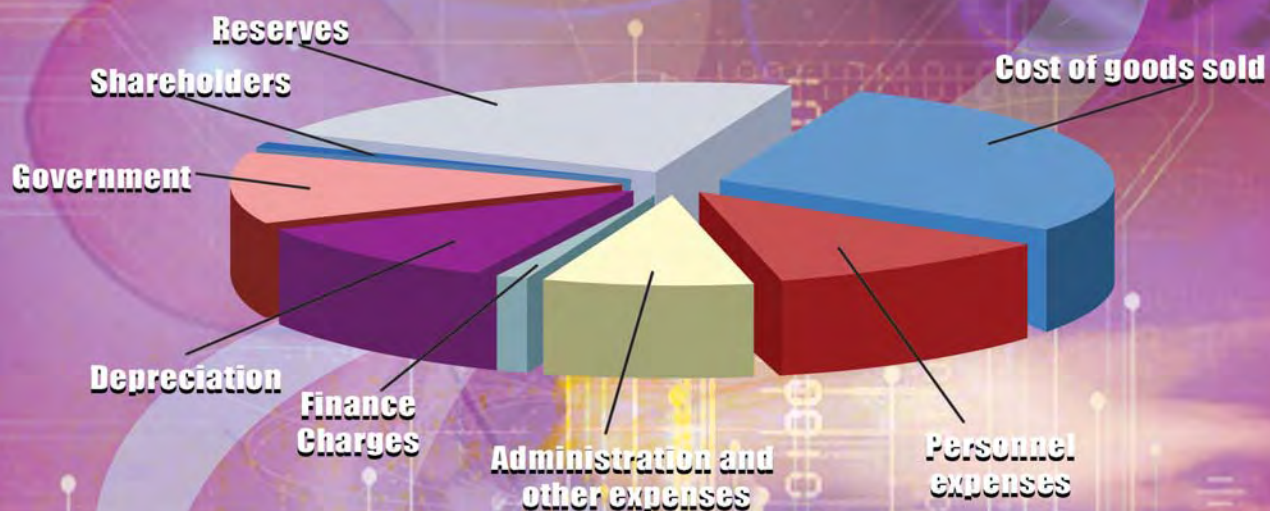
"If we continue to leave vast sections of the people of the world outside the orbit of education, we make the world not only less just, but also less secure"

Amartya Sen from H.G. Wells, 'Outline of History'





Rupee spent 2007-08 (Standalone)



(Rupees in million)

	FY 08	FY 07
Cost of goods sold	797.29 28.8%	304.21 27.1%
Personnel expenses	338.54 12.2%	105.13 9.4%
Administration and other expenses	238.4 8.6%	156.13 13.9%
Depreciation	41.89 1.5%	13.29 1.2%
Finance Charges	322.95 11.7%	93.93 8.4%
Government	336.69 12.2%	168.81 15.0%
Shareholders	43.2 1.6%	33.08 2.9%
Reserves	650.07 23.5%	247.14 22.0%

Educomp Solutions Limited

RATIO ANALYSIS (3 YEARS COMPARATIVE AS A STANDALONE BASIS)

Sl. No.	Particulars	Financial Year		
		2007-08	2006-07	2005-06
a)	Leverage			
	Debt/Equity *	1.22	1.02	0.03
	Total Asset/Net worth (AV)	3.65	2.62	2.06
	Debt service coverage **	18.58	13.29	14.81
	Debt service coverage (3 Years Average)**	16.58	11.66	10.02
	Note:- The above ratios are calculated in time term			
b)	Profitability			
	EBDITA/Net Sales	47.58	46.96	49.39
	Net Profit Ratio	26.73	26.82	26.58
	Return on net worth (Profit available for distribution/ Average Net Worth)	32.39	24.13	19.67
	PAT/ Average Net worth	34.91	27.90	24.47
	Fixed Assets/Turnover (operational)	80.64	67.37	32.00
	Note:- The above all ratios are calculated in % term			
c)	Liquidity			
	Net working capital to total assets	0.48	0.48	0.59
	Average collection period (in days)	159	169	176
	Current Ratio	5.64	5.23	4.05
d)	Growth			
	Growth in total revenue in (%)	146.86	108.60	67.46

* Debt includes FCCB raised during the year.

** Calculated on Long-term debt basis.



Financial Highlights – 3 year Snapshot

	2006-07	2007-08
Income Statement		
Revenue	1,10,000	1,10,000
Operating Expenses	(80,000)	(80,000)
Operating Profit	30,000	30,000
Other Income	10,000	10,000
Other Expenses	(5,000)	(5,000)
Profit Before Tax	35,000	35,000
Income Tax	(10,000)	(10,000)
Profit After Tax	25,000	25,000
Balance Sheet		
Fixed Assets	1,00,000	1,00,000
Current Assets	1,00,000	1,00,000
Total Assets	2,00,000	2,00,000
Equity and Liabilities		
Equity	1,00,000	1,00,000
Liabilities	1,00,000	1,00,000
Total Equity and Liabilities	2,00,000	2,00,000

Real education must ultimately be limited to men who insist on knowing, the rest is mere sheep-herding.

Ezra Pound

Educomp Solutions Limited

FINANCIAL PERFORMANCE - 3 YEARS SNAPSHOT

Steady and Consistent Growth Year-on-Year on a Standalone Basis

(Rupees in million)

Sl. No.	Particulars	Financial Year		
		2007-08	2006-07	2005-06
1	REVENUE			
	Income from Operations	2,620.95	1,065.74	523.05
	Other Income	148.08	55.98	14.68
	Total	2,769.03	1,121.72	537.73
	EBDITA	1,246.92	500.47	258.34
	EBDITA %	47.58	46.96	49.39
	Interest Expenses	41.89	13.29	5.04
	Depreciation	322.95	93.93	53.05
	PAT	700.61	285.84	139.03
	PAT %	26.73	26.82	26.58
	Taxes paid	167.56*	116.93*	75.97*
	Equity Dividend %	25%	20%	15%
	Dividend payout **	50.54	38.71	27.30
	Equity Share Capital	172.47	159.85	159.60
	Reserve & Surplus	2,613.01	987.12	743.50
	Average Net worth	2,007.10	1,024.36	568.14
	Gross Fixed Assets	2,645.27	936.19	350.81
	Net Fixed Assets	2,113.52	717.95	167.39
	Market Capitalization ***	65,830.13	15,255.06	6,137.33
2	Other Information:			
	No. of Employees	3955	1422	1190
	No. of Shareholders ****	15584	5979	5374

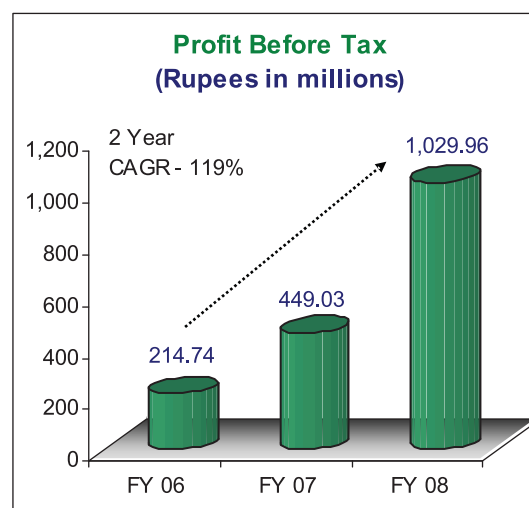
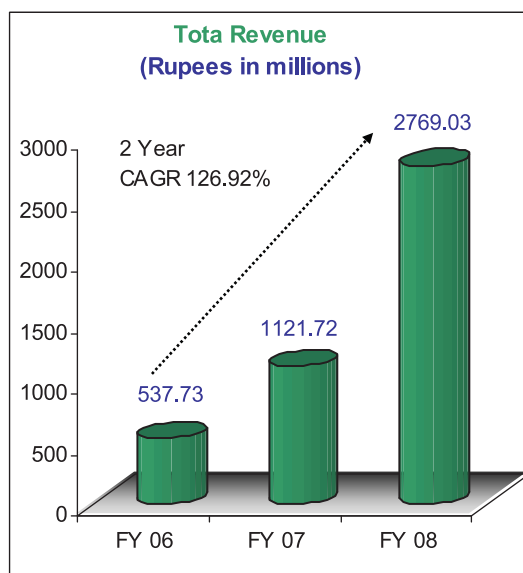
* Only tax provision has been considered.

** Dividend pay-out is inclusive of dividend tax.

*** Calculated on the basis of closing share price as on 31st March, 2008 at BSE.

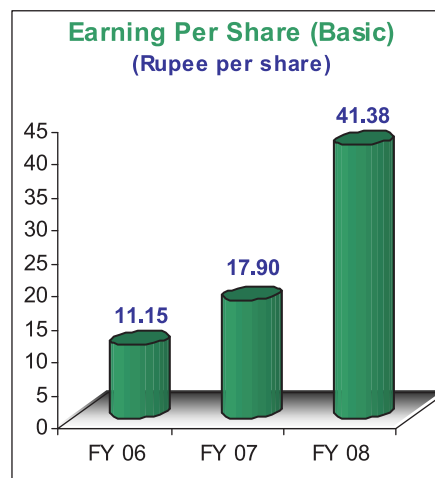
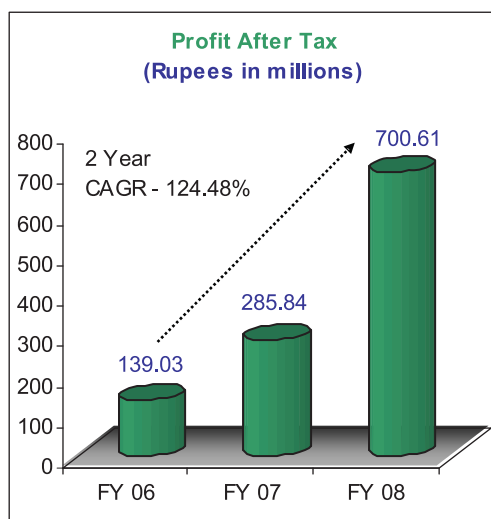
**** As per NSDL, CSDL and Registrars records dated 31st March, 2008.

3 – YEARS COMPARATIVE SNAPSHOT AS A STANDALONE BASIS

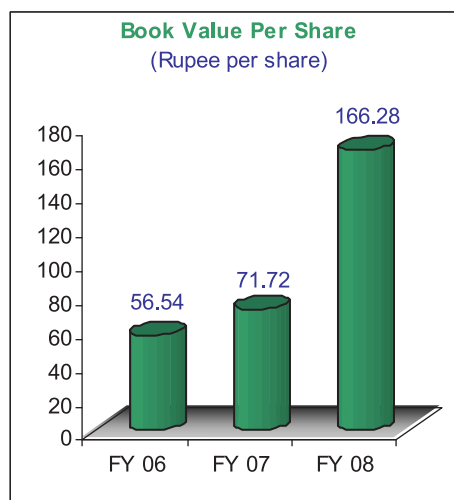


Note: Total revenue depicts income from operation and other income.

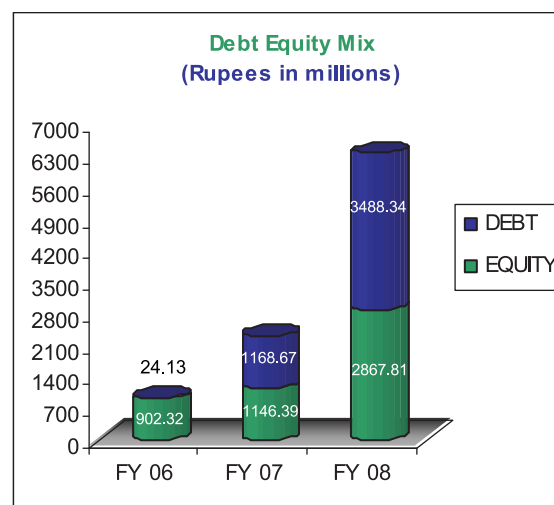
Note: Profit before tax considered after prior period items.



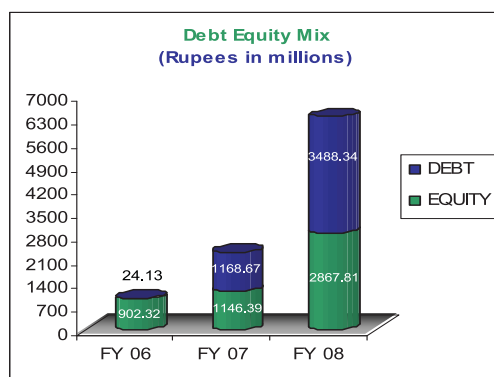
Educomp Solutions Limited



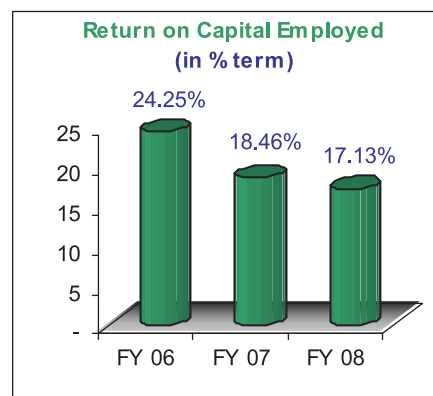
Note: Book value per share depicts net assets value.
Net Assets Value depicts total assets less total liability.



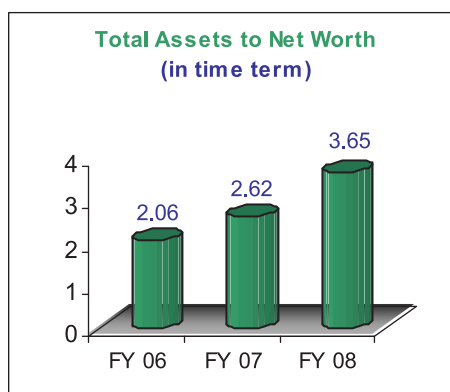
Note: Debt depicts long-term debts secured/ unsecured.
Equity depicts Equity share capital + Reserve & surplus – Misc. expenditure.



Note: Debt depicts long term debts secured/ unsecured.
Equity depicts Equity share capital + Reserve & surplus – Misc. expenditure.
Debt Equity Ratio = Debt/Equity



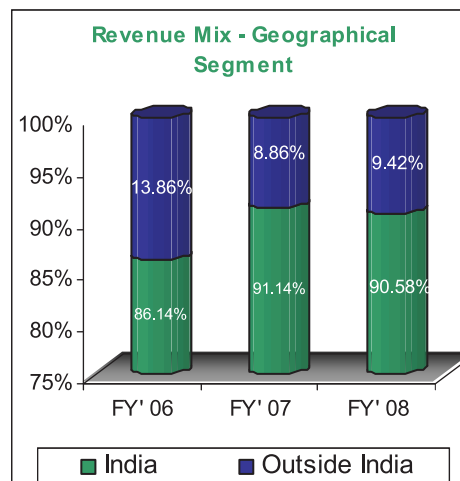
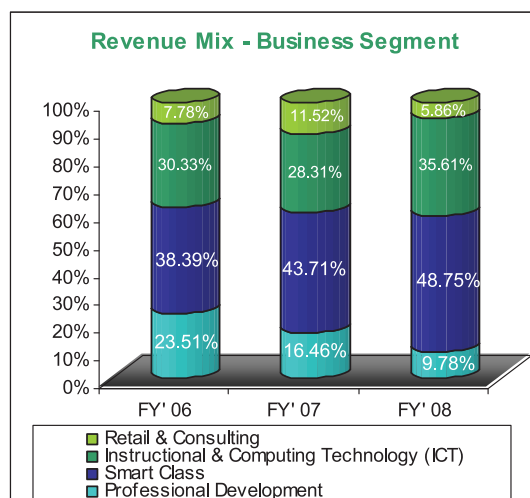
Note: Return on Capital Employed = Profit before interest but after tax/ Average Capital Employed.
Average Capital Employed depicts (opening capital employed + closing capital employed)/2.



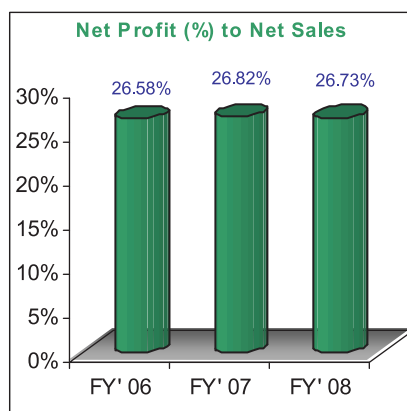
Note: Total Assets depicts Net fixed assets + Investments + Current assets loans & advances + Misc. assets.
Average Net worth depicts (opening net worth + closing net worth)/2.
Total Assets to Net worth = Total Assets / Average Net worth.

3 – YEARS COMPARATIVE SNAPSHOT

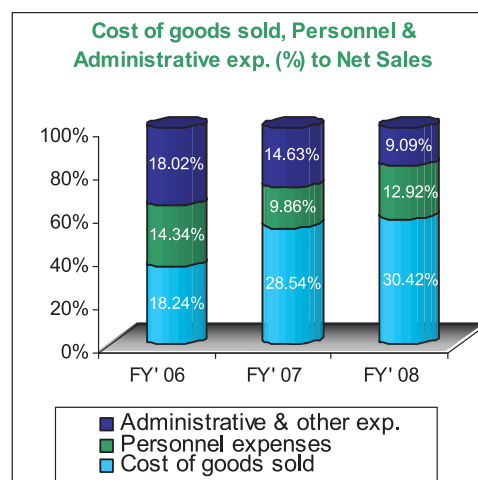
a) Revenue breakup



b) Profitability



c) Expenditure



Note: Net Profit considered Profit after tax and prior period items.

Net Sales depicts Sales & Service Income.

Net Profit % to Net Sales = NP / Net Sales* 100

DIRECTOR'S REPORT

To the Members,

On behalf of the Board of Director's of your Company, it is my privilege to present the Fourteenth Annual Report and Audited Statement of Accounts for the Financial Year ended 31st March, 2008 together with Auditors Report thereon.

1. Financial results:

The Performance of the Company's Financial Conditions and Results of operations are summarized as below:

Particulars	Financial Results for the year as at	
	March 31, 2008	March 31, 2007
Turnover & Other Income	2,769.03	1,121.72
Profit Before Depreciation, Tax & interest & Misc. expenditure	1,394.97	557.12
Less: Depreciation	322.95	93.93
Less: Finance charges	41.89	13.29
Less: Miscellaneous Expenditure	0.20	0.20
Profit before tax	1,029.93	449.70
Provision for Tax		
-Current tax	167.56	116.93
-Deferred Tax	156.00	43.15
-Fringe Benefit Tax	5.79	3.11
Profit after Tax before prior period expenses	700.58	286.51
Profit after Tax & after Prior Period expenses	700.61	285.84
Appropriations		
Proposed Dividend on Equity shares	43.20	33.08
Tax on Dividend	7.34	5.62
Transfer to General Reserve	70.06	21.44
Balance carried to Balance Sheet	1034.58	454.57

Results of operations:

Total revenue increased to Rs. 2,769.03 millions as on March 31, 2008 from Rs. 1,121.72 millions as on March 31, 2007 registering a growth of 146.86%.

The profit before tax and after prior period items

increased to Rs. 1,029.96 millions (39.30% of Net Sales) as on March 31, 2008 from Rs. 449.03 millions (42.13 % of Net Sales) as on March 31, 2007.

The profit after tax & prior period items increased to Rs. 700.61 millions (26.73% of Net Sales) as on March 31, 2008 from Rs. 285.84 millions (26.82% of Net Sales) as on March 31, 2007.

Appropriations:

Dividend:

The Director's have recommended a final dividend of Rs. 2.50 per Equity Share (25% on par value of Rs. 10/-) for the Financial year ended as on 31st March, 2008, which on approval at the forthcoming Annual General Meeting, will be paid to all those Equity Shareholders whose names appear in the Register of Members as on 27th June, 2008.

The total proposed dividend amount shall be Rs. 50.54 millions, including the dividend tax, for the Financial Year 2007-08 as against total dividend payout Rs. 40.30 millions for the previous year. Dividend (including dividend tax) as a percentage of profit after tax & prior period items is 7.21% as on March 31, 2008 as compared to 14.10% as on March 31, 2007.

The register of members and share transfer books will remain closed from 28th June, 2008 to 7th July, 2008, both days inclusive. The Annual General meeting of the Company will be held on 7th July, 2008.

Transfer to Reserves:

The Company proposes to transfer Rs.70.06 millions (Previous year Rs. 21.44 millions) to the General Reserve out of the amount available for appropriations. An amount of Rs 1034.58 millions (Previous year Rs. 454.57 millions) has been proposed to be retained in the Profit and Loss Account.

2. Changes in paid-up share Capital:

During the year, following were the changes in paid-up share capital:

- Allotment of 12,40,750 Equity shares of Rs. 10/- each, fully paid-up at a premium of Rs. 890/- per share on conversion of \$ 24.5 million 1% Foreign Currency Convertible Bonds.
- Allotment of 20,710 Equity shares of Rs. 10/- each, fully-paid up at a premium of Rs. 2939.83/- per share on conversion of \$ 1.5 million Zero coupon Foreign Currency Convertible Bonds.

The paid-up capital after taking the effect of changes as above, stood at Rs.17,24, 65,640/- as on March 31, 2008 as against Rs.15,98,51,040/- as on March 31, 2007.

Educomp Solutions Limited

Post 31st March, 2008 & till 2nd June, 2008, Company has allotted 32,020 Equity Shares of Rs. 10/- each, fully paid-up at a premium of Rs. 115/- per equity share to the eligible employees of the Company/Subsidiaries pursuant to exercise of Stock Options under ESOP Scheme 2006. The paid-up capital after taking the effect of changes as above, stood at Rs.17,27,85,840 as on 2nd June 2008.

Company is proposing to issue GDR upto \$ 250 mn for investment in Educomp Infrastructure Private Limited and Educomp School Management Limited, for its K-12 initiatives, potential strategic acquisitions/ joint ventures, Capex cost requirement for ICT and Smart Class for FY 2010, Higher Education Initiatives/ vocational studies and other purposes as per applicable guidelines issued by RBI and Government of India.

3. Foreign Currency Convertible Bonds

US\$ 80 Million Zero Coupon Foreign Currency Convertible Bonds

During the year, the Company issued at par 5-year, Zero Coupon Foreign Currency Convertible Bonds (FCCB) at an exercise price of Rs. 2949.83 per share aggregating to US \$ 80 million (Rs. 3,237.60 million as on the date of issue) for financing overseas acquisition, capital expenditure and other expenditure as per RBI regulation. As per terms and conditions of the Offering Circular issued by the Company for FCCB, the Bonds are convertible by holders of the Bonds (the “**Bondholders**”) into fully paid equity shares of the Company with full voting rights with par value Rs. 10 per share of the Company (the “**Shares**”) at any time on or after 4th September, 2007 (or such earlier date as is notified to the Bondholders by the Company) and prior to the close of business on 19th July, 2012, unless previously redeemed, converted or repurchased and cancelled.

The Bonds may be redeemed in cash in whole, but not in part, at their Early Redemption Amount, at the option of the Company at any time on or after 25th July, 2009 and on and prior to 19th July, 2012, subject to satisfaction of certain conditions. These bonds are redeemable at 141.087% of the principal amount on July 26, 2012 unless previously converted, redeemed or purchased and cancelled.

The Company has incurred an expenditure of Rs. 55.05 millions towards issue expenses of these bonds. These expenses have been charged to securities premium account as provided under Section 78 of the Companies Act, 1956.

Out of the proceeds of the bond issue, Rs. 2207.57 million (equivalent to US\$ 55.04 million) is lying in fixed deposits at March 31, 2008 in foreign currency with State Bank of India, London.

US\$ 25 Million 1% Foreign Currency Convertible Bonds

In 2006, the Company had issued at par 5-year, 1% Foreign Currency Convertible Bonds (FCCB) aggregating to US \$ 25 million (Rs. 1135.25 million as on the date of issue) for financing overseas acquisition, capital expenditure and other expenditure as per RBI regulation. All outstanding 1% Foreign Currency Convertible Bonds (FCCB) aggregating to US \$ 24.5 million have been converted into equity shares during the year leading to the capital base by 1240750 Equity Shares and all the proceeds out of US\$ 25 million bonds have been utilized as on 31.03.2008 as per the terms of the offering of FCCB.

4. Operating Results and Business :

The Company's performance over the years has shown a consistent and upward trend. The Profit Before Depreciation, Tax & Interest & Misc. expenditure (operating profit) increased by Rs. 837.85 million to Rs. 1394.97 million (50.38% of revenues) as on March 31, 2008 from Rs. 557.12 million (49.67% of revenues) as on March 31, 2007.

Segmental Performance :

The gross margins in the Smart Class TM Segment of the Company for the year amounted to Rs. 741.24 million or 58.01% of Smart Class TM revenue as on March 31, 2008 as compared to Rs. 270.60 Million or 58.09% of Smart Class TM revenue as on March 31, 2007.

The gross margins in the Instructional & Computing Technology (ICT) Segment of the Company for the year amounted to Rs. 272.83 million or 29.23% of ICT revenue as on March 31, 2008 as compared to Rs. 98.12 million or 32.52% of ICT revenue as on March 31, 2007.

The gross margins in the Professional Development segment of the Company for the year amounted to Rs.156.72 million or 61.15% of professional development revenue as on March 31, 2008 as compared to Rs. 105.08 million or 59.91% of professional development revenue as on March 31, 2007.

The gross margins in Retail and Consulting segment of the Company for the year amounted to Rs. 86.68 million or 56.43% of Retail and consulting revenue as on March 31, 2008 as compared to Rs. 58.01 million or 47.24% of Retail and consulting revenue as on March 31, 2007.

Expenditure:

Personnel expenses have increased from 9.37% of our revenue to 12.23% as on March 31, 2008. This increase is due to employee stock option compensation cost amounting to Rs.82.72 million (2.99% of total revenue) charged to Profit and Loss Account.

Administration and other expenses have decreased from 13.84% of our revenue to 8.60% as on March 31, 2008.

We have benefited due to economies of scale and our net profits after tax for the year has registered a growth of 145.11%. Our Profit after tax amounted to Rs. 700.61 million or 25.30% of revenue as on March 31, 2008 as compared to Rs. 285.84 million or 25.48% of revenue as on March 31, 2007.

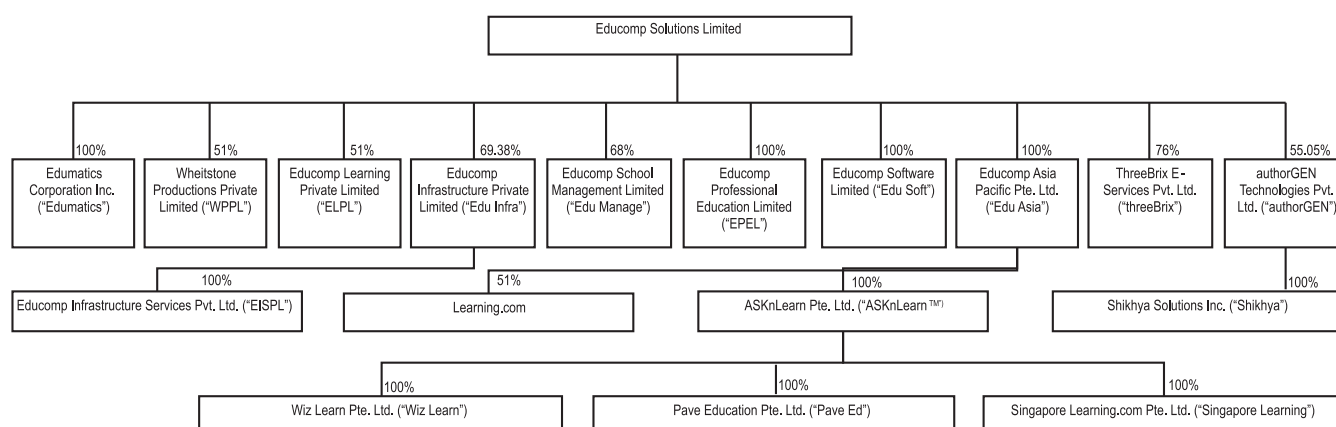
We enjoy long-term annuity relationships with both private schools as well as government customers, ranging from three to five years. Our revenues are predictable and locked in for three to five years on account of the contractual nature of our business. In the Smart Class TM segment, we have added 602 new

customers taking the total number of schools to 933 as on March 31, 2008 as compared to 331 as on March 31, 2007.

In our ICT business segment, we have an ongoing partnership with Nine State Governments and are catering to over 6004 Government schools in various States as on March 31, 2008.

5. Subsidiaries of the Company:

The Company has seventeen subsidiaries, one associate and two planned joint ventures (see details below). The subsidiaries focus mainly on providing services and products directly to the individual consumer as part of the Company's Direct initiatives. In Fiscal 2008, Direct Initiatives contributes 14.09% of the total consolidated revenues of Educomp. The diagram below sets out the corporate structure of the Educomp:



The following table provides summary details on the above-mentioned subsidiaries:

Name and Country of Incorporation	Registered Address	Ownership Interest	Principal Activities
Directly Held			
Edumatics Inc. -U.S.A.	1655, Mesa Verde Av., Suite 120, Ventura, CA-93003, U.S.A.	100%	Flagship vehicle for expansion in the U.S. market by offering Smart_Class TM and e-learning joint development initiatives.
Educomp Learning Private Limited -India	No. # 6, 80 Feet Road, 4 th Block Koramangala, Bangalore – 560034, India.	51%	Production and content development arm of the Company with special emphasis on production of 2D/ 3D digitized multimedia content.
Wheatstone Productions Private Limited -India	No 71/5, IV, Main Road, Gandhinagar, Adyar, Chennai – 600020, India.	51%	The main business of WPPL is the production of periodicals and children magazines.

Educomp Solutions Limited

Name and Country of Incorporation	Registered Address	Ownership Interest	Principal Activities
Educomp Infrastructure Private Limited -India	1211, Padma Tower I, Rajendra Place, New Delhi-110 008, India.	69.38%	EduInfra is responsible for constructing and establishing K-12 schools in India.
Educomp School Management Limited – India	802, Padma Tower I, Rajendra Place, New Delhi-110 008, India.	68.00%	Edu Manage provides specialized IP including curriculum books and school management services.
Educomp Professional Education Limited – India	Plot No. 514, Udyog Vihar Phase III, Gurgaon, India.	100%	EPEL was incorporated to run professional education and higher education courses.
Educomp Software Limited - India	1210, Padma Tower I, Rajendra Place, New Delhi-110008, India.	100%	Edu Soft was incorporated to set up a content development unit at Parwanoo, Himachal Pradesh to take advantage of tax benefits available in that region.
Educomp Asia Pacific Pte. Ltd. – Singapore	80 Raffles Place, #26-05 UOB Plaza 1, Singapore 048624.	100%	It was created as an SPV to facilitate the leveraged buy-out transaction of ASKnLearn™.
ThreeBrix E- services Private Limited - India	A-5, Gulmohar Park, New Delhi-49, India.	76.00%	ThreeBrix provides online and offline tutoring services.
AuthorGen Technologies Private Limited -India	SCO 167-168, Sector 8-C, Chandigarh, India.	55.05%	Acquired in Fiscal 2007 to enable the Company to leverage and consolidate its position in online tutoring by providing it with access to key technology competence and student teacher marketplace models.
Indirectly Held ASKnLearn Pte. Limited – Singapore	10 Science Park Road, #03-13 The Alpha, Singapore Science Part II, Singapore 117 684.	100% (by Edu Asia, which is wholly owned by Educomp)	ASKnLearn™ was acquired to enable the Company to leverage its multimedia content repository in the APAC region.
Singapore Learning .com Pte. Ltd –Singapore	10 Science Park Road, #03-13 The Alpha, Singapore Science Part II, Singapore 117 684.	100% (by ASKnLearn™, which is wholly owned by Edu Asia, which is wholly owned by Educomp)	A one-stop learning portal for parents and students and an e-shop for educational products.
Pave Education Pte Ltd – Singapore	10 Science Park Road, #03-13 The Alpha, Singapore Science Part II, Singapore 117 684.	100% (by ASKnLearn™)	Pave offers IT courses, multimedia language enrichment courses and e-learning services to schools.

Name and Country of Incorporation	Registered Address	Ownership Interest	Principal Activities
Wiz Learn Pte Ltd – Singapore	10 Science Park Road, #03-13 The Alpha, Singapore Science Part II, Singapore 117684.	100% (by ASKnLearn™)	Offers programmes to manage and support teaching, learning and courseware management over the internet.
Educomp Infrastructure Services Private Limited- India	1211, Padma Tower I, Rajendra Place, New Delhi-110008, India.	100% (by Educomp Infrastructure, which is 69.38% owned by Educomp)	The Company was incorporated to cater specific projects under Educomp Infrastructure Private Limited.
Sikhya Solutions LLC.- U.S.A.	9220, Fairbanks, Suite 205, Raleigh, North Caroline – 27613, U.S.A.	100% (by AuthorGen)	Marketing office of AuthorGen in the U.S.
Learning.com, U.S.A.	1620 SW Taylor Street, Suite 100, Portland Oregon 97205, U.S.A.	51% (by Educomp Asia Pacific, which is wholly owned by Educomp)	Learning.com is a premier provider of web-delivered curriculum and assessment in the U.S. The investment in Learning.com enables the Company to leverage its multimedia content repository in the U.S.

On 27 May, 2008, the Company and Raffles Education Corp, the largest private education group in the APAC region, announced plans to form two strategic joint ventures. The first, in India, will be in respect of higher and professional education initiatives, whilst the second, in China, will be aimed at expanding the geographical scope of the Company's K-12 online initiatives.

6. Particulars required as per Section 212 of the Companies Act, 1956 :

The Company has filed the necessary application for the approval of Ministry of Corporate Affairs, Government of India dispensing with the requirements to attach various documents in respect of subsidiary companies, as set out in sub-section (1) of Section 212 of the Companies Act, 1956, and approval thereof is expected very shortly. Accordingly, the Balance Sheet, Profit & Loss Account and other documents of the subsidiaries of the Company are not being attached with the Balance Sheet of the Company. A statement containing brief financial details of the Company's subsidiaries for the year ended as on March 31, 2008 is included in the Annual Report. The Company will make available the audited annual accounts and related information of the subsidiary companies, where applicable, upon request to any member of the Company. These documents will also be available for inspection during business hours at our Registered Office and respective offices of subsidiaries.

7. Directors:

Board of Directors of Educomp Solutions Limited comprises of Chairman-cum-Managing Director, Mr. Shantanu Prakash and four Directors, namely Mr. Shonu Chandra, Mr. Sankalp Srivastava, Mr. Jagdish Prakash and Mr. Gopal Jain. During the year, Mr. Anjan Dutta has resigned from the Board of Directors of the Company on 29th January, 2008.

As per Section 255 and 256 of the Companies Act, 1956 Mr. Shonu Chandra is liable to retire by rotation and, being eligible, he offers himself for re-appointment at the ensuing Annual General Meeting. Brief resume of Mr. Shonu Chandra is provided elsewhere in the annual report as stipulated under clause 49 of the listing agreement with the Stock Exchanges.

8. Statutory Disclosures :

None of the Directors of your Company is disqualified as per provision of Section 274(1)(g) of the Companies Act, 1956. The Directors of the Company have made

Educomp Solutions Limited

necessary disclosures, as required under various provisions of the Act and Clause 49 of the Listing Agreement.

9. Human Resource Management :

Educomp is an equal opportunity employer with total employee strength of 3955 as on March 31, 2008 as compared to 1422 as on March 31, 2007. The attrition rate of the Company stands at 3.03% as on March 31, 2008.

Educomp's HR policies and processes are aligned to effectively drive its expanding business and making inroads into emerging opportunities. The Company has a suitable recruitment and human resource management process, which enables us to attract and retain high caliber employees. Company has created incentive driven remuneration policies which act as an effective retention tool.

10. Directors Responsibility statement:

In pursuance of provisions of Section 217(2AA), we hereby confirm that:

- 1) That in the preparation of the Annual Accounts for the period ended as on 31st March 2008, the applicable Accounting Standards have been followed and no material departure has been identified.
- 2) Accounting Policies have been consistently applied in a reasonable and prudent manner so as to give true and fair view of the state of affairs of the Company for the financial year ending 31st March 2008 and of the Profit and Loss Account for the Financial Year ending as on 31st March, 2008.
- 3) Proper and sufficient care has been taken for the maintenance of adequate records in accordance with the applicable provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 4) The Annual Accounts have been prepared on the going concern basis.

11. Auditors & Auditors' Report :

M/s Anupam Bansal & Co., Chartered Accountants, the Statutory Auditors of the Company, hold office, in accordance with the provisions of the Companies Act, 1956, until the conclusion of the forthcoming Annual general Meeting and are eligible for re-appointment.

The Company has received letter from Auditors to the effect that their appointment, if made, would be in accordance with Section 224 (1B) of the Companies Act, 1956 and that they are not disqualified for such reappointment within the meaning of Section 226 of the said act.

The notes on accounts referred to in the auditors' report are self-explanatory and therefore don't call for any further comments by the Board of Directors.

12. Share Registration activity:

Company has appointed "INTIME SPECTRUM REGISTRY LIMITED" a category-I Registrar and Share Transfer Agent registered with SEBI to handle the work related to Share Registry.

13. Consolidated Financial Statements:

As required under the listing agreements with the Stock Exchanges a consolidated financial statement of the Company and all its subsidiaries is attached. The consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 & 23 issued by the Institute of Chartered Accountants of India and showing the financial resources, assets, liabilities, income, profits and other details of the Company and its subsidiaries as a single entity, after elimination of minority interest.

14. Listing of Shares:

The Equity Shares of your Company have been listed on National Stock Exchange Limited (NSE) and Bombay Stock Exchange Limited (BSE) with effect from 13th January, 2006. The Listing fee for the year 2008-09 has already been paid to BSE and NSE.

15. Quality Initiatives :

Reinforcing its commitments to high standards of quality, Company's got its Quality Management system examined by Assessors of QMS Certification Services and they have found it to be conforming to the requirements of ISO 9001:2000 in respect of "Application of ICT" (Information & Communication Technology related to computer Aided learning, Training & Computer Literacy Projects in Schools) and awarded "Certificate of Approval" in this regard which is valid till 16th, March, 2010.

16. Conservation of energy, technology absorption, adoption and Innovation, foreign exchange earnings and outgo:

The particulars are prescribed under Section 217(1)(e)

of the companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Director's) Rules, 1988 are set out in an **Annexure A** attached to this report.

17. Ratings:

During the year, the Company received various recognition, which are as follows:

- ISO 9001:2000 certification in of Application of ICT (Information & Communication Technology related to computer Aided learning, Training & computer Literacy Projects in Schools).
- SM1 rating from CRISIL, indicating outstanding credit worthiness.
- P1 rating for commercial paper from CRISIL.
- A (stable) rating for long-term debt (Non Convertible Debentures) from Fitch Ratings.
- A / stable rating for cash credit facilities from CRISIL.

18. Corporate Governance:

As per clause 49 of the Listing Agreement, a report on Corporate Governance, together with Management Discussion and Analysis Report and Certificate from the Company's Auditors is attached to this report.

Code of Conduct:

As per Clause 49 (I) (D), the Board of the Company has laid down Code of Conduct for all the Board members of the Company and Senior Management as well and the same has been posted on website of the Company. Annual Compliance Report for the year ended 31st March, 2008 has been received from all the Board

members and Senior Management of the Company regarding the compliance of all the provisions of Code of Conduct. Declaration regarding compliance by Board members and senior management personnel with the Company's Code of Conduct is hereby attached as annexure to this report.

19. Notes to Accounts:

They are self-explanatory and do not require any explanations.

20. Additional Information:

Particulars of employees:

Information as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are given, in an **Annexure B** forming part of this report.

21. Fixed Deposits:

The Company has not accepted any fixed deposits during the year

22. Acknowledgement:

Your Directors record their appreciation of the continuous support, co-operation the Company has received from its bankers, employees, customers, vendors, investors, business associates and regulatory authorities.

For and on Behalf of the Board of Directors

(Shantanu Prakash)

CHAIRMAN & MANAGING
DIRECTOR

Date : 2nd June, 2008
Place: New Delhi

ANNEXURE A TO DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of particulars in the Report of Board of Directors') Rules, 1988

a) Energy Conservation

Though energy does not form a significant portion of the cost for the Company, yet wherever possible and feasible, continuous efforts are being put for conservation of energy and minimize power cost.

b) Technology Absorption, Adoption and Innovation

The Company has a separate inhouse research and development centre of about 80 people who are continuously upgrading and implementing the latest technological developments thus, keeping in pace with the present scenario.

c) Foreign Exchange Earnings and Outgo

Activities relating to export, initiatives to increase exports, developments of new export markets for products and services and export plan

The Company has continued to maintain focus on and avail of export opportunities based on economic considerations. During the year, the Company has exports (FOB value) worth Rs. 246.89 million.

Educomp is a net foreign exchange earning Company. Approximately 9% of the Companies revenue are from licensing of its Smart Class content globally.

Foreign Exchange Earning & Outgo details are as follows:

(Rs. in Million)

Foreign Exchange details	As on 31 st March, 2008
Foreign Exchange Earnings * (A) (Including deemed exports & sales through export houses)	149.32
Foreign Exchange Outgo (B)	82.77
Net Foreign Exchange Earnings (A-B)	66.55

* The Figures are on receipt basis.

For and on Behalf of the Board of Directors

(Shantanu Prakash)

CHAIRMAN & MANAGING DIRECTOR

Date : 2nd June, 2008

Place : New Delhi

ANNEXURE B TO DIRECTOR'S REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 as amended and forming part of the Director's Report for the year ended March 31, 2008.

Name of Employee	Designation & Nature of Duties	Qualification	Age	Joining date	Experience (years)	Remuneration received (Rs.)	Previous employment - Designation
Shantanu Prakash	Chairman & Managing Director	PGDBM	43	07/09/1994	14	47,27,259	N.A
Sangeeta Gulati	Chief Financial Officer	C.A., M.Com, B.Sc (Zoology)	40	04/11/2000	13	25,52,627	Saw Pipes Limited (Jindal Group) Asstt. Manager
Abhinav Dhar	President-K12 Initiatives	MBA, B.Sc., DITD	46	01/04/2007	23	38,60,795	Shell India -National Head
Soumya Kanti	President-ICT Solutions	MBA	43	01/04/2007	18	33,84,511	Ascomp Technologies Vice President
R.V.L.Saxena	Vice President- K12 Initiatives	PGDM, B.E.	51	11/04/2007	27	15,65,048*	Wipro -Vice President
M S Venkatesh	Sr. VP HR & Admin.	B.Sc.PGDPM, M.A.(Social Works)	42	16/04/2007	18	23,02,121*	Coca Cola Ind Inc Director - HR & Admin.
Puneet Jhingan	Vice President- Interactive Distance Learning	MBA	41	01/08/2007	15	14,10,296*	Reliance Communication- Vice President
Gurinder S Sandhu	Sr. Vice President- Higher Education	MBA, B.Tech.	41	27/09/2007	17	8,38,225 *	Bharti Retail -Head- Marketing
Sharad Agarwal	President- Professional Education	PGDM, B.Tech	42	04/01/2008	19	5,03,908 *	Spectra Group of Companies -Chief Executive
Rohit Kumar	President – Higher Education	M.B.A., B.E.	40	16/01/2008	16	7,41,969 *	Microsoft -Country Head
Arun Kumar Khetan	President- Education Projects	C.A.	45	01/02/2008	21	11,33,790*	Zee Interactive Learning - CEO

Notes:

- The remuneration received shown as above comprises of salary, bonus, allowances, cash incentives and monetary value of perquisites as per income tax rules and net of Tax Deducted at Source, Provident Fund and Professional Tax.
- None of the employees shown above is related to any Directors of the Company.
- None of employees mentioned above is holding more than 2% of outstanding equity shares of the Company as on 31st March, 2008 except Mr. Shantanu Prakash, Chairman and Managing Director who holds 89,85,541 equity Shares (52.10%) of the Company.
- All the employees shown above are in full-time employment except Mr Shantanu Prakash who is on Contractual employment.
- * Remuneration received for the part of the year.

In addition to the above remuneration, employees are entitled to gratuity in accordance with the Company's rules.

Date : 2nd June, 2008
Place : New Delhi

For and on Behalf of the Board of Directors
(**Shantanu Prakash**)
CHAIRMAN & MANAGING DIRECTOR

ANNEXURE C TO DIRECTOR'S REPORT

Information regarding the Employees' Stock Option Scheme
(As on 31st March, 2008)

A. Employee Stock Option Plan 2006

Sl. No.	Details	Nos.
1.	Total No. of Options Granted	625,000
2.	Pricing Formula	Exercise price being price at which share were offered to the public by the Company in its IPO in December 2005.
3.	Options vested	Nil
4.	Options exercised	Nil
5.	Number of shares arising as a result of exercise of option	Nil
6.	No. of Options lapsed	Nil
7.	Variation of terms of options	Vesting period changed from five years to seven years.
8.	Total No. of Option in force	6,22,500
9.	Employee-wise details of options granted to	Name No. of Options
	i) Senior Management Personnel	Abhinav Dhar 35,000 Somya Kanti Purkayastha 25,000 Sangeeta Gulati 20,000 Gaurav Bhatnagar 7,500 Mohit Maheshwari 4,000 Sandeep Singal* 22,000 Sandeep kumar* 15,000
	ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	Gopal Jain 200,000 Shonu Chandra 37,750
	iii) Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	Gopal Jain 200,000
10.	Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 'Earning Per Share'	35.13
11.	In case, the employees compensation cost is calculated on the basis of intrinsic value of stock option, the difference between the employees compensation of the stock option cost based on intrinsic value of the stock and the employees compensation of the stock option cost based fair value, and the impact of this difference on profits and on EPS of the Company	Since these options are issued at fixed exercise price its intrinsic value approximates its fair value

Sl. No.	Details	Nos.
12.	For options whose exercise price either equals or exceeds or is less than the market price of the stock the following are disclosed separately: a) Weighted average exercise price b) Weighted average fair value	125 834
13.	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: i) risk-free interest rate; ii) expected life; iii) expected volatility; iv) expected dividends; and v) the price the underlying shares in the market at the time of option grant.	Since these options are issued at fixed exercise price its intrinsic value approximates its fair value

*Employees of subsidiaries

B. Employee Stock Option Plan 2007

S. No.	Details	Nos.																							
1.	Total No. of Options Granted	82,210																							
2.	Pricing Formula	Determined by the remuneration committee which is Current Market Price.																							
3.	Options vested	Nil																							
4.	Options exercised	Nil																							
5.	Number of shares arising as a result of exercise of option	Nil																							
6.	No. of Options lapsed	Nil																							
7.	Variation of terms of options	Vesting period changed from seven years to ten years.																							
8.	Total No. of Option in force	82,210																							
9.	Employee-wise details of options granted to	<table><tr><th>Name</th><th>No. of Options</th></tr><tr><td>i) Senior Management Personnel</td><td>M. S. Venkatesh</td><td>3,500</td></tr><tr><td>ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year;</td><td>Chandan Agarwal*</td><td>9,775</td></tr><tr><td></td><td>Riju Gupta*</td><td>9,775</td></tr><tr><td></td><td>Mohit Bansal*</td><td>9,775</td></tr><tr><td></td><td>Deepak Mediratta</td><td>4,885</td></tr><tr><td></td><td>Lakshmi Rao Choudhry</td><td>5,000</td></tr><tr><td></td><td>Tanvee Shukul</td><td>5,000</td></tr></table>	Name	No. of Options	i) Senior Management Personnel	M. S. Venkatesh	3,500	ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year;	Chandan Agarwal*	9,775		Riju Gupta*	9,775		Mohit Bansal*	9,775		Deepak Mediratta	4,885		Lakshmi Rao Choudhry	5,000		Tanvee Shukul	5,000
Name	No. of Options																								
i) Senior Management Personnel	M. S. Venkatesh	3,500																							
ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year;	Chandan Agarwal*	9,775																							
	Riju Gupta*	9,775																							
	Mohit Bansal*	9,775																							
	Deepak Mediratta	4,885																							
	Lakshmi Rao Choudhry	5,000																							
	Tanvee Shukul	5,000																							

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Sl. No.	Details	Nos.
	iii) Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil
10.	Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 'Earning Per Share'	35.13
11.	In case, the employees compensation cost is calculated on the basis of intrinsic value of stock option, the difference between the employees compensation of the stock option cost based on intrinsic value of the stock and the employees compensation of the stock option cost based fair value and the impact of this difference on profits and on EPS of the Company	Options are issued at Current Market Price which is equal to Fair market value.
12.	For options whose exercise price either equals or exceeds or is less than the market price of the stock the following are disclosed separately: a) Weighted average exercise price b) Weighted average fair value	-N.A-
13.	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: i) risk-free interest rate; ii) expected life; iii) expected volatility; iv) expected dividends; and v) the price the underlying shares in the market at the time of option grant.	Options are issued at Current Market Price which is equal to Fair market value.

*Directors of subsidiaries

For and on Behalf of the Board of Directors

(Shantanu Prakash)

CHAIRMAN & MANAGING DIRECTOR

Date : 2nd June, 2008

Place : New Delhi

**Declaration regarding compliance by Board Members and Senior Management
Personnel with the Company's code of conduct**

This is to confirm that the Company has adopted a Code of Conduct for its employees including the Managing Director. The Code of Conduct as adopted is available on the Company's website. I confirm that the Company has in respect of the Financial Year ended March 31, 2008, received from the Senior Management team of the Company and the members of the Board, a declaration of Compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means the Company Secretary, Presidents, Sr. Vice Presidents and Vice President cadre as on March 31, 2008.

For and on Behalf of the Board of Directors

(Shantanu Prakash)

CHAIRMAN & MANAGING DIRECTOR

Date : 2nd June, 2008

Place : New Delhi

The slide features a blue background with a hexagonal pattern. In the top left is the Educomp logo with the tagline "What Learning Can Be". In the top right is the title "Corporate Governance". In the center is a tree diagram with labels: "Practices" at the top, "Policies" on the left, "Outcomes" on the right, and "Culture" at the base. To the right of the tree are four book covers for "English", "EVS", "Hindi", and "Maths". At the bottom is a quote from A.P.J. Abdul Kalam about India's vision for 2020 and the capacities required for educational institutions. A partial globe is visible in the bottom right corner.

Corporate Governance

Educomp™
What Learning Can Be

Practices
Policies
Outcomes
Culture

English
EVS
Hindi
Maths

"India transforming into a developed nation by 2020, is the vision of the nation. Can we sow the seeds of capacity building in our school children? For realizing the above vision, the capacities required in educational institutions are: The capacity for research or inquiry, the capacity for Creativity and Innovation, particularly the creative transfer of knowledge, the capacity to use high technology, the capacity for Entrepreneurial Leadership and the capacity for Moral Leadership."

A.P.J. Abdul Kalam

CORPORATE GOVERNANCE

REPORT ON CORPORATE GOVERNANCE

In order to promote and raise the standards of Corporate Governance, the Securities and Exchange Board of India (SEBI) has introduced a Code of Corporate Governance for implementation by Listed Companies. The recommendations of SEBI suggested suitable amendments to the Listing Agreement to improve the standards of Corporate Governance in the Listed Companies and are divided into mandatory and nonmandatory recommendations. We confirm that your Company is fully compliant with the statutory provisions of Corporate Governance.

The key to good Corporate Governance is a well-functioning Board of Directors. The Board should have a core group of excellent, professionally qualified Directors who understand their role and honestly discharge their fiduciary responsibilities towards the Company's stakeholders. The implementation of the recommendations in total is a critical success factor and an aid to brand building and most importantly a potential source of competitive advantage influencing the ability of the Company to raise funds from the capital market. The responsibility for putting the recommendations into practice lies directly with the Board of Directors and the Management of the Company.

1. MANDATORY REQUIREMENTS

The report on Corporate Governance as per requirement under Clause 49 of the Listing Agreement is given below:

a) Philosophy

The Company's philosophy on **Code of Governance** as adopted by the Board is as under:

1. The Philosophy of Educomp is to attain the highest standards of Corporate Governance by ensuring transparency in all its operations and to maximize shareholders value. Educomp fully complies with the stipulations laid down in the guidelines on Corporate Governance as specified in Clause 49 of the Listing Agreement executed with the Stock Exchanges.
2. Ensure that the quantity, quality and frequency of financial and managerial information, which management shares with the Board, fully places the Board Members in control of Company's affairs.
3. Ensure that Board exercises its fiduciary responsibility towards stakeholders and creditors, thereby ensuring high accountability.
4. Ensure that decision-making is transparent and documentary evidence is traceable through minutes of the meeting of the Board/Committee thereof.

5. Ensure that to comply with the Corporate Governance code, the Board, the Employees and all concerned are fully committed to maximizing value to the shareholders and the Company.
6. Ensure that the core values of the Company are protected.
7. Ensure that the extent to which the information is disclosed to present and potential investors is maximized.

b) Principles :

Educomp's also focuses on the following main principles;

1. Overseeing the work, Educomp has a Board of appropriate composition and size to provide strategic guidance to the Company.
2. Educomp ensure that the respective roles and responsibilities of Key Management People are specified and defined and a system which ensures adherence and accountability.
3. Company has constituted a Audit Committee, which oversees the performance and independence of the external auditors.
4. Company has adopted a remuneration policy that attracts and maintains talented and motivated employees. Company is planning to adopt a comprehensive Employee Stock Option Plan as a key tool to retain and reward employees. Remuneration of Managing & Whole-time Directors is determined by a remuneration committee of Directors within the permissible limits as per applicable provisions.
5. Corporate Ethics:

The ethics policy sets forth, *inter alia*:

- Our Code of Conduct
- The Insider Trading Policy

Code of Conduct :

The Board has laid down a Code of Conduct for all Directors and Senior Management staff of the Company, which is also available on the website of the Company (www.educomp.com). A declaration signed by the Chairman & Managing Director (CMD) regarding affirmation of the compliance with the Code of Conduct by Board and Senior Management is appended at the end of the Directors report. Employees of the Company also confirm compliance with the Code of Conduct that is applicable for all employees.

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As per the code, Every Officer shall act within the authority conferred upon him by the Company and under applicable law, keeping the best interests of the Company in view and shall:

- Act with professionalism, utmost care, skill, diligence, honesty, good faith and integrity as well as high moral and ethical standards;
- Fulfill their fiduciary obligations without allowing their independence of judgement to be compromised;
- Act fairly and transparently and not participate in any decision-making process on a subject matter in which a conflict of interest exists or is likely to exist such that an independent judgement of the Company's best interest cannot be exercised;
- Avoid conducting business with (a) a relative or (b) a private limited Company in which he or his relative is a member or a Director (c) a public limited Company in which he or his relative holds 2% or more shares or voting right and (d) with a firm in which the relative is a partner, except with the prior approval of the Board;
- Avoid having any personal and/or financial interest in any business dealings concerning the Company;
- Not engage in any business, relationship or activity with anyone who is a party to a transaction with the Company;
- Avoid any dealings with a contractor or supplier that compromises the ability to transact business on a professional, impartial and competitive basis or - influences decisions to be made by the Company;
- Not hold any positions or jobs or engage in other businesses or interests that are prejudicial to the interests of the Company;
- Not exploit for his own personal gain, opportunities that are discovered through use of corporate property, information or position, unless the opportunity is disclosed fully in writing to the Board and the Board declines to pursue such opportunity;
- Not seek, accept, or offer or make, directly or indirectly, any gifts, illegal payments, remuneration, donations or comparable benefits which are intended to or perceived to obtain business or uncompetitive favours for the conduct of business save as otherwise provided under the CDA Rules;
- Not commit any offence involving moral turpitude or any act contrary to law or opposed to public policy.

Insider Trading Policy:

In compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulation 1992, (as amended from time to time) and to preserve the confidentiality of all unpublished price sensitive information as well as to prevent misuse of such information, the Company has adopted an Insider Trading Policy for specified employees and Directors of the Company, relating to dealing in the shares of Educomp, that provides for periodical information from employees as well as pre-clearance of transactions by such persons.

As per the Insider Trading Policy, The Company closes the trading window during and after of certain events as mentioned in the Insider Trading Policy. Compliance of Insider Trading Policy is strictly monitored by the Compliance Officer of the Company.

As per the Policy No insider shall -

- (i) Either on his own behalf or on behalf of any other person, deal in securities of a Company listed on any Stock Exchange [when in possession of] any unpublished price sensitive information; or
- (ii) Communicate, counsel or procure, directly or indirectly, any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities.

Provided that nothing contained above shall be applicable to any communication required in the ordinary course of business [or profession or employment] or under any law.
- (iii) Any Employee/ Officer / Director who trades in securities or communicates any information for trading in securities in contravention of the Code of Conduct may be penalized and appropriate action may be taken by the Company.
- (iv) Employees / Officers / Directors of the Company who violate the Code of Conduct shall also be subject to disciplinary action by the Company, which may include wage freeze, suspension, ineligible for future participation in Employee Stock Option plans, etc.
- (v) The action by the Company shall not preclude SEBI from taking any action in case of violation of SEBI (Prohibition of Insider Trading), Regulations, 1992.

B. Board of Directors

The Company is managed by the Board of Directors, which formulates strategies, policies and reviews its performance periodically and manages the business of the Company.

(i) Composition

The Board of Directors consists of five Directors, out of which three are Independent Directors. The size and composition of the Board conforms to the requirements of Corporate Governance norms as stipulated under the provisions of the Listing Agreement entered into with the Stock Exchanges. Except the Managing Director and Whole Time Director, all other Directors are liable to retire by rotation as per provisions of the Companies Act, 1956. Details of composition of the Board, attendance of each Director at the Board Meetings, last Annual general meeting and number of other Directorship and Membership in Committees thereof are as under :

Name of Director	Category	Designation	Attendance Particulars		Directorship of other Indian Companies		Committees' Memberships	
			Board Meetings	Last AGM	Public	Private	Member	Chairman
Shantanu Prakash	Promoter & Executive Director	Chairman & Managing Director	6	Yes	5	12	Nil	Nil
Jagdish Prakash	Executive Director	Whole-Time Director	7	Yes	4	6	Nil	Nil
Gopal Jain	Independent & Non-Executive Director	Director	6	No	5	4	Nil	Nil
Sankalp Srivastava	Independent & Non-Executive Director	Director	7	Yes	1	2	Nil	Nil
Shonu Chandra	Independent & Non-Executive Director	Director	6	Yes	Nil	1	Nil	Nil
Anjan Dutta ¹	Independent & Non-Executive Director	Director	1	No	N.A	N.A	N.A	N.A

¹ Anjan Dutta has resigned from Board of Directors w.e.f 29th January, 2008.

Director's Profile

Mr. Shantanu Prakash, Chairman & Managing Director is the founder member of Educomp Solutions Limited and has been responsible for its overall operations since inception in September 7, 1994. He is an MBA from IIM, Ahmedabad and is an expert in Education Technology and Pedagogy. He has been involved in the area of education management, multimedia content and instructional delivery for over a decade. Under his leadership Educomp has introduced several products in the education technology domain. He is well recognized in the education space as an expert in the area of instructional technology.

Mr. Jagdish Prakash, Director is responsible for warehouse management and logistics and operational issues. He has over 49 years of experience in materials management as well as logistics in Steel Authority of India Limited as a Chief Materials Manager.

Mr. Shonu Chandra, Director, MA in Mass Communications from Mass Communication Research Centre (J.M.I.) and holds a Post Graduate Diploma (CYD) from Institute of Social

Studies (The Hague, The Netherlands). At present he is Executive Producer and Director at Waves Communication Pvt. Ltd. He is with Waves Communications Pvt. Ltd for the past 17 years and has directed over a 100 video productions including documentaries, serials, corporate films and advertisements. He has worked for major International Development agencies, i.e. Plan, UNICEF, WHO, USAID, AUSAID, CEDPA, CARE, CASP, DRF, etc. and various Ministries of the Government of India. He has designed and implemented the 'Children Have Something To Say' project for Plan India which won the coveted 'One World Special Achievement Award 2003'. He is also a guest Faculty at Brown University (Providence, USA), Wigan & Leigh, Mass Communication Research Centre (New Delhi).

Mr. Sankalp Srivastava, Director, B.E. (Electronics & Communication Engineering)/University of Roorkee is founder of Mark & Space, which is engaged in design, development and the manufacture of micro-processor based telecom, power control and energy management systems. He has been involved in the design and development of India's Indigenous Digital Telephone Exchange at C-DoT.

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He also led the development of business management software product suite at Cube Software and the development of a series of embedded Telecom products at Mark & Space.

Mr. Gopal Jain, Director, B. Tech (IIT Delhi). He is the Managing Director of Gaja Capital Partners, a Private equity firm. He was the Managing Director, India of View Group, a venture capital firm focused on US-India corridor. He is also a charter member of TIE – a global body of entrepreneurs of Indian origin.

Details of Board Meetings held during the year

During the financial year ended 31st March, 2008, 7 (Seven) Board Meetings were held as per the schedule given below:

Date of the Board Meeting	Board strength	No. of Directors present
10.04.2007	6	5
27.04.2007	6	5
08.06.2007	6	2
21.06.2007	6	5
27.07.2007	6	6
26.10.2007	6	5
28.01.2008	6	5

Information available to the Board

The Board has complete access to all the relevant information within the Company and to all our employees. The information regularly supplied to the Board specifically includes:

- Annual operating plans, budgets and any updates therein;
- Capital budgets and any updates therein;
- Quarterly results for the Company and its operating divisions or business segments;
- Minutes of meetings of Audit Committee and other committees of the Board of the Company;
- Information on recruitment/remuneration of senior officers just below board level;
- Material show cause, demand, prosecution notices and penalty notices, if any;
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any;
- Any material default in financial obligations to and by the Company or substantial non-payment for services provided by the Company;
- Any issue which involves possible public or product liability claims of substantial nature, if any;
- Details of any joint venture or collaboration agreement;
- Transactions involving substantial payment towards goodwill, brand equity or intellectual property;

- Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations like signing of wage agreement, implementation of Voluntary Retirement Scheme etc;
- Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business;
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material;
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service;
- Various other disclosures;
- All proposals requiring strategic decisions;
- Regular business updates.

The above information is generally provided as a part of the agenda of the board meeting and/or is placed at the table during the course of the meeting. The CFO and other Senior Management staff are also invited to the board meetings to present reports on the Company's operations and internal control systems. The Company Secretary, in consultation with the Chairman, prepares the agenda. The detailed agenda is sent to the members a week before the board meeting date. All Board members are at liberty to suggest agenda items for inclusion. Board meetings are held quarterly to coincide with the announcement of quarterly results and committee meetings are held on the same dates as board meetings.

Brief Resume of the Directors proposed to be appointed and re-appointment

As per Section 255 and 256 of the Companies Act 1956 Mr. Shonu Chandra eligible for re-appointment. His brief resume are as under.

Name	Shonu Chandra
Father's Name	Sudhir Chandra
Address	302A,ILA Apartment, Vasundhra Enclave, Delhi-110096
Qualification	- M.A. in Mass Communications from Mass Communication Research Centre (J.M.I.)-Post Graduate Diploma (CYD) from Institute of Social Studies (The Hague, The Netherlands).
Directorship in other companies	Waves Communication Pvt Ltd
Membership/ Chairmanships of committees across all public companies	Not applicable

C. AUDIT COMMITTEE

BOARD TERMS OF REFERENCE

The terms of reference of this Committee covers the matters specified for Audit Committee under clause 49(II)(C)&(D) of the Listing Agreement as well as in Section 292A of the Companies Act, 1956. The terms of the reference of Audit Committee include *inter alia* the following:

- a. To investigate any activity within its terms of reference.
- b. To seek information from any employee.
- c. To obtain outside legal or other professional advice.
- d. To secure attendance of outsiders with relevant expertise, if it considers necessary.
- e. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- f. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- g. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on;
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgement by management.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with Stock Exchange and legal requirements concerning Financial Statements.
 - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
- h. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- i. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- j. Discussion with internal auditors any significant findings and follow up thereon.

- k. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- l. Discussion with external auditors before the audit commences nature and scope of audit as well as has post-audit discussion to ascertain any area of concern.
- m. Reviewing the Company's financial and risk management policies.
- n. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- o. To perform other activities consistent with the charter, Company's Memorandum & Articles, the Companies Act 1956 and other Governing Laws.

COMPOSITION OF THE COMMITTEE

The Audit Committee of the Company comprising of four Directors, out of which three are Independent, Non-Executive Directors, namely Mr. Sankalp Srivastava (having Financial and Accounting knowledge), Mr. Gopal Jain, Mr. Shonu Chandra, Mr. Shantanu Prakash. The Constitution of Audit Committee also meets the requirements under Section 292A of the Companies Act, 1956.

The Chairman of the Committee is Mr. Sankalp Srivastava, a Non Executive Independent Director nominated by the Board.

The Statutory Auditors and Internal Auditors are also the invitee to the meetings. Mr. Mohit Maheshwari, Company Secretary of the Company acts as Secretary of the Committee.

The minutes of the Audit Committee are noted by the Board of Directors at the subsequent Board Meetings.

During the year, the Committee met five times Constitution of Audit Committee and other related information as on 31st March 2008 are as under:

Name of Director	Category
Mr. Sankalp Srivastava	Chairman, Independent & Non-Executive
Mr. Shonu Chandra	Member, Independent & Non-Executive
Mr. Anjan Dutta ¹	Member, Independent & Non-Executive
Mr. Gopal Jain ²	Member, Independent & Non-Executive
Mr. Shantanu Prakash	Member, Promoter & Executive Director

¹Resigned w.e.f 29th January, 2008

²Appointed w.e.f 28th January, 2008

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Date of the Meeting	Committee Strength	No. of Members Present
27.04.2007	4	3
21.06.2007	4	3
27.07.2007	4	3
26.10.2007	4	3
28.01.2008	4	3

D. INTERNAL AUDITORS

The Company has appointed Rajnish & Associates, Chartered Accountants and M/s Sanjay Kumar Agarwal as Internal Auditors to review the internal controls system of the Company and to report thereon. The reports of the internal auditors are reviewed by the Audit Committee.

E. REMUNERATION COMMITTEE

Company has constituted a Remuneration Committee as per provisions of clause 49A, comprising of three Independent, Non- Executive Directors namely Mr. Shonu Chandra, Mr. Sankalp Srivastava and Mr. Gopal Jain to perform the following functions:

1. To frame Company's Policy from time to time on
 - a. Compensation Policy to Directors
 - b. Role of Directors
 - c. Other matters relating to Directors and Employees
2. To recommend suitable candidates to Board for appointment as Executive/Non Executive Director.
3. To review performance and recommend remuneration of Executive Directors' to the Board.
4. To review the role and conduct of Director's other than Members of the committees and inform the Board.
5. To formulate ESOP plans and decide on future grants;
6. To formulate terms and conditions on followings under the present two Employee Stock Option Schemes of the Company:
 - i. the quantum of options to be granted under ESOP scheme(s) per employee and in aggregate;
 - ii. the conditions under which options vested in employees may lapse in case of termination of employment for misconduct;
 - iii. the exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period;
 - iv. the specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee;

- v. the right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
 - vi. the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of rights issues, bonus issues and other corporate actions;
 - vii. the grant, vest and exercise of option in case of employees who are on long leave; and
 - viii. the procedure for cashless exercise of options.
 - ix. Any other matter, which may be relevant for administration of ESOP schemes from time to time.
7. To frame suitable policies and systems to ensure that there is no violation of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995.

Constitution of remuneration committee and other related information as on 31st March, 2008 are as under:

Name of Director	Category
Mr. Sankalp Srivastava	Chairman, Independent & Non-Executive
Mr. Shonu Chandra	Member, Independent & Non-Executive
Mr. Anjan Dutta ¹	Member, Independent & Non-Executive
Mr. Gopal Jain ²	Member, Independent & Non-Executive

1. Resigned w.e.f 29th January 2008

2. Appointed w.e.f 28th January 2008

During the year under review, the Remuneration Committee met five times as per the following details:

Date of the Meeting	Committee Strength	No. of Members Present
01.04.2007	3	3
21.06.2007	3	3
23.11.2007	3	2
04.01.2008	3	2
15.01.2008	3	2

REMUNERATION POLICY

The Company has a credible and transparent policy in determining and accounting for the remuneration of Director's. The remuneration policy is aimed at attracting and retaining high caliber talent.

a) Executive Director(s)

Executive Directors are entitled for the remuneration as follows:

- (i) Salary and commission not to exceed limits prescribed under the Companies Act, 1956
- (ii) Revised from time-to-time depending upon the performance of the Company
- (iii) No Sitting Fees
- (iv) Eligible for ESOP except Promoter Director

Both the Executive Directors are appointed for a period of five years from the respective dates of appointment.

b) Non-Executive Director(s) :

Non- Executive Directors are entitled as follows:

- (i) Sitting fees not to exceed limits under the companies Act, 1956
- (ii) Eligible for ESOP

Details of the remuneration paid to Directors during the financial year ended 31st March, 2008.

(Amt in Rs.)

Sr. No.	Name of Directors	Gross Salary	Perquisites and other benefits	Sitting Fees	Stock Options
1	Mr. Shantanu Prakash	77,61,600	6,38,400	-	-
2	Mr. Jagdish Prakash	6,00,000	-	-	-
3	Mr. Sankalp Srivastava	-	-	-	-
4	Mr. Shonu Chandra	-	-	-	37,750*
5	Mr. Gopal Jain	-	-	-	2,00,000*
6	Mr. Anjan Dutta	-	-	-	-

* 37,750 and 2,00,000 stock options were granted to Mr. Shonu Chandra and Mr. Gopal Jain respectively under ESOP 2006 at an exercise price of Rs. 125/- per option. The said options will vest as per vesting schedule prescribed in the scheme and their grant letter. Vested options can be exercised within 7 years from the date of grant.

Stock Options: The Company has issued 6,25,000 Stock Options to its Directors/employees and its subsidiaries employees/directors under Company's ESOP scheme 2006 and 82,210 Stock Options to its employees and its subsidiaries employees/directors under Company's ESOP scheme 2007 during the financial year under review.

Equity Shares held by the Directors as on 31st March, 2008

Name of Directors	No. of Shares held
Mr. Shantanu Prakash	8985541
Mr. Jagdish Prakash	-
Mr. Sankalp Srivastava	3000
Mr. Shonu Chandra	3650
Mr. Gopal Jain	-

F. Shareholders/Investor Grievance Committee

The Board has constituted a Committee of four members, as per provisions of clause 49A, comprising of Mr. Sankalp Srivastava, Mr. Shonu Chandra, Mr. Gopal Jain , Mr. Jagdish Prakash under the Chairmanship of a Independent & Non Executive Director viz Mr. Sankalp Srivastava.

The Committee meets to approve the *inter alia*, transfer/ transmission of shares, issue of duplicate shares certificates and review the status of investor's grievances and redressal mechanism and recommend measures to improve the level of investor services. The committee is indented to oversee the performance of Registrar & Transfer Agents and recommend measures for overall improvement in the quality of Investor Services. The Committee is also intended to monitor the implementation and compliance of the Company's Code of Conduct for prevention of Insider Trading in pursuance of SEBI (Prohibition of Insider trading) Regulations, 1992.

Composition of Committee

Sl. No.	Name of Director	Category
1	Mr. Sankalp Srivastava	Chairman, Independent & Non-Executive
2	Mr. Shonu Chandra	Member, Independent & Non-Executive
3	Mr. Anjan Dutta ¹	Member, Independent & Non-Executive
4	Mr. Gopal Jain ²	Member, Independent & Non-Executive
5	Mr. Jagdish Prakash	Member, Whole Time Director

¹Resigned w.e.f 29th January, 2008

²Appointed w.e.f 28th January, 2008

Mr Mohit Maheshwari, Company Secretary, is the Compliance Officer for complying with the requirements of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 & Company Secretary is responsible for complying with the requirements of Listing agreements with the Stock Exchanges.

Educomp Solutions Limited

Status of Investor complaints received by the Company is as follows:

Particulars	Pending as on 01 st April, 2007	Received during the year	Disposed during the year	Pending as on March 31, 2008
No of Complaints	2	14	16	Nil

During the year under review, the Investor Grievance Committee met eight times as per following details:.

Date of the Meeting	Committee Strength	No. of Members present
10.04.2007	4	3
01.09.2007	4	3
03.09.2007	4	3
12.10.2007	4	3
30.11.2007	4	3
28.01.2008	4	3
04.02.2008	4	2
25.03.2008	4	2

G. General Meeting

Location and time for the last three Annual General Meetings were as follows:

Particulars	FY 2004-2005	FY 2005-2006	FY 2006-2007
Date and Time	20th September, 2005, 11:00 A.M.	24 th August, 2006, 2:00 P.M.	13 th September, 2007, 12.00 P.M.
Venue	1211, Padma Tower I, 5, Rajendra Place, New Delhi-08	PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110016	Sri. Sathya Sai International Center, Pragati Vihar, Lodhi Road, New Delhi-110003

Special Resolution passed in the last three Annual General Meetings:

2006-07- Annual General Meeting held on 13th September, 2007

1. Amendment in ESOP Scheme 2006 relating to increase in vesting period.
2. Amendment in Articles of Association relating to Common seal clause.
3. Adoption of ESOP Scheme 2007 for allotment of Stock Options to the Employees of the Company.
4. Allotment of Stock Options to Employees of Subsidiary Companies under ESOP Scheme 2007.

2005-06 – Annual General Meeting held on 24th August, 2006

1. Amendment in Articles of Association relating to

insertion of Postal Ballot Clause.

2. Adoption of ESOP Scheme 2006 for allotment of Stock Options to Employees of the Company.
3. Allotment of Stock Options to Employees of Subsidiary Companies.
4. Allotment of Stock Options upto 2,00,000 to Mr Gopal Jain.
5. Raising of Funds upto USD 25 million through FCCB/ ADR/GDR etc.

2004-05 – Annual General Meeting held on 20th September, 2005 – Nil

Postal Ballot

During the year under review, in pursuance of Section 192A of the Companies Act, 1956 and Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, we have conducted three postal ballots for seeking approval of the shareholders for :

1. Increasing the FII's investment limit upto 100% of the paid-up equity capital or paid-up value of each series of convertible debentures as may be issued by the Company from time-to-time.
2. Authorising the Board of Directors to mortgage and/or charge any of its movable and/or immovable properties or the whole or substantially the whole of an undertaking or undertakings of the Company u/s 293 (1)(a) of the Companies Act, 1956.
3. Authorising the Board of Directors to make investment, give loan or guarantee or provide any security in excess of the limits set out U/s Section 372A of the Companies Act, 1956.
4. For raising funds up to USD 100 million through ADR/ GDR/FCCB's etc.
5. Amendment in ESOP scheme 2006 for employees of Subsidiary Companies with respect to vesting period.
6. Amendment in ESOP scheme 2006 for employees of Company with respect to Fringe Benefit Tax liability.
7. Amendment in ESOP scheme 2006 for employees of Subsidiary Companies with respect to Fringe Benefit Tax liability.
8. Amendment in ESOP scheme 2006 for Mr. Gopal Jain, Director with respect to Fringe Benefit Tax liability.
9. Keeping the Registers and Index of members, at the office of Registrar and Transfer Agent of the Company
10. Amendment in ESOP scheme 2007 for employees of Company with respect to vesting period.
11. Amendment in ESOP scheme 2007 for employees of Subsidiary Companies with respect to vesting period.

Mr. Sanjay Grover F.C.A, F.C.S, Practicing Company Secretary was appointed as Scrutinizer for all three Postal Ballots.

Annual Report 2007-08

The results of the Postal Ballot were published in Business Standard (English Daily) and Hindustan, Jansatta (Hindi Daily). The list of the results is as follows:

Date of declaration of results	Particulars of resolutions passed	Total valid votes	In Favour (%)	Against (%)
16.06.2007	Increasing the FII's investment limit upto 100% of the paid-up equity capital or paid-up value of each series of convertible debentures as may be issued by the Company from time-to-time.	11,45,49,240 (100%)	11,45,47,340 (99.998%)	1900 (0.002%)
	Authorising the Board of Directors to mortgage and/or charge any of its movable and/or immovable properties or the whole or substantially the whole of an undertaking or undertakings of the Company u/s 293 (1)(a) of the Companies Act, 1956.	11,30,57,830 (100%)	108236690 (95.735%)	4821140 (4.265%)
	Authorising the Board of Directors to make investment, give loan or guarantee or provide any security in excess of the limits set out U/s Section 372A of the Companies Act, 1956.	11,45,48,240 (100%)	11,45,25,890 (99.980%)	22,350 (0.020%)
12.07.2007	For raising funds upto USD 100 million through ADR/GDR/FCCB's etc.	11,50,50,430 (100%)	10,73,90,330 (93.342%)	76,60,100 (6.658%)
11.02.2008	Amendment in ESOP scheme 2006 for employees of Subsidiary Companies with respect to vesting period.	10,23,07,170 (100%)	10,23,05,870 (99.9987%)	1300 (0.0013%)
	Amendment in ESOP scheme 2006 for employees of Company with respect to Fringe Benefit Tax liability.	10,23,04,140 (100%)	10,23,03,340 (99.9992%)	800 (0.0008%)
	Amendment in ESOP scheme 2006 for employees of Subsidiary Companies with respect to Fringe Benefit Tax liability.	10,23,04,140 (100%)	10,23,02,740 (99.9986%)	1,400 (0.0014%)
	Amendment in ESOP scheme 2006 for Mr. Gopal Jain, Director with respect to Fringe Benefit Tax liability.	10,23,04,140 (100%)	10,23,03,190 (99.9991%)	950 (0.0009%)
	Keeping the Registers and Index of members, at the office of Registrar and Transfer Agent of the Company.	10,23,04,140 (100%)	10,23,03,390 (99.9993%)	750 (0.0007%)
	Amendment in ESOP scheme 2007 for employees of Company with respect to vesting period.	10,23,04,140 (100%)	10,23,02,690 (99.9986%)	1,450 (0.0014%)
	Amendment in ESOP scheme 2007 for employees of Subsidiary Companies with respect to vesting period.	10,23,04,140 (100%)	10,23,02,690 (99.9986%)	1,450 (0.0014%)

At the ensuing Annual General Meeting, there is no resolution proposed to be passed by Postal Ballot.

Educomp Solutions Limited

H. DISCLOSURES

Related Party Transaction: Transaction with the related parties is disclosed in Note No. ix of the schedule to the Accounts in the Annual Report. No transaction of a material nature has been entered into by the Company with the Directors or Managements and their relatives etc. which may have potential conflict with the interest of the Company.

The Company has complied with the requirements of Statutory Authorities during the preceding three years and since the Company has been listed on NSE and BSE with effect from 13th January 2006 it has complied with the requirements of Stock Exchanges and SEBI on all matters related to Capital Markets and no penalties have been imposed on the Company.

I. MEANS OF COMMUNICATION

Quarterly Results:

The Quarterly results for all the four quarters in FY 2007-08 were forthwith communicated to National Stock Exchange Limited and Bombay Stock Exchange Limited as soon as they were approved and taken into record by the Board of Directors of the Company. Thereafter the results are published in the leading newspapers as under:

Newspapers	Date of publication of results for the quarter ended			
	30 th June, 2007	30 th September, 2007	31 st December, 2007	31 st March, 2008
Business Standard	28.07.2007	27.10.2007	29.01.2008	24.04.2008
Hindustan	28.07.2007	27.10.2007	29.01.2008	24.04.2008

Half- yearly in place and ultimate reserves report sent to each household of shareholders	No
Displayed on website	www.educomp.com
Whether its displayed official news releases and presentation made to media, analysis, institution investor etc.	Yes
Whether Management Discussion and Analysis Report is a part of the Annual Report	Yes

J. GENERAL SHAREHOLDER INFORMATION

Detailed information in this regard provided in the Shareholders Information section forms part of this report.

K. SUBSIDIARY COMPANIES

The revised Clause 49 defines a 'material non-listed Indian subsidiary' as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding Company and its subsidiaries in the immediately preceding accounting year.

We do not have any material non-listed Indian subsidiaries.

L. CEO/CFO Certificate

The certificate required under Clause 49(V) of the Listing Agreement duly signed by the CEO and CFO was placed before the Board and the same is annexed as Annexure A.

M. Corporate Governance Report

Details of compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49 of the Listing Agreement.

Particulars	Clause of listing agreement	Compliance status Yes/No	Remarks
I. Board of Directors	49(I)		
(A) Composition of Board	49 (IA)	Yes	
(B) Non-executive Directors' compensation and disclosures	49 (IB)	Yes	
(C) Other provisions as to Board and Committees	49 (IC)	Yes	
(D) Code of Conduct	49 (ID)	Yes	
II. Audit Committee	49 (II)		
(A) Qualified & Independent Audit Committee	49 (IIA)	Yes	
(B) Meeting of Audit Committee	49 (IIB)	Yes	
(C) Powers of Audit Committee	49 (IIC)	Yes	
(D) Role of Audit Committee	49 II(D)	Yes	
(E) Review of Information by Audit Committee	49 (IIE)	Yes	
III. Subsidiary Companies	49 (III)	N.A	Not Applicable on the Company
IV. Disclosures	49 (IV)		
(A) Basis of related party transactions	49 (IV A)	Yes	
(B) Disclosure of Accounting Treatment	49 (IV B)	Yes	
(C) Board Disclosures	49 (IV C)	Yes	
(D) Proceeds from public issues, rights issues, preferential issues etc.	49 (IV D)	Yes	
(E) Remuneration of Directors	49 (IV E)	Yes	
(F) Management	49 (IV F)	Yes	
(G) Shareholders	49 (IV G)	Yes	
V. CEO/CFO Certification	49 (V)	Yes	
VI. Report on Corporate Governance	49 (VI)	Yes	
VII. Compliance	49 (VII)	Yes	

NON-MANDATORY REQUIREMENTS

(i) CHAIRMAN OF THE BOARD

The Company has an Executive Chairman.

(ii) REMUNERATION COMMITTEE

The Company has constituted a Remuneration Committee and all the information pertaining to Committee has been given in this report.

(iii) SHAREHOLDERS RIGHTS

As the Company's quarterly results are published in leading English newspapers having circulation all over India and in leading Hindi newspaper widely circulated in Delhi, the same are not sent to each household of the shareholders.

Educomp Solutions Limited

AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of

Educomp Solutions Limited

We have examined the compliance of conditions of Corporate Governance by Educomp Solutions Limited for the year ended 31st March, 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of the conditions of the Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of the Financial Statements of the Company.

In our opinion and to best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as mentioned in the above mentioned Listing Agreement.

As per records maintained by the Company which are presented to the share transfer cum Shareholder/investors grievances committee, there were no investor grievances pending for a period one month against the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor efficiency or the effectiveness with which the management has conducted the affairs of the Company.

For **Anupam Bansal & Co.**

Chartered Accountants

ANUPAM BANSAL

Proprietor

Membership No. 087699

Date : 2nd June, 2008

Place : New Delhi

ANNEXURE A

CHIEF EXECUTIVE OFFICER (CEO) /CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

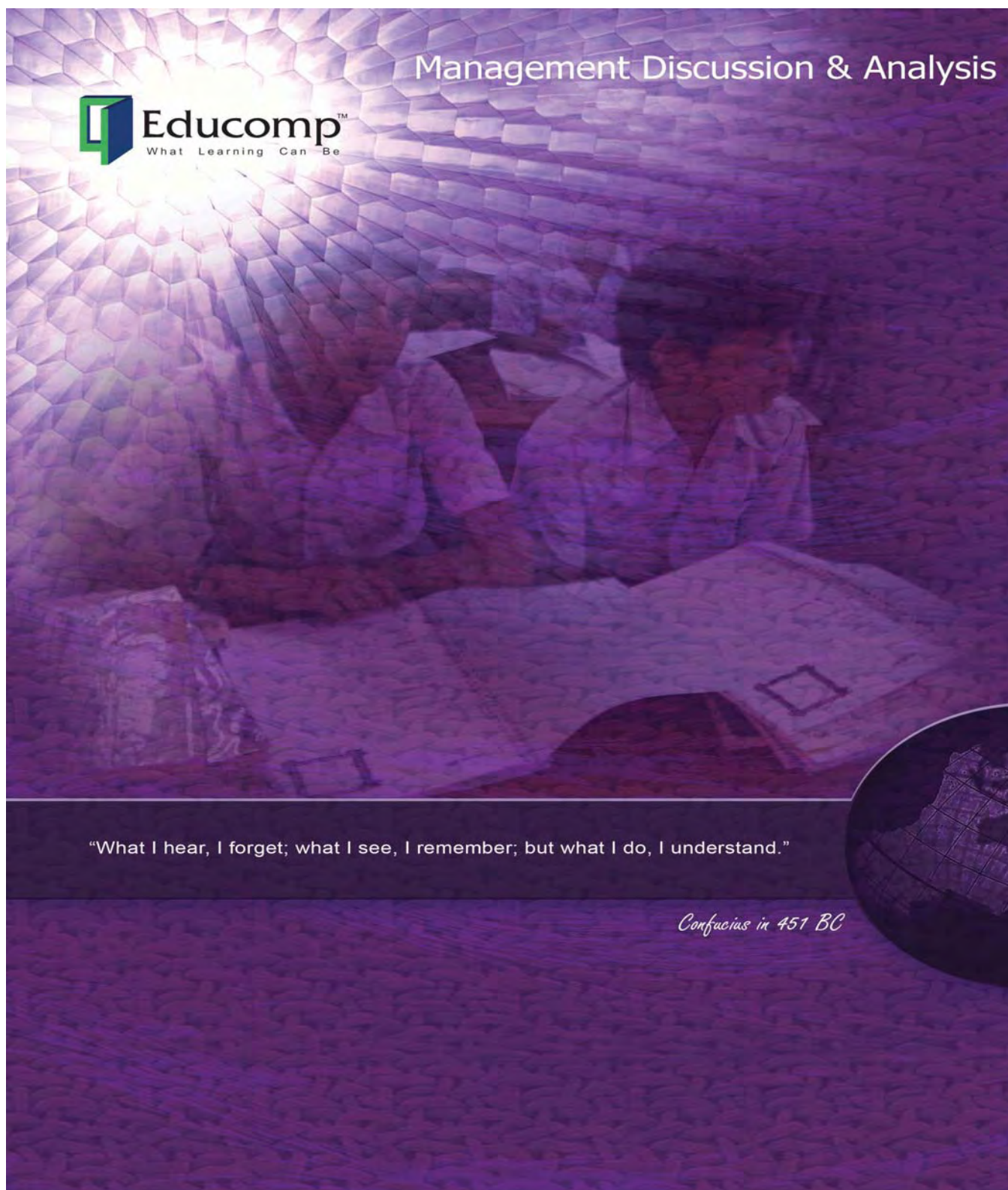
We, Shantanu Prakash, Chairman & Managing Director, and Sangeeta Gulati, CFO of Educomp Solutions Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the balance sheet and profit and loss account (consolidated and unconsolidated), and all its schedules and notes on accounts, as well as the cash flow statements, and the directors' report;
2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made;
3. Based on our knowledge and information, the financial statements, and other financial information included in this report, present in all material respects, a true and fair view of the Company's affairs, the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and / or applicable laws and regulations;
4. To the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's code of conduct;
5. We are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company, and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the Company's disclosure, controls and procedures;
 - d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
6. We have disclosed based on our most recent evaluation, wherever applicable, to the Company's auditors and the audit committee of the Company's Board of Directors (and persons performing the equivalent functions)
 - a) all deficiencies in the design or operation of internal controls, which could adversely affect the Company's ability to record, process, summarize and report financial data, and have identified for the Company's auditors, any material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies;
 - b) significant changes in internal controls during the year covered by this report;
 - c) all significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements;
 - d) instances of significant fraud of which we are aware, that involve management or other employees who have a significant role in the Company's internal controls system.
7. In the event of any materially significant misstatements or omissions, we will return to the Company that part of any bonus or incentive or equity-based compensation, which was inflated on account of such errors, as decided by the audit committee;
8. We affirm that we have not denied any personnel, access to the audit committee of the Company (in respect of matters involving alleged misconduct) and we have provided protection to 'whistle blowers' from unfair termination and other unfair or prejudicial employment practices; and
9. We further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for Current year.

Name : **Shantanu Prakash**
Designation : Chairman & Managing Director

Name : **Sangeeta Gulati**
Designation : Chief Financial Officer

Date: June 2, 2008



Management's Discussion & Analysis

The Financial Year 2007-08 has been a year of accelerated growth for Educomp with your Company outperforming all operational and financial targets. Your Company is pleased to report that the organic and inorganic growth strategy adopted has reaped benefits for our existing businesses as well as our new endeavours.

Total income has increased by 146.86% driven by strong growth across key business segments of Smart Class (up 174.31%), ICT (up 209.32%), Professional Development (up 46.10%) and Retail & Consulting (up 25.09%). Total number of schools signed also saw robust growth - up 182% (under SmartClass) and 114% (under ICT). Your Company reported a profit after tax (PAT) of Rs 700.61mn as on 31st March, 2008.

During the year, your Company made concerted efforts to increase the penetration levels at schools and continue the growth trajectory, Educomp, in collaboration with HCL, Intel and LG, successfully conducted roadshows in 114 cities across the country.

In line with your Company's focus on continuous innovation and building a product Company with strong Intellectual Property (IP), your Company spent Rs 290mn on content development and IP creation. Your Company today has developed one of the world's largest K-12 content development capabilities.

Your Company's digital content library now consists of over 16,000 interactive animation modules making it one of the largest content libraries in the world.

In order to leverage the high quality intellectual assets to expand its content licensing business across the globe, your Company acquired Ask'n'Learn, a Singapore-based leading education technology Company; Savvica Inc, a Toronto-based leading e-learning Company and AuthorGen, a leader in 2.0 platform in e-learning. Your Company also entered into a partnership with US-based learning.com, the premier provider of Web-enhanced curriculum and assessment, to provide educators with innovative, Web-delivered curriculum solutions. Educomp entered into a 'first of its kind' partnership with Microsoft to make available its graphical curriculum content on the XBOX360 platform.

To capitalize on the online tutoring opportunities available in the country, your Company has acquired 76% strategic stake in Three Brix E-Services Private Limited, Learning Hour, to run online tutoring services in tutoring centers in India and has successfully established eight such centers within a short span of just one month.

Achievements in FY 2008

- Total Income up 146.86% to Rs 2,769.03mn from Rs 1,121.72mn.
- With a PAT of Rs 700.61mn, achieved upper end of PAT guidance of Rs 650-700 mn.
- Signed up 602 new schools during FY08 to take the total number of schools to 933 resulting in 182% growth in schools.
- Total number of students under Smart Class crossed the 1mn milestone to reach 1.04 mn.
- Total number of government schools under contract in the ICT segment increased to 6,004 from 2,808.
- Cumulative no. of teachers trained at around 1 million.
- Set up 8 learning centers under learninghour.com to leverage the tutoring market opportunity.
- "Millennium Schools" brand established under K-12 initiatives.
- Acquired Singapore-based Ask'n'Learn Inc. for S\$ 5.98mn (Cash Consideration)
- Acquired 70.05% stake on a fully diluted basis in Toronto-based Savvica Inc for \$2 mn.
- Acquired 51% strategic stake in AuthorGen Technologies (P) Ltd. for Rs 27mn.
- Entered into partnership with Microsoft to make available Educomp's graphical curriculum content on XBOX360 platform.
- Partnership with US-based learning.com, premier provider of Web-enhanced curriculum and assessment.

Indian Govt: Unlocking the potential in the education sector

The Indian economy has been growing at an accelerated rate over the past few years. During FY08, real gross domestic product (GDP) witnessed a growth of 8.7%. The Govt has targeted to achieve a sustainable high growth of 10% by the end of the Eleventh Five Year Plan (i.e. 2007-12) and is taking steps in this direction.

Educomp Solutions Limited

Realizing the failure of public initiatives to achieve universal educational coverage, as around 142mn children continue to remain deprived of school education, the Govt of India has been stepping up its expenditure on education, focusing on building more schools, hiring more teachers and training existing teachers. This year, the Union Budget's allocation for school education went up 20% to Rs 344bn (\$8.6) and the allocation for Sarva Shiksha Abhiyan (SSA) increased by 30.5% from Rs 100.41bn (\$2.5bn) to Rs 131.0bn (\$3.3bn). The Govt. has allocated Rs 5bn for ICT and state governments across the country are increasingly looking at upgrading existing infrastructure in schools. Education cess has remained stable at 3% and is expected to contribute Rs 129.98bn per annum to the education budget.

In view of the urgent need for greater clarity of regulation, which would reduce the need for current complicated structures of ownership and encourage greater public-private participation (PPP) in the education sector, the Govt has shown favour towards greater private participation and more Foreign Direct Investment (FDI) in the education sector.

The private sector has also spotted this opportunity and several new schools are being built across the country. An increasing number of these schools are deploying new teaching methodologies. Also, the huge shortage of teachers in the country has triggered these private entrepreneurs into imparting training to teachers and thereby adding to their revenue streams.

Implementation of technological tools of learning

The increasing accessibility of the Internet, advent of high performance technologies and widespread acknowledgment that technology should play an important role in education has made schools implement the latest technological methods of teaching and learning. Private schools are now differentiating themselves from each other in order to attract maximum number of students by adopting state-of-the-art technological learning tools to impart education.

Defining the opportunity

Your Company addresses the key markets of Private Schools, Government Schools and Teacher Training and avails of the opportunities arising in these markets.

Domestic Market - Huge potential with Govt. support

K-12 market, the country's core education market is estimated to be worth around \$20bn, comprising \$15bn of unaided schools and \$5bn of aided schools. In India, out of 361mn children, only 219mn have been enrolled for education, while the remaining 142mn are deprived of school education. Further analysis reveals that the out of these 142mn children, 78mn, 39mn, 25mn are deprived of higher secondary (Grade 9-12), middle (Grade 5-8) and primary education (Grade 1-4), respectively. Budget allocation for the education sector has been increasing over the last three years, which in turn has also given a boost to

technology deployment in schools. The government has created a flagship program called the Sarva Shiksha Abhiyan (SSA) to ensure primary education for all, for which it is mobilising more resources through the education cess.

Government Schools: There are over 950,000 public schools in the country with 129mn students, translating into an average of 136 students per school. Out of the total public schools, around 84% are in villages. In the latest Budget 2008-09, apart from increasing the allocation for the education sector by 20% to Rs 344 bn, the Govt. also announced a model school program, which would aim to establish 6,000 high quality model schools. This has created another opportunity for your Company.

Teacher Training: There are about 5mn teachers in the country with around 90%- 95% of them in need of re-skilling. Recognising this imperative, the government has increased its emphasis on a budget for teacher training.

Private Schools: There are over 75,000 private schools in the country with around 90mn students, indicating an average of 1,200 students per school and a market size of approx. \$20 bn. Out of the total private schools, 30,660 schools are aided private schools and the remaining 44,400 unaided (15,000 unaided premium and 29,400 unaided standard) by Govt of India. This market could be sliced in many ways. Your Company's market share in this business is around 1% leaving a lot of headroom for growth.

Indian Education Opportunity

India, with 361mn children that should be enrolled for education, is one of the largest Kindergarten-to-Grade 12 (K-12) markets in the world. There are currently 75,000 private schools and 950,000 government schools. According to estimates by the Central Board of Secondary Education (CBSE), India is short of 200,000 schools.

Emerging Segments in the K-12 Supply Chain

Under the K-12 supply chain, your Company addresses the key markets of Supplemental Education Services, Pre-School, Online Tutoring and Schools. Your Company has emerged as the largest K-12 education technology company in the domestic market and has also made successful forays into the International market.

The Supplemental Education Services market: The highly competitive nature of exams in the country and high expectations from parents require students to put in long hours of study after school, creating another big opportunity in the after-school help market. It is estimated that atleast 20mn students are taking some form of tuition outside the classroom compared with 90mn students enrolled in private schools. Though it is largely an urban phenomenon, the estimated size of the market is about Rs 5.3bn. This is a price

inelastic, highly fragmented market, which presents a great opportunity.

The Pre-School Segment: This market is highly fragmented, with the largest chain comprising just 550 schools, less than 4% of the total market consisting of 15,000 pre-schools in India. We believe this to be yet another untapped opportunity and estimate it to be a market worth Rs 98bn.

Online Tutoring: There are currently 2.6mn broadband connections in India. The Govt's Broadband and Wireless Policy has called for 20mn and 25mn broadband subscribers by 2010 and 2012, respectively. With the rolling out of these connections, the online tutoring market in India will open up, creating opportunities for your Company.

Global Opportunities

The latest edition of the Electronic Publishing Services (EPS), in its Education and Training Market Monitor research predicts that the Global Education and Training Content Market is expected to reach over \$50bn by 2010. Research further reveals that revenues for content providers to North America and European will grow at a CAGR of 6% during the period 2005 to 2010. Research has shown that the demand for comprehensive solutions will ultimately drive new rounds of formal and/or informal consolidation within the marketplace.

The United States

With an aim to ensure that all US citizens have the opportunity to learn and develop skills, engage in productive work, Budget 2009 has requested funds for a wide range of programs that could improve education. In the US, after the "No Child Left Behind" initiative was enacted, funding for K-12 education increased for several years. Under the Pre-school program, the Budget helped states make available free appropriate public education to all children, aged 3 to 5, with disabilities.

Malaysia

In Budget 2008, Malaysia has allocated RM 30bn to the Education Ministry, including Education Development Blueprint. RM 500,000 will be provided to each cluster school for co-curriculum activities, training as well as educational equipment. RM 12bn is provided for the implementation of various higher education projects and programs to help produce highly knowledgeable and first class human capital as well as develop world-class institutions in higher education. The Public Service Department (PSD) will increase sponsorship for undergraduate students in local Universities from 5,000 students to 10,000 annually, beginning 2008.

Singapore

The Ministry of Education (MOE) in Singapore has allocated a total budget of \$8,037mn (as it is given in the site) to achieve the mission for education in Singapore. MOE seeks

to provide opportunities for the young to realize their potential, through high-quality school education and diverse post-secondary and tertiary education sectors that offer different pathways.

MOE heavily subsidize the operations of schools and tertiary institutions:

- \$3,832 million for the operations of primary schools, special education schools, secondary schools, independent schools, centralized institutes and junior colleges;
- \$1,824 million for the operations of 3 Autonomous Universities;
- \$924 million for the operations of 5 polytechnics and 2 arts institutions; and
- \$272 million for the operations of the Institute of Technical Education (ITE).

Highlights of 2009 US Federal Budget

- \$14.3 bn for reauthorized Title I Grants to Local Educational Agencies Program.
- \$491.3 mn for reauthorized Title I School Improvement Grants.
- \$408.7 mn for State Assessment Grants.
- \$175 mn for program aimed at improving math and science instruction in K-12 schools.
- \$300 mn to new Pell Grants for kids program.

Our Strategies for FY 2008-09

Your Company continues to expand rapidly in the domestic market and simultaneously create a strong footprint in the international markets through the launch of new initiatives. Our SmartClass solution has garnered a market share of 50% in Singapore. SmartClass is now increasing its focus on other markets in South Asia, viz., Indonesia, Vietnam, Malaysia and the Philippines, which would not only enable us to spread our presence but also improve our profitability. In the ICT business, your Company is managing the largest number of schools. Your Company intends to tap further opportunities available in the segment.

A very strategic and futuristic part of Educomp's business is our online portfolio business. This business will grow as India opens up further and as broadband penetration increases in the country from the present about 2.7 million to 30 to 35 million as projected by the Broadband Policy of India over the next 3 to 4 years.

Your Company has also made a few strategic investments in the Internet space through investments in two Companies -- Savvica and Authorgen. Both are startups, focusing on different ways of leveraging the Internet for education. Both

Educomp Solutions Limited

are visionary businesses led by very high quality management teams.

Educomp is always trying to push the envelope on ways to leverage the opportunities to monetize our Intellectual Property (IP) as well as provide high-quality education content to students. It is trying to bring these to the students in every manner in which they would like to utilize it - through varying formats, styles and different devices.

Today, your Company in India works with over 6 million students on a global basis. Our stated goal is to take this number to 10 millions by 2009-10. There is large untapped market and we believe there are unexplored and unexploited opportunities to just do another level of monetization by organizing these clients into Web-based online communities.

Domestic Market

Smart_Class™

For the purposes of marketing and selling Smart_Class™, the Company has divided the country into four regions, namely North, South, East and West. Teams of marketing executives operate in each region under a Regional Head, who in turn reports to the Business Head for Smart_Class™. These marketing executives make direct calls to the schools to generate business in their region.

Market awareness for Smart_Class™ is then developed in the associated cities and towns by holding seminars, to which the Company's marketing team formally invites the principals of the local schools. The typical format of a seminar is a live demonstration of the Smart_Class™ program. In FY 2008, the Company conducted roadshows in 114 cities in India.

Whilst at present most of the Company's marketing activities are focused on North and South India and have been confined to mainly "A" level cities, going forward the aim is to increase the geographical reach of the program by actively focusing on East and West India as well as on "B" and "C" level cities, through an increase in the number of marketing executives assigned to those areas.

In FY 2008, the Company has signed a contributor agreement with Synergy Adlabs Media Limited to provide content development, primarily 1,500 questions, for its television show "*Kya Aap Paanchvi Paas Se Tez Hain?*", the Indian version of the hit U.S. show "*Are You Smarter Than a Fifth Grader?*".

ICT Solutions

The ICT Solutions are marketed to government/semi-government institutions. Selling these ICT Solutions requires the Company to be aware of the tenders floated by government/semi-government institutions from time to time. The Company carefully tracks all the tenders and requests for proposals ("RFPs") that come out from the various states and, if appropriate, participates in most of them. Most of the

RFPs come with a pre-qualification clause. Due to the number of years in this industry and the experience that the Company has, it is easily able to meet all the pre-qualification criteria for the tenders that it has submitted to date. In most tenders today the bidding evaluation process is a two-stage process in which first the technical bids are opened and then the financial bids are opened for only the short-listed firms. Once the Company is the L1 bidder (or in some cases both L1 and L2 are called for negotiations) then the negotiations take place.

The ICT Solutions business is headed by a Business Head. There are Relationship Managers under the Business Head, who interact with various government/semi-government institutions, primarily the MOE.

Professional Development

The QuEST 2000™ programs are directed to teachers, students and parents. The Company also partners with various corporate and non-Governmental organisations ("NGOs") in this field.

The Company has an Account Manager to develop key corporate and NGO partnerships, as well as for QuEST 2000™. The Account Manager is responsible for maintaining relations with key corporate clients and NGOs. Along with the Account Manager, there is a qualified marketing team for marketing QuEST 2000™ to schools.

Awareness for the program is built by sending direct mail and proposals to schools. The Company also participates in events and seminars to disseminate its teacher education message.

Leads are generated when the Company's marketing team visits schools. During a school visit, the Company's executive explains to the school the benefits of conducting this program in the school and arranges an in-school demonstration of the program. During the demonstration, teachers are exposed to a sample workshop. The workshop helps the Company to convince school administration that such programs are beneficial for the teachers. The marketing team for QuEST 2000™ also coordinates with the marketing team for Smart_Class™ in cross-selling to the schools which have opted for either of the services.

Direct Initiatives

The Company is in the process of gradually redefining its Direct Initiatives sector away from toys, CD-ROMs and retail sales towards online distribution via, *inter alia*, its Learning Leadership System™ teacher training programs, Roots to Wings™, online content, Mathguru™, Learning Hour™, LearnHub™, learning centres, EasyTech, TechLiteracy Assessment and Aha!Math. Retailing is now mainly handled at Company level rather than at distributor level in line with the proportion of sales.

Mathguru™ is marketed to existing Smart_Class™ schools,

via word-of-mouth and through online sales. Roots to Wings™ is marketed through advertisements distributed in pamphlet and brochure format, through parenting programmes and newspaper advertisements. Online content is marketed online. Learning Hour™ and LearnHub™ are marketed via direct sales, online and through hard copy advertising. Authorstream.com is marketed online and through search engine optimization, whilst Wiziq.com is marketed online and via the marketing sales force.

International, mainly US and APAC Markets

The Company's U.S. subsidiary, Edumatics Corporation Inc., is responsible for marketing the Company's digital content in the U.S. market to schools under the brand name "EDUSMART". Edumatics Corporation Inc. and the Company work directly through several business partners in the U.S. and Ask'n'learn does similar work in the APAC region. These business partners license the company's product and content solutions. The Company uses these multiple channels to sell curriculum and assessment products into schools as selling into schools requires relationships with teachers in the classroom as well as school principals and district administrators, since decisions are typically made at the district level but require the support of teachers and principals. EasyTech, TechLiteracy Assessment and Aha!Math are each marketed through Learning.com's presence at tradeshows and via online and through hard copy advertising.

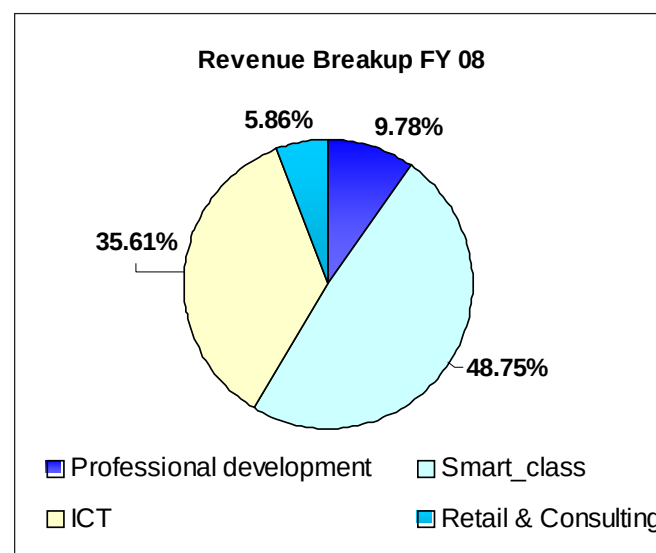
Segmental review

Company at a glance

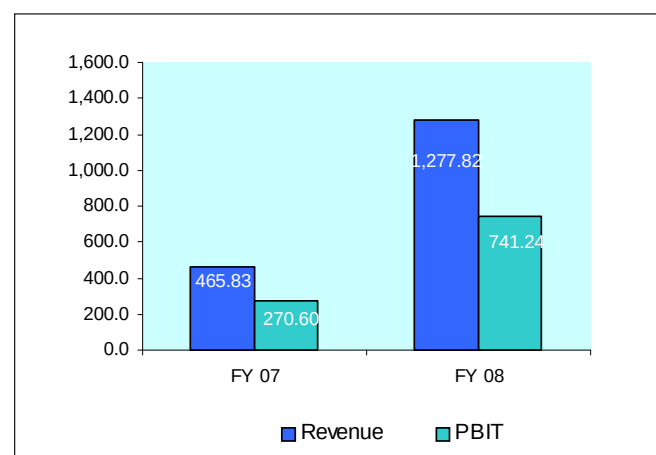
- Pan-India presence in 55 cities across the country and global reach through operations in Singapore and USA.
- Addressing the entire K-12 value chain, the only full service education Company in India.
- Strong domain expertise and IP to address different parts of the functioning of a school.
- Strong content development and IP creation capabilities.
- Low market penetration for all products and recession-resistant business model.
- Employs over 3,395 professionals.
- Key partnerships with 9 State Governments and Union Ministry of Education in India.

Your Company is a pioneer in providing end-to-end solutions in the K-12 education technology domain. It has a de-risked business model and high visibility of revenues. Revenues

comprise income from execution of turnkey projects following the Build, Operate, Own & Transfer (BOOT) model, licensing of digitized content, SmartClass projects, imparting professional development training and retail initiatives. Your Company's major business segments can be categorized as follows:-



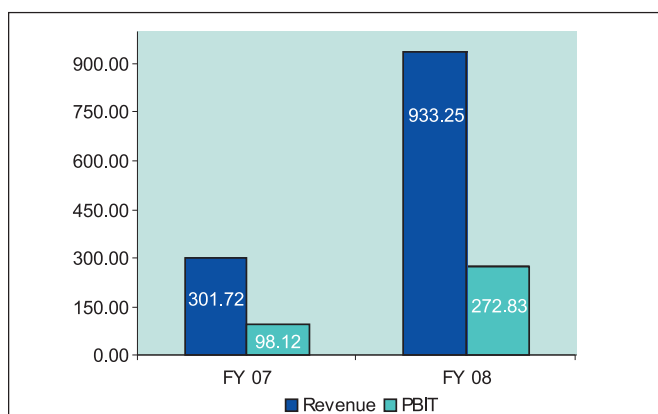
Smart Class: This is your Company's flagship product and contributes 49% of revenues from operations. Under this initiative, your Company builds the IT infrastructure for private schools and licenses its digital curriculum content to schools. Educomp incurs the initial expenditure, in return for which it receives revenues for the next five years. It charges the school on a per student basis and is a teacher-led instruction process. The Smart Class helps the teachers teach abstract curriculum concepts that are difficult for students to visualize or relate to.



Educomp Solutions Limited

The segment showed 182% growth in the portfolio of schools by adding 602 schools during the year to reach 933. Your Company has successfully implemented this programme in 892 schools and is in the process of implementing it in the remaining schools. Out of the total schools, approximately 10% have been on hardware sales basis and the rest 90% on the BOOT model. Total number of students crossed the 1mn milestone to reach 1.04mn. With a growth of 174.31%, revenue from the segment stood at Rs 1,277.82 mn. For FY08, the segment reported a Profit Before Interest and Taxes (PBIT) of 58.01%. This year your Company has incurred a capex of Rs 1,319.2 mn in the SmartClass business and Rs 290mn in content development and IP creation.

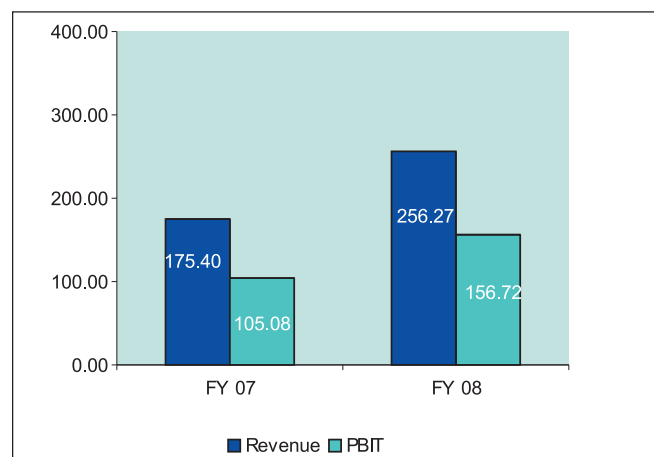
ICT business segment: Educomp has emerged as the market leader in this business. Your Company builds IT infrastructure for government schools in partnership with state governments on the BOOT model. It incurs an upfront expenditure and receives quarterly payments from the government for services rendered. Your Company has built a core competence in handling logistics to manage projects that are distributed across large and diverse geographies. Your Company has partnerships with the state governments of Karnataka, Haryana, Gujarat, Assam, Tripura, Orissa, West Bengal, Rajasthan, Jharkhand, Uttar Pradesh and Chattisgarh.



During the year, your Company has completed the implementation for 2,819 schools in Gujarat. Your Company has added 3,412 schools during the year to reach a total of 6004. Thus, the total number of schools now on our books under contract stands at 6,004 after deducting the schools for which the contract has been expired.

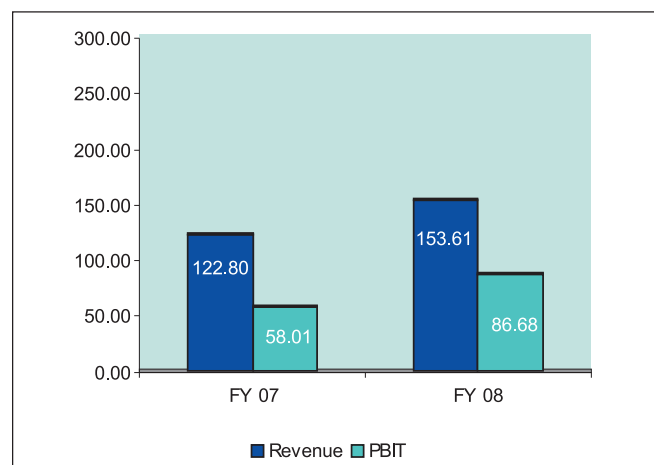
Revenue from the segment increased by 209.32% to Rs. 933.25mn contributing 35.61% to total annual revenues. PBIT margins during the year were 29.23%.

Professional development: Your Company offers training to teachers in technology, integrating technology to curriculum and pedagogy. Your Company has a partnership with non-profit organization of various companies and ongoing partnership with 15 state Govts in India.



Your Company has trained on a cumulative basis of nearly million teachers. Revenue from the segment increased by 46.10% to Rs 256.27mn and PBIT margins in this segment stands at 61.15% during the year.

Retail: The retail and consulting segment of our business contributed 5.86% to total revenues. The segment clocked revenues of Rs 153.61mn, which is an increase of 25.09% on a year-on-year basis with a PBIT margin of 56.43%. All of our newly launched initiatives did very well during the year. This segment includes revenues from the initiatives listed below.



Broadband content delivery - MathGuru.com: MathGuru.com is a unique teacher-led animations-based delivery model for math homework, which maps all questions in the student text book (NCERT), catering to Grades 6 to 12 and has over 15,000 content modules. The revenue model is based on annual subscription fee.

Mathguru/ (K-12 school): During the year, under K-12 initiatives, your Company floated two subsidiaries, Educomp Infrastructure or EduInfra and Educomp School Management or EduManage, to tap the opportunity arising from the shortage of schools in India. These two companies help independent trusts to set up schools across India by providing Infrastructure and curriculum, books, content etc.

Learning Hour: This Educomp subsidiary runs online tutoring services across tutoring centers in India offering one-to-one online tutoring to school students for normal academic tutoring and 1:4 tutoring for test preparation modules such as IIT-JEE and PMT. It is the first website of its kind to launch services for CBSE, ICSE and GCSE curriculums across 5 subjects in the Gulf region and has received tremendous response.

Three brix: Your Company acquired 76% stake in threebrix - a tutoring Company providing both online and offline tutoring. This Company has also set up eight learning centers.

Roots to Wings: This is a chain of pre-schools designed to cater to pre-schooling needs of children from the age two to four years. The curriculum approach focuses on imparting skill-based knowledge using sequential learning techniques.

We have created pioneering IP in the pre-school space through a collaborative partnership with Delhi Public School (DPS), Ghaziabad. Till now, it has over 100,000 pages of content for this segment. Currently, three schools have been operational and 15 franchisees signed up for the product.

Ask'n'learn: During the year, your Company acquired 100% stake in Singapore-based Ask'n'Learn, a leading education technology Company through its wholly owned subsidiary Educomp Asia Pacific Pte. Ltd., for Rs 161mn. Ask'n'Learn caters to over 140 global educational institutions. With the acquisition, Educomp has established a footprint in 120 schools in Singapore and the region as well as a beachhead in about nine countries like Indonesia, Brunei and Vietnam.

Millennium Learning System - During the year, your Company formally launched the brand name Millennium Schools powered by the Millennium Learning System - India's first fully integrated Learning Delivery System for schools to be set up by through independent trusts/societies under K-12 Initiatives.

AuthorGen: Your Company has acquired 51% strategic stake in AuthorGen Technologies Pvt Ltd to access key technology competence and student teacher marketplace models in online tutoring. AuthorGen is a pioneer and leader in the area of Wiziq learning platform 2.0 for online learning.

Learnhub: Your Company has acquired approximately 70.05% stake on a fully diluted basis in Savvica Inc., a leading e-learning Company focusing on next generation Web-based learning management systems and education communities. Learnhub is an offering from Educomp and Savvica to people who love learning and sharing knowledge with others. It is a set of tools that make online learning fun and engaging, and online teaching easy and effective.

Raffles school: One of the significant partnerships that Educomp struck during the year for our schools business was the signing of an agreement with Singapore-based Raffles Institution, a premium and prestigious school with a history of 185 years. The first Raffles School outside Singapore will be set up in India in partnership with Educomp. Over the next few quarters we will be announcing several such landmark partnerships.

Educomp Software: During the year, your Company has incorporated a fully-owned subsidiary, Educomp Software which will be setting up a new content development unit in the city of Parwanoo in Himachal Pradesh to take advantage of the tax holiday extended by the government to units located in the state. This will help in, over a long period of time, bringing down our effective tax rate on a consolidated basis.

Learning.com: Company has acquired 51% stake in Learning.com through its wholly owned subsidiary Educomp Asia Pacific Pte. Ltd. The Company is in USA and providing web enabled curriculum/ E learning solutions.

Outlook

We expect robust growth in all segments of the business. With plans to conduct roadshows and promotional campaigns along with increased size of the marketing team, your Company is set to further penetrate the SmartClass market. With the increasing presence in various markets, your Company is set to avail of the opportunities in the international market. In the ICT segment, your Company is witnessing a momentum of the kind not seen before, driven by increasing government spending. In the professional development segment, your Company is set to avail of the untapped opportunity. With the increasing product portfolio under retail and consulting, your Company is expected to leverage upon the opportunities to monetize our IP. Our plans to expand the Millenium School business will provide strong revenue visibility in the future.

Human Resource Development

With the expansion and growth in business, the requirement for human assets has also increased. Your Company employs manpower at three different strata: (i) the business development team and the senior management are responsible for managing growth; (ii) entry level staff is deployed at various schools with which we sign up contracts, and (iii) the Research & Development (R&D) team is involved in creating IP.

Educomp recognizes the importance of human resource development. Hence, several initiatives have been taken to ensure that people are well-trained and motivated. The Company also believes in nurturing young talent through management training programmes, which strive to develop business managers for tomorrow.

Internal control systems and their adequacy

Educomp has proper and adequate internal control systems, which ensure that all assets are safeguarded against loss from unauthorized use and all transactions are authorized,

Educomp Solutions Limited

recorded and reported correctly. The management continuously reviews the internal control systems and procedures to ensure orderly and efficient conduct of business.

The Company regularly conducts internal audits, using external and internal resources to monitor the effectiveness of internal controls. The Audit Committee of the Board deals with all significant control issues highlighted by the internal and external auditors and instructs further areas to be covered.

Financial review

Result of operations

Total revenues increased by 146.86% to Rs 2,769.03mn from Rs 1,121.72mn in the previous year. This consisted of 174.31% YoY increase in SmartClass revenues and 209.32% YoY in ICT. Overall global sales were Rs 250mn, which is about 9% of total revenues.

EBIDTA increased 149.15% to Rs 1,246.92 mn from Rs 500.47mn in FY07. EBIDTA margin increased due to increased contribution from both SmartClass and ICT. However, PAT margin declined marginally to 26.73% from 26.82%.

Profit after tax (PAT) and prior period items increased by 145.11% to Rs 700.61mn from Rs 285.84 mn with overall improvement in EBIDTA and growth in revenues. Your Company continues to manage its working capital efficiently with debtor's days falling to its lowest ever in Educomp's history. During the year, debtors collection period came down to 159 days from 169 days due to focus on efficient collection and increase in revenues from the private sector.

Segment Results

Revenues	FY'07	FY'08
Professional Development	175.40	256.27
Smart Class	465.83	1277.82
ICT Solutions	301.71	933.25
Retail	122.80	153.61
Total Net Sales	1,065.74	2620.95

PBIT	FY'07	FY'08
Professional Development	105.08	156.72
Smart Class	270.60	741.24
ICT Solutions	98.12	272.83
Others	58.01	86.68
	531.81	1257.47
Less: Interest (Net)	13.29	41.89
: Other un-allocable expenses (net of un-allocable income)	69.48	185.62
Total Profit before Tax	449.04	1029.96

Particulars	FY'07	FY'08
Net Sales	1,065.74	2,620.95
Other Income	55.98	148.08
Total Income	1,121.72	2,769.03
Total Expenditure (including miscellaneous expenditure w/o)	565.47	1,374.23
Interest	13.29	41.89
Depreciation	93.93	322.95
Profit before tax	449.03	1,029.96
Provision for Tax including Current tax, Deferred tax, Fringe benefit tax	163.19	329.35
Profit after taxation and prior period items	285.84	700.61
Basic Earning per share	17.90	41.38

Key Ratios	FY'07	FY'08
EBIDTA/Net Sales	46.96%	47.58%
Profit after Tax and prior period items/ Net Sales	26.82%	26.73%
Total Expenditure/ Net Sales	63.11%	66.35%
Consumption of Raw material/ Net Sales	28.54%	30.42%
Staff Cost/Net Sales	9.86%	12.92%
Selling, Distribution & Administration expenses/ Net Sales	14.65%	9.10%

- Net Income from Operations up by 145.93% to Rs 2,620.95 mn from Rs 1,065.74 mn.
- EBIDTA up by 149.15% to Rs 1,246.92mn from Rs 500.47 mn. Operating profit margin to 47.58% from 46.96%.
- PAT after prior period items up by 145.11% to Rs 700.61 mn from Rs 285.84 mn.
- Debtor days decreased to 159 from 169 days due to better efficiency in collection.

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Segmental revenues / Results

Comparative Chart of FY 2008 vis-à-vis FY 2007 in respect of Revenues and Gross margins of various Business Segments;
(Rupees in millions)

Revenue segments	Smart Class TM	ICT Solutions	Professional Development	Retail and Consulting	Total
FY 2008 Revenue	1,277.82	933.25	256.27	153.61	2,620.95
FY 2007 Revenue	465.83	301.71	175.40	122.80	1,065.74
Inc/ (Dec) Revenue (Rs)	811.99	631.54	80.87	30.81	1555.21
Inc/ (Dec.) Revenue %	174.31	209.32	46.11	25.09	145.93
FY2008 Gross margins	741.24	272.83	156.72	86.68	1,257.47
FY2007 Gross margins	270.60	98.12	105.08	58.01	531.81
Inc/Dec Gross margins (Rs.)	470.64	174.71	51.64	28.67	725.66
% segmental revenue vis-à-vis revenue	48.75	35.61	9.78	5.86	

Out of total turnover of Rs. 2,769.03 millions in FY 2008, Rs. 2,620.95 millions revenue is attributable to business segments, which are depicted as follows.

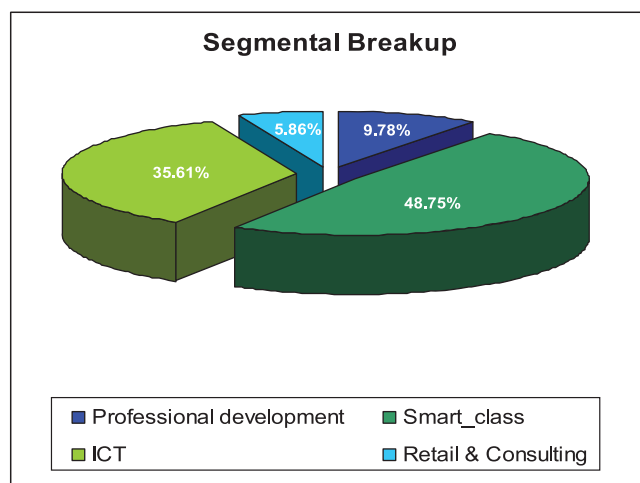
Segmental Highlights

Professional development - Rs. 256.27 million revenue contributing Rs. 156.72 million gross margins.

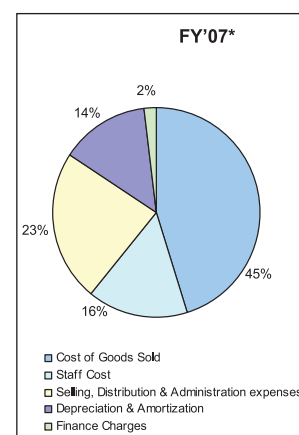
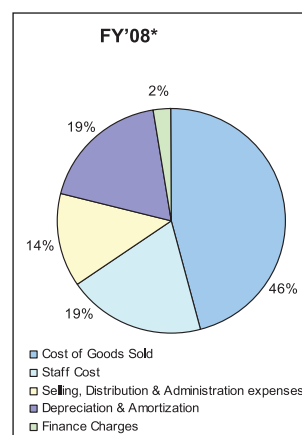
ICT solutions - Rs. 933.25 million revenue contributing Rs. 272.83 million gross margins.

Smart Class TM - Rs. 1277.82 million revenue contributing Rs. 741.24 million gross margins.

Others (Retail) - Rs. 153.61 million revenue contributing Rs.86.68 million gross margins.



Expense Analysis



Personnel Expenses:

(Rupees in millions)

Particulars	March 31, 2008	March 31, 2007
Personnel Expenses	338.54	105.13
% of Total Revenue	12.23	9.37

Personnel expenses consist of compensation to all employees. It includes salaries, contribution to provident fund, bonus and retirement benefits. It also includes expenses incurred on staff welfare. The total personnel cost increased by 222.02% to Rs 338.54 millions from Rs 105.13 millions during the year with total staff strength going up from 1422 to 3955.

What Learning Can Be

Educomp Solutions Limited

Depreciation:

Depreciation has increased to Rs. 322.95 millions during FY'08 compared to Rs. 93.93 millions in previous fiscal year with gross block increasing to Rs. 2,645.27 millions from Rs. 936.19 millions. Depreciation as a percentage of total revenue was 11.66% as on March 31, 2008 and 8.37% as on March 31, 2007. The absolute higher charge was due to normal capital expenditure in both tangible and intangible assets of the Company while depreciation as a percentage of gross block at the beginning of the year was increased from 10.0% to 12.21% during FY'08.

(Rupees in millions)

Particulars	March 31, 2008	March 31, 2007
Depreciation	322.95	93.93
% of Total Revenue	11.66	8.37

Administration and Other expenses:

The total administration and other expenses which covers expenses like office expenses, advertisement/publicity/business promotion expenses, rent, traveling/conveyance, legal & professional expenses and recruitment and training expenses increased by 52.69% to Rs. 238.40 millions from Rs. 156.13 millions. Administration and other expenses as a percentage of total income was 8.61%, down from 13.92% in FY'07 due to economies of scale and revenue growth in all the business segments of the Company.

(Rupees in millions)

Particulars	March 31, 2008	March 31, 2007
Administration and other expenses	238.40	156.13
% of total income	8.60	13.84

Cost of goods sold:

Cost of goods sold has increased to Rs. 797.29 millions from Rs. 304.21 millions in FY'07. Cost of goods sold as a percentage of total revenue was 28.79%, up from 27.12% in FY'07. The increase is a result of execution of contracts with outright sale of infrastructure in ICT and Smart_Class segments, which is a deviation from the normal BOOT model.

(Rupees in millions)

Particulars	March 31, 2008	March 31, 2007
Cost of Goods Sold	797.29	304.21
% of total revenue	28.79	27.12

Finance Charges:

Interest expenses increased from Rs. 13.29 millions to Rs. 41.89 millions during FY'08 due to availment of term loan amounting to 419.32 mn and enhancement in working capital facilities from 12 mn to 20 mn. In terms of percentage of total income, interest has gone up to 1.51% in FY'08 from 1.18% last year.

(Rupees in millions)

Particulars	March 31, 2008	March 31, 2007
Finance charges	41.89	13.29
% of total income	1.51	1.18

Miscellaneous expenditure

During the year, preliminary expenditure amounting to 0.2 mn is w/o which pertains to payment of statutory dues related to Issue of shares.

(Rupees in millions)

Particulars	March 31, 2008	March 31, 2007
Misc. expenditure	0.20	0.20

Provision for taxation

Income tax expense comprises the current income tax and the net change in the deferred tax assets and liabilities in the respective years.

Income tax expense comprises taxes on income from operations in India. Income tax payable in India is determined in accordance with the provisions of the income tax Act, 1961. The present Indian corporate tax rate is 33.99% comprising base rate, surcharge and education cess.

(Rupees in millions)

Particulars	March 31, 2008	March 31, 2007
Current tax	167.56	116.93
Deferred Tax	156.00	43.15
Fringe benefit	5.79	3.11
Total	329.35	163.19

The Company's current tax expense in FY'08 has increased by 43.30% to Rs. 167.56 millions from Rs. 116.93 millions with increase in sales. Current tax expense represented 6.05% of the total income in FY'08 and 10.42% of the total income in FY'07. Income tax expense on profit before tax and prior period items was 16.27% in FY'08 and 26.0% in FY'07.

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FBT (Fringe Benefit Tax) has been calculated at Rs 5.79 millions for FY'08, which is 0.56% of the PBT as compared to 0.69% in FY'07.

Financial Position:

Particulars	31st Mar 08	31st Mar 07
I. Sources of funds		
1. Share Holder's Fund	2868.20	1,146.97
(a) Share Capital	172.47	159.85
(b) Employee stock option outstanding	82.72	-
(c) Reserves & Surplus	2613.01	987.12
2. Deferred Tax	212.69	56.99
3. Secured Debt	523.01	175.47
4. Unsecured Debt	3149.42	1071.39
TOTAL (1+2+3+4)	6753.32	2,450.82
II. Application of Funds		
1. Net Fixed Assets	2314.28	793.86
Gross Block	2645.27	936.19
Less Depreciation	531.75	218.24
Net Block	2113.52	717.95
Add CWIP	200.76	75.91
2. Investments	709.75	281.10
3. Net Current Assets (A-B)	3728.90	1,375.28
A. Current Assets	4308.36	1,603.49
(a) Inventories	14.10	32.54
(b) Receivables	1144.55	493.52
(c) Others	3149.71	1,077.43
B. Current Liabilities	579.46	228.21
Miscellaneous Expenditure	0.39	0.58
TOTAL (1+2+3)	6753.32	2,450.82

Share Capital:

The total paid-up Equity Share Capital stood at Rs. 172.47 millions as on 31st March, 2008 as compared to Rs. 159.85 millions as on March 31, 2007. The change in share capital is attributed to following:

- During the year, Company has issued 1,240,750 equity shares on conversion of \$ 24.5 million 1% Foreign Currency Convertible Bonds.
- During the year, Company has issued 20,710 Equity shares on conversion of \$ 1.5 million Zero coupon Foreign Currency Convertible Bonds.

A statement of movement in the equity share capital is given below:

	March 31, 2008		March 31, 2007	
	No. of Equity shares	Rs. in millions	No. of Equity shares	Rs. in millions
Balance at the beginning of the year	15,985,104	159.85	15,959,783	159.60
Bonus share issued by capitalization	-	-	-	-
Allotment of shares pursuant to conversion of FCCB	1,261,460	12.62	25,321	0.25
Public issues	-	-	-	-
Balance at the closing of the year	17,246,564	172.47	15,985,104	159.85

Reserve & Surplus

Movement in Share premium account is given as below:

(Rupees in millions)

	March 31, 2008	March 31, 2007
Share premium-opening balance	504.16	507.67
Add: receipt on allotment of equity shares	1,046.27	22.53
Less: utilized on allotment of bonus shares	-	-
Less: Adjustment of tax benefit taken on FCCB expenses in previous year	13.21	-
Less: FCCB issue expenses	55.05	26.04
Balance at the end of the year	1,482.17	504.16

The addition to the share premium account of Rs. 1,046.27 millions during the year is due to the premium received on Issue of 1,261,460 Equity shares, on conversion of US\$ 26 millions Foreign Currency Convertible Bonds as per details explained in share capital head as above.

During the year an amount of Rs. 55.05 millions (Previous year Rs. 26.04 millions) was debited on account of expenses incurred for issue of US\$ 80 million zero coupon Foreign Currency Convertible Bonds as per provisions of section 78 of Companies Act, 1956.

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General Reserve

Out of the profits for the year ended March 31, 2008, Rs. 70.06 millions representing 10% of the profits have been transferred to the general reserve.

Profit and Loss Account:

Movement in Profit & Loss Account is shown as below:

(Rupees in millions)

	March 31, 2008	March 31, 2007
Profit & Loss Account-opening balance	454.57	228.87
Add: Addition during the year	700.61	285.84
Less: Proposed dividend	43.20	33.08
Less: Tax on Proposed Dividend	7.34	5.62
Less: Transferred to General Reserve	70.06	21.44
Balance at the end of the year	1034.58	454.57

The balance retained in the profit and loss account as of March 31, 2008 after providing dividends Rs. 1034.58 millions.

The total shareholder funds of the Company increased to 2,868.20 millions as on March 31, 2008 from 1,146.97 millions as on March 31, 2007.

The book value per share as at March 31, 2008 stood at Rs. 166.31 per share on the basis of issued capital.

Loan funds

(Rupees in millions)

Particulars	March 31, 2008	March 31, 2007
Secured Loans	523.01	175.47
Unsecured Loans	3149.42	1071.39

Secured loans increased from Rs 175.47 millions to Rs. 523.01 millions during FY'08. This is mainly due to availing term loan from banks for purchase of fixed assets.

Unsecured loan:

The 1% FCCB aggregating to US\$ 25mn raised in FY 07 was converted into equity and thus loan liability stands reduced by US\$ 25 mn. However, during the year Company raised Zero Coupon FCCB, worth US\$. 80 mn, thereby, increasing the unsecured loans from 1071.39 million to 3149.42 million. The Zero Coupon Bonds were raised for Financing overseas acquisition, Capital expenditure and

other expenditure as per RBI regulation. As per terms and condition of the Offering Circular issued by the Company for FCCB, the Bond holders have the option to convert these bonds into equity shares, at a price of Rs. 2949.83 per share with a fixed exchange rate of Rs. 40.73 per US \$ 1, at any time on or after September 4, 2007 but before July 19, 2012.

Capital Expenditure

(Rupees in millions)

Particulars	March 31, 2008	March 31, 2007
Addition to Fixed assets	1,723.68	644.67
Increase in capital Work-in-progress	124.85	9.38

Company has incurred an amount of Rs. 1723.68 millions, (Rs. 644.67 millions in the previous year) as capital expenditure comprising additions to gross block of assets excluding capital work-in-progress. Capital work-in-progress was 200.76 millions as on March 31, 2008 as compared to Rs. 75.91 millions as on March 31, 2007. The increase in CWIP of Rs. 124.85 pertains to both acquisition of tangible and intangible assets.

a) Additions to gross block:

(Rupees in millions)

Particulars	March 31, 2008	March 31, 2007
Computer Equipments	1,175.37	460.73
Land & Building	65.78	-
Leasehold Improvement	4.36	-
Vehicles	4.49	1.22
Office Equipment and Furniture & Fixture	195.40	46.54
Intangible assets	278.28	136.18
Total	1,723.68	644.67

During the year, Company has added Rs. 1,175.37 millions for investment in computer equipment, Rs. 65.78 millions for construction of office building, Rs. 4.36 millions for renovation of leasehold assets, Rs. 4.49 millions for purchase of vehicle & Rs. 195.40 millions towards other office equipment & furniture and fixtures. An amount of Rs. 278.28 millions was incurred, primarily on account of purchase of Intangible assets mainly for upgrading the Repository of Smart Class™ Educational digitized content / pre - School Curriculum & launch of "Math Guru" - an online Initiative.

b) Capital Commitments:

(Rupees in millions)

Particulars	March 31, 2008	March 31, 2007
Capital commitment	-	7.47

Company has Nil capital commitment of as on March 31, 2008 compared to Rs. 7.47 millions as on March 31, 2007.

Deferred Tax

(Rupees in millions)

Particulars	March 31, 2008	March 31, 2007
Deferred tax liability-opening balance	56.99	13.84
Deferred tax provision for the year	155.70	43.15
Deferred tax liability-closing balance	212.69	56.99

Company has recorded deferred tax liability of Rs. 155.70 millions as of March 31, 2008 compared to Rs. 43.15 millions as of March 31, 2007. Deferred tax assets/ liability represent timing differences in the financial and tax books arising from depreciation on assets, provision for sundry debtors and provision for retirement benefits.

Investments

(Rupees in millions)

Particulars	March 31, 2008	March 31, 2007
Trade investment (at cost)	713.10	283.82
Investment in mutual funds	-	0.63
Total Investment	713.10	284.45
Provision for diminution in value of investment	3.35	3.35
Net investment	709.75	281.10

Company has made strategic investments in various companies, total amount of such investments net of provisioning as at March 31, 2008 is Rs. 713.10 millions as against Rs. 283.82 millions as of March 31, 2007.

During the year, Company has made an outlay of Rs. 250 million in Educomp Infrastructure Private Limited, Rs. 37.5 million in Educomp School Management Limited and Rs. 142.69 million out of which 141.79 million is considered as an additional investment and 0.91, which pertains to share application money, considered under loans & advances.

Inventories:

(Rupees in millions)

	March 31, 2008	March 31, 2007
Educational Products	4.30	15.26
Technology Equipment	9.80	17.28
Total	14.10	32.54

The Company had inventories of Rs. 14.10 millions as on March 31, 2008 as against Rs. 32.54 millions as on March 31, 2007.

Sundry debtors:

(Rupees in millions)

	March 31, 2008	March 31, 2007
Sundry debtors(net) (Rs. Millions)	1,144.55	493.52
% of sales	43.67	46.31
Debtor collection period (days)	159	169

Sundry debtors' amounts to Rs. 1,144.55 millions (net of provision for doubtful debts amounting to Rs. 0.68 millions) as of March 31, 2008 as compared to Rs. 493.52 millions (net of provision for doubtful debts amounting to Rs. 0.68 millions)

Provisions are generally made for all debtors outstanding for more than 180 days as also for others, depending on the management's perception of the risk.

Debtors as a percentage of sales are high due to the seasonality pattern and nature of the business, wherein 38-47% of the total sales are booked in the later part of the fourth quarter, which have not become due for payment.

Debtors are 43.67% of sales as of March 31, 2008 as compared to 46.31% as on March 31, 2007.

Debtors' collection period has been reduced to 159 days as of March 31, 2008 as compared to 169 days as on March 31, 2007.

Cash & Bank balances:

(Rupees in millions)

	March 31, 2008	March 31, 2007
Cash & Bank balances	543.41	307.70
Fixed deposits	2246.90	641.89
Total	2790.31	949.59
Restricted	38.76	100.44

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As on March 31, 2008, the Company had cash & bank balances of Rs. 2790.31 millions (Rs. 949.59 millions as on March 31, 2007). Cash & bank balances include fixed deposits of Rs. 38.76 millions (previous year 100.44 millions), pledged with bank as security deposit against bank guarantees issued to customer mainly State Governments under ICT Segment.

Loans and Advances

(Rupees in millions)

	March 31, 2008	March 31, 2007
Share application money	0.91	13.73
Security Deposits/EMD	75.56	26.41
Statutory refunds	0.77	9.94
Other Loans & Advances	223.91	61.27
Total	301.15	111.35

Loans and advances as on March 31, 2008 were Rs. 301.15 millions (Rs. 111.35 millions as on March 31, 2007). Significant items of loans and advances were, share application money pending allotment, 0.91Millions to subsidiary (Rs. 13.73 million as on March 31, 2007), Rs. 75.56 millions given security deposits/ EMD to Government & other customers (Rs. 26.41 millions as on March 31, 2007), Rs.0.77 millions towards statutory refunds (Rs. 9.94 millions as on March 31, 2007) and loans & advances for miscellaneous purposes Rs. 223.91 millions (Rs. 61.27 million as on March 31, 2007).

Other Current assets:

(Rupees in millions)

	March 31, 2008	March 31, 2007
Income accrued but not due	9.84	0.21
Interest accrued but not due	48.41	16.28

Other current assets cover mainly Income accrued, but not due, i.e. unbilled revenue and Interest accrued but not due.

Current liabilities

(Rupees in millions)

	March 31, 2008	March 31, 2007
Acceptances and Sundry Creditors	423.75	135.58
Employee Payable	29.62	13.96
Other Liabilities	14.99	17.05
Interest accrued but not due	-	5.00
Advance from customers	15.01	5.07
Unpaid dividend	0.06	0.03
Total	483.43	176.69

Current liabilities have increased to 483.43 millions as on March 31, 2008 as compared to Rs. 176.69 millions. The increase is mainly due to increase in acceptances and sundry creditors from Rs. 135.58 millions as on March 31, 2007 to Rs. 423.75 millions as on March 31, 2008.

Provisions

(Rupees in millions)

	March 31, 2008	March 31, 2007
Staff benefits	10.76	4.37
Income Tax (net of TDS/Adv. Tax)	33.66	7.59
Fringe benefit tax (net of Adv. Tax)	1.07	0.86
Proposed dividend	43.20	33.08
Tax on Proposed dividend	7.34	5.62
Total	96.03	51.52

Provisions made towards taxes, employee retirement benefits, proposed dividend and tax on dividend aggregated to Rs. 96.03 millions as on March 31, 2008 (Rs. 51.52 millions as on March 31, 2007). Significant provisions include provision for proposed dividend amounting to Rs. 43.20 millions as on March 31, 2008 (Rs. 33.08 millions as on March 31, 2007), Tax on proposed dividend amounting to Rs. 7.34 millions as on March 31, 2008 (Rs. 5.62 millions as on March 31, 2007) and Provision for Income tax and fringe benefit tax amounting to Rs. 34.73 millions, net of advance tax / Tax deducted at source as on March 31, 2008 (Rs. 8.45 millions, net of advance tax / Tax deducted at source as on March 31, 2007) and Provision for staff benefits Rs. 10.76 millions (Rs. 4.37 millions as on March 31, 2007).

Final Dividend

(Rupees in millions)

	March 31, 2008	March 31, 2007
Proposed Dividend	43.20	33.08
Tax on Proposed dividend	7.34	5.62
Total	50.54	38.70

A Final Dividend of 25% has been proposed, subject to the approval of shareholders.

Earning per Share

(Rupees in millions)

	March 31, 2008	March 31, 2007
Basic earning per share (Rs.)	41.38	17.90
Diluted earning per share (Rs.)	35.13	15.87

Basic and Diluted Earnings per share (EPS) as per computation based on AS 20 issued by The Institute of Chartered Accountants of India (ICAI) was Rs. 41.38 and Rs. 35.13 respectively as on March 31, 2008 against Rs. 17.90 and Rs. 15.87 as on March 31, 2007.

Cash Flows:

(Rupees in millions)

	March 31, 2008	March 31, 2007
Cash & cash equivalents from operating activities	680.98	180.42
Cash & cash equivalents from investing activities	(2,157.16)	(884.58)
Cash & cash equivalents from financing activities	3,306.57	1,090.75
Net increase in Cash & cash equivalents	1,830.39	386.59
Opening Cash & cash equivalents	949.59	596.59
Exchange difference on translation of foreign currency cash and cash equivalents	10.33	(33.59)
Closing Cash & cash equivalents	2,790.31	949.59

The Cash generated from operations increased from Rs. 180.42 millions as on March 31, 2007 to Rs. 680.98 millions as on March 31, 2008.

The inflow on account of operating profits before working capital change was Rs. 1,376.29 millions as on March 31, 2008 as compared to Rs. 558.12 millions as on March 31, 2007, registering an increase of 146.59%. The increase was mainly on account of higher profits before taxes, compared to last year.

The cash outflow on account of investing activities increased by Rs. 1,272.58 millions from Rs. 884.58 millions as on March 31, 2007 to Rs. 2,157.16 millions as on March 31, 2008. This increase utilization is mainly attributable to increase in purchase of fixed assets (including CWIP) and Investment in subsidiaries.

The net proceeds from financing activity was Rs. 3,306.57 millions as on March 31, 2008 as compared to Rs. 1,090.75 millions as on March 31, 2007, resulting into an inflow of Rs. 2,215.82 millions. The inflow is primarily on account of proceeds from issue of \$ 80 million Foreign Currency Convertible Bonds and availing of term loan.

Ratings/ Resources/ Liquidity:

Educomps' Short term debt program (Commercial paper) has been rated by CRISIL at "P1" which reflects timely payments of interest and principal on the short-term fund based facility.

CRISIL has also assigned rating "SME1" indicating that level of creditworthiness, adjudged in relation to other SME is "Highest".

Fitch rating has assigned rating A (stable) for the long-term debt program (Non-Convertible Debentures) of the Company.

CRISIL has assigned rating A / Stable for the cash credit facilities of the Company.

Educomp funds its long term and project related Financing requirements from a combination of internally generated cash flows and external sources through term-loans.

Company's long-term debt (both secured and unsecured) as on March 31, 2007 stood at Rs.3672.43 million.

Company's debt equity ratio including the long-term & short-term debt as on 31 March 2008, is 1.22 including the FCCB.

Company's cash flows provide a cover of more than 16.58 times its annual interest obligations on long term loan.

Educomp has already build up a consortium of four banks with State Bank of Patiala, Commercial Branch, Janpath as the lead bank to fund it to meet its Rupee based Fund & Non Fund based facility to meet to its expansion needs. The total sanctioned facilities (Fund and Non fund based) are Rs. 147.50 crore. The Credit lines are generally fixed & renewed annually.

During the year, the Company issued at par 5-year, Zero Coupon Foreign Currency Convertible Bonds (FCCB) at an exercise price of Rs. 2949.83 per share aggregating to US \$ 80 million (Rs. 3,237.60 million as on the date of issue) for

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financing overseas acquisition, capital expenditure and other expenditure as per RBI regulation. As per terms and condition of the Offering Circular issued by the Company for FCCB, the Bond are convertible by holders of the Bonds (the "Bondholders") into fully paid equity shares of the Company with full voting rights with par value Rs. 10 per share of the Company (the "Shares") at any time on or after 4th September, 2007 (or such earlier date as is notified to the Bondholders by the Company) and prior to the close of business on 19th July, 2012, unless previously redeemed, converted or repurchased and cancelled.

The Bonds may be redeemed in cash in whole, but not in part, at their Early Redemption Amount, at the option of the Company at any time on or after 25th July, 2009 and on and prior to 19th July, 2012, subject to satisfaction of certain conditions. These bonds are redeemable at 141.087% of the principal amount on July 26, 2012 unless previously converted, redeemed or purchased and cancelled.

The Company has incurred an expenditure of Rs. 55.05 million towards issue expenses of these bonds. These expenses have been charged to securities premium account as provided under section 78 of the Companies Act, 1956.

Out of the proceeds of the bond issue, Rs. 2207.57 million (equivalent to US\$ 55.04 million) is lying in fixed deposits at March 31, 2008 in foreign currency with State Bank of India, London.

Threats, Challenges & Risk Mitigation:

Our success is mainly attributable to our intellectual property, our reach, experience and quality processes. Our growth is closely monitored through a systematic MIS process. All key functions and divisions are independently responsible to monitor risk associated within their respective business segments. At Educomp, Introduce new and complimentary products/ventures and as an end to end K-12 solutions provider, Educomp aspires to cover every part of the value chain and it plans to strengthen its Direct Initiatives business by pursuing innovative programs. To this end, Educomp has launched new products targeting retail consumers, such as Learning Hour™, LearnHub and now higher education initiatives and its own design and fashion institutes. It also continues its work to introduce research-based products and invest in new ventures.

We recognize that we can only grow and prosper if we can:

- Acquire and retain top quality talent on a continual basis.
- Execute efficiently and manage growth challenges.
- Keep investing in R&D.
- Remain close to the customer and track customer trends at all times.

- Introduce new innovative learning solutions at all times.
- Move up the value chain and leverage our unique capabilities.
- Continue to provide quality learning solutions.

Challenges:

India Education system is facing challenges like "Poor Quality of Education" & "Access to Education". Both these challenges lead to the underperformance of the education system. Children in almost every country of the world are reporting falling academic performance, in the US for instance over 78% of grade XII students are either under-proficient in Math or have failed in math. This underperformance is also coupled with factors like :

- Lack of motivation at student level
- No drivers for literacy development
- Differentiated instruction

Educomp with its research driven, solution based approach is addressing the problems of lack of motivation at student level, creating research based strategies which help motivate learners and heighten teachers engagement in classroom activities.

In addition, Educomp has developed strategies for increasing literacy development focus not only on improving reading skills, but also on developing students higher-order thinking skills, providing teachers tools to focus on literacy, so that they find effective ways to integrate technology into learning goals.

Educomp is also addressing the challenge of differentiated instruction i.e. how do teachers meet the needs of diverse learners? Our Research and Development Division has created content which is based on pedagogy and cognitive skills which solves the problem of differentiated instruction. Teachers use content in the class room to enhance learning efficiency. Use of IT in classroom and outside classroom is increasing day-by-day and various Projects such as One Laptop Per Child (OLPC) initiative, Classmate PC from Intel and other low cost PC initiatives are all focused on bringing the technology in the hand of every child. Educomp's partnership with Microsoft Xbox 360 will revolutionize the way since the students can learn through a gaming platform.

Educomp is leveraging its IP, the experience of its strong team and capital to create new age education. We have been successful in making classrooms high performing, result oriented and technology enabled. We have also prepared thousands of teachers to take on the challenge of education for 21st century.

Threats & Risks:

Major External risks have been outlined as below:

1. Changes in the Government in India or in Government policies could adversely affect the Company's business, results of operations and financial condition
2. The Company is dependent on third parties for procurement of equipment and certain performance obligations that are critical to the success of its business in the Smart_Class™ and ICT Solutions segments.
4. Our products are closely linked to the prevailing education curriculum and systems. If there is a change in the education system our products may need substantial change or may be rendered obsolete.
5. There are risks to our warehouses from fire, riots, vandalism, terrorism and other law and order problems.
 1. Any change in computer hardware costs due to any changes in taxes, duties, levies etc can also affect our business if the cost becomes higher.

Internal Risks:

1. **Our ability to execute projects on tight timelines and ensuring that we are able to handle challenges of growth.**
In order to address this, we have developed an MIS, which is process controlled and driven. This is continuously being monitored by Top Management to ensure that we meet the deadlines and Implement/ execute the projects effectively.
2. **One of the related challenges is to attract talented people to work with the Company and also retaining the pool of this talent.**
Company plans to adopt an ESOP plan as a step towards retention of its senior and key Management team members. Our present the attrition rate is quite low. The Company is also focused on ensuring increasing levels of employee's satisfactions and has implemented employee friendly policies.
3. **To cater to increasing number of schools, Company has to invest increasingly higher amounts in capital costs, which are towards purchase of hardware and related infrastructure facilities.**
To mitigate this, Company has plans to raise long-term debts/ may resort to rising of fresh issue of capital or alternative means of financing.
4. **Our content is exposed to the risks of Piracy and infringement of copyright;**
Our products are mainly sold to Institutional clients, where the risks of copyright infringement and piracy are minimal. We have also developed in-house software engines, where encryption and decryption

takes place in password protected codes. In addition to this, our Smart Class™ is protected by standard protection policies in the industry i.e. 'HASP LOCK"s.

5. Delay in payments from Government:

The payment system with the government is subject to delays due to bureaucratic process. As a proactive measure, at the tendering stage only, cost of payment delays are being built into the price of product/ services offered.

6. Margin- pressures:

Generally there are no margin-pressures in our core business, except in case of our business with the government. At the same time, the intensified competition for human resources in India is resulting in higher wage levels. Due to above, margins could be under pressure.

In order to mitigate the risk, parallel the Company is moving into higher value added services, effectively managing costs, entering into global markets and creating more IP driven products.

Outlook & Expansion:

Growth:

During the year, Educomp has set up new benchmarks and has envisaged a growth both at top and bottom levels. Educomp has been growing continuously at a growth of more than 126.92% CAGR on a Year-on-Year basis over the past two years.

Growth is a way of life in Educomp. Our growth is a combination of both inorganic and organic growth. Organically we have tremendous opportunity to expand our business since our market penetration for almost all our products is very low , for instance both of smart class and ICT in which we have a dominant position we are less than 2% of the market . For products like Mathguru, EduSchools and tutoring we are looking at very large markets in which we have just got started. We are investing in organic growth by growing our sales teams and penetration into more cities. In FY09 we would have a presence in over 100 cities across the country.

Inorganically we have been very strategic in our thinking , our acquisitions have bought us access to markets and access to competencies across geographies , for instance Ask n Learn gave us access to Singapore and South Asia, Learning.com gives us access to North America, LearnHub gave us access to education communities and Authorgen to unique IP in the tutoring space which Three Brix gave us an entry into supplemental learning. One of our growth engine will be our foray into Higher Education Space through our proposed Joint Venture with Raffles Education Company .

Educomp shall continue to look for strategic opportunities in the acquisition area as well as fast and efficient penetration into the India domestic markets for organic growth.

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Competitive Strengths

The Company's past performance and future prospects are directly related to a combination of competitive strengths, including the following:

- Large market share: The Company currently holds a significant market share in all of its main product categories and is the leader in the ICT Solutions market, by comparison of the number of schools under contract with a presence in 6,004 Public schools in India. It owns the India's largest K-12 content library through its Smart_Class™ program and has significant presence in over 933 private schools in India modules that the Company has itself developed.
- Scalable business model: The Company consistently seeks new ways to monetise the content library that it has developed. Through Smart_Class™, it has developed a scalable model that has been tested through its roll-out into 933 private schools and 1.04 million students.
- Large library of proprietary content in a variety of regional languages and end uses: Over the last 12 years, Educomp has developed India's largest repository of more than 16,000 multimedia content/modules for Smart_Class™, over 15,000 modules for MathGuru™, over 100,000 pages of learning content for the Roots to Wings™ program and 40 books for the Millennium Leadership System™. Educomp's content is available in upto 10 regional languages of India, which the Company believes makes it the most comprehensive content library of its kind. These products are unique to Educomp, both in terms of their breadth of coverage and the research-based approach employed in their development across all K-12 age groups.

The Company has consistently maintained its competitive edge by developing such innovative products right through to its more recent expansion into Direct Initiatives with MathGuru™, Roots to Wings™, Millennium Leadership System™, Learning centres, LearnHub and Learning Hour™. The Company works closely with educational organisations worldwide to continually improve its content and delivery methods. The Company has entered into an agreement with Raffles Institution (RI) Singapore, under which Raffles Institution will provide exclusive consultancy and curriculum development, staff training, school management process and training services for schools set up by the Company and its affiliates for grades VII to XII. The Company also entered into a strategic partnership with Microsoft Licensing G.P. in FY 2008, enabling it to make its multimedia content curriculum

available for use on the Xbox 360 platform, which currently has over 0.05 million users worldwide.

- Strong client base: The Company, by virtue of being a "first mover" in the educational technology market and currently growing at an annual rate of more than 100 per cent, has established a strong and prominent client base and entered into long-term contracts with proven and established educational establishments in India like schools, such as Delhi, Public School, St. Johns, Balbharti Public School, Modern School, PSBB, Chennai, Velamal Group of Schools, Chennai, SBOIA, Chennai, St. Paul, Mumbai, St. Mary, Mumbai, Oakridge School, Hyderabad, Shishu Kunj Public School, Indore and Shemrock Chandigarh, among others.
- Strong marketing approach: Educomp employs a team of dedicated marketing people who are directly responsible for rolling out the Company's products to new and existing clients. It expects this number to increase as the Company broadens its range of target schools.
- Moving up the value chain: Following its success with Smart_Class™ and ICT Solutions, the Company is now planning to expand its content library in relation to its other complimentary businesses, in particular its Direct Initiatives. In addition to organic growth, the Company has completed a number of strategic acquisitions, which it believes allows it to provide a more comprehensive product range, particularly with respect to its K-12 and higher education businesses. In relation to these businesses, the Company has sought to vertically integrate, in order to establish itself as a full education service provider, offering a mix of services like infrastructure management, intellectual property, whole school packages, e-learning, multimedia content delivery, learning centres, LearnHub, pre-schools, day care and now higher education through provision of skill based and degree courses to students. E-learning, in particular, is growing at a very high rate, with Mathguru™ experiencing a 500% growth in subscribers in the twelve months to 31 March, 2008.
- Trusted Brand: Educomp has emerged as the most trusted brand in the K-12 education space.

Going Forward

Our focus shall be on improving student performance, reskilling teachers, improving quality of education, providing access to education and school accountability, all the areas in which Educomp's existing product portfolio fits in very well. Further the pressures of "School to workplace" are collapsing the higher education delivery system resulting in students wanting to acquire and schools wanting to provide solutions that provide accelerated learning , life skills , concept building

etc., which the traditional education delivery system in schools is ill equipped to provide.

Our focus, going forward shall be to seek new customers, leverage our huge repository of content both domestically as well as globally, increased and better penetration, building up K-12 brick & mortar schools, as a part of its organic growth. Educomp focus shall be to expand both organically as well as inorganically.

Company is expanding globally, by seeking to develop value partnerships in markets like APAC Region & USA. Our recent acquisitions of ASK nLearn & Learning.com is a step in creating APAC & USA markets for our IP, Content & education solutions.

We are continuously seeking new customers domestically for existing products and increasing our client base : In FY 2009, Educomp is expected to have a direct marketing presence in over 100 + cities across India and is working towards expanding its breadth of customers. Mathguru™ has already established a strong and growing client base since its July 2006 launch; Roots to Wings™, the Company's pre-school initiative has been launched with three already established pre-schools and additional 15 franchisees lined up; Smart_Class™ continues to develop content and in particular, more educational modules. Further, the Company intends to grow the business by opening new pre-schools or, if appropriate, acquiring existing complimentary pre-schools.

We continue to offer Educomp's products internationally: The Company, via its subsidiaries, is working to expand the use of Smart_Class™ in the US market and the APAC Region, focusing primarily on universal subjects like mathematics and science, taking advantage of homogeneity. Initially, the Company has targeted California and Texas as key potential markets by addressing the underperforming schools within their system, which the Company believes will lead to additional business due to their progressive outlook on the use of technology and their large available budgets for education (California alone spends U.S.\$1.7 billion per annum (*Source ISSN: 17421004, Issue 2 dated 2005*), the most by any state in the USA, on instructional material).

Educomp is pursuing and shall pursue new and complimentary products/ventures: As an end to end K-12 solutions provider, Educomp aspires to cover every part of the value chain and it plans to strengthen its Direct Initiatives business by pursuing innovative programs. To this end, Educomp has launched new products targeting retail consumers, such as Learning Hour™, LearnHub and now higher education initiatives and its own design and fashion institutes. It also continues its work to introduce research-based products and invest in new ventures. It has also recently initiated new ventures such as the establishment and management of its own K-12 schools via its subsidiaries, in support of which, the Company has signed an MOU with

Raffles Institution (RI), Singapore, under which Raffles Institution will provide consultancy advice and ongoing service for International Schools. As mentioned above, the Company will also be venturing into the higher education business and expanding its online initiatives to the K-12 market in China pursuant to two joint venture arrangements with Raffles Education Corp announced on 27 May 2008.

Educomp will continue to seek to pursue selective strategic acquisitions and minority investments to augment its capabilities, broaden its service offerings and increase its geographic presence and to tap the huge unexplored markets both at domestic front as well as global front.

Our recent Initiative to set up K-12 , brick and mortar schools, which will be run and managed by independent trust is a stepping foundation for providing quality education as well as solving the problem of Access to Education.

Human Resource Development/ Employees:

S. No.	Qualification	Manpower
1	Graduate/ BCA	1984
2	Post Graduate / B Ed/ M.Ed / M.Phil	390
3	MCA	270
4	MBA	490
5	Others	821
	Total	3955

Educomp, being a people oriented Company; its human resources are very precious and valuable to its growth and consistent profitability. It is Educomp's endeavour to create an environment where people can use all of their capabilities and contribute effectively for the organization authorities and responsibilities are properly delegated and duly accounted for.

The Company recognizes the importance of human resource development and several initiatives are taken aimed are motivations the employees. Training and development of employees continues to be important focus areas of increasing the competency levels in the organization.

The Company also believes in nurturing young talents through its people interventions and management training schemes, which strive to develop business managers for tomorrow. These youngsters are equipped with professional degrees and ethics.

We had 3955 employees as on 31st March, 2008. Educomp has embarked on a performance Linked incentive system for its Key Employees. Apart from this, Educomp has formulated an appraisal system based on Key Result Area's (KRA'S).

Social responsibility:

Your Company believes in being a responsible part of the community and contributing back to it in every manner. Our

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focus has been the differently abled part of our society. We have engaged with this section of our society in several ways
a) By employing them in Educomp b) by supporting NGOs that focus on sustainable programs for the differently abled.
C) By making our products also available to children who are differently abled specifically our pre-school program Roots to Wings™ has been created to be "inclusive".

We have decided to focus on adults with disabilities and their problems and the barriers they face in getting equal opportunities in their life. Our aim is to ensure that there is an improvement in the quality of their life, appropriate skill training is taken and that they are employed in appropriate areas. We are aware that these micro efforts can only be effective if there is advocacy in public about their issues so that a solution to their problems can be found.

We continue our partnering with an NGO called 'Friends Organization' which works in enhancing the life of the differently abled through recreational activities, advocacy and through providing employment to them.

We sponsored their awareness raising campaign and supported their initiative to educate parents about how they should make appropriate provisions for their wards and how the Government helps them through their different programmes.

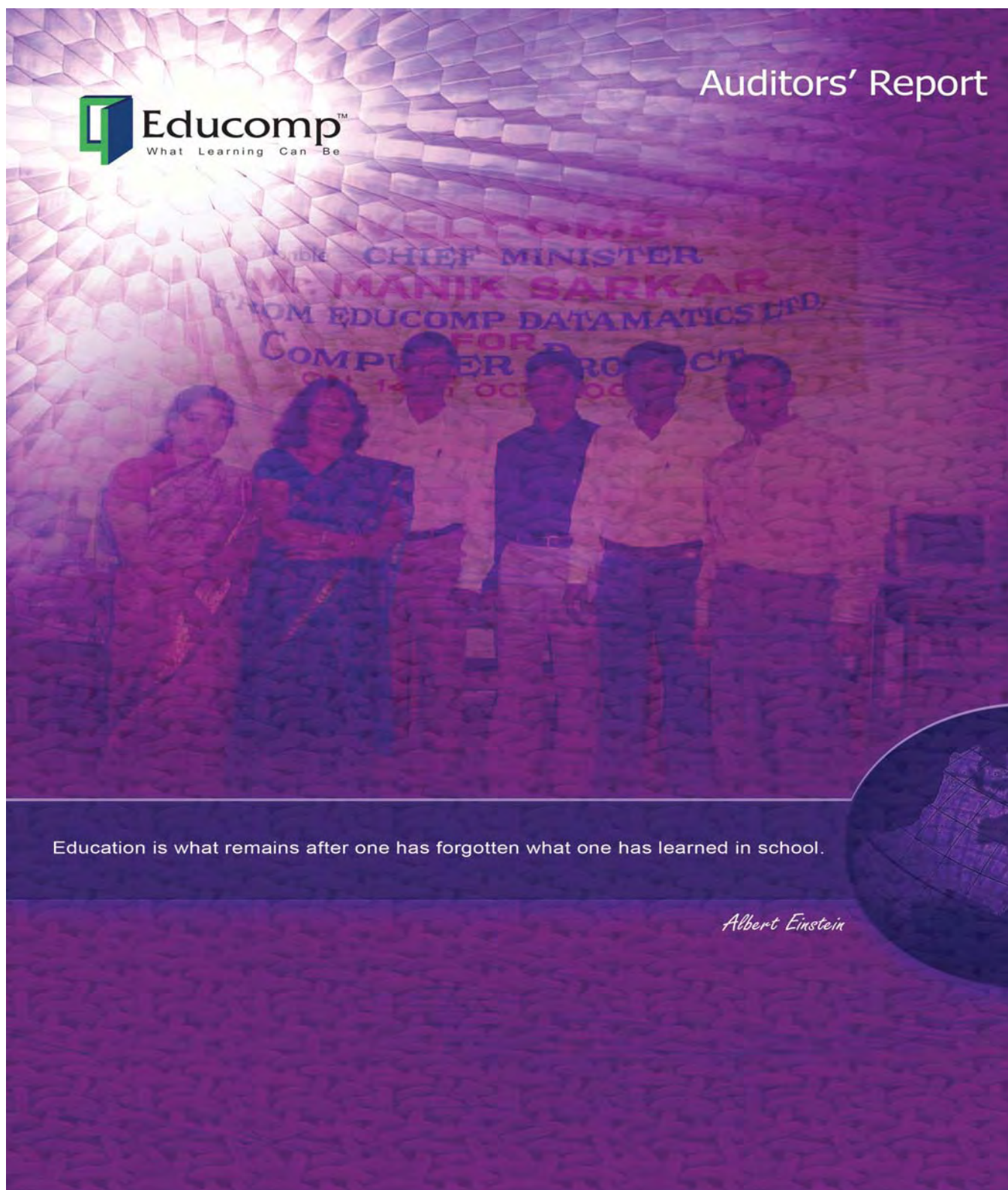
Internal control systems and their adequacy:

The Company has proper and adequate system of internal controls that all assets are safeguarded and protected against loss from unauthorized use or protected against loss from unauthorized use or disposition and all the transactions are authorized, recorded and reported correctly. Management continuously reviews the internal control systems and procedures to ensure orderly efficient conduct of business. The review included adherence to the management policies and safeguarding the assets of the Company.

The Company regularly conducts internal audits, using external and internal resources to monitor the effectiveness of internal controls of the Company. The Audit Committee of the Board deals with the significant control issue rose by the internal and external auditors and instructs further areas to be covered.



Auditors' Report



Education is what remains after one has forgotten what one has learned in school.

Albert Einstein

AUDITORS' REPORT

To the Members of

Educomp Solutions Limited

1. We have audited the attached Balance Sheet of Educomp Solutions Limited ("the Company") as at 31st March, 2008 and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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 Companies (Auditors Report) Order, 2003 as amended by The Companies (Auditor's Report) (Amendment) Order, 2004 issued by Central Government of India in terms of Section 227 (4A) of 'The Companies Act, 1956' of India (the Act) and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we give in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that:
 - 1) 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;
 - 2) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
- 3) The Balance Sheet, Profit & Loss account and the Cash Flow Statement dealt with by this report are in agreement with books of account;
- 4) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in subsection (3C) of Section 211 of the Act;
- 5) On the basis of written representations received from the Directors as on 31st March, 2008 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2008 from being appointed as a Director in terms of clause (g) of sub section (1) of Section 274 of the Act;
- 6) In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with accounting principles generally accepted in India;
 - a) in the case of Balance Sheet, of the state of affairs of the company as at 31st March, 2008;
 - b) in the case of Profit & Loss Account, of the profit for the year ended on that date, and
 - c) in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For **Anupam Bansal & Co.**
Chartered Accountants

Anupam Bansal

Proprietor

Place : New Delhi

Dated : 2nd June, 2008

Membership No.: F- 087699

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Educomp Solutions Limited on the financial statements for the year ended 31st March, 2008]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets of the Company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion and according to information and explanation given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed in physical verification of inventory as compared to book records were not material.
3. (a) The company has granted unsecured loans, to a enterprise covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs. 47.58 million.
- (b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the company.
- (c) In respect of the aforesaid loans, the parties are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.
- (d) In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lakh.
- (e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five lacs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, income-tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess and other material statutory dues as applicable with the appropriate authorities.

Educomp Solutions Limited

- (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income-tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
10. The Company has no accumulated losses as at 31st March 2008 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which, have been used for long-term investment (except permanent working capital).
18. 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 during the year.
19. There are no debentures outstanding at the year-end.
20. Management has disclosed the end-use of money raised by public issues, (to the extent utilized) and the same has been duly verified by us (refer note 2(vi), schedule 18).
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For **Anupam Bansal & Co.**
Chartered Accountants

Anupam Bansal
Proprietor

Place : New Delhi
Dated : 2nd June, 2008

Membership No.: F- 087699

Educomp Solutions Limited

Balance Sheet as at 31st March, 2008

(Rupees in millions)

	Schedule	As at	
		31 st March, 2008	31 st March, 2007
Sources of funds			
Shareholders' funds			
Share capital	1	172.47	159.85
Employee stock option outstanding (refer note 1 (x) & 2(iv) schedule 18)		82.72	-
Reserves and surplus	2	2,613.01	987.12
Loan funds			
Secured loans	3	523.01	175.47
Unsecured loans	4	3,149.42	1,071.39
Deferred tax liability (Net) (refer note 1(xiii) & 2 (x), schedule 18)		212.69	56.99
		<u>6,753.32</u>	<u>2,450.82</u>
Application of funds			
Fixed assets			
	5		
Gross Block		2,645.27	936.19
Less: Accumulated depreciation		531.75	218.24
Net block		2,113.52	717.95
Capital work in progress		200.76	75.91
		2,314.28	793.86
Investments	6	709.75	281.10
Current assets, loans and advances			
	7		
Inventories		14.10	32.54
Sundry debtors		1,144.55	493.52
Cash and bank balances		2,790.31	949.59
Loans and advances		301.15	111.35
Other current assets		58.25	16.49
		4,308.36	1,603.49
Less : Current liabilities and provisions			
	8		
Liabilities		483.43	176.69
Provisions		96.03	51.52
		579.46	228.21
Net current assets		3,728.90	1,375.28
Miscellaneous Expenditure [to the extent not written off or adjusted]	9	0.39	0.58
		<u>6,753.32</u>	<u>2,450.82</u>
Significant Accounting Policies & Notes to the accounts	18		

This is the Balance Sheet referred to in our report of even date

For **Anupam Bansal & Co.**
Chartered Accountants

Anupam Bansal
Proprietor
Membership No: F-087699

Place : New Delhi
Dated : 2nd June, 2008

The above schedules form an integral part of Balance Sheet

Shantanu Prakash

Chairman & Managing Director

Jagdish Prakash

Whole-time Director

Gopal Jain

Director

Shonu Chandra

Director

Mohit Maheshwari

Company Secretary

What Learning Can Be

Annual Report 2007-08

Profit and Loss Account for the year ended 31st March, 2008

(Rupees in millions)

	Schedule	Year Ended	
		31st March, 2008	31st March, 2007
Income			
Sales & Service income	10	2,620.95	1,065.74
Other income	11	148.08	55.98
		2,769.03	1,121.72
Expenditure			
Cost of goods sold	12	797.29	304.21
Personnel expenses	13	338.54	105.13
Administration and other expenses	14	238.23	155.26
Finance charges	15	41.89	13.29
Depreciation		322.95	93.93
Miscellaneous Expenditure written off		0.20	0.20
		1,739.10	672.02
Profit before tax		1,029.93	449.70
Provision for income tax (refer note 2 (v), schedule 18)			
- Current tax		167.56	116.93
- Deferred tax		156.00	43.15
- Fringe benefit tax		5.79	3.11
Profit after tax and before prior period items		700.58	286.51
Prior period Items	16	(0.03)	0.67
Profit after tax & prior period items		700.61	285.84
Add: Balance brought forward from previous year		454.57	228.87
Amount available for appropriations		1,155.18	514.71
Appropriations			
Proposed dividend		43.20	33.08
Tax on proposed dividend		7.34	5.62
General Reserve		70.06	21.44
Balance carried to Reserve & surplus		1,034.58	454.57
Earning per share (Rs.)	17		
Basic		41.38	17.90
Diluted		35.13	15.87
Significant Accounting Policies and Notes to the accounts	18		

This is the Profit & Loss Account referred to in our report of even date

For **Anupam Bansal & Co.**
Chartered Accountants

Anupam Bansal
Proprietor
Membership No: F-087699

Place : New Delhi
Dated : 2nd June, 2008

The above schedules form an integral part of the Profit & Loss Account

Shantanu Prakash
Jagdish Prakash
Gopal Jain
Shonu Chandra
Mohit Maheshwari

Chairman & Managing Director
Whole-time Director
Director
Director
Company Secretary

What Learning Can Be

Educomp Solutions Limited

Cash Flows Statement for the year ended 31st March, 2008

(Rupees in millions)

Particulars	Year Ended	
	31st March, 2008	31st March, 2007
Cash flows from operating activities		
Net profit before taxation and after prior period as per Profit and Loss Account	1,029.96	449.03
Adjusted for:		
Misc Expenses written off	0.20	0.20
Net prior period adjustments	(0.03)	0.67
Provision for doubtful debts/ advances	-	0.11
Depreciation	322.95	93.93
Unrealised Foreign exchange effects	13.47	35.88
Dividend income	(35.00)	(1.79)
Interest / other income	(79.94)	(33.14)
Interest expense	41.89	13.21
ESOP Amortisation cost	82.72	-
Loss / (Profit) on Sale of Fixed Assets	0.07	0.02
Operating profit before working capital changes	1,376.29	558.12
Adjusted for:		
Trade & other receivables	(648.26)	(244.25)
Inventory	18.44	(15.16)
Loans & Advances	(231.56)	(75.94)
Trade & Other Payables	313.11	127.70
Cash generated from operations	828.02	350.47
Net prior period adjustments	0.03	(0.67)
Taxes Paid	(147.07)	(169.38)
Net cash from operating activities	680.98	180.42
Cash flows from investing activities		
Purchase of fixed assets (including capital work-in-progress)	(1,848.54)	(654.04)
Proceeds from Sale of fixed assets	5.08	0.15
Investment in subsidiaries	(429.28)	(272.21)
Redemption of 5% cumulative preference shares	-	6.25
Purchase of Investments (Un-quoted, Non trade)	-	(250.03)
Sale of Investments (Un-quoted, Non trade)	0.64	250.37
Dividend income	35.00	1.79
Interest income	79.94	33.14
Net cash used in investing activities	(2,157.16)	(884.58)

Cash Flows Statement for the year ended 31st March, 2008 (Contd.)

(Rupees in millions)

Particulars	Year Ended	
	31st March, 2008	31st March, 2007
Cash flows from financing activities		
Proceeds from issue of Foreign Currency Convertible Bonds (FCCB)	3,109.45	1,094.18
FCCB issue expenses	(68.26)	(39.25)
Proceeds/ (Repayment) of long-term borrowings	241.64	73.16
Financing against stocks/book debts (working capital)	-	-
Temporary Overdraft facility against fixed deposits	105.91	3.14
Payment of dividend (including dividend tax)	(40.28)	(27.27)
Interest on borrowings	(41.89)	(13.21)
Net cash from financing activities	3,306.57	1,090.75
Net increase in cash and cash equivalents	1,830.39	386.59
Opening cash and cash equivalents	949.59	596.59
Exchange difference on translation of foreign currency cash and cash equivalents	10.33	(33.59)
Closing cash and cash equivalents	2,790.31	949.59

Significant accounting policies and notes to the accounts
(refer schedule 18)

Notes to the Cash Flow Statement:

- Cash and cash equivalents consists of following:
Cash in hand & Balances with Banks Rs. 543.41 million (Previous year Rs 307.70 million)
Fixed deposits with banks Rs. 2,246.90 million (Previous Year Rs 641.89 million)
- Cash & cash equivalent at the end of the period includes Fixed deposits with banks in the form restricted cash of Rs. 38.76 million (previous year Rs. 100.44 million) available as margin money against bank guarantee and pledged against temporary over draft which are not freely remissible to the Company.

This is the Cash Flow Statement referred to in our report of even date
For **Anupam Bansal & Co.**
Chartered Accountants

Anupam Bansal
Proprietor
Membership No: F-087699

Place : New Delhi
Dated : 2nd June, 2008

The above schedules form an integral part of the Cash Flow Statement

Shantanu Prakash
Jagdish Prakash
Gopal Jain
Shonu Chandra
Mohit Maheshwari

Chairman & Managing Director
Whole-time Director
Director
Director
Company Secretary

Educomp Solutions Limited

Schedules forming part of the Balance Sheet

(Rupees in millions)

	As at	
	31st March, 2008	31st March, 2007

Schedule 1 : Share capital

Authorised

20,000,000 equity shares of Rs. 10 each 200.00 200.00

Issued, subscribed and paid up

(refer note 2(iii), schedule 18)

17,246,564 equity shares of Rs. 10 each, fully paid-up 172.47 159.85

(Previous year 15,985,104 equity shares of Rs. 10 each fully paid-up)

172.47 159.85

Note:

- On September 2, 2005 Preferential Allotment was made for 1,000,000 shares, of Rs 10/- each fully paid-up, at a premium of Rs 100/- per share.
- On January 6, 2006 4,000,000 equity shares of Rs 10 each fully paid at a premium of Rs 115/- each per share were offered and allotted through Book Building Process of Initial Public Offerings.
- Out of above, 6,486,402 were allotted as bonus shares by capitalization of Share Premium Account on 2nd August, 2005.
- Out of the above 1,266,071 equity shares of Rs. 10 each were allotted as fully paid-up shares on conversion of US\$ 25 million 1% Foreign Currency Convertible Bonds (FCCB) as per the terms of conversion, for consideration other than cash.
- Out of the above 20,710 equity shares of Rs. 10 each were allotted as fully paid-up shares on conversion of US\$ 1.5 million Zero coupon Foreign Currency Convertible Bonds (FCCB) as per the terms of conversion, for consideration other than cash.

Schedule 1A : Employee stock option outstanding

(refer note 1(x) & 2(iv), schedule 18)

Employee stock option outstanding 575.70 -

Less: Deferred stock compensation expenses 492.98 -

82.72 -

Schedules forming part of the Balance Sheet

(Rupees in millions)

	As at	
	31st March, 2008	31st March, 2007
Schedule 2 : Reserves and surplus		
Share premium account (refer note 2(iii), schedule 18)		
Opening Balance	504.16	507.67
Add: On conversion of US\$ 26.0 million (Previous Year US\$ 0.5 million)		
Foreign currency convertible bonds into Equity shares under both FCCB issues.	1,046.27	22.53
	1,550.43	530.20
Less:- Adjustment of tax benefit taken on FCCB expenses in previous year	13.21	-
Less:- FCCB issue expenses	55.05	26.04
	1,482.17	504.16
General Reserve		
Opening Balance	28.39	6.95
Add :Transferred from Profit and Loss Account	70.06	21.44
	98.45	28.39
Profit and Loss Account		
As per Profit & Loss Account	1,034.58	454.57
Less: Payment of excess dividend for the year 2006-07	1.60	-
Less: Charge on account of transitional provision under Accounting Standard 15 (net of tax)	0.59	-
	1,032.39	454.57
	2,613.01	987.12

Educomp Solutions Limited

Schedules forming part of the Balance Sheet

(Rupees in millions)

	As at	
	31st March, 2008	31st March, 2007
Schedule 3 : Secured loans		
From banks		
Cash credit/Temporary overdraft	184.09	78.18
-Term loan	338.92	97.29
[Due within one year Rs 95.62 million, (previous year Rs. 25.32 million)]		
	<u>523.01</u>	<u>175.47</u>

Notes

1. Cash credit facility is secured by a first charge on stocks and book debts of the Company and personal property of the Managing Director of the Company.
2. Temporary overdraft is secured by the fixed deposits.
3. Term loan is secured by first charge on all current assets including receivables and all movable or immovable assets of the Company and personal guarantee of the Managing Director and Director of the company.

Schedule 4 : Unsecured Loan

- Other than banks

(refer note 2(iii), schedule 18)

Foreign Currency Convertible Bonds

-US\$ 80 Million Zero Coupon Foreign Currency Convertible Bonds -FCCB 2012	3,149.42	-
-US\$ 25 Million 1% Foreign Currency Convertible Bonds-FCCB 2011	-	1,071.39
	<u>3,149.42</u>	<u>1,071.39</u>

Schedules forming part of the Balance Sheet**Schedule 5 : Fixed assets** (refer note 1(iv), schedule 18)

(Rupees in millions)

	Gross block			Accumulated depreciation				Net block	
	As at 1st April, 2007	Additions during the year	Deletions during the year	As at 31st March, 2008	As at 1 April, 2007	Depreciation for the year	Adjustment on deletions	As at 31st March, 2008	As at 31 March, 2007
Tangible									
Land (freehold)	8.23	-	-	8.23	-	-	-	8.23	8.23
Building	-	65.78	-	65.78	-	1.89	-	63.89	-
Leasehold improvements	7.16	4.36	-	11.52	4.33	1.15	-	6.04	2.83
Office equipment	12.26	6.12	1.09	17.29	5.68	1.83	1.09	10.87	6.58
Furniture and fixtures	54.13	189.28	5.58	237.83	10.85	23.38	0.80	204.40	43.28
Computers and accessories	552.88	1,175.37	6.97	1,721.28	92.09	197.81	6.97	1,438.35	460.79
Vehicles	4.28	4.49	0.96	7.81	1.94	1.14	0.58	5.31	2.34
Intangible									
Software	79.98	20.08	-	100.06	63.07	12.73	-	24.26	16.91
Knowledge-based content	217.27	258.20	-	475.47	40.28	83.02	-	352.17	176.99
Total	936.19	1,723.68	14.60	2,645.27	218.24	322.95	9.44	2,113.52	717.95
Previous year	350.81	644.67	59.28	936.19	183.42	93.93	59.11	717.95	167.39
Capital work in progress [includes capital advances of Rs. 175.92 million (Previous Year Rs. 2.75 million)]									
Grand Total								2,314.28	793.86

Educomp Solutions Limited

Schedules forming part of the Balance Sheet

(Rupees in millions)

	As at	
	31st March, 2008	31st March, 2007
Schedule 6 : Investments		
(refer note 1(viii), schedule 18)		
A) Long Term, Unquoted, Trade, at Cost		
a) Investment in Subsidiaries		
85,899 equity shares (previous year 85,899) of Rs. 10 each, fully paid-up, in Wheatstone Productions Private Limited.	3.35	3.35
Less: Provision for diminution in the value of investment	(3.35)	(3.35)
9,98,132 equity shares (previous year 3,47,000) of USD 1 each, fully paid-up, in Edumatics Corporation, USA.	43.35	16.01
53,550 equity shares(previous year 53,550) of Rs 10 each, fully paid-up, in Educomp Learning Pvt. Ltd.	1.96	1.96
22,658 equity shares (previous year 22,658 of Rs. 10 each, partly paid-up) of Rs 10 each, fully paid-up, in Educomp Infrastructure Pvt. Ltd.	499.99	250.00
34,000 equity shares (previous year 34,000 of Rs. 10 each, partly paid-up) of Rs 10 each, fully paid-up, in Educomp School Management Ltd.	50.00	12.50
50,000 equity shares (previous year Nil) of Rs 10 each, fully paid-up, in Threebrix E-Services Pvt. Ltd.	25.00	-
10,58,094 equity shares (previous year Nil) of Rs 10 each, fully paid-up, in Authorgen Technologies Pvt. Ltd.	27.06	-
15,09,463 equity shares (previous year Nil) of S\$ 1 each, fully paid-up, in Educomp Asia pacific Pte. Ltd.	40.49	-
50,000 equity shares (previous year Nil) of Rs 10 each, fully paid-up, in Educomp Software Limited	0.50	-
50,000 equity shares (previous year Nil) of Rs 10 each, fully paid-up, in Educomp Professional Education Limited	0.50	-
b) Others		
5,26,316 equity shares (previous year Nil) of C\$ 1 each, fully paid-up, in Savvicca Inc	20.90	-
	709.75	280.47
B) Current, Non- Trade , Unquoted		
Liquid dividend plan (including dividend reinvested)		
DSP Merrill Lynch liquidity Fund-weekly regular dividend Nil units (previous year 9,939.021) of Rs. 10 each	-	0.12
Standard Chartered Liquidity Manager-weekly dividend Nil units (previous year 19,400.320) of Rs. 10 each	-	0.19
Templeton India Institutional Plan-Daily Dividend Re-investment Nil units (previous year 304.75 units) of Rs. 1000 each	-	0.32
	-	0.63
	709.75	281.10

What Learning Can Be

Schedules forming part of the Balance Sheet

(Rupees in millions)

	As at	
	31st March, 2008	31st March, 2007
Schedule 7 : Current assets, loans and advances		
Inventories		
(refer note 1(vii), schedule 18)		
Finished goods - trading		
Education products	4.31	15.26
Technology equipment	9.79	17.28
	<u>14.10</u>	<u>32.54</u>
Sundry debtors		
a) Debts outstanding for a period exceeding six months		
Unsecured, Considered good	300.08	320.12
Unsecured, Considered doubtful	0.68	0.68
	<u>300.76</u>	<u>320.80</u>
b) Other debts		
Unsecured, Considered good	844.47	173.40
Unsecured, Considered doubtful	-	-
	<u>844.47</u>	<u>173.40</u>
Less : Provision for Doubtful debts	0.68	0.68
	<u>1,144.55</u>	<u>493.52</u>
Note:		
Due from companies under the same management		
Lakshya Digital Private Limited	3.24	3.24
Educomp School Management Limited	3.76	-
Cash and bank balances		
(refer note 1(ix) & 2(iii), schedule 18)		
Cash in hand	2.22	1.66
Cheques in hand	508.55	80.63
Bank Balance		
-with scheduled banks		
- in current account	31.98	28.01
- in cash credit account*	-	189.97
- in fixed deposits**	39.33	112.83

Educomp Solutions Limited

Schedules forming part of the Balance Sheet

(Rupees in millions)

	As at	
	31st March, 2008	31st March, 2007
- with Foreign Banks		
- in current account		
- ICICI Bank , London, UK	-	7.15
[(maximum amount outstanding during the year Rs.179.06 million (Previous year Rs. 1,098.35 million)]		
- Sampath Bank, Colombo, Srilanka	0.66	0.28
[(maximum amount outstanding during the year Rs. 1.17 million (Previous year Rs. 0.40 million)]		
- in fixed deposits		
- ICICI Bank, London, UK	-	529.06
[(maximum amount outstanding during the year Rs. 529.06 million (Previous year Rs. 1,098.35 million)]		
SBI , London, UK	2,207.57	-
[(maximum amount outstanding during the year Rs. 2970.05 million (Previous year Rs. Nil)]		
	2,790.31	949.59

* Cash Credit facilities are secured by a first charge on stocks and book debts of the Company and personal property of the Managing Director of the Company.

** Including fixed deposits of Rs. 38.76 million (Previous Year Rs. 100.44 million) pledged with bank as security deposit against bank guarantees issued to customer and temporary over draft from bank.

Loans and advances

(Unsecured, considered good unless otherwise stated)

Loans and advances to subsidiaries

-Unsecured, Considered good	99.89	13.73
Advances recoverable in cash or in kind or for value to be received		
-Unsecured, Considered good	201.26	97.62
-Unsecured, Considered doubtful	0.11	0.11
	201.37	97.73
Less: provision for doubtful advances	0.11	0.11
	301.15	111.35

Notes:

Loans and Advances to subsidiaries

Educomp Infrastructure Private Limited	92.93	-
Educomp Asia Pacific Pte. Limited	5.55	-
Educomp Software Limited	0.33	-
Educomp Professional Education Limited	0.17	-
Educomp Corporation ,Inc*	0.91	13.73

*share application money pending allotment.

Other current assets

Income accrued but not due	9.84	0.21
Interest accrued but not due	48.41	16.28
	58.25	16.49

What Learning Can Be

Schedules forming part of the Balance Sheet

(Rupees in millions)

	As at	
	31st March, 2008	31st March, 2007

Schedule 8 : Current liabilities and provisions**Current liabilities**

(refer note 2(xiii), schedule 18)

Acceptances	23.44	63.89
Sundry creditors	400.31	71.69
Employee payables	29.62	13.96
Other liabilities	14.99	17.05
Advance from customers	15.01	5.07
Interest accrued but not due on loans/Bonds	-	5.00
Unpaid dividend on Equity shares	0.06	0.03
	483.43	176.69

Notes:

1. Sundry creditors includes Rs. 49.84 million (Previous year Rs. 19.57) payable to Educomp Learning Private Limited, subsidiary of the Company.

Provisions

(refer note 1(x) & (xiii) schedule 18)

Employee benefits	10.76	4.37
Income tax	33.66	7.59
[net of advance income tax/TDS Rs. 131.22 million (previous year Rs. 87.88 million)]		
Fringe benefit tax	1.07	0.86
[net of advance tax Rs. 4.10 million (previous year Rs. 1.85 million)]		
Proposed dividend	43.20	33.08
Tax on proposed dividend	7.34	5.62
	96.03	51.52
	579.46	228.21

Schedule 9 : Miscellaneous Expenditure

[to the extent not written off or adjusted]

(refer note 1(xi), schedule 18)

Others

Opening balance	0.59	0.78
Less: amortised during the year	0.20	0.20
	0.39	0.58

Educomp Solutions Limited

Schedules forming part of the Profit and Loss Account

(Rupees in millions)

	Year Ended	
	31st March, 2008	31st March, 2007
Schedule 10 : Sales & Service income		
(refer note 1(ii) & 2(xiv), schedule 18)		
Sale of education products and technology equipment - trading	947.75	374.57
Education and other services	1,673.20	691.17
	<u>2,620.95</u>	<u>1,065.74</u>
Schedule 11 : Other income		
(refer note 1(ix), schedule 18)		
Interest income		
-Banks [Tax deducted at source Rs 0.30 million (previous year Rs. 1.89 million)]	73.85	30.36
-Others [Tax deducted at source Rs 1.36 million (previous year Rs. Nil)]	6.09	2.78
Lease & Hire income	7.14	6.74
Provisions no longer required, written back	-	0.09
Bad Debts recovered	-	0.18
Dividend Income (Non trade investment)	35.00	1.79
Foreign exchange gain (net)	23.27	-
Miscellaneous income	2.73	14.04
	<u>148.08</u>	<u>55.98</u>
Schedule 12 : Cost of goods sold		
(refer note 1(vii) & 2(xiv), schedule 18)		
Opening stock	32.54	17.38
Add: Purchases	778.85	319.37
Less: Closing stock	14.10	32.54
	<u>797.29</u>	<u>304.21</u>
Schedule 13 : Personnel expenses		
(refer note 1(x) & 2(iv), schedule 18)		
Salaries, allowances and bonus	239.14	98.87
Contribution to provident and other funds	14.97	5.36
Employee stock option plan compensation	82.72	-
Staff welfare	1.71	0.90
	<u>338.54</u>	<u>105.13</u>

Schedules forming part of the Profit and Loss Account

(Rupees in millions)

	Year Ended	
	31st March, 2008	31st March, 2007
Schedule 14 : Administration and other expenses		
(refer note 1(ix), schedule 18)		
Rent, rates and taxes	20.69	10.84
Travelling and conveyance	46.37	27.93
Recruitment and training	10.40	6.56
Legal and professional	30.83	30.72
Communication	12.98	9.05
Printing and stationery	29.53	16.34
Repair and maintenance		
- Building	0.24	0.31
- Others	16.91	7.36
Water and electricity	4.37	3.61
Insurance	0.71	0.80
Commission on sales	-	1.00
Advertisement, publicity and business promotion	33.01	22.04
Freight and forwarding	5.45	1.90
Bank charges	16.35	6.59
Bad debts and advances written-off	0.81	1.21
Provision for doubtful debts and advances	-	0.11
Foreign exchange loss (net)	-	4.99
Loss on sale of fixed assets	0.07	0.02
Miscellaneous expenses	9.51	3.88
	238.23	155.26

Schedule 15 : Finance charges

(refer 2(iii), schedule 18)

Interest -		
-Term loans	26.64	3.17
- Foreign currency convertible bonds	0.40	5.63
- others	14.85	4.49
	41.89	13.29

Educomp Solutions Limited

Schedules forming part of the Profit and Loss Account

(Rupees in millions)

	Year Ended	
	31st March, 2008	31st March, 2007
Schedule 16 : Prior period items		
Salaries, allowances and bonus	-	0.49
Contribution to provident and other funds	-	0.02
Legal & professional	(0.03)	0.22
Interest-income others	-	(0.06)
	<u>(0.03)</u>	<u>0.67</u>
Schedule 17 : Earning per share		
(refer note 1(xv), schedule 18)		
Calculation of Profit for Basic EPS		
Net profit attributable to equity shareholders		
Net profit after tax and prior period items	700.61	285.84
Net profit available for calculation of basic EPS (A)	700.61	285.84
Calculation of Profit for Diluted EPS		
Net profit available for calculation of basic EPS	<u>700.61</u>	<u>285.84</u>
Add: interest accrued on FCCB during the year (Net of Tax)	0.26	3.74
Less: Exchange gain on FCCB (Net of Taxes)	50.62	26.86
Net profit available for calculation of diluted EPS (B)	<u>650.25</u>	<u>262.72</u>
No. of Weighted average equity shares		
Basic (C)	16,931,280	15,964,500
Effect of dilutive equity shares equivalent		
-Foreign Currency Convertible Bonds	1,058,610	584,962
-ESOP	521,126	-
Diluted (D)	<u>18,511,016</u>	<u>16,549,462</u>
Nominal value of equity share [Rs.]	10.00	10.00
Earning per share [Rs.]		
Basic (A/C)	41.38	17.90
Diluted (B/D)	35.13	15.87

18. Significant accounting policies and notes to the accounts

1. Significant accounting policies

(i) Basis for preparation of Financial Statements

The financial statements are prepared under the historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) in India and comply with the relevant accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in future, actual results ultimately may differ from the estimates.

(ii) Revenue recognition

The Company recognizes revenue on accrual basis. The Company derives its revenue from providing educational services comprising of ICT, Smart Class, Professional development, technology/ content licensing, sale of educational products and technology equipments.

The revenue from sale of educational products and technology equipment is recognized on transfer of property in goods which generally coincides with dispatch/ delivery to the customer.

Revenue from ICT & Smart class projects is recognized ratably over the period of the contract/contractual obligations. Revenue from professional development is recognized after the professional development services have been rendered to the customer. Revenue from online educational services is recognized upon receipt of subscription fee (non-refundable).

Licensing content revenue is recognized when the product/ technology/ content is delivered and accepted.

Interest on fixed deposits is recognized using the time proportion method, based on interest rates implicit in the transaction. Dividends income is recognized when the right to receive the same is established.

(iii) Expenditure

Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities.

(iv) Fixed assets/ Depreciation & Amortization

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Costs include all expenses incurred to bring the assets to its present location and condition for intended use.

Fixed assets purchased for utilization and implementing the contractual obligations under the project undertaken under ICT, Turnkey and Smart Class are depreciated on a straight-line basis over the period of contractual obligation ranging from 3-6 years.

Depreciation on other tangible fixed assets is provided at the written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

Leasehold improvements are amortized on the straight-line basis over the primary period of lease.

Assets costing less than Rs. 5,000 are fully depreciated in the year of purchase.

Intangible Assets

Intangible asset are stated at cost of acquisition less accumulated amortization. Amortization on the Intangible assets is provided on pro-rata basis on the straight-line method based on management's estimate of useful life, i.e. 3 years for software, 4 years for Knowledge-based content/Smart class software and period of licence for licenced intangible asset.

(v) Impairment of Assets

All assets other than inventories, financial assets including investments and deferred tax asset, are reviewed for impairment, wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An Impairment loss is charged to the Profit & Loss Account in the year in which an asset is impaired.

Reversal of impairment loss is recognized immediately as income in the Profit & Loss Account.

Educomp Solutions Limited

(vi) Leases

Lease rentals in respect of operating lease arrangements are recognized as an expense in the Profit and Loss account.

(vii) Inventories

Items of Inventories are measured at lower of cost and net realizable value after providing for obsolescence, if any. Cost of inventories comprises of cost of purchase, freight & other expenses incurred in bringing the inventories to their present location and condition. The cost is determined using the weighted average method.

(viii) Investments

Long-term Investments are stated at cost, less provision for other than temporary diminution in value.

Short term investments are carried at lower of cost and quoted value/ fair value, computed category-wise.

(ix) Foreign exchange transactions

- a. Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Receivables and payables at the year end are translated at the exchange rate prevailing on the balance sheet date and differences coming there on are recognized in profit and loss account except.?
- b. Monetary items denominated in foreign currencies at the year-end are re-stated at year-end rates.
- c. Realized gains and losses on foreign exchange transactions during the year, other than those relating to fixed assets, are recognized in the profit and loss account.
- d. Foreign currency assets and liabilities are translated at the year-end rates and resultant gains/ losses on foreign exchange translations other than those relating to fixed assets are recognized in the profit and loss account.
- e. In translating the Financial statements of liaison offices which are treated as integral foreign operations, the monetary assets and liabilities are translated at the rate prevailing on the balance sheet date; non monetary assets and liabilities are translated at the exchange rate prevailing at the date of transaction and income and expenses items are translated at the respective monthly average rate.
- f. The company uses forward exchange contracts to hedge the foreign currency risk of its highly probable forecast transactions in respect of foreign currency funds parked outside India. The premium or discount arising at the inception of such a forward contract is recognized in the profit or loss account at the time of inception.

(x) Employee benefits

a. Short-term employee benefits

Short-term employee benefits are recognized in the period during which the services have been rendered.

b. Long-term employee benefits

(i) Defined contribution plan

Contributions to provident fund are deposited with the appropriate authorities and charged to the Profit and Loss Account on accrual basis.

(ii) Defined benefit plan

Leave encashment- The Company has provided for the liability at the year end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit method in accordance with Accounting Standard 15(revised), "Employee benefits".

Gratuity- The Company provides for the Gratuity based on actuarial valuation as per the Projected Unit Credit method in accordance with Accounting Standard 15(revised), "Employee benefits".

c. Employee stock option scheme

The stock options are accounted as per the accounting treatment prescribed by the employee stock option scheme and Employee Stock Purchase Guidelines, 1999 issued by Securities Exchange Board of India, whereby the intrinsic value of the option being, excess of market value of the underlying share immediately prior to the date of award over its exercise price is recognized as deferred employee compensation with a

credit to Employee stock options outstanding account. The deferred employee compensation is charged to profit and loss account on straight line basis over the vesting period of the option. The balance in employee stock option outstanding account net of any unamortized deferred employee compensation is shown separately as part of shareholders fund.

(xi) Miscellaneous expenditure

Miscellaneous expenditure consists of fees for increase in authorized share capital and is amortized over the period of five years.

(xii) Borrowing cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

(xiii) Provision for tax

Tax expense for the year comprising current, deferred and fringe benefit tax is included in determining the net profit for the year.

Provision for current tax is based on the tax liabilities computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred Tax expense or benefit is recognized on timing difference between accounting and taxable income that originates in one year and are capable of reversal in one or more subsequent period. Deferred tax assets and liabilities are measured using the tax rates and laws that are enacted or substantively enacted by the balance sheet date.

The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable / virtual certainty that sufficient future taxable income will be available against which such deferred tax asset will be realized.

(xiv) Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

(xv) Earning per share

Basic Earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders after tax (and including post tax effect of any extra-ordinary item) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the period, are adjusted for events of bonus issue to existing shareholders.

For the purpose of calculating diluted earning per share, the net profits or loss attributable to equity shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential equity shares, if any.

(xvi) Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profits before tax is adjusted for the effect of transaction of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities are segregated.

Educomp Solutions Limited

2) Notes to accounts

(i) Contingent Liabilities

(Rupees in millions)

Sl. No.	Particulars	As at 31st March, 2008
a.	Claims against the Company not acknowledged as debt	2.02 (2.02)
b.	Guarantees issued by banks on behalf of the Company	281.55 (29.07)
c.	Corporate guarantee given to bank for secured loan to third party (related party)	170.00 (170.00)
d.	Corporate guarantee given to bank for secured loan to Subsidiary (related party)	120.36 (-)
e.	Uncalled liability on partly paid shares held in subsidiaries	- (287.50)
f.	Premium on redemption of 'US\$ 13.5 million 1% Foreign Currency Convertible Bonds Due 2011'	- (21.08)
g.	Premium on redemption of 'US\$ 80 million Zero Coupon Foreign Currency Convertible Bonds Due 2012'	1294.10 (-)

Notes:

- The loan outstanding by bank against the corporate guarantee in point no. (c) above as on 31st March, 2008 is Rs. 54.40 million (previous year 87.09 million).
- The loan outstanding by bank against the corporate guarantee in point no. (d) above as on 31st March, 2008 is Rs. 93.43 million (previous year Nil).
- Future outflows in respect of (a) above are determinable on settlement of claims with the party, in respect of (b), (c) & (d) on crystallization and demand made by bank, in respect of (e) on making of calls by Company and in respect of (f) & (g) on redemption of the bonds on the maturity date, if not converted before the maturity date as per the terms of issue of FCCB.
(Previous year figures are given in parenthesis.)

(ii) Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. Nil (Previous Year Rs. 7.47 million).

(iii) Foreign Currency Convertible Bonds (FCCB)

(a) US\$ 80 Million Zero Coupon Foreign Currency Convertible Bonds

- During the year, the Company issued at par 5-year, Zero Coupon Foreign Currency Convertible Bonds (FCCB) at an exercise price of Rs. 2949.83 per share aggregating to US \$ 80 million (Rs. 3,237.60 million as on the date of issue) for financing overseas acquisition, capital expenditure and other expenditure as per RBI regulation. As per terms and condition of the Offering Circular issued by the company for FCCB, the Bond are convertible by holders of the Bonds (the "Bondholders") into fully paid equity shares of the company with full voting rights with par value Rs. 10 per share of the Company (the "Shares") at any time on or after 4th September, 2007 (or such earlier date as is notified to the Bondholders by the Company) and prior to the close of business on 19th July, 2012, unless previously redeemed, converted or repurchased and cancelled.
- The Bonds may be redeemed in cash in whole, but not in part, at their Early Redemption Amount, at the option of the Company at any time on or after 25th July, 2009 and on and prior to 19th July, 2012,

subject to satisfaction of certain conditions. These bonds are redeemable at 141.087% of the principal amount on July 26, 2012 unless previously converted, redeemed or purchased and cancelled.

- (iii) The company has incurred an expenditure of Rs. 55.05 million towards issue expenses of these bonds. These expenses have been charged to securities premium account as provided under section 78 of the Companies Act, 1956.
- (iv) Out of the proceeds of the bond issue, Rs. 2207.57 million (equivalent to US\$ 55.04 million) is lying in fixed deposits at March 31, 2008 in foreign currency with State Bank of India, London.

(b) US\$ 25 Million 1% Foreign Currency Convertible Bonds

In 2006, the Company had issued at par 5-year, 1% Foreign Currency Convertible Bonds (FCCB) aggregating to US \$ 25 million (Rs. 1135.25 million as on the date of issue) for financing overseas acquisition, capital expenditure and other expenditure as per RBI regulation. All outstanding 1% Foreign Currency Convertible Bonds (FCCB) aggregating to US \$ 25 million have been converted into equity shares during the year leading to the capital base by 1240750 Equity Shares and all the proceeds out of US\$ 25 million bonds have been utilized as on 31.03.2008 as per the terms of the offering of FCCB.

(iv) Employees Stock Option Scheme

- (a) Pursuant to shareholder resolution dated 24th August, 2006, the Company introduced "Educomp Employees Stock Option Scheme 2006" which provides for the issue of 625,000 equity shares to employees of the company and its subsidiaries. The option vesting period was initially for five years from the date of award of option to employees at an exercise price approved by the remuneration committee. However the vesting period was increased to seven years as per the shareholders approval dated 13th September, 2007. Till date 6,25,000 Stock options have been granted under this scheme.

All the above options are planned to be settled in equity at the time of exercise and have maximum period of 7 years from the date of respective grants.

- (b) Pursuant to shareholder resolution dated 13th September, 2007, the Company introduced "Educomp Employees Stock Option Scheme 2007" which provides for the issue of 200,000 equity shares to employees of the company and its subsidiaries. The option vesting period was initially for seven years from the date of award of option to employees at an exercise price approved by the remuneration committee.. However the vesting period was increased to ten years as per the shareholders approval dated 11th February, 2008. Till date 82210 Stock options have been granted.

All the above options are planned to be settled in equity at the time of exercise and have maximum period of 10 years from the date of respective grants.

Educomp Solutions Limited

- (c) The information concerning stock options granted, exercised, forfeited and outstanding at the year end is as follows:

	As on 31st March, 2008		
	No. of stock options	Weighted average exercise price	Weighted average remaining contractual life (in Years)
Employee Stock Option Scheme 2006			
No. of shares under option			
Outstanding at the beginning of the year	Nil	-	
Granted	625000	125	
Exercised	-	-	
Forfeited during the year (Nos)	2500	-	
Outstanding at the end of year	622500	125	
Weighted average grant date fair value per option for options granted during the year at less than market value	625000	834	6*
Employee Stock Option Scheme 2007			
No. of shares under option			
Outstanding at the beginning of the year	Nil	-	
Granted	82210	Fair market value	
Exercised	Nil	-	
Forfeited during the year (Nos)	Nil	-	
Outstanding at the end of year	82210	Fair market value	
Weighted average grant date fair value per option for options granted during the year at less than market value	82210	1583	9.73

* All the options have been granted in the first year itself i.e on 1st April, 2008.

- (v) Provision for Current tax includes provision for earlier years amounting to Rs. 2.68 million (Previous year Rs. 6.43 million). Provision for Fringe benefit tax includes provision for earlier years amounting to Rs. 0.61 million (Previous year Rs. 0.40 million).

(vi) Utilization of Initial Public Offering (IPO) Proceeds

The company has utilized the gross public issue proceeds on issue of 40,00,000 Equity shares of Rs. 10/- each at a premium of Rs. 115/- per share in the following manner:

Particulars	Year ended 31st March, 2008 (Rs in millions)
Capital Expenditure	398.14
Investment in U.S Subsidiary	11.77
M & A Activity	37.50
Public Issue Expenses	52.59
Total	500.00

(vii) Derivative instrument

The company has outstanding foreign exchange forward contract of US \$ 35,000,000 (previous year US\$ Nil) as at 31st March, 2008 for hedging its exposure in respect of highly probable forecast transactions relating to foreign currency convertible bonds (FCCB) proceed parked with State Bank of India, UK receivable in US Dollars. The forward cover is taken in US Dollars.

(viii) Employee benefits

- The Company during the year adopted Accounting standard 15 (revised 2005) "Employee Benefits". Pursuant to adoption of the revised standard, as per the transitional provisions, the additional liability (net of tax) of Rs. 0.59 million upto 31st March, 2007 has been adjusted against opening accumulated profits.
- During the year, the Company has recognized the following amounts in the Profit and Loss Account.

Defined contribution Plan

(Rupees in millions)

	Year ended 31st March, 2008
Employer's Contribution to provident fund	7.66

Defined Benefit Plan

(Rupees in millions)

	Gratuity Unfunded	Leave encashment Unfunded
	Year ended 31st March, 2008	
Current service cost	2.24	2.07
Interest cost	0.32	0.10
Actuarial gain	0.68	0.91
Total	3.24	3.08

Educomp Solutions Limited

- c. Reconciliation of opening and closing balance of benefit obligation.

(Rs. In millions)

	Gratuity Unfunded	Leave encashment Unfunded
	Year ended 31st March, 2008	
Present value of obligation as at the beginning of the year	4.00	1.26
Interest cost	0.32	0.10
Current service cost	2.24	2.07
Benefit paid	(0.16)	(0.84)
Actuarial gain	0.68	0.91
Present value of obligation as at the end of the year	7.08	3.68

- d. Principal actuarial assumptions at the balance sheet date:

	Year ended 31st March, 2008
Discounting Rate	8%
Expected rate of increase in salary	8%

(ix) Operating Lease

- a. General description of lease terms:
- Assets are taken on lease over a period of 2 to 10 years.
 - Lease rentals are charged on the basis of agreed terms.
- b. The Company has taken on leases office space and technology equipments under non-cancellable operating lease. The lease rental expense recognized in the profit and loss account for the year in respect of such leases is Rs.18.28 million (previous year Rs. 9.20 million). The future minimum lease payments and payment profile of non-cancellable operating leases are as follows:

(Rupees in millions)

Particulars	As on 31st March, 2008	As on 31st March, 2007
Not later than 1 year	40.66	9.48
Later than 1 year but not later than 5 years	83.67	30.84
Later than 5 years	-	3.81
Total	124.33	44.13

- c. Assets given on lease:

- General description of lease terms:
 - Assets are given on lease over a period of 2 to 3 years.
 - Lease rentals are charged on the basis of agreed terms.
- The Company has given office space on sub lease. The future minimum sublease payment expected to be received as on March 31, 2008 Rs.12.11 million (previous year Rs 16.88).
Other Income includes income from operating lease of Rs. 5.52 million (previous year Rs. 3.82 million) under lease and hire income.

(x) Deferred tax liability

As per Accounting Standard (AS-22) on "Accounting for Taxes on Income " Issued by Institute of Chartered Accountants of India (ICAI), the Deferred Tax Liability (DTL) as at 31st March, 2008 comprises of the following:

(Rupees in millions)

Particulars	31st March, 2008	31st March, 2007
a) Deferred Tax Liability		
- Depreciation	217.65	60.62
b) Deferred Tax Assets		
- Expenses allowable on payment basis	4.73	3.05
- Provisions for doubtful debts and advances	0.23	0.23
- Expenses allowable as per Section 40 of the Income Tax Act, 1961	-	0.35
Deferred Tax Liability (Net)	212.69	56.99

(xi) Related party Disclosures:

As per Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosures of transactions with related parties as defined in Accounting Standard are given as below:

i) List of related parties with whom transactions have taken place and relationships:

Sl. No.	Name of Related Party	Relationship
1	Educomp Learning Private Limited	Subsidiary Companies (Direct & Indirect holding)
2	Wheatstone Productions Private Limited	
3	Edumatics Corporation, USA	
4	Educomp Infrastructure Private Limited	
5	Educomp School Management Limited	
6	Educomp Professional Education Limited	
7	Educomp Software Limited	
8	Educomp Asia Pacific Pte. Ltd.	
9	Threebrix E-services Pvt. Ltd.	
10	Authrogen Technologies Pvt. Ltd.	
11	Educomp Infrastructure Services Pvt. Ltd.	
12	AsknLearn Pte Ltd.	
13	Wiz Learn Pte Ltd.	
14	Pave Education Pte Ltd.	
15	Singapore learning.Com Pte Ltd.	
16	Shikhya Solutions Inc.	
17	Savvica Inc	Associates
18	Mr. Shantanu Prakash	Key Managerial Personnel
19	Mr. Jagdish Prakash	
20	Anjlee Prakash	Relatives of Key Managerial Personnel
21	Lalita Prakash	
22	Learning Leadership Foundation	Others
23	Learning Links Foundation	
24	Richmond Education Society	
25	Lakshya Digital Private Limited	
26	SEI Technology Private Limited	
27	Education Quality Foundation of India	

Educomp Solutions Limited

ii) Transactions during the year with related parties:

I. Details of Related Party Transactions for the year ended 31st March, 2008.

(Rupees in millions)

Particulars	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management Personnel	Others	Total
Revenues	33.77	-	-	-	253.45	287.22
(note 1)	(0.64)	(-)	(-)	(-)	(221.57)	(222.21)
Other Income	0.12	-	-	-	8.81	8.93
(note 2)	(0.12)	(-)	(-)	(-)	(5.70)	(5.82)
Loans & Advances	99.89	-	-	-	5.00	104.89
(note 3)	(13.73)	(-)	(-)	(-)	(40.25)	(53.98)
Purchase of Intangible Assets	72.97	-	-	-	-	72.97
(note 4)	(45.00)	(-)	(-)	(-)	(23.31)	(68.31)
Sale of Fixed Assets	-	-	-	-	-	-
(note 5)	(-)	(-)	(-)	(-)	(0.84)	(0.84)
Purchased of Investments	408.38	20.90	-	-	-	429.28
(note 6)	(272.21)	(-)	(-)	(-)	(-)	(272.21)
Remuneration	-	-	9.00	-	-	9.00
(note 7)	(-)	(-)	(6.60)	(-)	(-)	(6.60)
Redemption of Investments	-	-	-	-	-	-
(note 8)	(-)	(-)	(-)	(-)	(6.25)	(6.25)
Corporate Guarantees	120.36	-	-	-	170.00	290.36
(note 9)	(-)	(-)	(-)	(-)	(170.00)	(170.00)
Donation paid	-	-	-	-	0.50	0.50
(note 10)	(-)	(-)	(-)	(-)	(-)	(-)
Rent paid	0.29	-	-	-	-	0.29
(note 11)	(-)	(-)	(-)	(-)	(-)	(-)

Notes:

1. Includes Sales and services to:

- Learning Link Foundation Rs. 227.94 million (Previous year Rs. 148.84 million).
- Learning Leadership Foundation Rs. 25.51 million (Previous year Rs. 71.52 million).
- Educomp Learning Pvt. Ltd Rs. Nil (Previous year Rs. 0.64 million).
- Lakshya Digital Pvt. Ltd Rs. Nil (Previous year Rs. 1.21 million).
- Educomp School Management Ltd. Rs. 3.76 million (Previous year Rs. Nil).
- AsknLearn Pte Ltd. Rs. 30.00 million (Previous year Rs. Nil).

2. includes other income from:
 - Educomp Learning Pvt. Ltd Rs. 0.12 million (Previous year Rs.0.12 million).
 - Learning Link Foundation Rs. 0.12 million (Previous year Rs. 0.12 million).
 - Learning Leadership Foundation Rs. 2.67 million (Previous year Rs. 2.05 million).
 - Lakshya Digital Pvt. Ltd Rs. Nil (Previous year Rs. 0.86 million).
 - Richmond Education Society Rs. 6.02 million (Previous year Rs. 2.67 million).
3. loans and advances relates to:
 - Edumatics Corporation Rs. 0.91 millions (Previous year Rs. 13.73 million).
 - Richmond Education Society Rs. Nil (Previous year Rs. 40.25 million).
 - Educomp Infrastructure Pvt. Ltd. Rs. 92.93 million (Previous year Rs. Nil).
 - Educomp Asia Pacific Pte. Ltd. Rs. 5.55 million (Previous year Rs. Nil).
 - Educomp Professional Education Ltd. Rs. 0.17 million (Previous year Rs. Nil).
 - Educomp Software Ltd. Rs. 0.33 million (Previous year Rs. Nil).
 - Lakshya Digital Pvt. Ltd. Rs. 5.00 million (Previous year Rs. Nil).
4. Includes purchase of Intangible Assets from:
 - Educomp Learning Pvt. Ltd Rs. 72.97 million (Previous year Rs. 45.00 million).
 - Learning Link Foundation Rs. Nil million (Previous year Rs. 23.31 million).
5. Include sale of fixed assets to:
 - Lakshya Digital Pvt Ltd. Rs.Nil million (Previous year Rs. 0.84 million),
6. Represents investment made in:
 - Edumatics Corporation Rs. 27.34 million (Previous year Rs. 9.71 million).
 - Educomp Infrastructure Pvt. Ltd. Rs. 250.00 million (Previous year Rs. 250.00 million).
 - Educomp School Management Ltd. Rs. 37.50 million (Previous year Rs. 12.50 million).
 - Educomp Asia Pacific Pet. Ltd. Rs. 40.49 million (Previous year Rs. Nil).
 - Educomp Professional Education Ltd. Rs. 0.50 million (Previous year Rs. Nil).
 - Educomp Software Ltd. Rs. 0.50 million (Previous year Rs. Nil).
 - Authrogen Technologies Pvt. Ltd. Rs. 27.05 million (Previous year Rs. Nil).
 - Threebrix E-services Pvt. Ltd. Rs. 25.00 million (Previous year Rs. Nil).
 - Savvica Inc. Rs. 20.90 million (Previous year Rs. Nil)
7. Includes transaction for the year mainly with:
 - Mr. Shantanu Prakash Rs. 8.40 million (Previous year Rs. 6.0 million).
 - Mr. Jagdish Prakash Rs. 0.60 million (Previous year Rs. 0.60 million).
8. Includes Redemption of Investments from:
 - Lakshya Digital Pvt. Ltd. Rs. Nil million (Previous year Rs. 6.25 million).
9. Represents corporate Guarantee given to:
 - Educomp Asia Pacific Pte. Limited Rs. 120.36 million (previous year Rs. Nil). However, the loan outstanding against the guarantee of Rs. 120.36 million is Rs. 93.43 million (Previous Year Rs. Nil)
 - Learning leadership foundation Rs. 170.00 million (previous year Rs. 1700.00 million). However, the loan outstanding against the guarantee of Rs. 170.00 million is Rs. 54.40 million (Previous Year Rs. 87.08 million)
10. Includes Donation given to:
 - Education Quality Foundation of India Rs. 0.50 million (Previous year Rs. Nil).
11. Includes Rent paid to:
 - Educomp Learning Pvt. Ltd Rs. 0.29 million (Previous year Rs. Nil).

Educomp Solutions Limited

II. Balances with related parties:

(Rupees in millions)

Particulars	Subsidiaries	Key Management Personnel	Relatives of Key Management Personnel	Others	Total
Investment	688.85	-	-	20.90	709.75
	(280.47)	(-)	(-)	(-)	(280.47)
Debtors & loans & Advances	136.28	-	-	227.20	363.48
	(13.73)	(-)	(-)	(101.92)	(115.65)
Creditors, Loans & Advances	49.84	-	-	-	49.84
	(19.57)	(-)	(-)	(-)	(19.57)

(xii) Segment Reporting

The company has business segment as primary segment and geographical segment as secondary segment.

Revenue and expenses directly attributable to segments are reported under each reportable segment. All other expenses, which are not attributable or allocable to segments, have been disclosed as un-allocable expenses

Assets and liabilities that are directly attributable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as un-allocable.

A. Primary Segment Information:- Business Segments

(Rupees in millions)

Particulars	Professional Development	Smart Class	Instructional & Computing Technology (ICT)	Retail and Consulting	Total
Segment Assets	169.80	2085.27	785.54	59.31	3099.92
	(4.86)	(702.30)	(340.44)	(60.74)	(1108.34)
Unallocated Corporate Assets					4232.47
					(1,570.11)
Total Assets					7332.39
					(2,678.45)
Segment Liabilities	2.65	499.20	289.42	16.51	807.78
	(2.70)	(69.96)	(76.06)	(2.85)	(151.57)
Unallocated Corporate Liabilities					3656.80
					(1,380.49)
Total Liabilities					4464.58
					(1,532.06)
Capital Expenditure	-	1332.39	3.75	-	1336.14
	(-)	(480.59)	(41.27)	(-)	(521.86)
Unallocated Corporate Expenditure					512.89
					(132.19)
Total Capital Expenditure					1848.53
					(654.05)

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(Rupees in millions)

Particulars	Professional Development	Smart Class	Instructional & Computing Technology (ICT)	Retail and Consulting	Total
Depreciation & Amortization	-	202.91	11.38	-	214.29
	(-)	(35.79)	(22.45)	(-)	(58.24)
Unallocated Corporate Depreciation					108.66
					(35.69)
Total Depreciation & Amortization					322.95
					(93.93)
Non cash expenditure Other than Depreciation	5.89	6.56	8.26	2.37	23.08
	(-)	(-)	(0.68)	(-)	(0.68)
Unallocated Expenditure					70.17
					(0.87)
Total Non cash expenditure Other than Depreciation					93.25
					(1.55)
Revenue	256.27	1277.82	933.25	153.61	2620.95
	(175.40)	(465.83)	(301.71)	(122.80)	(1,065.74)
Expenses	99.55	536.58	660.42	66.93	1363.48
	(70.32)	(195.23)	(203.59)	(64.79)	(533.93)
Segment Results	156.72	741.24	272.83	86.68	1257.47
	(105.08)	(270.60)	(98.12)	(58.01)	(531.81)
Un-allocable Expenditure					333.73
					(124.81)
Finance cost					41.89
					(13.29)
Operating profit					881.85
					(393.72)
Other Income					148.08
					(55.98)
Profit Before Tax					1029.93
					(449.70)
Less: Tax Expense					
-Current					167.56
					(116.93)
-Deferred Tax					156.00
					(43.16)
-Fringe Benefit Tax					5.79
					(3.11)
Profit After Tax					700.58
					(286.51)

What Learning Can Be

Educomp Solutions Limited

(Rupees in millions)

Particulars	Professional Development	Smart Class	Instructional & Computing Technology (ICT)	Retail and Consulting	Total
Prior period Items					(0.03)
					(0.67)
Profit After Tax and Prior period items					700.61 (285.84)

Note: Previous year's figures are given in parenthesis.

B. Secondary Segment Information -Geographical

(Rupees in millions)

	Revenue	Segment Assets	Capital Expenditure
India	2374.06 (971.31)	7080.57 (2,581.99)	1848.53 (654.05)
Outside India	246.89 (94.43)	251.82 (96.46)	- (-)
	2620.95 (1,065.74)	7332.39 (2,678.45)	1848.53 (654.05)

Note: Previous year's figures are given in parenthesis.

(xiii) The Company had no amounts payable to Micro, Small and Medium Enterprise Suppliers as defined under Section 7 of the Micro, Small and Medium Enterprises Development Act, 2006. The identification of Micro, Small and Medium Enterprise Suppliers is based on management's knowledge of their status.

(xiv) Particulars of purchases, sales and closing stock of trading goods

(Rupees in millions)

Items	Opening stock		Purchases		Sales		Closing stock	
	Qty (Nos.)	Value (Rs.)	Qty (Nos.)	Value (Rs.)	Qty (Nos.)	Value (Rs.)	Qty (Nos.)	Value (Rs.)
Educational products								
Books	28,060 (28925)	3.70 (0.60)	510334 (1,98,414)	7.79 (15.92)	498959 (199279)	40.16 (63.02)	39435 (28,060)	2.21 (3.70)
CD ROMs	76,637 (11204)	9.47 (0.55)	- (66,733)	- (9.23)	65996 (1,300)	35.64 (0.52)	10641 (76637)	0.24 (9.47)
Toys	15,125 (22716)	2.09 (2.54)	- (-)	- (-)	610 (7591)	0.15 (0.96)	14515 (15125)	1.85 (2.09)
		15.26 (3.69)		7.79 (25.15)		75.95 (64.50)		4.30 (15.26)
Technology equipment								
Computers and other Components	15,386 (12548)	17.28 (13.69)	156560 (89156)	771.06 (294.22)	157944 (86318)	871.80 (310.07)	14002 (15386)	9.80 (17.28)
		32.54 (17.38)		778.85 (319.37)		947.75 (374.57)		14.10 (32.54)

Note: Previous year figures are given in parenthesis.

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(xv) Payments to auditors

(Included in legal and professional expenses)

(Rupees in millions)

Particulars	Year ended 31st March, 2008	Year ended 31st March, 2007
Statutory auditor		
Statutory audit*	1.35	0.74
Certification fee *	1.50	0.11
Other audit services* @	0.90	0.22
Out of pocket expenses	0.04	0.04
	3.79	1.11
Tax auditor		
Tax audit*	0.06	0.02

* including service tax

@ Paid for agreed upon procedures with regard to Foreign Currency Convertible Bonds issue and adjusted from securities premium account.

(xvi) Managerial remuneration

(Rupees in millions)

Particulars	Year ended 31st March, 2008	Year ended 31st March, 2007
Salaries and allowances	8.36	6.14
Perquisites	0.64	0.46
	9.00	6.60

Managerial remuneration excludes provision for gratuity and leave encashment, which is made on actuarial basis, for the Company as a whole.

(xvii) C.I.F. value of imports

(Rupees in millions)

Particulars	Year ended 31st March, 2008	Year ended 31st March, 2007
Capital goods	0.64	3.35
	0.64	3.35

(xviii) Expenditure in foreign currency

(On actual payment basis)

(Rupees in millions)

Particulars	Year ended 31st March, 2008	Year ended 31st March, 2007
Travelling and conveyance	1.99	6.35
License fee	0.62	0.00
Business Promotion	0.43	0.41
Expenditure on issue of foreign currency convertible bonds	55.05	37.38
Legal and professional expenses	0.75	2.01
	58.84	46.15

What Learning Can Be

Educomp Solutions Limited

(xix) Earnings in foreign currency (on accrual basis)

(Rupees in millions)

Particulars	Year ended 31st March, 2008	Year ended 31st March, 2007
Revenue from content licensing	246.26	93.22
Revenue from services	0.64	1.20
Interest	86.35	21.59
Dividend	35.00	0.00
	368.25	116.01

(xx) The previous year figures have been regrouped, rearranged and reclassified wherever necessary to conform to current year classification.

For and on behalf of the Board

Shantanu Prakash	Chairman & Managing Director
Jagdish Prakash	Whole-time Director
Gopal Jain	Director
Shonu Chandra	Director
Mohit Maheshwari	Company Secretary

Place : New Delhi
Dated : 2nd June, 2008

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

	0	6	1	3	5	3
--	---	---	---	---	---	---

State Code

5	5
---	---

Balance Sheet Date

3	1	0	3	2	0	0	8
Date		Month		Year			

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Rights Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Private Placement

						N	I	L
--	--	--	--	--	--	---	---	---

FCCB Conversion

				1	2	6	1	6
--	--	--	--	---	---	---	---	---

III. Position of Mobilization and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

		7	3	3	2	7	9	3
--	--	---	---	---	---	---	---	---

Total Assets

		7	3	3	2	7	9	3
--	--	---	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

			1	7	2	4	6	6
--	--	--	---	---	---	---	---	---

Reserves & Surplus

		2	6	1	3	0	2	1
--	--	---	---	---	---	---	---	---

Secured Loans

			5	2	3	0	1	5
--	--	--	---	---	---	---	---	---

Unsecured Loans

		3	1	4	9	4	2	0
--	--	---	---	---	---	---	---	---

Deferred tax liability

			2	1	2	6	8	5
--	--	--	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

		2	3	1	4	2	8	9
--	--	---	---	---	---	---	---	---

Investments

			7	0	9	7	4	7
--	--	--	---	---	---	---	---	---

Net Current Assets

		3	7	2	8	8	9	8
--	--	---	---	---	---	---	---	---

Misc. Expenditure

						3	9	0
--	--	--	--	--	--	---	---	---

Accumulated Losses

						N	I	L
--	--	--	--	--	--	---	---	---

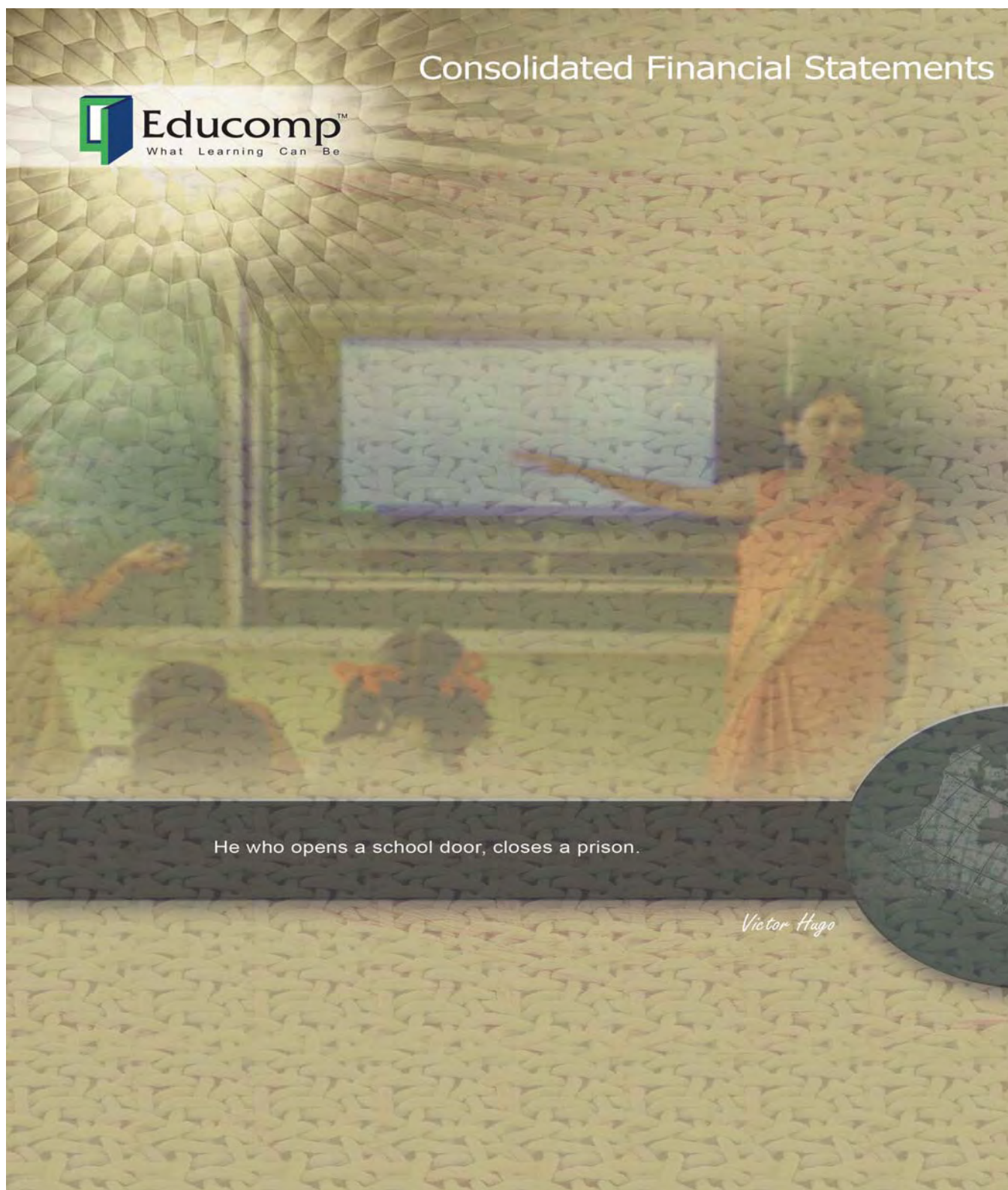
Educomp Solutions Limited

IV. Performance of Company (Amount in Rs. Thousands)

Turnover*	Total Expenditure
2 7 6 9 0 2 2	1 7 3 9 0 8 2
*includes other income	
Profit before tax	Profit after tax
1 0 2 9 9 4 0	7 0 0 6 1 3
Earning per share (Rs.)	Dividend rate %
4 1 . 3 8	2 5

V. Generic Names of Three Principle Products/Services of Company (as per monetary terms)

Item Code. No (ITC Code)	N O T A P P L I C A B L E
Product Description	E D U C A T I O N A L
	S E R V I C E S A N D
	T E C H N O L O G Y E Q U I P M E N T



Educomp Solutions Limited

AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors

Educomp Solutions Limited

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

1. We have audited the attached consolidated Balance Sheet of Educomp Solutions Limited ('the Company'), and its subsidiaries (collectively referred to as ESL Group) as at 31st March, 2008, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs 356.56 million as at 31st March, 2008, total revenue of Rs. 165.63 million and net cash inflows amounting to Rs. 57.27 million and financial statement of one associate whose share of loss is Rs. 2.50 million. These financial statements and other financial information has been audited by other auditors whose reports has been furnished to us and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investment in Associates issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Consolidated balance sheet, of the state of affairs of the ESL Group as at 31st March 2008;
 - (b) in the case of the Consolidated Profit and Loss account, of the profit/ loss for the year ended on that date; and
 - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **Anupam Bansal & Co.**
Chartered Accountants

Anupam Bansal
(Proprietor)

Membership No. F-87699

Place: New Delhi
Dated: 2nd June, 2008

What Learning Can Be

Consolidated Balance Sheet as at 31st March, 2008

(Rupees in millions)

	Schedule	As at	
		31 st March, 2008	31 st March, 2007
Sources of funds			
Share capital	1	172.47	159.85
ESOP Outstanding Account (refer note 1(xi), 2(vi) schedule 19)		82.72	
Reserves and surplus	2	2,629.03	988.06
Minority interest (refer note 1(ii), schedule 19)		193.63	128.40
Loan funds			
Secured loans	3	622.23	183.47
Unsecured loans	4	3,151.05	1,071.96
Deferred tax liability (Net) (refer note 1(xiv) & 2(xi), schedule 19)		209.72	58.71
		7,060.85	2,590.45
Application of funds			
Goodwill	5	280.27	136.87
Fixed assets (refer note 1(v), schedule 19)	6		
Gross Block		2,889.96	949.41
Less: Accumulated depreciation/amortisation		548.33	226.46
Net block		2,341.63	722.95
Capital work in progress		372.26	108.08
		2,713.89	831.03
Investments	7	36.40	102.28
Current assets, loans and advances	8		
Inventories		18.19	32.94
Sundry debtors		1,156.91	496.30
Cash and bank balances		2,911.76	1,105.73
Loans and advances		489.91	109.73
Other current assets		62.10	16.49
		4,638.87	1,761.19
Less : Current liabilities and provisions	9		
Liabilities		517.22	185.04
Provisions		92.49	56.93
		609.71	241.97
Net current assets		4,029.16	1,519.22
Miscellaneous Expenditure [to the extent not written off or adjusted]	10	1.12	1.05
		7,060.85	2,590.45
Significant accounting policies & Notes to the accounts	19		

This is the Consolidated Balance Sheet referred to in our report of even date
For **Anupam Bansal & Co.**
Chartered Accountants

Anupam Bansal
Proprietor
Membership No: F-087699

Place : New Delhi
Dated : 2nd June, 2008

The above schedules form an integral part of the Consolidated Balance Sheet

Shantanu Prakash	Chairman & Managing Director
Jagdish Prakash	Whole-time Director
Gopal Jain	Director
Shonu Chandra	Director
Mohit Maheshwari	Company Secretary

What Learning Can Be

Educomp Solutions Limited

Consolidated Profit and Loss Account for the year ended 31st March, 2008

(Rupees in millions)

	Schedule	Year Ended	
		31st March, 2008	31st March, 2007
Income			
Sales & Service income	11	2,860.84	1,100.83
Other income	12	177.55	58.96
		3,038.39	1,159.79
Expenditure			
Cost of goods sold	13	797.62	303.81
Personnel expenses	14	487.89	126.38
Administration and other expenses	15	301.97	163.99
Finance charges	16	48.06	14.40
Depreciation	6	331.32	96.06
Preoperative expenses written off		4.84	-
Miscellaneous Expenditure written off	9	2.71	0.79
		1,974.41	705.43
Profit before tax		1,063.98	454.36
Provision for tax (refer note 2(vii), schedule 19)			
- Current tax		194.47	124.11
- Deferred tax		150.56	42.39
- Fringe benefit tax		6.10	3.13
Profit after tax and before prior period items		712.85	284.73
Prior period Items	17	(0.03)	0.50
Profit after tax and before minority interest & pre-acquisition profits		712.88	284.23
Pre-acquisition profits		1.79	(3.77)
Minority interest		2.98	1.20
Share of loss of associate		2.50	-
Profit after tax, minority interest & pre-acquisition profits		705.61	286.80
Balance brought forward from earlier years		446.79	220.14
Amount available for appropriations		1,152.40	506.94
Appropriations			
Proposed dividend		43.20	33.08
Tax on proposed dividend		7.34	5.62
General Reserve		70.06	21.44
Balance carried to balance sheet		1,031.80	446.79
Earning per share (Rs.)	18		
Basic		41.67	17.97
Diluted		35.40	15.93
Significant accounting policies and notes to the accounts	19		

This is the Consolidated Profit and Loss Account referred to in our report of even date

For **Anupam Bansal & Co.**
Chartered Accountants

Anupam Bansal
Proprietor
Membership No: F-087699

Place : New Delhi
Dated : 2nd June, 2008

The above schedules form an integral part of the Consolidated Profit and Loss Account

Shantanu Prakash
Jagdish Prakash
Gopal Jain
Shonu Chandra
Mohit Maheshwari

Chairman & Managing Director
Whole-time Director
Director
Director
Company Secretary

What Learning Can Be

Consolidated Cash Flows Statement for the year ended 31st March, 2008

(Rupees in millions)

Particulars	Year Ended	
	31st March, 2008	31st March, 2007
Cash flows from operating activities		
Net profit before taxation and after prior period items as per Profit and Loss Account	1,071.73	453.87
Adjusted for:		
Net prior period adjustments	(0.03)	0.50
Provision for doubtful debts/ advances	-	0.11
Misc Expenses written off	2.71	0.33
Preoperative Expenses	4.84	-
Depreciation	331.32	96.06
ESOP Cost	82.72	-
Unrealised Foreign exchange effects	13.47	35.88
Dividend income	(40.58)	(3.64)
Interest / other income	(95.70)	(33.39)
Interest expense	48.06	14.40
Loss / (Profit) on Sale of Fixed Assets	0.07	0.02
Operating profit before working capital changes	1,418.60	564.14
Adjusted for:		
Trade & other receivables	(656.94)	(243.44)
Inventory	14.75	(15.56)
Loans & Advances	(425.79)	(74.08)
Trade & Other Payables	338.35	108.31
Cash generated from operations	688.96	339.37
Net prior period adjustments	0.03	(0.50)
Taxes Paid	(183.76)	(173.77)
Net cash from operating activities	505.23	165.10
Cash flows from investing activities		
Purchase of fixed assets (including capital work-in-progress)	(2,224.16)	(675.47)
Proceeds from Sale of fixed assets	5.08	0.15
Acquisition of minority in subsidiaries	(82.49)	-
Investment in associates	(18.98)	-
Redemption of 5% cumulative preference shares	-	20.11
Purchase of Investments	(15.57)	(389.38)
Sale of Investments	100.42	288.07
Dividend income	40.58	3.64
Interest income	95.70	33.39
Payment of Preliminary expenses	(2.78)	-
Foreign currency translation reserve	-	0.41
Net cash used in investing activities	(2,102.19)	(719.08)

Educomp Solutions Limited

Consolidated Cash Flows Statement for the year ended 31st March, 2008 (Contd....)

(Rupees in millions)

Particulars	Year Ended	
	31st March, 2008	31st March, 2007
Cash flows from financing activities		
Net Proceeds from fresh issue of capital through Initial Public Offering	-	-
Proceeds from issue of Foreign Currency Convertible Bonds (FCCB)	3,109.45	1,094.17
FCCB issue expenses	(68.26)	(39.25)
Proceeds/ (Repayment) of long-term borrowings	333.91	71.20
Financing against stocks/book debts (working capital)	184.09	-
Temporary Overdraft facility against fixed deposits	(78.18)	3.14
Payment of dividend (including dividend tax of Rs. 7.34 millions)	(40.28)	(27.27)
Interest on borrowings	(48.06)	(14.40)
Net cash from financing activities	3,392.66	1,087.59
Net increase in cash and cash equivalents	1,795.70	533.61
Opening cash and cash equivalents	1,105.73	605.71
Exchange difference on translation of foreign currency cash and cash equivalents	10.33	(33.59)
Closing cash and cash equivalents	2,911.76	1,105.73

Significant accounting policies and notes to the accounts (Refer schedule 19)

Notes to the Cash Flow Statement:

- Cash and cash equivalents consists of following:
Cash in hand and balances with Banks Rs. 638.27 millions (Previous year Rs 463.84 millions)
Fixed deposits with banks Rs. 2,273.49 (Previous Year Rs 641.89 millions).
- Cash & cash equivalent at the end of the period includes Fixed deposits with banks in the form restricted cash of Rs. 38.76 millions (previous year 100.44 millions) available as margin money against bank guarantee and pledged against temporary over draft which is not freely remissible to the Company.

This is the Consolidated Cash Flow Statement referred to in our report of even date
For **Anupam Bansal & Co.**
Chartered Accountants

Anupam Bansal
Proprietor
Membership No: F-087699

Place : New Delhi
Dated : 2nd June, 2008

The above schedules form an integral part of the Consolidated Cash Flow Statement

Shantanu Prakash	Chairman & Managing Director
Jagdish Prakash	Whole-time Director
Gopal Jain	Director
Shonu Chandra	Director
Mohit Maheshwari	Company Secretary

What Learning Can Be

Schedules forming part of the Consolidated Balance Sheet

(Rupees in millions)

	As At	
	31st March, 2008	31st March, 2007
Schedule 1 : Share capital		
Authorised		
20,000,000 equity shares of Rs.10 each	200.00	200.00
Issued, subscribed and paid-up		
(refer note 2(v), schedule 19)		
1,72,46,564 equity shares of Rs.10 each, fully paid-up	172.47	159.85
(Previous year 1,59,85,104 equity shares of Rs.10 each fully paid-up)		
	172.47	159.85
Note:		
1. On September 2, 2005 Preferential Allotment was made for 1,000,000 shares, of Rs 10/- each fully paid-up, at a premium of Rs 100/- per share.		
2. On January 6, 2006 4,000,000 equity shares of Rs 10 each fully paid at a premium of Rs.115/- each per share were offered and allotted through Book Building Process of Initial Public Offerings.		
3. Out of above, 6,486,402 were allotted as bonus shares by capitalization of Share Premium Account on 2nd August, 2005.		
4. Out of the above 1,266,071 equity shares of Rs. 10 each were allotted as fully paid-up shares on conversion of US\$ 25 million 1% Foreign Currency Convertible Bonds (FCCB) as per the terms of conversion, for consideration other than cash.		
5. Out of the above 20,710 equity shares of Rs. 10 each were allotted as fully paid-up shares on conversion of US\$ 1.5 million Zero coupon Foreign Currency Convertible Bonds (FCCB) as per the terms of conversion, for consideration other than cash.		
Schedule 1A : Employee stock option outstanding		
(refer note 1(xi), 2(vi) schedule 19)		
Employee stock option outstanding	575.70	-
Less: Deferred stock compensation expenses	492.98	-
	82.72	-
Schedule 2 : Reserves and surplus		
Share premium account		
(refer note 2(v), schedule 19)		
Opening Balance	505.43	508.94
Add: On conversion of US\$ 26.0 million (Previous Year US\$ 0.5 million)		
Foreign currency convertible bonds into Equity shares under both FCCB issues.	1,046.27	22.53
	1,551.70	531.47
Less:- Adjustment of tax benefit taken on FCCB expenses in previous year	13.21	-
Less:- FCCB issue expenses	55.05	26.04
	1,483.44	505.43
General Reserve		
Opening Balance	28.39	6.95
Add :Transferred from Profit and Loss Account	70.06	21.44
	98.45	28.39

Educomp Solutions Limited

Schedules forming part of the Consolidated Balance sheet

(Rupees in millions)

	As At	
	31st March, 2008	31st March, 2007
Profit and Loss Account		
Opening Balance	454.24	219.44
Less: Transferred to goodwill on further investment	(10.22)	(7.19)
	464.46	226.63
Addition during the year (including transfer from foreign currency translation reserve)	585.01	227.61
Less: Payment of excess dividend for the year 2006-07	1.60	
Less: Charge on account of transitional provision under Accounting Standard 15 (Net of tax)	0.72	
	1,047.14	454.24
Foreign Currency translation reserve	-	0.95
Less: Transferred to Profit and Loss Account	-	0.95
	-	-
	2,629.03	988.06
Schedule 3 : Secured loans		
From banks		
Cash credit/Temporary overdraft	184.09	78.18
-Term loan	438.14	105.29
[Due within one year Rs 97.89 millions, (previous year Rs. 27.59 millions)]		
	622.23	183.47
Notes		
1. Cash credit facility is secured by a first charge on stocks and book debts of the Company and personal property of the Managing Director of the company.		
2. Temporary overdraft is secured by the fixed deposits.		
3. Term loan is secured by first charge on all current assets including receivables and all movable or immovable assets of the Company and personal guarantee of the Managing Director and Director of the company.		
Schedule 4 : Unsecured Loan		
(refer note 2(v), schedule 19)		
- Other than banks		
Foreign Currency Convertible Bonds		
- US\$ 80 Million Zero Coupon Foreign Currency Convertible Bonds - FCCB 2012	3,149.42	-
- US\$ 25 Million 1% Foreign Currency Convertible Bonds - FCCB 2011	-	1,071.39
From others	1.63	0.57
	3,151.05	1,071.96
Schedule 5 : Goodwill		
(refer note 1(ii) & 2(ii), schedule 19)		
Goodwill	283.70	140.30
Less: Impairment of goodwill of Wheatstone Productions Private Limited	3.43	3.43
	280.27	136.87

What Learning Can Be

Schedules forming part of the Consolidated Balance Sheet

Schedule 6 : Fixed assets (Refer Note 1(v), Schedule 19)

(Rupees in millions)

	Gross block			Accumulated depreciation			Net block		
	As at 1st April, 2007	Additions	Deletions	As at 31st March, 2008	As at 1 April, 2007	Depreciation for the year	Adjustment / deletions	As at 31st March, 2008	As at 31stMarch, 2007
Tangible									
Land (freehold)	8.23	148.79	-	157.02	-	-	-	157.02	8.23
Land & Building	3.42	65.78	-	69.20	0.33	2.05	-	66.82	3.09
Building* 15.26	33.79	-	49.05	1.55	1.89	-	3.44	13.71	
Leasehold improvements	7.16	4.36	-	11.52	4.33	1.15	-	6.04	2.84
Office equipment	13.00	7.82	1.09	19.73	5.85	2.04	1.09	12.93	7.15
Furniture and fixtures	54.57	193.15	5.58	242.14	11.02	23.53	0.80	208.39	43.55
Computers and accessories	555.68	1,185.76	6.97	1,734.48	93.30	200.33	6.97	1,447.82	462.38
Vehicles	4.28	4.49	0.96	7.81	1.94	1.14	0.58	5.31	2.34
Intangible									
Software**	88.77	48.10	-	136.87	69.85	19.57	-	47.45	18.92
Knowledge-based content	199.04	263.10	-	462.14	38.30	79.61	-	344.23	160.74
Previous year	949.41	1,955.14	14.60	2,889.96	226.47	331.32	9.45	548.33	722.95
	374.79	633.91	59.28	949.41	189.69	96.06	59.28	722.95	185.10
Capital work in progress [includes capital advances of Rs.190.53 million (Previous Year Rs. 5.73 million)]								108.08	
Grand Total								2,713.89	831.03

* Building constructed on leasehold land at NSEZ, Noida acquired vide duly executed sub-lease dated 20.09.2005 for a period of 15 years and building rights purchased at St. Thomas Mount Chennai for a period of 27 years.

** Softwares are intangible assets other than internally generated. There is no impairment in the value of intangible assets.

Educomp Solutions Limited

Schedules forming part of the Consolidated Balance Sheet

(Rupees in millions)

		As At	
		31st March, 2008	31st March, 2007
Schedule 7 : Investments			
(refer note 1(ix), schedule 19)			
A) Long Term, Unquoted , Trade			
Associates			
5,26,316 equity shares (previous year Nil) of C\$ 1 each, fully paid-up, in Savvicca Inc.		18.40	-
Others			
50,000 equity shares (previous year Nil) of S\$ 1 each, fully paid-up, in Digital Resource Pte Limited		0.58	-
		18.98	-
Associates			
% of Voting interest	36.90%		
Cost of Acquisition	20.90		
Share of post acquisition reserves and surplus	2.50		
Carrying cost of investment	18.40		
B) Current, Non- Trade, Unquoted			
Liquid dividend plan (including dividend reinvested)			
DSP Merrill Lynch Liquidity Fund- weekly regular dividend Nil units(previous year 9,939.021units) of Rs. 10 each		-	0.12
Standard Chartered Liquidity Manager— weekly dividend Nil units (previous year 19,400.320 units) of Rs. 10 each		-	0.19
Templeton India Institutional Plan- daily dividend re-investment Nil units(previous year 322.501 units) of Rs. 1000 each		-	0.32
HDFC Liquid Fund-Dividend- Daily Reinvest Nil units (previous year 35,05,436.228) of Rs. 10 each		-	35.75
DSP Merrill Lynch Liquidity Fund- Daily Regular Dividend Reinvest Nil units (previous year 30,44,636.896) of Rs. 10 each		-	30.48
ICICI Prudential Liquid Plan Institutional Plus-Daily Dividend Option 156,557.991 units (previous year 21,41,198.280) of Rs. 10 each		1.86	25.38
HDFC Cash Management Fund-Saving Plan - Daily dividend Reinvestment Nil units (previous year 5,19,001.193) of Rs. 10 each		-	5.52
Tata Liquid Fund High Inv- daily dividend Nil units (previous year 4,058.777units) of Rs. 1000 each		-	4.52
ICICI Prudential - Flexible Income Plan Dividend Daily Reinvest Dividend 9,74,197.907 units (previous year Nil) of Rs 10 each		10.30	
Reliance Liquid Plus Fund - Institutional Option- Daily Dividend Plan 5,266.427 units (previous year nil) of Rs 1000 each		5.27	
		17.43	102.28
		36.40	102.28

Schedules forming part of the Consolidated Balance Sheet

(Rupees in millions)

	As At	
	31st March, 2008	31st March, 2007
Schedule 8 : Current assets, loans and advances		
Inventories		
(refer note 1(viii), schedule 19)		
Finished goods - trading		
Education products	5.48	15.26
Technology equipment	9.79	17.28
	15.27	32.54
Work-in-progress	2.92	0.40
	18.19	32.94
Sundry debtors		
a) Debts outstanding for a period exceeding six months		
Unsecured, Considered good	217.47	322.61
Unsecured, Considered doubtful	0.68	0.68
	218.15	323.29
b) Other debts		
Unsecured, Considered good	939.44	173.69
Unsecured, Considered doubtful	-	-
	939.44	173.69
Less : Provision for doubtful debts	0.68	0.68
	1,156.91	496.30
Note:		
Due from companies under the same management		
Lakshya Digital Private Limited	3.24	3.24
Cash and bank balances		
(refer note 1(x) & 2(v), schedule 19)		
Cash in hand	2.27	1.85
Cheques in hand	539.42	80.63
Bank Balance		
- with scheduled banks		
- in current account	95.92	183.96
- in cash credit account*	-	189.97
- in fixed deposits**	65.92	112.83
- with Foreign Banks		
- in current account		
- ICICI Bank UK PLC, London, UK	-	7.15
[(maximum amount outstanding during the year Rs.179.06 millions (Previous year Rs. 1,098.35 millions)]		
- Sampath Bank, Colombo, Srilanka	0.66	0.28
[(maximum amount outstanding during the year Rs. 1.17 millions (Previous year Rs. 0.40 millions)]		

Educomp Solutions Limited

Schedules forming part of the Consolidated Balance Sheet

(Rupees in millions)

	As At	
	31st March, 2008	31st March, 2007
- in fixed deposits		
- ICICI Bank UK PLC, London, UK [(maximum amount outstanding during the year Rs. 529.06 millions (Previous year Rs. 1,098.35 millions)]	-	529.06
- SBI London, UK [(maximum amount outstanding during the year Rs. 2970.05 millions (Previous year Rs. Nil)]	2,207.57	-
	2,911.76	1,105.73
* Cash Credit facilities are secured by a first charge on stocks and book debts of the Company and personal property of the Managing Director of the Company.		
** Including fixed deposits of Rs. 38.76 millions (Previous Year Rs. 100.44 millions) pledged with bank as security deposit against bank guarantees issued to customer and temporary over draft from bank.		
Loans and advances (Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
- Unsecured, Considered good	489.91	109.73
- Unsecured, Considered doubtful	0.11	0.11
	490.02	109.84
Less: provision for doubtful advances	0.11	0.11
	489.91	109.73
Other current assets		
Income accrued but not due	9.84	0.21
Interest accrued but not due	52.26	16.28
	62.10	16.49
Schedule 9 : Current liabilities and provisions		
Current liabilities		
Acceptances	23.44	63.88
Sundry creditors	414.81	76.05
Employee payables	35.78	15.53
Other liabilities	27.28	18.63
Advance from customers	15.85	5.92
Interest accrued but not due on Loans/Bonds	-	5.00
Unpaid dividend on Equity shares	0.06	0.03
	517.22	185.04

Schedules forming part of the Consolidated Balance Sheet

(Rupees in millions)

	As At	
	31st March, 2008	31st March, 2007
Provisions		
(refer note 1(xi),(xiv) & (xv) , schedule 19)		
Staff retirement benefits	12.03	5.11
Current income tax	28.81	12.23
[net of advance income tax/TDS Rs. 172.69 millions (previous year Rs. 90.34 millions)]		
Fringe benefit tax	1.11	0.88
[net of advance tax Rs. 4.32 millions (previous year Rs. 1.85 millions)]		
Proposed dividend	43.20	33.09
Tax on proposed dividend	7.34	5.62
	92.49	56.93
	609.71	241.97
 Schedule 10 : Miscellaneous Expenditure		
[to the extent not written off or adjusted]		
(refer note 1(xii), schedule 19)		
Preliminary expenses		
Opening balance	1.16	0.48
Less: amortized during the year	0.60	0.01
	0.56	0.47
 Deferred revenue Exp		
Opening balance	1.92	0.58
Less: amortized during the year	1.92	0.58
	-	-
 Others		
Opening balance	0.76	0.78
Less: amortized during the year	0.20	0.20
	0.56	0.58
	1.12	1.05

Educomp Solutions Limited

Schedules forming part of the Consolidated Profit and Loss Account

(Rupees in millions)

	Year Ended	
	31st March, 2008	31st March, 2007
Schedule 11 : Sales & Service income		
(refer note1(iii), schedule 19)		
Sale of education products and technology equipment - trading	980.29	374.57
Education and other services	<u>1,880.55</u>	<u>726.26</u>
	<u>2,860.84</u>	<u>1,100.83</u>
Schedule 12 : Other income		
(refer note1(x), schedule 19)		
Interest income		
-banks[Tax deducted at source Rs 1.08 millions (previous year Rs. 1.89 millions)]	78.02	30.36
-others[Tax deducted at source Rs 3.86 millions (previous year Rs. NIL)]	17.68	3.03
Lease & hire charges	7.40	6.62
Provisions no longer required, written back	-	0.09
Bad Debts recovered	0.10	0.18
Dividend Income (Non trade investment)	40.58	3.64
Foreign exchange Gain (net)	30.46	-
Miscellaneous income	<u>3.31</u>	<u>15.04</u>
	<u>177.55</u>	<u>58.96</u>
Schedule 13 : Cost of goods sold		
(refer note 1(viii), schedule 19)		
Opening stock	32.94	17.38
Add: Purchases	782.87	319.37
Less: Closing stock	<u>18.19</u>	<u>32.94</u>
	<u>797.62</u>	<u>303.81</u>
Schedule 14 : Personnel expenses		
(refer note 1(xi), 2(vi) schedule 19)		
Salaries, allowances and bonus	377.20	119.02
Contribution to provident and other funds	26.01	6.43
ESOP amortisation cost	82.72	-
Staff welfare	<u>1.96</u>	<u>0.93</u>
	<u>487.89</u>	<u>126.38</u>

Schedules forming part of the Consolidated Profit and Loss Account

(Rupees in millions)

	Year Ended	
	31st March, 2008	31st March, 2007

Schedule 15 : Administration and other expenses

(refer 1(ii) & (x), schedule 19)

Rent, rates and taxes	26.57	11.22
Outside contract services	2.02	2.53
Travelling and conveyance	52.17	29.00
Recruitment and training	10.51	6.56
Legal and professional	46.67	31.99
Communication	17.61	9.38
Printing and stationery	30.35	16.37
Repair and maintenance		
- Building	0.31	0.43
- Others	21.60	8.66
Water and electricity	8.16	3.62
Insurance	1.88	1.87
Commission on sales	-	1.00
Advertisement, publicity and business promotion	46.40	22.04
Freight and forwarding	5.45	1.90
Bank charges	16.55	6.61
Bad debts and advances written-off	0.81	1.21
Provision for doubtful debts	0.09	0.11
Foreign exchange loss (net)	-	5.43
Impairment loss	0.83	-
Software development charge	1.59	-
Loss on sale of fixed assets	0.07	0.02
Miscellaneous expenses	12.31	4.04
	301.97	163.99

Schedule 16 : Finance charges

(refer 2(v), schedule 19)

Interest on-

- Term loans	32.80	4.27
- Foreign currency convertible bonds	0.40	5.63
- Others	14.86	4.49
	48.06	14.39

Educomp Solutions Limited

Schedules forming part of the Consolidated Profit and Loss Account

(Rupees in millions)

	Year Ended	
	31st March, 2008	31st March, 2007
Schedule 17 : Prior period items		
Salaries, allowances and bonus	-	0.49
Contribution to provident and other funds	-	0.02
Legal & professional	(0.03)	0.22
Depreciation	-	(0.17)
Interest-income others	-	(0.06)
	(0.03)	0.50
Schedule 18 : Earning per share (EPS)		
(refer note 1(xvi), schedule 19)		
Calculation of Profit for Basic EPS		
Net profit attributable to equity shareholders		
Net profit after tax and prior period items	705.61	286.81
Net profit available for calculation of basic EPS (A)	705.61	286.81
Calculation of Profit for Diluted EPS		
Net profit available for calculation of basic EPS	705.61	286.81
Add: interest accrued on FCCB during the year (Net of Tax)	0.26	3.73
Less: Exchange gain on FCCB (Net of Taxes)	50.62	26.86
Net profit available for calculation of diluted EPS (B)	655.25	263.68
No. of Weighted average equity shares		
Basic (C)	16,931,280	15,964,500
Effect of dilutive equity shares equivalent		
- Foreign Currency Convertible Bonds	1,058,610	584,962
- ESOP	521,126	-
Diluted (D)	18,511,016	16,549,462
Nominal value of equity share [Rs.]	10	10
Earning Per Share [Rs.]		
Basic (A/C)	41.67	17.97
Diluted (B/D)	35.40	15.93

19. Significant accounting policies and notes to consolidated accounts**1. Significant accounting policies****(i) Basis for preparation of Financial Statements**

The consolidated financial statements of Educomp Solutions Limited, its subsidiaries are prepared under historical cost convention and in accordance with the Generally Accepted Accounting Principles (GAAP) in India and comply with the accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in future, actual results ultimately may differ from the estimates.

(ii) Principles of consolidation

The financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Company.

The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances, intra-group transactions and resulting unrealized profits or losses unless the cost cannot be recovered in full in accordance with Accounting Standard (AS) 21- "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- b) The difference between the costs of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve as the case may be. Goodwill is tested for impairment on annual basis. If two or more investments are made over a period of time, the equity of the subsidiary on the date of investment is determined on step-by-step basis.
- c) Minority Interest's share in the net income of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company. In case the losses applicable to consolidated minority are in excess of minority interest in the equity of the subsidiary, the excess, and any further losses applicable to the minority are adjusted against majority interest except to the extent minority has a binding obligation to, and is able to, make good losses. If the subsidiary subsequently reports profit, all such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.
- d) Minority Interest's in the net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.
- e) The consolidated financial statements include the share of profit/(loss) of associate Companies, which are accounted under the "equity method" as per which the share of profit of the associate Company is added to the cost of investment. An associate is as enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture.
- f) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

(iii) Revenue recognition

The Company recognizes revenue on accrual basis. The Company derives its revenue from providing educational services comprising of ICT, Smart Class, Professional development, technology/ content licensing, online educational services, sale of educational products and technology equipments.

The revenue from sale of educational products and technology equipment is recognized on transfer of property in goods which generally coincides with dispatch/ delivery to the customer.

Revenue from ICT & Smart class projects is recognized ratably over the period of the contract/contractual obligations. Revenue from professional development is recognized after the professional development services

Educomp Solutions Limited

have been rendered to the customer. Revenue from online educational services is recognized upon receipt of subscription fee (non-refundable).

Licensing content revenue is recognized when the product/ technology/ content is delivered and accepted.

Revenue from services provided for provisioning of infrastructural facilities, operations and maintenance and for such other items is recognized as and when such services are provided.

Interest on fixed deposits is recognized using the time proportion method, based on interest rates implicit in the transaction. Dividends income is recognized when the right to receive the same is established.

(iv) Expenditure

Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities.

(v) Fixed assets/ Depreciation & Amortization

Fixed assets including capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Costs include all expenses incurred to bring the assets to its present location and condition for intended use. All expenditure, including advances given and interest cost during the project construction period, are accumulated and disclosed as capital work-in-progress until the assets are ready for commercial use.

Fixed assets purchased for utilization and implementing the contractual obligations under the project undertaken under ICT, Turnkey and Smart Class are depreciated on a straight-line basis over the period of contractual obligation ranging from 3-6 years.

Leasehold improvements and buildings on leasehold Land are amortized on the straight-line basis over the primary period of lease.

Depreciation on other tangible fixed assets is provided at the written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 or on the basis of its useful life of the assets whichever is higher.

Assets costing less than Rs. 5,000 are fully depreciated in the year of purchase.

Intangible Assets

Intangible asset are stated at cost of acquisition less accumulated amortization. Amortization on the Intangible assets is provided on pro-rata basis on the straight-line method based on management's estimate of useful life, i.e. 3 years for software, 4 years for Knowledge-based content/Smart class software and period of licence for licenced intangible asset.

(vi) Impairment of Assets

All assets other than inventories, financial assets including investments and deferred tax asset, are reviewed for impairment, wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An Impairment loss is charged to the Profit and Loss Account in the year in which an asset is impaired.

Reversal of impairment loss is recognized immediately as income in the Profit and Loss Account.

(vii) Leases

Lease rentals in respect of operating lease arrangements are recognised as an expense in the Profit and Loss Account.

(viii) Inventories

Items of Inventories are measured at lower of cost and net realizable value after providing for obsolescence, if any. Cost of inventories comprises of cost of purchase, freight and other expenses incurred in bringing the inventories to their present location and condition. The cost is determined using the weighted average method.

Work-in-progress (WIP) includes 2D/3D animated content at various stages of development/ repurposing etc. WIP is stated at cost.

(ix) Investments

Long-term Investments are stated at cost, less provision for other than temporary diminution in value.

Short-term investments are carried at lower of cost and quoted value/ fair value, computed category-wise.

(x) Foreign exchange transactions

- a. Foreign exchange transactions are recorded at the exchange rates prevailing on the date of transaction, Monetary items denominated in foreign currencies including receivables and payables at the year end are translated at the exchange rate prevailing on the balance sheet date and differences coming there on are recognized in profit and loss account.
- b. In translating the Financial statements of liaison/ branch offices/ subsidiaries that are treated as integral foreign operations, the monetary assets and liabilities are translated at the rate prevailing on the balance sheet date; non monetary assets and liabilities are translated at the exchange rate prevailing at the date of transaction and income and expenses items are translated at the respective monthly average rate. The net effect is shown as foreign exchange fluctuation in Profit and Loss Account.
- c. In case of foreign subsidiaries, being non- Integral foreign operations, revenue items are translated at the average rate prevailing during the year and the assets and liabilities are converted at rates prevailing at the end of the year. The net effect of such change is disclosed under foreign currency translation reserve.
- d. The Company uses forward exchange contracts to hedge the foreign currency risk of its highly probable forecast transactions in respect of foreign currency funds parked outside India. The premium or discount arising at the inception of such a forward contract is recognized in the profit or loss account at the time of inception.

(xi) Employee benefits

(a) Short-term employee benefits

Short term employee benefits are recognized in the period during which the services have been rendered.

(b) Long-term employee benefits

(i) Defined contribution plan

Contributions to provident fund are deposited with the appropriate authorities and charged to the profit and loss account on accrual basis.

(ii) Defined benefit plan

Leave encashment- The Company has provided for the liability at the year end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit method in accordance with Accounting Standard 15(revised), "Employee benefits".

Gratuity- The Company provides for the Gratuity based on actuarial valuation as per the Projected Unit Credit method in accordance with Accounting Standard 15 (revised), "Employee benefits".

Short-term and long-term employee benefits pertaining to foreign operations are being recognized as per the foreign local laws.

(c) Employee stock option scheme

The stock options are accounted as per the accounting treatment prescribed by the employee stock option scheme and Employee Stock Purchase Guidelines, 1999 issued by Securities Exchange Board of India, whereby the intrinsic value of the option, being excess of market value of the underlying share immediately prior to the date of award over its exercise price is recognized as deferred employee compensation with a credit to Employee stock options outstanding account. The deferred employee compensation is charged to profit and loss account on straight line basis over the vesting period of the option. The balance in employee stock option outstanding account net of any unamortized deferred employee compensation is shown separately as part of shareholders fund.

(xii) Miscellaneous expenditure

Miscellaneous expenditure consists of fees for increase in authorized share capital and is amortized over the period of five years.

Miscellaneous expenditure incurred for incorporation of Company is charged to profit and loss account in the year Company commences its commercial operations. Preoperative expenses will be charged to profit and loss account on start of commercial operations.

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(xiii) Borrowing cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

(xiv) Provision for tax

Tax expense for the year comprising current, deferred and fringe benefit tax is included in determining the net profit for the year.

Provision for current tax on income from operations in India is based on the tax liabilities computed in accordance with the provisions of the Income Tax Act, 1961. Provision for current tax on income from overseas operations is based on the tax liabilities computed in accordance with the provisions of the tax laws applicable in countries where such operations are domiciled.

Deferred Tax expense or benefit is recognized on timing difference between accounting and taxable income that originates in one year and are capable of reversal in one or more subsequent period. Deferred tax assets and liabilities are measured using the tax rates and laws that are enacted or substantively enacted by the balance sheet date.

The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable / virtual certainty that sufficient future taxable income will be available against which such deferred tax asset will be realized.

(xv) Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

(xvi) Earnings per share

Basic Earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders after tax (and including post tax effect of any extra-ordinary item) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the period, are adjusted for events of bonus issue to existing shareholders.

For the purpose of calculating diluted earning per share, the net profits attributable to equity shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential equity shares, if any.

(xvii) Cash Flow Statement

Cash Flows are reported using the indirect method, whereby net profits before tax is adjusted for the effect of transaction of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The Cash Flows from regular revenue generating, investing and financing activities are segregated.

2). Notes to accounts

i) Particulars of Subsidiaries and Associates considered in the Consolidated Financial Statement are :

Particulars	Country of incorporation	Proportion of ownership interest	% of voting power
Subsidiaries			
Directly Held			
Eduomatics Corporation Inc.	USA	100.00%	100.00%
Wheatstone Productions Private Limited	India	51.00%	51.00%
Educomp Learning Private Limited	India	51.00%	51.00%
Educomp Infrastructure Private Limited	India	69.38%	69.38%
Educomp School Management Limited	India	68.00%	68.00%
Educomp Professional Education Limited	India	100.00%	100.00%
Educomp Software Limited	India	100.00%	100.00%
Educomp Asia Pacific Pte Ltd.	Singapore	100.00%	100.00%
Threebrix E-services Pvt. Ltd.	India	76.00%	76.00%
Authrogen Technologies Pvt. Ltd.	India	55.05%	55.05%
Indirectly Held			
Educomp Infrastructure Services Pvt. Ltd.	India	100.00%	100.00%
AsknLearn Pte Ltd.	Singapore	100.00%	100.00%
Wiz Learn Pte Ltd.	Singapore	100.00%	100.00%
Pave Education Pte Ltd.	Singapore	100.00%	100.00%
Singapore Learning.Com Pte Ltd.	Singapore	100.00%	100.00%
Shikhya Solutions Inc.	USA	55.05%	55.05%
Associates			
Savvica Inc.	Canada	36.90%	36.90%

ii) Goodwill on consolidation as on the Balance Sheet date comprises of the following:

(Rupees in millions)

Particulars	Year ended 31 March, 2008	Year ended 31 March, 2007
Educomp Learning Private Limited	0.66	0.66
Eduomatics Corporation Inc.	25.95	11.48
Wheatstone Productions Private Limited	3.40	3.43
Educomp Infrastructure Private Limited	152.36	116.62
Educomp School Management Limited	9.99	8.11
Threebrix E-services Pvt. Ltd.	5.15	-
Authrogen Technologies Pvt. Ltd.	12.00	-
Educomp Asia Pacific Pte Ltd.	74.19	-
	283.70	140.30

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iii) Contingent Liabilities

(Rupees in millions)

Sl. No.	Particulars	As at 31 st March 2008
a.	Claims against the Company not acknowledged as debt	2.02 (2.02)
b.	Guarantees issued by banks on behalf of the Company	281.55 (29.07)
c.	Corporate guarantee given to bank for secured loan to third party (related party)	170.00 (170.00)
d.	Uncalled liability on partly paid shares held in subsidiaries	- (287.50)
e.	Premium on redemption of 'US\$ 13.5 million 1% Foreign Currency Convertible Bonds Due 2011'	- (21.08)
f.	Premium on redemption of 'US\$ 80 million Zero Coupon Foreign Currency Convertible Bonds Due 2012'	1294.10 (-)

Notes:

- The loan outstanding by bank against the corporate guarantee in point no. (c) above as on 31st March 2008 is Rs. 54.40 million (previous year 87.09 million).
- Future outflows in respect of (a) above are determinable on settlement of claims with the party, in respect of (b) & (c) on crystallization and demand made by bank, in respect of (e) on making of calls by Company and in respect of (e) & (f) on redemption of the bonds on the maturity date, if not converted before the maturity date as per the terms of issue of FCCB.

(Previous year figures are given in parenthesis)

iv) Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 69.23 million including Rs. Nil for acquisition of intangible assets (Previous Year Rs. 80.53 million including Rs. Nil for acquisition of intangible assets).

v) Foreign Currency Convertible Bonds

(a) US\$ 80 Million Zero Coupon Foreign Currency Convertible Bonds

- During the year, the Company issued at par 5-year, Zero Coupon Foreign Currency Convertible Bonds (FCCB) at an exercise price of Rs. 2949.83 per share aggregating to US \$ 80 million (Rs. 3,237.60 million as on the date of issue) for financing overseas acquisition, capital expenditure and other expenditure as per RBI regulation. As per terms and condition of the Offering Circular issued by the Company for FCCB, the Bond are convertible by holders of the Bonds (the "Bondholders") into fully paid equity shares of the company with full voting rights with par value Rs. 10 per share of the Company (the "Shares") at any time on or after 4th September, 2007 (or such earlier date as is notified to the Bondholders by the Company) and prior to the close of business on 19th July, 2012, unless previously redeemed, converted or repurchased and cancelled.
- The Bonds may be redeemed in cash in whole, but not in part, at their Early Redemption Amount, at the option of the Company at any time on or after 25th July, 2009 and on and prior to 19th July, 2012, subject to satisfaction of certain conditions. These bonds are redeemable at 141.087% of the principal amount on July 26, 2012 unless previously converted, redeemed or purchased and cancelled.
- The Company has incurred an expenditure of Rs. 55.05 million towards issue expenses of these bonds. These expenses have been charged to securities premium account as provided under Section 78 of the Companies Act, 1956.
- Out of the proceeds of the bond issue, Rs. 2207.57 million (equivalent to US\$ 55.04 million) is lying in fixed deposits at March 31, 2008 in foreign currency with State Bank of India, London.

(b) US\$ 25 Million 1% Foreign Currency Convertible Bonds

In 2006, the Company had issued at par 5-year, 1% Foreign Currency Convertible Bonds (FCCB) aggregating to US \$ 25 million (Rs. 1135.25 million as on the date of issue) for financing overseas acquisition, capital expenditure and other expenditure as per RBI regulation. All outstanding 1% Foreign Currency Convertible Bonds (FCCB) aggregating to US \$ 25 million have been converted into equity shares during the year leading to the capital base by 1240750 Equity Shares and all the proceeds out of US\$ 25 million bonds have been utilized as on 31.03.2008 as per the terms of the offering of FCCB.

vi) Employees Stock Option Plan

- (a) Pursuant to shareholder resolution dated 24th August, 2006, the Company introduced "Educomp Employees Stock Option Scheme 2006" which provides for the issue of 625,000 equity shares to employees of the Company and its subsidiaries. The option vesting period was initially for five years from the date of award of option to employees at an exercise price approved by the remuneration committee. However the vesting period was increased to seven years as per the shareholders approval dated 13th September, 2007. Till date 6,25,000 Stock options have been granted under this scheme.

All the above options are planned to be settled in equity at the time of exercise and have maximum period of 7 years from the date of respective grants.

- (b) Pursuant to shareholder resolution dated 13th September, 2007, the Company introduced "Educomp Employees Stock Option Scheme 2007" which provides for the issue of 200,000 equity shares to employees of the Company and its subsidiaries. The option vesting period was initially for seven years from the date of award of option to employees at an exercise price approved by the remuneration committee.. However the vesting period was increased to ten years as per the shareholders approval dated 11th February, 2008. Till date 82210 Stock options have been granted.

All the above options are planned to be settled in equity at the time of exercise and have maximum period of 10 years from the date of respective grants.

- (c) The information concerning stock options granted, exercised, forfeited and outstanding at the year end is as follows:

	As on 31st March, 2008		
	No. of stock options	Weighted average exercise price	Weighted average remaining contractual life (in Years)
Employee Stock Option Scheme 2006			
No. of shares under option			
Outstanding at the beginning of the year	Nil	-	
Granted	625000	125	
Exercised	-	-	
Forfeited during the year (Nos)	2500	-	
Outstanding at the end of year	622500	125	
Weighted average grant date fair value per option for options granted during the year at less than market value	625000	834	6*
Employee Stock Option Scheme 2007			
No. of shares under option			
Outstanding at the beginning of the year	Nil	-	
Granted	82210	Fair market value	
Exercised	Nil	-	
Forfeited during the year (Nos)	Nil	-	
Outstanding at the end of year	82210	Fair market value	
Weighted average grant date fair value per option for options granted during the year at less than market value	82210	1583	9.73

* All the options have been granted in the first year itself i.e on 1st April, 2008.

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- (vii) Provision for Current tax includes provision for earlier years amounting to Rs. 2.68 million (Previous year Rs. 6.43 million). Provision for Fringe benefit tax includes provision for earlier years amounting to Rs. 0.61 million (Previous year Rs. 0.40 million).

(viii) Derivative instrument

The company has outstanding foreign exchange forward contract of US \$ 35,000,000 (previous year US\$ Nil) as at 31st March, 2008 for hedging its exposure in respect of highly probable forecast transactions relating to foreign currency convertible bonds (FCCB) proceed parked with State Bank Of India, UK receivable in US Dollars. The forward cover is taken in US Dollars.

(ix) Employee benefits

- a. The Company during the year adopted Accounting standard 15 (revised 2005) "Employee Benefits". Pursuant to adoption of the revised standard, as per the transitional provisions, the additional liability (net of tax) of Rs. 0.72 million upto 31st March, 2007 has been adjusted against opening accumulated profits.
- b. During the year, the company has recognized the following amounts in the Profit and Loss Account

Defined contribution Plan

(Rupees in millions)

	Year ended 31 st March, 2008
Employer's Contribution to provident fund	17.48

Defined Benefit Plan

(Rupees in millions)

	Gratuity Unfunded	Leave encashment Unfunded
	Year ended 31 st March, 2008	
Current service cost	2.55	2.33
Interest cost	0.36	0.13
Actuarial gain	0.68	0.95
Total	3.59	3.41

(c) Reconciliation of opening and closing balance of benefit obligation

(Rupees in millions)

	Gratuity Unfunded	Leave encashment Unfunded
	Year ended 31 st March, 2008	
Present value of obligation as at the beginning of the year	4.51	1.63
Interest cost	0.36	0.13
Current service cost	2.55	2.33
Benefit paid	(0.16)	(0.84)
Actuarial gain	0.68	0.95
Present value of obligation as at the end of the year	7.94	4.20

(d) Principal actuarial assumptions at the Balance Sheet date:

	Year ended 31 st March, 2008
Discounting Rate	8%
Expected rate of increase in salary	8%

x) Operating lease

A) General description of lease terms:

- i) Assets are taken on lease over a period of 2 to 33 years.
- ii) Lease rentals are charged on the basis of agreed terms.
- b. The Company has taken on leases office space, technology equipments and land for providing infrastructure on lease to educational institution under non-cancellable operating lease. The lease rental expense recognized in the Profit and Loss Account. for the year in respect of such leases is Rs 20.62 million (previous year Rs. 9.20 million). The future minimum lease payments and payment profile of non-cancellable operating leases are as follows:

(Rupees in millions)

Particulars	As on 31 st March, 2008	As on 31 st March, 2007
Not later than 1 year	48.56	9.48
Later than 1 year but not later than 5 years	95.26	30.84
Later than 5 years	33.05	3.81
Total	176.87	44.13

c. Assets given on lease:

- i) General description of lease terms:
 - a) Assets are given on lease over a period of 2 to 27 years
 - b) Lease rentals are charged on the basis of agreed terms.
- ii) The company has given office space on sub lease and school building to educational institution. The future minimum sublease payment expected to be received as on March 31, 2008 Rs. 229.87 million (previous year Rs 16.88).
Income from operating lease is included in sales and services income Rs. 4.38 million (previous year Rs. Nil) and Rs. 5.52 (previous year Rs. 3.82 million) in lease and hire income.

xi) Deferred tax liability

As per Accounting Standard (As-22) on "Accounting for Taxes on Income" Issued by Institute of Chartered Accountants of India, (ICAI) the Deferred Tax Liability (DTL) as at 31st March, 2008 comprises of the following:

(Rupees in millions)

Particulars	31 st March, 2008	31 st March, 2007
a) Deferred Tax Liability		
-Depreciation on fixed assets	215.11	62.61
b) Deferred Tax Assets		
-Expenses allowable on payment basis u/s 43B of I.Tax Act	5.16	3.31
-Provisions for doubtful debts and advances	0.23	0.23
-Expenses allowable as per Section 40 of the I. Tax Act	-	0.36
Deferred Tax Liability (Net)	209.72	58.71

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xii) Related party Disclosures:

The disclosures of transactions with related parties as defined in Accounting Standard 18, issued by the Institute of Chartered Accountants of India are given as below:

i) List of related parties with whom transactions have taken place and relationships:

Sr. No.	Name of Related Party	Relationship
1.	Mr. Shantanu Prakash	Key Managerial Personnel
2.	Mr. Jagdish Prakash	
3.	Anjlee Prakash	Relatives of Key Managerial Personnel
4.	Lalita Prakash	
5.	Savvica Inc.	Associates
6.	Learning Leadership Foundation	Others
7.	Learning Links Foundation	
8.	Richmond Education Society	
9.	Lakshya Digital Private Limited	
10.	SEI Technology Private Limited	
11.	Education Quality Foundation of India	

ii) Transactions during the year with related parties:

I. Details of Related Party Transactions for the year ended 31st March, 2008

(Rupees in millions)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Associates	Others	Total
Revenues	-	-	-	306.26	306.26
(note1)	(-)	(-)	(-)	(221.57)	(221.57)
Other Income	-	-	-	17.06	17.06
(note2)	(-)	(-)	(-)	(5.94)	(5.94)
Loans & Advances	-	-	-	167.08	167.08
(note 3)	(-)	(-)	(-)	(50.75)	(50.75)
Purchase of Fixed Assets	-	-	-	47.81	47.81
(note 4)	(-)	(-)	(-)	(23.31)	(23.31)
Sale of Fixed Assets	-	-	-	-	-
(note 5)	(-)	(-)	(-)	(0.84)	(0.84)
Purchase of Investments	-	-	20.90	-	20.90
(note 6)	(-)	(-)	(-)	(-)	(-)
Remuneration	12.15	-	-	-	12.15
(note 7)	(9.15)	(-)	(-)	(-)	(9.15)
Donation	-	-	-	0.50	0.50
(note 8)	(-)	(-)	(-)	(-)	(-)
Redemption of Investments	-	-	-	-	-
(note 9)	(-)	(-)	(-)	(20.11)	(20.11)
Corporate Guarantees	-	-	-	170.00	170.00
(note 10)	(-)	(-)	(-)	(170.00)	(170.00)

Notes:

1. Includes Sales and services to:
 - Learning Link Foundation Rs. 227.93 million (Previous year Rs. 148.84 million).
 - Learning Leadership Foundation Rs. 73.33 million (Previous year Rs. 71.52 million).
 - Lakshya Digital Pvt. Ltd Rs. Nil million (Previous year Rs. 1.21 million).
 - Richmond Education Society Rs. 5.00 million (Previous year Rs. Nil).
2. Includes other income from:
 - Learning Link Foundation Rs. 0.12 million (Previous year Rs. 0.12 million).
 - Learning Leadership Foundation Rs. 2.67 million (Previous year Rs. 2.05 million).
 - Lakshya Digital Pvt. Ltd Rs. Nil million (Previous year Rs. 0.86 million).
 - Richmond Education Society Rs. 14.27 million (Previous year Rs. 2.91 million).
3. Loans and advances relates to:
 - Richmond Education Society Rs. 152.70 million (Previous year Rs. 50.75 million).
 - Lakshya Digital Pvt. Ltd. Rs. 5.00 million (Previous year Rs. Nil).
 - Learning Leadership Foundation Rs. 9.38 million (Previous year Rs. Nil).
4. Includes purchase of Fixed Assets from:
 - Learning Link Foundation Rs. Nil million (Previous year Rs. 23.31 million).
 - Richmond Education Society Rs. 19.20 million (Previous year Rs. Nil).
 - Learning Leadership Foundation Rs. 28.61 million (Previous year Rs. Nil).
5. Include sale of fixed assets to:
 - Lakshya Digital Pvt. Ltd. Rs. Nil million (Previous year Rs. 0.84 million),
6. Represents investment made in:
 - Savvica Inc. Rs. 20.90 million (Previous year Rs. Nil).
7. Includes transaction for the year mainly with:
 - Mr. Shantanu Prakash Rs. 10.80 million (Previous year Rs. 8.40 million).
 - Mr. Jagdish Prakash Rs. 1.35 million (Previous year Rs. 0.75 million).
8. Includes Donation given to:
 - Education Quality Foundation of India Rs. 0.50 million (Previous year Rs. Nil).
9. Includes Redemption of Investments from:
 - Lakshya Digital Pvt. Ltd. Rs. Nil (Previous year Rs. 20.11 million).
10. Includes non-fund transaction for the year:
 - Corporate guarantee provide to Learning leadership foundation Rs. 170.00 million (previous year Rs. 170.00 million). However, the loan outstanding against the guarantee of Rs. 170.00 million is Rs. 54.40 million (Previous Year 87.09 million)

II. Balances with related parties: (Rupees in millions)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Associates	Others	Total
Investment	- (-)	- (-)	20.90 (-)	- (-)	20.90 (-)
Debtors, Loans & Advances	- (-)	- (-)	- (-)	390.44 (112.66)	390.44 (112.66)

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Note:

2. All transactions with related parties have been entered into in the normal course of business.
3. Previous year figures are given in parenthesis.

(xiii) Segment Reporting

The Company has business segment as primary segment and geographical segments as secondary segment.

Revenue and expenses directly attributable to segments are reported under each reportable segment. All other expenses, which are not attributable or allocable to segments, have been disclosed as un-allocable expenses.

Assets and liabilities that are directly attributable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as un-allocable.

Revenues and expenses attributable to the subsidiaries are reported under "Others (including Retail and consulting) – Business segment".

Assets and liabilities attributable to the subsidiaries are reported under "Others (including Retail and consulting) – Business segment".

A. Primary Segment Information: - Business Segments

(Rupees in millions)

Particulars	Professional Development	Smart Class	Instructional & Computing Technology (ICT)	Other (including Retail and Consulting)	Total
Segment Assets	169.80 (4.86)	2052.65 (702.30)	785.54 (340.44)	978.42 (126.22)	3986.41 (1173.82)
Unallocated Corporate Assets					3683.02 (1657.55)
Total Assets					7669.43 (2831.37)
Segment Liabilities	2.65 (2.70)	499.20 (69.96)	289.42 (76.06)	147.59 (31.09)	938.86 (179.81)
Unallocated Corporate Assets					3653.85 (1376.30)
Total Liabilities					4592.71 (1556.11)
Capital Expenditure	- (-)	1332.39 (480.59)	3.75 (41.27)	399.11 (15.04)	1735.25 (536.90)
Unallocated Corporate Capital Expenditure					484.04 (138.57)
Total Capital Expenditure					2219.29 (675.47)
Depreciation & Amortization	- (-)	202.91 (35.79)	11.38 (22.45)	18.82 (7.08)	233.11 (65.32)
Unallocated Corporate Depreciation & Amortization					98.21 (30.74)
Total Depreciation & Amortization					331.32 (96.06)
Non cash expenditure Other than Depreciation	5.89 (-)	6.56 (-)	8.26 (0.68)	11.44 (0.45)	32.15 (1.13)
Unallocated Corporate expenditure					70.17 (0.87)
Total Non cash expenditure other than Depreciation					102.32 (2.00)

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(Rupees in millions)

Particulars	Professional Development	Smart Class	Instructional & Computing Technology (ICT)	Other (including Retail and Consulting)	Total
Revenue	256.27	1267.91	933.25	403.41	2860.84
	(175.40)	(465.83)	(301.71)	(157.89)	(1100.83)
Expenses	99.55	536.58	660.42	306.55	1603.10
	(70.32)	(195.23)	(203.59)	(93.28)	(562.42)
Segment Results	156.72	731.33	272.83	96.86	1257.74
	(105.08)	(270.60)	(98.12)	(64.61)	(538.41)
Un-allocable Expenditure					323.25
					(128.62)
Finance cost					48.06
					(14.40)
Operating profit					886.43
					(395.39)
Other Income					177.55
					(58.96)
Profit Before Tax and prior period items					1063.98
					(454.36)
Less: Tax Expense					
-Current					194.47
					(124.11)
-Deferred Tax					150.56
					(42.39)
-Fringe Benefit Tax					6.10
					(3.13)
Profit after tax & before prior period items					712.85
					(284.73)
Prior period items					
Prior period Items					(0.03)
					(0.50)
Profit after tax before minority interest & pre-acquisition profits					712.88
					(284.23)
Pre-acquisition profits					1.79
					(-3.77)
Minority Interest					2.98
					(1.20)
Share of loss in associates					2.50
					(-)
Profit after tax, minority interest & pre-acquisition profits					705.61
					(286.80)

Note: Previous year's figures are given in parenthesis.

What Learning Can Be

Educomp Solutions Limited

NOTES FORMING PART OF CONSOLIDATED ACCOUNTS

B. Secondary Segment Information – Geographical

(Rupees in millions)

	Revenue	Segment Assets	Capital Expenditure
India	2470.37 (1006.28)	7261.76 (2720.80)	2143.35 (661.45)
Outside India	390.47 (94.55)	407.67 (110.57)	75.94 (14.02)
Total	2860.84 (1100.83)	7669.43 (2831.37)	2219.29 (675.47)

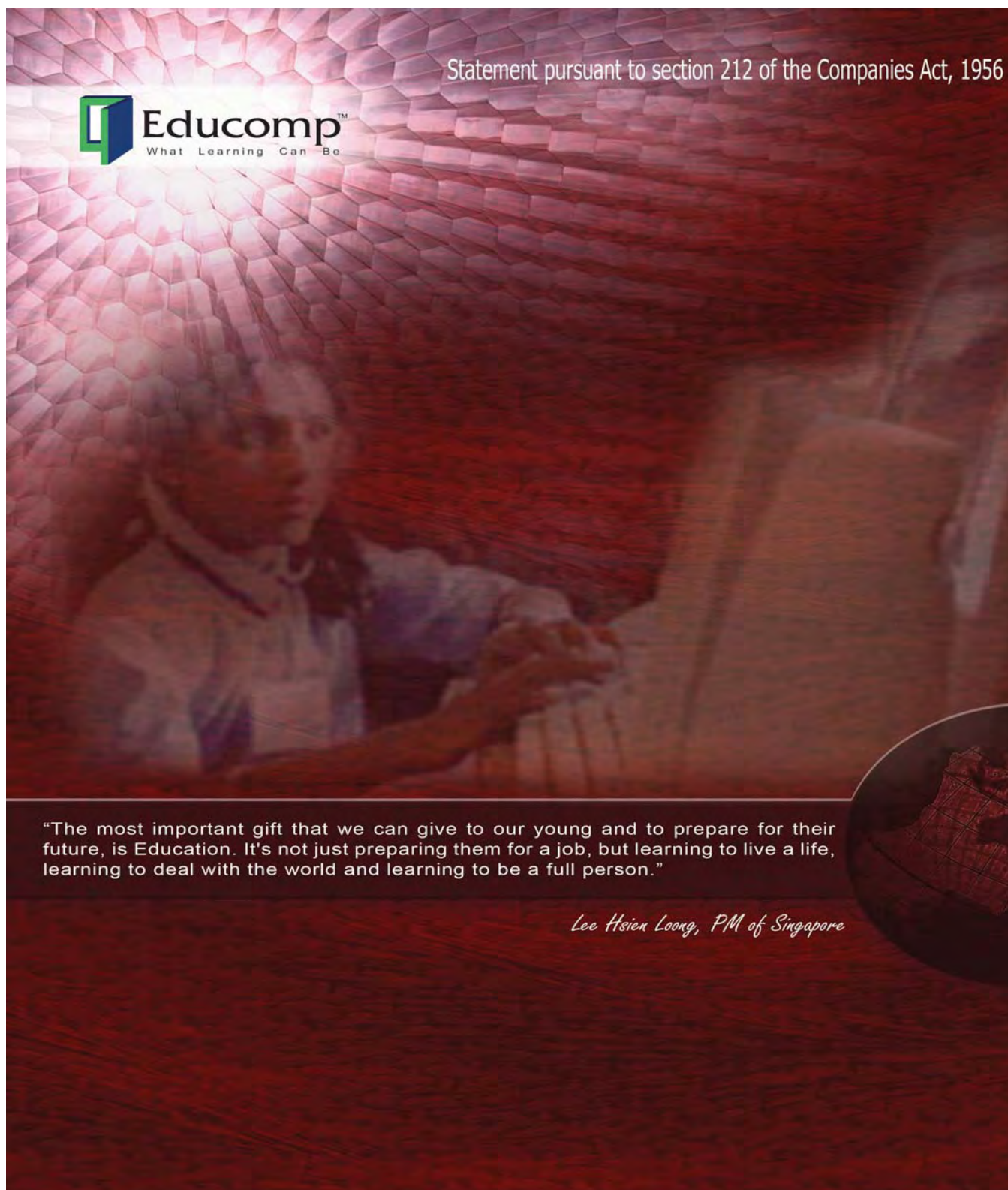
Note: Previous year figures are given in parenthesis.

(xiv) The previous year figures have been regrouped, rearranged and reclassified wherever necessary to conform to current year classification.

For and on behalf of Board

Shantanu Prakash	Chairman & Managing Director
Jagdish Prakash	Whole-time Director
Gopal Jain	Director
Shonu Chandra	Director
Mohit Maheshwari	Company Secretary

Place : New Delhi
Dated : 2nd June, 2008



Statement pursuant to section 212 of the Companies Act, 1956



"The most important gift that we can give to our young and to prepare for their future, is Education. It's not just preparing them for a job, but learning to live a life, learning to deal with the world and learning to be a full person."

Lee Hsien Loong, PM of Singapore

Educomp Solutions Limited

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies

(Rupees in million)

Name of the Subsidiary Company	Share capital		Reserves	Loans	Total assets	Investment			Turnover	Profit/ loss before taxation	Provision for taxation	Profit/ (Loss) after taxation	Proposed dividend
	Issued and subscribed	Paid-Up				Long term	Current	Total					
Educomp Learning Private Limited	1.05	1.05	53.93	5.78	60.76	-	-	-	72.57	34.92	11.88	23.04	-
Wheatstone Productions Private Limited	1.68	1.68	(3.26)	0.58	(1.00)	-	-	-	0.26	(0.09)	0.00	(0.09)	-
Edumatics Corporation Inc.	43.35	43.35	(29.90)	-	13.45	-	-	-	0.05	(12.46)	0.04	(12.50)	-
Educomp Infrastructure Private Limited	0.33	0.33	507.97	92.93	601.23	-	0.10	0.10	16.63	7.50	1.26	6.24	-
Educomp School Management Limited	0.50	0.50	74.20	-	74.70	-	15.58	15.58	37.20	36.74	12.24	24.50	-
Ask n Learn Pte. Ltd.	58.43	58.43	52.74	-	111.17	18.46	-	18.46	198.03	13.00	0.72	12.28	-
Educomp Asia Pacific Pte. Ltd.	40.49	40.49	(9.55)	105.86	136.80	161.80	-	161.80	-	(9.55)	-	(9.55)	-
Authorgen Technologies Private Limited	19.22	19.22	4.78	1.05	25.05	0.07	-	0.07	0.83	(19.19)	(6.53)	(12.66)	-
Threebrix E-services Private Limited	0.66	0.66	17.47	-	18.13	-	-	-	1.13	(7.68)	(0.32)	(80.02)	-
Shikhya Solutions LLC.,USA	0.07	0.07	(0.66)	-	(0.59)	-	-	-	1.99	(0.68)	-	(0.68)	-
Educomp Software Limited	0.50	0.50	-	-	0.50	-	-	-	-	-	-	-	-
Educomp Professional Education Limited	0.50	0.50	-	-	0.50	-	-	-	-	-	-	-	-
Educomp Infrastructure Services Private Limited	0.10	0.10	-	0.18	0.28	-	-	-	-	-	-	-	-
Singapore Learning.com Pte. Limited	0.00	0.00	0.52	-	0.52	-	-	-	2.58	0.42	0.03	0.39	-
Pave Education Pte. Limited	6.65	6.65	8.28	-	14.93	-	-	-	24.98	7.91	0.62	7.29	-
Wiz Learn Pte. Limited	34.69	34.69	(7.19)	-	27.50	-	-	-	22.01	5.70	1.18	4.52	-

For and on behalf of Board

Shantanu Prakash	Chairman & Managing Director
Jagdish Prakash	Whole-time Director
Gopal Jain	Director
Shonu Chandra	Director
Mohit Maheshwari	Company Secretary

Place : New Delhi
Dated : 2nd June, 2008

What Learning Can Be

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies

Name of the subsidiary	Educomp Learning Private Limited	Wheatstone Productions Private Limited	Edumatics Corporation	Educomp Infrastructure Private Limited	Educomp School Management Limited
1 Financial period ended	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008
2 Holding Company's interest	51% in equity shares	51% in equity shares	100% in equity shares	69.38% in equity shares	68% in equity shares
3 Shares held by the holding Company in the subsidiary	53550 equity shares	85899 equity shares	998132 equity shares	22658 equity shares	34000 equity shares
4 The net aggregate of profits or losses of the subsidiary for the current period so far as it concerns the members of the holding Company					
a. dealt with or provided for in the accounts of the holding Company	No	No	No	No	No
b. not dealt with or provided for in the accounts of the holding Company	11.76	(0.05)	(12.50)	4.33	16.66
5 The net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding Company					
a. dealt with or provided for in the accounts of the holding Company	No	No	No	No	No
b. not dealt with or provided for in the accounts of the holding Company	15.81	(28.85)	(17.40)	1.36	0.03

..... Contd.

Educomp Solutions Limited

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies

Name of the subsidiary	Askn Learn Pte Ltd.	Educomp Asia Pacific Pte Ltd.	Authorgen Technologies Private Limited	Threebrix E-services Private Limited	Shikhya Solutions LLC.
1 Financial period ended	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008
2 Holding Company's interest	100% in equity shares	100% in equity shares	55.05% in equity shares	76% in equity shares	55.05% in equity shares
3 Shares held by the holding Company in the subsidiary	2200002 equity shares	1509463 equity shares	1058094 equity shares	50000 equity shares	1073 equity shares
4 The net aggregate of profits or losses of the subsidiary for the current period so far as it concerns the members of the holding Company					
a. dealt with or provided for in the accounts of the holding Company	No	No	No	No	No
b. not dealt with or provided for in the accounts of the holding Company	13.00	(9.55)	(12.66)	(8.02)	(0.55)
5 The net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding Company					
a. dealt with or provided for in the accounts of the holding Company	No	No	No	No	No
b. not dealt with or provided for in the accounts of the holding Company	14.18	-	(7.53)	(0.79)	0.01

..... contd.

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies

Name of the subsidiary		Educomp Software Ltd.	Educomp Professional Education Ltd.	Educomp Infrastructure Services Pvt.	Singapore Learning. com Pte Ltd.	Pave Education Pte Ltd.	Wiz Learn Pte. Ltd.
1	Financial period ended	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008
2	Holding company's interest	100% in equity shares	100% in equity shares	69.38% in equity shares	100% in equity shares	100% in equity shares	100% in equity shares
3	Shares held by the holding Company in the subsidiary	50000 equity shares	50000 equity shares	6938 equity shares	10 equity shares	229880 equity shares	1200000 equity shares
4	The net aggregate of profits or losses of the subsidiary for the current period so far as it concerns the members of the holding Company						
	a. dealt with or provided for in the accounts of the holding Company	No	No	No	No	No	No
	b. not dealt with or provided for in the accounts of the holding Company	-	-	-	0.40	7.29	4.52
5	The net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding Company						
	a. dealt with or provided for in the accounts of the holding Company	No	No	No	No	No	No
	b. not dealt with or provided for in the accounts of the holding Company	-	-	-	0.12	3.98	(0.56)

For and on behalf of Board

Shantanu Prakash
Jagdish Prakash
Gopal Jain
Shonu Chandra
Mohit Maheshwari

Chairman & Managing Director
 Whole-time Director
 Director
 Director
 Company Secretary

Place : New Delhi
 Dated : 2nd June, 2008



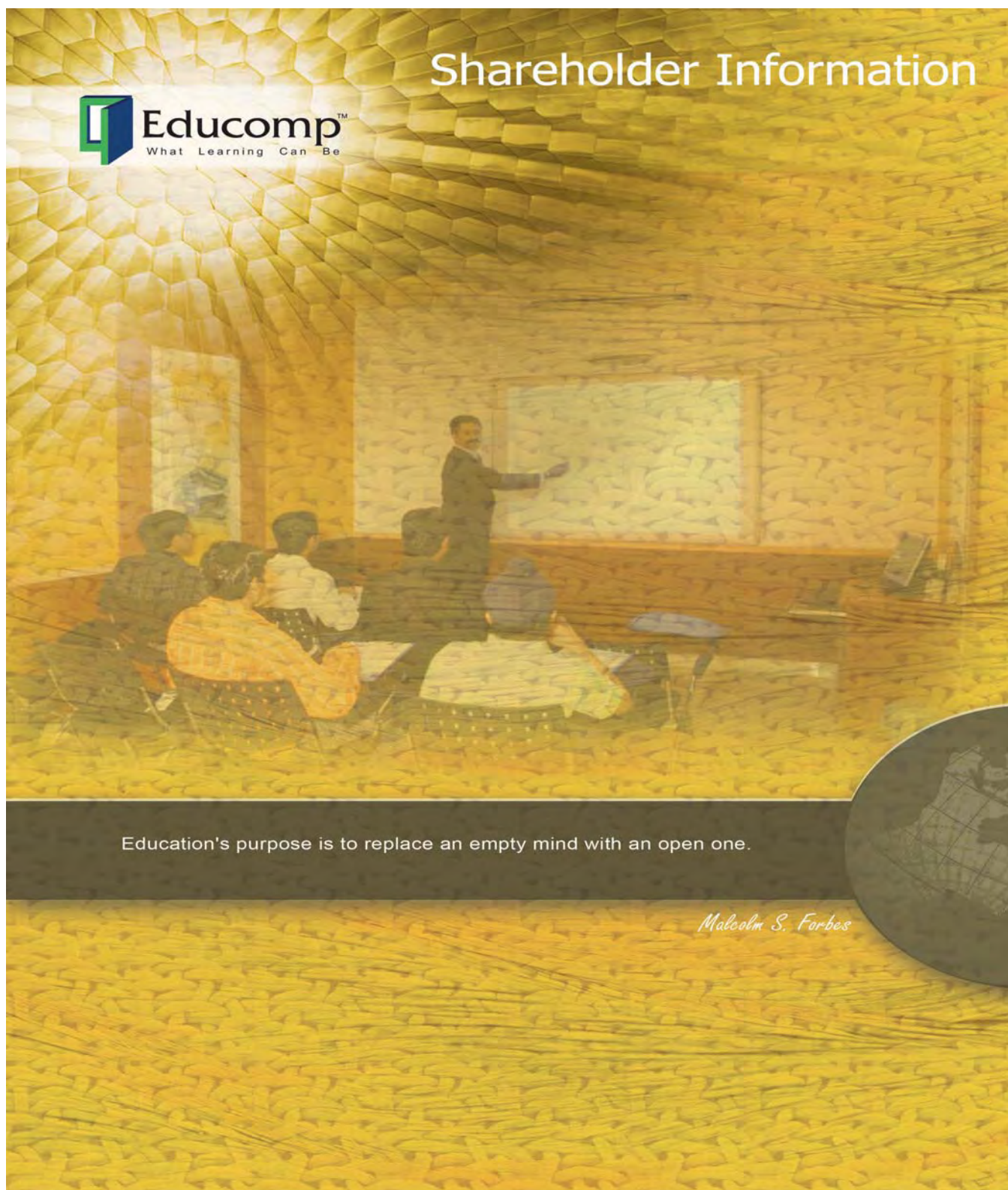
Additional Information



EducompTM
What Learning Can Be

Education is simply the soul of a society as it passes from one generation to another.

G.K. Chesterton



Educomp Solutions Limited

SHAREHOLDER INFORMATION

(As on 31st March, 2008)

ANNUAL GENERAL MEETING

Day, Date, Venue and Time are as follows:

Registered office	1211, Padma Tower-I, 5, Rajendra Place, New Delhi-08
Day	Monday
Date	07.07.2008
Time	12:00 noon
Venue	Sri Sathya Sai International Center, Pragati Vihar, Lodhi Road, New Delhi- 110003

FINANCIAL CALENDAR (Tentative)

- * Financial Reporting for Quarter ending June 30, 2008 end of July, 2008
- * Financial Reporting for Quarter ending September 30, 2008 end of October, 2008
- * Financial Reporting for Quarter ending December 31, 2008 end of January, 2009
- * Financial Reporting for Quarter ending March 31, 2009 end of April, 2009
- * Annual General Meeting end of July, 2009

BOOK CLOSURE DATES	:	28 th June, 2008 to 07 th July, 2008 (both days inclusive)
DIVIDEND PAYMENT DATE	:	22 nd July, 2008 onwards

LISTING ON STOCK EXCHANGES:

Name of Exchange and Address	Contact details	Scrip Code
National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai-400051	Telephone: 022- 26598100 Email: cmlist@nse.co.in Website:www.nse-india.com	"EDUCOMP"
Bombay Stock Exchange Limited, PJ Towers, Dalal Street, Fort, Mumbai-01	Telephone:022-22721233/4 Email: listing@bseindia.com Website: www.bseindia.com	532696

Listing Fees: Annual Listing fees for the year 2008-2009, as applicable have been paid to above Stock Exchanges.

DEMAT ISIN NO.

In NSDL and CDSL INE216H01019

Stock Code:

BSE: '532696'

NSE: 'EDUCOMP'

The Company's USD 80 million Foreign Currency Convertible Bonds (FCCBs) are listed on Singapore Exchange Securities Trading Limited.

ISIN code of Educomp' USD 80 million FCCB : XS0307667096

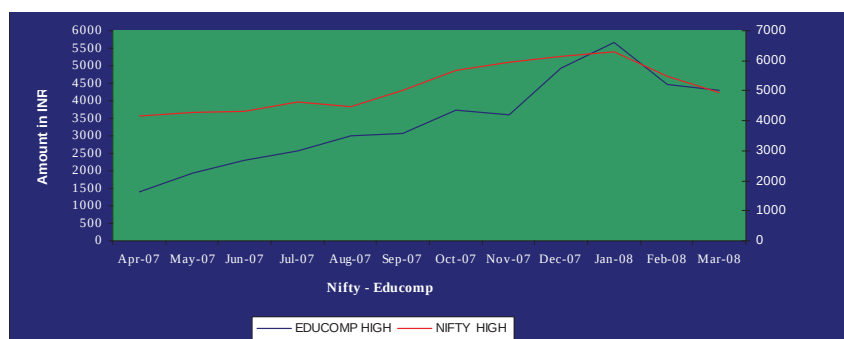
Annual Report 2007-08

Stock Market Data

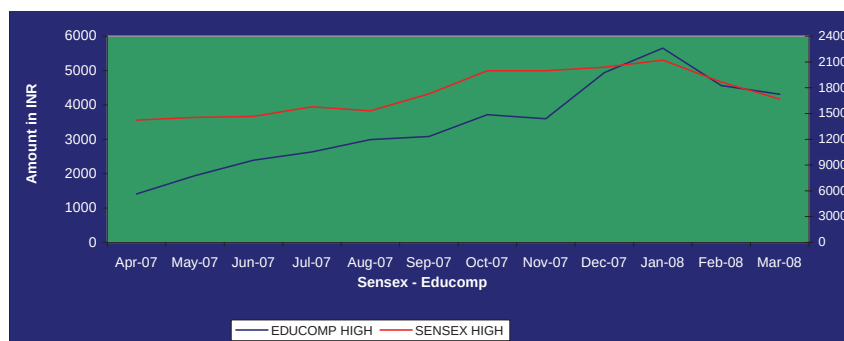
The Monthly High and Low quotation of equity shares traded on BSE are as under:-

Month	National Stock Exchange		Bombay Stock Exchange	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April',07	1,408.55	973.90	1,407.05	971.65
May',07	1,942.95	1,308.95	1,943.95	1,306.75
June',07	2,314.45	1,728.30	2,389.65	1,706.00
July',07	2,570.00	2,120.40	2,630.00	2,121.00
August',07	2,989.00	2,260.00	2,989.00	2,260.00
September',07	3,079.90	2,712.00	3,079.00	2,225.00
October',07	3,718.00	2,685.30	3,715.00	2,665.00
November',07	3,612.00	2,885.00	3,598.00	2,880.00
December',07	4,949.00	3,550.25	4,942.00	3,565.00
January',08	5,678.70	3,300.00	5,650.00	3,200.00
February',08	4,479.20	3,450.00	4,562.00	3,470.00
March',08	4,310.00	2,951.00	4,309.00	2,901.00

Share Performance Chart on NSE



Share Performance Chart on BSE



Educomp Solutions Limited

Registrar and Share Transfer Agents

The Company has appointed Intime Spectrum Registry Limited having its office at A-40, 02nd Floor, Naraina Industrial Area, Phase II, Near Batra Banquet Hall, Naraina, New Delhi as Registrar and Transfer Agent for physical transfer and demat segment.

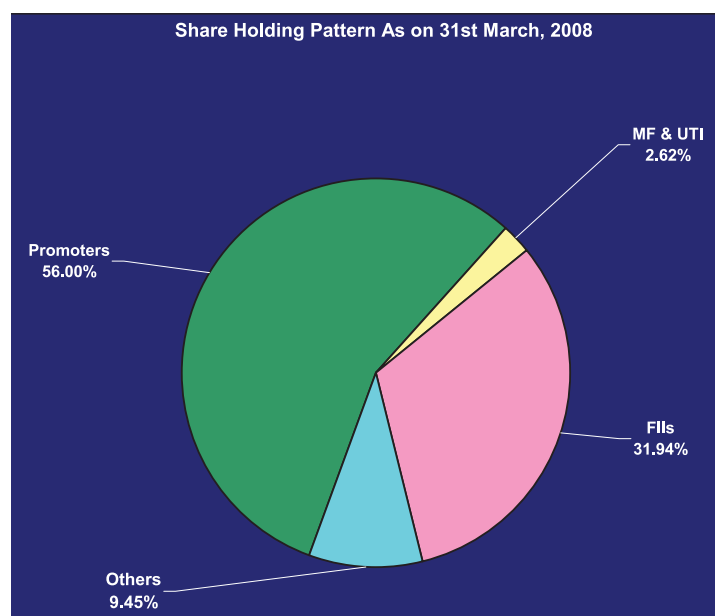
Share Transfer System

Share Transfer request received in physical form are registered within 30 days from the date of receipt and demat request are normally confirmed within prescribed time from date of the receipt. Pursuant to Clause 47C of the Listing Agreement with the Stock Exchanges, certificates on half yearly basis confirming the due compliance of share transfer formalities by the Company, certificate for timely dematerialization of the shares as per SEBI (Depositories and Participants) Regulations 1996 and a Secretarial Audit Report for reconciliation of the share capital of the Company obtained from Practicing Company Secretary have been submitted to Stock Exchanges in stipulated time.

Distribution of Shareholding as on 31st March, 2008

No. of Equity Shares	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Up to 2500	15214	97.626	269733	1.564
2501 to 5000	131	0.841	48678	0.282
5001 to 10000	76	0.488	56036	0.325
10001 to 20000	39	0.250	57386	0.333
20001 to 30000	12	0.077	31641	0.183
30001 to 40000	5	0.032	15877	0.092
40001 to 50000	8	0.051	36307	0.211
50001 to 100000	27	0.173	201452	1.168
100001 and above	72	0.462	16529454	95.842
Total	15584	100.00	17246564	100.00

Shareholding Pattern as on 31st March, 2008 depicted by way of pie chart as follows:



Shareholding Pattern as on 31st March, 2008

Category code	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares	
					As a percentage of (A+B)	As a percentage of (A+B+C)
(A)	Shareholding of Promoter and Promoter Group					
	(1) Indian					
	(a) Individuals/ Hindu Undivided Family	2	9658229	3153161	56.00	56.00
	(b) Central Government/ State Government(s)					
	(c) Bodies Corporate					
	(d) Financial Institutions/ Banks					
	(e) Any Other(specify)					
	Sub-Total (A)(1)	2	9658229	3153161	56.00	56.00
	(2) Foreign					
	(a) Individuals (Non-Resident Individuals/ Foreign Individuals)					
(B)	(b) Bodies Corporate					
	(c) Institutions					
	(d) Any Other (specify)					
	Sub-Total (A)(2)					
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	2	9658229	3153161	56.00	56.00
	Public shareholding					
	(1) Institutions					
	(a) Mutual Funds/ UTI	22	447571	447571	2.60	2.60
	(b) Financial Institutions/ Banks	5	3650	3650	0.02	0.02
	(c) Central Government/ State Government(s)					
	(d) Venture Capital Funds					
	(e) Insurance Companies					
	(f) Foreign Institutional Investors	89	5507736	5507736	31.94	31.94
	(g) Foreign Venture Capital Investors					
	(h) Any Other (specify)					
	Sub-Total (B)(1)	116	5958957	5958957	34.55	34.55

Educomp Solutions Limited

Category code	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares	
					As a percentage of (A+B)	As a percentage of (A+B+C)
	(2) Non-institutions					
	(a) Bodies Corporate	598	382224	382224	2.22	2.22
	(b) Individuals -					
	i. Individual shareholders holding nominal share capital up to Rs.1 lakh.	14095	341535	340574	1.98	1.98
	ii. Individual shareholders holding nominal share capital in excess of Rs.1 lakh.	1	24344	24344	0.14	0.14
	(c) Any Other (specify)					
	NRI	259	11921	11921	0.07	0.07
	Clearing Members	243	29186	29186	0.17	0.17
	HUF	267	672592	672592	3.90	3.90
	Foreign Corporate Bodies	3	167576	167576	0.97	0.97
	Sub-Total (B)(2)	15466	1629378	1628417	9.45	9.45
	Total Public Shareholding (B)= (B)(1)+(B)(2)	15582	7588335	7587374	44.00	44.00
	TOTAL (A)+(B)	15584	17246564	10740535	100.00	100.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued					
	GRAND TOTAL (A)+(B)+(C)	15584	17246564	10740535	100.00	100.00

(I)(b) **Statement showing Shareholding of persons belonging to the category "Promoter and Promoter Group"**

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1	Shantani Prakash	8985541	52.10
2	Anjlee Prakash	672688	3.90
	TOTAL	9658229	56.00

(I)(c) **Statement showing Shareholding of persons belonging to the category “Public” and holding more than 1% of the total number of shares**

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1	CLSA Merchant Bankers Limited A/C CLSA (Mauritius) Limited	941677	5.46
2	Merrill Lynch Capital Markets ESPANA S.A. S.V	910425	5.28
3	Citigroup Global Markets Mauritius Private Ltd	716129	4.15
4	Roopchand Bhanshali	662479	3.84
5	Goldman Sachs Investments (Mauritius) I Ltd	397711	2.31
6	CAAM Funds India	225000	1.30
7	Arisaig Partners (Asia) Pte Ltd A/C Arisaig India Fund Ltd	214466	1.24
8	Gaja Advisors Private Limited	200000	1.16
9	Morgan Stanley Mauritius Company	181305	1.05
10	T Rowe Price International Discovery Fund	173300	1.00
	TOTAL	4622492	26.80

(I)(d) **Statement showing details of locked-in shares**

Sr. No.	Name of the shareholder	Category of Shareholders (Promoters/ Public)	Number of locked-in shares	Locked-in shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1	Shantanu Prakash	Promoter	2763909	16.03
2	Anjlee Prakash	Promoter	428048	2.48
	TOTAL		3191957	18.51

Dematerialization of Shares and Liquidity

About 62.28% of the Equity Shares of the Company have been dematerialized as on 31st March, 2008. The Company's Shares are compulsorily traded in dematerialization form.

The Equity Shares of the Company are actively traded on NSE and BSE.

Liquidity

Educomp shares since their listing as on 13th January, 06 have shown reasonable liquidity and have emerged as an actively trading stock on both NSE & BSE.

Educomp Solutions Limited

Relevant data for the average monthly turnover for the period starting from 01st April, 2007 till 31st March, 2008 are as follows:

Period	The Stock Exchange, Mumbai (BSE) Volume / Value (Rs. Million)	National Stock Exchange (NSE) Volume / Value (Rs. Million)	BSE + NSE Volume / Value (Rs. Million)
End of April, 2007	1.04/ 1325.61	1.83/2327.36	2.87/3652.97
End of May, 2007	3.47/6180.15	6.98/12410.74	10.45/18590.89
End of June, 2007	4.44/9509.37	9.23/19770.70	13.67/29280.07
End of July, 2007	2.90/6671.15	6.71/15384.29	9.61/22055.44
End of August, 2007	3.05/8027.09	6.28/16590.22	9.33/24617.31
End of September, 2007	1.42/4144.35	3.51/10241.58	4.93/14385.93
End of October, 2007	1.28/4148.24	3.20/10307.13	4.48/14455.37
End of November, 2007	0.36/1201.02	1.15/3782.21	1.51/4983.23
End of December, 2007	0.62/2649.66	1.65/6923.89	2.27/9573.55
End of January , 2008	1.17/5370.65	3.82/17453.75	4.99/22824.40
End of February, 2008	1.16/4824.09	2.95/12191.31	4.11/17015.40
End of March, 2008	1.44/5204.52	3.49/12537.42	4.93/17741.94

Outstanding GDRs/ ADRs/ Warrants or Convertible Bonds: No GDRs/ ADRs/ Warrants has been issued by the Company. Company raised USD 25 million vide its First FCCB issue on 13th October, 2006. On 25th July, 2007, Company raised USD 80 million vide its Second FCCB issue.

On 13th October, 2006, we issued USD 25 Million 1% Foreign Currency convertible bonds ("Bonds") due in 2011. The bonds are convertible into fully paid equity shares of Rs. 10/- per share, at an initial conversion price of Rs. 900 per share. In 2007, Bonds aggregating to USD 0.5 million were converted into 25,321 equity share and Bonds aggregating to USD 24.50 million were converted into 12,40,750 Equity Shares of Rs. 10/- each in the current financial year. There were no outstanding Bonds as on 31st March, 2008 out of this issue.

On 25th July, 2007, we issued USD 80 million Zero coupon Foreign Currency convertible bonds ("Bonds") due in 2012. The bonds are convertible into fully paid equity shares of Rs. 10/- per share, at an initial conversion price of Rs. 2949.83 per share. During the year under review, we received two notices from bondholders aggregating to USD 1.5 million and the same have been converted into 20,710 equity shares of the Company. Outstanding FCCBs as at 31st March 2008 are USD 78.50 million.

Details have been provided under schedule 18 forming part of annual accounts.

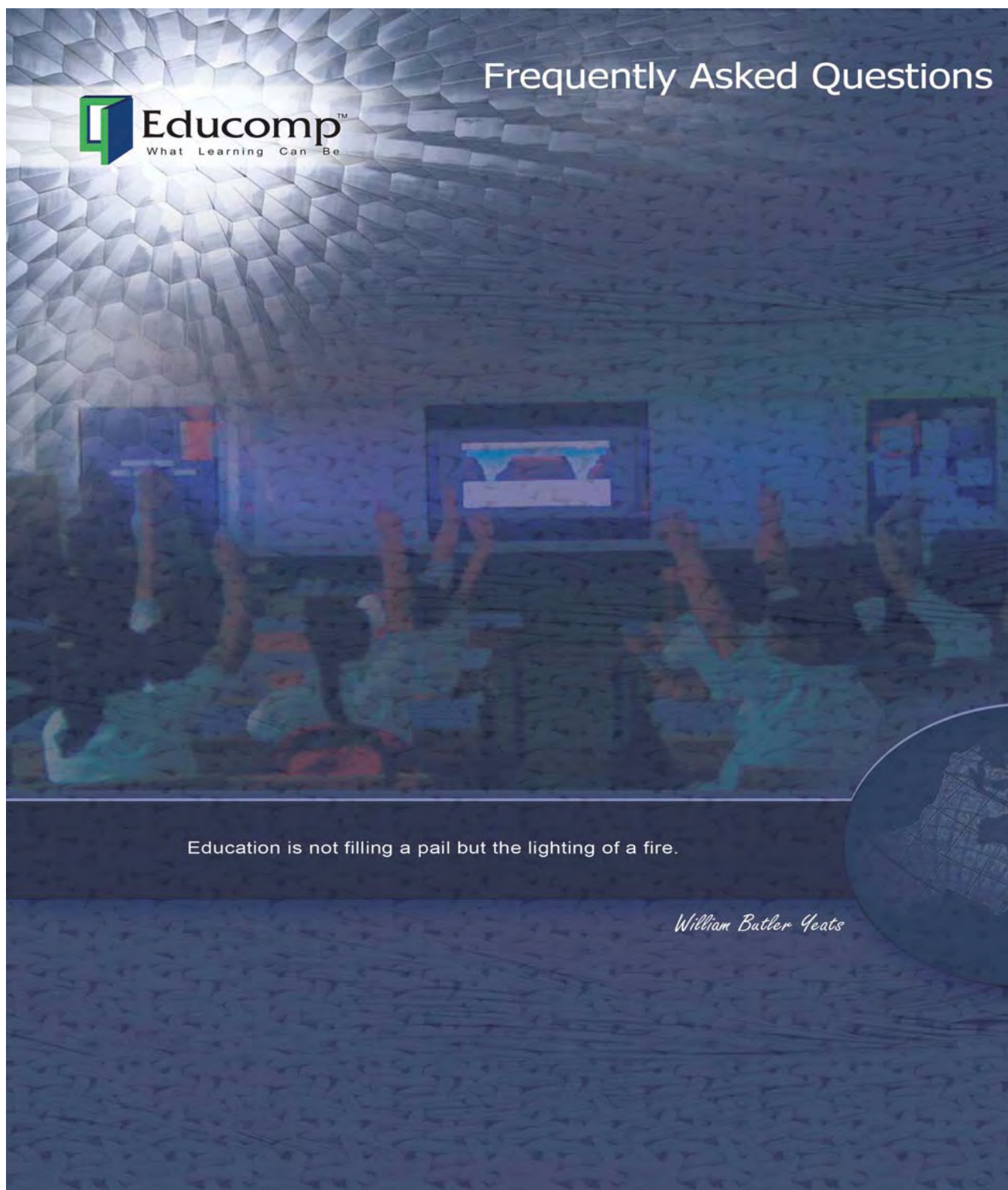
Offices: New Delhi, Gurgaon, Bangalore, Mumbai, Bhubaneshwar, Secundrabad, Agartala, Lucknow, Kolkata (2 in numbers), Noida, Chandigarh, Raipur, Chennai, Gandhi Nagar, Guwahati.

Address for Correspondence :

(1) Investor Correspondence : For transfer/ Dematerialisation of Shares, Payment of dividend on shares, change of address, transmissions and any other query relating to shares of the Company.

- **For securities held in physical form :** Please contact Registrar & Transfer Agent at address given below .
- **For securities held in Demat Form:** To the Depository participant
- **Any query on Annual report :** To the Company address.

Company Address	Registrar & Transfer Agent Address
Company Secretary Educomp Solutions Limited 1211, Padma Tower I, 5, Rajendra Place New Delhi-110 008 Telephone:011- 25755920, 25753258, 25766484 Fax: 011- 25766775 Email: mohit.maheshwari @educomp.com	Intime Spectrim Register Ltd. A-40, 2 nd Floor, Naraina Industrial Area Phase II, Naraina, New Delhi Telephone: 011- 41410592-94 Fax: 011- 41410591 Email : delhi@intimespectrum.com



FAQ's

i. Stock

When was the Company's IPO and at what price?

Educomp went public on January 13, 2006 with an issue price of Rs 125 per share via book-building process.

What stock exchange does the Company's stock trade on?

Educomp shares are traded on the National Stock Exchange and Bombay Stock Exchange.

What is the face value of the stock?

Face value of stock is Rs 10 per share.

How many Educomp shares are outstanding?

As of 31st March, 2008, there were 17.25 million shares of Educomp equity stock outstanding.

When is the next annual shareholder's meeting?

Annual general meeting shall be convened on 07th July, 2008 .

Who are the Registrars of the Company?

Intime Spectrum Registry Limited

Corporate & Registered office: C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup (W), Mumbai -400078

Branch office : A-40, 2nd Floor, Naraina Industrial Area Phase II, Naraina , New Delhi .

ii. Financials

What is Educomp's fiscal year?

Educomp's fiscal year runs from 1st April to 31st March.

What is the financial calendar for next year?

Q1 July, 2008

Q2 October, 2008

Q3 January, 2009

Q4 April, 2009

How do I get a copy of the Annual Report?

Here is our 2007-08 Microsoft Annual Report online. You can also download a PDF version of the 2005-06 & 2006-07 Annual Report. If you still require a hard copy version, please send a request to info@edumatics.com

iii. Dividend

What is track record of Educomp's dividend payout?

Financial Year	Dividend
2005-06	15%
2006-07	20%
2007-08	25%(proposed)

What is the ECS facility and how does it work?

Reserve Bank of India's Electronic Clearance Service (ECS) facility provides investors an option to collect dividend / interest directly through their bank accounts rather than receiving the same through post.

Under this option, investor's bank account is directly credited and an advice thereof is issued by the Company after the transaction is effected. The concerned bank branch credits investor's account and indicate the credit entry as "ECS" in his / her pass book / statement of account. If any investor maintains more than one bank account, payment can be received at any one of his / her accounts as per the preference of the investor. The investor does not have to open a new bank account for this purpose.

What are the benefits of ECS facility?

Some of the major benefits of ECS Facility are:

- a. Prompt credit to the bank account of the investor through electronic clearing at no extra cost.
- b. Exposure to delays / loss in postal service avoided.
- c. As there can be no loss in transit of warrants, issue of duplicate warrants is avoided.
- d. Fraudulent encashment of warrants is avoided.

How to avail ECS facility?

Investors holding shares in physical form may send their ECS Mandate Form, duly filled in, to the Company's R&T Agent. ECS Mandate Form is enclosed for immediate use of investors. The Form may also be downloaded from the Company's website under the section "Investors". However, if shares are held in dematerialised form, ECS mandate has to be sent to the concerned Depository Participant (DP) directly, in the format prescribed by the DP.

Can one opt out ECS facility?

ECS would be an additional mode of payment. Investors would have the right to opt out from this mode of payment by giving an advance notice of four weeks either to the Company's R&T Agent or to the concerned DP, as the case may be.

What should one do in case he does not receive dividend?

Shareholders may write to the Company's R&T Agent furnishing the particulars of the dividend not received and quoting the folio number/client ID particulars (in case of dematerialized shares). The R&T Agent shall check the records and issue Demand draft if the dividend remains unpaid in the records of the Company after expiry of the validity period of the warrant. The Company would request the concerned shareholders to execute an indemnity before issuing the Demand draft. If the validity period of the lost dividend warrant has not expired, shareholders will have to wait till the expiry date since Demand draft cannot be issued during the validity of the original warrant. On expiry of the validity period, if the dividend warrant is still shown as unpaid in records of the Company, duplicate warrant will be issued. However, Demand draft will not be issued against those shares wherein a 'stop transfer indicator' has been instituted either by virtue of a complaint or by law, unless the procedure for releasing the same has been completed. No duplicate warrant will be issued in respect of dividends, which have remained unpaid / unclaimed for a period of seven years in the unpaid dividend account of the Company as they are required to be transferred to the Investor Education and Protection Fund (IEPF) constituted by the Central Government.

Why should one wait till the expiry of the validity period of the original warrant?

Since the dividend warrants are payable at par at several centers across the country, banks do not accept stop payment' instructions. Hence, shareholders have to wait till the expiry of the validity of the original warrant and reconciliation of dividend account.

What is the procedure for revalidation of dividend warrants?

Shareholders who have not encashed their dividend warrants within the validity period may send their request of revalidation to the Company's R&T Agent enclosing the said dividend warrants. The Company's R&T Agent will after due verification of the records, issue a Demand draft in favour of shareholder.

How to get dividend by direct electronic deposit to bank account?

While opening accounts with Depository Participants (DPs), shareholders are required to give details of their Bank Accounts, which will be used by the Company for direct credit of the dividend to the respective accounts. However, members who wish to receive dividend in an Account other than the one specified while opening the Depository Account may notify their DPs about any change in Bank account details. Members are requested to furnish complete details of their bank accounts including MICR codes of their banks to their DPs.

iv. Dematerialization

What is Dematerialisation of shares?

Dematerialisation (Demat) is the process by which securities held in physical form evidencing the holding of securities by any person are cancelled and destroyed and the ownership thereof is entered into and retained in a fungible form on a depository by way of electronic balances. Demat facilitates paperless trading whereby securities transactions are executed electronically reducing / mitigating possibility of loss of related documents and / or fraudulent transactions. Trading in demat form is regulated by the Depositories Act, 1996 and is monitored by the Securities and Exchange Board of India (SEBI). The two depositories presently functioning in India are National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Can shareholding be partly Dematerialised?

Yes, the shareholding can be Dematerialised either fully or partly as desired. However, the shares can be traded only in demat form.

Can shares be pledged for a loan when the shares are Dematerialised?

Yes, you can pledge your shareholding in the electronic form in favour of the lending institution by applying to your DP in the prescribed form. After repayment of the loan, which is secured by the pledge, you can request for redemption of the pledge, by applying to your DP.

What are the benefits of Dematerialising the Share Certificate?

As already stated, when the shares are bought through the Depository System, the shares are credited to your account with the DP. Thus, you are relieved of problems like bad delivery, fake certificates, shares under litigation, signature difference of transferor(s), etc. Besides, there is no need to fill a transfer form for transfer of shares and affix share transfer stamps. There will, however, be a nominal fee to be paid to the DP. There is saving in time and cost on account of elimination of posting of certificates. Above all, the threat of loss of certificates or fraudulent interception of certificates in transit, which has been causing lot of anxiety to the investor community in recent times, stands eliminated.

What is the procedure for Rematerialisation of shares?

Shareholder should submit duly filled in Rematerialisation Request Form (RRF) to the concerned DP. He intimates the relevant Depository of the request through the system.

Can one get his original share Certificate?

No, as the share certificates on Dematerialisation are cancelled you will not receive the same share certificate on Rematerialisation. The shares represented by De-materialised share certificates are fungible and, therefore, certificate numbers and distinctive numbers become irrelevant.

How does the Company pay dividend on shares Dematerialised?

The dividend warrants in respect of all shares, whether held in Electronic Form or by way of Share Certificates, are sent by the Company directly to the shareholders whose names are on the Company's register of members or in the Electronic Form under the depository system on the designated date to be notified by the Company. While opening Accounts with Depository Participants (DPs), shareholders are required to give details of their bank Accounts, which will be used by the Company for direct credit of the dividend to the respective accounts.

Why cannot the Company take on record bank details in case of dematerialised shares?

As per the Depository Regulations, the Company is obliged to pay dividend on dematerialised shares as per the details furnished by the concerned DP. The Company cannot make any change in such records received from the Depository.

How are transactions effected through the Depository?

After you open an account with a DP, you can buy or sell shares in the electronic form without Share Certificate or Transfer forms, provided the seller/buyer also holds shares in the Electronic Form. You can sell the shares in the depository mode through any share broker. All you need to do is to provide him the details of your account with the DP, with a delivery instruction to debit your share account with the number of shares sold by you. When you buy shares in the depository mode, you must, similarly, inform the broker about your depository account details so that the shares bought would be credited to your account with the DP.

v. Transfer / Transmission / Duplicate Certificates etc.

How to get shares registered in favour of transferee(s)?

Transferee(s) need to send Share Certificate(s) alongwith Share Transfer Deed, duly filled in, executed and affixed with share transfer stamps, to the Company's R&T Agent. The statutory time limit for processing the transfer is one month.

What is the procedure for getting shares in the name of surviving shareholder(s), in the event of death of one shareholder?

The surviving shareholder(s) will have to submit a request letter supported by an attested copy of the Death Certificate of the deceased shareholder and accompanied by the relevant share certificate(s). The Company's R&T Agent on receipt of the said documents and after due scrutiny will delete the name of deceased shareholder from its records and return the share certificate(s) to the surviving shareholder(s) with necessary endorsement.

In case of a deceased shareholder who held shares in his / her own name (single) and had left a Will, how do the legal heir(s) get the shares transmitted in their name(s)?

The legal heir(s) will have to get the Will probated by the Court of competent jurisdiction and then send to the Company's R&T Agent a copy of the probated copy of the Will, alongwith relevant details of the shares, the relevant share certificate(s) in Original and transmission form for transmission of the shares in his / their name(s).

How can the change in order of names (i.e. transposition) be effected?

Share certificates alongwith a request letter duly signed by all the joint holders may be sent to the Company's R&T Agent for change in order of names, known as 'transposition'. Transposition can be done only for the entire holdings under a folio and therefore, requests for transposition of part holding cannot be accepted by the Company / R&T Agent.

What is the procedure for obtaining duplicate share certificate(s) in case of loss/misplacement of original share certificate(s)?

Shareholders who have lost / misplaced share certificate(s) should inform the Company's R&T Agent, immediately about loss of share certificate(s) quoting their folio number and details of share certificate(s), if available. The R&T Agent shall immediately mark a 'stop transfer' on the folio to prevent any further transfer of shares covered by the lost share certificate(s). It is recommended that the shareholders should lodge a FIR with the police regarding loss of share certificate(s). They should send their request for duplicate shares to the Company's R&T Agent. Documents required to be submitted alongwith the application include Indemnity Bond, Affidavit, Copy of FIR, Memorandum of Association and Certified Copy of Board Resolution (in case of companies).

What is the procedure for splitting of a share certificate into smaller lots?

Shareholders may write to the Company's R&T Agent enclosing the relevant share certificate for splitting into smaller lots. The share certificates, after splitting, will be sent by the Company's R&T Agent to the shareholders at their registered address.

Educomp Solutions Limited

vi. Change of Address

What is the procedure to get changes in address registered in the Company's records?

Shareholders holding shares in physical form, may send a request letter duly signed by all the holders giving the new address alongwith Pin Code. Shareholders are also requested to quote their folio number and furnish proof such as attested copies of Ration Card / PAN Card / Passport / Latest Electricity or Telephone Bill / Lease Agreement etc. If shares are held in dematerialised form, information about change in address needs to be sent to the DP concerned.

vii. Change of Name

What is the procedure for registering change of name of shareholders?

Shareholders may request the Company's R&T Agent for effecting change of name in the share certificate(s) and records of the Company. Original share certificate(s) along with the supporting documents like marriage certificate, Court order etc. should be enclosed. The Company's R&T Agent, after verification, will effect the change of name and send the share certificate(s) in the new name of the shareholders. Shareholders holding shares in demat form, may request the concerned DP in the format prescribed by DP.

viii. You can contact the following Educomp personnel for any information:-

Mohit Maheshwari Tel: ++91 (124) 4529000

Company Secretary E-Mail: mohit.maheshwari@educomp.com

Business Segments Overview

Educomp™
What Learning Can Be

QuEST
Quality Education for Students and Teachers

Learnhub

Mathguru

Three BriX
Tech Knowledge Ease

Educomp smartclass™

Roots to Wings
An Educomp Research Initiative

Learning Leadership Foundation

It is the mark of an educated mind to be able to entertain a thought without accepting it.

Aristotle

Educomp Solutions Limited

History of the Company

Incorporated in September, 1994, Educomp Solutions Limited ("Educomp " or "Company") "is the largest provider of technology education products and services provider in India for K-12 (kindergarten to twelfth grade) students, now servicing over 4 million students.

The Company provides its technology based education products and services to both private and public schools. It leverages its strong understanding of the technology and education needs of schools to deliver high quality, cost effective products and services.

The Company's key business areas are:

- Business-to-Business ("B2B") initiatives: This initiative contributed about 85.90% of revenues in Fiscal 2008 – 44.32% from Smart_Class™, 32.62% from ICT Solutions and 8.96% from Professional Development. The Company provides technology enabled products and services to both public and private schools including Smart_Class™, instructional and computing technology solutions ("ICT solutions") and teacher training programmes ("Professional Development").
- Direct Initiatives: This segment contributed about 14.10% of revenues in Fiscal 2008. The Company currently sells educational aid, CD-ROMs and learning content through its online initiatives (including Mathguru™ and Learning Hour™) and its offering initiatives (including establishing pre-schools, K-12 schools and higher education institutions).

The Company's primary market currently is in India which accounted for approximately 86.35% of its consolidated revenues in the Fiscal 2008, with its products and services supplied to approximately 7,000 schools across 45 cities in India. The Company has expanded its operations in the international market including the United States of America, Singapore and Sri Lanka. The Company currently operates three offices in the United States of America, two offices in Singapore, one office in Canada and one office in Sri Lanka.

The Company's growth strategy is to consolidate its position as a full service provider (through both B2B initiatives and Direct Initiatives) to all key segments of the education market including pre-school, K-12 and higher education. The Company had acquired majority or minority equity interest in ThreeBrix, Savicca, AuthorGen and ASKnLearn™ during Fiscal 2007 to expand its service offering and geographical reach. In May, 2008, the Company acquired a 51% stake in Learning.com and announced its plan to enter into two joint ventures with Raffles Education Corp., the first in India in respect of higher and professional education initiatives, whilst the second, in China, will be aimed at expanding the geographical scope of the Company's K-12 online initiatives. The Company also maintains a strategic partnership with the Learning Links Foundation and the Learning Leadership Foundation, through which it works with leading global IT providers and non-profit organizations such as Microsoft.

Products and Services

The Company's products and services fall into two primary groups. The first of these groups comprises Company-centric business to business initiatives, namely:

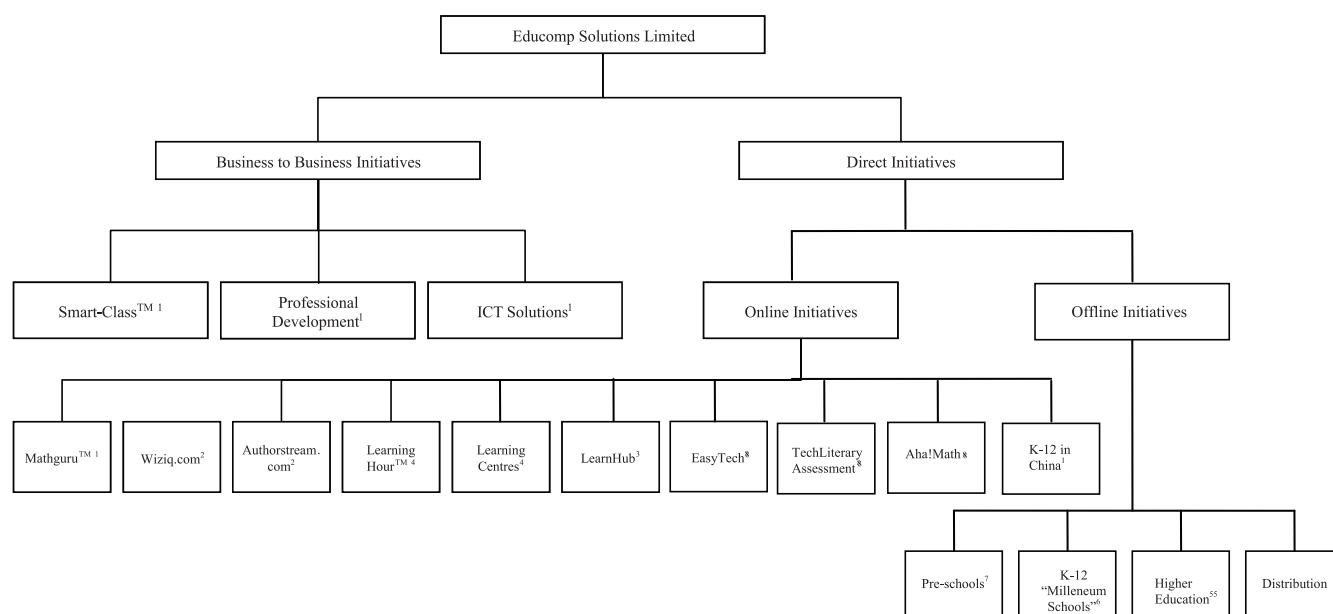
- Smart_Class™;
- ICT Solutions, and
- Professional Development.

The second of these groups, Direct Initiatives, involves Educomp, along with its subsidiaries, providing products and services to individual consumers and comprises both on-line initiatives, namely:

- Authorstream.com;
- LearnHub;
- Mathguru™;
- Learning Hour™ and
- Learning Centres,

and offline initiatives, namely:

- Higher Education;
- K-12;
- Pre-schools and
- Distribution.



Business to Business Initiatives

Smart_Class™

The Smart_Class™ programs are designed to provide technology right inside the classrooms. The program enables teachers to select and use digital content modules developed using graphics and 3D animation, in addition to the more traditional chalk and talk methods of teaching, in their day-to-day teaching. This results in a new multi-sensory learning experience for students, helping them to improve their academic performance. The Company enters into a five year contract, wherein it agrees to provide an end-to-end solution, effectively e-enabling the classroom by making digital content available on demand for teachers to use inside the classroom.

Under the Smart_Class™ program, the Company has developed a digital content library comprising more than 16,000 content modules on subjects such as science, mathematics and social sciences, aimed at all K-12 levels. The Company has three content development facilities, based at Gurgaon (NCR Delhi), Greater Noida (NCR Delhi) and Bangalore with a new upcoming facility at Parwanoo (Himachal Pradesh) proposed to commence operation in FY 09.

The Company had Smart_Class™ contracts with 331 private schools as on 1 April, 2007, increasing to 933 private schools as on 31 March, 2008, a 181.87% growth, with over a million students learning through Smart_Class™ multimedia content during FY 2008.

ICT Solutions (Instructional & Computing Technology)

Under the ICT Solutions projects, the Company sets up and maintains IT infrastructure and provides computer education in government schools situated across India.

It is currently executing ICT Solutions projects with Government bodies in nine States, namely Karnataka, Tripura, Gujarat, Uttar Pradesh, West Bengal, Orissa, Haryana, Chattisgarh and Assam.

As on 31 March, 2008, the Company had covered 6,004 schools as compared to 2,808 as on 31 March, 2007. It caters to over 3.6 million students and has participated in bids for over 16,000 schools under various State Government tenders. The overall year-on-year growth in the ICT Solutions segment (based on the number of schools covered) is 113.82%.

In relation to its ICT Solutions business, the Company enters into a long-term (usually 3-6 years) contract with the Government schools wherein it agrees to provide the entire IT solution for the schools/institutes earmarked by the contract. As the Government is increasingly focusing on computer-aided learning, the Company is also providing digital educational content as a part of its ICT Solutions business. Typically, the scope of work in an ICT Solutions contract with the Government includes:

- supplying computer hardware, software, content, connected accessories and providing education services on a BOOT basis for a specified period;
- maintaining the working condition of hardware, software and necessary infrastructure on a BOOT basis;
- supplying adequate stationary and consumables at each school;
- providing full time faculty/coordinators for every school and/or groups of schools, as required;
- providing multimedia based curriculum content in accordance with the state syllabus in regional languages;
- imparting computer literacy courses to students based on the developed multimedia content, and
- training teachers, including the principal in each school, in computer literacy and usage of the developed multimedia content.

Professional Development

The Company is one of the leading professional development companies in India. It partners with the Learning Links Foundation and the Learning Leadership Foundation on various professional development programs aimed at training teachers to integrate technology into the school curriculum, providing teachers with skills in the areas of inquiry-based learning, creative thinking, building problem-solving skills among students, communication and assessment strategies. The Company's professional development team implemented the Company's programs in 20 cities and 40 peripheral towns in India, mainly in rural locations.

In addition, the Company runs its own training program — "Quality Education for Students and Teachers (QuEST™)" — which is sold directly to, and paid for directly by, private schools. Targeting teachers, students and parents, the aim of the QuEST™ program is to:

- help teachers by equipping them with the latest tools and techniques to support their teaching along with updating their knowledge about the best educational practices prevalent around the world;
- help students enhance their learning by helping them build certain core skills so that they grow into responsible, contributing members of the society. The main areas addressed are communication, self-development, study skills and managing everyday issues with peers, and
- help parents understand the developmental and other needs of the students and provide support in whatever the students learn at school.

Direct Initiatives

Through the Direct Initiatives business unit, Educomp, in collaboration with its subsidiaries, engages in the distribution of educational aids, CD-ROMs and learning content via broadband and through offline means to individual consumers/subscribers.

The market for these products is growing rapidly and the Company intends to develop this business to establish its brand name and identity in the minds of consumers by serving them directly. The overall objective of the Company with regards to Direct Initiatives is to increase its market share of the overall family education budget.

The Direct Initiatives business unit is divided into two broad heads: Offline Initiatives and Online Initiatives.

Offline Initiatives

- *Pre-Schools - Roots to Wings™*

In FY 2007, the Company launched its first three Roots to Wings™ pre-schools and plans to grow extensively through both organic and inorganic initiatives, going forward, with a view to becoming one of the biggest pre-school operators in India. The schools cater to the learning needs of students in the 2 to 5 years age group.

The Company began developing its pedagogy linked pre-school curriculum in 2005, based on the philosophy that pre-schools are where the roots for education are established from which the future of the child is shaped. The pre-school curriculum has been created in collaboration with Delhi Public School, Ghaziabad and at the date of the listings particulars comprised over 100,000 pages of content.

- *K-12 – Establishment of "Millennium Schools"*

Being a part of its Social responsibility to provide access to education and to become a full service provider throughout the education value chain, Educomp decided in FY 2007 to set up its own K-12 schools which shall be run, managed and controlled at trust level, known as the "Millennium Schools". To provide services to the trust, company has floated

Educomp Solutions Limited

two subsidiaries namely “ Edu Infra “ & “ Edu Manage”.These two companies help independent trusts to set up schools across India by providing Infrastructure and curriculum, books, content etc .

- *Distribution*

The Company remains engaged in the distribution of educational aids such as CD-ROMs and books.

Online Initiatives

The Company is involved in the online distribution of content through a number of products. Its principal online initiatives comprise the following businesses, many of which are new initiatives recently commenced by the Company following strategic acquisitions:

- *Mathguru™ (Company initiative):*

Mathguru™ is a math-help program catering for students studying in classes VI through XII, and was launched in July, 2006 to address the issue of variance in ability amongst children within the same year group. It is a 24/7 math-help program using online interactive tutoring designed to help students solve their mathematical problems, as per their curriculum, text books or syllabus. The repository contains all problems from the NCERT mathematics books and the easy-to-use website arranges all problems and solutions in a structured topic format.

- *AuthorGen and its initiatives:*

AuthorGen was incorporated in September 1999 to create software development and e-learning technologies and the Company invested Rs.25 million on 27 July 2007 for a 51% (on a fully diluted basis) strategic stake in it. AuthorGen is a pioneer and leader in the area of web 2.0 platforms for online learning. The Company's investment in AuthorGen will enable it to leverage and consolidate its position in online tutoring by providing it with access to key technology competence and student teacher marketplace models.

- *Wiziq.com*

Their portal, Wiziq.com, connects students and teachers from around the world. The platform is equipped with a state-of-the art virtual classroom with audio-video communication capabilities and runs on any web browser and on any operating system.

- *Authorstream.com*

An initiative of AuthorGen, Authorstream.com is a web platform called “Authorstream.com” for sharing power point presentations on blogs and websites which can also convert such presentations into video format that can then be shared on Youtube.com and via iPod technology. (www.Authorstream.com)

- *ThreeBrix and its initiatives:*

ThreeBrix was incorporated in 2005 to use evolving technologies to develop innovative ways of enhancing learning, and was acquired by the Company on 9 April 2007. As part of its focus on providing geography independent educational support, it has created resources across various domains to deliver learning solutions using technology specially adopted for this purpose.

- *Learning Hour™*

Learning Hour™, a ThreeBrix initiative, is an online tutoring portal providing online tutoring from classes VI to XII covering all curricula. Learning Hour™ uses innovative technology coupled with educational content to create an exceptional and unique learning experience for the student.

- **Learning Centres**

In order to leverage the established tutoring market in India, ThreeBrix is in the process of opening learning centres across the country. These learning centres will provide tutoring to students from classes VIII to XII using well researched teaching methods, specifically developed content, including 16,000 multimedia content modules, technological aids such as digital white boards and a proven testing and assessment programme, with emphasis on out of class learning.

- **LearnHub.com (Savicca initiative):**

The Company invested U.S.\$2 million (to be paid over 2 years from 6 August, 2007) for a 70.05% equity stake (on a fully diluted basis) in Savicca, based out of Toronto, Canada, an e-learning Company focused on web-based learning management and education communities, with the intention of leveraging its internet based competencies in the areas of community building, online tutoring, web-based learning and digital content.

Savicca owns a next generation platform for rapid creation and deployment of scaleable education communities, where students and teachers can find each other (www.savicca.com). They also recently launched their e-learning site - LearnHub.com, a social learning network, where people teach and learn online. LearnHub.com is a network of communities, each built around a specific subject (e.g. algebra, history, software development etc.), which ultimately forms a market place where students can find courses and tutorials from expert teachers and teachers can advertise themselves and the knowledge that they have to offer.

Milestones :

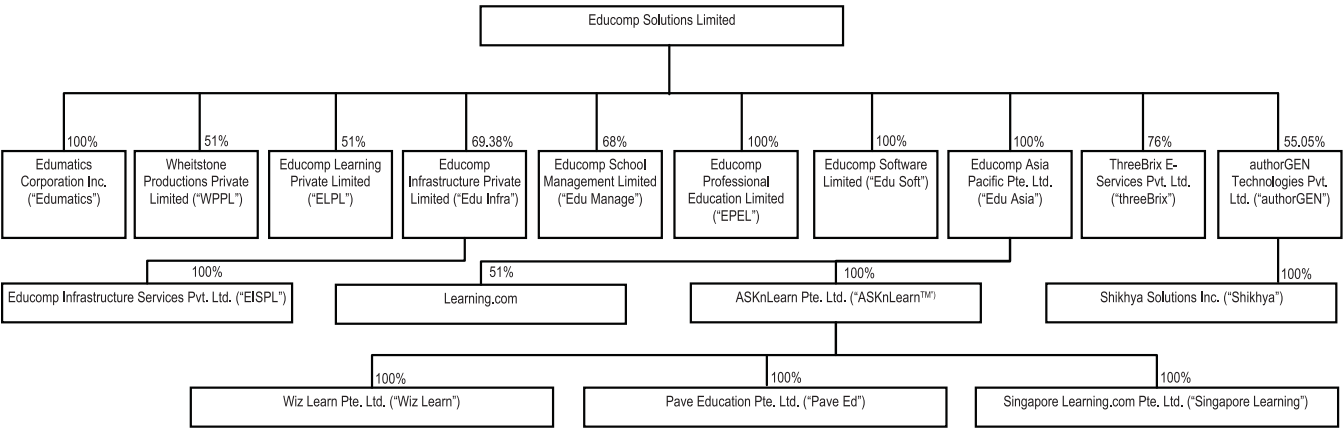
- 1994 – Incorporated as a Private Limited Company
- 2000 – The Company converts into a Public Limited Company and enters the e-learning space
- 2003 – Launches Smart_Class™ content solutions
- 2004 – The Company, through Edumatics (its wholly-owned subsidiary), enters the U.S. market, completes a pilot project with Franklin Elementary School, Santa Barbara, California, U.S.A. and launches “Mentoraide” for teaching mathematics to students online in the U.S.
 - Enters the Asia Pacific (“APAC”) market and completes a pilot project at Cedar Girls School, Singapore
- 2005 – The Company launches the online tutoring service
- 2006 – The Company raises fresh equity capital through an initial public offering in India; equity shares listed on the BSE and NSE
 - Launches Mathguru™.
 - The Company raises U.S.\$25 million through the issue of foreign currency convertible bonds.
- 2007 – Acquires a 76% equity interest in ThreeBrix for a consideration of around U.S.\$0.51 million, stake of 70.05% (on a fully diluted basis) in Savicca, 51% (on a fully diluted basis) in AuthorGen and a 100% equity interest in ASKnLearn™ for a consideration of S\$1.05 million.
 - The Company raises U.S.\$80 million through the issue of foreign currency convertible bonds.
 - The Company enters the pre-school market, opening three pre-schools under its Roots to Wings™ initiative.

Educomp Solutions Limited

- 2008
- The first seven “Millennium Schools” (as defined below) are launched, with Edu Manage (as defined below) acting as vendor of the Company’s products and services.
 - The Company, via Edu Infra (as defined below) enters collaborative agreements to ensure sufficient land is available for development of new schools in accordance with its K-12 initiative.
 - Edumatics signs a joint development agreement with U.S. based company, Learning.com, to provide educators with innovative, web-delivered curriculum solutions that support student learning.
 - The Company enters into a partnership with Microsoft to make its multimedia content curriculum available for use on the Xbox 360 platform, which currently has over 50,000 users worldwide. The official launch of the product is expected during FY 2009.
 - Edumatics enters into a strategic alliance and joint development agreement with Siboney Learning Group, Inc. to create a new online test preparation programme, leveraging IP, a software development programme, manpower and the expertise of both parties.
 - In May, the Company acquires a 51% strategic stake (on a fully diluted basis) in Learning.com.
 - On 27 May, the Company announces the plan to form two 50:50 joint ventures with Raffles Education Corp, the largest education group in the APAC region, the first in India in respect of higher and professional education programs and courses, the second in China to expand the geographical scope of the Company’s K-12 online initiatives.

Group Structure

The diagram below sets out the corporate structure of the Educomp:



Industry Recognition

Ranked 140 in the BT 500 list of the most valuable private companies in India — December 2007



Cranes Software International	187
Deccan Chronicle Holdings	331
Educomp Solutions	53
Entertainment Network (India)	119
Gateway Distriparks	130
Geodesic Information Systems	92

343	Manugraph India
344	Macmillan India
345	Jyoti Structures
346	Educomp Solutions
347	Satara One Media & Entertainment
348	India Infoline
349	Welspun India



Chosen as “FUTURE TITAN” one of the 10 hottest companies in India by Outlook Business Magazine — November 2006

Ratings



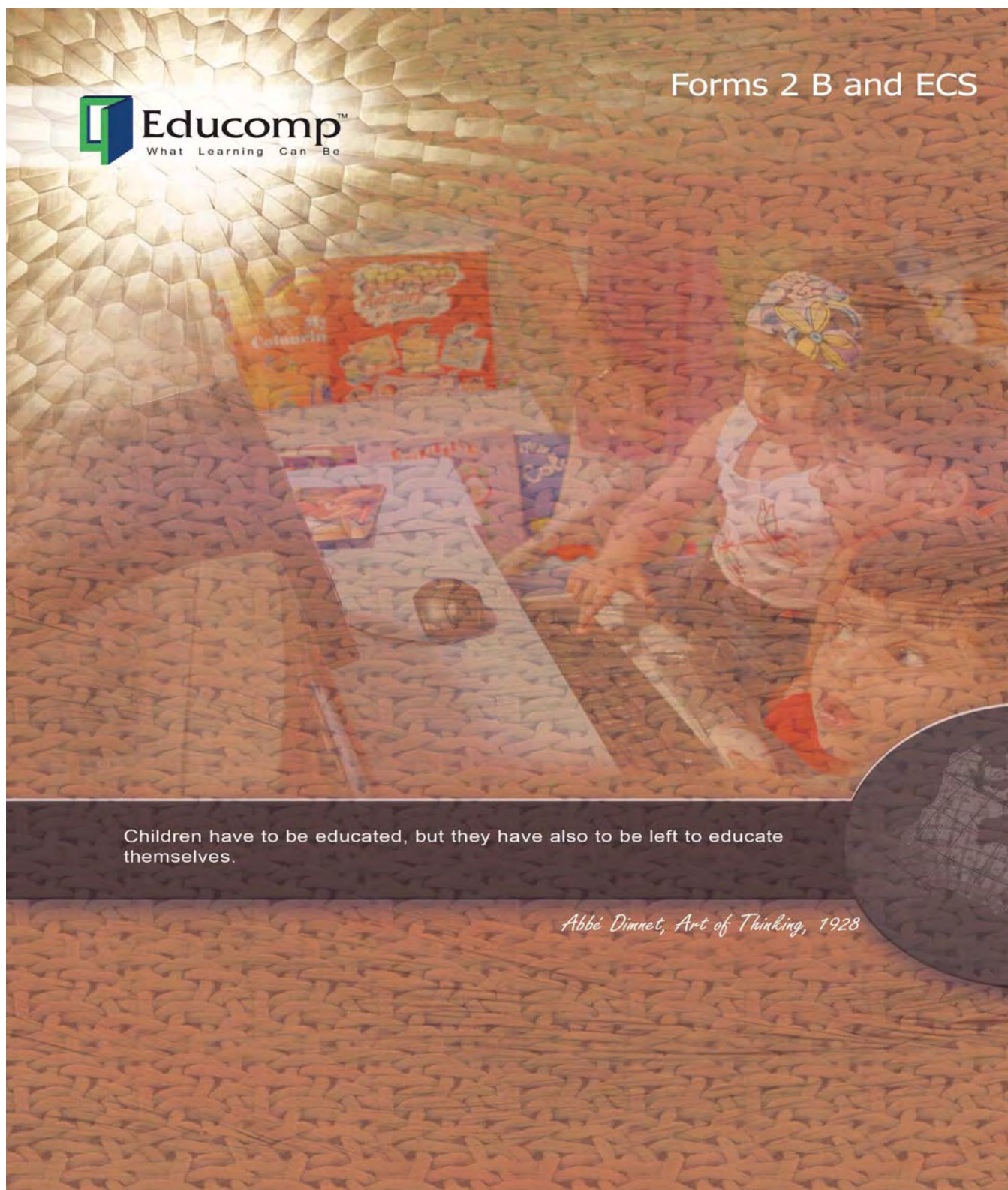
Received the highest credit rating — SME 1 rating from CRISIL

CRISIL has upgraded the rating of the company's commercial paper from 'P2+' to 'P1'

In 2004, received ISO 9001:2001 certification for ICT solutions renewed till March 16th 2010.

In 2008, received A(Stable) rating from Fitch Ratings for Long term Debt (NCD).

In 2008, received A(Stable) rating from CRISIL for Cash Credit Facilities.



FORM 2B

I am/ we are holder(s) of Shares of the company as mentioned above. I/ we nominate the following person in whom all rights of transfer and/or amount payable in respect of Equity Shares shall vest in the event of my/our death.

Nominee's Name											Age		
To be furnished in case of nominee is minor	Date of Birth												
Guardian Name and address*													
Occupation of Nominee Tick (✓)	1	Service		2	Business		3	Student		4	Household		
	5	Professional		6	Farmer		7	Others					
Nominee's Address													
							Pincode						
Telephone No.							Fax No.						
Email Address							STD code						
Specimen Signature of Nominee/Guardian													

* to be filled in case nominee is a minor

Kindly take the aforesaid details on record.

Thanking you,

Date

Name and address of equity shareholder (as appearing on certificates(s))		Signature (as per specimen with Company)
Sole/1 st Holder Address		
2 nd Holder		
3 rd Holder		
4 th Holder		
Witness (two)		
Name and Address of Witnesses		Signature & Date
1.		
2.		

Educomp Solutions Limited

INSTRUCTIONS :

1. Please read the instructions given below very carefully and follow the same to the letter. If the form is not filled as per instructions, the same will be rejected.
2. The nomination can be made by individuals only. Non individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of power of attorney cannot nominate. If the Shares are held jointly all joint holders shall sign (as per the specimen registered with the Company) the nomination form.
3. A minor can be nominated by a holder of Shares and in that event the name and address of the Guardian shall be given by the holder.
4. The nominee shall not be a trust, society, body corporate, partnership firm, Karta of Hindu Undivided Family, or a power of attorney holder. A non-resident Indian can be a nominee on repatriable basis.
5. Transfer of Shares in favour of a nominee shall be a valid discharge by a Company against the legal heir(s).
6. Only one person can be nominated for a given folio.
7. Details of all holders in a folio need to be filled; else the request will be rejected.
8. The nomination will be registered only when it is complete in all respects including the signature of (a) all registered holders (as per specimen lodged with the Company) and (b) the nominee.
9. Whenever the Shares in the given folio are entirely transferred or dematerialized, then this nomination will stand rescinded.
10. Upon receipt of a duly executed nomination form, the Registrars & Transfer Agent of the Company will register the form and allot a registration number. The registration number and folio no. should be quoted by the nominee in all future correspondence.
11. The nomination can be varied or cancelled by executing fresh nomination form.
12. The Company will not entertain any claims other than those of a registered nominee, unless so directed by a Court.
13. The intimation regarding nomination / nomination form shall be filed in duplicate with the Registrars & Transfer Agents of the Company who will return one copy thereof to the Shareholders.
14. For shares held in dematerialised mode nomination is required to be filed with the Depository Participant in their prescribed form.

FOR OFFICE USE ONLY	
Nomination Registration Number	
Date of Registration	
Checked by (Name and Signature)	

ELECTRONIC CLEARING SERVICES (ECS) MANDATE

To,

Educomp Solutions Limited
C/o Intime Spectrum Registry Limited
A-31, 3rd Floor, Naraina Industrial Area, Phase - II
Naraina, New Delhi - 28.

Dear Sir,

FORM FOR ELECTRONIC CLEARING SERVICES FOR PAYMENT OF DIVIDEND /INTEREST

Please fill-in the information in CAPITAL LETTERS in ENGLISH ONLY. Please tick (✓) wherever applicable.

FOR OFFICE USE ONLY

For shares held in Physical Form			
Folio No.		ECS Ref. No.	
For shares held in Electronic Mode			
DP Id No		Client ID	
Name of First Holder :			
Bank Name.....			
Branch Name:.....			
Branch Code.....			
Account Type:	Saving ()	Current ()	Cash Credit ()
Account Number:.....			
Effective date of this Mandate			

I hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, Intime Spectrum Registry Limited, will not be held responsible. I agree to avail the ECS facility provided by RBI, as and when implemented by RBI/Educomp Solutions Limited.

I further undertake to inform the Company any change in my Bank/Branch and account number.

Date:

(Signature of First Holder)

Note: On dematerialisation of existing physical shares, for which you have availed ECS facility, the above form needs to re-submitted.

What Learning Can Be

Registered Office

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