
HELPING *India*
achieve its **POTENTIAL**



From cradle to career, We nurture

the unique potential of children
to improve the human capital
of our country



Mount Litera
Zee School

Great School. Great Future



Mount Litera
World Preschool



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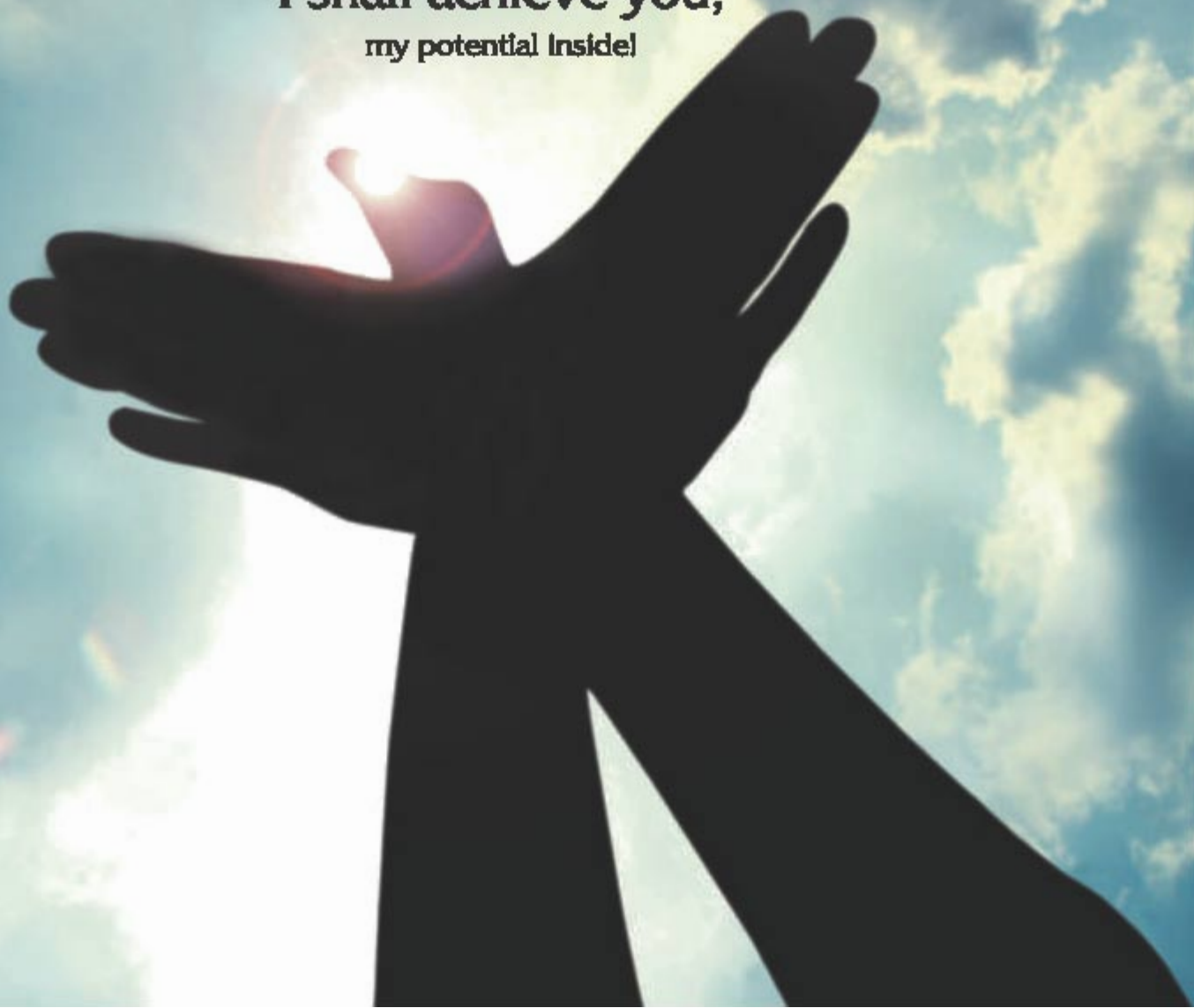
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**You are within me, you are infinite,
You are unique,
my potential inside!**

**You are the wings, beneath my flight,
You define me,
my potential inside!**

**Today I pledge, with all my might,
I shall achieve you,
my potential inside!**



Board of Directors



Himanshu Mody
Chairman



Surjit Banga
Independent Director



Dr. Manish Agarwal
Independent Director



Sumeet Mehta
Whole-time Director

Senior Management

Arun Kabra
Chief Financial Officer (CFO)

Aman Pal Singh
Business Head - Brain café

Keshab Goswami
Head HR, Legal & IT

Navneet Anhal
Head - New Businesses

Nitya Ramaswami
Head - Academics & Child Development

Prabhanjan Chapparr
Business Head - Youth

Pradeep Pillai
Business Head - PreK-12

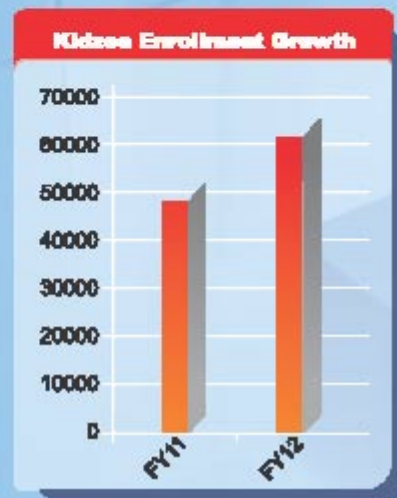
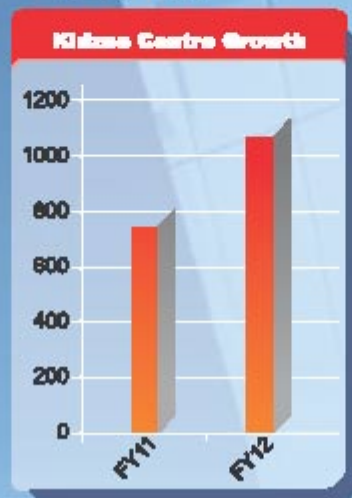
Sindu Aven
Head - Academic Design

Subhadarshi Tripathy
Head - Design

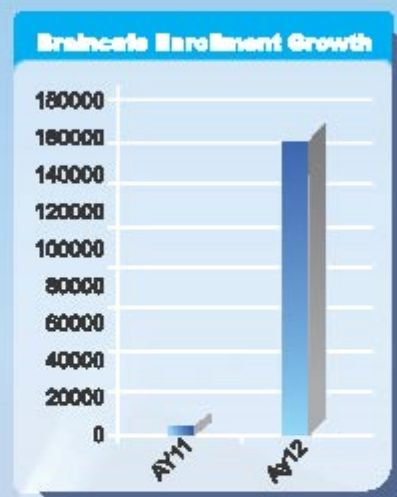
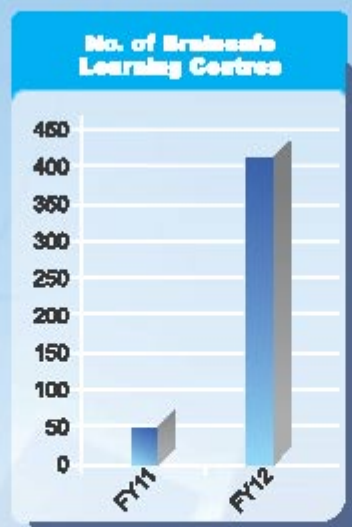


Highlights

■ Kidzee

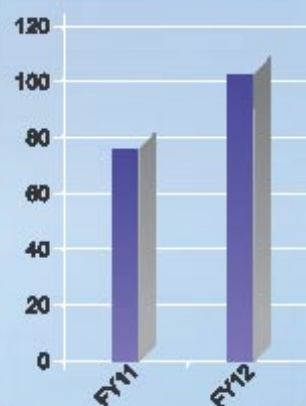


□ Braincafé

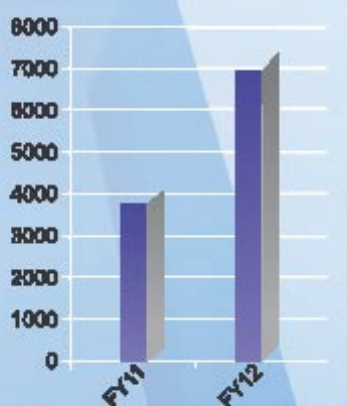


■ Mount Litera Zee School

No. of Mount Litera Zee Schools

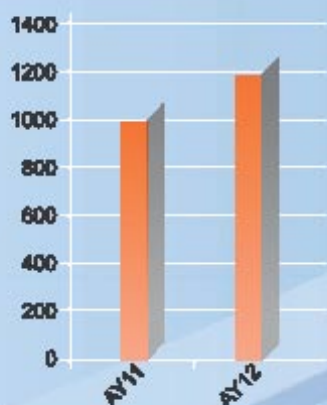


MLZS Enrollment Growth



■ ZICA

ZICA Enrollment Growth



■ ZIMA

ZIMA Enrollment Growth



CEO'S message



Dear Shareholders,

The India of the 2020's is currently studying in its preschools and schools. And in order for the country to take its much talked and much anticipated position at the top of the world, its children have to grow up as worthy leaders. We all know that schools are the crucible in which future leadership is nurtured. What we don't know is that even before school years kick in, age 0-6 is the most crucial for a human being. It is in these years that upto 65% of our brain's synaptic connections are made for life. And that is why preschools that provide rich stimuli, diverse peer interaction and trained educators, are equally critical in creating future leaders.

India today is at a critical juncture. With more than 50% of its population under 25 years, it can look forward to decades of having an able workforce to fuel the growth of the nation. At the same time, if this young population does not find productive work, it can very well lead to anarchy.

Recent data from ASSOCHAM shows that 70% of MBA's and 90% of engineers are found unemployable. The seeds of this are sowed in the early years. But Indian education seems divorced from real world and relies completely on rote learning and examinations. Schools are churning out children every year without really ensuring that these children have developed real understanding, gained life skills and imbibed values to lead a successful life.

There is a crying need for quality education. And that's the need that your company is trying to fulfill. At 12%, India has one of the lowest preschool gross enrolment ratios in OECD countries. More developed countries are at 70-90%. Moreover, with parents becoming more aware and with incomes rising, there is a demand for quality preschools, not mom & pop centers. This augurs well for Kidzee, which is already India's largest preschool chain and is set to ride the growth trajectory of preschools in India. Kidzee has

“We are also working on various initiatives for the future to keep up the innovation stream in education. Our mantra remains - ‘Grow, with the child at heart’.”

set itself apart from other preschools by developing a proprietary pedagogy - iLLUME - for an Indian context. It has been validated by MS University, Vadodra and Kidzee has been chosen to be the India representative of OMEP - an international body of early childhood educators.

The need for good school education is well understood. However, there is a dearth of good quality schools with some estimates indicating that India needs about 200,000 schools. Mount Litera Zee Schools aim to be the top school of their city/locality and thereby become a chain of top quality schools in the country. With their emphasis on developing Knowledge, Life Skills and Values, Mount Litera Zee Schools aspire to develop leaders of the 21st century. We have been very successful in attracting local trusts and education entrepreneurs who want to partner with us for our pedagogy, curriculum, brand and teacher training. There are over 100 Mount Litera Schools coming up all over the country now making it one of the largest organized K-12 school chains.

There are over 1.2 million schools in the country and every child in these schools needs a helping hand to achieve her true potential. With this in mind, we decided to go beyond our own schools and preschools and introduced Braincafé Learning Centres. Braincafé provides activity based learning programs to children so that they can really understand what they cover in books. We now reach out to 418 schools in 6 states and help over 1.6 lakh

students gain a better understanding of science. This initiative has the potential to transform how children learn science irrespective of whichever school they go to.

Zee Learn now has a 3-legged strategy for growth with its 3 brands - Kidzee, Mount Litera and Braincafé. Each of the 3 brands is at different life cycle stages. While Kidzee is well established and growing profitably, Mount Litera is fast gaining scale. Braincafé is in inception mode and as it builds scale over the next 2 years, we'll have all 3 brands contribute handsomely to our bottom line. Till then, we'll continue to invest in building strong brands and strong teams for aggressive growth. FY 12 was the first year in which we saw significant spends in brand building and setting up a full channel sales team for the rapid expansion of Braincafé.

We are also working on various initiatives for the future to keep up the innovation stream in education. Our mantra remains - ‘Grow, with the child at heart’. I thank you for your continued support and patronage and look forward to a long journey with you in improving the human capital of this country!



Sumesh Mehta
Chief Executive Officer
Zee Learn Limited



Company Information

BOARD OF DIRECTORS

Himanshu Mody
Chairman

Surjit Banga
Independent Director

Dr. Manish Agarwal
Independent Director

Sumeet Mehta
Whole-time Director

COMPANY SECRETARY

Samir Raval

AUDITORS

M/s MGB & Co.
Chartered Accountants

BANKERS

Axis Bank Limited
ICICI Bank Limited
State Bank of India

REGISTERED OFFICE

Continental Building, 135, Dr. Annie
Besant Road, Worli, Mumbai-400 018.

REGISTRAR AND SHARE TRANSFER AGENT

Sharepro Services (India) Private Limited
13 AB, Samhita Warehousing Complex,
2nd Floor, Sakinaka Telephone Exchange Lane,
Off Andheri-Kurla Road, Sakinaka, Andheri(East),
Mumbai - 400 072, India.

CORPORATE OFFICE

Level 6, Fun Republic, Off. New Link Road,
Andheri (West), Mumbai - 400 053.

NOTICE

NOTICE is hereby given that the Second Annual General Meeting of the Members of **Zee Learn Limited** will be held on Wednesday, the 8th day of August, 2012 at 11.00 a.m., at 'The Hall of Culture', Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai - 400 018, to transact the following businesses:

ORDINARY BUSINESS:

1. To consider and adopt the audited Statement of Profit and Loss of the Company for the year ended on March 31, 2012 and the Balance Sheet as at that date, on a standalone and consolidated basis, together with the report of the Auditors' and Directors' thereon.
2. To appoint a Director in place of Mr. Himanshu Mody, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. MGB & Co., Chartered Accountants, having Firm Registration No. 101169W, as the Statutory Auditors of the Company to hold such office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board of Directors of the Company.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:
"RESOLVED THAT the benefits of Employees Stock Option Scheme 'ZLL-ESOP 2010' as approved by the shareholders at the Extra-ordinary General Meeting held on 13th October, 2010, be extended to eligible employees including Executive & Non-Executive Directors of any present and future subsidiary / holding company, on such terms and conditions as may be decided by the Board of Directors of the Company."
5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:
"RESOLVED THAT pursuant to the provisions of Foreign Exchange Management Act, 1999 and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 and all other applicable rules / regulations / guidelines and laws (including any statutory modifications or re-enactment thereof for the time being in force), consent of the Company be and is hereby accorded to the Board of Directors of the Company to fix investment limit by Foreign Institutional Investors (FIIs) / Qualified Foreign Investors in the equity share capital of the Company, either by direct investment or by purchase or otherwise by acquiring from the market under portfolio investment scheme or any other scheme on repatriation basis, subject to the condition that such investment together with their existing holdings in the Company shall not exceed an aggregate limit of 49% of paid-up Equity Share Capital of the Company."

By order of the Board

Place: Mumbai
Date: May 16, 2012

Samir Raval
Company Secretary

Registered Office:
Continental Building,
135, Dr. Annie Besant Road,
Worli, Mumbai – 400 018.



NOTES:

1. **A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a member of the Company.**

Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Annual General Meeting.

2. Corporate Members are requested to send to the Registered Office of the Company, a duly certified copy of the Board Resolution, pursuant to Section 187 of the Companies Act, 1956, authorizing their representative to attend and vote at the Annual General Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, August 1, 2012 to Wednesday, August 8, 2012 (both days inclusive) for the purpose of Annual General Meeting.
4. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of special businesses to be transacted at the Annual General Meeting is annexed herewith.
5. Additional information, pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, on Directors recommended by the Board for appointment/re-appointment at the Annual General Meeting forms part of the Report on Corporate Governance in the Annual Report.
6. Members / Proxies should bring their Attendance Slips along with copy of the Annual Report to the meeting.
7. Queries on accounts and operations of the Company, if any, may be sent to the Company Secretary at least seven days in advance of the meeting so as to enable the Management to keep the information ready at the meeting.
8. Members who are holding Company's shares in dematerialised form are required to bring details of their Depository Account Number for identification.
9. Members holding equity shares in physical form are requested to notify the change of address/dividend mandate, if any, to the Company's Registrar and Share Transfer Agent, Sharepro Services (India) Private Limited, 13AB, Samhita Warehousing Complex, Second Floor, Sakinaka Telephone Exchange Lane, Off. Andheri-Kurla Road, Sakinaka, Andheri (East), Mumbai-400 072 or at 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai-400021.
10. Members holding shares in dematerialized form are requested to intimate all changes pertaining to their bank details, ECS mandates, email addresses, nominations, power of attorney, change of address / name etc. to their Depository Participant (DP) only and not to the Company or its Registrar and Transfer Agent. Any such changes effected by the DPs will automatically reflect in the Company's subsequent records.
11. The 2nd Annual Report circulated to the members of the Company will be made available on the Company's website at www.zeelearn.com
12. Recognizing the spirit of the Green Initiative in Corporate Governance initiated by the Ministry of Corporate Affairs, the Company proposes to send Annual Report and other documents/notices to shareholders to the email address provided by Depositories. Shareholders are requested to register and/or update email address with the respective Depository Participant or the Company, to ensure that documents from the Company reach their preferred email address.
13. Under Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form No. 2B in duplicate (which will be made available on request) to M/s. Sharepro Services (India) Pvt. Ltd.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 4

The shareholders of the Company at the Extra-ordinary General Meeting held on October 13, 2010 approved an Employee Stock Option Scheme called 'ZLL-ESOP 2010' scheme for issuance of stock options to Employees and Executive & Non-Executive Directors of the Company exercisable and convertible into Equity Share of Re. 1/- each of the Company up to and not exceeding 61,36,930 shares (equivalent to 5% of 12,27,38,599 equity shares initially listed at the Stock Exchanges in December 2010). The said approval was taken pursuant to Section 81(1A) and all other applicable provisions of the Companies Act, 1956 and as per Clause 6(1) of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (the "SEBI Guidelines") and the salient features of the said 'ZLL-ESOP 2010' Scheme are given below.

1. Total number of options to be granted:

A number of options to be granted under the Scheme would equal to and shall not exceed 5% of the paid-up capital of the Company initially listed at the stock exchanges i.e. 61,36,930 equity shares as being 5% of 12,27,38,599 equity shares issued by the Company to subscribers of Memorandum of Association and those arising out of the Composite Scheme and outstanding as on the date of listing of equity shares of the Company. In the event of any corporate action(s) viz. bonus, consolidation or other re-organisation of the capital structure of the Company, number of options/shares to be issued shall undergo fair, reasonable and appropriate adjustments pursuant to the SEBI Guidelines. Each option when exercised would be converted into one Equity Share of Re.1/- each fully paid-up.

Any vested option(s) that lapse due to non-exercise or unvested option(s) that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at any future date.

2. Identification of classes of employees entitled to participate in the Employee Stock Option Scheme:

All eligible employees including Executive & Non-Executive Directors but excluding promoters of its subsidiary company and holding company, as may be decided by the Remuneration Committee from time to time, would be entitled to be granted stock options under the ESOP Scheme. The Company does not have any holding company at present.

3. Transferability of employee stock options:

The stock options granted to an employee will not be transferable to any other person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee/option holder while in employment, the right to exercise all the vested options granted to him/her till such date shall be transferred to his/her legal heirs or nominees.

4. Requirements of vesting, period of vesting and maximum period of vesting:

The Options granted shall vest, not earlier than one year and not later than five years from the date of grant of options, so long as the employee continues to be in the employment of the Company, as the case may be. Vesting shall happen in one or more tranches, subject to such terms and conditions of vesting as may be decided by the Board / Remuneration Committee including but not limited to certain performance metrics (on the achievement of which the granted options would vest) and the proportion in which options granted would vest.

5. Exercise Price or Pricing Formula:

The Options would be granted at an exercise price equal to the 'market price' within the meaning as defined in the SEBI Guidelines i.e. the latest available closing market price (on that stock exchange where there is highest trading volume) on the date prior to the date on which the options are granted to the employees.

6. Exercise Period and the process of Exercise:

The Exercise period would commence from the date of vesting and will expire on completion of four years from the date of vesting of such options. The options will lapse if not exercised within the specified exercise period or such other period as may be decided by the Board.

The options will be exercisable by the Employees by a written application addressed to the designated officer of the Company intimating his intention to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Board/Remuneration Committee from time to time.



7. Appraisal Process for determining the eligibility of the employees to ESOP:

The Board shall be entitled to formulate performance appraisal system in line with emerging standards, wherein the performance of employees is assessed each year on the basis of various functional and managerial parameters. Stock Options would be granted based on performance linked parameters, value creation, leadership, role/designation of the employee, length of service, past performance record, future potential of the employee and/or such other criteria that may be determined by the Board/Remuneration Committee at its sole discretion. The Board/Remuneration Committee may at its sole discretion extend the benefits to a new entrant on such basis as it may deem fit.

8. Maximum number of options to be issued per employee and in aggregate:

The number of options that may be granted to any specific employee during any one year under the Scheme will depend upon the rank/designation of the employee and shall be in the aggregate less than 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options.

9. Disclosure and Accounting Policies:

The Company shall comply with the disclosure and the accounting policies prescribed as per SEBI Guidelines, as amended from time to time and/or the Accounting standards.

10. Method of option valuation:

To calculate the employee compensation cost, the Company shall use the Fair Value Method for valuation of the options granted. In case the Company calculates the employee compensation cost using the Intrinsic Value of the stock options, the difference between the employee compensation cost so computed and the cost that shall have been recognized if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

Most of the educational infrastructure projects of the Company are executed through its subsidiary company and your Directors deem prudent to widen the scope of persons eligible for the Employees Stock Option Scheme to cover both the present and future eligible employees / directors of its subsidiary (ies) and / or holding company (ies).

As per Clause 6(3) of the SEBI Guidelines, a separate special resolution is required to be passed if the benefits of the Scheme are to be extended to employees of subsidiary or holding company.

Your Board recommends resolution as set out in Item No. 4 for approval of the Members.

None of the Directors of the Company except Mr. Sumeet Mehta is deemed to be concerned or interested in this resolution.

Item No. 5

At present, the investment of Foreign Institutional Investors (FIIs) in the Equity Shares of the Company stands at 8.85% of the paid-up equity share capital of the Company. In terms of Foreign Exchange Management Act, 1999 and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 as amended from time to time, the FIIs or their sub-accounts registered with SEBI may, in aggregate, hold up to 24% of the paid-up equity share capital and the said aggregate limit can be increased up to the relevant sectoral cap applicable subject to the approval of the members in a general meeting.

Your Company is falling under the category of 100% sectoral cap i.e. FDI up to 100% allowed under the automatic route. Considering the new business initiatives being considered by your Company, the Board of Directors of the Company believes that it is prudent to have this FII investment limits in the Equity Shares of the Company increased to 49%.

Your Board recommends resolution as set out in Item No. 5 for approval of the Members.

None of the Directors of the Company are in any way concerned or interested in this resolution.

By order of the Board

Place: Mumbai
Date: May 16, 2012

Samir Raval
Company Secretary

Registered Office:
Continental Building,
135, Dr. Annie Besant Road,
Worli, Mumbai – 400 018.

DIRECTORS' REPORT

To,
The Members of
Zee Learn Limited

Your Directors take pleasure in presenting the Second Annual Report of the Company together with Audited Statement of Accounts for the year ended March 31, 2012.

FINANCIAL PERFORMANCE

(Amount in ₹)

Particulars	For the year ended March 31, 2012	For the period ended March 31, 2011
Revenue from Operations	610,029,164	427,477,750
Other Income	9,095,113	9,506,471
Total Income	619,124,277	436,984,221
Total Expenses	827,800,170	402,756,614
Operating Profit /(Loss)	(208,675,892)	34,227,607
Less: Finance Cost	35,228,379	1,278,814
Less: Depreciation	30,205,273	7,527,363
Profit /(Loss) before Tax	(274,109,545)	25,421,430
Provision for Taxation (Net)	1,680,847	6,900,745
Profit /(Loss) after Tax	(275,790,392)	18,520,685
Balance Carried To Balance Sheet	(257,269,707)	18,520,685

DIVIDEND

In view of losses during the year, your Directors have not recommended any dividend on Equity Shares for the year under review.

BUSINESS OVERVIEW

Performance of your Company during Financial Year 2011-12 is on the back of over 60,000 enrolments in KidZee, over 7,000 enrolments in Mount Litera Zee Schools, 1,100 enrolments in Zee Institute of Creative Arts (ZICA) and 351 enrolments in Zee Institute of Media Arts (ZIMA). Your Company also added 310 new KidZee centers, 28 new Mount Litera Zee Schools, 4 new ZICA centers into its franchise system during the year under review. Your Company entered the School Solutions segment with Zee Learn School Innovations (ZLSI), which offers Braincafé (earlier Gakken) to schools that want to improve the performance and understanding of their students in Science. During the year under review 370 schools signed up for Braincafé .

Your Company has planned to step into the digital sphere by being capable of catering to the modern and immediate need to serve willing parents and children on an immediate basis with applications for various mobile devices and computers too. On this note, your Company has been in talks with various leading industry player(s) for potential acquisitions and joint ventures.

Your Company's performance during the year makes it the largest chain of preschools in India and one of the fastest growing K-12 school chains for 2 years in a row.

SHARE CAPITAL & VESTING OF UNDERTAKING PURSUANT TO THE SCHEME OF AMALGAMATION

During the year under review, the Authorised Share Capital of the Company was increased with your approval from ₹ 15,00,00,000/- (Rupees Fifteen Crores only) divided into 15,00,00,000 (Fifteen Crores) Equity Shares of ₹ 1/- (Rupee One only) each to ₹ 30,00,00,000/- (Rupees Thirty Crores only) divided into 30,00,00,000 (Thirty Crores) Equity Shares of ₹ 1/- (Rupee One only) each with a view to facilitate issuance of Equity Shares in accordance with the Scheme of Amalgamation for merger of Essel Entertainment Media Limited (EEML) with the Company.



The Scheme of Amalgamation for merger of EEML with the Company approved by the Members at the Meeting held on March 28, 2011, became effective on June 30, 2011, upon filing of Order dated June 17, 2011 issued by Hon'ble Bombay High Court approving the Scheme of Amalgamation. Consequently, the entire undertaking of EEML along with all its assets and liabilities including its investment in wholly owned subsidiary Digital Ventures Private Limited as on March 31, 2011 (Appointed Date) got vested on the Company and accordingly Digital Ventures Private Limited became wholly owned subsidiary of the Company. In accordance with the said Scheme of Amalgamation, your Company had on July 1, 2011 issued 14,00,00,000 (Fourteen Crores) Equity Shares of ₹ 1/- (Rupee One only) each of the Company for 70,00,00,000 (Seventy Crores) Equity Shares held by the shareholders of EEML i.e. in the ratio of 1 (One) Equity Share of ₹ 1/- (Rupee One only) each of the Company for every 5 (Five) Equity Shares of ₹ 1/- (Rupee One only) each held in EEML.

Further, as per Clause 10.3 of the said Scheme, the Authorised Share Capital of the Company increased from ₹ 30,00,00,000 /- (Rupees Thirty Crores only) divided into 30,00,00,000 (Thirty Crores) Equity Shares of ₹ 1/- (Rupee One only) each to ₹ 100,00,00,000/- (Rupees One Hundred Crores only) divided into 100,00,00,000 (One Hundred Crores) Equity Shares of ₹ 1/- (Rupee One only) each upon combination of Authorised Share Capital of EEML with Authorised Share Capital of the Company.

SUBSIDIARY COMPANY

Consequent upon effectiveness of the Scheme of Amalgamation for merger of Essel Entertainment Media Limited (EEML) with the Company, Digital Ventures Private Limited a wholly owned subsidiary of EEML became the wholly owned subsidiary of the Company with effect from June 30, 2011.

The Ministry of Corporate Affairs, Government of India vide its circular dated February 8, 2011 has granted general exemption to companies from complying with Section 212(8) of the Companies Act, 1956, provided such companies publish the audited consolidated financial statements in the Annual Report. Your Board in its meeting held on March 28, 2012 has decided to avail the said general exemption from applicability of provisions of Section 212 of the Companies Act, 1956 and accordingly, the annual accounts of the subsidiary of the Company for the financial year ended March 31, 2012 are not being attached with the Annual Report of the Company but certain financial highlights of the subsidiary are disclosed in the Annual Report, as part of the Consolidated Financial Statements. The audited Annual Accounts and related information of the subsidiary will be made available upon request or for inspection at the registered office, by any shareholder of the Company.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS 21 on Consolidated Financial Statements read with Accounting Standard AS 23 on Accounting for Investments in Associates and Accounting Standard AS 27 on Financial Reporting of Interests in Joint Ventures, the audited Consolidated Financial Statements are provided in the Annual Report.

NON-CONVERTIBLE DEBENTURES & CREDIT RATING

Pursuant to the Composite Scheme of Amalgamation and Arrangement between ETC Networks Limited ('ETC'), Zee Entertainment Enterprises Limited ('ZEEL'), Zee Learn Limited ('ZLL or the Company') and their respective Shareholders and Creditors, 500 Nos. of 12% Secured Redeemable Non-Convertible Debentures (SRNCD's) each of ₹ 10 lacs aggregating to ₹ 50,00,00,000/- (Rupees Fifty Crores only) issued by the erstwhile ETC Networks Ltd, were transferred to and vested in the Company. The said SRNCD's are listed on Wholesale Debt Market Segment of the National Stock Exchange of India Ltd.

During the year, out of these SRNCD's, first tranche of ₹ 12.50 Crores i.e. 125 SRNCD's each of ₹ 10 lacs was redeemed by the Company in January, 2012.

Credit Analysis & Research Limited (CARE) has reaffirmed the rating of 'CARE AA (SO)', assigned to the SRNCD's issued by the Company and the said rating denotes high degree of safety for timely servicing of debt obligation and carries very low credit risk.

EMPLOYEES STOCK OPTION SCHEME

Your Company has implemented an Employee Stock Option Scheme called ZLL ESOP-2010, in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (SEBI Guidelines) for grant of stock options to its eligible employees. The Remuneration Committee of the Board administers and monitors the Scheme.

During the year under review, the Remuneration Committee had granted 16,09,700 Stock Options (including 60,000 Stock Options granted to the Non-Executive Independent Directors) convertible into equivalent number of equity shares of ₹ 1/- each of the Company. Applicable disclosures as stipulated under the SEBI Guidelines as at March 31, 2012 are annexed herewith and forms part of this report.

As most of Educational Infrastructure Projects of the Company are executed by its Subsidiary, a proposal seeking Member's approval for extending benefits of the ESOP Scheme to the Employees and / or Directors of present and future Subsidiary / Holding Company (ies) of the Company forms part of Notice of ensuing Annual General Meeting of the Company.

The Company has received a Certificate from the Statutory Auditors, M/s. MGB & Co., Chartered Accountants, confirming that the Scheme has been implemented in accordance with SEBI Guidelines and the resolution passed by the shareholders. The Certificate shall be placed at the ensuing Annual General Meeting and a copy of the same shall be available for inspection at the Registered Office of the Company on all working days (except Saturdays) between 2.00 p.m. to 5.00 p.m., up to the date of ensuing Annual General Meeting.

CORPORATE GOVERNANCE

Your Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements set out in the Listing Agreement with the Stock Exchanges. Report on Corporate Governance as stipulated under the Listing Agreement(s) with the Stock Exchanges as also the Management Discussions and Analysis Report forms part of the Annual Report.

Certificate from the Statutory Auditors of the Company M/s MGB & Co., Chartered Accountants, Mumbai, confirming compliance with the provisions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement(s), is annexed to the said Corporate Governance Report.

DIRECTORS

As per the provisions of the Companies Act, 1956 read with Article 97 of the Articles of Association, Mr. Himanshu Mody, one of the first Directors, retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

Brief Profile of Director proposed to be re-appointed at the ensuing Annual General Meeting has been included in the Report on the Corporate Governance forming part of the Annual Report.

AUDITORS

M/s. MGB & Co., Chartered Accountants, the Statutory Auditors of the Company having firm registration No. 101169W hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received a letter from them to the effect that their re-appointment, if made, would be in accordance with the limits prescribed under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the said Act..

CORPORATE SOCIAL RESPONSIBILITY

As a responsible citizen, your Company believes that a Business cannot succeed in a society that fails and therefore it is imperative for business houses, to invest in the future by taking part in CSR activities. Being engaged in the education business, CSR activity forms part of every business decision of the Company. As part of CSR activity, the Company through Zee Learn Education Society has been providing School Management Services under Public Private Partnership to the



Schools managed by Gujarat State Tribal Development Residential Educational and Institutional Society under the Eklavya Model Residential School project of Government of Gujarat. Additionally the Company regularly organizes various Education awareness events / programs for the various strata of the Society.

The 'I Care' campaign is part of a national movement led by your Company with the message, 'Let us create a safe and nurturing environment for our children, and an abuse free world for today's children.' As part of this campaign, the employees and associates of the Company tied blue ribbons on individual's wrist and communicated the message on significance of an abuse free environment and held placards reading the messages against child abuse and distributed leaflets on preventive measures against child abuse.

PUBLIC DEPOSITS

During the year under review, your Company has neither accepted nor renewed any deposits within the meaning of Section 58A of the Companies Act, 1956 and rules made there under.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Your Company is engaged in the business of delivering learning solutions and training to entire spectrum of the society from toddler to teens through its multiple products. Since these activities do not involve any manufacturing activity, most of the information required to be provided under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is not applicable.

However the information as applicable are given hereunder:

I. Energy Conservation

Your Company being a service provider, requires minimal energy consumption and every endeavor has been made to ensure optimal use of energy and avoid wastages and conserve energy as far as possible.

II. Technology Absorption:

In its endeavor to deliver the best to its users and business partners, your Company has been constantly active in harnessing and tapping and best technology in the industry.

III. Foreign Exchange Earning and Outgo:

During the year under review, Foreign Exchange Earnings were Nil and the particulars of Foreign Exchange outgo is given in Note Number 35 of the Notes to Accounts forming part of the Annual Accounts.

PARTICULARS OF EMPLOYEES

No Employee, other than Mr. Sumeet Mehta, Whole-time Director of the Company draw remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended. Requisite details of remuneration paid to Mr. Sumeet Mehta (from April 1, 2011 to March 31, 2012), pursuant to the said provisions, is as detailed herein:

Name, Designation & Age	Sumeet Mehta, Whole-time Director, 36
Total Remuneration	₹ 1,07,64,065
Qualification	MBA (IIM, Ahmedabad)
Total Experience & Date of Joining	13 Years, September 1, 2010
Previous Employment	Zee Entertainment Enterprises Ltd.

Total remuneration includes Salary, Bonus, Incentive, Allowances, Leave Travel Assistance, Medical Benefits, Gratuity, Company's contribution to Provident Fund and other perquisites and benefits valued as per the Income Tax Act, 1961.

DISCLOSURE PURSUANT TO CLAUSE 5A OF THE LISTING AGREEMENT

As per Clause 5A of the Listing Agreement inserted as per SEBI notification no. SEBI/CFD/DIL/LA/1/2009/24/04 dated April 24, 2009, the details in respect of the shares, which were issued pursuant to the Composite Scheme of Amalgamation and Arrangement and lying in the suspense account till March 31, 2012 is as under:

Description	Number of shareholders	Number of Equity Shares
Aggregate number of shareholders and the outstanding shares in the suspense account post allotment and issuance on October 14, 2010.	231	44645
Number of shareholders who approached the Company for transfer of shares from suspense account till March 31, 2012.	-	-
Number of shareholders to whom shares were transferred from the Suspense account till March 31, 2012.	-	-
Aggregate number of shareholders and the outstanding shares in the suspense account lying as on March 31, 2012.	231	44645

The voting rights on the shares outstanding in the suspense account as on March 31, 2012 shall remain frozen till the rightful owner of such shares claims the shares. In compliance with the said requirements, these shares will be transferred into one folio in the name of 'Unclaimed Suspense Account' in due course.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, and based on representations received from the operating management, the Directors hereby confirm that: -

- in the preparation of the Annual Accounts for the year ended March 31, 2012, the applicable Accounting Standards have been followed and there are no material departures;
- they have selected such accounting policies in consultation with the statutory auditors and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the year ended March 31, 2012 and the loss of the Company for that period;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- they have prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGEMENTS

Your Board takes this opportunity to place on record their appreciation for the dedication and commitment of employees shown at all levels, Franchisees and Business Partners that have contributed to the success of your Company. Your Directors also express their gratitude for the valuable support and co-operation received from the Central and State Governments including Ministry of Human Resource Development and other stakeholders including Bankers, Financial Institutions, Investors, Service Providers as well as regulatory and government authorities.

For and on behalf of the Board

Place : Mumbai
Date : May 16, 2012

Sumeet Mehta
Whole-time Director

Himanshu Mody
Chairman



Annexure I

Disclosures as stipulated under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and forming part of Directors' Report for the year ended March 31, 2012

	Particulars	Grant of Options
a	Total number of Options Granted	27,16,700
b	Exercise Price (₹)	11,07,000 options @ ₹ 26.50 per option and 16,09,700 options @ ₹ 14.50 per option
c	Total number of Options Vested	4,75,750
d	Total number of Options Exercised	NIL
e	Total number of Shares arising as a result of Exercise of option	NIL
f	Total number of Options Lapsed	1,55,500
g	Variation in terms of Options	NIL
h	Money realized by exercise of Options	NIL
i	Total number of Options in force	25,61,200
j	Employee wise details of Options granted to:	
	(i) Senior Management Personnel	12,55,000
	Sumeet Mehta – Whole-time Director	7,50,000
	Arun Kabra – Chief Financial Officer	1,50,000
	Nitin Sangle – Business Head - K12	60,500
	Nitya Ramaswami – Head Academics & Child Development	53,900
	Subhdarshi Tripathi – Head Design	62,500
	Keshab Chandra Goswami – Head HR	59,900
	Pradeep Pillai – Channel Head – K12	64,300
	Navneet Anhal – Business Head - New Product Development	53,900
	(ii) Any other employee who received a grant in any one year of Options amounting to 5 % or more of Options granted during that year	None
	(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	None
k	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earning Per Share'	(₹ 1.05)
l	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	The issuance of the equity shares upon exercise of option shall not affect the Profit & Loss account of the Company, as the Pricing formula as approved by the Shareholders of the Company is the Market Price as per the SEBI Guidelines i.e. latest available closing price prior to the date of grant of option at the Stock Exchange where there is highest trading volume.
m	Weighted-average exercise prices and weighted-average fair values of options, separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	Not Applicable

n	A description of the method and significant assumptions used during the year to estimate the fair value of options, including the following weighted-average information (i) Risk-free interest rate (ii) Expected life (iii) Expected volatility (iv) Expected dividends (v) The price of the underlying share in market at the time of option grant	Not Applicable
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A Certificate received by the Company from the Statutory Auditors of the Company M/s MGB & Co., Chartered Accountants, Mumbai to the effect that the Stock Options Scheme has been implemented in accordance with the SEBI Guidelines and the resolution passed by the Shareholders, will be placed before the ensuing Annual General Meeting and a copy of the same shall be available for inspection by the Members at the Registered Office of the Company on all working days (except Saturdays) upto the date of the ensuing Annual General Meeting of the Company.

For and on behalf of the Board

Place : Mumbai
Date : May 16, 2012

Sumeet Mehta
Whole-time Director

Himanshu Mody
Chairman

Annexure II

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2012		
Name of the subsidiary company		Digital Ventures Private Limited
The financial year of the subsidiary company ended on		March 31, 2012
Name of the holding company		Zee Learn Limited
Extent of holding company's interest		100.00%
Face Value of equity share (per share)		₹10/-
No. of equity shares held by the holding company and / or its subsidiaries		10,000
Net aggregate amount of profits/(losses) of the subsidiary so far as it concerns the members of the holding company and is dealt with in accounts of holding company:	For the financial year ended on March 31, 2012 (Amount ₹ In Millions)	NIL
	For the previous financial years of the subsidiary since it became a subsidiary (Amount ₹ In Millions)	NA
Net aggregate amount of profits/(losses) of the subsidiary so far as it concerns the members of the holding company and is not dealt with in accounts of holding company:	For the financial year ended on March 31, 2012 (Amount ₹ In Millions)	(0.38)
	For the previous financial years of the subsidiary since it became a subsidiary (Amount ₹ In Millions)	NA

For and on behalf of the Board

Place : Mumbai
Date : May 16, 2012

Sumeet Mehta
Whole-time Director

Himanshu Mody
Chairman



REPORT ON CORPORATE GOVERNANCE

COMPANY'S GOVERNANCE PHILOSOPHY

Corporate Governance Philosophy of Zee Learn stems from its belief that the Company's business strategy, plans and decisions should be consistent with the welfare of all its stakeholders, including Shareholders. Good Corporate Governance practices enable a Company to attract financial and human capital and leverage these resources to maximize long-term shareholder value, while preserving the interests of multiple stake holders, including society at large. Corporate Governance at Zee Learn is founded upon 4 pillars of Core Values viz., Transparency, Integrity, Honesty and Accountability.

Your Company has laid strong foundation for making Corporate Governance a way of life by constituting a Board with a balanced mix of professionals of eminence and integrity from within and outside the business, forming a core group of top executives, inducting competent professionals across the organization and putting in place appropriate system, process and technology.

BOARD OF DIRECTORS

a) Composition & Category of Directors

Your Company is in strict compliance of Board composition requirements of the Listing Agreement. The day-to-day management of the Company is entrusted to its key management personnel led by the Whole-time Director who operates under the superintendence, direction and control of the Board.

Composition of the Board as on March 31, 2012

Category of Directors	No. of Directors	Percentage to total No. of Directors
Executive Directors	1	25%
Non-Executive Independent Directors	2	50%
Other Non-Executive Directors	1	25%
Total	4	100%

Independent Directors provide an annual certification to the Board confirming satisfaction of the conditions of their 'being independent' as laid down in Clause 49 of the Listing Agreement.

Particulars of Directors, their attendance at the Annual General Meeting and Board Meetings held during the financial year 2011-12 and also their other directorships in other Public Companies (excluding Foreign Companies and Section 25 Companies) & membership of other Board Committees (excluding Remuneration Committee) as at March 31, 2012 are as under:

Sr. No.	Name of Director	Category	Attendance at		No. of Directorship of other Companies	No. of memberships of Committees
			Board Meetings (Total 8 Meetings)	1st AGM held on 29/6/11		
1	Mr. Himanshu Mody	Non-Executive Chairman	06	Yes	6	4
2	Mr. Surjit Banga	Independent-Non-Executive	08	Yes	1	1
3	Dr. Manish Agarwal	Independent-Non-Executive	07	Yes	2	1
4	Mr. Sumeet Mehta	Executive Director	08	Yes	1	1

None of the Directors on the Board is a member of more than ten (10) Committees (other than Remuneration Committee) or Chairman of more than five (5) Committees across all the companies in which he is a Director.

b) Board Meetings & Procedures

During the financial year under review, eight (8) meetings of the Board were held. The intervening period between the Board Meetings were well within the maximum time gap of four (4) months prescribed under Clause 49 of the Listing Agreement. The annual calendar of meetings is broadly determined at the beginning of each year. The details of the meetings held during the year are as under:

Sr. No.	Date of Board Meeting	Board Strength	No. of Directors present
1	May 20, 2011	4	4
2	July 1, 2011	4	4
3	July 28, 2011	4	4
4	September 16, 2011	4	3
5	October 19, 2011	4	4
6	December 30, 2011	4	3
7	January 30, 2012	4	4
8	March 28, 2012	4	3

Board Meetings of the Company are governed by a structured agenda. All major agenda items, backed up by comprehensive background information, are sent well in advance of the date of the Board Meetings to enable the Board to take informed decision. Any Board Member may, in consultation with the Chairman, bring up any matter for consideration by the Board. Chief Financial Officer is normally invited to the Board Meetings to provide necessary insights into the working of the Company and for discussing corporate strategies.

The Board periodically reviews Compliance Reports in respect of laws and regulations applicable to the Company.

c) Brief profile of the Director of the Company to be re-appointed at the Annual General Meeting

Mr. Himanshu Mody, 34, currently heads Group Finance & Strategy for the Essel Group. With almost 12 years in the industry, he brings with him rich experience and skills in Corporate Strategy and Finance. After his MSc in Finance from University of Strathclyde, Glasgow, Mr. Mody started his career as a management trainee with Barclays Bank, London city office. After a 2-year intensive course, he returned to India to start the Fun Republic chain of multiplexes as a senior member in the Finance team.

Mr. Mody has worked directly with Mr. Subhash Chandra, Chairman, Essel Group, for over 8 years in various Corporate Strategy, Fund raising and M&A initiatives undertaken by the Essel Group. Prior to heading the Group's Finance and Strategy, he was Business Head for the Essel Group's Sports business, since its inception, which included launch of the Zee Sports channel, buyout of Ten Sports (a leading sports channel in South Asia). He also launched the Indian Cricket League (ICL) for the Essel Group during this tenure.

Apart from the Company, Mr. Himanshu Mody holds Directorship in four(4) other Indian Public Limited Companies viz., Zee Sports Ltd, Diligent Media Corporation Ltd, Essel Sagar Damoh Toll Roads Ltd and Essel Damoh Jabalpur Toll Roads Ltd.

Mr. Himanshu Mody does not hold any Shares in the Company.

d) Code of Conduct

The Board of Directors of the Company have approved and adopted Code of Conduct for Members of the Board of Directors and Senior Management of the Company. The Code is circulated to all the members of the Board and management personnel and the compliance of the same is affirmed by them annually. The Code has been posted on Company's website, viz. [www. zeelearn.com](http://www.zeelearn.com)



A declaration affirming compliance with the Code of Conduct by the Members of the Board and Senior Management is given below:

DECLARATION

I confirm that the Company has obtained from all Directors and Senior Management of the Company their affirmation of compliance with the 'Code of Conduct for Members of the Board of Directors and Senior Management' of the Company for the financial year ended March 31, 2012.

Sumeet Mehta

Whole-time Director

Mumbai, May 16, 2012

BOARD COMMITTEES

a) Audit Committee

The Board has constituted an Audit Committee, comprising of three (3) members, two (2) of whom are Independent Directors, with Mr. Surjit Banga, a Non-Executive Independent Director as its Chairman.

The Composition of the Audit Committee of the Board complies with the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement(s) as under:

Name of Directors	Category
Mr. Surjit Banga	Non-Executive – Independent
Dr. Manish Agarwal	Non-Executive – Independent
Mr. Himanshu Mody	Non-Executive

The role and the powers of the Audit Committee are as per guidelines set out in Clause 49 of the Listing Agreement(s) and provisions of Section 292A of the Companies Act, 1956. The Committee meets periodically and reviews:

- Accounting and financial reporting process of the Company;
- audited and un-audited financial results;
- internal audit reports & report on internal control system of the Company;
- business plans, and various reports placed by the Management;
- material related party transactions; and
- discusses the larger issues that could be of vital concern to the Company including adequacy of internal controls, reliability of financial statements/other management information, adequacy of provisions for liabilities and whether the audit tests are appropriate and scientifically carried out in accordance with Company's business and size of operations.

The Audit Committee also reviews adequacy of disclosures and compliance with all relevant laws.

During the financial year under review, five (5) Audit Committee meetings were held. The details of the meetings are as under:

Sr. No.	Date of Meeting	Committee Strength	No. of Directors present	No. of Independent Directors present
1	May 20, 2011	3	3	2
2	July 28, 2011	3	3	2
3	October 18, 2011	3	3	2
4	November 09, 2011	3	2	2
5	January 30, 2012	3	3	2

Statutory Auditors, Internal Auditors and Chief Financial Officer of the Company were invitees to all meetings of the Committee. The Company Secretary acts as the secretary to the Audit Committee.

b) Remuneration Committee and Policy

The Remuneration Committee of the Company comprises of Dr. Manish Agarwal, Non-Executive Independent Director as Chairman, Mr. Himanshu Mody and Mr. Surjit Banga as members.

The terms of reference of the Remuneration Committee, inter alia, consist of reviewing the overall compensation policy, service agreements and other employment conditions of Executive Director(s) and administering Company's Employee Stock Option Scheme. The remuneration of Executive Director is decided by the Board of Directors on the recommendation of the Remuneration Committee as per the remuneration policy of the Company within the overall ceiling approved by shareholders.

During the financial year under review, three (3) meetings of Remuneration Committee were held. The details of the meetings are as under:

Sr. No.	Date of Meeting	Committee Strength	No. of Directors present
1	May 20, 2011	3	3
2	July 28, 2011	3	3
3	January 30, 2012	3	3

Remuneration to Executive Director

Details of remuneration paid to Mr. Sumeet Mehta, Whole-time-Director during the financial year under review is as under:

Particulars	Amount (₹)
Salary, Allowances & Perquisites	1,02,44,945
Employer's Contribution to Provident Fund	5,19,120
Total	1,07,64,065

Remuneration payable to Non-Executive Director

Non-Executive Independent Directors are entitled to sitting fees of ₹ 10,000/- per meeting for attending the meeting of the Board and Committees thereof.

Particulars of sitting fees paid to Non-Executive Independent Directors of the Company for the financial year 2011-2012 are as under:

Name of Director	Amount (₹)
Mr. Surjit Banga	1,70,000
Dr. Manish Agarwal	1,50,000
Total	3,20,000

In addition to this, the Non-Executive Independent Directors were granted Stock Options (each convertible into equivalent number of equity shares of ₹ 1/- each of the Company) as per the following details at an exercise price equivalent to Market Price, as per the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

Particulars of Stock Options granted under ZLL ESOP 2010 scheme to the Non-Executive Independent Directors and outstanding as at March 31, 2012, are as under:

Name of Director	No. of Stock Options granted @ ₹ 26.05 per stock option	No. of Stock Options granted @ ₹ 14.50 per stock option	Total Stock Options granted	Total Stock Options vested
Mr. Surjit Banga	30,000	30,000	60,000	15,000
Dr. Manish Agarwal	30,000	30,000	60,000	15,000



c) Share Transfer and Investors Grievance Committee

The Share Transfer and Investors Grievance Committee of the Company comprises of Mr. Sumeet Mehta as Chairman and Mr. Himanshu Mody as member.

Terms of reference of Share Transfer and Investors Grievance Committee are to supervise and ensure efficient transfer of shares and proper and timely attendance to investors' grievances. The Committee has delegated the power of approving requests for transfer, transmission, rematerialization, dematerialization etc. of Shareholders to the officials of the Secretarial Department.

Mr. Samir Raval, Company Secretary of the Company is Compliance Officer of the Company.

During the financial year under review, Share Transfer and Investors Grievance Committee met sixteen (16) times. The details of the meetings are as under:

Sr. No.	Date of Meeting	Committee Strength	Directors present
1	April 5, 2011	2	2
2	April 18, 2011	2	2
3	May 9, 2011	2	2
4	June 6, 2011	2	2
5	June 20, 2011	2	2
6	June 29, 2011	2	2
7	August 1, 2011	2	2
8	August 29, 2011	2	2
9	September 12, 2011	2	2
10	September 19, 2011	2	2
11	October 5, 2011	2	2
12	October 19, 2011	2	2
13	November 4, 2011	2	2
14	November 21, 2011	2	2
15	February 21, 2012	2	2
16	March 22, 2012	2	2

Details of number of requests/complaints received and resolved during the year ended March 31, 2012, are as under:

Nature of Correspondence	Received	Replied/ Resolved	Pending
Non-receipt of Share Certificate (Demerger)	0	0	0
Non-receipt of Dividend	1	1	0
Non-receipt of Annual Report	7	7	0
Letter from Stock Exchange/ROC/SEBI	0	0	0
Total	8	8	0

General Meetings

The Second Annual General Meeting of the Company for the financial year 2011-12 will be held on Wednesday, August 8, 2012 at 11.00 a.m. at 'The Hall of Culture', Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai - 400 018.

Detail of First Annual General Meeting of the Company held is as follows.

Financial year	Day, Date and Time of the meeting	Venue
2010-11	Wednesday, June 29, 2011 at 10.30 a.m.	'The Hall of Culture', Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400 018.

During the financial year 2011-12, the members of the Company passed a special resolution at an Extra-ordinary General Meeting held on Wednesday, October 19, 2011 for raising long term funds by issuance of equity and / or equity linked instruments from domestic or international capital markets up to the value of USD 60 Million.

No Ordinary or Special resolutions were passed through Postal Ballot during the year ended March 31, 2012. None of the resolutions proposed at the ensuing Annual General Meeting needs to be passed by Postal Ballot.

Disclosures

There are no materially significant related party transactions, i.e. transaction material in nature, between the Company and its promoters, directors or management or their relatives etc having any potential conflict with interests of the Company at large. Transactions with related parties are disclosed elsewhere in the Annual Report.

There has not been any non-compliance by the Company and no penalties or strictures imposed by SEBI or Exchanges or any statutory authority on any matter relating to capital markets.

Means of Communication

The Company has promptly reported all material information including declaration of quarterly financial results, press releases, etc., to all Stock Exchanges where the securities of the Company are listed. Such information is also simultaneously displayed on the Company's website, www.zeelearn.com. The financial results, quarterly, half yearly and annual results and other statutory information were communicated to the shareholders by way of an advertisement in a English daily viz. 'Daily News & Analysis (DNA)' and in a vernacular language newspaper viz. 'Punya Nagari (Marathi)' as per requirement of the Stock Exchanges.

Management Discussions and Analysis Report forming part of annual report is annexed separately.

General Shareholders Information

The required information is provided in Shareholders Information Section.

AUDITORS' CERTIFICATE

To,
The Members,
Zee Learn Limited

We have examined the compliance of conditions of Corporate Governance by **Zee Learn Limited** ('the Company'), for the year ended 31st March, 2012 as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For MGB & Co.
Chartered Accountants
Firm Registration Number 101169W

Sanjay Kothari
Partner
Membership Number 048215

Mumbai, May 16, 2012



SHAREHOLDERS' INFORMATION

1. **Date, Time and Venue of Shareholder's Meeting** : Meeting : Second Annual General Meeting
Day & Date : Wednesday, August 8, 2012
Time : 11.00 a.m.
Venue : 'The Hall of Culture', Nehru Centre,
Dr. Annie Besant Road, Worli,
Mumbai 400018.
2. **Financial Year** : April 1, 2011 till March 31, 2012.
3. **Date of Book Closure** : Wednesday, August 1, 2012 to
Wednesday, August 8, 2012
(both days inclusive)
4. **Dividend Payment Date** : Not Applicable as the Board has not recommended
any equity dividend.
5. **Address for Correspondence** : **Registered Office :**
Continental Building, 135, Dr. Annie Besant Road,
Worli, Mumbai-400 018, India.
Tel: +91-22-2483 1234
Fax: +91-22-2490 0302
Website : www.zeelearn.com

Corporate Office :
Level 6, Fun Republic, Off. New Link Road,
Andheri (West), Mumbai - 400053.
Tel: +91-22-4034 3900
Fax: +91-22-2674 3422
6. **Corporate Identification No.** : L80301MH2010PLC198405
7. **Listing on Stock Exchanges** : **Equity Shares:**
Bombay Stock Exchange Limited (BSE)
National Stock Exchange of India Limited (NSE)
Debentures :
National Stock Exchange of India Limited (NSE)
8. **Stock Code** : **Equity Shares** : BSE : 533287, NSE : ZEELEARN
Non-Convertible Debentures: NSE : ZLE15
9. **ISIN No.** : **Equity Shares** : INE565L01011
Non-Convertible Debentures: INE098J07022
10. **Registrar & Share Transfer Agent** : **Sharepro Services (India) Private Limited,**
13AB, Samhita Warehousing Complex,
Second Floor, Sakinaka Telephone Exchange Lane,
Off Andheri -Kurla Road, Sakinaka,
Andheri (East), Mumbai-400 072, India.
Tel: +91-22-67720400, Fax: +91-22- 28591568
E-mail: sharepro@shareproservices.com
11. **Investor Relations Officer** : Mr. Samir Raval, Company Secretary
Zee Learn Limited
Continental Building, 135, Dr. Annie Besant Road,
Worli, Mumbai - 400 018.
Tel: +91-22-2483 1234
Fax: +91-22-2490 0302 / 2490 0213
E-mail: samir.raval@zeelearn.com

SHAREHOLDERS' INFORMATION

12. Change of Address

Members holding equity share(s) in physical form are requested to notify the change of address/dividend mandate, if any, to the Company's Registrar & Share Transfer Agent, at the address mentioned above.

Members holding equity share(s) in dematerialised form are requested to notify the change of address/dividend mandate, if any, to their respective Depository Participant (DP).

The Ministry of Corporate Affairs vide its circular nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively (the said circulars) has clarified that a Company will be deemed to have complied with the provisions of Section 53 and 219(1) of the Companies Act, 1956, in case documents like notice, annual report etc. are sent in electronic form to its shareholders subject to compliance with the conditions stated therein. The Company has intimated the adoption of the said initiative to the members who hold equity shares in electronic form and whose email address have been made available to the Company by the Depositories. The Company will be sending the notice and annual report for the Financial Year 2011-12 in electronic form to the said members, in terms of the said circulars.

Keeping with the spirits of the "Green Initiative in Corporate Governance" notified by the Ministry of Corporate Affairs, Members holding shares in dematerialized form are requested to register and update their email address with respective Depository Participant(s). The Members holding shares in physical form are requested to register their email address with the Company's Registrar & Share Transfer Agent.

13. Share Transfer System

Equity Shares sent for physical transfer or for dematerialisation are generally registered and returned within a period of 15 days from the date of receipt of completed and validly executed documents.

14. Dematerialisation of Equity Shares / Debentures & Liquidity

To facilitate trading in demat form, the Company has made arrangements with both the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Shareholders / Debenture holders may open account with any of the Depository Participant registered with any of these two depositories. As on date 99.90% of the equity shares and 100% of Non Convertible Debentures issued by the Company are in the dematerialised form.

15. Shareholders' Correspondence

The Company has attended to all the investors' grievances/ queries/ information requests and every endeavor is made to reply to all letters received from the shareholders within a period of 5 working days.

All correspondence may please be addressed to the Registrar & Share Transfer Agent at the address given above. In case any shareholder is not satisfied with the response or do not get any response within reasonable period, they may approach the Investor Relation Officer at the address given above.

16. Stock Market Data Relating to Shares Listed in India

Monthly high and low quotations and volume of Equity Shares traded on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited for the financial year 2011-2012 are given as under:

Months	BSE			NSE		
	High (₹)	Low (₹)	Volume of Shares Traded	High (₹)	Low (₹)	Volume of Shares Traded
April 2011	27.10	22.50	14,835,658	27.10	22.50	23,147,523
May 2011	23.30	20.55	5,117,586	23.20	20.10	8,864,662
June 2011	22.50	17.75	7,168,242	22.55	17.70	12,994,154
July 2011	23.90	19.75	9,883,838	23.95	19.55	16,970,955
August 2011	22.10	18.05	4,043,164	22.10	18.05	6,174,726
September 2011	21.40	18.05	6,702,555	22.95	18.00	12,914,804
October 2011	21.20	17.85	4,366,671	21.25	17.80	11,321,180
November 2011	20.15	14.95	2,607,799	20.10	14.90	4,836,009
December 2011	16.50	11.80	1,188,668	16.35	11.80	2,298,948
January 2012	16.19	11.82	3,111,230	16.20	11.80	8,341,753
February 2012	16.00	13.25	1,701,951	15.70	13.35	2,554,679
March 2012	19.30	13.55	5,280,134	19.30	13.70	16,613,297



Relative Performance of the shares of Zee Learn Limited Vs. BSE Sensex & Nifty Index

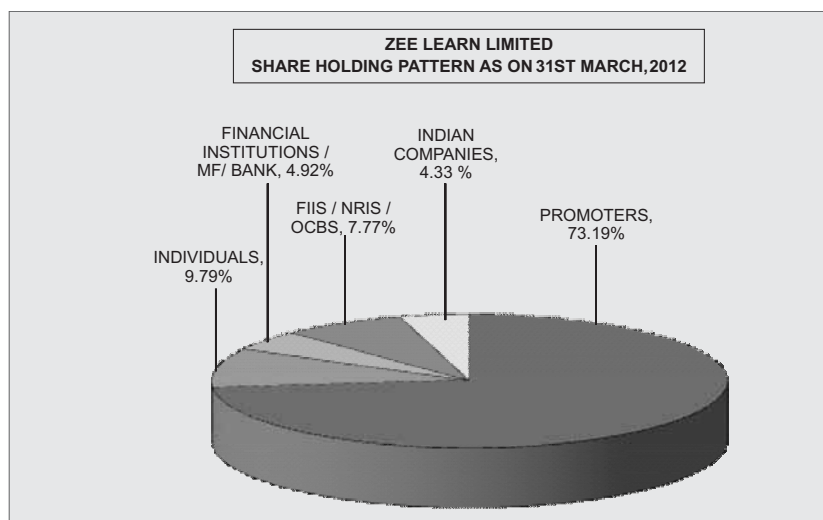


17. Distribution of Shareholding as on March 31, 2012:

No. of Equity Shares	Share Holders		No. of Shares	
	Number	% of Holders	Number	% of Shares
Up to 5000	116,469	99.36	15,210,283	5.79
5001 - 10000	363	0.31	2,841,109	1.08
10001 - 20000	167	0.14	2,512,111	0.96
20001 - 30000	63	0.05	1,607,199	0.61
30001 - 40000	24	0.02	852,974	0.32
40001 - 50000	24	0.02	1,071,570	0.41
50001 -100000	36	0.03	2,724,981	1.04
100001 and Above	80	0.07	235,918,372	89.79
Total	117,226	100.00	262,738,599	100.00

18. Categories of Equity Shareholders as on March 31, 2012:

Category	% of shareholding	No. of shares held
Promoters	73.19	192,309,058
Individuals	9.79	25,726,215
FIs/MF/Banks	4.92	12,923,590
FIIIs/ NRIs/OCBs	7.77	20,392,775
Indian Companies	4.33	11,386,961
Total	100.00	262,738,599



19. Particulars of Shareholding**a) Promoter Shareholding as on March 31, 2012**

Sr. No.	Name of Shareholder	No. of Shares held	% of shareholding
1	Jayneer Capital Pvt. Ltd.	72,391,275	27.55
2	Asian Satellite Broadcast Pvt. Ltd.	63,052,512	24.00
3	Jayneer Enterprises LLP	15,000,000	5.71
4	Essel Media Ventures Pvt. Ltd.	12,861,036	4.89
5	Essel Holdings Ltd.	5,797,315	2.21
6	Churu Trading Company Pvt. Ltd.	5,990,102	2.28
7	Ganjam Trading Company Pvt. Ltd.	4,949,506	1.88
8	Prajatma Trading Co. Pvt. Ltd.	5,113,662	1.95
9	Veena Investment Pvt. Ltd.	3,449,013	1.31
10	Essel Infraprojects Ltd.	1,752,286	0.67
11	Ambience Business Services Pvt. Ltd.	622,883	0.24
12	Ashok Mathai Kurien	559,089	0.21
13	Laxmi Narain Goel	480,470	0.18
14	Sushila Goel	170,000	0.06
15	Briggs Trading Co. Pvt. Ltd.	119,809	0.05
16	Premier Finance And Trading Co. Ltd.	100	0.00
Total		192,309,058	73.19

b) Top ten (10) Public Shareholding as on March 31, 2012

Sr. No.	Name of Shareholder	No. of Shares held	% of shareholding
1	Orange Mauritius Investments Ltd	6,037,534	2.30
2	Reliance Capital Trustee Co. Ltd A/C Reliance Equity Opportunities Fund	5,560,981	2.12
3	Oppenheimer Developing Markets Fund	4,901,274	1.86
4	Reliance Capital Trustee Co. Ltd-A/C Reliance Small Cap Fund	2,871,701	1.09
5	LIC of India Money Plus	2,665,302	1.01
6	Oppenheimer Global Fund	1,750,446	0.67
7	FID Funds (Mauritius) Limited	1,552,264	0.59
8	A E Securities & Investments Pvt Ltd	1,500,000	0.57
9	LIC of India	1,433,650	0.55
10	Harsha Hemang Dharamshi	1,200,000	0.46
Total		29,473,152	11.22



MANAGEMENT DISCUSSION & ANALYSIS

Zee Learn Limited (ZLL) is an education service provider focused on core education with the sole purpose of improving human capital. We are one of the leading players in the largely fragmented and yet to be organized education space, bringing in innovation and professionalism in this space.

Business Overview:

This year saw your company making significant investments in establishing strong brands in education and achieving huge growth in each of its education offerings. Kidzee consolidated its leadership position in the preschool segment by adding 310 preschools and serving 60,328 children – the highest of any preschool in the country. Mount Litera Zee Schools, on the back of significant investments in content, branding and delivery team surged forward to become one of the key players in the K-12 space with 28 MLZS schools added under the franchise route and close to 7000 students enrolled. Your Company established a firm footing in the learning center space by setting up BrainCafé Science learning centers in 418 schools with 1,30,000 students being served. BrainCafé business being still in investment mode required significant investments in business development and brand building this year. The Company's existing business in animation (ZICA) & film/TV training (ZIMA) continued to growth with 33 institutes and 1536 students enrolled.

During the period under review, your Company earned revenue of ₹ 619 million and a Net Loss of ₹ 275 million.

Industry and Business Overview:

Industry Overview

India – One of the largest education markets in the world

The Indian education sector is one of the largest education markets (in terms of the potential number of students) in the world. India is projected to have the world's largest population under 20years – 468 million in 2015 which is 40% higher than China's projected population under 20years at 318 million in the same timeframe. Also, India is expected to grow at 7.4% over 2014-15 according to a recent World Bank report despite the slump in the recent times. The favorable demographics need to be converted in a virtuous cycle of acceleration in growth and Education is one of the critical inputs to securing demographic dividend.

The size of the Indian education space is estimated at USD 25.6 bn, which is slated to grow at a rate of 22% per annum. Growth is expected across segments, most prominently in K-12 and higher education, valued at USD 11.5 bn and USD 8.6 bn, respectively. The growth rates could be higher in case regulatory changes are introduced. (Edelweiss-Indian Education Report, October 2009).

Key Market Segments

Pre-school Market

While science and child development experts have long proven that the first 6 years of a human being's life are the most critical, in India this is still a nascent concept. This is evidenced by the fact that only 10-12% of children in the age group 2-4 years are enrolled in a preschool. This is far below global benchmarks with most developed countries between 70-90% penetration indicating a huge upside for preschools in India. For organized players who make up 25-30% market, another positive trend in India is the higher awareness of importance of early childhood education and propensity to pay. From a current \$1 billion market, preschools are expected to grow at a CAGR of 15% with private players to be ahead of this growth curve.

K-12 Market

K-12 schools form the core of the Indian education system and form the largest segment with an estimated size of \$20 billion (for private K-12 market). India has one of the world's largest networks of schools with over 1.2 million schools registering an addition of 34,457 schools per year over the period of 2002-08. Still, the country needs about 200,000 new schools to meet the demand of quality K-12 education. These schools will come primarily from private players.

Supplemental Education

While the number of schools in India makes for impressive reading, the quality of education imparted in these schools leaves a lot to be desired. There have been multiple reports in recent times that point to the low learning levels of students in Indian schools. The recent PISA report pegged India 2nd from bottom, just above Kyrgystan among OECD countries. ASER report indicates that reading and mathematical levels are falling with class 5 student not being able to reading class 2 text. Supplemental classes that help children understand Science, Maths and master English have become quite popular. The challenge here however, is not to repeat what happens in school but to create a more customized and hands on learning environment.

BUSINESS OVERVIEW

Zee Learn Limited runs programs in 1) Early Childhood Education, 2) School Education and 3) Activity based learning centers and 4) Vocational Training in Media and Design through partnerships/franchising and through running its own institutes.

Zee Learn owns the following brands in education:

Mount Litera Zee School

Mount Litera Zee Schools (MLZS) aim to provide Learner Centered education with an integrated approach - where the child is at the centre of everything. Mount Litera Zee Schools were initiated to bring about a quantum leap in how school education is delivered to the modern day child. The purpose is to help children realize their unique potential through our state-of-the-art infrastructure and facilities, well trained teachers, and a proprietary pedagogy. MLZS provides holistic and quality education to all its students.

Zee Learn's unique, proprietary K-12 education model - Litera OCTAVE provides students with the opportunity to achieve their true, unique potential. Litera OCTAVE is an integrated educational model that has been tried and tested over years of research and development. It integrates various pillars of a good learning experience such as content, infrastructure, classroom design, assessment and systems that impact the child during his/her learning and development in school.

Zee Learn partners with local educational trusts under various operating models. The range of services and solutions provided by Zee Learn under these partnerships range from school set up assistance, teacher-training, assessment, teaching materials, student learning resources, branding, innovative schooling solutions and also enrolment assistance.

Now, we have close to 50 Mount Litera Zee Schools operational. In FY 2011-12, 12 new Mount Litera Zee Schools have started operation and 28 new schools have been signed up.

Kidzee

With over 1000 preschools in more than 330 cities across the country, Kidzee is the largest preschools chain in Asia. Kidzee has touched the lives of more than 200,000 children since its inception in 2003.

Its proprietary pedagogy, iLLUME is what sets Kidzee a class apart from other preschool chains. iLLUME is an approach that helps parents and teachers spot the unique potential in each child and help them realize it. This new pedagogy was instituted by Kidzee after conducting an action research across 20,000 parents, 2,000 teachers and 130,000 children. Zee Learn offers franchises to local education entrepreneurs, especially women, to run and manage Kidzee preschools.

During FY 2011-12, 60,328 students have enrolled in Kidzee and over 180 new Kidzees have started classes taking the total operational Kidzee to over 750 across the country. Total number of Kidzee signed up for 2011-12 are 310.

Braincafé

Braincafé Learning Centres are an endeavor to help children learn through activity based programs. These learning centres are established inside schools and the programs are mapped to the curriculum so that children are able to explore and reflect on what they cover in syllabus.

Currently, Braincafé Learning Centres offer a Science program focused on improving conceptual understanding and developing scientific temper amongst students by providing hands-on experiment tools. Braincafé Science is an integrated, four level, concept builder program for students of class I to VIII. Braincafé was launched in Andhra Pradesh and Maharashtra in FY 2011 and now is operational in 6 states. The performance is very encouraging with over 400 schools signed up in 2011-12 reaching up to 1.6 lakh students.

Zee Institute of Creative Art (ZICA)

ZICA is the nation's first full-fledged Classical and Digital Animation Training Academy that trains youth in classical 2D and modern 3D animation. For the past six years, this institute has produced some of the best names in the world of animation. The institute has adopted a novel training style and is focused entirely on creating a stimulating environment for its curriculum. ZICA is now operating 31 centres in more than 16 major cities with 1185 students across India including Mumbai, Delhi, Bangalore, Hyderabad, Kolkata, Pune, Lucknow, Chandigarh, Bhubhaneshwar, Ahmedabad etc.

Zee Learn offers ZICA franchises to interested people. During FY 2011-12, 4 new ZICA centers were started.

Zee Institute of Media Arts (ZIMA)

ZIMA is a reputed name in the world of direction, cinematography, editing, sound, film animation, visual effects and the training of other high end software like Autodesk, Smoke and Flame. ZIMA offers the platform and infrastructure supporting the media education, which are carefully engineered and implemented to provide the best quality of education at the highest levels of learning systems for the students fulfilling global standards. As of now, Zee Learn itself runs the only ZIMA in India at Mumbai.



BUSINESS STRATEGY

Zee Learn has always believed in doing what is right for the child. All programs designed at Zee Learn keep the child at its centre. We firmly believe that if our programs deliver on the promised learning and development of the child, parents will reward us with positive word of mouth and become our best ambassadors. The key strategic pillars of Zee Learn Limited operations during FY 2011-12 have been:

1. **Develop Learning materials consistent with our proprietary pedagogies**

Zee Learn has invested considerable resources in developing learning designs, student learning materials and e-content for pre-schools and K-12 schools. This education content is consistent with our pedagogy of Litera OCTAVE and iLLUME. This puts Zee Learn in a unique position of having a full education suite for preschools and K-12 schools.

2. **Expand footprint to maximize impact**

We firmly believe that in order to take our path-breaking pedagogies and learning materials to the most number of students, we need to expand the footprint of our preschools, K-12 schools and Learning centres. The company aims to reach 1 million children every year and on ground presence is critical to achieve this objective. During FY 2011-12, we expanded our footprint by adding 712 institutes including schools, preschools, learning centres and vocational institutes.

3. **Manage costs and efficiency**

With our increasing scale and rationalizing of vendors, Zee Learn has been able to manage its cost of goods while improving quality. The team is constantly focused on assessing our operations and re-engineering processes to become more efficient.

GROWTH PLANS

Zee Learn is focused on becoming a pre-eminent player in the PreK-12 market. We believe that this segment offers unparalleled opportunity to improve the human capital of the country and huge upside for growth. Within this segment, growth for Zee Learn will come from:

1. **Enrolment growth in its institutes**

Zee Learn today has more than 1000 preschools, more than 100 K-12 schools, 418 Learning centres and 33 Vocational institutes. Driving enrolments in these existing institutes to hit full capacity gives a significant upside of more than doubling our enrolments.

2. **Expansion of footprint**

With education being a supply constrained market for good quality preschools, schools and learning centres, Zee Learn is committed to expanding its footprint to reach out to more and more children and creating more avenues for driving enrolments. We'll be leveraging different options for this growth including franchising, partnerships and JVs.

3. **Increasing Capacity utilization**

Within businesses, we constantly add innovations and products to fulfill a wide range of education needs and increase our share of the parents' wallet. This in turn increases our revenue potential and return on investment of the real estate assets. Recently launched Dance India Dance academies and Robotics Camps at our existing preschools and schools across the country are two such endeavors.

FINANCIAL PERFORMANCE

Revenue

During the period under review the total Income of the Company was ₹ 619 million. The net loss after tax of the Company was ₹ 275 million.

Expenditure

During 2011-12, Operating costs including cost of materials were ₹ 173 million. The Personnel costs were ₹ 252 million and other expenses ₹ 403 million respectively. Financial costs were ₹ 35 million and depreciation was ₹ 30 million.

OUTLOOK

Education routinely figures in top 3 expenditure areas of Indian Middle class, Zee Learn is positioned to ride the growth curve on the basis of the rise of the middle class and its income. Further, the huge demand-supply gap in quality education means that innovators will stand to gain. Zee Learn aims to continue its focus on providing quality education from cradle to career through Kidzee, Zee Schools, ZICA and ZIMA. Further, we'll aim to drive profitable growth through proactive cost management and strong internal controls. In order to accelerate growth, Zee Learn has initiated new businesses that have the potential to become the torchbearers of the growth story.

There are two areas of focus for this:

Supplemental Education

We focus on supplemental classes that improve the understanding of children through activity based, hands-on programs under Braincafé learning centres. Braincafé is an integrated, four level, concept builder program for students of class I to VIII. The programs run in schools as supplement to the regular curriculum and would bring better understanding and appreciation of the world of Science.

School Management Solutions

Zee Learn manages existing schools - both government schools (on a public private partnership model) as well as private. With Zee Learn's experience in running and managing schools with high standards of education delivery and student learning outcomes, this is a logical extension. In the first 2 years, we have seen tremendous results while managing 3 schools. In such schools, we implement a per child fee model.

We have also ventured into:

Premium preschools

In the wake of the recent increase of disposable incomes in the country and the rising awareness of global standards of education amongst parents paired with the increased awareness and significance of early childhood education, there is a demand for international standard preschools. To meet this requirement, Zee Learn has launched two premium preschools in the name 'Mount Litera World Preschools'. These preschools are company owned and company operated.

RISK FACTORS

Competition from other players

The education business has seen the entry of host of new players in almost all the sectors we have established our presence. Education as a business is one of high growth prospects with presence of a mix of various professional academies, private and public schools, international schools / academies, private tutors, government schools etc. Changes in technology have made previously impossible things a possibility and also have almost levelled the playing field for small players in the industry to compete with big conglomerates in the same space. Technological developments paired with regulatory changes have spawned new delivery mechanisms. The Company operates in a highly competitive environment that is subject to innovations, changes and varying levels of resources available to each player in each segment of business. This can be a matter of concern if the company does not adapt to the changing face of the Industry. The company has been keeping itself abreast with the latest technological changes in the industry to implement the same in its operation to keep itself ahead of competition.

Interest rate fluctuations

The Company does not hedge any portion of its interest rate exposure from time to time. An increase in prevailing Indian or international interest rates could increase the Company's borrowing costs with respect to its existing obligations or new loans, which could adversely affect the Company's financial condition and results of operations. Considering the fact that the current borrowings are at fixed interest rates, the Company does not hedge its interest rate exposure. However the finance team shall take appropriate steps to limit borrowing cost of the Company as and when felt necessary.

Personnel Risk

The company's success to a large part depends on the abilities and continued services of its senior management, as well as other skilled personnel. The Company's senior management is particularly important to its business because of their experience and knowledge of the industry. The loss or non-availability to the Company of any of its senior management could have significant adverse effect. The Company may also not be able to either retain its present personnel or attract additional qualified personnel as and when needed. To the extent the Company will be required to replace any of its senior management or other skilled personnel, there can be no assurance that the Company will be able to locate or employ similarly qualified persons on acceptable terms or at all.

The Company's HR policy & compensation levels are in line with the industry levels to enable the Company to retain talent. Further, the management continuously reviews its talent pool for upgrading.

Regulatory Risk

K-12 schools are under regulatory scrutiny and with Right to Education Act, there are headwinds of change which will shift some of the fee burden on the 'paying' students.

The Company relies on intellectual property rights and proprietary rights which may not be adequately protected under current laws. Further, in view of the kind of business in which the Company is, it may be subjected to defamation suits, which may have adverse effects on its business.



Regulatory enactments are monitored regularly and the Company shall constantly monitor and if need be adapt its business model from time to time according to the needs. Further, all necessary legal vetting is done by the management to ensure that Intellectual Property rights relating to content have requisite protection.

Internal Controls

The Company has in place adequate internal control systems, commensurate with its size and nature of operations so as to ensure smoothness of operations and compliance with applicable legislation. The Company has a well-defined system of management reporting and periodic review of business to ensure timely decision-making. A structured process by the name of 'Initiative Review Meetings' happen on a monthly basis on the first week of every month where new projects/initiatives are presented and the Corporate Cell vett the projects for feasibility and strategic fit for the organization. Internal audit is conducted by professionally qualified financial personnel, which conducts periodic audits/review to maintain a proper system of checks and control.

The management information system (MIS) forms an integral part of the Company's control mechanism. All operating parameters are monitored and controlled. Any material change in the business outlook is reported to the Board. Material deviations from the annual planning and budgeting, if any, are reported to the Board on quarterly basis.

Material developments in Human Resources/Industrial Relations front, including number of people employed

In line with the purpose of Zee Learn Limited, the Company continues to invest in its human resources.

Talent Acquisition

Talent pool of the Company is comprised of talent from across industries. While hiring, we look for people who have the best interests of the child at heart as we believe in doing what is right for the child. During financial year 2011-12 we have increased our employee strength with addition of approximately 480 new employees. The Company also follows a well-structured campus hiring program to hire management trainees from tier one institutions like IIMs, IMT Ghaziabad/Nagpur, Sydenham, etc.

Talent Retention

It is essential to note that most of our attrition is non regrettable in nature and as a company we have been able to hold to our talent pool. Several initiatives have been taken to combat attrition by investing in learning and development programs for employees, competitive compensation, creating a compelling work environment, empowering employees at all levels, as well as a well-structured reward and recognition mechanism.

Career Orientation

We compete in a dynamic environment and evolving industry in which values are defined at each turn by Company's most important asset: Human Capital. At Zee Learn Limited we continuously track employees aspirations and their career goals through an internal intranet based application known as My Career @ My Zee Learn driven by HR. This process is integrated with the Company's performance management system. Through this process, the Company is able to envision and enable employees in achieving their desired career goals.

Employee Engagement

The Company continues to engage employees through several initiatives. One of the most prominent and structured initiative adopted is through Q12 employee engagement survey. This survey enables supervisors and team leads to gauge the engagement index of their team. The engagement areas in this survey include Role Clarity, Alignment to mission and purpose, Opportunities to learn and grow, Materials and equipments required to perform, Recognition, Progress discussion, etc. We are proud to share that our employee satisfaction index is amongst the best in the industry.

CERTIFICATION ON FINANCIAL STATEMENTS OF THE COMPANY

We, Sumeet Mehta, Whole-time Director and Arun Kabra, Chief Financial Officer of Zee Learn Limited ('the Company'), certify that:

- (a) We have reviewed the financial statements and the cash flow statement of the Company for the year ended March 31, 2012 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended March 31, 2012 are fraudulent, illegal or violative to the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken to rectify these deficiencies.
- (d) During the year:
 - (i) There has not been any significant changes in internal control over financial reporting;
 - (ii) There have not been any significant changes in accounting policies; and
 - (iii) There have been no instances of significant fraud of which we are aware that involve management or other employees, having significant role in the company's internal control system over financial reporting.

For Zee Learn Limited

Place : Mumbai
Date : May 16, 2012

Sumeet Mehta
Whole-time Director

Arun Kabra
Chief Financial Officer



AUDITORS' REPORT

To
The Members,
Zee Learn Limited

1. We have audited the attached Balance Sheet of **Zee Learn Limited** ("the Company") as at 31 March, 2012, the Statement of Profit and Loss and the Cash Flow statement of the Company for the year ended on that date, annexed thereto. 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 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. As required by the Companies (Auditors' Report) Order, 2003 (the 'Order') issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 ("the Act"), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. We draw reference to
 - (a) Note 24 regarding Amalgamation of Essel Entertainment Media Limited with the Company w.e.f. close of 31 March, 2011 as per the Scheme of Amalgamation u/s 391 to 394 and other applicable provisions, approved by the Hon'ble High Court at Bombay and effect thereof is given in these financial statements as per the pooling of interest method prescribed by AS 14 and the resultant difference of ₹ 888,125,054 is adjusted against General Reserve.
 - (b) Note 26 regarding Managerial Remuneration for the year is subject to approval of Central Government
5. Further to our comments in the annexure referred to in paragraph (3) 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 purposes of our audit;
 - (b) 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;
 - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow statement dealt with by this report comply with the accounting standards referred to in Section 211 (3C) of the Act;
 - (e) On the basis of written representations received from the directors, as at 31 March, 2012 and taken on record by the Board, we report that none of the Directors is disqualified as at 31 March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together the significant accounting policies and notes thereon, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2012;
 - (b) In the case of the Statement of Profit and Loss, of the Loss of the Company for the year ended on that date; and
 - (c) In the case of the Cash Flow statement, of the cash flows of the Company for the year ended on that date.

For **MGB & Co.**
Chartered Accountants
Firm Registration Number 101169W

Sanjay Kothari
Partner
Membership Number 048215
Mumbai, May 16, 2012



Annexure referred to in Paragraph (3) of Auditors' Report to the members of Zee Learn Limited on the accounts for the year ended 31 March, 2012

- 1) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) The Company has a regular program of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years except assets lying with third parties. In our opinion, this periodicity of the physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) During the year, there was no disposal of substantial part of fixed assets.
- 2) (a) The inventory has been physically verified by the management at reasonable intervals during the year.
- (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) In our opinion, the Company has maintained proper records of inventory. The discrepancies noticed on verification between physical stocks and the book records were not material and have been properly dealt with in the books of accounts.
- 3) (a) The Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (b) The Company has not taken any loan, 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 adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and sale of goods and services. During the course of our audit, no major weaknesses were noticed in the internal control system in respect of the aforesaid areas.
- 5) According to the information and explanations given to us, there are no contracts or arrangements the particulars of which are required to be entered into the register maintained in pursuance to Section 301 of the Act.
- 6) The Company has not accepted any deposits from the public during the year.
- 7) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 8) We are informed that the Central Government has not prescribed the maintenance of cost accounting records under Section 209 (1) (d) of the Act in respect of the Company's activities.
- 9) According to the records of the Company examined by us and information and explanations given to us:
 - (a) Undisputed Statutory dues including provident fund, investor education and protection fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and others as applicable have generally been regularly deposited with appropriate authorities except delay in few cases. There are no undisputed amounts payable in respect of the aforesaid dues which have remained outstanding as at 31 March, 2012 for a period of more than six months from the date they became payable except tax deducted at source of ₹ 292,236 which have been since deposited.

- (b) There are no disputed dues including income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which has not been deposited except as stated under:

Name of the Statute	Nature of the Dues	Amount (₹)	Period to which the amount relate	Forum where dispute is pending
Maharashtra Value Added Tax Act, 1944	Sales Tax	7,564,093 4,654,843	F.Y. 2005-2006	Deputy Commissioner of Sales Tax (Appeals)
Central Sales Tax Act	Sales Tax	343,950 616,453 5,294,518	F.Y. 2003-2004 F.Y. 2004-2005 F.Y. 2005-2006	Deputy Commissioner of Sales Tax (Appeals)
Bombay Sales Tax Act	Sales tax	306,981 366,544 665,795	F.Y. 2002-2003 F.Y. 2003-2004 F.Y. 2004-2005	Deputy Commissioner of Sales Tax (Appeals)

- 10) The Company has been registered for a period of not more than five years. Hence, the requirement of Clause (x) of paragraph 4 of the said order is not applicable.
- 11) The Company has not defaulted in repayment of dues to banks and financial institutions during the year.
- 12) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) The Company is not a chit fund or a nidhi / mutual benefit fund / society.
- 14) The Company is not dealing in or trading in shares, securities, debentures and other investments.
- 15) In our opinion, the terms and conditions of guarantees given by the company for loans taken by subsidiaries is prima-facie not prejudicial to the interests of the company.
- 16) The term loan raised by the company during the year has been utilized for the purpose it is raised.
- 17) According to information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short term basis have not been used for long term investments.
- 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.
- 19) The Company has not issued any secured debentures during the year.
- 20) The Company has not raised any money by public issue during the year.
- 21) Based on the audit procedures performed and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year.

For **MGB & Co**

Chartered Accountants

Firm Registration Number 101169W

Sanjay Kothari

Partner

Membership Number 048215

Mumbai, May 16, 2012



Balance Sheet as at 31 March

	Note	2012 ₹	2011 ₹
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	3	262,738,599	122,738,599
Reserves and Surplus	4	1,139,909,842	527,575,180
		<u>1,402,648,441</u>	<u>650,313,779</u>
Non-Current Liabilities			
Long-Term Borrowings	5	584,320,661	416,000,000
Long-Term Provisions	6	9,576,126	3,866,347
Other Long-Term Liabilities	7	3,053,065	1,575,007
		<u>596,949,852</u>	<u>421,441,354</u>
Current Liabilities			
Trade Payables	8	176,240,221	80,544,405
Other Current Liabilities	8	593,048,888	225,189,871
Short-Term Provisions	6	3,787,962	5,037,862
		<u>773,077,071</u>	<u>310,772,138</u>
Total		<u>2,772,675,364</u>	<u>1,382,527,271</u>
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible assets	9	81,163,731	32,528,545
Intangible assets	9	27,525,599	13,167,330
Capital work-in-progress	9	855,955	635,355
Intangible assets under development	9	195,976,832	112,949,978
		<u>305,522,117</u>	<u>159,281,208</u>
Non-Current Investments	10	105,000	5,000
Deferred Tax Assets (net)	11	13,253,921	13,253,921
Long-Term Loans and Advances	12	1,177,748,139	1,060,099,805
Other Non-Current Assets	13	25,336,179	15,719,340
		<u>1,216,443,239</u>	<u>1,089,078,066</u>
Current Assets			
Inventories	14	87,286,756	46,151,053
Trade Receivables	15	42,767,996	30,996,890
Cash and Bank Balances	16	71,813,674	43,960,524
Short-Term Loans and Advances	12	1,048,200,188	11,722,786
Other Current Assets	13	641,394	1,336,744
		<u>1,250,710,008</u>	<u>134,167,997</u>
Total		<u>2,772,675,364</u>	<u>1,382,527,271</u>
Notes forming part of the financial statements	1-37		

As per our attached report of even date

For and on behalf of the Board

For **MGB & Co.**

Chartered Accountants

Sanjay Kothari

Partner

Sumeet Mehta

Whole-time Director

Himanshu Mody

Chairman

Arun Kabra

Chief Financial Officer

Samir Raval

Company Secretary

Place: Mumbai

Date : May 16, 2012

Statement of Profit and Loss for the year ended 31 March

	Note	2012 ₹	2011 ₹
Revenue			
Revenue from operations	17	610,029,164	427,477,750
Other Income	18	9,095,113	9,506,471
Total		619,124,277	436,984,221
Expenses			
Cost of materials	19	142,032,410	89,487,236
Operational expenses	19	31,081,914	24,637,835
Employee benefits expense	20	251,614,310	129,580,430
Other expenses	21	403,071,536	159,051,113
Finance cost	22	35,228,379	1,278,814
Depreciation and amortization expense	23	30,205,273	7,527,363
Total		893,233,822	411,562,791
Profit/(Loss) before tax		(274,109,545)	25,421,430
Tax expense:			
Current tax- Current year		-	7,778,297
- Earlier years		1,680,847	-
Deferred tax		-	(877,552)
Profit/(Loss) for the year		(275,790,392)	18,520,685
Earnings per equity share of face value of ₹ 1 each			
Basic and Diluted	32	(1.05)	0.19
Notes forming part of the financial statements	1-37		

As per our attached report of even date

For **MGB & Co.**
Chartered Accountants**Sanjay Kothari**
Partner

Place: Mumbai

Date : May 16, 2012

For and on behalf of the Board

Sumeet Mehta
Whole-time Director**Arun Kabra**
Chief Financial Officer**Himanshu Mody**
Chairman**Samir Raval**
Company Secretary

Notes forming part of the Financial Statements

1 Background

Zee Learn Limited ("the Company") was incorporated in State of Maharashtra on 4 January, 2010. The Company is one of the most diversified premium education companies which delivers learning solutions and training through its multiple products viz. Kidzee, Mount Litera Zee Schools, Brain Cafe, Mount Litera World Preschool, Zee Institute of Media Arts (ZIMA), Zee Institute of Creative Arts (ZICA) and E - Learning Online Education and Testing.

2 Significant Accounting Policies

a Basis of Preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on accrual basis and comply in all material aspects with the accounting standards notified under Section 211 (3C), Companies(Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI).

b Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as of the date of the financial statements and the reported amount of revenue and expenses of the year. Actual results could differ from these estimates. Any revision to estimates is recognised prospectively in current and future periods.

c Tangible fixed assets

- (i) Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost include all expenses incurred to bring the assets to its present location and condition.
- (ii) Capital work in progress comprises cost of fixed assets and related expenses that are not yet ready for their intended use at the reporting date.

d Intangible assets

- (i) Intangible assets are recognised in the year it is put to use at cost. Intangible assets are carried at cost less accumulated amortization and accumulated impairment loss if any.
- (ii) Intangible assets under development comprises of purchase price, borrowing cost and directly attributable cost incurred on asset that are not ready for their intended use at the reporting date.

e Borrowing Costs

Borrowing Costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as a part of the cost of respective asset. All other borrowing costs are expenses in the period they occur.

f Impairment of tangible and intangible assets

At each Balance Sheet date, the Company reviews the carrying amount of fixed assets to determine whether there is an indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of impairment loss. The recoverable amount is higher of the net selling price and value in use, determined by discounting the estimated future cash flows expected from the continuing use of the asset to their present value.

g Depreciation on tangible assets

- (i) Depreciation on fixed assets is provided on Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956 except Training equipments which is amortized on straight line basis over a period of three years based on management's estimate of useful life
- (ii) Leasehold Improvements are amortized over the period of Lease.

h Amortization on intangible assets

Intangible assets are amortized on straight line basis, based on management's estimate of useful life.

i Investments

Investments, which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. Long term investments are carried at cost. Provision for diminution in value of investment other than temporary is made wherever applicable.

j Transactions in foreign currencies

- (i) Foreign currency transactions are accounted at the exchange rates prevailing on the date of such transactions.
- (ii) Foreign currency monetary items are retranslated using the exchange rates prevailing at the reporting date. Exchange difference are recognised as income or expense in the period in which they arise.

Notes forming part of the Financial Statements

k Revenue recognition

- (i) Services
 - a) Course fees and Royalty income is recognized over the duration of the course.
 - b) Franchise fees is recognized as per the agreed terms of the agreement.
- (ii) Sales- Educational goods and equipments is recognized when the risk and rewards of ownership are passed onto the customers, which is generally on dispatch.
- (iii) Interest income is recognised on a time proportion basis taking into account outstanding and the applicable interest rate.

l Inventories

Educational goods and Equipments are valued at lower of cost or estimated net realizable value. Cost is determined on the basis of weighted average cost. Cost of inventory includes cost of purchase, freight and other expense incurred in bringing the inventories to their present location and condition.

m Retirement and other employee benefits

- (i) Short-term employee benefits are expensed at the undiscounted amount in the statement of profit and loss in the year employee renders the service.
- (ii) Post employment and other long term employee benefits are recognised as an expense in the statement of profit and loss in the year the employee renders the service. The expense is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the statement of Profit and Loss.

n Accounting for taxes on income

- (i) Current Tax is determined as the amount of tax payable in respect of its taxable income as per the provisions of the Income Tax Act, 1961.
- (ii) Deferred tax is recognized, subject to consideration of prudence in respect of deferred tax asset, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and measured using tax rates and laws enacted.

o Operating Lease

Lease of assets under which all the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as expense on accrual basis in accordance with the terms of respective lease agreements.

p Earnings Per Share

Basic earnings per share is computed and disclosed using the weighted average number of equity shares outstanding during the period. Dilutive earnings per share is computed and disclosed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period, except when the results would be anti-dilutive.

q Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is 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 to accounts. Contingent Assets are neither recognized nor disclosed in the financial statements.

	2012 ₹	2011 ₹
3 Share Capital		
(a) Authorised		
1,000,000,000 (150,000,000) Equity Shares of ₹ 1/- each	1,000,000,000	150,000,000
	1,000,000,000	150,000,000
(b) Issued, Subscribed and Paid up		
262,738,599 (122,738,599) Equity Shares of ₹ 1/- each	262,738,599	122,738,599
Total	262,738,599	122,738,599



Notes forming part of the Financial Statements

(c) Reconciliation of number of shares and Equity Share capital

	2012		2011	
	Number of equity shares	₹	Number of equity shares	₹
At the beginning of the period	122,738,599	122,738,599	500,000	500,000
Add : Issue of Shares Pursuant to the Composite Scheme of Arrangement	-	-	122,238,599	122,238,599
Add : Issue of Shares Pursuant to Scheme of Amalgamation (Refer Note 24)	140,000,000	140,000,000	-	-
Outstanding at the end of the period	262,738,599	262,738,599	122,738,599	122,738,599

(d) Terms/ rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 1 each. Each holder of equity shares is entitled to one vote per share. The final dividend if proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Company so far has not declared any dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(e) Details of aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years

	2012	2011
	Number of equity shares	Number of equity shares
Equity Shares allotted as fully paid for consideration other than cash :		
As per the Composite Scheme of Arrangement	122,238,599	122,238,599
As per the Scheme of Amalgamation (Refer Note 24)	140,000,000	-

(f) Details of Shareholders holding more than 5 % of the aggregate shares in the Company

Name of Shareholders	2012		2011	
	Number of shares held	% Shareholding	Number of shares held	% Shareholding
1 Premier Finance and Trading Company Limited	-	-	12,698,648	10.35%
2 Delgrada Limited	-	-	12,861,036	10.48%
3 Jayneer Capital Private Limited.	72,391,275	27.55%	-	-
4 Asian Satellite Broadcast Private Limited.	63,052,512	24.00%	-	-
5 Jayneer Enterprises LLP	15,000,000	5.71%	-	-

(g) Employees Stock Option Scheme (ESOP):

The Company has instituted an Employee Stock Option Plan (ZLL ESOP 2010) as approved by the Board of Directors and Shareholders of the Company in 2010 for issuance of stock options convertible into equivalent number of equity shares to the employees of the Company and also to non-executive directors including Independent Directors of the Company at the market price determined as per the SEBI (ESOS) Guidelines, 1999. The said scheme is administered by the Remuneration Committee of the Board.

During the year ended 31 March 2012, the Company granted 1,609,700 stock options to eligible employees and also to non executive directors including independent directors. The options granted under the Scheme shall vest not less than one year and not more than five years from the date of grant of options. The options granted vests in the ratio of 50:35:15 at the expiry of one, two and three years from the date of grant and once vested, these would be exercisable at any time within a period of four years and the equity shares arising on exercise of options shall not be subject to any lock in.

The options were granted to the employees at an exercise price, being the latest market price as per the SEBI (ESOS) Guidelines 1999. In view of this, there being no intrinsic value on the date of the grant (being the excess of market price of share under the Scheme over the exercise price of the option), the Company is not required to account the accounting value of options as per the SEBI guidelines.

Notes forming part of the Financial Statements

The details of activity under the Employee Stock Option Plan (ESOP) 2010 are summarised below

	2012	2011
Outstanding at the		
- beginning of the year	1,086,000	-
- granted during the year	1,609,700	1,107,000
- lapsed during the year	134,500	21,000
- exercised during the year	-	-
Outstanding at the end of the year	2,561,200	1,086,000
	2012 ₹	2011 ₹
4 Reserves and Surplus		
a) General Reserve		
As per last Balance Sheet	509,054,495	-
Add: Adjusted pursuant to the Scheme of Amalgamation* (Refer Note 24)	888,125,054	-
Add: Adjusted pursuant to the Composite Scheme of Arrangement	-	509,054,495
	1,397,179,549	509,054,495
b) Surplus/(Deficit) in the Statement of Profit and Loss**		
As per last Balance Sheet	18,520,685	-
Add : Profit/(Loss) for the year	(275,790,392)	18,520,685
	(257,269,707)	18,520,685
Total	1,139,909,842	527,575,180

* As per the Scheme of Amalgamation of Essel Entertainment Media Limited with the Company approved by the Honorable High Court of Judicature at Bombay the General Reserve on amalgamation shall not be used for the purpose of declaring dividend (Refer Note 24)

** In view of the loss incurred during the year Debenture Redemption Reserve aggregating to ₹ 250,000,000 (₹ 125,000,000) has not been created.

	Non Current		Current	
	2012 ₹	2011 ₹	2012 ₹	2011 ₹
5 Long-Term Borrowings				
Debentures - Secured				
375 (500), 12% Secured Redeemable Non-Convertible Debentures of Rs. 1,000,000 each fully paid up	250,000,000	375,000,000	125,000,000	125,000,000
Term Loan from Bank- Secured	325,000,000	-	-	-
Intercompany Deposits from shareholders-Unsecured	9,320,661	41,000,000	256,525,000	-
	584,320,661	416,000,000	381,525,000	125,000,000
The above amount includes:				
Secured Borrowings	575,000,000	375,000,000	125,000,000	125,000,000
Unsecured Borrowings	9,320,661	41,000,000	256,525,000	-
Amount disclosed under the head "Other Current Liabilities" (Refer Note 8)	-	-	(381,525,000)	(125,000,000)
Total	584,320,661	416,000,000	-	-



Notes forming part of the Financial Statements

- a) 12% Debentures are redeemable at par in four equal installments of 25% each beginning at the end of 2nd year from the date of allotment, viz 6 January, 2010. Secured by first charge on free hold land, all fixed and current assets including fixed deposits, escrow account, Reserve account, assignment of all benefits under agreement for Operation of school and further DSRA Undertaking by Zee Entertainment Enterprises Limited.
- b) Term loan from Bank carries interest @12.25% (base rate). The loan is repayable in 8 half yearly installments beginning from 30 June, 2013. The loan is secured by first pari passu charge on all the fixed and current assets (present & future) of the company and also reserve account and DSRA Undertaking by Zee Entertainment Enterprises Limited
- c) Intercompany Deposits from shareholders carry interest @ 0% to 13.5% and are repayable after two years from the respective dates of deposit

	Long- Term		Short- Term	
	2012 ₹	2011 ₹	2012 ₹	2011 ₹
6 Provisions				
Provision for employee benefits				
- Gratuity	5,490,995	2,449,370	616,619	268,382
- Leave benefits	4,085,131	1,416,977	458,732	155,524
Others				
Provision for litigation	-	-	2,712,611	2,712,611
Provision for taxation (net of advances)	-	-	-	1,901,345
Total	9,576,126	3,866,347	3,787,962	5,037,862

	2012 ₹	2011 ₹
7 Other Long Term Liabilities		
Unearned Revenue	2,053,065	575,007
Interest free deposits from customers	1,000,000	1,000,000
Total	3,053,065	1,575,007

	2012 ₹	2011 ₹
8 Current Liabilities		
Trade payables	176,240,221	80,544,405
	176,240,221	80,544,405
Other Current Liabilities		
Current maturities of debentures	125,000,000	125,000,000
Current maturities of Intercompany Deposits from shareholders	256,525,000	-
Interest accrued but not due	24,183,253	1,056,859
Unearned Revenue	59,978,629	34,903,002
Interest free deposits from customers	448,000	4,164,190
Advance from customers	89,628,794	51,100,299
Creditors for capital goods	7,063,935	4,219,717
Statutory dues	30,221,277	4,745,804
	593,048,888	225,189,871
Total	769,289,109	305,734,276

Notes forming part of the Financial Statements

9 Fixed Assets

(Amount in ₹)

		Gross Block			Depreciation/ Amortization			Net Block			
	Description of Assets	As at 1 April 2011	Additions	Deductions	As at 31 March 2012	Up to 31 March 2011	For the year	Deductions	Up to 31 March 2012	As at 31 March 2012	As at 31 March 2011
i)	Tangibles										
	Freehold Land*	584,890	-	-	584,890	-	-	-	-	584,890	584,890
	Leasehold Asset Improvements	4,498,722	16,548,698	-	21,047,420	1,096,031	4,297,427	-	5,393,458	15,653,962	3,402,691
	Equipments	9,719,566	33,020,460	624,793	42,115,233	1,029,872	7,765,465	73,446	8,721,891	33,393,342	8,689,694
	Computer	18,768,222	15,884,370	407,133	34,245,459	2,251,431	4,742,213	134,076	6,859,568	27,385,891	16,516,791
	Furniture and Fixtures	3,260,867	2,575,113	14,183	5,821,797	525,842	1,152,104	1,795	1,676,151	4,145,646	2,735,025
	Vehicles	662,379	-	662,379	-	62,925	52,439	115,364	-	-	599,454
	Total	37,494,646	68,028,641	1,708,488	103,814,799	4,966,101	18,009,648	324,681	22,651,068	81,163,731	32,528,545
	Previous year	-	37,568,533^	72,987	37,494,646	-	5,000,839	34,738	4,966,101	32,528,545	-
ii)	Intangibles										
	Content Development	2,734,022	25,763,082	-	28,497,104	892,184	7,749,418	-	8,641,602	19,855,502	1,841,838
	Softwares	12,959,832	790,812	-	13,750,644	1,634,340	4,446,207	-	6,080,547	7,670,097	11,325,492
	Total	15,693,854	26,553,894	-	42,247,748	2,526,524	12,195,625	-	14,722,149	27,525,599	13,167,330
	Previous year	-	12,016,800^	-	15,693,854	-	2,526,524	-	2,526,524	13,167,330	-
iii)	Capital Work in Progress									855,955	635,355
iv)	Intangible Assets under development**									195,976,832	112,949,978

*The title of the Freehold land (acquired pursuant to the Composite Scheme of Arrangement) is yet to be transferred in the name of the Company and is mortgaged against the Secured Debentures.

**Intangible Assets under development includes Borrowing Cost of ₹ 56,601,168 (₹ 60,000,000)

[^] includes ₹ 21,037,971 acquired pursuant to the Composite Scheme of Arrangement



Notes forming part of the Financial Statements

	2012 ₹	2011 ₹
10 Non Current Investments		
(i) Trade Investments (valued at cost unless stated otherwise)		
In Subsidiaries- Wholly Owned- Unquoted*		
10,000 (Nil) Equity shares of ₹ 10/- each of Digital Ventures Private Limited	100,000	-
(ii) Others- Unquoted		
In National Savings Certificate	5,000	5,000
(Pledged with Sales Tax Authorities)		
Total	105,000	5,000

*Non disposal undertaking for 51% shares held by the Company for loan taken by subsidiary Company viz Digital Ventures Private Limited

11 a) Current Tax

In view of losses, no provision for current tax is made as per provisions of the Income-Tax Act, 1961.

b) Deferred tax balances are as under:-

In accordance with the Accounting Standard 22 on "Accounting for Taxes on Income" (AS 22) issued by ICAI, deferred tax assets and liabilities should be recognized for all timing differences in accordance with the said standard. However, considering the present financial position and requirement of the accounting standard regarding certainty / virtual certainty, deferred tax asset (net) of ₹ 102,044,800/- for the year is not provided. However, the same will be reassessed at a subsequent balance sheet date and will be accounted for in the year of certainty / virtual certainty in accordance with the aforesaid accounting standard.

	2012 ₹	2011 ₹
Deferred Tax Assets		
Arising on account of timing differences in Employee Retirement Benefit	1,351,430	1,351,430
Provision for doubtful debts	10,063,657	10,063,657
Allowable on payment basis	1,006,364	1,006,364
Depreciation	832,470	832,470
Total	13,253,921	13,253,921
Deferred Tax Liabilities	-	-
Deferred Tax Assets (Net)	13,253,921	13,253,921

	Long-Term		Short-Term	
	2012 ₹	2011 ₹	2012 ₹	2011 ₹
12 Loans and Advances				
Capital Advances	755,957,033	751,518,453	-	-
Security Deposits				
Unsecured considered good	7,493,337	308,581,352	1,225,459	1,262,686
Unsecured considered doubtful	-	-	1,444,010	908,010
	7,493,337	308,581,352	2,669,469	2,170,696
Less: Provision for doubtful deposit	-	-	1,444,010	908,010
	7,493,337	308,581,352	1,225,459	1,262,686
Advance Share Application money given to subsidiary	50,000,000	-	1,010,000,000	-

Notes forming part of the Financial Statements

	Long-Term		Short-Term	
	2012 ₹	2011 ₹	2012 ₹	2011 ₹
Loans, Advances and Deposits to related parties	364,125,000	-	5,776,010	5,103,422
Other loans and advances				
Advances				
Unsecured and considered good	-	-	8,794,237	3,378,224
Unsecured and considered doubtful	-	-	-	1,272,900
	-	-	8,794,237	4,651,124
Less: Provision for doubtful advances	-	-	-	1,272,900
	-	-	8,794,237	3,378,224
Prepaid expenses	172,769	-	2,343,382	1,697,977
Balances with government authority				
Advance Direct Taxes (net of provisions)	-	-	1,732,800	-
Advance Indirect Taxes	-	-	18,328,300	280,477
Total	1,177,748,139	1,060,099,805	1,048,200,188	11,722,786

	Non Current		Current	
	2012 ₹	2011 ₹	2012 ₹	2011 ₹
13 Other Assets				
Interest accrued but not due	2,546,331	-	641,394	1,336,744
Deposits with Banks (Refer Note 16)*	22,789,848	15,719,340	-	-
Total	25,336,179	15,719,340	641,394	1,336,744

* Pledged ₹ 46,098 (₹ 46,098) with sales tax authorities and ₹ 22,743,750 (₹ 15,136,740) as Security for Debentures)

	2012 ₹	2011 ₹
14 Inventories		
Finished Goods (valued at lower of cost or estimated net realisable value)		
Educational Goods and equipments	87,286,756	46,151,053
Total	87,286,756	46,151,053

	2012 ₹	2011 ₹
15 Trade Receivables		
Over six months		
Unsecured, considered good	14,006,881	1,979,241
Unsecured, considered Doubtful	24,234,796	31,328,777
Others		
Unsecured, considered good	28,761,115	29,017,649
Unsecured, considered Doubtful	4,669,258	619,339
	71,672,050	62,945,006
Less: Provision for doubtful receivables	28,904,054	31,948,116
Total	42,767,996	30,996,890



Notes forming part of the Financial Statements

		Non Current		Current	
		2012	2011	2012	2011
		₹	₹	₹	₹
16	Cash and Bank Balances				
	Cash and Cash Equivalents				
	Balances with Banks -				
	in current accounts	-	-	60,962,740	23,460,740
	Cash in Hand	-	-	63,866	85,962
		-	-	61,026,606	23,546,702
	Other bank balances				
	Balances with Banks -				
	in Short term bank deposits	-	-	10,787,068	20,413,822
	in Deposit with banks maturity more than 12 Months	22,789,848	15,719,340	-	-
	Amount disclosed under the head "Other current assets" (Refer Note 13)	(22,789,848)	(15,719,340)	-	-
	Total	-	-	71,813,674	43,960,524
				2012	2011
				₹	₹
17	Revenue from operations				
	Sales - Educational Goods and Equipments			264,084,722	176,816,544
	Services - Education and Other Services				
	- Course Fees/Royalty			177,330,685	113,164,789
	- Franchisee Fees			161,853,155	129,737,877
	- Others			5,184,943	6,384,469
	Other Operating Revenue			1,575,659	1,374,071
	Total			610,029,164	427,477,750
				2012	2011
				₹	₹
18	Other Income				
	Interest Income				
	- from Bank Deposits			2,783,051	6,346,582
	- from Others			2,829,257	-
	Net gain on exchange difference			72,028	-
	Liabilities/excess provision written back (net)			3,410,777	3,159,889
	Total			9,095,113	9,506,471

Notes forming part of the Financial Statements

	2012 ₹	2011 ₹
19 Cost of Material / Operational Expenses		
a) Cost of Material (Educational Goods and Equipments)		
Opening	46,151,053	-
Add: Acquired Pursuant to the Composite Scheme of Arrangement	-	29,088,422
Add: Purchases	183,168,113	106,549,867
	229,319,166	135,638,289
Less: Closing	87,286,756	46,151,053
Total	142,032,410	89,487,236
b) Operational Expenses (Education Center Operation Expenses)	31,081,914	24,637,835
Total	173,114,324	114,125,071
	2012 ₹	2011 ₹
20 Employee benefits expense		
Salaries and allowances	227,138,343	108,857,323
Contribution to provident and other funds	4,243,851	3,569,162
Training and Recuritment cost	17,755,952	9,184,560
Staff Welfare expenses	2,476,164	7,969,385
Total	251,614,310	129,580,430
	2012 ₹	2011 ₹
21 Other expenses		
Rent	25,893,119	11,018,137
Repairs and Maintenance - Others	12,974,992	2,308,287
Insurance	773,252	962,595
Rates and Taxes	2,717,076	3,922,679
Electricity and Water charges	5,056,164	3,361,393
Communication expenses	12,632,143	7,351,070
Printing and Stationery	2,796,217	2,622,865
Travelling and Conveyance expenses	49,392,532	24,288,926
Vehicle expenses	2,300,586	3,411,836
Legal and Professional charges	10,463,932	8,224,937
Payment to Auditor (Refer note 36)	1,195,749	2,118,322
Bad Debts and Advances written off	27,844,321	-
Less: Provision written back	27,735,552	-
Provision for doubtful debts and advances	23,954,589	1,223,310
Loss on sale / discard of fixed assets	1,341,198	25,251
Share issue and preliminary expenses written off	-	23,024
Advertisement and Publicity expenses	232,679,355	76,612,646
Bank charges	246,600	176,341
Freight charges	11,750,148	5,713,065
Miscellaneous expenses	6,795,115	5,686,429
Total	403,071,536	159,051,113



Notes forming part of the Financial Statements

	2012 ₹	2011 ₹
22 Finance cost		
Interest on Loan	8,598,567	-
Interest on Others	21,506,056	1,278,814
Processing fees	5,123,756	-
Total	35,228,379	1,278,814

	2012 ₹	2011 ₹
23 Depreciation and amortization expense		
Depreciation on tangible assets	18,009,648	5,000,839
Amortization on intangible assets	12,195,625	2,526,524
Total	30,205,273	7,527,363

24 Scheme of Amalgamation of Esse! Entertainment Media Limited (EEML) and the Company

- (i) The Scheme of Amalgamation of EEML with the Company u/s 391 to 394 of the Companies Act, 1956 is approved by the Hon'ble High Court of Bombay on 17 June, 2011 and upon filing the said order with the Registrar of Companies, with Maharashtra on 30 June, 2011, the said scheme became effective on and from that date
- (ii) The scheme has been given effect in these financial statements and in pursuant to the said Scheme:
 - (a) The said approved Scheme of Amalgamation has been given effect in these financial statements as per the "pooling of interest method" as prescribed by Accounting Standard 14 "Accounting for Amalgamations". Accordingly the assets and liabilities of the transferor company i.e. EEML is vested and transferred to the Company at book values on the appointed date i.e. close of 31 March, 2011
 - (b) (One) fully paid up equity share of ₹ 1/- each of the Company is issued and allotted to the shareholders of EEML for every 5 (Five) equity shares of ₹ 1/- each held by them in EEML i.e the Company has issued 140,000,000 shares
 - (c) The difference between transferred assets and liabilities and expenses incurred on amalgamation is adjusted against General Reserve, as detailed below:

	₹
Investments	100,000
Current Assets, Loans and advances	1,060,000,000
Cash and Bank Balances	321,279
Total Assets	1,060,421,279
Unsecured Loans	6,922,941
Current Liabilities and Provisions	379,060
Total Liabilities	7,302,001
Net Assets	1,053,119,278
Less: Shares issued and allotted to shareholders of EEML	140,000,000
Less: Amalgamation expenses	24,994,224
Surplus taken to General Reserve	888,125,054

25 Operating Leases:

The Company has taken office, residential facilities and plant and machinery (including equipments) etc. on lease under cancellable/non-cancellable agreements that are renewable on a periodic basis at the option of both the lessee and the lessor. The initial tenure of the lease generally is for 11 months to 60 months.

	2012 ₹	2011 ₹
a) Lease rental charges for the year	32,887,762	18,288,137
b) Future Lease rental obligation payable (Under non-cancellable lease)		
Not later than one year	20,730,026	5,152,000
Later than one year but not later than five year	25,836,635	2,630,000

Notes forming part of the Financial Statements

26 Managerial Remuneration

Remuneration paid or provided to Whole-time Director, included in Employee benefits expense is as under:

	2012 ₹	2011* ₹
Salary and Allowances	9,927,710	3,694,200
Provident fund contributions	519,120	253,680
Perquisites	317,235	-
Total	10,764,065	3,947,880
Maximum permissible remuneration to Managing Director as per Schedule XIII (excluding Provident fund contribution)	4,800,000	2,800,000
Excess Remuneration paid	5,444,945	894,200
Remuneration as per Central Government approval#		

#In respect of remuneration payable to the Whole-time Director in excess of the limits prescribed under section 198 read with Schedule XIII, the Company has applied for approval from the Central Government which is still pending.

Note: Salary and Allowances includes basic salary, house rent allowance, leave travel allowance and performance bonus but excluding leave encashment and gratuity provided on the basis of actuarial valuation.

27 Employee Benefits**A Defined Benefit Plans**

Gratuity (Non Funded)		
	2012 ₹	2011 ₹
I. Expenses recognized during the year		
1 Current Service Cost	2,958,371	1,394,742
2 Interest Cost	221,256	177,249
3 Actuarial Losses / (Gains)	314,281	(766,121)
Total Expenses	3,493,908	805,870
II. Net Asset/(Liability) recognized in the Balance Sheet as at 31 March		
1. Present value of defined benefit obligation	6,107,614	2,717,752
2. Net Asset / (Liability)	(6,107,614)	(2,717,752)
III. Reconciliation of Net Asset/(Liability) recognized in the Balance Sheet as at 31 March		
1 Net Asset/(Liability) at the beginning of year	(2,717,752)	(2,119,112)
2 Expense as per I above	(3,493,908)	(805,870)
3 Employer contribution	104,046	207,230
4 Net Asset/(Liability) at the end of the year	(6,107,614)	(2,717,752)
IV. Actuarial Assumptions:		
1 Discount rate	8.60%	8.30%
2 Expected rate of salary increase	6.00%	6.00%
3 Mortality	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate



Notes forming part of the Financial Statements

Notes:

- (a) Amounts recognized as an expense and included in the Note 20: "Employee benefits expense" are Gratuity ₹ 3,493,908 (₹ 805,870) and Leave benefits ₹ 3,438,421 (₹ 319,498)
- (b) The estimates of future salary increases considered in the actuarial valuation taking into account the rate of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

B Defined contribution plan:

"Contribution to provident and other funds" is recognized as an expense in Note 20 of the Statement of Profit and Loss Account

28 Related Party Transactions

(i) List of Parties where control exists Subsidiary Company-Wholly owned

Digital Ventures Private Limited

(ii) Other Related parties with whom transactions have taken place during the year and balance outstanding as on the last day of the year.

Cyquator Media Services Private Limited, Digital Ventures Private Limited, E-City Project Constructions Private Limited, Essel Infraprojects Limited, Himgiri Nabh Vishwavidhyalaya, Pan India Paryatan Private Limited, Pan India Network Infravest Private Limited, Packaging India Private Limited; Premier Finance and Trading Co. Limited, TALEEM Research Foundation, Wire and Wireless India Limited, Zee Entertainment Enterprises Limited, Zee News Limited.

Directors / Key Management Personnel

Mr. Himanshu Mody, Mr. Sumeet Mehta

Transactions with Related Parties

	2012 ₹	2011 ₹
A) Transactions with Related Parties		
Purchase of Capital assets	-	899,800
Cyquator Media Services Private Limited	-	800,000
Packaging India Private Limited	-	99,800
Intercompany Deposits from shareholders (unsecured)	372,922,720	41,000,000
Essel Infraprojects Limited	2,397,720	-
Premier Finance and Trading Company Limited	370,525,000	41,000,000
Repayment of Intercompany Deposits from shareholders (unsecured)	155,000,000	-
Premier Finance and Trading Company. Limited	155,000,000	-
Loans, advances and deposits given	153,625,000	332,754,219
E-City Project Constructions Private Limited	16,000,000	-
Digital Ventures Private Limited #	137,625,000	200,000,000
Himgiri Nabh Vishwavidyalaya	-	90,000,000
Zee Entertainment Enterprises Limited	-	42,754,219
Loans, advances and deposits given repaid (non current)	79,500,000	236,640,585
Digital Ventures Private Limited #	79,500,000	-
TALEEM Research Foundation	-	199,181,681
Zee Entertainment Enterprises Limited	-	37,458,904
Interest expense	21,506,056	1,170,412
Premier Finance and Trading Company Limited	21,506,056	1,170,412
Other Expenses	27,906,813	8,554,274
E-City Project Constructions Private Limited	20,070,811	1,840,000
Packaging India Private Limited	768,458	1,601,416
Pan India Network Infravest Private Limited	1,376,777	1,102,578

Notes forming part of the Financial Statements

	2012 ₹	2011 ₹
Pan India Paryatan Private Limited	2,093,773	2,289,133
Cyquator Media Services Private Limited	96,020	-
Zee Entertainment Enterprises Limited	2,653,049	1,621,978
Zee News Limited	847,925	99,169
Interest Income	2,829,257	-
Digital Ventures Private Limited #	2,829,257	-
Sundry Balances Written Off	-	1,022,455
Pan India Paryatan Private Limited	-	1,022,455
B) Balances outstanding		
Intercompany Deposits from Shareholders	265,845,661	41,000,000
Premier Finance and Trading Company Limited	256,525,000	41,000,000
Essel Infraprojects Limited*	9,320,661	-
Capital Work in Progress	750,000,000	750,000,000
Digital Ventures Private Limited #	750,000,000	750,000,000
Investment	100,000	-
Shares of Digital Ventures Private Limited *	100,000	-
Loans, Advances and Deposits	1,429,901,010	295,103,422
Digital Ventures Private Limited #	258,125,000	200,000,000
Himgiri Nabh Vishwavidhyalaya	90,000,000	90,000,000
Share application money to Digital Ventures Private Limited*	1,060,000,000	-
E-City Project Constructions Private Limited	16,000,000	-
Zee News Limited	793,846	-
Zee Entertainment Enterprises Limited	4,982,164	5,103,422
Sundry Creditors	350,695	10,748,478
Pan India Network Infravest Private Limited	223,707	142,072
E-City Project Constructions Private Limited	126,988	-
Packaging India Private Limited	-	232,429
Pan India Paryatan Private Limited	-	111,646
Zee News Limited	-	10,262,331
Interest receivable	2,546,331	-
Digital Ventures Private Limited #	2,546,331	-
Interest Accrued but not Due	20,827,088	1,056,859
Premier Finance and Trading Company Limited	20,827,088	1,056,859

For Managerial Remuneration refer note 26.

* The assets and liabilities have been transferred from Essel Entertainment Media Limited Pursuant to the Scheme of Amalgamation.

Subsidiary Company w.e.f. 1st April, 2011.

30. Contingent Liabilities

	2012 ₹	2011 ₹
a) Claims against the Company not acknowledged as debts	6,986,213	5,440,373
b) Disputed Indirect Taxes	19,813,177	19,813,177
c) Corporate guarantee for subsidiaries to the extent of loans availed/outstanding.	11,141,267	-



Notes forming part of the Financial Statements

31 Capital and other commitments

- (a) Estimated amount of contracts remaining to be executed on capital account not provided for (net of advances) is ₹ 272,394,687 (₹ 250,860,920)
- (b) Non disposal undertaking for 51% shares held by Company in Digital Ventures Private Limited for Loan taken by subsidiary Company

32 Earnings Per Share (EPS)

	2012 ₹	2011 ₹
(a) Profit/ (Loss) after Tax (₹)	(275,790,392)	18,520,685
(b) Weighted Average number of equity shares for Basic EPS (Nos.)	262,738,599	99,158,204
(c) Weighted Average number of equity shares for Diluted EPS (Nos.)	262,738,599	99,158,204
(d) Nominal value of equity shares (₹)	1	1
(e) Basic EPS	(1.05)	0.19
(f) Diluted EPS	(1.05)	0.19

- 33 Deposits shown in Note 12 includes ₹ 240,000,000 (₹ 290,000,000) being refundable security deposits paid by the Company against school operating rights under two arrangements.

- 34 CIF Value of Imports for capital equipment is ₹ 28,425,419 (₹ 2,383,143)

- 35 Expenditure in foreign currency includes

	2012 ₹	2011 ₹
(a) Travelling expenses	229,953	311,100
(b) Legal and Professional charges	224,808	-

36 Payments to the auditor

	2012 ₹	2011 ₹
Payments to the auditor as		
Audit fees	1,000,000	1,000,000
Tax Audit Fees	150,000	150,000
Tax Representation	45,749	-
Certification Services	-	968,322
Total	1,195,749	2,118,322

37 Prior year Comparatives

- (a) Schedule VI to the Companies Act, 1956 is revised and has become effective from 1 April, 2011. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classifications / disclosures
- (b) The financial statements for the previous period were from the date of incorporation i.e 4 January, 2010 to 31 March, 2011. However the operating results are from 1 April, 2010 to 31 March, 2011.

Cash Flow Statement for the year ended 31 March

	2012 ₹	2011 ₹
A. Cash Flow from Operating Activities		
Net Profit / (Loss) before tax	(274,109,545)	25,421,430
Adjustments for:		
Depreciation / Amortisation	30,205,273	7,527,363
Interest Income	(5,612,308)	(6,346,582)
Net gain on exchange difference	(72,028)	-
Interest Expense	30,104,623	1,278,814
Provision for doubtful debts (net)	(3,780,963)	1,223,310
Loss on sale / discard of fixed assets	1,341,198	25,251
Operating Profit before Working Capital Changes	(221,923,750)	29,129,586
Adjustments for:		
Decrease / (Increase) in trade and other receivables	(95,551,192)	(119,019,055)
Decrease / (Increase) in Inventories	(41,135,703)	(17,062,631)
Increase / (Decrease) in Trade and other payables	166,369,437	34,242,895
Cash Generated from Operations	(192,241,208)	(72,709,205)
Direct Taxes paid	(5,314,992)	(5,876,952)
Net Cash from Operating Activities (A)	(197,556,200)	(78,586,157)
B. Cash Flow from Investing Activities		
Purchase of fixed assets (including Capital Work in Progress)	(182,268,568)	(116,191,929)
Sale of fixed assets	42,608	13,000
Interest received	3,761,327	6,346,582
Investments in bank deposits (having original maturity of more than 12 months)	(7,070,508)	(15,719,341)
Net Cash from Investing Activities (B)	(185,535,141)	(125,551,688)
C. Cash Flow from Financing Activities		
Proceeds from Issue of Share capital	-	500,000
Proceeds from Intercompany Deposits	372,922,720	41,000,000
Repayment of intercompany deposits	(155,000,000)	(190,064)
Proceeds from borrowings	325,000,000	-
Repayment of borrowings	(125,000,000)	-
Interest paid	(6,978,229)	(221,955)
Net Cash from Financing Activities (C)	410,944,491	41,087,981
Net Changes in Cash and Cash Equivalent (A+B+C)	27,853,150	(163,049,864)
Cash and Cash Equivalents at the beginning of the year	43,960,524	207,010,388
Cash and Cash Equivalents at the end of the period	71,813,674	43,960,524
Components of cash and cash equivalents		
Cash in hand	63,866	85,962
Balance with Scheduled Banks in		
- Current Accounts	60,962,740	23,460,740
- Fixed Deposits	10,787,068	20,413,822
Total cash and cash equivalents	71,813,674	43,960,524

Note : 1) Previous year's figures have been regrouped, recast wherever necessary.

2) Scheme of Amalgamation is not considered in the above cash flow statement, being non cash transaction.

As per our attached report of even date

For and on behalf of the Board

For **MGB & Co.**
Chartered Accountants

Sanjay Kothari
Partner

Sumeet Mehta
Whole-time Director

Himanshu Mody
Chairman

Arun Kabra
Chief Financial Officer

Samir Raval
Company Secretary

Place: Mumbai
Date : May 16, 2012



CONSOLIDATED FINANCIAL SECTION

Auditors' Report

To
The Board of Directors
Zee Learn Limited

1. We have audited the attached Consolidated Balance Sheet of **Zee Learn Limited ("the Company")** and its subsidiary (collectively referred to as **"the Group"**) as at 31 March, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow statement for the year then 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 misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The financial statements of subsidiary with total assets (net) of ₹ 2,080,342,475 as at 31 March, 2012 and total revenues (net) of ₹ Nil for the year ended on that date have not been audited by us. These financial statements have been audited by other auditors whose report have been furnished to us and in our opinion, in so far it relates to the amounts included in respect of those subsidiaries is based solely on the report of the other auditors.
4. We draw reference to
 - (a) Note 24 regarding Amalgamation of Essel Entertainment Media Limited with the Company w.e.f. close of 31 March, 2011 as per the Scheme of Amalgamation u/s 391 to 394 and other applicable provisions, approved by the Hon'ble High Court at Bombay and effect thereof is given in these financial statements as per the pooling of interest method prescribed by AS 14 and the resultant difference of ₹ 888,125,054 is adjusted against General Reserve.
 - (b) Note 32 regarding Managerial Remuneration for the year is subject to approval of Central Government
5. We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of the Accounting Standard (AS) 21 "Consolidated Financial Statements", as notified by the Companies (Accounting Standards) Rules, 2006.
6. Based on the audit as aforesaid, and on the consideration of reports of other auditors on the 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 case of Consolidated Balance Sheet, of the State of Affairs of the Group as at 31 March, 2012;
 - (b) In case of Consolidated Statement of Profit and Loss, of the Loss of the Group for the year ended on that date; and
 - (c) In the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on that date.

For **MGB & Co.**
Chartered Accountants
Registration Number 101169W

Sanjay Kothari
Partner
Membership Number 048215
Mumbai, May 16, 2012



Consolidated Balance Sheet as at 31 March

	Note	2012 ₹
EQUITY AND LIABILITIES		
Shareholder's Funds		
Share Capital	3	262,738,599
Reserves and Surplus	4	1,139,530,273
		<u>1,402,268,872</u>
Non-Current Liabilities		
Long-Term Borrowings	5	1,322,786,861
Long-Term Provisions	6	9,576,126
Other Long-Term Liabilities	7	3,053,065
		<u>1,335,416,052</u>
Current Liabilities		
Trade Payables	8	177,065,293
Other Current Liabilities	8	610,664,387
Short-Term Provisions	6	3,787,963
		<u>791,517,643</u>
Total		<u>3,529,202,567</u>
ASSETS		
Non-Current Assets		
Fixed Assets		
Tangible Assets	9	145,394,899
Intangible Assets	9	27,525,599
Capital work-in-progress	9	691,280,921
Intangible assets under development	9	1,245,976,832
		<u>2,110,178,251</u>
Non-Current Investments	10	5,000
Deferred Tax Assets (net)	11	13,253,921
Long-Term Loans and Advances	12	1,072,177,522
Other Non-Current Assets	13	23,152,973
		<u>1,108,589,416</u>
Current Assets		
Inventories	14	87,286,756
Trade Receivables	15	42,767,996
Cash and Bank Balances	16	144,339,921
Short-Term Loans and Advances	12	35,398,833
Other Current Assets	13	641,394
		<u>310,434,900</u>
Total		<u>3,529,202,567</u>
Notes forming part of the Consolidated financial statements	1-35	

As per our attached report of even date

For and on behalf of the Board

For **MGB & Co.**

Chartered Accountants

Sanjay Kothari

Partner

Sumeet Mehta

Whole-time Director

Arun Kabra

Chief Financial Officer

Himanshu Mody

Chairman

Samir Raval

Company Secretary

Place: Mumbai

Date : May 16, 2012

Consolidated Statement of Profit and Loss for the year ended 31 March

	Note	2012 ₹
Revenue		
Revenue from Operations	17	610,029,164
Other Income	18	6,265,856
Total		616,295,020
Expenses		
Cost of materials	19	142,032,410
Operational expenses	19	31,081,914
Employee benefits expense	20	251,614,310
Other expenses	21	403,428,071
Finance costs	22	32,422,157
Depreciation and amortization expense	23	30,205,273
Total		890,784,135
Loss before tax		(274,489,115)
Tax expense:		
Current tax- Current year		-
- Earlier years		1,680,847
Deferred tax		-
Loss for the year		(276,169,962)
Earnings per equity share of face value of ₹ 1 each		
Basic and Diluted	29	(1.05)
Notes forming part of the Consolidated financial statements	1-35	

As per our attached report of even date

For and on behalf of the Board

For **MGB & Co.**
Chartered Accountants

Sanjay Kothari
Partner

Sumeet Mehta
Whole-time Director

Arun Kabra
Chief Financial Officer

Himanshu Mody
Chairman

Samir Raval
Company Secretary

Place: Mumbai

Date : May 16, 2012



Notes forming part of the Consolidated Financial Statements

1 Background

Zee Learn Limited and its subsidiary (collectively referred to as “the Group”) is one of the most diversified premium education companies which delivers learning solutions and training through its multiple products viz. Kidzee, Mount Litera Zee Schools, Brain Cafe, Mount Litera World Preschool, Zee Institute of Media Arts (ZIMA), Zee Institute of Creative Arts (ZICA) and E - Learning Online Education and Testing.

2 Basis of Consolidation

i) The Consolidated Financial Statements (CFS) of the Group are prepared under Historical Cost Convention on going concern basis in accordance with Generally Accepted Accounting Principles in India and the Accounting Standard-21 on “Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India (ICAI), to the extent possible in the same manner as that adopted by the parent company for its separate financial statements by regrouping, recasting or rearranging figures, wherever considered necessary.

ii) The CFS is prepared using uniform accounting policies for transactions and other events in similar transactions.

iii) The consolidation of the financial statements of the parent company and its subsidiary is done to the extent possible on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Figures pertaining to the subsidiary company have been reclassified wherever necessary to bring them in line with the Group financial statements. All significant inter-group transactions, unrealized inter-company profits and balances have been eliminated in the process of consolidation.

The CFS includes the Financial Statements of the parent company and the subsidiary Company Digital Ventures Private Limited (Extent of holding- 100%).

2.1 Significant Accounting Policies

a Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as of the date of the financial statements and the reported amount of revenue and expenses of the year. Actual results could differ from these estimates. Any revision to estimates is recognised prospectively in current and future periods.

b Tangible fixed assets

i) Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost include all expenses incurred to bring the assets to its present location and condition.

ii) Capital work in progress comprises cost of fixed assets and related expenses that are not yet ready for their intended use at the reporting date.

c Intangible assets

i) Intangible assets are recognised in the year it is put to use at cost. Intangible assets are carried at cost less accumulated amortization and accumulated impairment loss if any.

ii) Intangible assets under development comprises of purchase price, borrowing cost and directly attributable cost incurred on asset that are not ready for their intended use at the reporting date.

d Borrowing Costs

Borrowing Costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as a part of the cost of respective asset. All other borrowing costs are expenses in the period they occur.

e Impairment of tangible and intangible assets

At each Balance Sheet date, the Company reviews the carrying amount of fixed assets to determine whether there is an indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of impairment loss. The recoverable amount is higher of the net selling price and value in use, determined by discounting the estimated future cash flows expected from the continuing use of the asset to their present value.

f Depreciation on tangible assets

i) Depreciation on fixed assets is provided on Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956 except Training equipments which is amortized on straight line basis over a period of three years based on management's estimate of useful life.

ii) Leasehold Improvements are amortized over the period of Lease.

g Amortization on intangible assets

Intangible assets are amortized on straight line basis, based on management's estimate of useful life.

Notes forming part of the Consolidated Financial Statements

h Investments

Investments, which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. Long term investments are carried at cost. Provision for diminution in value of investment other than temporary is made wherever applicable.

i Transactions in foreign currencies

- i) Foreign currency transactions are accounted at the exchange rates prevailing on the date of such transactions.
- ii) Foreign currency monetary items are retranslated using the exchange rates prevailing at the reporting date. Exchange difference are recognised as income or expense in the period in which they arise.

j Revenue recognition

- a) Services
 - i) Course fees and Royalty income is recognized over the duration of the course.
 - ii) Franchise fees is recognized as per the agreed terms of the agreement.
- b) Sale of Educational goods and equipments is recognized when the risk and rewards of ownership are passed onto the customers, which is generally on dispatch.
- c) Interest income is recognised on a time proportion basis taking into account outstanding and the applicable interest rate.

k Inventories

Educational goods and Equipments are valued at lower of cost or estimated net realizable value. Cost is determined on the basis of weighted average cost. Cost of inventory includes cost of purchase, freight and other expense incurred in bringing the inventories to their present location and condition.

l Retirement and other employee benefits

- i) Short-term employee benefits are expensed at the undiscounted amount in the statement of profit and loss in the year employee renders the service.
- ii) Post employment and other long term employee benefits are recognised as an expense in the statement of profit and loss in the year the employee renders the service. The expense is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the statement of Profit and Loss.

m Accounting for taxes on income

- i) Current Tax is determined as the amount of tax payable in respect of its taxable income as per the provisions of the Income Tax Act, 1961.
- ii) Deferred tax is recognized, subject to consideration of prudence in respect of deferred tax asset, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and measured using tax rates and laws enacted.

n Operating Lease

Lease of assets under which all the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as expense on accrual basis in accordance with the terms of respective lease agreements.

o Earnings Per Share

Basic earnings per share is computed and disclosed using the weighted average number of equity shares outstanding during the period. Dilutive earnings per share is computed and disclosed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period, except when the results would be anti-dilutive.

p Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is 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 to accounts. Contingent Assets are neither recognized nor disclosed in the financial statements.



Notes forming part of the Consolidated Financial Statements

	2012 ₹
3 Share Capital	
(a) Authorised	
1,000,000,000 Equity Shares of ₹ 1/- each	1,000,000,000
	1,000,000,000
(b) Issued , Subscribed and Paid up	
262,738,599 Equity Shares of ₹ 1/- each	262,738,599
Total	262,738,599

(c) Reconciliation of number of shares and Equity Share capital

	2012	
	Number of Equity shares	₹
At the beginning of the period	122,738,599	122,738,599
Add : Issue of Shares Pursuant to Scheme of Amalgamation (Refer Note 24)	140,000,000	140,000,000
Outstanding at the end of the period	262,738,599	262,738,599

(d) Terms/ rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 1 each. Each holder of equity shares is entitled to one vote per share. The Company so far has not declared any dividend. The final dividend if proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(e) Details of aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years

	Number of Equity shares
Equity Shares allotted as fully paid for consideration other than cash :	
As per the Composite Scheme of Arrangement	122,238,599
As per the Scheme of Amalgamation (Refer Note 24)	140,000,000

(f) Details of Shareholders holding more than 5 % of the aggregate shares in the Company

Name of Shareholders	2012	
	Number of shares held	% Shareholding
1 Jayneer Capital Private Limited.	72,391,275	27.55%
2 Asian Satellite Broadcast Private Limited.	63,052,512	24.00%
3 Jayneer Enterprises LLP	15,000,000	5.71%

(g) Employees Stock Option Scheme (ESOP):

The Company has instituted an Employee Stock Option Plan (ZLL ESOP 2010) as approved by the Board of Directors and Shareholders of the Company in 2010 for issuance of stock options convertible into equivalent number of equity shares to the employees of the Company and also to non-executive directors including Independent Directors of the Company at the market price determined as per the SEBI (ESOS) Guidelines, 1999. The said scheme is administered by the Remuneration Committee of the Board.

During the year ended 31 March 2012, the Company granted 1,609,700 stock options to eligible employees and also to non executive directors including independent directors. The options granted under the Scheme shall vest not less than

Notes forming part of the Consolidated Financial Statements

one year and not more than five years from the date of grant of options. The options granted vests in the ratio of 50:35:15 at the expiry of one, two and three years from the date of grant and once vested, these would be exercisable at any time within a period of four years and the equity shares arising on exercise of options shall not be subject to any lock in.

The options were granted to the employees at an exercise price, being the latest market price as per the SEBI (ESOS) guidelines 1999. In view of this, there being no intrinsic value on the date of the grant (being the excess of market price of share under the Scheme over the exercise price of the option), the Company is not required to account the accounting value of options as per the SEBI guidelines.

The details of activity under the Employee Stock Option Plan (ESOP) 2010 are summarised below:

	2012
Outstanding at the	
- beginning of the year	1,086,000
- granted during the year	1,609,700
- lapsed during the year	134,500
- exercised during the year	-
Outstanding at the end of the year	2,561,200

	2012 ₹
4 Reserves and Surplus	
a) General Reserve	
Opening balance	509,054,495
Add: Adjusted pursuant to the Scheme of Amalgamation* (Refer Note 24)	888,125,054
	1,397,179,549
b) Surplus/(Deficit) in the Statement of Profit and Loss**	
Opening balance	18,520,685
Add : Loss for the year	(276,169,962)
	(257,649,277)
Total	1,139,530,273

* As per the Scheme of Amalgamation of Essel Entertainment Media Limited with the Company approved by the Hon'ble High Court of Judicature at Bombay the General Reserve on amalgamation shall not be used for the purpose of declaring dividend (Refer Note 24)

** In view of the loss incurred during the year Debenture Redemption Reserve aggregating to ₹ 250,000,000 has not been created.

	Non Current 2012 ₹	Current 2012 ₹
5 Long-Term Borrowings		
Debentures - Secured		
375, 12% Secured Redeemable Non-Convertible Debentures of ₹ 1,000,000 each fully paid up	250,000,000	125,000,000
Term Loan from Bank - Secured	949,997,044	-
Intercompany Deposits from shareholders - Unsecured	122,789,817	256,525,000
	1,322,786,861	381,525,000
The above amount includes:		
Secured Borrowings	1,199,997,044	125,000,000
Unsecured Borrowings	122,789,817	256,525,000
Amount disclosed under the head "Other current Liabilities" (note 8)	-	(381,525,000)
	1,322,786,861	-



Notes forming part of the Consolidated Financial Statements

- a) 12% Debentures are redeemable at par in four equal installments of 25% each beginning the end of 2nd year from the date of allotment, viz 6 January, 2010. Secured by first charge on free hold land, all fixed and current assets including fixed deposits, escrow account, Reserve account, assignment of all benefits under agreement for Operation of school and further DSRA Undertaking by Zee Entertainment Enterprises Limited.
- b) Term loan from Bank ₹ 325,000,000 was taken during the year and carries interest @12.25% (base rate). The loan is repayable in 8 half yearly installments beginning from 30 June, 2013. The loan is secured by first pari passu charge on all the fixed and current assets (present & future) of the company and also reserve account and DSRA Undertaking by Zee Entertainment Enterprises Limited
- c) Term loan from Bank ₹ 299,997,044 is secured by first charge on entire movable and immovable assets (present & future), entire cash flows, mortgage of leasehold land owned by Taleem Research Foundation and Corporate Guarantee from Essel Infraprojects Limited and Taleem Research Foundation
- d) Term loan of ₹ 325,000,000 from Bank was taken during the year and carries interest @3.5% plus base rate. The loan is repayable in 36 quarterly yearly installments beginning from 4th year i.e FY 2015. The loan is secured by first charge on all immovable, movable assets and entire current assets of the Project (present & future), escrow account, hypothecation in favor of lenders of all the present and future rights, titles and interests of the Project from all contracts, insurances, documents, which the company is party to including contracts or letter of credit, guarantee, performance bond provided by any party to the company; pledge of shares in Zee Learn Limited to the extent of 30% of ₹ 406,700,000 crores and Corporate Guarantee from the Company and non disposal undertaking for 51% shares held by Zee Learn Limited in subsidiary company viz Digital Ventures Private Limited.
- e) Intercompany Deposits from shareholders carry interest @ 0% to 13.5% and are repayable after 2-3 years from the respective dates of deposit.

	Long-Term	Short-Term
	2012	2012
	₹	₹
6. Provisions		
Provision for employee benefits		
- for gratuity	5,490,995	616,619
- for Leave benefits	4,085,131	458,732
Others		
Provision for litigation	-	2,712,612
Provision for taxation (net of advances)		-
Total	9,576,126	3,787,963

	2012
	₹
7 Other Long Term Liabilities	
Unearned Revenue	2,053,065
Interest free deposits from customers	1,000,000
Total	3,053,065

	2012
	₹
8 Current Liabilities	
Trade payables- others	
	177,065,293
	177,065,293
Other Current Liabilities	
Current maturities of debentures	125,000,000
Current maturities of deposits from related parties	256,525,000
Interest accrued but not due	27,437,156
Unearned Revenue	59,978,629
Interest free deposits from customers	448,000
Advance from customers	89,628,794
Creditors for capital goods	15,590,198
Statutory dues	36,056,610
Total	610,664,387
	787,729,680

Notes forming part of the Consolidated Financial Statements

9. Fixed Assets

Description of Assets	Gross Block				Depreciation/ Amortization			(Amount in ₹)	
	As at 1 April 2011	Additions	Deductions	As at 31 March 2012	Up to 31 March 2011	For the year	Deductions Up to 31 March 2012	As at 31 March 2012	Net Block
Tangibles									
Freehold Land*	584,890	64,231,168	-	64,816,058	-	-	-	64,816,058	
Leasehold Asset Improvements	4,498,722	16,548,698	-	21,047,420	1,096,031	4,297,427	5,393,458	15,653,962	
Office Equipments	9,719,566	33,020,460	624,793	42,115,233	1,029,872	7,765,465	73,446	33,393,342	
Computer	18,768,222	15,884,370	407,133	34,245,459	2,251,431	4,742,213	134,076	27,385,891	
Furniture and Fixtures	3,260,867	2,575,113	14,183	5,821,797	525,842	1,152,104	1,795	4,145,646	
ehicles	662,379	-	662,379	-	62,925	52,439	115,364	-	
Total	37,494,646	1,32,259,809	1,708,488	168,045,967	4,966,101	18,009,648	324,681	145,394,899	
Intangibles									
Content Development	2,734,022	25,763,082	-	28,497,104	892,184	7,749,418	-	19,855,502	
Softwares	12,959,832	790,812	-	13,750,644	1,634,340	4,446,207	-	7,670,097	
Total	15,693,854	26,553,894	-	42,247,748	2,526,524	12,195,625	-	27,525,599	
Capital Work in Progress								691,280,921	
Intangible Assets under development**								1,245,976,832	

*The title of the Freehold land ₹ 584,890 (acquired pursuant to the Composite Scheme of Arrangement) is in the process of transfer in the name of the Company

** Intangible Assets under development consists of amount paid towards development rights with underlying rights of a deemed owner and includes borrowing costs of ₹ 56,601,168



Notes forming part of the Consolidated Financial Statements

	2012 ₹
10 Non Current Investments	
In National Savings Certificate (Pledged with Sales Tax Authorities)	5,000
Total	5,000

11 a) Deferred Tax Asset

In accordance with the Accounting Standard 22 on "Accounting for Taxes on Income" (AS 22) issued by ICAI, deferred tax assets and liabilities should be recognized for all timing differences in accordance with the said standard. However, considering the present financial position and requirement of the accounting standard regarding certainty / virtual certainty, deferred tax asset of ₹ 102,044,800/- for the year is not provided. However, the same will be reassessed at a subsequent balance sheet date and will be accounted for in the year of certainty / virtual certainty in accordance with the aforesaid accounting standard

	2012 ₹
Deferred Tax Assets	
Arising on account of timing differences in Employee Retirement Benefit	1,351,430
Provision for doubtful debts	10,063,657
Allowable on payment basis	1,006,364
Depreciation	832,470
Total	13,253,921
Deferred Tax Liabilities	-
Deferred Tax Assets (Net)	13,253,921

b) Current Tax

In view of losses, no provision for current tax is made as per provisions of the Income-Tax Act, 1961.

	Long- Term 2012 ₹	Short-Term 2012 ₹
12 Loans and Advances		
Capital Advances	215,315,116	-
Security Deposits		
Unsecured considered good	597,988,776	1,225,459
Doubtful	-	1,444,010
Less: Provision for doubtful deposit	-	(1,444,010)
	597,988,776	1,225,459
Loans and Advances to Related Parties	258,700,861	5,776,010
Other loans and advances		
Loans to employees	-	488,767
Advances, unsecured and considered good	-	8,305,470
Prepaid expenses	172,769	2,543,382
Balance with government authorities		
Advance Direct Taxes	-	1,775,387
Advance Indirect Taxes	-	15,284,358
Total	1,072,177,522	35,398,833

Notes forming part of the Consolidated Financial Statements

	Non Current 2012 ₹	Current 2012 ₹
13. Other Assets		
Unamortized expenditure		
Preliminary expenses	363,125	-
Interest accrued on deposits	-	641,394
Deposit with banks maturity more than 12 Months * (Refer Note 16)	22,789,848	-
Total	23,152,973	641,394

* Pledged ₹ 46,098 with sales tax authorities and ₹ 22,743,750 as Security for Debentures

	2012 ₹
14. Inventories	
Finished goods (valued at lower of cost or estimated net realisable value)	
Educational goods and Equipments	87,286,756
Total	87,286,756

	2012 ₹
15. Trade Receivable	
Over six months	
Unsecured, considered good	14,006,881
Unsecured, considered Doubtful	24,234,796
Others	
Unsecured, considered good	28,761,115
Unsecured, considered Doubtful	4,669,258
	71,672,050
Less: Provision for doubtful receivables	28,904,054
Total	42,767,996

	Non Current 2012 ₹	Current 2012 ₹
16. Cash and Bank Balances		
Cash and Cash Equivalent		
Balances with Banks -		
in Current accounts	-	133,424,259
Cash in Hand	-	128,594
	-	133,552,853
Other bank balances		
Balances with Banks -		
- in Short term bank deposits	-	10,787,068
- in Deposit with banks maturity more than 12 Months	22,789,848	-
Amount disclosed under the head "Other current assets" (Refer Note 13)	(22,789,848)	-
Total	-	144,339,921



Notes forming part of the Consolidated Financial Statements

	2012 ₹
17. Revenue from Operations	
Sales - Educational Goods and Equipments	264,084,722
Services - Education and Other Services	
- Course Fees/Royalty	177,330,685
- Franchisee Fees	161,853,155
- Others	5,184,943
Other Operating Revenue	1,575,659
Total	610,029,164
	2012 ₹
18. Other Income	
Interest on Bank Deposits	2,783,051
Net gain on exchange difference	72,028
Liabilities/excess provision written back (net)	3,410,777
Total	6,265,856
	2012 ₹
19. Cost of Material / Operational Expenses	
(a) Cost of Material (Educational Goods and Equipments)	
Opening	46,151,053
Add: Purchases	183,168,113
	229,319,166
Less: Closing	87,286,756
Total	142,032,410
(b) Operational Expenses (Education Center Operation Expenses)	31,081,914
Total	173,114,324
	2012 ₹
20. Employee benefits expense	
Salaries and allowances	227,138,343
Contribution to provident and other funds	4,243,851
Training and Recruitment cost	17,755,952
Staff Welfare expenses	2,476,164
Total	251,614,310

Notes forming part of the Consolidated Financial Statements

		2012 ₹
21. Other Expenses		
Rent		25,893,119
Repairs and Maintenance - Others		12,974,992
Insurance		773,252
Rates and Taxes		2,717,076
Electricity and Water charges		5,056,164
Communication expenses		12,632,143
Printing and Stationery		2,796,217
Travelling and Conveyance expenses		49,392,532
Vehicle expenses		2,300,586
Legal and Professional charges		10,507,694
Payment to Auditor (Refer Note 33)		1,364,289
Bad Debts and Advances written off	27,844,321	
Less: Provision written back	<u>27,735,552</u>	108,769
Provision for doubtful debts and advances		23,954,589
Loss on sale / discard of fixed assets		1,341,198
Share issue and preliminary expenses written off		-
Advertisement and Publicity expenses		232,702,426
Bank charges		274,481
Freight charges		11,750,148
Miscellaneous expenses		6,888,396
Total		403,428,071

		2012 ₹
22. Finance Cost		
Interest on Loan		8,599,096
Interest on Others		18,676,799
Processing fees		5,146,262
Total		32,422,157

		2012 ₹
23. Depreciation and amortization expense		
Depreciation on tangible assets		18,009,648
Amortization on intangible assets		12,195,625
Total		30,205,273

24. Scheme of Amalgamation of Essel Entertainment Media Limited (EEML) and the Company

- (i) The Scheme of Amalgamation of EEML with the Company u/s 391 to 394 of the Companies Act, 1956 is approved by the Hon'ble High Court of Bombay on 17 June, 2011 and upon filing the said order with the Registrar of Companies, Maharashtra on 30 June, 2011, the said scheme became effective on and from that date



Notes forming part of the Consolidated Financial Statements

- (ii) The scheme has been given effect in these financial statements and in pursuant to the said Scheme:
- The said approved Scheme of Amalgamation has been given effect in these financial statements as per the "pooling of interest method" as prescribed by Accounting Standard 14 "Accounting for Amalgamations". Accordingly the assets and liabilities of the transferor company i.e. EEML is vested and transferred to the Company at book values on the appointed date i.e. close of 31 March, 2011
 - 1 (One) fully paid up equity share of ₹ 1/- each of the Company is issued and allotted to the shareholders of EEML for every 5 (Five) equity shares of ₹ 1/- each held by them in EEML i.e the Company has issued 140,000,000 shares
 - The difference between transferred assets and liabilities and expenses incurred on amalgamation is adjusted against General Reserve, as detailed below:

	₹
Investments	100,000
Current Assets, Loans and advances	1,060,000,000
Cash and Bank Balances	321,279
Total Assets	1,060,421,279
Unsecured Loans	6,922,941
Current Liabilities and Provisions	379,060
Total Liabilities	7,302,001
Net Assets	1,053,119,278
Less: Shares issued and allotted to the shareholders of EEML	140,000,000
Less: Amalgamation expenses	24,994,224
Surplus taken to General Reserve	888,125,054

25 Operating Leases:

The Company has taken office, residential facilities, plant and machinery (including equipments) and land etc. on lease under cancellable/non-cancellable agreements that are renewable on a periodic basis at the option of both the lessee and the lessor. The initial tenure of the lease generally is for 11 months to 33 years .

	2012 ₹
a) Lease rental charges for the year	36,187,762
b) Future Lease rental obligation payable (Under non-cancellable lease)	
Not later than one year	36,925,454
Later than one year but not later than five year	116,014,631

26 Related Party Transactions

- (i) **Other Related parties with whom transactions have taken place during the year and balance outstanding as on the last day of the year.**

Cyquator Media Services Private Limited, E-City Project Constructions Private Limited, Essel Infraprojects Limited, Essel Sports Private Limited, Himgiri Nabh Vishwavidhyalaya, Pan India Infrastructures Private Limited, Pan India Paryatan Private Limited, Pan India Network Infravest Private Limited, Packaging India Private Limited; Premier Finance and Trading Company Limited, TALEEM Research Foundation, Wire and Wireless India Limited, Zee Entertainment Enterprises Limited, Zee News Limited.

Directors / Key Management Personnel

Mr. Himanshu Mody, Mr. Sumeet Mehta

Transactions with Related Parties

Notes forming part of the Consolidated Financial Statements

	2012 ₹
A) Transactions with Other Related Parties	
Intercorporate Deposits from shareholders (unsecured)	372,922,720
Essel Infraprojects Limited	2,397,720
Premier Finance and Trading Company Limited	370,525,000
Capital advances given	142,700,861
Essel Sports Private Limited	142,700,861
Repayment of Intercorporate Deposits from shareholders (unsecured)	155,000,000
Premier Finance and Trading Company Limited	155,000,000
Loans, advances and deposits given	16,000,000
E-City Project Constructions Private Limited	16,000,000
Interest expense	21,506,056
Premier Finance and Trading Company Limited	21,506,056
Other Expenses	27,906,813
E-City Project Constructions Private Limited	20,070,811
Packaging India Private Limited	768,458
Pan India Network Infravest Private Limited	1,376,777
Pan India Paryatan Private Limited	2,093,773
Cyquator Media Services Private Limited	96,020
Zee Entertainment Enterprises Limited	2,653,049
Zee News Limited	847,925
Purchase of Fixed Assets	152,197,097
Essel Sports Private Limited	152,197,097
B) Balances outstanding	
Unsecured Loans taken	388,635,478
Premier Finance and Trading Company Limited	256,525,000
Essel Infraprojects Limited	132,110,478
Loans, Advances and Deposits	264,476,871
Himgiri Nabh Ishwavidhyalaya	90,000,000
Zee News Limited	793,846
E-City Project Constructions Private Limited	16,000,000
Taleem Research Foundation	10,000,000
Essel Sports Private Limited	142,700,861
Zee Entertainment Enterprises Limited	4,982,164
Sundry Creditors	350,695
Pan India Network Infravest Private Limited	223,707
E-City Project Constructions Private Limited	126,988
Interest Accrued but not Due	20,827,088
Premier Finance and Trading Company Limited	20,827,088
For managerial remuneration refer note 32	



Notes forming part of the Consolidated Financial Statements

27 Contingent Liabilities

	2012 ₹
(a) Claims against the Company not acknowledged as debts	6,986,213
(b) Disputed Indirect Taxes	19,813,177
(c) Corporate guarantee for subsidiaries to the extent of loans availed/outstanding.	11,141,267

28 Capital and other commitments

- (a) Estimated amount of contracts remaining to be executed on capital account not provided for (net of advances) is ₹ 1,503,663,293.
- (b) Non disposal undertaking for 51% shares held by the Company in Digital Ventures Private Limited for loan taken by subsidiary Company.

29 Earnings Per Share (EPS)

	2012 ₹
(a) Profit/ (Loss) after Tax (₹)	(276,169,962)
(b) Weighted Average number of equity shares for Basic EPS (Nos.)	262,738,599
(c) Weighted Average number of equity shares for Diluted EPS (Nos.)	262,738,599
(d) Nominal value of equity shares (₹)	1
(e) Basic EPS	(1.05)
(f) Diluted EPS	(1.05)

- 30 Deposits shown in Note 12 includes ₹ 240,000,000 being refundable security deposits paid by the Company against school operating rights under two arrangements.

31 Payments to the auditor For Standalone

	2012 ₹
Audit fees	1,000,000
Tax Audit Fees	150,000
Tax Representation	45,749
Certification Services	-
Total	1,195,749

For Subsidiary

	2012 ₹
Audit fees	168,540
Total	168,540

Notes forming part of the Consolidated Financial Statements

32 Managerial Remuneration

Remuneration paid or provided to Whole-time Director, included in Employee benefits expense is as under:

	2012 ₹
Salary and Allowances	9,927,710
Provident fund contributions	519,120
Perquisites	317,235
Total	10,764,065
Maximum permissible remuneration to Managing Director as per Schedule XIII (excluding Provident fund contribution)	4,800,000
Excess Remuneration paid	5,444,945
Remuneration as per Central Government approval	

In respect of remuneration payable to the Whole-time Director in excess of the limits prescribed under section 198 read with Schedule XIII, the Company has applied for approval from the Central Government which is still pending.

Note: Salary and Allowances includes basic salary, house rent allowance, leave travel allowance and performance bonus but excluding leave encashment and gratuity provided on the basis of actuarial valuation.

- 33** The subsidiary has acquired lands at four locations on lease for the purposes of setting up educational institutions. The civil work for construction of the buildings is in progress. The development rights acquired by the Company is also for the said purpose.

34 Projects under execution

A development agreement dated 5 January 2010 on BOT basis for constructing a building to set up an educational institution had been entered into by and between the Company and Taleem Research Foundation (Taleem). The Company had undertaken to develop a piece and parcel of land given for eighty years on lease to Taleem by MMRDA, Bandra Mumbai vide lease deed dated 16 December 2009. In consideration of a lumpsum development fee of ₹10,500 lacs had been paid within six months from 5 January 2010 and an annual fee of ₹3 lacs, the company will have development rights for 30 years w.e.f. 1 January 2010. The civil work is going on and a sum of ₹12,698 lacs had been spent thereon excluding ₹10,500 lacs given as development fee. Further the Company has also undertaken new projects at three locations by acquiring the leased lands and further project execution works relating thereto are underway.

35 Comparatives

- Digital Ventures Private Limited has become subsidiary of the company from this financial year. This being the first year of consolidation the previous year figures are not applicable.
- Schedule VI to the Companies Act, 1956 is revised and has become effective from 1 April 2011. This has significantly impacted the disclosure and presentation made in the financial statements.



Consolidated Cash Flow Statement for the year ended 31 March 2012

	2012 ₹
A. Cash Flow from Operating Activities	
Net Profit/ (Loss) before tax	(274,489,115)
Adjustments for:	
Depreciation / Amortisation	30,205,273
Interest Income	(5,612,308)
Net gain on exchange difference	(72,028)
Interest expense	30,127,658
Provision for doubtful debts (net)	(3,780,963)
Loss on sale / discard of fixed assets	1,341,198
Operating Profit before Working Capital Changes	(222,280,285)
Adjustments for:	
Decrease / (Increase) in trade and other receivables	(141,698,602)
Decrease / (Increase) in inventories	(87,286,752)
Increase / (Decrease) in Trade and other payables	131,152,963
Cash Generated from Operations	(320,112,676)
Direct Taxes paid	(5,827,486)
Net Cash from Operating Activities (A)	(325,940,162)
B. Cash Flow from Investing Activities	
Purchase of fixed assets (including Capital Work in Progress)	(358,177,686)
Sale of fixed assets	42,608
Interest received	3,761,327
Investments in bank deposits (having original maturity of more than 12 months)	(7,070,508)
Net Cash from Investing Activities (B)	(361,444,259)
C. Cash Flow from Financing Activities	
Proceeds from Issue of Share capital	-
Proceeds from long-term borrowings	697,717,266
Proceeds from short-term borrowings	215,525,000
Repayment of short-term borrowings	(125,000,000)
Interest paid	(7,001,264)
Net Cash from Financing Activities (C)	781,241,002
Net Changes in Cash and Cash Equivalent (A+B+C)	93,856,581
Cash and Cash Equivalents at the beginning of the year	50,483,340
Cash and Cash Equivalents at the end of the period	144,339,921

- 1 Previous year's figures have been regrouped, recast wherever necessary.
- 2 Scheme of Amalgamation is not considered in the above cash flow statement, being non cash transaction.

Components of cash and cash equivalents

Cash in hand	128,594
Balance with Scheduled Banks in	
- Current Accounts	133,424,259
- Fixed Deposits	10,787,068
Total cash and cash equivalents	144,339,921

As per our attached report of even date

For and on behalf of the Board

For **MGB & Co.**

Chartered Accountants

Sanjay Kothari

Partner

Sumeet Mehta

Whole-time Director

Arun Kabra

Chief Financial Officer

Himanshu Mody

Chairman

Samir Raval

Company Secretary

Place: Mumbai

Date : May 16, 2012

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This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



ZEE LEARN LIMITED

Regd. Office: Continental Building, 135, Dr. Annie Besant Road, Worli, Mumbai 400018.

ATTENDANCE SLIP

(To be presented at the entrance)

I hereby record my presence at the Second Annual General Meeting of the Company held on Wednesday, August 8, 2012 at 11.00 a.m. at 'Hall of Culture', Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai 400 018.

Name of the Shareholder/Proxy (IN BLOCK LETTERS)

Signature of the Shareholder / Proxy

Reg. Folio No.

DP ID

Client ID No.

No. of Shares

Note : Please carry your copy of Annual Report at the Annual General Meeting



ZEE LEARN LIMITED

Regd. Office: Continental Building, 135, Dr. Annie Besant Road, Worli, Mumbai 400018.

PROXY FORM

I / We _____ of _____
_____ being a member / members of ZEE LEARN LIMITED hereby
appoint _____
of _____ or failing him/her
_____ of _____
_____ as my / our proxy to attend and vote for me / us and on my / our
behalf at the Second Annual General Meeting of the Company to be held on Wednesday, August 8, 2012 at 11.00 a.m. at
'Hall of Culture', Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai 400 018 and at any adjournment(s) thereof.

Signed this _____ day of _____, 2012.

Signature of shareholder

Reg. Folio No.

DP ID.

Client ID No.

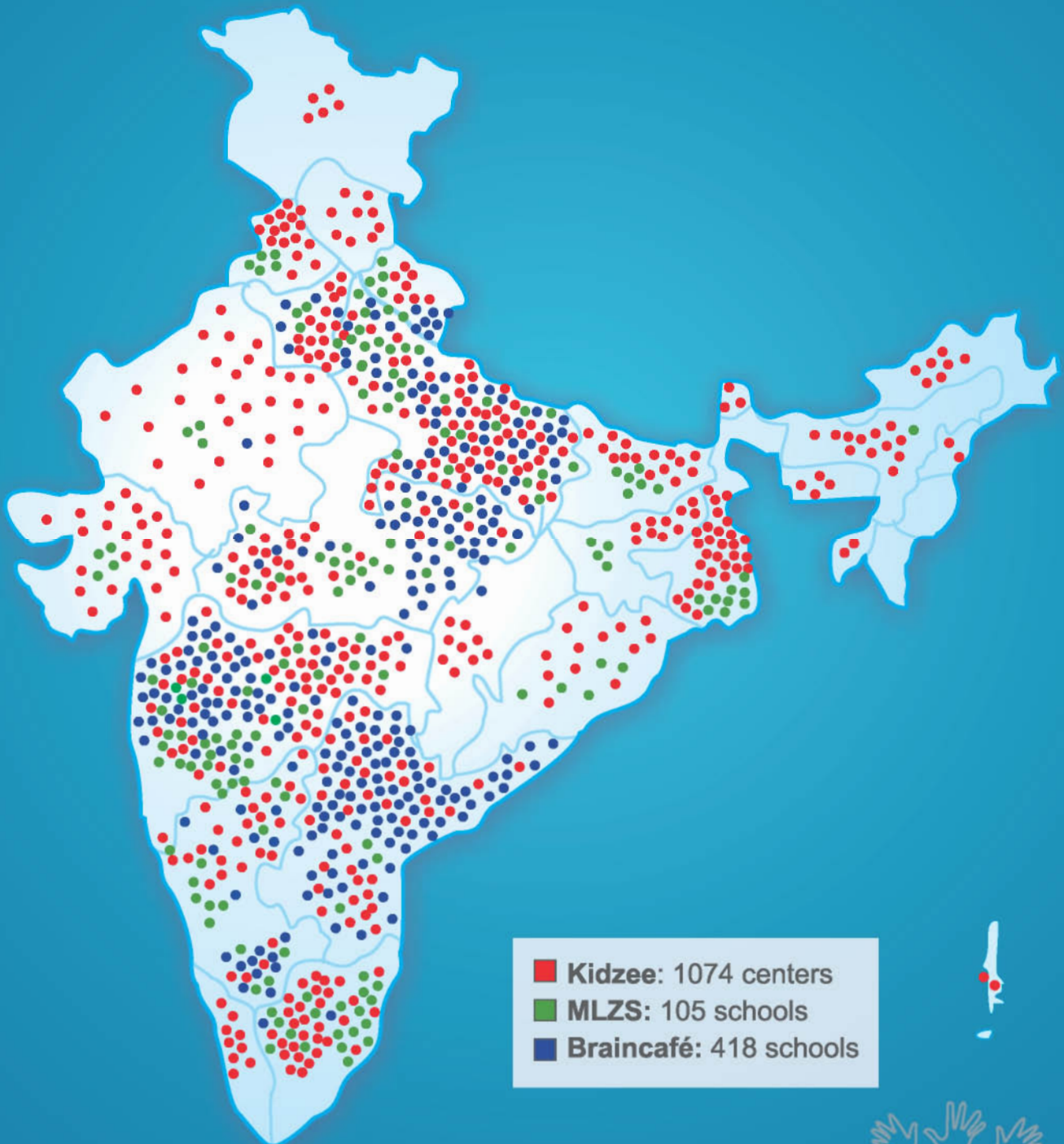
No. of Shares

**Affix ₹ 1/-
Revenue
Stamp**

Note : The Proxy completed in all respects must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.

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Zee Learn India



Kidzee: 1074 centers
MLZS: 105 schools
Braincafé: 418 schools





Zee Learn Limited

Registered Office

Continental Building, 135, Dr. Annie Besant Road, Worli, Mumbai - 400 018

Corporate Office

Level 6, Fun Republic, Off. New Link Road,
Andheri (West), Mumbai - 400 053.

www.zeelearn.com