
TABLE OF CONTENTS

From the CEO Desk	4
Board of Directors	6
Transforming Education	7
Testimonials	10
Financial Highlights 2005-06	11
The Year at a Glance	12
Financial Highlights – 3 year Snapshot.....	15
Directors' Report	18
Annexures to the Directors' Report	24
Corporate Governance	26
Auditors' Certificate on Corporate Governance	35
Management Discussion & Analysis	36
Auditors' Report	53
Balance Sheet	56
Profit and Loss Account	57
Cash Flow Statement	58
Schedules forming part of the Balance Sheet	60
Schedules forming part of the Profit & Loss Account	66
Notes forming part of Accounts	68
Consolidated Financial Statements: Auditors' Report	82
Consolidated Balance Sheet	83
Consolidated Profit & Loss Account	84
Consolidated Cash Flow Statement	85
Schedules forming part of the Consolidated Balance Sheet	87
Schedules forming part of the Consolidated Profit & Loss Account	93
Notes forming part of Consolidated Accounts	95
Statement pursuant to Section 212 of the Companies Act, 1956	107
Additional Information	108
Shareholder Information	109
Share Price Chart.....	110
Frequently Asked Questions	115
History of the Company	116
Business Segments Overview	117
Recognitions & Awards	121

VISION

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

MISSION

- **To be among the top 10 K12 Learning solutions companies worldwide by 2010**
- **To Reach out to 10 million learners through our products by 2008**

Educomp Solutions Limited

(Formerly Educomp Datamatics Limited)

From the CEO's Desk

Dear Shareholders,

2005-06 has been a defining year for Educomp in many ways. Your Company has become a listed company in January, 2006 post a successful IPO. The Company has made a smooth transition to being a publicly held company by adopting a model code for Corporate Governance and reiterating its commitment to creating and enhancing shareholder wealth through business leadership and creating products and services that win the trust and loyalty of our customers while being a responsible corporate citizen.

Your Company is the new age education Company that is bringing about a paradigm shift in the way learning happens.

The opportunity that presents itself before your Company is truly immense in its potential and depth.

Our product portfolio is our response to the changing trends in education. Our flagship product Smart_Class™ is changing the learning dynamics of a classroom, our ICT solutions are bridging the digital divide, our eTutoring services are helping redefine how learning assistance can be delivered on a global basis and our research initiatives promise to change the way education delivery happens at schools.

We lead the market in India in almost all the segments we operate in and we are also investing in strategic initiatives on a global basis. In our vision we see no political boundaries between market opportunities and therefore a school in the US would find our products as useful as a school in India or Singapore. In pursuing this strategy we are laying the foundation of the world's first global K12 solutions Company.

At Educomp we have always defined our business as being "transformative". Our products, services and solutions are designed to transform the teaching and learning environment. This translates to making the teacher more productive, the learning process more efficient and solving critical problems that educators face.

You will be happy to know that in the year 2005-06 your Company has significantly grown its domestic presence while opening several important beachheads in the US and APAC markets. Educomp has launched several "firsts" many of which are Educomp innovations. We were the first Company in the world to create an integrated model which links teacher-led content to real time assessment based on learning standards. We are also the first Company to create a structured process-driven framework for redefining "learning guarantee and quality" comprising books, digital content, lesson plans, IT integration and formative assessment tools for brick and mortar schools through our Leadership Learning System™. We continue to drive thought leadership in this space.

Your Company plans to use various "channels of growth" to increase its share in the family education budget both for Indian as well as global markets. Various initiatives like "Math Guru™" (online portal that delivers content over broadband), "Roots to Wings™ Pre-schools", "Learning Leadership System™", have the potential of building Educomp into a full service and integrated K12 solutions Company.

As we continue on our journey, it is crucial that your Company invests in creating content, frameworks, technology and processes to capitalize on a new world of learning where digital technology will become an invisible yet ubiquitous part of a student's life. The forthcoming years will radically change the value chain for ICT in education. The power to successfully monetize this value chain will lie in the hands of organizations that own large content libraries and tools that will be able to fully exploit the potential of new technologies.

We are proud of the fact that we have been the pioneers in helping unlock the power of using private capital in developing education infrastructure in India and in providing an opportunity for investors to participate in the "business of education"

The global education economy has several different dimensions. There is a significant problem of access; millions of potential learners across the world do not have the opportunity to go to school. In India itself 202 million children go to school, yet 100 million children are still out of school. Education budgets across the world are rising to not only bridge the digital divide but also to make sure that the school system responds to the challenges of the knowledge economy. Education planners are realizing the obvious ROI (Return On Investment) of investing in educational infrastructure in a increasingly globalised economy. In India, the total education funding for the Government's flagship "Sarva Shiksha Abhiyan" (Education for all) initiative has increased by almost 31% on an annualized basis to over Rs. 25,000 Crores. In the US, the 2007 K12

What Learning Can Be

Annual Report 2005-06

federal budget is at a historical high of USD 36.3 billion. We see similar trends in most Asia Pacific and European geographies and believe that this is the beginning of a long term trend in education spend across the world. We estimate that as most countries move their education spends from the current 4-5% of GDP to 8-9% of GDP (to equal the spending of developed countries) we will see over USD 100 billion of additional capital infusion into the global education economy.

We also see a large part of the multilateral funding going into Education reform and in professional development programs for teachers. In essence the entire sector is being redefined.

We continue to examine growth via mergers and acquisitions and look for companies where there is a strong strategic fit, a complementary product portfolio and an ability to add to our market share and margins.

We have been fortunate to have with us an excellent team that has brought an unparalleled level of sincerity, creativity and passion to our work. I would like to take this opportunity to express my gratitude and thank all the customers, shareholders, members of the Board, suppliers, bankers, employees and team members of Educomp without which our growth story would not have been possible.

Shantanu Prakash

Chairman & Managing Director



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Educomp Solutions Limited

(Formerly Educomp Datamatics Limited)

Board of Directors(As on 25th July, 2006)

Mr. Shantanu Prakash	Chairman cum Managing Director, Promoter Director
Mr. Jagdish Prakash	Whole Time Director
Mr. Gopal Jain	Non Executive & Non Independent Director
Mr. Sankalp Srivastava	Non Executive & Independent Director
Mr. Shonu Chandra	Non Executive & Independent Director
Mr. Anjan Dutta	Non Executive & Independent Director

Committees of the Board**AUDIT COMMITTEE**

Sankalp Srivastava	Chairman / Member
Shantanu Prakash	Member
Shonu Chandra	Member
Anjan Dutta	Member

SHAREHOLDERS' INVESTOR GRIEVANCE COMMITTEE

Sankalp Srivastava	Chairman / Member
Shonu Chandra	Member
Anjan Dutta	Member
Jagdish Prakash	Member

REMUNERATION COMMITTEE

Sankalp Srivastava	Chairman / Member
Shonu Chandra	Member
Anjan Dutta	Member

REGISTERED OFFICE

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

BRANCH OFFICES AT

Bangalore : 16, 80 Feet Road, 4th Block, Koramanagala Bangalore - 560034. • **Mumbai :** 204 No. On The Second Floor of Samarpn Premises Co-Operative Society Ltd. Situated at New Link Road, Chakala, Andheri (East), Mumbai - 400 059. • **Orissa :** D/206, Baishnav Vihar Apartment, Near Durga Puja Mandap, Bomikhilal, Bhubneshwar - 751006, Orissa. • **Tripura :** Above MK Azad Computer, Joynagar Middle Road, Agartala - 799001, Tripura. • **Uttar Pradesh :** 204-JPS Business Center, Chandralok Tower, Kapoorthala, Aliganj, Lucknow - 226020, Uttar Pradesh. • **West Bengal :** 215, 1st Floor, Srirampur, Garia, Kolkata-700 084, West Bengal. • **Chennai :** New No. 98, 7th Avenue, Ashok Nagar, Chennai - 600 083. • **Hyderabad :** 25, Lalitha Nagar, Secunderabad, Hyderabad - 500 026. • **Gujarat :** 1662/1, First Floor, Sector-5C, Gandhinagar, Gujarat - 382 005.

AUDITORS

Anupam Bansal & Co, Chartered Accountants.

BANKERS

State Bank of Patiala, 30, Regal Building Parliament Street, New Delhi - 1

SUBSIDIARIES

Edumatics Corporation Inc.

Educomp Learning Private Limited

Whietstone Productions Private Limited

SHARE TRANSFER AGENTIntime Spectrum Registry Limited, A-31, 3rd Floor, Naraina Industrial Area, Naraina, New Delhi-28**LISTED AT**

National Stock Exchange Limited, Bombay Stock Exchange Limited

COMPANY SECRETARY

Mohit Maheshwari

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HIGHLIGHTS 2005-06

Total Revenue	–	Rs 5377.26 lacs
EBITDA	–	Rs. 2730.22 lacs
PBT	–	Rs. 2147.40 lacs
Net Profit	–	Rs. 1390.30 lacs
EPS (On fully diluted basis)	–	Rs 11.15
NPR	–	25.86%
Total Assets	–	Rs. 11726.36 lacs
Year on Year Revenue Increase by	–	67.45%
Year on Year EBITDA Increase by	–	77.21%
Year on Year PBT Increase by	–	111.41%
Year on Year PAT Increase by	–	119.68%
DTR Reduced from 224 days to	–	179 days

RATIO ANALYSIS

(Rupees in Lacs)

S. No.	Particulars	Financial Year		
		2005-06	2004-05	2003-04
a)	Leverage:			
	Debt/Equity	0.03	0.12	0.09
	Total Asset/Net worth (AV)	2.06	2.00	1.75
	Debt Service Coverage	14.81	6.45	10.36
b)	Debt Service Coverage (3 Years Average)	10.02	-	-
	Note:- The above ratios are calculated in time term			
	Profitability			
	EBIDTA/Gross turnover	52.16	49.53	30.17
c)	Net Profit Ratio	26.58	20.35	7.62
	Return on Net Worth (Profit available for distribution/Average Net Worth)	19.67	31.28	11.70
	PBIT/Total Turnover	40.87	32.75	14.38
	PBT/Total Turnover	39.93	31.63	13.43
d)	PAT/ Average Net Worth	24.47	31.28	11.70
	Sale to Average Net Working Capital	128.13	288.77	309.49
	Total Revenue to Average Total Assets	68.16	93.44	103.90
	Fixed Assets/Turnover (operational)	32.00	37.24	39.73
e)	Note:- The above all ratios are calculated in % term			
	Liquidity			
	Net Working Capital to Total Assets	0.59	0.31	0.32
	Average Collection Period (in days)	179	224	194
f)	Current Ratio	3.98	1.99	2.12
	Growth			
	Growth in Total Revenue in (%)	67.46	23.45	25.14
	Return on Capital Employed [PBIT/Av. CE] (Pre tax)	37.00	46.91	21.71
g)	Return on Capital Employed [PBT/Av. CE] (Post tax)	24.25	29.84	12.38
	Return on Investment [PBT/Total Investment] (Post tax)	15.55	25.57	11.42

Educomp Solutions Limited

(Formerly Educomp Datamatics Limited)

Financial performance - 3 Years Snapshot
Steady and Consistent Growth Year on Year

(Rupees in Lacs)

S. No.	Particulars	Financial Year		
		2005-06	2004-05	2003-04
1	REVENUE			
	Income from Operation	5230.45	3110.58	2475.10
	Other Income	146.81	100.60	126.07
	Total	5377.26	3211.18	2601.17
	EBIDTA	2728.27	1540.69	746.65
	Interest Expenses	50.35	35.98	24.72
	Depreciation	530.52	488.99	372.53
	PBT	2147.40	1015.72	349.4
	PAT	1390.30	632.88	188.6
	Taxes paid	759.70**	344.86	78.74
	Equity Dividend %	15%	-	-
	Dividend Payout ***	272.98	-	-
	Equity Share Capital	1595.98	447.34	447.34
	Reserve & Surplus	7434.98	1892.21	1259.33
	Average Net worth	5681.36	2023.11	1612.37
	Gross Fixed Assets	3508.08	2462.05	1869.91
	Net Fixed Assets	1673.87	1158.36	983.46
	Market Capitalization *	61373.35		
2	Other Information:			
	No. of Employees	1190	824	697
	No. of Shareholders ****	5374	8	8

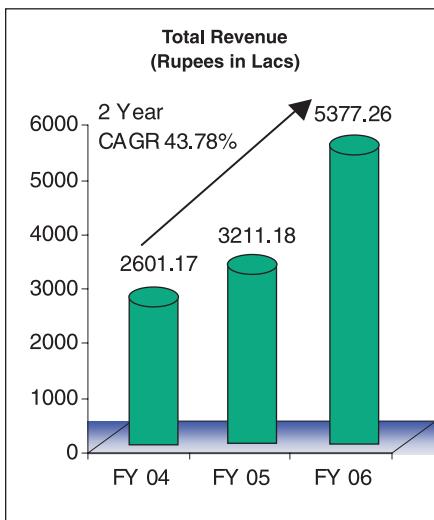
* Calculated on the basis of Closing Share Price as on 31st March, 2006 at BSE

** Only Tax Provision has been considered.

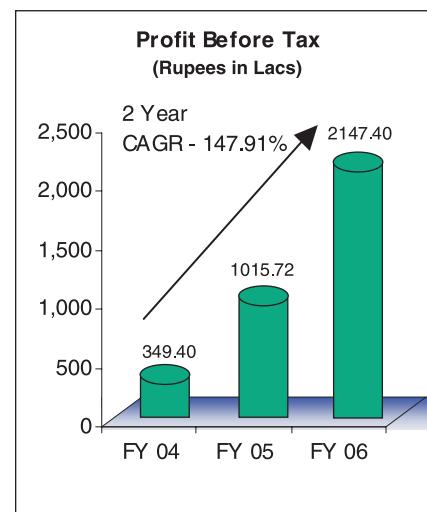
*** Dividend Pay Out is inclusive of Dividend Tax.

**** As per NSDL, CDSL and Registrars records dated 21st July, 2006.

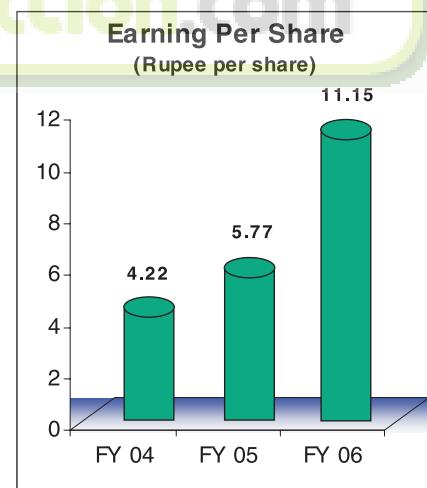
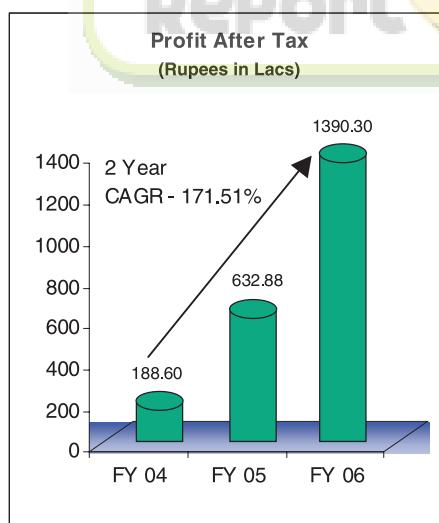
3 - YEAR COMPARATIVE SNAPSHOT



Note:- Total revenue depicts Income from operation and Other income.



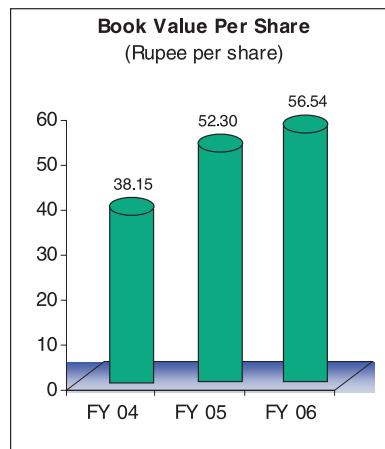
Note:- Profit before tax considered after prior period items.



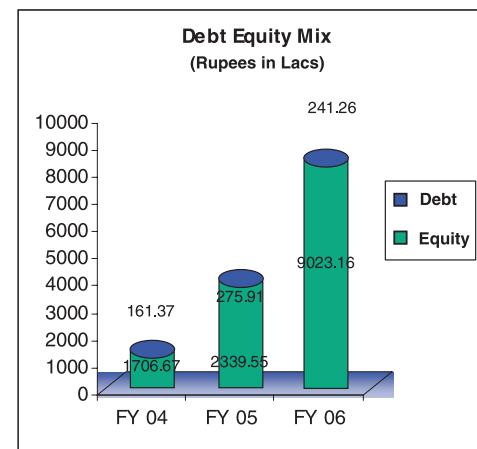
Note: EPS for FY, 04 has been calculated by taking effect of 47,73,381. Equity Shares and for FY05 & FY 06 calculated on fully diluted basis by taking effect of 1,59,59,783 Equity Shares.

Educomp Solutions Limited

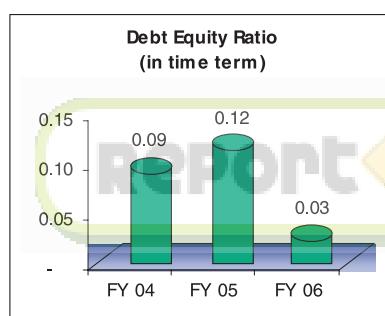
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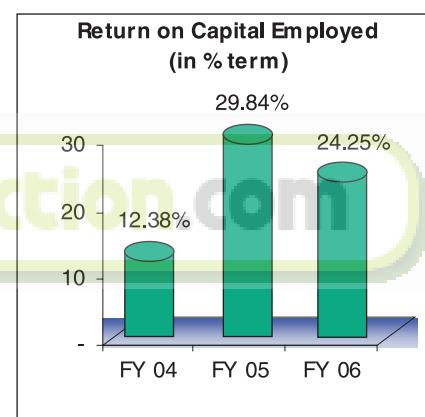
Note:- Book value per share depicts Net Assets Value.
Net Assets Value depicts Total Assets less Total Liability.



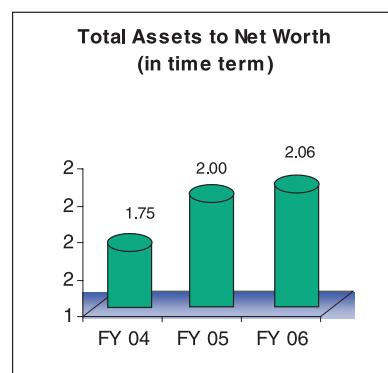
Note:- Debt depicts Long-term debts secured/unsecured.
Equity depicts Equity Share capital + Reserve & Surplus - Misc. expenditure



Note:- Debt depicts Long term debt 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 + Investment + 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.

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