

Our Vision

Everonn's vision is to take education delivery to the next dimension through an innovative blend of content, pedagogy and technology and be a leading and distinctive player in bringing education to students anywhere, preparing them to be productive citizens of the future. We will support a culture of life long learning and aim to reach out to **5 million** students by 2010.

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Board of Directors

Name	Status
Mr P. Kishore	Managing Director
Mr R. Kannan	Director cum Consultant
Ms Susha John	Whole Time Director
Mr R. Sankaran	Non-Executive and Independent Director
Dr V K Vijayaraghavan	Non-Executive and Independent Director
Mr J Kasiviswanathan	Non-Executive and Independent Director
Mr Joe Thomas	Non-Executive and Non Independent Director
Dr K M Marimuthu	Non-Executive and Independent Director

Registered Office of the Company

Everonn Systems India Limited
No. 82, IV Avenue, Ashok Nagar
Chennai – 600 083

Auditors

P. Chandrasekar
Chartered Accountants
S.616, Manipal Centre
South Block
47, Dickenson Road
Bangalore – 560 042

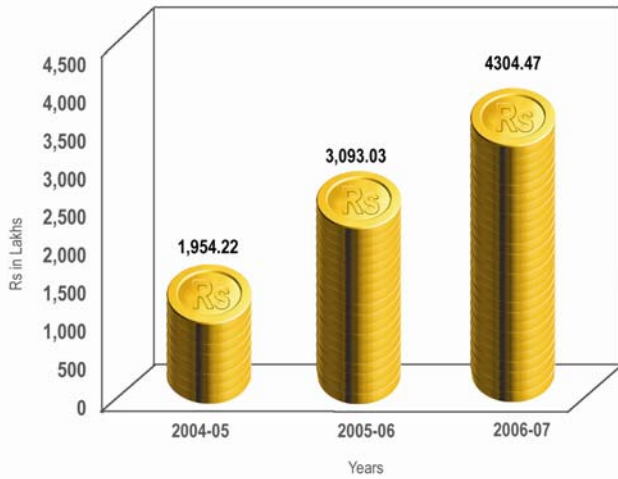
Bankers

Syndicate Bank
Mount Road Branch
38, Anna Salai, Chennai – 600 002

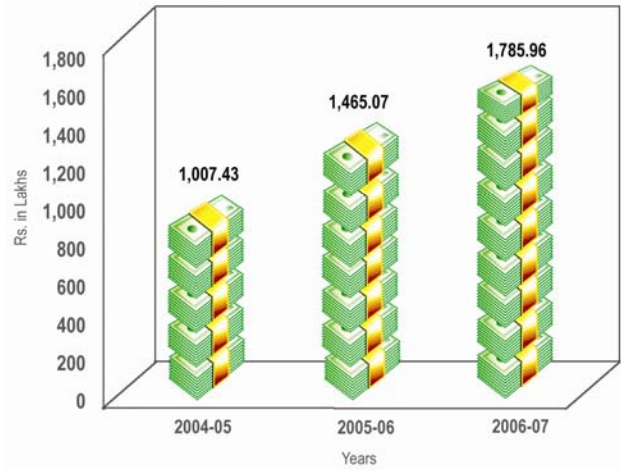
Indian Bank
Ashok Nagar Branch
15, First Avenue, Ashok Nagar
Chennai – 600 083

Financial Highlights – 3 Year Snapshot

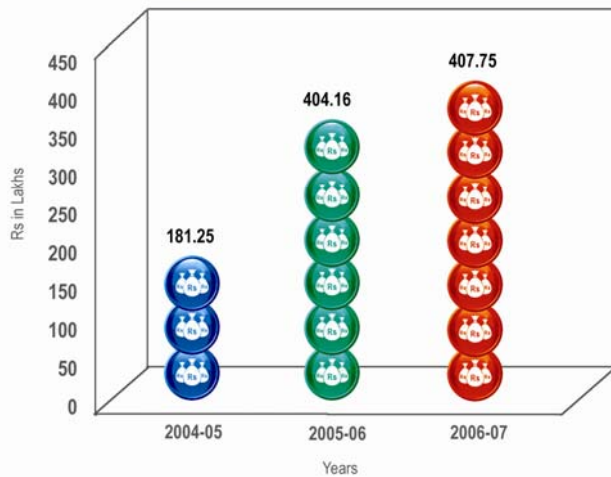
 **Gross Income**



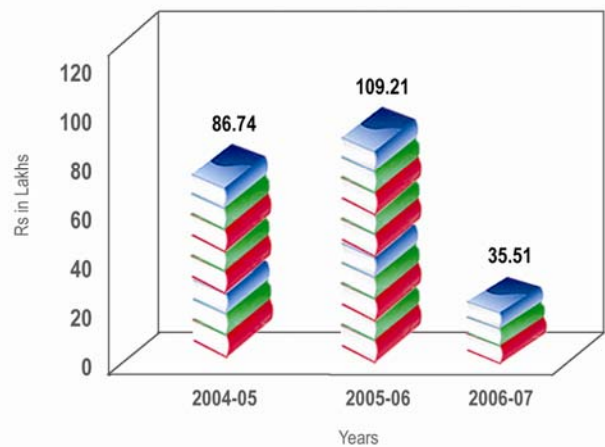
 **EBIDTA**



 **Profit After Tax**

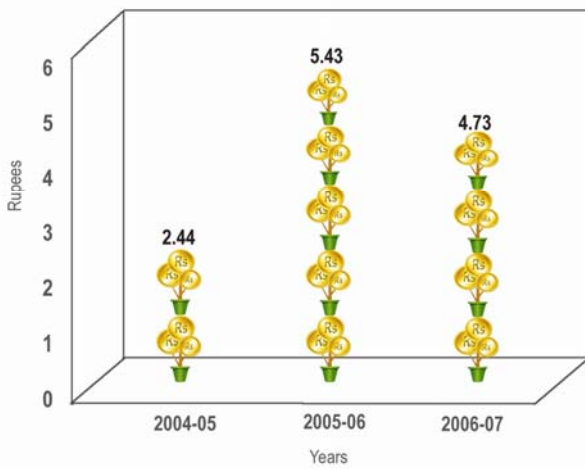


 **Book Value Per Share**

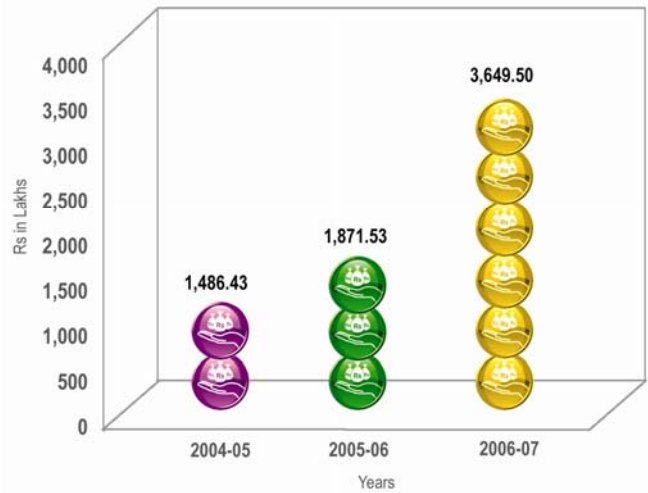


Financial Highlights – 3 Year Snapshot

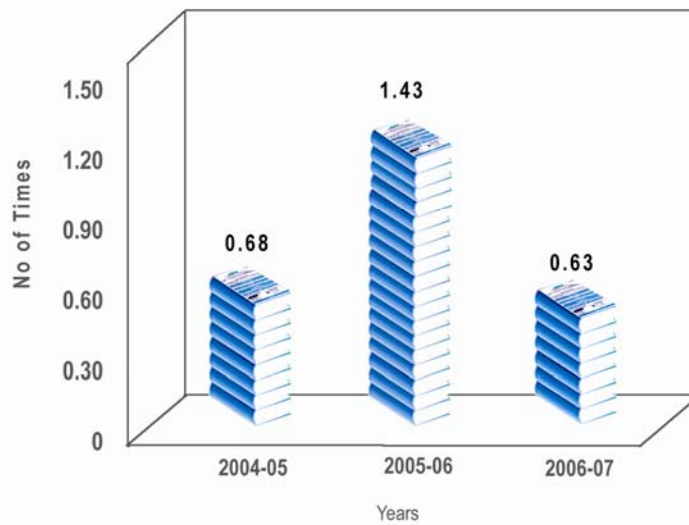
Earning Per Share



Net Worth



Debt Equity



DIRECTORS' REPORT

To the members,

The directors are pleased to present the Annual Report together with the audited statement of accounts for the year ended 31 March 2007.

1. Financial Results

Particulars	Rs. In Lakhs	
	March 31, 2007	March 31, 2006
Total Revenue	4304.47	3093.03
Operating Profit	1763.32	1437.48
Depreciation	938.26	601.24
Interest	233.98	155.49
Profit Before Tax	591.07	680.76
Provision for Taxation	183.32	276.59
Profit After Tax	407.75	404.17
Add: Profit B/d from previous Year	586.15	241.46
Profit available for appropriations	993.90	645.63
Appropriation:		
Proposed Dividend	-	17.14
Tax on Proposed Dividend	-	1.92
Transfer to General Reserve	41.00	40.42
Balance carried to Balance Sheet	952.90	586.15

2. Operating Results

The revenue for the year grew at 39.17% over the previous year to reach Rs.4304.47 Lakhs. EBIDTA stood at Rs.1763.32 Lakhs and the profit before tax at Rs.591.07 Lakhs.

3. Dividend

No Dividend is recommended for 2006-07, with a view to conserve the resource of the company, and to improve the Company's financial strength.

4. Business Performance

The year 06-07 has been an year of consolidation and growth for the company. The company has Contract for 1919 schools for imparting IT Education (out of which

implementation in 459 schools is to be taken up) and has more than 2800 people working in this business segment. The division has continued to grow on the expected lines and has developed innovative methods of utilizing people to deliver value to the company.

The company has won contracts in the States of Karnataka and Assam to provide IT Education in the schools.

The ViTELS (Virtual & Technology Enabled Learning Solutions) sub business has added significant number of colleges and schools during the year. More than 180 colleges and 125 schools have signed up with the company. The ViTELS team is 350 people strong as on the end of the year.

The students in the college segment are assisted in finding suitable placement by the Corporate Training & Placement Division of the Company. The Division has established contacts with many corporates. The company is on course to become a credible bridge between the corporates and the Educational Institutions in terms of Training and supplying trained man power to the industry.

5. Knowledge Resource Division

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

The Knowledge Resource Development & Research (KRDR) Knowledge Resources and Research department has attracted a strong pool of talent. Content and course ware catering to different segments of population is being developed and deployed. The company has also skilled teachers who deliver education via the Live and Interactive

platform that the company has deployed.

6. New Initiatives

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

The company has tied up with I 2 K solutions - a knowledge based technology provider and has deployed their knowledge Server platform. The company would deliver Web based Education and take up Assessment Practices as a business through this Knowledge Server. Everonn's knowledge server will provide online curriculum based support education to the students in schools, colleges and retails segment. The company has also tied up with I 2 K to market their IIT Entrance Exam content all over the country.

The company has tied up with Educational Testing Service to offer testing services to the students for the TOEFEL, TOEIC and GRE .The Company has put up 12 testing centers during the year.

The company has tied up with TEFL EDUCATION (INDIA) PRIVATE LIMITED to offer Teacher Certificate Programs, Pre – School Programs, adventure camps and language schools .The Company has put up 11 centers during the year.

The company would deploy psychometric and other testing services in the year to come and would eventually become a significant player in this area.

7. Brand Building

Your company realizes the importance of nurturing and growing the brand that will ultimately enable it to grow faster in this segment. In this direction the company has partnered with NDTV as an Associate sponsorer of an Education Talent Hunt Programme called UK Scholar Hunt.

8. Particulars of Employees

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

Name	Age	Qualification	Designation	Date of commencement of Employment	Experience	Gross remuneration	Particulars of Last employment
Mr.P.Kishore	46	Diploma in commerce	Managing Director	19.04.2000	20	Rs. 30,00,000 p.a	None

9. Industry and General Outlook

Education in India

School Education

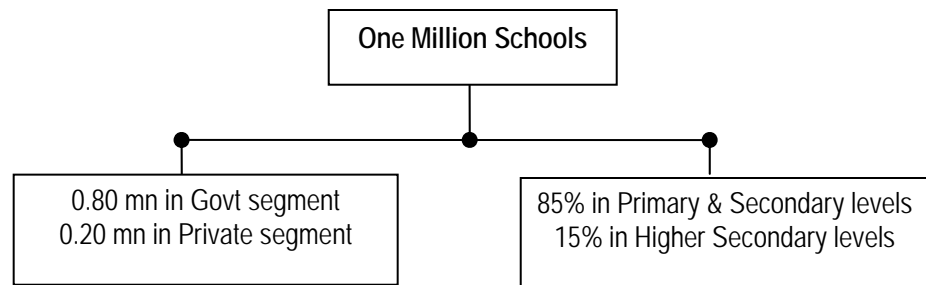
India is one of the largest markets for School Education in the World. India currently has around 1.18 million schools in both Government and Private segment providing education from K-12 (kindergarten – Class 12) to over 200 million students. There are over 5 million teachers across India who need support in training in IT and other subjects.

The approved outlay for elementary education and literacy during the 10th Plan is Rs. 30,000 crores. The approved outlay for secondary education and higher (including vocational training) in the Central sector in the 10th Plan is Rs. 13825 crores.

The Government of India has spent over Rs.10,000 crores (USD 2.2 billion) on Elementary Education in the country during 2005-06 through its various schemes. Besides this the Government has also spent around Rs. 2100 crores on Higher/Secondary Education during 2004-05 and an outlay of Rs 2563 crores for 2005-06. Education in the country is funded through a 2% Education Cess and other Budgetary Allocations.

The Education cess @2%p.a on Direct and Indirect Central taxes has been imposed

through the Finance (No. 2) Act 2004 so as to fulfil the commitment of the Government to provide and finance universalised quality basic education. The cess is expected to yield Rs. 6000-Rs. 8000 crores p.a. The proceeds from the cess will be used to implement two main programs related to Universal Elementary Education viz. Sarva Shiksha Abhiyan and Mid-Day-Meal. A separate dedicated non-lapsable fund called the Prarambhik Shiksha Kosh has been created to receive the proceeds of the education cess.



Size of the Indian Education System

In keeping with its billion-plus population and high proportion of the young, India has a large formal Education System. Its target group (children and young persons in the 6-24 years age group) numbered around 411 million in 2003, is about 40% of the country's population.

Following are some indicators of the size of India's Education System (figures pertain to 2003-04, unless otherwise stated):

Target Population (6-24 years age group) (Estimate for 2003)	411 million
Total Enrolments in all Educational Institutions (School to University)	224 million
Number of Educational Institutions - Schools - Colleges (2004-05) - Universities (as on 31.03.05)	1.18 million 17,625 338 (229 Universities +96 Deemed Universities + 13 Institutions of National Importance)
Number of Teachers	6.2 million

10. Additional Capital

Bonus Shares

In the year 2006-07, the Company has issued Bonus shares in the ratio of 4 (four) equity shares for every 1 (One) share held by capitalizing Rs 685.47 lakhs out of Free Reserves.

Preference issue

During the year 2006-07, preferential allotments of 1,25,670 Equity shares of Rs.10/- each, fully paid up at a premium of Rs.10/- per share have been made to two of the full time directors .

Fresh Infusion of Capital

INDIA CHINA PRE-IPO EQUITY (MAURITIUS) LTD has invested Rs.14.06 crores for 12.91% stake at the premium of Rs.96/- per share in August'06.

INDIA CHINA PRE-IPO EQUITY (MAURITIUS) LIMITED is a 100% subsidiary of India China Pre-IPO Equity (C.I.) Ltd, a company incorporated in the Cayman Islands and that the holding company has appointed ST Asset Management Ltd ("STAM") as its investment manager. STAM is wholly-owned by Temasek Holdings (Private) Limited through a Temasek intermediate holding company.

11. Corporate Governance

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

The Company stands committed to good Corporate Governance – transparency, disclosure and independent supervision to increase the value of the Company Stakeholders. The Guidelines issued by SEBI in respect of the Corporate Governance will be applicable to the Company immediately upon applying for the in - principle approval for listing of the Equity Shares on the stock exchange. Accordingly, the

Company has undertaken steps to comply with the SEBI guidelines on Corporate Governance. The Corporate Governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management and the constitution of the Board Committees, majority of them comprising of independent directors. Committees of the Board have been constituted in order to look into the matters in respect of compensation, shareholders/Investor Grievances, Audit, etc., details of which are as follows:

Committees of the Board

Audit Committee

The terms of the Audit Committee comply with the requirements of Section 292A of the Companies Act and Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The Audit Committee of the Company currently comprises of following three Directors as members:

SI No	Name	Designation	Status
1	Mr. R Sankaran	Chairman	Non Executive and Independent Director
2	Mr. Joe Thomas	Member	Non Executive and Non Independent Director
3	Mr. J Kasi Viswanathan	Member	Non Executive and Independent Director

The principal functions of the Committee are to

- Review the Company's financial statements, before submission to, and approval by the Board;
- Review the Company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or other matters;

- Review management's and internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management;
- Monitor the integrity of Company's internal financial controls;
- Assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks;
- Review the internal audit program and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
- Receive a report on the results of the internal auditor's work on a periodic basis;
- Review and monitor management's responsiveness to the internal auditor's findings and recommendations and
- Monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system.

Remuneration Committee

The Remuneration Committee consists of Non-Executive Directors, with the Chairman of the Compensation Committee being an Independent Director. The Remuneration Committee of the Company currently consists with the following Directors as members;

SI No	Name	Designation	Status
1	Mr. Joe Thomas	Chairman	Non Executive and Non Independent Director
2	Mr. R Sankaran	Member	Non Executive and Independent Director
3	Dr. K M Marimuthu	Member	Non Executive and Independent Director

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Committee determines and reviews the overall compensation structure including managerial remuneration and related policies aimed at attracting, motivating and retaining personnel. The Committee has the authority to determine the compensation packages of executive Directors and senior management and determine the parameters and supervise the operation of the bonus schemes of the Company. The Committee will review recommendations made to it by the Company and others and is authorized to investigate any activity within its terms of reference, seek any information from any employee of the Company and obtain independent professional advice.

Shareholders / Investors Grievance and Share Transfer Committee

The Shareholders / Investors Grievance and Share Transfer Committee of the Company comprises of the following Directors as members;

SI No	Name	Designation	Status
1	Mr. J Kasi Viswanathan	Chairman	Non Executive and Independent Director
2	Dr. V K Vijayaraghavan	Member	Non Executive and Independent Director
3	Dr. K M Mari Muthu	Member	Non Executive and Independent Director

The Investor Grievances and Share Transfer Committee looks into redressal of shareholder and investor complaints, issue of duplicate/ consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/ transmission of shares and debentures and reference to statutory and regulatory authorities. The scope and functions of the Investor Grievances and Share Transfer Committee are as per Clause 49 of the Listing Agreement.

12. Mission and Business Strategy

Our strategy is to achieve brand recognition and attract customers through committed qualitative service. We also seek to offer them value added services, which will increase margins and provide them with useful solutions they would not otherwise find.

We plan to expand our marketing efforts and service offerings. We plan to capitalize on the following areas of growth:

- High Demand for quality IT driven Technical, Financial and Management Education.
- Implementation of Computer Education in Schools by various State Governments in India.

13. Service Quality Objectives

The Service quality objectives of the Company would be,

- To provide quality education and training through a distinctive pedagogy delivered through traditional and technology enabled modes.
- To Monitor and continuously improve the training / education and delivery performance as per contract / agreement.
- To increase number of institution / students every year.
- To increase geographical area of operation.

14. Internal Audit & Compliance

M/s. Subramaniam and Co, Chartered Accountants, Chennai were the internal auditors of the company for the year. The companies Audit Committee has also met twice during the year and reviewed the internal audit report during the year.

15. Human Resources

Everonn offers meritocratic opportunities to its 3500 employees work force. The attrition rate is controlled at 2.87%. HR policies and procedures are formulated in order to comply with statutory regulations and are aligned with a need that addresses the consistent growth in business.

16. 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 necessary disclosures, as required under various provision of the Act.

17. Responsibility Statement

The Board of Directors hereby state that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.

-
- b) they have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year and of the profits of the company for that period.
 - c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other regularities;
 - d) and that they have prepared the annual accounts on a going concern basis.

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

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

- Conservation of Energy – The company has planned and installed equipments in a manner that maximum energy is conserved
- The company's business being IT education, every effort is made to ensure that changes in technology are communicated throughout the organization at every stage.
- The foreign exchange earnings is Rs.9.17 lakhs and outflows is Rs.4.07 lakhs

19. Directors

The following are the changes to the Company Board of Directors in the last 3 years and no changes thereafter have taken place:

Sr. No.	Name	Date of Appointment	Date of Cessation	Reason
1	Mr. Arun Kumar	16.01.2006	10.07.2006	Resignation
2	Mr. K R Ravishankar	20.03.2002	10.07.2006	Resignation
3	Mr J Kasi Viswanathan	10.07.2006	--	Appointment
4	Mr K M Marimuthu	10.07.2006	--	Appointment
5	Dr V K Vijayaragavan	10.07.2006	--	Appointment
6	Mr. R.Sankaran	10.07.2006	--	Appointment

20. Auditors

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

21. Acknowledgements

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

For and on behalf of the Board

Place: Chennai
Date:15/05/2007

P.Kishore
Managing Director

AUDITORS REPORT

To the Shareholders of Everonn Systems India Limited

1. We have audited the attached Balance Sheet of M/s. Everonn Systems India Limited as at 31st March 2007 and the Profit and Loss Account and also the Cash flow Statement for the year ended on that date annexed hereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

4. Further to our comments in the annexure referred to above, we report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the company, so far as it appears from our examination of those books.

- c) The Balance Sheet, Profit and Loss account and Cash flow statement referred to in this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet, Profit and Loss account and Cash flow statement dealt with by this report comply with the Accounting Standards prescribed by the Institute of Chartered Accountants of India and referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of the written representations received from directors as on 31.03.2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Accounting policies and the notes there on give the information required by the Companies Act 1956, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India:
 - I. In the case of Balance Sheet of the state of affairs of the company as at 31st March 2007.
 - II. In the case of Profit and Loss account, of the profit for the year ended on that date, and
 - III. In the case of Cash flow statement of the cash flows for the year ended on that date.

For M/s P.CHANDRASEKAR
Chartered Accountants

Place: Chennai
Date: 16.05.2007

K. PARTHASARATHY
Partner
M.No.9574

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

- 1) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- 2) Fixed Assets have been physically verified by the Management during the year and there is regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and nature of its assets. As reported to us no material discrepancies have been noticed on such verification.
- 3) Substantial parts of the Fixed Assets have not been sold during the year under review affecting going concern.
- 4) The company's inventories are inspected periodically by the Company's Management.
- 5) The procedures of physical verification of inventory followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- 6) The company has maintained proper records of Inventory. The discrepancies noticed on verification between the Physical stocks and the book records were not material and have been properly dealt with in the books of account.
- 7) The company has not availed loans from parties listed in the register maintained under section 301 of the companies Act 1956.
- 8) The company has not granted loans to companies, firms or other parties listed in the Register maintained under section 301 of the companies Act 1956.

- 9) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of Inventory, fixed assets and with regard to rendering services. No major weaknesses in internal controls were observed.
- 10) According to the information and explanations given to us, and based on our verification, we are of the opinion that there are no transactions that were required to be entered in the register maintained under section 301 of the companies Act 1956.
- 11) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the companies Act 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year.
- 12) The company has not accepted any deposits from the public during the year requiring the compliance of provisions of Section 58A and Section 58AA or any other relevant provisions of the companies act 1956.
- 13) In our opinion the company has an Internal Audit system commensurate with the size and nature of its business.
- 14) The Central Government has not prescribed the Maintenance of cost records under Section 209 (1) (d) of the Companies Act,1956 for any of the products of the company.
- 15) As per the information and explanations made available to us and also based on the records made available to us, in our opinion the Company is regular in depositing the undisputed statutory dues including ESI, Income Tax, Sales Tax, Fringe Benefit Tax,

Service Tax and other statutory dues, excepting **Provident Fund in few cases there were delays in remittance**. There are no outstanding dues in respect of the above items which are more than six months as at the balance sheet date.

- 16) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- 17) The company has not incurred cash losses during the year covered by our audit and also during the immediately preceding financial year.
- 18) As per the information and explanations made available to us the company has not defaulted in repayment of dues to any financial institutions, bank or debenture holder.
- 19) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 20) The company is not a chit fund or a nidhi / mutual benefit fund / society and therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- 21) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments and therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 22) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for any loans taken by others from Banks and Financial Institutions.

- 23) In our opinion, the term loans have been applied for the purpose for which they were raised.
- 24) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long term investment.
- 25) The Company has during the year made an allotment of 125670 equity shares to two directors at a premium of Rs. 10/- per share. During the year the Company has also made allotment of 1327059 shares through private placement to Foreign Investors at a premium of Rs. 96/- per share.
- 26) According to the information and explanations given to us and based on the Records examined by us, no Debentures have been issued during the year.
- 27) The Company has not raised any money during the year through public issue of any of its securities.
- 28) According to the information and explanations given to us, there were no cases of fraud on or by the Company noticed or reported during the year.

For M/s P.CHANDRASEKAR
Chartered Accountants

Place : Chennai
Date : 16.05.2007

K. PARTHASARATHY
Partner
M.No. 9574

BALANCE SHEET AS AT 31-03-2007

Rs in '000

Particulars	SCHEDULE	31-Mar-07	31-Mar-06
SOURCES OF FUNDS			
SHARE HOLDER'S FUNDS			
Share capital	1	102,782	17,137
Reserves and surplus	2	262,168	170,016
LOAN FUNDS			
Secured loans	3	235,420	268,871
DEFERRED TAX (Refer Note No.6 of Sch 16)		54,435	47,966
TOTAL SOURCES OF FUNDS		654,805	503,990
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block		562,343	591,499
Less: Depreciation and amortisation		197,127	259,368
Net block	4	365,216	332,131
INVESTMENTS	5	12	12
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	6	2,564	2,659
Sundry debtors	7	279,650	173,450
Cash and bank balances	8	42,230	29,653
Loans and advances	9	59,379	55,487
		383,823	261,249
LESS: CURRENT LIABILITIES & PROVISIONS	10	94,246	91,667
NET CURRENT ASSETS		289,577	169,582
MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)	11	-	2,265
TOTAL APPLICATION OF FUNDS		654,805	503,990
Significant Accounting Policies & Notes on Accounts		Refer Schedule No.16	

As per our report of even date
for M/s.P.Channdrasekar
Chartered Accountants

For and on Behalf of Board of Directors

K. Parthasarathy
Partner

P.Kishore
Managing Director

R. Kannan
Director

Place : Chennai
Date : 15/05/2007

K.V.Visvanathan
Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31-03-2007

Rs in '000

PARTICULARS	SCHEDULE	31-Mar-07	31-Mar-06
INCOME			
Income from operations	12	430,447	309,303
TOTAL INCOME	A	430,447	309,303
EXPENDITURE			
Manpower	13	75,896	52,785
Education and training expenses	14	175,955	110,010
Interest and finance charges	15	23,398	15,549
Depreciation & amortisation	4	96,178	60,124
Deferred revenue expenditure written off		2,265	2,760
Less: Overheads transferred to fixed assets		(2,352)	-
TOTAL EXPENDITURE	B	371,340	241,228
Profit before Taxation	A-B	59,107	68,075
Provision for taxation			
Current tax		10,563	6,015
Deferred tax		6,469	20,594
Fringe benefit tax		1,300	1,050
Profit after taxation		40,775	40,416
Surplus brought forward from last year		58,614	24,146
Profit available for appropriations		99,389	64,562
Appropriation :			
Dividend		-	1,714
Tax on dividend		-	192
Transfer to general reserve		4,100	4,042
Balance carried to balance sheet		95,289	58,614
Basic earnings per equity share (basic & diluted) Rs.		4.73	5.43

As per our report of even date

for M/s.P.Chanrdrasekar
Chartered Accountants

For and on Behalf of Board of Directors

K. Parthasarathy
PartnerP.Kishore
Managing DirectorR. Kannan
DirectorPlace : Chennai
Date : 15/05/2007K.V.Visvanathan
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2007

Rs in '000

Particulars		31-Mar-07	31-Mar-06
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		59,107	68,075
Adjustments for:			
Depreciation	96,178		60,124
Overheads transferred to to fixed assets	(2,352)		-
Interest on long term loan	24,146		15,502
Loss on sale of asset	-		43
Pre-operation exp w/off	2,265	120,237	2,760
Operating profit before working capital changes		179,344	146,504
Adjustments for :			
Trade and other receivables		(105,121)	(114,253)
Inventories		95	(1,550)
Trade payables and other liabilities		(5,329)	60,487
Cash generated from operations		68,989	91,187
Direct taxes paid / deducted at source		(7,020)	(4,869)
Cash Flow from Operations		61,969	86,318
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of fixed Asset		(126,911)	(217,230)
Sale of fixed assets		-	505
Cash flow from Investment Activities		(126,911)	(216,725)
CASH FLOW FROM FINANCE ACTIVITIES			
Share capital Raised		137,022	-
Loan raised		24,369	202,245
Loan repaid		(57,820)	(37,940)
Interest payment		(24,146)	(15,502)
Dividend paid (including dividend tax)		(1,906)	(6,102)
Cash flow from finance activities		77,519	142,701
<i>Increase in cash and cash equivalents</i>		<i>12,577</i>	<i>12,293</i>
Opening balance of cash and cash equivalents		29,653	17,360
<i>Closing balance of cash and cash equivalents</i>		<i>42,230</i>	<i>29,653</i>

As per our report of even date

for M/s.P.Chanrdrasekar
Chartered Accountants

For and on Behalf of Board of Directors

K. Parthasarathy
PartnerP.Kishore
Managing DirectorR. Kannan
DirectorPlace : Chennai
Date : 15/05/2007K.V.Visvanathan
Company Secretary

SCHEDULE FORMING PART OF BALANCE SHEET AS AT 31-03-2007

PARTICULARS	Rs in '000	
	31-Mar-07	31-Mar-06
Schedule 1 SHARE CAPITAL		
<i>AUTHORISED SHARE CAPITAL</i>		
1,60,00,000 Equity Shares of Rs.10/- each	160,000	20,000
15,40,000 Preference shares of Rs. 10/- each	-	15,400
	160,000	35,400
The authorised share capital of the company was increased from Rs. 3,54,00,000 comprising of Equity Shares Rs.2,00,00,000 & Preference Shares Rs.1,54,00,000 to Rs. 16,00,00,000 consisting of only Equity Shares of Rs.10 each)		
<i>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</i>		
1,02,78,217 Equity Shares of Rs.10/- each fully paid up	102,782	17,137
Of the above shares		
<i>68,54,748 shares allotted as fully paid up by way of Bonus Shares by capitalization of share premium account</i>		
<i>1,25,670 shares are allotted on preference to Directors</i>		
<i>2,57,053 shares are allotted to Everonn Employee Welfare Trust</i>		
	102,782	17,137
Schedule 2 RESERVES AND SURPLUS		
Securities Premium Account	104,347	
Less: Utilized for issue of bonus shares	68,547	
Add: Addition during the year	128,654	
Less: share issue expenses	8,730	155,724
		104,347
General Reserve		
Balance at the beginning of the year	7,055	
Add : Transfer from P & L a/c	4,100	11,155
Profit & Loss account		95,289
		262,168
		170,016
Schedule 3 SECURED LOANS		
TERM LOANS		
- From Banks		228,211
		268,273
OTHER LOANS		
- From Banks		7,209
		598
		235,420
		268,871

SCHEDULE FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2007 (Cont)

Schedule 4 Fixed assets										
Description	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 01.04.2006	Additions	Deductions	As at 31.3.2007	Upto 01.04.2006	For the year	Deductions	Upto 31.3.2007	As at 31.3.2007	As at 31.03.2006
	Rs in '000									
Tangible Assets										
Plant and machinery	489,622	49,471	147,832	391,261	230,724	81,019	147,832	163,911	227,350	258,898
Electrical fittings	19,323	7,211	-	26,534	556	3,443	-	3,999	22,535	18,767
Furniture & Fittings	65,508	22,234	10,586	77,156	21,472	8,155	10,586	19,041	58,115	44,036
Vehicles	3,613	1,311	-	4,924	1,320	682	-	2,002	2,922	2,293
Intangibles Assets										
Knowledge Resource and Content	13,434	31,817	-	45,251	5,295	2,879	-	8,174	37,077	8,139
Knowledge Resource and Content WMP	-	17,217	-	17,217	-	-	-	-	17,217	-
Total	591,500	129,261	158,418	562,343	269,367	96,178	158,418	197,127	368,216	332,133

PARTICULARS**31-Mar-07 31-Mar-06****Schedule 5 INVESTMENTS**

Long Term Non-Trade (At cost)

Investments in equity shares of Indian Overseas Bank

(500 shares of Rs.10 each)

12 12

12 12

Market Value Investments (IOB Shares) Rs. 51.50 (in '000)

(Previous year Rs.48.38 (in '000))

Schedule 6 INVENTORIES

Stock of Materials, Hardware & Spares

2,564 2,659

2,564 2,659

Schedule 7 SUNDRY DEBTORS

a. Over six months old (unsecured)

Considered good

84,045 41,115

Considered Doubtful

650 -

84,695 41,115

a. Others (unsecured)

Considered good

195,605 132,335

280,300 173,450*Less: Provision for doubtful debts*

650 -

279,650 173,450

SCHEDULE FORMING PART OF BALANCE SHEET AS AT 31-03-2007 (Cont)

PARTICULARS	Rs in '000	
	31-Mar-07	31-Mar-06
Schedule 8 CASH & BANK BALANCES		
Cash on hand	669	1,280
With Schedules Banks in		
Current Accounts	23,716	13,451
Deposit Accounts	6,896	11,446
Dividend Accounts	19	22
Margin Accounts	10,930	3,454
	42,230	29,653
Schedule 9 LOANS & ADVANCES		
<i>(Unsecured considered good)</i>		
Advances recoverable in cash or in kind or for value to be received	33,978	41,245
Tax Deducted at Source	10,136	9,545
Accrued Interest Income	1,346	986
Deposits	13,919	3,711
	59,379	55,487
Schedule 10 CURRENT LIABILITIES & PROVISIONS		
<i>CURRENT LIABILITIES</i>		
Sundry Creditors	45,129	61,626
Security Deposits	8,207	4,920
Other Liabilities	20,271	13,823
<i>PROVISIONS for</i>		
Current tax	17,917	8,406
Tax on Fringe Benefits	304	-
Final Dividend	-	1,714
Tax on Dividend (including interest)	-	192
Provision for Leave Encashment	1,304	564
Provision for Gratuity	1,114	422
	94,246	91,667
Schedule 11 MISCELLANEOUS EXPENDITURE		
<i>(to the extent not written off or adjusted)</i>		
<i>DEFERRED REVENUE EXPENDITURE</i>		
Opening Balance	2,265	5,025
Less: Written off During the year	2,265	2,760
Closing Balance	-	2,265

SCHEDULE FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31-03-2007

PARTICULARS	Rs in '000	
	31-Mar-07	31-Mar-06
Schedule 12 INCOME FROM OPERATIONS		
Education & Training Income	403,398	281,387
Sale of Hardware	27,049	27,915
Others	-	1
	430,447	309,303
Schedule 13 MANPOWER COSTS		
Salaries	66,759	47,532
Employer contribution to PF,ESIC incl admn charges	3,969	1,757
Staff welfare expenses & others	5,168	3,496
	75,896	52,785
Schedule 14 EDUCATION AND TRAINING EXPENSES		
<i>a. Cost of goods sold</i>		
Opening stock	2,659	1,108
Purchase of hardware	26,172	28,213
Less: Closing stock	2,564	2,659
Cost of goods sold (a)	26,267	26,662
<i>b. Course execution and delivery expenses (b)</i>		
	105,103	40,194
<i>c. Administration and others</i>		
Electricity charges	6,226	4,364
Insurance charges	639	74
Communication expenses	7,632	4,656
Audit fees	281	218
Directors sitting fees	110	-
Rates and taxes	230	275
Legal, professional and consultancy charges	1,579	526
Rent	6,481	4,638
Repairs and maintenance	5,749	14,201
Traveling expenses	10,554	6,705
Sales promotion and advertisement expenses	3,496	6,719
Miscellaneous expenses	958	778
Provision for doubtful debts	650	-
Total administration and other expenses (c)	44,585	43,154
Total education and training expenses (a+b+c)	175,955	110,010
Schedule 15 INTEREST AND FINANCIAL CHARGES		
Interest on term loans	24,146	15,502
Interest on other loans	685	43
Bank Charges	1,615	919
Less:		
Interest income on deposits	3,048	915
	23,398	15,549

Schedule 16 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of accounting

Financial statements are prepared on an accrual basis following historical cost convention in accordance with the generally accepted accounting principles and in compliance with the applicable Accounting Standards prescribed by the Institute of Chartered Accountants of India.

2. Fixed Assets

Fixed Assets are carried at cost less accumulated depreciation. Cost includes related duties, taxes, freight installation and other costs directly attributable to put the assets into use.

3. Intangible Assets

The company has implemented Accounting Standard 26 (dealing with Intangible Assets) issued by Institute of Chartered Accountants of India, where by amounts spent for creation and development of knowledge resource and course content has been capitalized. Accordingly, the company has also formulated a policy to amortize this amount of intangibles over a period of 5 years, in equal installments.

4. Depreciation and Amortization

Until now, depreciation on all fixed assets is provided on Straight Line Method at the rates and in the manner specified in the Schedule XIV of the Companies Act, 1956. In order to follow the prudent accounting principles and based on our past experience, during the year the company has adopted change in depreciation policy i.e for assets

installed at and used in Government Projects by providing depreciation over the number of years till the completion of the period of the contract and for the rest of the assets, the depreciation is provided on straight line method as per the rates prescribed in schedule XIV on the company's act 1956. Due to above change in policy, the additional depreciation amount provided during the year amounted to Rs. 22,774 (in '000) comprising of current year additional depreciation of Rs. 13,031 (in '000) and that of earlier years depreciation of Rs. 9,743 (in '000). Consequently Profit before tax is less by Rs. 22,774 (in '000)

5. Revenue Recognition

The Company generally follows mercantile system of Accounting and recognizes significant items of income on accrual basis.

Education and training income is recognized on rendering of services over the period of instruction.

In respect of fixed price contracts, revenue is recognized as per the proportionate completion method.

Revenue in respect of sale of courseware content and knowledge resource is recognized on the basis of dispatch/delivery to the customers.

Revenue in respect of sale of hardware is recognized when substantial risks and rewards of ownership is transferred to the buyer under the terms of the contact.

Dividend income is recognized when the right to receive is established.

6. Inventories

Inventory as at year end consist of VSAT Equipments only. Inventories are valued at lower of cost or net realizable value.

7. Investments

Long-term investments are carried at cost.

8. Retirement Benefits

Contribution to defined contribution schemes such as PF is charged to the profit and loss account on accrual basis. The company also provides for retirement benefits in the form of Gratuity and Leave Encashment, which are based on valuations at balance sheet date.

9. Provisions and Contingent Liabilities

A provision is recognized when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made.

Contingent liabilities are not provided for and are disclosed by way of notes.

10. Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying fixed assets are capitalized as part of the cost of such assets till such time as the asset is ready for its intended use or sale. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use or sale and other borrowing costs are recognized as an expense in the period in which they are incurred.

11. Income-Tax

The accounting treatment for Income Tax in respect of the Company's income is based on 'Accounting for Taxes on Income' (AS22) issued by the Institute of Chartered Accountants of India. The provision made for Income Tax in the accounts comprises both, the current tax (including Fringe Benefit Tax) and deferred tax. The current tax (including fringe benefits tax) is determined based on the provision of Income tax Act.

1961. The deferred tax assets and liabilities for the year, arising on account of timing differences, are recognized in the Profit and Loss Account; and the cumulative effect thereof is reflected in the Balance Sheet. The major components of the respective

balances of deferred tax assets and liabilities are disclosed in the Accounts.

12. Foreign Currency Translations

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translations of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

13. Share Issue Expenses

Expenditure relating to issue of shares is adjusted against the Securities Premium Account.

14. Segmental Reporting

The company has only one main line of business – imparting education and training through various modes of delivery. Hence, segmental reporting as required by AS-17, issued by The Institute of Chartered Accountants of India is not applicable.

15. Impairment of Assets

The company has not noticed any obsolescence as all the assets are fully in use and hence impairment as per AS 28 has not been considered for the year.

II. NOTES FORMING PART OF FINANCIAL STATEMENTS

1. Estimated value of contract remaining to be executed on capital account and not provided for is NIL.
2. Request for Confirmation of Balances have been sent to all parties, however, in a few cases they are yet to be received

3. Contingent liability

Bank guarantees issued by Banks / Financial institutions Rs.31,880 (in '000) (P.Y Rs. Rs.32,145 in '000)

4. Secured Loans

TERM LOANS
PRIMARY
First charge on the project assets viz Equipments, Hardware, and Furniture & Fixtures acquired by company.
COLLATERAL
House building as collateral security
GUARANTORS
It is further secured by way of Unconditional irrevocable personal guarantee of Managing Director Corporate Guarantee by M/s Tourism Resorts (P) Ltd.,
OTHERS
The lender also has the right to appropriate the receivables from Contract income.
OTHER LOANS
Other Loans are in the form of Vehicle loans from Syndicate Bank which are secured by hypothecation of vehicles

5. Due to small scale industries

Based on the available information regarding the status of creditors, the company does not have any dues payables to any small-scale industries unit as at the year-end.

6. Provision for taxation

Deferred Tax Liability as on 31-03-2007 consists of

Particulars	Amt in Rs.'000	
	Year Ended 31.3.2007	Year Ended 31.3.2006
Deferred Tax Liability		
- On account of timing differences (A)	54,937	51,008
Deferred Tax Assets		
- On account of fiscal disallowances		
Expenses allowable for tax purposes when paid	503	101
Expenses allowable for tax purposes when withholding tax is paid	-	2,942
- On account of Carried forward losses		
Deferred Tax Assets Total (B)	503	3,043
Net Deferred Tax Liability (A-B)	54,434	47,965
Provided during the year (rounded '000)	6469	

7. Earnings in Foreign Exchange

Particulars	Amt in Rs.'000	
	Year Ended 31.3.2007	Year Ended 31.3.2006
Testing Services	917	- NIL -
Value of Exports – Content	- NIL -	2,310

8. Expenditure in foreign currency

Particulars	Amt in Rs.'000	
	Year Ended 31.3.2007	Year Ended 31.3.2006
Travel Expenditure	408	48

9. Payment to Auditors

Particulars	Amt in Rs.'000	
	Year Ended 31.3.2007	Year Ended 31.3.2006
a) For Statutory Audit	202	150
b) For Tax Audit	79	68
Total	281	218

10. Remuneration to directors during the year including perquisites

Particulars	Amt in Rs.'000	
	31.03.2007 Amt in Rs.	31.03.2006 Amt in Rs.
Managing Director	3,000	1,679
Whole Time Directors	2,828	2,378
Total	5,828	4,057

11. Related party disclosure**List of Related Parties**

Name	Nature of relationship
1. Tourism Resorts (Pvt) Ltd., 2. Mistair Realtys (Pvt) Ltd., 3. Acorn Commodity Exchange and Holdings (Pvt) Ltd., 4. Celebrate India Tourism Ltd.,	Associate Company
5. Shri. P.Kishore 6. Shri. R.Kannan 7. Smt. Susha John	Key Managerial Personnel

Nature of Transaction with Related Parties

Name	Nature	Amt in Rs. '000	
		31.03.2007 Amt in Rs.	31.03.2006 Amt in Rs.
1. Tourism Resorts (Pvt) Ltd.,	Guarantee	Corporate Guarantee in favour of the Company for Rs. 5000 (in '000) towards Collateral to obtain Term loan from Syndicate Bank	Corporate Guarantee in favour of the Company for Rs. 5000 (in '000) towards Collateral to obtain Term loan from Syndicate Bank
2. Shri. P.Kishore	Remuneration	3000	1679
3. Shri. R.Kannan*	Retainer Fees	1832	1632
4. Smt. Susha John	Remuneration	996	746

*Note: Shri. R.Kannan's remuneration is on retainer basis.

12. Employee Stock Option Scheme (ESOP)

During the year, the company has introduced Employee Stock Option Scheme (ESOP) and has allotted 2,57,053 shares of Rs. 10/- each at par to Everonn Employee Welfare Trust a trust specifically formed for this purpose. The trust will administer and implement the ESOP Scheme.

13. Previous year figures have been regrouped and reclassified wherever necessary to confirm to the current years grouping and classification

As per our report of even date

for M/s.P.Channdrasekar
Chartered Accountants

For and on Behalf of Board of Directors

K. Parthasarathy
Partner

P.Kishore
Managing Director

R. Kannan
Director

Place : Chennai
Date : 15/05/2007

K.V.Visvanathan
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**1. Registration Details**

Registration No.	1	8	1	-	9	3	0	5	State code	1	8
Balance Sheet Date	3	1	0	3	2	0	0	7			

2. Capital Raised during the year (Amount in Thousand)

Public Issue	Rights Issue
N I L	N I L
Bonus Issue	Private Placement
6 8 5 4 7	1 3 2 7 1

3. Position of Mobilisation and Deployment of Funds (Amount in Thousands)

Total Liabilities	Total Assets
6 5 4 8 0 5	6 5 4 8 0 5
Sources of Funds	
Paid up Capital	Reserves and Surplus
1 0 2 7 8 2	2 6 2 1 6 8
Secured Loans	Unsecured Loans
2 3 5 4 2 0	N I L
	Deferred Tax Liability
	5 4 4 3 5

Application of funds

Net Fixed Assets	Capital Work in Progress
3 6 5 2 1 6	N I L
Investments	Net Current Assets
1 2	2 8 9 5 7 7
Miscellaneous Expense	Accumulated Losses
N I L	N I L

4. Performance of Company (Amount in Rs. Thousand)

Turnover	Total Expenditure
4 3 0 4 4 7	3 7 1 3 4 0
Profit/Loss before Tax	Profit/Loss after Tax
+ 5 9 1 0 7	+ 4 0 7 7 5
Earnings per share (Rs.)	Dividend Rate (%)
4.73	N I L

5. Generic Names of three principal Products/Services of Company (as per monetary items)

Item Code No. N I L

Product Description : Education

For and on Behalf of Board of Directors

P.Kishore
Managing DirectorR. Kannan
DirectorK.V.Visvanathan
Company SecretaryPlace : Chennai
Date : 15/05/2007