



## TREE HOUSE EDUCATION & ACCESSORIES LIMITED

Annual Report 2012-13



### **Forward Looking Statements**

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

go online at [www.treehouseplaygroup.net](http://www.treehouseplaygroup.net)

# Synopsis

## Make learning a way of life

Tree House Education & Accessories Limited (Tree House) is a perfect haven for children taking their first step away from home. Our unique curriculum blends the best of Playway and Montessori methods to provide a perfect balance of education and fun.

We cater to the needs of each child in a customised way to help physical and intellectual growth. Besides, the ambience that we offer supports the emotional needs of children during their childhood and adolescence.

Our pan-India network of pre-schools imparts quality education to children. Our innovative teaching methods introduce them to formal education in the most conducive manner, which helps make learning a way of their life.

### Overview

- 02 About Tree House
- 06 Milestones
- 08 Chairman's communiqué
- 09 From the MD's desk
- 10 Courses offered
- 12 Parent testimonials
- 14 Financial highlights

### Strategic review

- 16 Make learning a way of life
- 18 Teaching methodologies
- 20 Tree House centres
- 21 Transition from pre-school to K-12
- 22 From school to society
- 24 Board of Directors

### Statutory reports

- 26 Notice
- 30 Management Discussion and Analysis
- 38 Directors' Report
- 44 Report on Corporate Governance

### Financial statements

- 62 Independent Auditors' Report
- 66 Balance Sheet
- 67 Statement of Profit and Loss
- 68 Cash Flow Statement
- 70 Significant Accounting Policies
- 73 Notes

# About Tree House

We, at Tree House Education & Accessories Limited are one of the leading educational services providers in India. We are among the pioneers in pre-school education. We are India's largest self-operated pre-school chain.



Preschool years are among the most formative periods of a child's life. Hence, it is extremely important to nurture them properly during such a tender age, so that they are prepared for the challenges ahead. Each Tree House centre provides an environment that is conducive to learning, very warm, safe and fun-filled. Tree House nurtures the children to help them develop their social, physical, emotional and cognitive skills.



**379**

Pre-schools



**34**

Teacher training centres



**300**

Self-operated pre-schools



**43**

Cities



**79**

Franchised pre-schools



**24**

K-12 schools



**1562**

Teachers

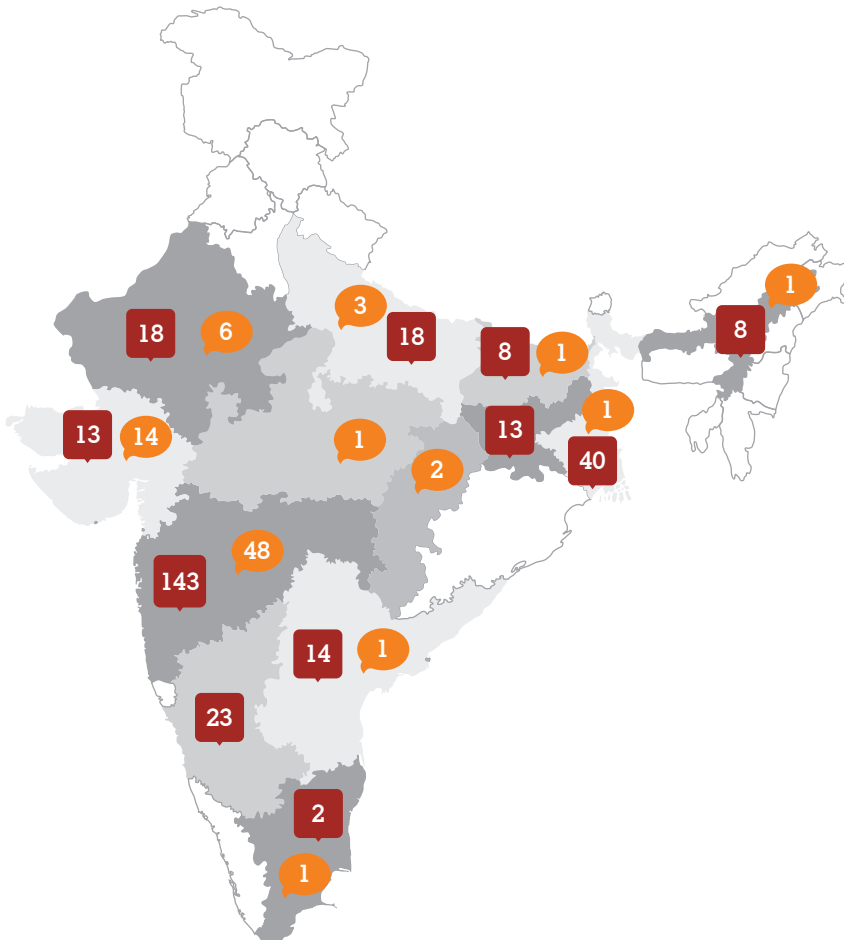
(as on March 31, 2013)



## Country-wide Presence

(as on March 31, 2013)

- 300** Pre-schools managed by Tree House
- 79** Pre-schools managed by Franchisees



# About Tree House



## Awards galore



### VCCircle Annual Awards

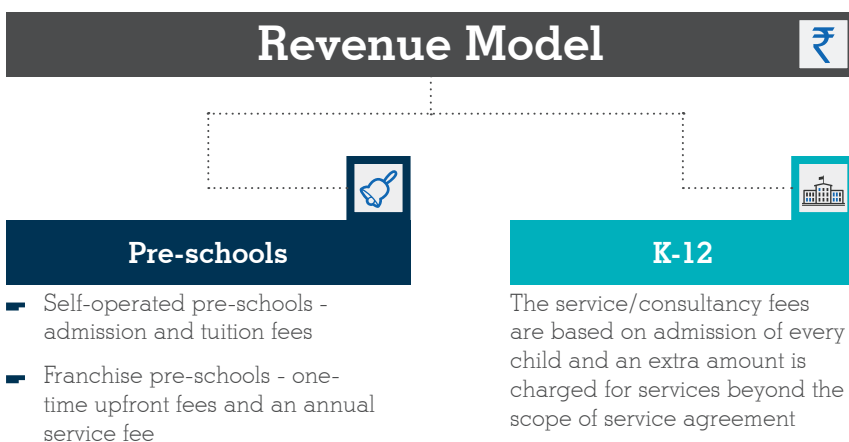
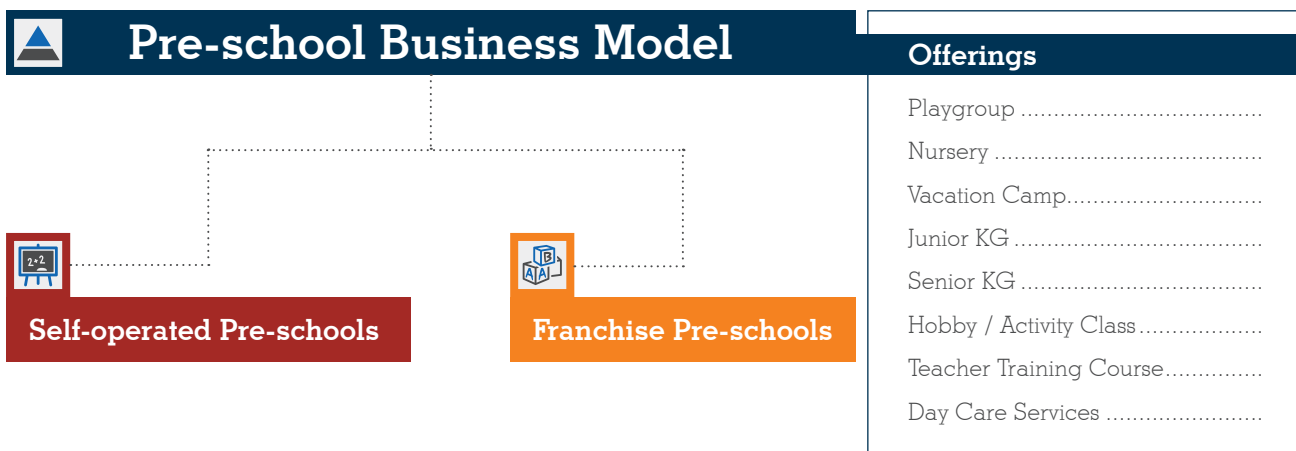
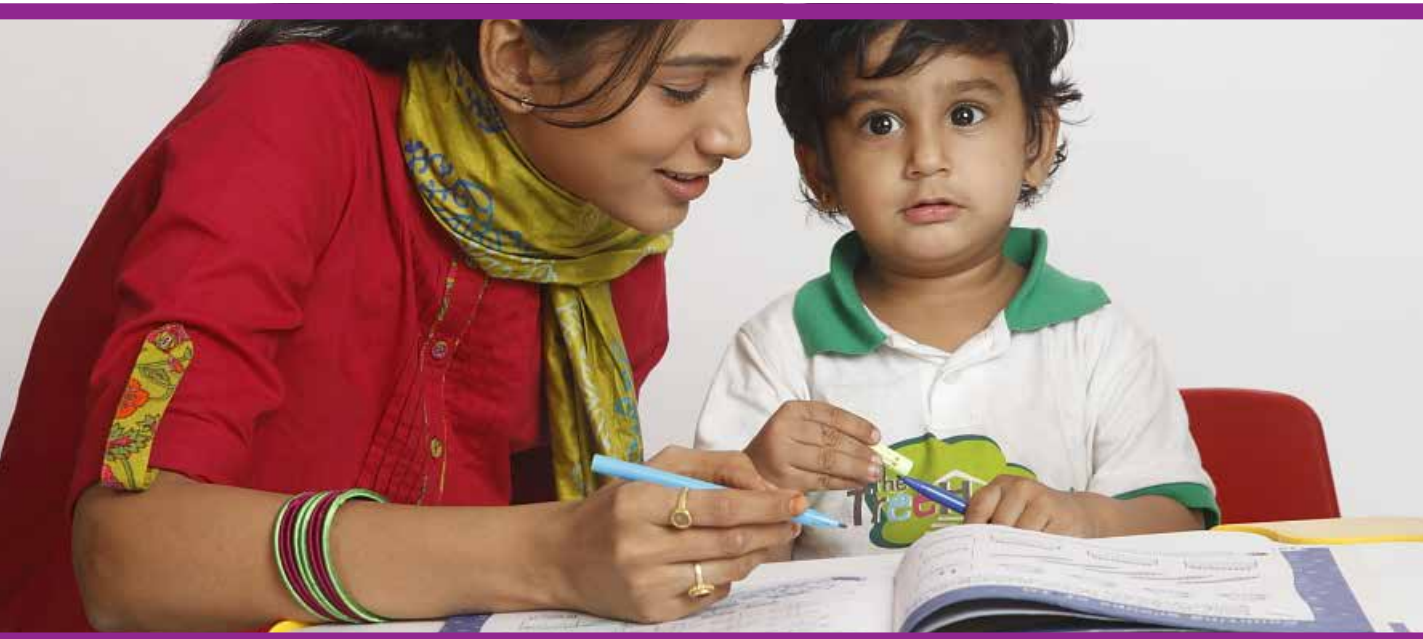
Tree House was conferred with the award for the Best PE/VC-backed Education Company in February 2013. These awards are bestowed to the most outstanding PE/VC-backed Indian companies, which not only recorded tremendous growth in their respective industries, but also had long-standing impacts on the economy and the industry in general.



### Fast Emerging Pre-school Brand in Western India

Tree House was conferred with an award for 'Fast Emerging Pre-school Brand in Western India' at the Education Excellence Summit held in April, 2013. The award was handed over to Tree House at the Brands Academy Education Excellence Award Ceremony.





# Milestones



Incorporated the first Tree House pre-school in Mumbai

2003



Established six more pre-schools

2006



Converted to a Private Limited Company

Launched the first franchisee pre-school

2007



Launched Teachers' Training programme

Received investments of ₹ 350 million from Matrix Partners India Investment Holdings, LLC

2008



Entered the K-12 segment and started Day Care Centres - 'Muskaan'

2009



Ranked among the 100 best small businesses in an annual survey conducted by Franchising World

Received a further investment of ₹ 150 million from Matrix Partners India Investment Holdings, LLC

2010



Converted to a Public Limited Company

Received an investment of ₹ 400 million [₹ 310 million from FC VI India Venture (Mauritius) Ltd. and ₹ 90 million from Matrix Partners India Investment Holdings, LLC.]

**2011**



Received an investment of ₹ 189 million [₹ 42 million from Matrix Partners India Investment Holdings, LLC; ₹ 14 million from FC VI India Venture (Mauritius) Ltd. and ₹ 133 million from ON Mauritius]

Completed Initial Public Offer of ₹ 1,121 million successfully in August 2011; the Company's shares were listed at National Stock Exchange and Bombay Stock Exchange accordingly

**2012**



Acquired pre-school business 'Global Champs' in September 2012

Received an investment of ₹ 411.81 million by issuing equity shares to ON Mauritius and to Aditya Birla Trustee Company on preferential basis

Issued warrants to the promoters, Mr. Rajesh Bhatia and Mrs. Geeta Bhatia jointly; each warrant is to be converted into equity shares aggregating to ₹ 400.68 million

Launched pre-schools for underprivileged children under the brand name 'Global Champs'

**2013**

# Chairman's communiqué



Sanjaya Kulkarni  
Chairman and Independent Director

“

**Our Pre-school business grew by 48% on a volume basis. Profit before tax grew by 54.73% to ₹ 48.87 crores and Profit after tax was ₹ 33.34 crores, growing at 53.87% during financial year 2012-13.**

”

## Dear Friends,

It gives me immense pleasure to present to you the 7th Annual Report of Tree House Education & Accessories Limited.

India's education sector is one of the largest in the world. During the last few years, several factors have propelled the growth of this sector significantly. The Government increased the budgetary allocation towards the sector. Besides, rising urbanisation, increasing awareness about education among the masses, booming investments from the private sector and others are likely to drive the sector forward.

The education sector in India has two major segments – core and non-core. While the core sector comprises regular schools and colleges, the supplementary educational sector consists of vocational training and coaching classes. The concept of pre-school is gaining immense popularity in recent times. This growth is driven by increasing awareness about the fact that the first few years play a vital role in shaping around 40% of a child's ability. The relevance of Tree House lies here. It endeavours to provide quality education at affordable rates to the children in India, thereby helping the growth of the nation.

During the financial year 2012-13, despite an increasingly challenging economic environment, we continued to deliver strong growth-oriented performance. We built further on our network of pre-schools across the country and improved on the good performance over the last financial year. We delivered on our goals and strengthened our position as the leader in our sector.

Our pre-school business grew by 48% on a volume basis. Profit before tax grew by 54.73% to ₹ 48.87 crores and Profit after tax was ₹ 33.34 crores, growing at 53.87% during the financial year 2012-13. The outlook for next few years looks promising and your Company is focused on meeting its growth aspirations. The Credit for this excellent performance should go to all our employees who put in their best efforts to meet requirements. A distinguishing aspect of your Company for FY 2012-13 was our ability to quickly align to 'Being Local' in each of the states and cities we operate.

We are also constantly innovating our delivery methods, making additions to students' kits and ensuring that we have the best curriculum, which is in line with international standards. We continue to work hard to ensure that we are the 'Best-in-Class' in the pre-schools sector in India.

As a precursor to good future tidings and to thank our shareholders, we are proposing a 12.5% dividend for FY 2012-13. We are thankful for your support and guidance in taking the Company to new heights.

I would also like to take this opportunity to thank our shareholders for reposing their faith and belief in us.

Regards,

Sanjaya Kulkarni  
Chairman and Independent Director

# From the MD's desk



Rajesh Bhatia  
Managing Director

“  
**At Tree House,  
we have always  
believed in providing  
children with the  
best education and  
make learning a way  
of life for them.**  
”

## Dear Shareholders,

We, at Tree House, have been recognised as India's leading self-operated branded pre-school chain. We have constantly helped children build a strong base in the formative years of their lives. This strong base shall be a stepping stone for their success. We have constantly looked at improving the quality of education provided to pre-schoolers and have always created benchmarks for the industry. The resultant impact is higher growth and profits as compared to our peers.

We are glad to have posted another year of strong performance across all the financial parameters, which were largely in line with the Company's corporate strategies. These strategies have translated into multiple growth drivers for us. The performance is even more encouraging when viewed against the backdrop of an extremely challenging business environment. We have achieved the growth on the back of a continued economic slowdown, inflationary pressures and tight liquidity conditions.

The net turnover of Tree House surged by 48% to touch ₹ 114.28 crores from ₹ 77.21 crores in the previous year. The EBITDA for the year under review increased from ₹ 45.88 crores to ₹ 68.87 crores, translating into a growth of 50.1%. We were able to sustain our growth momentum, which is reflected in EBITDA margins, recorded at 56.76%. PAT increased from ₹ 21.66 crores to ₹ 33.34 crores, recording an increase of 53.9% Y-o-Y.

At Tree House, we have always believed in providing children with the best education and make learning a way of life for them. In consonance with the corporate philosophies of catering to the underprivileged sections of the society, we have opened schools under the brand 'Global Champs'. These schools offer education to underprivileged children at an economical price point. Tree House, thus, wishes to cover as many lives as possible and breed future leaders.

I would like to take this opportunity to thank the parents, teachers, employees, vendors and shareholders who have contributed to the success of the ever-growing brand Tree House in making it what it is today.

Regards,

Rajesh Bhatia  
Managing Director

# Courses offered



## Name of the course

## Age group



### Playgroup

Playgroup is the first step in pre-school and we are committed to make this very first transition away from home easy and natural for the children.

1 ½ years to 2 ½ years



### Nursery

Nursery is a smooth transition to formal school and it prepares the children for a lifetime of learning in a nurturing environment.

2 ½ years to 3 ½ years



### Junior KG

Junior KG prepares children as they get older, and helps them explore and communicate in class settings.

3 ½ years to 4 ½ years



### Senior KG

Senior KG prepares children for formal education. It helps them develop interpersonal skills, making them increasingly independent. It also helps them be ready to face new challenges and experience a new life ahead.

4 ½ years to 5 ½ years



### Hobby/Activity Class

We offer hobby/activity classes at select centres.

3 years to 8 years



### Teacher Training Course

18 Year Onwards



### Day Care Services

3 years onwards



## Skills and focus areas

Every day is filled with fun activities and everything is designed to educate. Along with Value Education, children learn and acquire skills in:

■ Language ■ Math ■ Gross and fine motor ■ Social ■ Emotional ■ Cognitive ■ Aesthetic/Creative

### Focus Areas

■ Communicating with others ■ Building cognitive power ■ Making new friends ■ Nurturing creativity

Nursery Programme is designed to help children prepare for higher schooling by teaching letters, math concepts and valuable social skills. Everything is designed for pre-kindergarten learning. Along with Value Education, children learn and acquire skills in:

■ Language writing and reading readiness ■ Math ■ Gross and fine motor ■ Social ■ Emotional ■ Environmental studies  
■ Cognitive - conceptual, mathematical, sensory and general knowledge ■ Aesthetic/Creative

### Focus Areas To help the children:

■ Communicate with others ■ Building cognitive power ■ Make new friends ■ Nurture creativity

With Value Education, children learn and acquire skills in:

■ Language - developing sight-reading; writing in different cases ■ Math – number value systems ■ General knowledge ■ Environment studies ■ Science ■ Hindi ■ Social ■ Emotional ■ Cognitive ■ Aesthetic/Creative expression

### Focus Areas

■ To equip children with the right skills to facilitate smooth transition to formal school

The programme aims to develop complex co-ordinating skills and encourage engagement with peers. Along with Value Education, children begin to explore new areas and acquire skills in:

■ Language - Writing Skills ■ Math ■ General knowledge ■ Environment studies ■ Science ■ Hindi ■ Social ■ Emotional ■ Cognitive  
■ Aesthetic/Creative expression

### Focus Areas

■ The programme introduces new themes and concepts every month, while carefully guiding children towards entering the higher classes

This programme is introduced to provide maximum positive stimulation for mental, physical, emotional and social growth of a child.

### Focus Areas

■ Art and drawing ■ Craft ■ Dramatics ■ Dance ■ Skills development through project work ■ Culture development activities

Tree House also offers Teacher Training classes at select centres. These are conducted and managed by professionals.

### Aim

To create qualified and certified pre-school teachers

We offer day care services at select centres. Children get an opportunity to grow in an enriching environment, which boosts their self esteem and makes them ready for the future.

# Parent testimonials

1

"My elder son Jacob has been a member of Tree House since he was two and a half, in 2010, in Mumbai.

More than external factors, I was more concerned with how productive a curriculum my kids would be offered. We were delighted by the curriculum content offered by the school. We got used to the excellent workbooks and facilities that Tree House offers.

After we left Mumbai for Pune, I decided to admit my children into the new branch of Tree House High School in Pashan Sus, Pune. Though new, I have no doubt that the requirements of my kids will be taken care of properly. I am also delighted to find that the operations are handled by people, who have proper knowledge about the procedures."

- Proud mother of Jacob and Thomas Korah, *students of Tree House Play School, Malwani, Malad*

2

"We were apprehensive of sending our daughter to any playgroup school at a tender age of three years. We thought it would be a significant burden on the child to begin with. Having said so, we still registered her at Tree House (Wadala Branch); primarily due to the fact that this is closest to our house and because it has a high reputation in terms of teaching. Well, we were not disappointed at all.

A lot of its social gatherings, ability and patience of the teachers and last but not the least, the helpers (aayaas) have brought in tremendous change in my daughter. She has demonstrated excellent positive skills. She has started liking to do things creatively. Besides, she is also being social and participatory at public and personal functions. Another significant fact is that, being a team player and not being shy has helped her secure admission in one of the best schools in town.

At Tree House, every teacher dedicates her time to each and every child. This was quite evident during annual day functions, fancy dress, parent-teacher meetings and other activities. Earlier, my daughter did not like to leave the house. The school has brought in a significant change in her behaviour. It has only been a few days since she has started going there, and she is already showing interest and excitement to go to school.

Tree House has lived up to its expectations and performance and it is certainly a place I would recommend others wholeheartedly. It can have a positive and welcome change in every child's life, making them competent to face their primary education."

- Proud parent from Wadala Centre of *Tree House Play School and Nursery*

## 3

"Our Daughter is a student in the Nursery batch of Tree House's Prahlad Nagar Branch, Ahmedabad.

As parents, we would like to thank everyone at Tree House generously for her wonderful experience at the school during the past two years. When we ask our daughter to share her experience at Tree House, all she says is "I enjoy being there".

But trust us, the word "Enjoy" in her statement means a lot. For a child in the age group of three to four years, the most comfortable environment is with her own family. Preschool is probably the first environment, where she is away from the family. And when a child enjoys that experience, the credit goes to the teachers. It is their efforts and hard work that have made the experience of our child a wonderful one.

Apart from teachers, there must be so many things, which help to shape the overall experience of the child at a pre-school. For instance, the activities, the kind of interaction, the books, the caretakers, the overall ambience and the involvement of mentors and others play a significant role. We would like to say that Tree House has taken a lot of care in these factors and we are thankful for everything."

- Proud parent from Prahlad Nagar- Ahmedabad Centre of Tree House Play School and Nursery

## 4

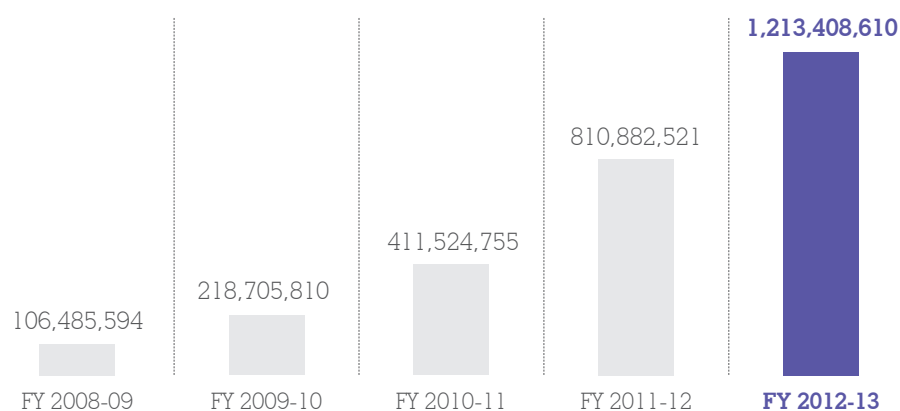
"I would like to express my heartfelt thanks and gratitude to the Centre Head of Mulund (East) Tree House. Our son was a student of Tree House in Junior KG, Batch - 2012. He was very slow in writing and learning. However, after joining Tree House, he has made excellent progress. Thanks for helping my son shape-up so well.

The Centre Head at Tree House always encouraged and motivated our son. He was given equal opportunity in participating in various activities. In addition, the school is well maintained with good and hardworking staff. I appreciate their dedication and sincerity towards managing everything so well. We have moved to Abu Dhabi, UAE. After moving here, we miss being in Tree House."

- Parent from Mulund (East) Centre of Tree House Play School and Nursery

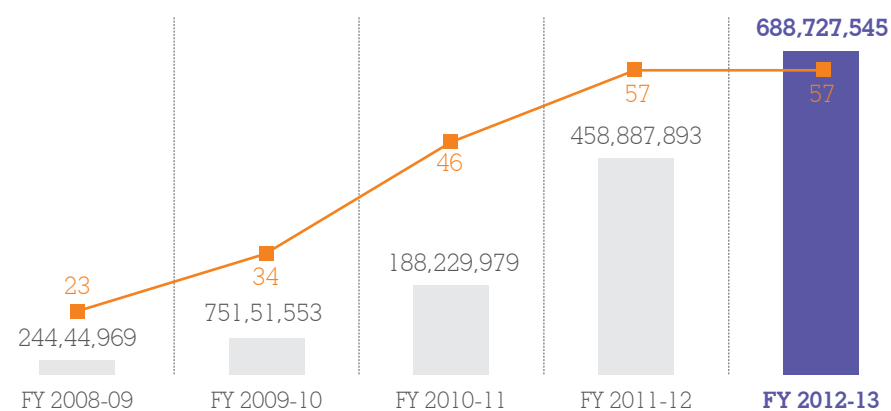
# Financial highlights

## Revenues (₹)



## EBITDA (₹) EBITDA Margin (%)

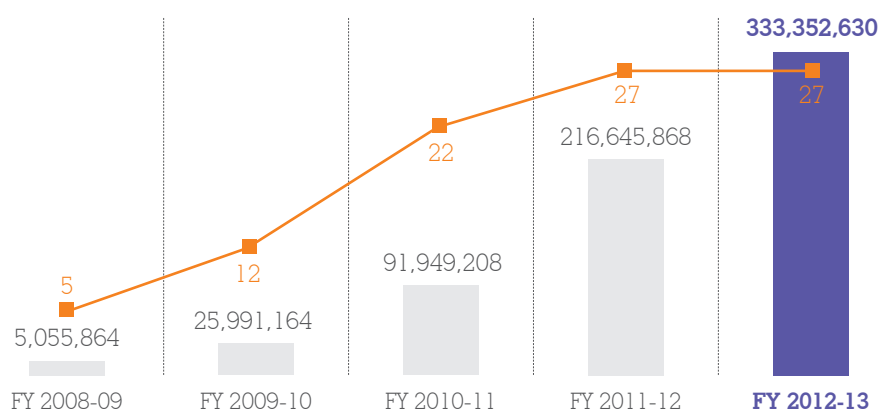
EBITDA  
 EBITDA Margin



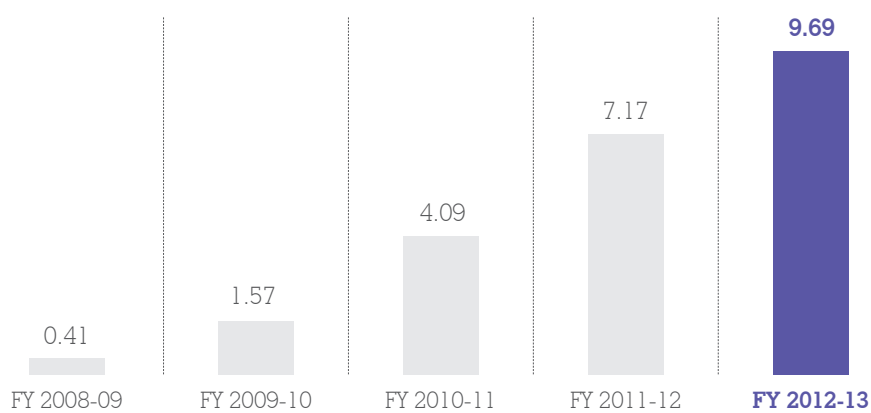
## Profit After Tax (PAT) (₹) PAT Margin (%)

Profit After Tax (PAT)

PAT Margin



## Earnings per share (₹)





# Make learning a way of life

**At Tree House, we strive to offer the very best in pre-school education. We recognise that quality education comes through a comprehensive learning environment, standardised, innovative and customised teaching methods, qualified and experienced teachers, and a balanced curriculum.**



## Curriculum

We believe that curriculum plays a vital role in every pre-school activity — right from interactions to singing and playing. We never miss an opportunity to impart the right education, which will help children get ready to face future challenges. We have the best-in-class curriculum, which has been designed in-house. The curriculum has been planned using a combination of Playway and Montessori methods and balances learning and fun. It helps to support the children in their continued social, emotional, physical and cognitive growth and development.



### Pre-school teaching

At Tree House, we have always believed that aspirants need to go through special training to teach children. Teachers should be thoroughly trained for providing Early Childhood Education that children require. We hire trained teachers who nurture children with passion and dedication. They are selected on the basis of academic credentials and specialisation. They are then familiarised with new techniques of imparting education. We also maintain a healthy teacher-student ratio of 1:14 to ensure that every child gets individual attention.



### Corporate excellence

We believe in maintaining corporate standards of excellence in all our operations. We invest our resources to create an exceptional experience, which prepares the children for success and imbibes a love for learning. The experience, coupled with an affordable fee-structure, provides double-delight for parents.



# Teaching methodologies

**We blend learning and fun in our teaching methodologies and use state-of-the-art technologies to engage children in studies.**



## Flexible learning experience

We understand that each child is unique. Their understanding and rate of development also differ. Therefore, our curriculum provides a framework for highly individualised and flexible learning experiences through methods that encourage students to strive harder and perform better.



## Life skills and value education

Each curriculum-based activity is planned with a specific lesson or outcome in mind. Along with academics, we impart Life Skills and Value Education in children. Hence, the lessons that we provide go beyond the boundaries of reading, writing and arithmetic.



### Extra-curricular activities and building interest in art and crafts

Each child at Tree House is imparted academic lessons, along with necessary extra-curricular activities. Playing with toys, listening to music and interacting with other children help to develop motor skills and teaches lessons in sharing.

Socio-dramatic plays, creative crafts and celebration of festivals instill an interest in arts, while helping them bond socially.



### Imparting education through standardised and innovative methods

Our Tree House pre-schools provide standardised and innovative methods of teaching. We take up the challenge of keeping children happy and engaged in learning by using a new approach towards teaching. We also integrate state-of-the-art technology-based curriculum to make study interesting. We use various kinds of technological resources, such as interactive whiteboards, applications and others that help to engage the children in studies by playing educational videos and audios.



# Tree House centres

Each of our centres is equipped with innovative development programmes that help children discover the fun that learning has in store. The programmes guide them towards making new friends and building strong relationships. All Tree House centres are airy, spacious and operate under stringent hygiene norms. This helps to create an environment, which encourages learning. We understand that during these formative years of a child's life, the factors offered by us will act as stepping stones towards building

their success and help them move forward in lives.

Our centres are located in many cities across the country. This pan-India presence ensures easy and hassle-free transfers for students moving from one place to another. We primarily focus on a self-operated business model that ensures that a high quality of education is maintained across centres. This also ensures enhanced safety, hygiene and higher corporate standards of excellence.

300

**No. of self-operated  
pre-schools**



# Transition from pre-school to K-12

We cater to the pre-school as well as the K-12 segments and represent a student's journey from the preparatory stage into proper education. We strive to foster holistic personality among the students by developing and enhancing intellectual, psychological, social-emotional as well as physical skills. We try to imbibe in them the abilities that help to prepare them for both their personal and private life.

The educational services provided under the spectrum of K-12 operations have been discussed below.

- Customised Learning Resource Materials, which strive to make Audio Visual aids function as an integral part of the education programme, are developed in-house. This helps to promote student involvement and enriches the experiences of the teachers by creating a concrete and result-oriented curriculum.
- We also offer facilities/services for self-improvement through continuous training programmes.
- Our curriculum ensures optimum utilisation of infrastructural and educational resources.
- We train the employees to effectively manage K-12 schools.
- We organise extra-curricular activities for students.
- We apply a holistic approach towards education by integrating resources and adopting innovative technologies to enhance learning and student engagement.



# From school to society

**At Tree House, our social commitment is ingrained at the core of all activities. For a decade, Tree House has touched and improved children's lives by nurturing them. This commitment extends even to the underprivileged. Our teaching methods and our brands are our greatest assets. Together, they are a tremendous force that can impact the education sector significantly. We wish to impart this experience of education and empower the children through our unique brand benefits.**



## Global Champs

In view of imparting quality education to underprivileged children, Tree House acquired the Global Champs brand. The Company has already launched many pre-schools in this sector. Global Champs is a self-sustainable model, which is aimed at creating a positive impact on the long-term well-being of children.



### Women empowerment

At Tree House, we strive to empower women to face the challenges. We impart training for various pan-organisational positions and recruit them. Our policies ensure that we not only hire good teachers, but also impart them with skills, which can take them to the next level of management. Through our Teacher Training Course, we wish to fulfil their dream of becoming qualified teachers, self-dependent in their own right.



### Encouraging women entrepreneurship

We also assist women to start their businesses and become financially self-sufficient. Over the years, we have given Tree House franchisee to many women, in turn making them financially independent.

**98%**

**of the talent pool  
comprises women**

# Board of Directors

## Mr. Sanjaya Kulkarni

Chairman and Independent Director



### Education

- MBA from the Indian Institute of Management, Ahmedabad
- Bachelor of Technology from the Indian Institute of Technology (I.I.T.), Mumbai



### Experience

- Rich experience of over 30 years in the field of financial services

## Mr. Rajesh Bhatia

Managing Director



### Education

- Bachelor of Engineering from MS University, Baroda and MBA from Pune University



### Association with Tree House

- Associated with the Company since its incorporation



### Experience

- Experience of ten years in the field of education
- Oversees the organisation's day-to-day operations

## Mr. Vishal Shah

Executive Director



### Education

- MMS from Narsee Monjee Institute of Management Studies
- Bachelor of Commerce from Mumbai University



### Association with Tree House

- Associated with the Company since its incorporation



### Key role

- Overseeing marketing
- Setting up of new centres
- Identifying properties for expansions
- Supervising procurement initiatives

## Mrs. Geeta Bhatia

Non-Executive Director



### Education

- Bachelor of Commerce Degree from Mumbai University



### Experience

- Eight years of experience in the education industry



### Association with Tree House

- Associated with the Company since its incorporation



### Awards

- Felicitated with an award of merit for Montessori education by the Indian Council of Management Executives

## Mr. T. S. Sarangpani

Independent Director



### Education

- Bachelor of Engineering and MBA from the University of Madras



### Experience

- Over three decades-rich experience in the financial service industry

## Mr. Parantap Dave

Independent Director



### Education

- Qualified Chartered Accountant



### Experience

- Over 25 years of experience in the field of finance, banking, accounts, audit, taxation and general management

## Mr. Ashu Garg

Nominee Director



### Education

- MBA from the Indian Institute of Management, Bangalore
- Bachelor of Technology from the Indian Institute of Technology, Delhi



### Other ventures

- Venture partner of Foundation Capital

## Mr. Rishi Navani

Nominee Director



### Education

- MBA from the Wharton School of the University of Pennsylvania
- Bachelor of Arts from North-western University



### Experience

- Over a decade's experience of investing in the Indian capital markets



### Other ventures

- Co-founder and Managing Director of Matrix India Asset Advisors Private Limited

## Mr. Jayant Sinha

Non-Executive Director



### Education

- MS in Energy Management and Policy from the University of Pennsylvania
- MBA from Harvard University
- B.Tech in Chemical Engineering from IIT - Delhi



### Experience

- Over 20 years of experience in investing and strategy consulting
- Over a decade of experience with McKinsey & Company as a partner in their Boston and Delhi offices

## Statutory reports

- 26 Notice
- 30 Management Discussion and Analysis
- 38 Directors' Report
- 44 Report on Corporate Governance

## Financial statements

- 62 Independent Auditors' Report
- 66 Balance Sheet
- 67 Statement of Profit and Loss
- 68 Cash Flow Statement
- 70 Significant Accounting Policies
- 73 Notes



# Notice

NOTICE IS HEREBY GIVEN THAT THE SEVENTH ANNUAL GENERAL MEETING ("AGM") OF THE MEMBERS OF TREE HOUSE EDUCATION & ACCESSORIES LIMITED WILL BE HELD ON SATURDAY, SEPTEMBER 07, 2013 AT 10.00 A.M. AT MAYOR HALL, ALL INDIA INSTITUTE OF LOCAL SELF GOVERNMENT, STHANIKRAJ BHAVAN, C.D. BARFIWALA MARG, JUHU LANE, ANDHERI(W), MUMBAI – 400 058, MAHARASHTRA, INDIA, TO TRANSACT THE FOLLOWING BUSINESS:-

## ORDINARY BUSINESS

### Item no. 1 – Adoption of accounts

To receive, consider and adopt the Audited Balance Sheet as at March 31, 2013, the Profit and Loss Account for the year ended on that date and the Report of the Directors and the Auditors thereon.

### Item no. 2 – Declaration of Dividend

To declare a final dividend on Equity Shares for the financial year ended March 31, 2013

### Item no. 3 – Re-appointment of Mr. T.S. Sarangpani

To appoint a Director in place of Mr. T.S. Sarangpani, who retires by rotation and being eligible, offers himself for re-appointment.

### Item no. 4 – Re-appointment of Mrs. Geeta Bhatia

To appoint a Director in place of Mrs. Geeta Bhatia, who retires by rotation and being eligible, offers herself for re-appointment.

**Item no. 5 – Appointment of Auditors**

To appoint M/s Jogish Mehta & Co. Chartered Accountants, Mumbai as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration for the financial year ending March 31, 2014.

By order of the Board of Directors of  
For **Tree House Education & Accessories Limited**

Sd/-

**Deepali Hanchate**  
Company Secretary

**Place:** Mumbai  
**Date:** August 01, 2013

## NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THAT THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The instrument appointing the proxy must be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
3. Members / proxies should bring duly filled Attendance Slips attached herewith to attend the meeting.
4. The Register of Directors' Shareholding, maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the members at the AGM.
5. The Register of Contracts, maintained under Section 301 of the Companies Act, 1956, will be available for inspection by the members at the registered office of the Company.
6. The Register of Members and Share Transfer Books will remain closed from August 31, 2013 to September 07, 2013 (both days inclusive).
7. The dividend on equity shares as recommended by the Board of Directors, if declared at the Annual General Meeting, will be processed on or after September 08, 2013 to all those members in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of business hours on August 30, 2013. In respect of shares held in electronic form, the dividend will be paid to the beneficial owners of the shares as on beginning of August 31, 2013 as per details that may be provided by the Depositories for this purpose.
8. Members whose shareholding is in the electronic mode may note that vide circular dated March 21, 2013, SEBI has mandated all listed Companies to use electronic mode of payments such as LECS/RECS/NECS/NEFT etc. for making payment of dividend and other cash payments to investors, wherever possible. Therefore, Members are requested to direct change of address notifications and updates of savings bank account details to their respective depository participants or to the Registrar and Transfer Agent of our Company. Members are encouraged to utilise the Electronic Clearing System (ECS) for receiving dividends.
9. Members are requested to address all correspondence, including dividend matters, to the Registrar and Share Transfer Agents, Link Intime India Private Limited, C-13, Pannalal Silk Mill Compnd., Bhandup (West), Mumbai – 400 078.
10. Members are requested to note that dividends not encashed or claimed within seven years from the date of dividend declared from the Company's Unpaid Dividend Account. The said unpaid dividend as per Section 205A of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.

Therefore Members who have not yet claimed their Dividend, for the year ended March 31, 2012 are requested to contact the Registrar & Share Transfer Agent of our Company.

It may be noted that once the unclaimed dividend is transferred to the Fund, as above, no claim shall lie in respect thereof against the Company or the Fund.

By order of the Board of Directors of  
For **Tree House Education & Accessories Limited**

Sd/-

**Deepali Hanchate**  
Company Secretary

**Place:** Mumbai  
**Date:** August 01, 2013

## INFORMATION OF DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT PURSUANT TO CLAUSE 49 (IV) (G) (i) OF THE LISTING AGREEMENT

### Mr. T.S. Sarangpani

Mr. T.S. Sarangpani is an independent Director of our Company. He holds a bachelor of engineering degree and masters of business administration from the University of Madras. Mr. Sarangpani has approximately 32 years of experience in the financial services industry. He started his career with ICICI Bank Limited. After spending seven years with them in the project finance area, he moved to the manufacturing industry where he worked at International Instruments, Bangalore and Nuchem Plastics, New Delhi. Since 1990, Mr. Sarangpani was associated with the financial services industry in areas such as venture capital, setting funds for international investors and investing in India and investment banking with emphasis in corporate finance. During this period, he was associated with the 20th Century Venture Capital; TAIB Bank in Bahrain, West Merchant Bank at London, and WestLB, a Germany based commercial bank.

Currently he is Director in our Company only.

### MRS. GEETA BHATIA

Mrs. Geeta Bhatia is a non-executive Director of our Company. She holds a bachelor of commerce degree from Mumbai University. Mrs. Bhatia has approximately seven years of experience in the education industry. She has been awarded order of merit for Montessori education and has been honored by the Indian Council of Management Executives, Mumbai as a samajshri in recognition of services rendered to the public.

### Other Directorship of Mrs. Geeta Bhatia is as follows

Name of the Firm / Company	Nature of Interest
Rage Shares & Stock Private Limited	Director
JT Infrastructure Private Limited	Director
Khemi Investments & Consultancy Private Limited	Director
Madhav Education & Research Institute India Private Limited	Director



# Management Discussion and Analysis

Indian education sector is the third largest in the world. It has an extensive network of more than 1.3 million schools and 30,000 higher education institutes.

## INDIAN ECONOMIC SCENARIO

The world continued to be beset by economic challenges in 2012. The Eurozone was plagued by debt crisis, even as the US fiscal cliff loomed threateningly. The headwinds emanating from Europe and the US made it challenging for developing economies to grow at a fast rate. India registered its lowest rate of GDP growth at 5% in 2012-13, in a decade. This was in the wake of global economic volatilities and domestic issues that include high inflation, rising fiscal deficit and policy inertia. The impact was witnessed across all the sectors. The service sector showed a decline to 6.6% in 2012-13. However, a rise in per capita income has been seen as an aspect, which will boost the spending power of individuals. With this positivity of economy, there is a hope for various industrial sectors to grow.

### Exhibit: 1 India's GDP Growth Trend

Year	GDP (%)
2009-10	8.6
2010-11	9.3
2011-12	6.2
2012-13	5
2013-14 (f)	6.4

(Source: CSO and PMEAC)

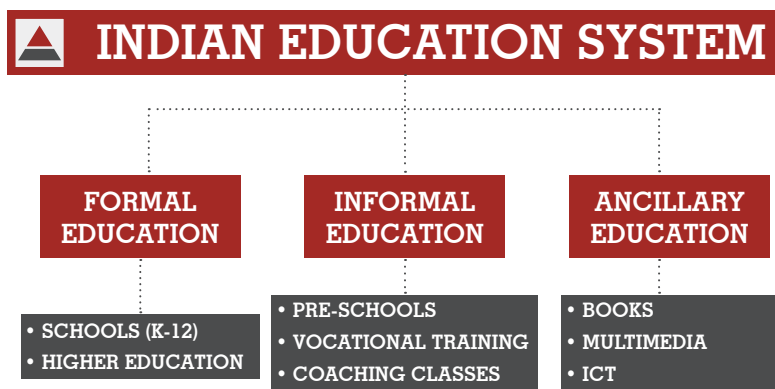
## INDIAN EDUCATION SECTOR

Indian education sector is the third largest in the world. It has an extensive network of more than 1.3 million schools and 30,000 higher education institutes. It comprises two groups i.e., core group and non-core group. The core group comprises schools and higher education whereas non-core counterpart comprises pre-schools, vocational training and coaching classes. The Indian education sector grew by 15% Y-o-Y. The market is currently worth US\$ 85 billion and it is expected to reach US\$ 110 billion by



2015. According to the FY 2013-14 budget, the Government has allocated ₹ 65,867 Crore towards the sector, which is 17% more than the previous year.

## STRUCTURE OF THE INDIAN EDUCATION SYSTEM



**Formal education** – This includes K-12 and higher education and is provided in school or institution, which helps in getting a degree or diploma certificate.

**Informal education** - This learning takes place parallel to the learning in school. It can be provided by enrolling children in private institutions where they can learn extracurricular activities like dance, drama, music, sports and others.

**Ancillary education** – This segment constitutes to be the second largest to the education sector in India. At present, it is valued at USD 15 billion and is expected to reach USD 40 billion by 2020 at a CAGR of 15%. There are various products and services whose objectives are to improve the learning experience and provide advanced academic outcomes.

**Exhibit: 2 Regulatory framework of India's education**

	K-12	Higher education	Professional education	Vocational training	Skill development	Support services
<b>Comprises</b>	<ul style="list-style-type: none"> <li>Schools</li> <li>Affiliated to an Indian board</li> <li>Affiliated to an international board (IB)</li> </ul>	<ul style="list-style-type: none"> <li>University</li> <li>College</li> <li>Distance education</li> <li>Research</li> </ul>	<ul style="list-style-type: none"> <li>Technical education</li> <li>Professional courses</li> </ul>	<ul style="list-style-type: none"> <li>ITIs, ITCs</li> <li>Private vocational colleges and unregulated vocational courses</li> </ul>	<ul style="list-style-type: none"> <li>Unregulated vocational courses (languages, training, finishing school)</li> </ul>	<ul style="list-style-type: none"> <li>Tutoring</li> <li>Course content</li> <li>Multimedia</li> <li>Test preparations</li> <li>Infrastructure books</li> </ul>
<b>Regulatory control</b>	<ul style="list-style-type: none"> <li>Central and State governments</li> <li>Affiliating board (CBSE/ICSE and so on)</li> </ul>	<ul style="list-style-type: none"> <li>UCC</li> <li>AICTE</li> <li>State laws</li> </ul>	<ul style="list-style-type: none"> <li>AICTE</li> <li>Statutory authorities *BCI, MCI, NCI, DCI, DGCA etc.)</li> </ul>	<ul style="list-style-type: none"> <li>DGET</li> <li>Various ministries / dept of vocational education</li> </ul>	Not regulated	Not regulated
<b>Choice of entity</b>	<ul style="list-style-type: none"> <li>CBSE - society/trust/ Section 25</li> <li>ICSE - society / trust/ Section 25</li> <li>IB-subject to state laws</li> </ul>	<ul style="list-style-type: none"> <li>Society</li> <li>Trust</li> <li>Section 25</li> </ul>	<ul style="list-style-type: none"> <li>Society / trust / Section 25</li> <li>(AICTE &amp; MCI recently allowed companies)</li> </ul>	<ul style="list-style-type: none"> <li>Typically society trust if regulated</li> <li>Unregulated in certain trades</li> </ul>	Not regulated	Not regulated
<b>Some additional conditions</b>	<ul style="list-style-type: none"> <li>Minimum land requirements</li> </ul>	<ul style="list-style-type: none"> <li>Minimum infrastructure requirements</li> <li>Fee regulation</li> </ul>	<ul style="list-style-type: none"> <li>Minimum infrastructure requirements</li> <li>Fee may be regulated</li> </ul>	<ul style="list-style-type: none"> <li>Minimum infrastructure requirements</li> </ul>	None	None

(Source: CII November 2012)

The Government has set a student enrolment target of 35.9 million students by the end of the Twelfth Plan Period i.e. 2012-2017.

The literacy rate is a key driver of India's economic growth. In India, it is at 74%, which is almost six times higher than the literacy during the time of independence. However, India is still much below the world average literacy rate of 84% (Source: Technopak analysis).

**Exhibit: 3 Number of people under each level of education**

Level of Education	Population, mn
<b>Illiterate</b>	432
Eligible Illiterate	274
Children in the age group of 0 - 6 years	158
<b>Literate</b>	778
School - up to 5th standard	234
School - up to 6th to 9th standard	358
School - up to 10th to 12th standard	108
Graduate and above	78
<b>Total</b>	1210

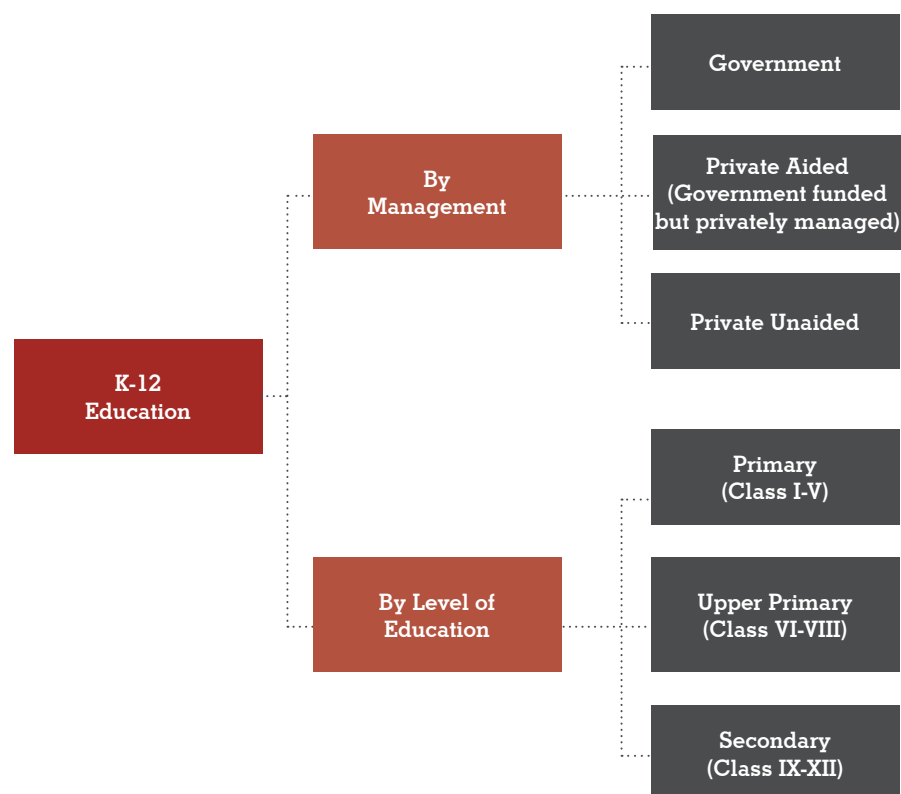
(Source: Technopak analysis)

**INDIA'S K-12 SYSTEM**

The enrolment in K-12 is expected to grow to 351 million by 2018. This will lead to additional seats of 34 million (Source: Technopak).

K-12 share in total enrolment is poised to increase to 48% in 2016-17 from 42% in 2011-12 (Source: CRISIL Research).

#### Exhibit: 4 Classification of K-12 education system in India



(Source: CRISIL Research)

### GROSS ENROLMENT RATIO (GER)

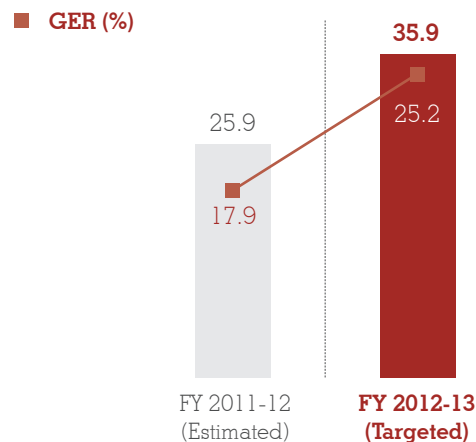
India has a GER of 12%, which is lower than other developing nations. But the Government is trying to increase the GER by increasing the higher education capacities.

The Government has set a student enrolment target of 35.9 million students by the end of the Twelfth Five Year Plan (2012-2017).

#### Exhibit: 5

**CAGR 6.7%**

### Growth in Enrolment and Gross Enrolment Ratio (%)



(Source: Ernst & Young Report)

**Higher Education** – The Government is trying to increase enrolment in higher education institutions, which is likely to get ₹ 500 Crore in the financial year 2013-14. There is allocation for setting up 200 community colleges in the country. The RUSA (Rashtriya Uchchatar Shiksha Abhiyan) also aims at expanding the institutional base of higher education by adding additional capacity in the existing institutions.

The total number of universities in India is 620 (as of February, 2013), which includes 298 state universities, 148 private universities, 130 deemed to be universities and 44 central universities.

**Pre-schools** – Pre-schools cater typically to the age group of one and half years to six years, laying the foundation for formal education. Many of them also offer play group, nursery, junior kindergarten and senior kindergarten classes. This segment is being driven by several factors that comprise rising urbanisation, increased women workforce, rising aspirations for quality education for offspring and improved affordability. Different scientific studies indicate that the grasping power of human beings are the maximum till the age of four, when children assimilate information, express interest, and develop cognitive and emotional skills. Hence, pre-schools play a major role in helping a child develop his cognitive skills and intelligence.

This financial year, due to the increasing demand for pre-school, the pre-school chains are trying to expand to Tier-III and Tier-IV towns. The segment is expected to touch ₹ 13,000 crore by 2015-16 (Source: CRISIL Research). Moreover, it is estimated that the number of pre-schools in India will touch 33,000 by 2015, an increment of 26% annually.

#### A look at pre-school industry

Current industry size	Growth rate	Number of pre-schools	Students enrolled	Pre-school penetration
US\$ 1.3 billion	38%	18, 000	2.6 million	2.7%

(Source: Franchise India Research)

it is estimated that the number of pre-schools in India will touch 33,000 by 2015, an increment of 26% annually.

#### VARIOUS TEACHING METHODOLOGIES FOLLOWED BY INDIAN PRE-SCHOOLS

1. **Montessori method** – This methodology involves teaching students using concepts, i.e., students move from simple concept to complex concept, where they learn by didactic approach working with materials instead of direct instructions.
2. **Playway method** – This is a child-centric methodology which follows informal teaching method, to suit the child's interest. Children learn through play concepts.
3. **Reggio Emilio method** – This is an approach involving the participation of child, teacher and community. The child is encouraged to make new relationships that will allow him or her to reach a higher level of understanding and development.
4. **Waldorf method** – The method lays an emphasis on children in learning through teamwork and sharing; they are also encouraged to use their imagination for storytelling, drawings, and arts and crafts. They learn in natural environment. All materials are made up of natural things.

#### GROWTH DRIVERS

1. **Urbanisation** – It is under concept of sending children to undergo basic pre-schooling before entering into a conventional school. This will enable the child to learn the basics of education.
2. **Increasing awareness** – There is an increase in awareness towards quality education of children as a priority and essential tool for career growth.
3. **Demand for skilled manpower** – There is an increase in demand for educated manpower in corporate and service sectors for better knowledge process outsourcing, legal process outsourcing, animation, aviation and others.

4. **More investment in private sector** – The number of private players in K-12 segment are also increasing, which is driven by the incremental need for quality education and better infrastructure. There is something that is lacking in the Government-run institutions.
5. **Public-private partnerships** – There is a key emergence of private sectors to involve in the role of financing and providing education services in many countries. India is also expected to follow suit.

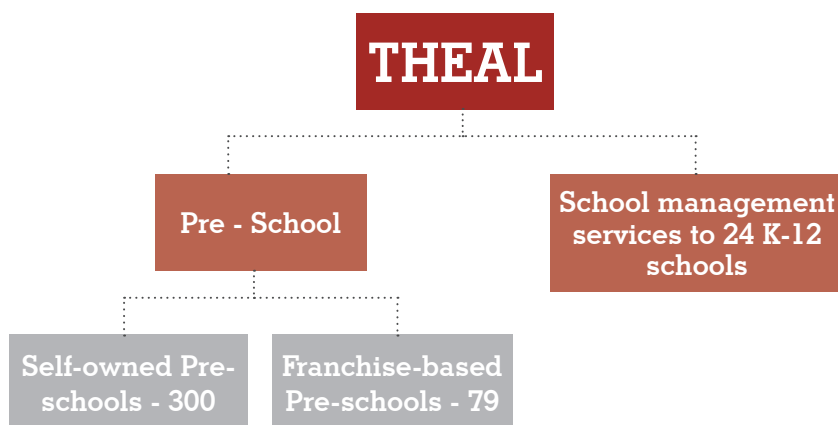
## COMPANY OVERVIEW

Tree House is the largest self-operated pre-school chain in India. It is known for qualified and experienced teachers, standardised curriculum and quality education. Tree House has 379 pre-school centres as on 31st March, 2013 and proposes to open an additional 90 pre-school by financial year 2014. The Company is also present in the K-12 school segment, especially at locations having a strong pre-school presence. There is a total of 24 operational K-12 schools where Tree House offers school management services.

The Company's strong pillars are its teaching methods, teacher-student ratio, in-house teacher training, supervisors and quality control team to monitor services and competent designed curriculum.

Tree House offers a wide range of courses for different age group of children from play group, nursery, junior KG, senior KG, mother toddler, activity classes, teacher training and summer camps.

### Company Structure



Profit before tax increased by 54.75% to ₹ 48.87 crore while Net profits at ₹ 33.34 crore registered a growth of 53.88%.

## FINANCIAL PERFORMANCE

Your Company posted another year of strong performance across all financial parameters, in line with its corporate strategy of creating multiple drivers of growth. This performance is even more encouraging when viewed against the backdrop of the extremely challenging business environment in which it was achieved, namely, the continued economic slowdown, inflationary pressures and liquidity conditions were tight during the period. Your Company's philosophy of continuously improving the quality of education at pre-school level has resulted his growth and profits as compared to its peers.

Gross revenue for the year grew by 49.64% to ₹ 121.34 Crore. Net revenue at ₹ 114.28 Crore grew by 48% primarily driven by 92.68% growth in pre-school segment. Profit before tax increased by 54.75% to ₹ 48.87 crore while Net Profits at ₹ 33.34 crore registered a growth of 53.88%. Earnings Per Share, for the year stood at ₹ 9.27 (previous year ₹ 9.69).

Your Directors are pleased to recommend a Dividend of ₹ 1.25 per share (previous year ₹ 1.00 per share) for the year ended 31st March 2013. Total Cash outflow in this regard will be ₹ 5.23 Crore (previous year ₹ 3.92 Crore) including Dividend Distribution Tax of ₹ 0.73 Crore (previous year ₹ 0.55 Crore).



We focus on an open and friendly work environment with a policy of merit rewarding to our employees.

As on 31st March 2013, the Balance in General Reserves increased to ₹ 239.90 Crore (previous year ₹ 193.30 Crore) and Balance in Profit and Loss Account surplus increased to ₹ 57.48 Crore (previous year ₹ 29.37 Crore).

Your Company has never accepted any fixed deposits and thus, there was no outstanding towards unclaimed deposit payable to depositors as on 31st March 2013.

## RISKS

Your Company has an elaborate Risk Management procedure, which is based on three pillars – Business Risk Assessment, Operational Controls Assessment and the Policy Compliance Process. Some of the risks relate to competition with the local players in the cities we enter. Major risks identified by the business functions are systematically addressed through mitigating actions on a continuing basis. These are discussed with both Management Committee and Audit Committee.

The Company has an audit committee, the details of which have been provided in the corporate governance report.

The audit committee reviews audit reports submitted by the internal auditors. Suggestions for improvements are considered and the audit committee follows up on action taken. It also meets the Company's statutory auditors to ascertain, inter alia, their views on the adequacy of internal control systems in the Company and keeps the Board of Directors informed of its major observations periodically.

## Below mentioned are certain risks that the Company has faced and the methods of mitigating them:

**Geographical concentration** – Tree House has formidable presence in certain parts of the country which shows geographic concentration risks of the Company.

**Mitigation strategy:** The Company has adopted a strategy whereby it is looking at expansion of pre-schools on a large scale across different regions and thereby reduces the risk of geographic concentration.



**High competition** – Tree House is facing competitive threat from the peer group in terms of quality of education, infrastructure and technologies.

**Mitigation strategy:** Tree House has content and curriculum where-in focus is on child-centric activity and learning outcomes for every child are measured and feedback given to parents. Special emphasis is on teacher training and delivery of contents. Infrastructure is upgraded regularly and made child friendly. Brand Equity and Brand Building are continuous processes.

## HUMAN RESOURCE

Tree House has a very sound and an efficient team of professionals. The HR team ensures the implementation of significant HR policies for the Company's growth and credibility. The recruitment team focuses on hiring new talent and implementation of the retainment policy for its existing employees, which provides a mirror image for our standards of excellence. A lot of emphasis is laid on training and development so that leaders can emerge. The training and development initiatives are also targeted towards creation of an extensive talent pool. Incessant communication with the employees and franchise is done via emails and various meetings are conducted. We focus on an open and friendly work environment with a policy of merit rewarding to our employees. Our robust ESOP policy ensures long-term commitment from our key HR assets.

## INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has proper and adequate systems of internal controls to provide reasonable assurance that all its assets are safeguarded, transactions are authorised, recorded and reported correctly and to ensure compliance with policies and statutes. The well documented policy guidelines, authorisation and approval procedures are in the process of implementation. The Company's Audit Committee comprising its Directors is the foundation of the system. The Audit Committee members meet regularly and review the quarterly report submitted by the Internal Auditors.



# Directors' Report

To  
The Members,  
Your Directors are  
pleased to present the  
Seventh Annual Report  
of your Company  
together with the Audited  
Statement of Accounts  
and the Report of  
Auditors thereon for the  
financial year ended,  
March 31, 2013.

## FINANCIAL HIGHLIGHTS

		(₹ in Lakhs)
Particulars	2012-2013	2011-2012
Gross Income	12,134	8,109
Profit before Depreciation & Tax	6,226	3,939
Depreciation	1,338	780
Net Profit Before Tax	4,888	3,159
Provision for Tax	1,554	992
Profit after Tax	3,334	2,167
<b>Appropriations:</b>		
- Proposed dividend on equity shares	450	337
- Tax on dividend	73	55
Balance carried to balance sheet	2,811	1,774
Paid up share Capital	3,597	3,372
Reserves & Surplus	29,739	22,267

## REVIEW OF OPERATION

During the year under review, the Company recorded a total income of ₹ 12,134 Lakhs as against ₹ 8,109 Lakhs in the previous year, a jump of 49.64%. The profit after tax was also higher by 53.85% compared with the previous year. The profit after tax for the year under review was ₹ 3,334 Lakhs as against ₹ 2,167 Lakhs a year ago. Your Directors are continuously looking for avenues for future growth of the Company in the education sector and are geared up to address any opportunities available.

During the year the Company opened 77 preschools. The Company now operates in 43 cities on pan India basis.

The management at Tree House is committed towards delivering above-industry growth in revenue and profits in the coming year. We are pleased to announce our results for FY13 which show a 49.64% year-on-year growth in revenue and a 53.85% year-



on-year growth in PAT for the Company. While these results are another milestone in our journey, we believe that the journey has just begun. As we gain acceptance and garner market share in city-after-city, and as the K12 schools we serve become known for their quality, the Tree House brand is becoming stronger day-by-day. We at Tree House are committed in creating a holistic Company catering to all, through both the Tree House brand and the Global champs initiative. We are committed to creating India's leading and most respected Educational services brand, which will create long term value for all its stakeholders.

## DIVIDEND

Considering the remarkable performance during the year 2012-13, your Directors have recommended a higher dividend of ₹ 1.25 per Equity Share of ₹ 10/- each (12.5%) as against 10% paid for previous year. The total outflow on this account will be ₹ 523 Lakhs including dividend tax. The proposed dividend, if declared shall be free of tax on the hands of the shareholders.

## SHARE CAPITAL

During the year under review, the Company has increased its Authorised Share Capital from ₹ 35,50,00,000/- (Rupees Thirty Five Crores Fifty Lakhs Only) divided into 3,55,00,000 (Three Crores Fifty Five Lakhs) Equity Shares of ₹ 10/- each to ₹ 40,00,00,000/- (Rupees Forty Crores Only) divided into 4,00,00,000 (Four Crores) Equity Shares of ₹ 10/- each.

During the year, the Company issued 18,50,000 Equity Shares of ₹ 10/- each at a premium of ₹ 212.60 per share to various investors on preferential basis. The Company also issued 4,00,000 options at ₹ 228/- per option under its new "Employees Stock Option Plan – 2012" through trust route.

The aforesaid newly issued shares of your Company were listed at Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).

The Company has allotted 18,00,000 warrants carrying an entitlement to subscribe to one Equity Share of the Company, in exchange of each such warrant at a future date within a period not exceeding 18 months from the date of issue of such warrants aggregating to ₹ 40,06,80,000/- (assuming full conversion of warrants into equity shares) to the promoters on a preferential basis, approved by its shareholders in the extraordinary general meeting of the Members of the Company on December 27, 2012. In this regard the warrants were allotted to the promoters and 25% application money aggregating to ₹ 10,01,70,000/- was received from them.

## DIRECTORS

In terms of the provisions of the Companies Act, 1956 and to comply with the Articles of Association of the Company, Mr. T.S. Sarangpani and Mrs. Geeta Bhatia, Directors shall retire by rotation at the forthcoming Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

## EMPLOYEE STOCK OPTION PLANS

The Company implemented two Employee Stock Options Plans "ESOP 2010" and "ESOP 2012" in accordance with the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (the SEBI Guidelines").

The applicable disclosures as stipulated under the SEBI Guidelines as at March 31, 2013 are provided in Annexure 1 to this Report.

## PARTICULARS OF EMPLOYEES

None of the employees of the Company was in receipt of the remuneration exceeding ₹ 5,00,000/- per month or ₹ 60,00,000/- per annum. Hence, the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are not applicable.

## AUDIT COMMITTEE

The Audit Committee of the Company presently comprises of three Directors viz. Mr. Sanjaya Kulkarni (Chairman), Mr. Rajesh Bhatia and Mr. Parantap Dave.

The Internal Auditors of the Company report directly to the Audit Committee. Brief descriptions of the terms of reference of the Audit Committee have been furnished in the Report on Corporate Governance.

## STATUTORY AUDITORS

M/s Walker Chandok & Co. Chartered Accountants, Statutory Auditors, resigned on February 13, 2013. M/s. Jogish Mehta & Co., Chartered Accountants, was the sole auditors.

M/s. Jogish Mehta & Co., Chartered Accountants, shall retire at the forthcoming Annual General Meeting. They are eligible for re-appointment.

## AUDITORS' REPORT

The Notes to the Accounts provides suitable explanations to the observations made by the auditors in their report.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

The particulars as required under the provisions of Section 217(1)(e) of the Companies Act, 1956 in respect of conservation of energy and technology absorption have not been furnished considering the nature of activities undertaken by the Company during the year under review.

## FOREIGN EXCHANGE EARNINGS AND OUTGO

		(INR)
Particulars	Current Year	Previous Year
Foreign Exchange Earning:	NIL	NIL
Foreign Exchange Outgo:		
Consultancy fees	489,690	NIL
Travelling charges	211,062	NIL

## CORPORATE GOVERNANCE

The Company is adhering to good corporate governance practices in every sphere of its operations. The Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as stipulated in Clause 49 of the Listing Agreements entered into with the Stock Exchanges, are complied with. A separate report on Corporate Governance is enclosed as a part of the Annual Report.

## CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION & ANALYSIS REPORT

Corporate Governance Report and Management Discussion & Analysis Report for the financial year under review are set out in a separate section forming part of the Annual Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 the Directors hereby confirm that-

1. in preparation of the Annual Accounts for the year 2012-2013 the applicable accounting standards have been followed and there are no material departures;
2. they have selected such Accounting Policies 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 at the end of the financial year and of the profit of the Company for the financial year;

3. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. they have prepared the Annual Accounts for the financial year ended March 31, 2013 on a going concern basis.

## LISTING OF EQUITY SHARES

The equity shares of your Company are listed on the Bombay Stock Exchange Limited, Mumbai (BSE) and National Stock Exchange India Limited (NSE). The Listing fee for the year 2013 -14 has already been paid.

## CORPORATE SOCIAL RESPONSIBILITY

Your Company believes that Corporate Social Responsibility is not just a one-time event or contribution, but a way of life. Each day across all our centers, we fulfill our social responsibility towards our future generation by giving them proper education all across the country. In addition to this, we contribute towards society in the following manner :

**Empowerment of Women :** Women contribute to 98% of the talent pool of the Company. We are one of the foremost hirers of women talent across the country. Our HR policies are not only aimed at hiring good teachers, but also enabling them with skills which can take them to the next level of management. Also, our teacher training program continues to help thousands of women fulfill their dreams of becoming qualified teachers.

**Creating Women Entrepreneurs :** Tree House helps women who seek to open their own businesses by giving them a Tree House franchise. We have thus helped many women to achieve their goal of becoming financially self sufficient.

**Global Champs initiative :** For the academic year 2013-2014, your Company launched preschools for children of community helpers. This has been modeled in such a way that it is self-sustainable and fulfills the twin goals of shareholder value creation and societal good. Your Company has received accolades from many quarters for this initiative.

## ACKNOWLEDGEMENTS

The Directors thank all government, regulatory bodies and shareholders for their consistent support and also place on record appreciation to the contribution made by Company's staff and teachers at all levels, without whom the Company would not have attained such great heights in such a short period of its business. The Directors also commend the continuing commitment and dedication of the employees at all levels which has been critical for the Company's growth. The Directors look forward to their continued support in future.

For and on behalf of the Board of Directors

	Sd/-	Sd/-
	<b>Rajesh Bhatia</b>	<b>Vishal Shah</b>
<b>Place:</b> Mumbai	Managing Director	Director
<b>Date:</b> May 27, 2013		

# Annexure 1

## I - Details of Employee Stock Option Plan 2010 ("ESOP 2010")

The Company instituted the ESOP 2010 on October 29, 2010, pursuant to Shareholders' and Board resolutions dated September 30, 2010 and October 29, 2010, respectively. The objective of ESOP 2010 was to reward the employees for their past association and performance as well as to motivate them to contribute to the growth and profitability of your Company.

The Company has granted 14,00,000 options convertible into 14,00,000 Equity Shares of face value ₹ 10/- each under ESOP 2010, which represents 6.19% of the pre-Issue paid-up equity capital of your Company. Your Company does not intend to make further grant of options under ESOP 2010. The following table sets forth the particulars of the options granted under ESOP 2010:

Particulars	Details
Total no. of stock options available under the Scheme	14,00,000
Exercise price	₹ 71/- per option
Exercise period	upto 5 years
Total no. of stock options granted under the scheme	14,00,000
Stock options lapsed	3,500
Stock options vested but not exercised	2,67,375
Stock options exercised	10,82,625
outstanding Stock options	3,13,875
Person wise details of options granted to:	
(i) Directors and key management employees	Please see Note 1 below
(ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	NIL
(iii) Identified employees who are granted options, during any one year exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of your Company at the time of grant	Please see Note 2 below

**Note 1:** Details regarding options granted to the Directors and Key Management Personnel under ESOP 2010 are set forth below:

Name of Director/ Key Management Personnel	Total No. of options granted	No. of options Exercised	Total No. of options outstanding	Total No. of Equity Shares held
Vishal Shah	13,00,000	10,50,000	2,50,000	10,72,100
Utsav Shrivastava	50,000	12,500	37,500	1,63,057
Ravi Warriar	25,000	12,500	12,500	6,767
Deepali Hanchate	500	125	375	125

**Note 2:** Employees who received a grant in any one year of options amounting to 1% or more of the options granted during the year under ESOP 2010:

Name of Employee	Total No. of options granted
Mr. Vishal Shah	13,00,000

## II - Details of Employee Stock Option Plan 2012 ("ESOP 2012")

The Company instituted the ESOP 2012 on February 09, 2012, pursuant to Shareholders' and Board resolutions dated February 02, 2012 and February 09, 2012 respectively. The objective of ESOP 2012 was to reward the employees for their past association and performance as well as to motivate them to contribute to the growth and profitability of your Company.

The Company has granted 4,00,000 options convertible into 4,00,000 Equity Shares of face value ₹ 10/- each under ESOP 2012, which represents 1.19% of the pre-Issue paid-up equity capital of your Company. Your Company does not intend to make further grant of options under ESOP 2012. The following table sets forth the particulars of the options granted under ESOP 2012:

Particulars	Details
Total no. of stock options available under the Scheme	4,00,000
Exercise price	₹ 228/- per option
Exercise period	upto 5 years
Total no. of stock options granted under the scheme	4,00,000
Stock options lapsed	Nil
Stock options vested but not exercised	Nil
Stock options exercised	N.A.
outstanding Stock options	4,00,000
Person wise details of options granted to:	
(i) Directors and key management employees	Please see Note 1 below
(ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	NIL
(iii) Identified employees who are granted options, during any one year exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of your Company at the time of grant	NIL

**Note 1:** Details regarding options granted to the Directors and Key Management Personnel under ESOP 2012 are set forth below:

Name of Director/ Key Management Personnel	Total No. of options granted	No. of options Exercised	Total No. of options outstanding	Total No. of Equity Shares held
Vishal Shah	1,68,200	Nil	1,68,200	10,72,100
Parantap Dave	10,000	Nil	10,000	0
Sanjaya Kulkarni	10,000	Nil	10,000	64,235
TS Sarangpani	10,000	Nil	10,000	50,000
Deepali Hanchate	600	Nil	600	125
Utsav Shrivastava	1,05,000	Nil	1,05,000	1,63,057
V Sridhar	50,000	Nil	50,000	286

For and on behalf of the Board of Directors

Sd/-

**Rajesh Bhatia**

Managing Director

Sd/-

**Vishal Shah**

Director

**Place:** Mumbai

**Date:** May 27, 2013



# Report on Corporate Governance

Corporate governance is a systemic process by which our organisation is directed, administered, managed and controlled. It is a process to manage the business affairs of the Company towards enhancing business prosperity and accountability with the objective of realising long term shareholder value, while taking into account the interests of the other stakeholders.

In this dynamic environment, shareholders across the globe evince keen interest in the performance of the companies and thus good corporate governance is of paramount importance for companies seeking to distinguish themselves in the global footprint.

The equity shares of the Company are listed and admitted to dealings on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). Pursuant the provisions of the Clause 49 of the Listing Agreement, a report on Corporate Governance for the financial year ended March 31, 2013, is furnished below:

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company recognises that good governance practices originate from the philosophy and mindset of the organisation. The Company's philosophy on Corporate Governance envisages attainment of highest level of integrity, fairness, transparency, equity and accountability in all facets of its functioning and in its interactions with shareholders, employees, government, regulatory bodies, listeners and the community at large. The Company recognises that good Corporate Governance is a continuing exercise. The Company recognises good corporate governance practices as a key driver to sustainable growth and long term value creation and thus encourages timely and accurate dissemination of information to all their stakeholders.

In compliance with the regulatory requirements and effective implementation of corporate governance practices, the Company has adopted the Code of Conduct for Prevention of Insider Trading and regulating the dealings of the Directors and Employees of the Company possessing or likely to possess price sensitive information in the securities of the Company in accordance with the applicable Securities and Exchange Board of India regulations.

The Company is conscious of its responsibility as a good corporate citizen. The Company values transparency, professionalism and accountability.



## 2. BOARD OF DIRECTORS

### i) Composition of the Board of Directors and other Directorships and committee membership of the Directors

The Company has a non-executive Chairman and the number of Independent Directors is 1/3 of the total number of Directors. As on March 31, 2013, the Company has 9 Directors on its Board, of which 3 Directors are independent. Since, the number of Non-Executive Directors (NEDs) is more than 1/3 of the total number of Directors, the Company is in compliance with the Clause 49 of the listing Agreement pertaining to compositions of Directors.

The composition of the Board of Directors, their number of other directorship, attendance at Board Meetings (BM) at the last Annual General Meeting (AGM) of the Company held during the financial year under review:

Name of Directors	Designation	Category	No. of other Directorships	Attendance at Board Meetings	Attendance at previous AGM
Mr. Sanjaya Kulkarni	Chairman	Non-Executive Independent	9	6	Yes
Mr. Rajesh Bhatia	Managing Director	Executive	4	6	Yes
Mrs. Geeta Bhatia	Director	Non-Executive	4	6	No
Mr. Vishal Shah	Director	Executive	3	6	Yes
Mr. Parantap Dave	Director	Non-Executive Independent	6	6	Yes
Mr. TS Sarangpani	Director	Non-Executive Independent	Nil	3	No
Mr. Ashu Garg	Nominee Director	Non-Executive Independent	6	2	No
Mr. Rishi Navani	Nominee Director	Non-Executive Independent	3	5	No
Mr. Jayant Sinha	Director	Non-Executive	5	4	No



None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as per Clause 49(I)(C)(ii)) across all the companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other companies.

Mr. Rajesh Bhatia and Mrs. Geeta Bhatia are related to each other. None of the other Directors is related in terms of the definition of 'relative' given under the Companies Act, 1956.

None of the above referred Non-executive Directors have any material pecuniary relationship or transaction with the Company, which would affect the independence or judgment of the Board of Directors.

The Company has not entered into any materially significant transactions with its Promoters, Directors or their relatives or with the Management etc. other than those disclosed and approved by the Board that may have potential conflict with the interest of the Company at large.

Details of the Directors seeking appointment/re-appointment at the Annual General Meeting, pursuant to Clause 49 of the Listing Agreement, have been given alongwith the Notice of Annual General Meeting.

### **Meetings of the Board of Directors**

The Board of Directors met six times during the year under review on 29.05.2012, 14.08.2012, 09.11.2012, 04.12.2012, 28.12.2012 and 14.02.2013

### **Information supplied to the Board**

The Board members are given agenda papers along with necessary documents and information in advance of each meeting of the Board and Committees. In addition to the regular business items, the following are regularly placed before the Board to the extent applicable.

- Quarterly and Half yearly results of the Company
- Minutes of the Audit Committee and other Committee meetings



- Details of Agreements entered into by the Company
- Particulars of Non-Compliance of any statutory or Listing requirements
- ii)** Declaration by the Managing Director under Clause 49(I)(D) of the Listing Agreement regarding adherence to the Code of Conduct is forming part of the Report on Corporate Governance.
- iii)** In the preparation of the Annual Accounts, the applicable accounting standards have duly been followed and there are no material departures.

### Minutes of the Board Meeting:

The minutes of the proceedings of every Board and Committee meetings are prepared and approved / initialed by the Chairman in next Meeting.

## 3. AUDIT COMMITTEE

### Terms of Reference

The terms of reference of the Audit Committee include the following:

1. Review of the quarterly, half yearly and annual financial results of the Company before submission to the Board.
2. Overseeing the financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
3. Holding periodic discussions with statutory auditors and internal auditors of the Company concerning the accounts of the Company, internal control systems, and scope of audit and observations of auditors.
4. Making recommendations to the Board on any matter relating to the financial management of the Company, including the audit report.
5. Recommendations with respect to appointment and removal of statutory auditors, fixation of audit fees and also approval of fee for any other services by the auditors.

6. Investigating into any matter in relation to items specified in Section 292A of the Companies Act, 1956 or as may be referred to it by the Board and for this purpose to seek any relevant information contained in the records of the Company and also seek external professional advice if necessary.
7. Making recommendations to the Board on any matter relating to the financial management of the Company.

### Composition

The Audit Committee of the Company comprises of three Directors viz. Mr. Sanjaya Kulkarni (Chairman), Mr. Rajesh Bhatia and Mr. Parantap Dave.

### Meetings of the Committee and Attendance during the year

During the year, four Audit Committee meetings were held on 29.05.2012, 14.08.2012, 09.11.2012 and 14.02.2013

<b>Meetings of the Audit Committee and Attendance of the Members during 2012-13</b>	<b>Meetings held</b>	<b>Meetings Attended</b>
Mr. Sanjaya Kulkarni	4	4
Mr. Rajesh Bhatia	4	4
Mr. Parantap Dave	4	4

## 4. REMUNERATION COMMITTEE

### Terms of Reference

The terms of reference of the Remuneration Committee include the following:

1. To look into the remuneration payable to the Managing Director, the Whole-time Directors and other Employees of the Company;
2. To determine and recommend to the Board of Directors the remuneration package of Managing Director/Whole-time Directors;
3. To approve in the event of loss or inadequate profits in any year the minimum remuneration payable to the Managing Director/Whole-time Directors within limits and subject to the parameters as prescribed in Schedule XIII of the Companies Act, 1956; and
4. To prepare and recommend various ESOP schemes to our Board

### Composition

The Remuneration Committee of the Company is constituted with three Directors, viz. Mr. Sanjaya Kulkarni (Chairman), Mrs. Geeta Bhatia and Mr. Parantap Dave.

### Meetings of the Committee and Attendance during the year

During the year, two meetings of the Remuneration Committee were held on 29.05.2012 and 06.09.2012

<b>Meetings of the Remuneration Committee and Attendance of the Members during 2012-13</b>	<b>Meetings held</b>	<b>Meetings Attended</b>
Mr. Sanjaya Kulkarni	2	2
Mrs. Geeta Bhatia	2	2
Mr. Parantap Dave	2	2

### Remuneration Policy

The remuneration of Whole-time Directors is fixed by the Remuneration Committee as constituted above. The Non-Executive Directors are not paid any remuneration except sitting fees. The remuneration of Employees other than Whole-time Directors is approved by the Remuneration Committee based on recommendations made to it.

## Details of remuneration paid to Directors

### (i) Executive Directors:

Particulars	Mr. Rajesh Bhatia		Mr. Vishal Shah	
	2012-13	2011-12	2012-13	2011-12
Salary	48,00,000	35,99,995	16,20,000	16,00,000
Commission	-	-	-	-
<b>Total</b>	<b>48,00,000</b>	<b>35,99,995</b>	<b>16,20,000</b>	<b>16,00,000</b>

#### Note:

- Appointment, terms, conditions and payment of remuneration to the Managing Director is governed by the resolution(s) passed by the Remuneration Committee, Board of Directors and Members of the Company and approval from the Government of India, Ministry of Corporate Affairs, if necessary. The remuneration structure comprises salary, perquisites and allowance, etc.
- 1,68,200 options are granted to Mr. Vishal Shah, Director of the Company under "TREEHOUSE EMPLOYEES STOCK OPTION PLAN 2012".
- Mr. Rajesh Bhatia, Managing Director is holding 27,85,000 equity shares of the Company independently and 11,20,833 equity shares and 18,00,000 warrants of the Company jointly with Mrs. Geeta Bhatia as on March 31, 2013.
- Mr. Vishal Shah, Director of the Company is holding 10,72,100 equity shares of the Company as on March 31, 2013.

### (ii) Details of sitting fees paid to the Non-Executive Directors for the financial year 2012 – 2013:

Name of non – executive Directors	Sitting Fees (in ₹)
Mrs. Geeta Bhatia	1,35,000
Mr. Sanjaya Kulkarni	1,67,000
Mr. Parantap Dave	1,67,000
Mr. T.S. Sarangpani	60,000

### (iii) Criteria for making payments to Non-Executive Directors:

Non-Executive Directors of the Company are paid sitting fees of ₹ 20,000/- (Rupees Twenty Thousand only) per Board Meeting, ₹ 8,000/- (Rupees Eight Thousand Only) per Audit Committee Meeting, ₹ 2,500/- (Rupees Two Thousand Five Hundred Only) per Investor's Grievance Committee Meeting and ₹ 2,500/- (Rupees Two Thousand Five Hundred Only) per Remuneration Committee Meeting during the financial year under review, subject to deduction of applicable taxes, levies etc., if any, for attending the meeting.

Mr. Rishi Navani, Mr. Ashu Garg and Mr. Jayant Sinha are not paid any sitting fees.

### (iv) Number of shares and convertible instruments held by non-executive Directors as on the date of this Report, are as below:

Name of Director	No. of equity shares held
Mrs. Geeta Bhatia	60,25,000
Mr. Sanjaya Kulkarni	64,235
Mr. T.S. Sarangpani	50,000
Mr. Rishi Navani	66,715
Mr. Parantap Dave	--
Mr. Ashu Garg	--
Mr. Jayant Sinha	--

## 5. INVESTORS GRIEVANCE COMMITTEE

### Composition

The investor's Grievance Committee of the Company comprises of three Directors viz. Mr. Parantap Dave (Chairman), Mr. Sanjaya Kulkarni and Mrs. Geeta Bhatia.

### Terms of Reference

The terms of reference of the Remuneration Committee include the following:

1. To consider and approve requests for transfers, transmissions, dematerialisation/rematerialisation and issue of fresh share certificates on replacement/sub-division/consolidation, issue of duplicate share certificates on loss whether by theft, misplacement or otherwise;
2. To review the status of dematerialisation of Company's shares and matters incidental thereto;
3. To review and monitor the approval to the transfers and transmission made by any Director under executive authority delegated to him from time to time;
4. To monitor the matters of litigation related to shareholders and take decisions relating thereto;
5. To consider, review and monitor the matters related to the shareholders grievances, and to look into the redressing of shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non receipt of declared dividend, etc; and
6. To deal with any other matters related and/or incidental to the shareholders.

The investor's complaints received by the Company during the financial year were attended to the satisfaction of the investors. The Company does not receive any share transfers and investors' complaints during the financial year therefore the Company does not have any pending complaint as on date of Director's Report.

### Meetings and attendance during the year

During the financial year under review, the Investors' Grievances Committee met four times, i.e. on 11.04.2012, 11.07.2012, 15.10.2012 and 11.01.2013.

Meetings of the Investors Grievance Committee and Attendance of the Members during 2012-13	Meetings held	Meetings Attended
Mr. Parantap Dave	4	4
Mr. Sanjaya Kulkarni	4	4
Mrs. Geeta Bhatia	4	4

## 6. IPO COMMITTEE

### Composition as on date

The IPO Committee of the Company comprises of three Directors viz. Mr. Rajesh Bhatia (Chairman), Mr. Sanjaya Kulkarni and Mr. Parantap Dave

### Terms of Reference

The IPO Committee had been constituted to decide the terms and conditions of the Issue, finalisation and filing of the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus with SEBI, the Stock Exchanges and other regulatory bodies as may be required, handling all matters relating to appointment of intermediaries and advisors in relation to the IPO, opening of bank accounts in terms of the escrow or custodian accounts, submitting applications and seeking listing of Equity Shares with the Stock Exchanges, finalising the price band and approving the basis for allocation and confirm allocation of the equity shares to various categories of persons, and do all acts and take all decisions as may be necessary for the purposes of the IPO and listing of the equity shares.

## Meetings and attendance during the year

Since the IPO committee of the Company was constituted for the purpose of handling Initial Public Offer of the Company, from the date of listing of the Company the IPO Committee has been dissolved.

## 7. GENERAL BODY MEETINGS

### i) Annual General Meetings:

Details of Annual General Meetings held during the last three consecutive years:

Day	Date	Time	Venue
Thursday	September 30, 2010	3.00 p.m.	702 'C', Morya House, Off New Link Road, Andheri (West), Mumbai – 400 053
Monday	May 09, 2011	6.30 p.m.	301, Embassy Chambers, 3rd Road, Opp. K.E.S. School, Khar (West), Mumbai – 400 052
Tuesday	August 07, 2012	10.30 a.m.	Mayor Hall, All India Institute Of Local Self Government, Sthanikraj Bhavan, C.D. Barfiwala Marg, Juhu Lane, Andheri (W), Mumbai – 400 058

All resolutions moved at the last Annual General Meeting were passed by show of hands by the requisite majority of members attending the Meeting. None of the items to be transacted at the ensuing meeting is required to be passed by postal ballot.

### ii) Special Resolution passed in Extra Ordinary General Meeting

During the financial year under review, an Ordinary and Special Resolutions were passed on Friday, December 27, 2012, by the Members of the Company in the Extra Ordinary General Meeting, for:

#### Ordinary Resolution:

- Increase in authorised share capital of the Company from ₹ 35.50 Crores to ₹ 40 Crores;

#### Special Resolution:

- Approval from members for allotment of 18,50,000 equity shares on preferential basis; and
- Approval from members for allotment of 18,00,000 warrants to promoters of the Company on preferential basis.

All the aforesaid resolutions were passed by show of hand with majority.

### iii) Whether any special resolution is proposed to be conducted through postal ballot

No

## 8. DISCLOSURES

No transaction of material nature has been entered into by the Company with Directors or management and their relatives etc. that may be a potential conflict with the interests of the Company. The Register of contracts containing transactions in which Directors are interested is placed before the Board regularly.

There has not been any instance of non-compliance by the Company on any matter related to capital markets. Hence the question of penalties or structures being imposed by SEBI or Stock Exchanges does not arise.

The Company is in compliance with all the mandatory requirements of Corporate Governance and has fulfilled all the requirements as prescribed in Annexure 1D of the revised Clause 49 of the Listing Agreement with Stock Exchanges.

The Company has followed the Accounting Standards as notified by the Companies (Accounting Standards) Rules, 2006, to the extent applicable, in the preparation of Financial Statements.

The Company has laid down procedures to inform Board members about the risk assessment and minimisation procedures. These procedures are periodically reviewed to ensure that executive management control risks through means of a properly defined framework.

The Company has adopted the Code of Conduct applicable to all Directors, senior management and employees. The declaration as required under Clause 49 is as below:

"All the Directors and Senior Management of the Company have affirmed compliance with the Company's Code of Conduct for the financial year ended March 31, 2013"

## **9. COMPLIANCE WITH NON-MANDATORY REQUIREMENTS**

### **i) The Board of Directors**

The Non-Executive Chairman has a separate office in his own capacity and the Company has not reimbursed anything in monetary term to him for maintenance of his office. The Company has adopted its own Guidelines for composition of the Board of Directors, Committees of the Board and Retirement Age of Directors, which take into account the provisions of the Listing Agreement, the Companies Act, 1956 and other applicable laws.

### **ii) Remuneration Committee**

Details are already given under the caption 'Remuneration Committee' in the earlier part of the Report.

### **iii) Shareholders rights**

In addition to publishing its quarterly results in English and Marathi news paper having wide circulation, the Company uploads its quarterly results and shareholding pattern and corporate governance reports and all other disclosures submitted to stock exchanges on its website [www.treehouseplaygroup.net](http://www.treehouseplaygroup.net).

### **iv) Audit qualifications**

During the year under review, there was no audit qualification in the Auditor's Report on the Company's financial statements. The Company continues to adopt best practices to ensure a regime of unqualified financial statements.

### **v) Mechanism for evaluating Non-Executive members**

The Board of Directors of the Company presently comprises seven Non-Executive Directors. The Directors appointed on the Board are from diverse field relevant to the Company's business and have long-standing experience and expertise in the respective fields. They have considerable experience in managing large corporates and have been in public life for decades. The enormously rich background of the Directors is of considerable value to the Company.

Non-Executive Directors add substantial value through the deliberations at the Meetings of the Board and Committees thereof. Besides contributing at the meetings of the Board and Committees, the Non-Executive Directors also have offline deliberations with the Management of the Company and add value through such deliberations.

As regards the other non-mandatory requirements, the Board has taken cognizance of the same and shall consider adopting the same as and when necessary.

## **10. MEANS OF COMMUNICATION**

### **i) Quarterly/ Half yearly / Annual results**

Quarterly/ Half yearly/Annual results are regularly submitted to the Stock Exchanges where the shares of the Company are listed pursuant to the provisions of Listing Agreement and are published in the newspapers. The Company has also displayed the results as specified under Clause 41 of the Listing Agreement on the Company's website i.e. [www.treehouseplaygroup.net](http://www.treehouseplaygroup.net) which also contains a separate dedicated section "Investors Relation".

**ii) Newspapers wherein results are normally published**

Economics Times and Free Press Journal (English daily news papers) and Nav Shakti (Marathi regional language news paper)

**iii) Whether Website also displays official news releases**

Yes, on the Company's website i.e. [www.treehouseplaygroup.net](http://www.treehouseplaygroup.net)

**iv) NSE Electronic Application processing system (NEAPS)**

The Company files information through NEAPS – a website based application provided by NSE which facilitates online filing of Corporate Governance Report and the Shareholding Pattern by companies.

**v) Extensive Business Reporting Language (XBRL)**

XBRL is language for electronic communication of business financial data. It offers major benefits to all those who have to create, transmit, use or analyze such information which aids better analysis and decision making. Ministry of Corporate Affairs (MCA) vide its circular no. 37/2011 dated June 7, 2011, had mandated certain companies to file their Annual Accounts vide this mode. The Company has filed its Annual Accounts on MCA through XBRL.

**vi) Ministry of Corporate Affairs (MCA)**

The Company has periodically filed all the necessary documents with the MCA.

**vii) SEBI Complaints Redress System (SCORES)**

A centralised web based complaints redress system which serves as a centralised database of all complaints received, enables uploading of Action Taken Report (ATRs) by the concern companies and online viewing by the investors of actions taken on the complaint and its current status.

**viii) Letters**

Letters reminding the investors to claim their pending / unclaimed dividend are regularly dispatched to investors.

**ix) Annual report**

The Annual Report containing inter alia the Audited Accounts, consolidated Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to the investors. Management Discussion and Analysis Report forms a part of the Annual Report.

Annual reports are also available in the investors Corner section on the Company's website i.e. [www.treehouseplaygroup.net](http://www.treehouseplaygroup.net)

**x) Whether presentations made to institutional investors or to the analysts**

NO

**11. GENERAL SHAREHOLDERS INFORMATION****7<sup>th</sup> Annual General Meeting Schedule**

Date, Day and time	: Saturday, September 07, 2013 at 10.00 a.m.
Venue	: Mayor Hall, All India Institute of Local Self Government, Sthanikraj Bhavan, C.D. Barfiwala Marg, Juhu Lane, Andheri (W), Mumbai – 400 058
Financial year	: April 1, 2012, to March 31, 2013
Dates of Book Closure (period)	: August 31, 2013 to September 07, 2013
Dividend Payment Date	: September 08, 2013 onward
Listing at Stock Exchanges	: Bombay Stock Exchange Limited (BSE) National Stock Exchange of India Limited (NSE)

The Listing Fees	:	The Company has paid the annual listing fees to stock exchanges for the year 2012-2013, as applicable
Stock Code	:	TREEHOUSE on NSE 533540 on BSE
ISIN no.	:	INE040M01013
CIN No.	:	U80101MH2006PLC163028
Market Price Data	:	High, Low during each month in last financial year*

The performance of the equity shares of the Company on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE) depicting the liquidity of the Company's equity shares for the financial year ended March 31, 2013, on the said exchanges, is given hereunder:-

**BSE Market Price Data: High, Low during each month in last financial year**

Month	Open (₹)	High (₹)	Low (₹)	Close (₹)	No. of Shares	Turnover (in Lakhs)
Apr-12	212.00	226.90	202.10	215.00	3,68,540	791.19
May-12	216.80	222.55	189.55	203.50	1,77,301	358.49
Jun-12	209.60	224.85	193.10	219.70	1,38,674	282.14
Jul-12	216.00	236.30	206.00	216.80	4,43,656	998.26
Aug-12	210.00	259.00	210.00	233.00	7,35,690	1,778.11
Sep-12	230.10	243.90	219.35	232.70	3,39,439	790.33
Oct-12	234.00	236.80	205.05	216.15	2,54,376	553.23
Nov-12	219.00	238.00	215.00	229.25	4,26,629	961.44
Dec-12	234.75	289.90	232.00	265.50	22,57,765	6,143.12
Jan-13	264.10	295.00	250.00	267.40	10,30,779	2,883.78
Feb-13	269.00	275.00	222.70	235.05	5,17,873	1,290.48
Mar-13	236.00	267.50	223.05	230.65	2,70,822	654.31

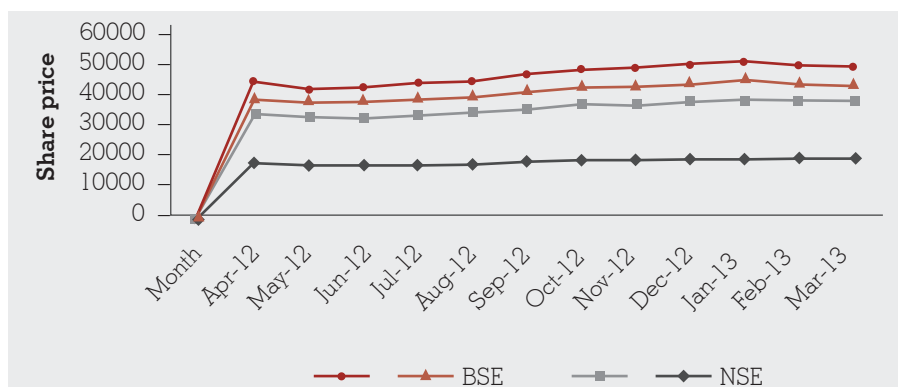
**NSE Market Price Data: High, Low during each month in last financial year**

Month	Open (₹)	High (₹)	Low (₹)	Close (₹)	No. of Shares	Turnover (in Lakhs)
Apr-12	216.00	218.65	214.00	214.80	8,835	19.02
May-12	193.00	207.00	193.00	203.10	27,311	55.45
Jun-12	207.00	227.00	206.05	221.45	54,164	118.40
Jul-12	223.80	224.00	214.10	216.15	15,350	33.94
Aug-12	233.00	237.00	229.05	234.35	5,863	13.70
Sep-12	237.95	238.00	232.05	234.95	6,424	15.09
Oct-12	215.40	218.45	215.00	215.15	2,493	5.37
Nov-12	230.00	232.00	228.00	228.95	67,444	155.05
Dec-12	269.30	270.05	263.70	265.65	1,23,240	330.34
Jan-13	267.05	270.80	265.00	267.60	42,168	112.36
Feb-13	235.10	259.90	232.00	234.15	60,960	147.17
Mar-13	231.40	235.00	225.45	230.35	56,629	129.91

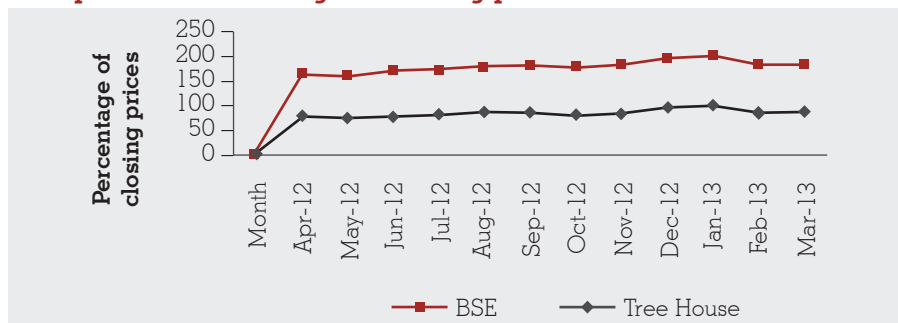
\* (Source: This information is compiled from the data available from the website of BSE and NSE)

## 11. PERFORMANCE COMPARISON

### Comparative High – Low price of BSE and NSE



### Comparative Percentage of closing price with BSE sensx



## 12 REGISTRAR & SHARE TRANSFER AGENT

Link Intime India Private Limited  
C-13, Pannalal Silk Mill Compound,  
Bhandup (West), Mumbai – 400 078

## 13 SHARE TRANSFER PROCESS

The Company's shares are traded in Demat form at the Stock Exchanges. Only off – market trades can be delivered in physical form. All shares received for transfer etc. are processed and returned to the shareholders within 21 days of receipt of lodgment.

## 14. DISTRIBUTION OF SHAREHOLDING : (as on March 31, 2013)

Category / No. of Shares	Number of holders	% of total holders	Number of shares	% of total shares
Upto 5000	3631	76.85	5,52,219	1.54
5,001 – 10,000	558	11.81	3,98,849	1.10
10,001 – 20,000	209	4.42	3,05,550	0.85
20,001 – 30,000	77	1.63	1,93,315	0.54
30,001 – 40,000	42	0.89	1,46,227	0.40
40,001 – 50,000	36	0.76	1,72,215	0.48
50,001 – 1,00,000	69	1.46	4,83,758	1.35
Above 1,00,001	103	2.18	3,37,13,137	93.74
<b>Total</b>	<b>4,725</b>	<b>100</b>	<b>3,59,65,270</b>	<b>100.00</b>

## Shareholding pattern of the Company (as on March 31, 2013)

Statement showing Shareholding Pattern as on March 31, 2013

Name of the Company: Tree House Education & Accessories Limited

Scrip Code: BSE Scrip Code: 533540/ Symbol: TREEHOUSE

Category code	Category of Shareholder	Number of Share-holders	Total number of shares	Number of shares held in dematerialised form	Total share-holding as a percentage of total number of shares	Shares Pledged or otherwise encumbered		
						As a percentage of (A+B) <sup>1</sup>	As a percentage of (A+B+C)	Number of shares
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)= (VIII)/(IV)*100
<b>(A) Shareholding of Promoter and Promoter Group<sup>2</sup></b>								
<b>1</b>	<b>Indian</b>							
(a)	Individuals / Hindu Undivided Family	4	99,78,733	99,78,733	27.75	27.75	10,00,000	10.02
(b)	Central Government / State Government(s)	0	0	0	0.00	0.00	0	0
(c)	Bodies Corporate	0	0	0	0.00	0.00	0	0
(d)	Financial Institutions / Banks	0	0	0	0.00	0.00	0	0
(e)	Any Others (Specify)	0	0	0	0.00	0.00	0	0
	<b>Sub Total(A)(1)</b>	<b>4</b>	<b>99,78,733</b>	<b>99,78,733</b>	<b>27.75</b>	<b>27.75</b>	<b>10,00,000</b>	<b>10.02</b>
<b>2</b>	<b>Foreign</b>							
a	Individuals (Non-Residents Individuals/ Foreign Individuals)	0	0	0	0.00	0.00	0	0
b	Bodies Corporate	0	0	0	0.00	0.00	0	0
c	Institutions	0	0	0	0.00	0.00	0	0
d	Qualified Foreign Investor	0	0	0	0.00	0.00	0	0
e	Any Others(Specify)	0	0	0	0.00	0.00	0	0
	<b>Sub Total(A)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>	<b>0</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>	<b>4</b>	<b>99,78,733</b>	<b>99,78,733</b>	<b>27.75</b>	<b>27.75</b>	<b>10,00,000</b>	<b>10.02</b>
<b>(B) Public shareholding</b>								
<b>1</b>	<b>Institutions</b>							
(a)	Mutual Funds/ UTI	10	24,26,682	24,26,682	6.75	6.75		
(b)	Financial Institutions / Banks	2	7180	7180	0.02	0.02		
(c)	Central Government/ State Government(s)	0	0	0	0.00	0.00		
(d)	Venture Capital Funds	1	14,00,000	14,00,000	3.89	3.89		
(e)	Insurance Companies	0	0	0	0.00	0.00		
(f)	Foreign Institutional Investors	7	5,31,676	5,31,676	1.48	1.48		

Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares	Shares Pledged or otherwise encumbered		
					As a percentage of (A+B) <sup>1</sup>	As a percentage of (A+B+C)	Number of shares	As a percentage of (IX) = (VIII)/(IV)*100
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX) = (VIII)/(IV)*100
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00		
(h)	Qualified Foreign Investor	0	0	0	0.00	0.00		
(i)	Any Other (specify)	0	0	0	0.00	0.00		
	<b>Sub-Total (B)(1)</b>	<b>20</b>	<b>43,65,538</b>	<b>43,65,538</b>	<b>12.14</b>	<b>12.14</b>		
<b>2</b>	<b>Non-institutions</b>							
(a)	Bodies Corporate	181	21,39,415	21,39,415	5.95	5.95		
(b)	Individuals				0.00	0.00		
I	Individuals - i. Individual shareholders holding nominal share capital up to ₹ 1 Lakh	4281	18,47,358	18,22,350	5.14	5.14		
II	ii. Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh.	49	19,35,813	19,35,813	5.38	5.38		
(c)	Qualified Foreign Investor	0	0	0	0.00	0.00		
(d)	Any Other (specify)				0.00	0.00		
i	Non Resident Indians (Repat)	70	1,17,789	1,17,789	0.33	0.33		
ii	Non Resident Indians (Non Repat)	36	66,863	66,863	0.19	0.19		
iii	Foreign Companies	4	1,34,49,748	1,34,49,748	37.40	37.40		
iv	Clearing Members	70	72,564	72,564	0.20	0.20		
v	Directors / Relatives of Directors	9	12,74,074	12,74,074	3.54	3.54		
vi	Trust	1	7,17,375	7,17,375	1.99	1.99		
	<b>Sub-Total (B)(2)</b>	<b>4,701</b>	<b>2,16,20,999</b>	<b>2,15,95,991</b>	<b>60.12</b>	<b>60.12</b>		
<b>(B)</b>	<b>Total Public Shareholding (B) = (B)(1)+(B)(2)</b>	<b>4,721</b>	<b>2,59,86,537</b>	<b>2,59,61,529</b>	<b>72.25</b>	<b>72.25</b>		
	<b>Total (A)+(B)</b>	<b>4,725</b>	<b>3,59,65,270</b>	<b>3,59,40,262</b>	<b>100.00</b>	<b>100.00</b>		
<b>(C)</b>	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>							
1	Promoter and Promoter Group					0.00		#DIV/0!
2	Public					0.00		
	<b>Sub-Total (C )</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	
	<b>Grand Total (A)+(B)+(C)</b>	<b>4725</b>	<b>3,59,65,270</b>	<b>3,59,40,262</b>		<b>100.00</b>	<b>10,00,000</b>	<b>2.78</b>

## 15. CATEGORY WISE SHAREHOLDING AS AT MARCH 31, 2013

Category	Number of Equity Shares held	% of Shareholding
Promoters	99,78,733	27.75
Corporate Bodies	21,39,415	5.95
Overseas Corporate Bodies	1,34,49,748	37.40
Public	1,03,97,374	28.90
<b>Total</b>	<b>3,59,65,270</b>	<b>100</b>

## 16. RECONCILIATION OF SHARE CAPITAL AUDIT

In keeping with the requirements of SEBI and the Stock Exchanges, a Secretarial Audit by a practicing Company Secretary is carried out to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and a total issued and listed capital. The said audit confirms that the total issued/paid-up capital tallies with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

## 17 DEMATERIALISATION OF SHARES

The Company has entered into separate Tripartite Agreement with the Depositories viz. NSDL and CDSL along with M/s Link Intime India Private Limited as Registrar and Share Transfer Agents. As on March 31, 2013, a total of 3,59,40,262 shares i.e. about 99.93% of the total listed shares have been dematerialised.

## 18 OUTSTANDING BONDS / CONVERTIBLE INSTRUMENTS

NIL

## 19 ADDRESS FOR COMMUNICATION AND REGISTERED OFFICE

702 'C', Morya House, Off New Link Road,  
Andheri (west), Mumbai – 400 053  
Tel: 022 – 6457 2730  
Fax: 022 – 2659 1205  
Email: [compliance@treehouseplaygroup.net](mailto:compliance@treehouseplaygroup.net)

For and on behalf of the Board

Place: Mumbai  
Date: May 27, 2013

Sd/-  
**Rajesh Bhatia**  
Managing Director

## DECLARATION UNDER CLAUSE 49(I)(D) OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT

Date: 27.05.2013

I, Mr. Rajesh Bhatia, Managing Director of Tree House Education & Accessories Limited, hereby affirmed and declare, to the best of our knowledge and belief, and on behalf of the Board of Directors of the Company and senior management personnel, that:

- The Board of Directors has laid down a code of conduct for all Board members and Senior Management of the Company ['the Code of Conduct'];
- All the Directors and Senior Management personnel have affirmed their compliance and adherence with the provisions of the Code of Conduct for the financial year ended March 31, 2013 applicable to them as laid down by the Board of Directors in terms of Clause 49(1) (D) (ii) of the Listing Agreement entered into with the Stock Exchanges, for the year ended March 31, 2013.

For **Tree House Education & Accessories Limited**

**Place:** Mumbai

Sd/-  
**Rajesh Bhatia**  
Managing Director

To the Members of  
**Treehouse Education & Accessories Limited**

We have examined the compliance of conditions of corporate governance by Treehouse Education & Accessories Limited ("the Company") for the year ended March 31, 2013, 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 procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance.

It is neither an audit nor an expression of the opinion on the financial statements of the Company.

Based on the aforesaid examination, in our opinion and to the best of our information and according to the explanation 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 have to state that the records of investor grievances are maintained by the Registrar and Transfer Agents appointed by the Company. The Registrar and Transfer Agents have certified that during the year under review there were no investor grievances received.

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

For **Jogish Mehta & Co.**  
Chartered Accountants

**Jogish N. Mehta**  
Proprietor

**Place:** Mumbai  
**Dated :** May 27, 2013

Membership No. F/38974  
Firm Registration Number : 104326W

## CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

To  
The Board of Directors  
Tree House Education & Accessories Limited

Dear Sirs,

### Sub: CEO / CFO Certificate

**(Issued in accordance with provisions of Clause 49 of the listing Agreement)**

We, Rajesh Bhatia Managing Director, and Utsav Shrivastava Chief Financial Officer of Tree House Education & Accessories Limited to the best of our knowledge and belief, certify that :

1. We have reviewed the Balance Sheet and Profit and Loss account and all the schedules and notes on accounts, as well as the Cash Flow statements, and the Directors' report for the year ended March 31, 2013 and to the best of our knowledge and belief, we state that;
  - a. These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
  - b. These statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
2. To the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's Code of Conduct.
3. We are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company, and we have :
  - a. Designed such disclosure controls and procedures to ensure that material information relating to the Company is made known to us particularly during the period in which this report is being prepared.
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP).
  - c. Evaluated the effectiveness of the Company's disclosure, controls and procedures.
  - d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
4. We have disclosed, based on our most recent evaluation, wherever applicable, to the Company's auditors and the audit committee of the Company's Board of Directors (and persons performing the equivalent functions) :
  - a. There were no deficiencies in the design or operation of internal controls, that could adversely affect the Company's ability to record, process, summarise and report financial data, and there have been no material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies.
  - b. There were no significant changes in internal controls during the year covered by this report.
  - c. All significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements.
  - d. There were no instances of fraud of which we are aware, that involve the Management or other employees who have a significant role in the Company's internal control system.
5. We further declare that all Board members and senior managerial personnel have affirmed compliance with the Code of Conduct for the current year.

Yours Sincerely,

Sd/-

Sd/-

Place: Mumbai

**Utsav Shrivastava**

**Rajesh Bhatia**

Date: May 27, 2013

Chief Financial Officer

Managing Director

# Independent Auditors' Report

To the Members of  
Tree House Education & Accessories Limited

## REPORT TO THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Tree House Education & Accessories Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is Responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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 March 31, 2013;
- b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
- c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e) on the basis of written representations received from the Directors as on March 31, 2013, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2013, from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

Forming an opinion and Reporting on Financial Statements

For **Jogish Mehta & Co.**  
Chartered Accountants  
Firm Registration No. 104326W

per **Jogish N. Mehta**  
Proprietor  
Membership No. F-38974

**Place:** Mumbai  
**Date:** May 27, 2013

# Annexure to the Auditors' Report

## **Of even date to the members of Tree House Education & Accessories Limited, on the financial statements for the year ended March 31, 2013**

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

In our opinion, a substantial part of fixed assets has not been disposed off during the year.

- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) 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) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (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. Accordingly, the provisions of clauses 4(iii)(b) to 4(iii)(d) of the Order are not applicable.
- (e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
- (iv) In our opinion, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets. *However there is a scope for considerable improvement in so far as internal control system for sale of goods and services is concerned.* In our opinion, there is no continuing failure to correct major weaknesses in such internal control systems.
- (v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.
- (b) In our opinion, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.
- (vii) In our opinion and according to the information and explanation given to us, the Company has an internal audit system which is commensurate with the size and nature of the business of the Company.
- (viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act, in respect of Company's products/ services. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, *though there has been a slight delay in a few cases.* No undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

- (b) There are no dues in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.
- (x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to any bank or financial institution during the year. The Company did not have any outstanding debentures during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.
- (xvi) In our opinion, the Company has applied the term loans for the purpose for which these loans were obtained.
- (xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.
- (xviii) During the year, the Company has made preferential allotment of warrants to the promoters on December 28, 2012. The terms and the condition of the issue are in accordance with SEBI (Disclosure & Investor Protection) Guidelines, 2000 and hence the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) We have verified that the end use of money raised by public issue in FY. 2011-12 is as disclosed in the notes to the financial statements. The Company has not raised any money by way of public issue during the year.
- (xxi) In our opinion, no fraud on or by the Company has been noticed or reported during the period covered by our audit.

	For <b>Jogish Mehta &amp; Co.</b>
	Chartered Accountants
	Firm Registration No. 104326W
	per <b>Jogish N. Mehta</b>
<b>Place:</b> Mumbai	Proprietor
<b>Date:</b> May 27, 2013	Membership No. F-38974

# Balance Sheet

as at March 31, 2013

₹

Particulars	Note No	As at March 31, 2013	As at March 31, 2012
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share capital	2.1	359,652,700	337,152,700
(b) Reserves and surplus	2.2	2,973,851,208	2,226,746,316
(c) Money received against share warrants	2.3	100,170,000	-
<b>(2) Non-Current Liabilities</b>			
(a) Long-term borrowings	2.4	290,273,261	
(b) Deferred tax liabilities (Net)	2.5	43,565,687	32,845,175
(c) Other long-term liabilities	2.6	163,305	1,000,000
(d) Long-term provisions	2.7	3,015,220	2,305,773
<b>(3) Current Liabilities</b>			
(a) Short-term borrowings	2.8	376,889,071	513,969,496
(b) Trade payables	2.9	37,489,081	29,808,654
(c) Other current liabilities	2.10	202,211,134	153,064,502
(d) Short-term provisions	2.11	56,969,250	68,476,165
<b>Total</b>		<b>4,444,249,917</b>	<b>3,365,368,781</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	2.12	1,329,653,325	1,135,916,534
(ii) Intangible assets	2.12	220,484,661	234,816,701
(iii) Capital work-in-progress		346,771,481	143,369,332
(iv) Intangible assets under development	2.13	50,898,874	52,045,642
(b) Non-current investments	2.14	99,800,000	61,741,500
(c) Long term loans and advances	2.15	1,693,211,338	848,757,840
<b>(2) Current assets</b>			
(a) Current investments	2.16	-	250,000,000
(b) Inventories	2.17	46,045,203	36,531,263
(c) Trade receivables	2.18	68,749,743	58,090,474
(d) Cash and bank balances	2.19	487,151,429	476,886,073
(e) Short-term loans and advances	2.20	72,816,358	52,061,301
(f) Other current assets	2.21	28,667,508	15,152,120
<b>Total</b>		<b>4,444,249,917</b>	<b>3,365,368,781</b>

The accompanying notes are integral part of financial statement

As per our report of even date

**For Jogish Mehta & Co.**

Chartered Accountants

Firm Registration No. 104326W

Membership No. F/38974

**per Jogish N. Mehta**

Proprietor

**Place:** Mumbai

**Date :** May 27, 2013

For and on behalf of the Board of Directors

**Sanjaya Kulkarni**

Chairman

**Vishal Shah**

Director

**Place:** Mumbai

**Date :** May 27, 2013

**Rajesh Bhatia**

Managing Director

**Deepali Hanchate**

Company Secretary

# Statement of Profit and Loss

for the year ended March 31, 2013

₹

Particulars	Note No	Year ended March 31, 2013	Year ended March 31, 2012
<b>I. Revenue from operations</b>	2.23	1,142,824,344	772,102,328
<b>II. Other Income</b>	2.24	70,584,266	38,780,193
<b>Total Revenue (I + II)</b>		<b>1,213,408,610</b>	<b>810,882,521</b>
<b>III. Expenses:</b>			
Operating expenses	2.25	301,581,742	186,468,189
Employee benefit expenses	2.26	133,094,952	96,243,918
Financial costs	2.27	66,167,575	65,028,406
Depreciation and amortisation expense	2.12	133,815,816	77,989,405
Other expenses	2.28	90,004,372	69,282,522
<b>Total Expenses</b>		<b>724,664,456</b>	<b>495,012,439</b>
<b>IV. Profit before tax</b>		<b>488,744,154</b>	<b>315,870,082</b>
<b>V. Tax expense:</b>			
(1) Current tax		142,500,000	80,250,000
(2) Deferred tax		10,720,513	14,681,954
(3) Short provision of earlier years		2,171,011	4,292,260
<b>VI. Profit for the year</b>		<b>333,352,630</b>	<b>216,645,868</b>
<b>VII. Earning per equity share:</b>	2.34		
(1) Basic		9.69	7.17
(2) Diluted		9.56	7.17

The accompanying notes are integral part of financial statement

As per our report of even date

**For Jogish Mehta & Co.**

Chartered Accountants

Firm Registration No. 104326W

Membership No. F/38974

**per Jogish N. Mehta**

Proprietor

**Place:** Mumbai

**Date :** May 27, 2013

For and on behalf of the Board of Directors

**Sanjaya Kulkarni**

Chairman

**Vishal Shah**

Director

**Place:** Mumbai

**Date :** May 27, 2013

**Rajesh Bhatia**

Managing Director

**Deepali Hanchate**

Company Secretary

# Cash Flow Statement

as at March 31, 2013

₹

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>A CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	488,744,154	315,870,082
Adjustments for:		
Depreciation / amortisation	133,815,816	77,989,405
Fixed assets written off	–	54,472
Finance charges	66,167,575	65,028,406
Net gain on sale of fixed assets	(5,812,067)	(1,844,484)
Interest on fixed deposits	(37,783,969)	(22,195,720)
Profit on sale of investment	(24,015,000)	–
Dividend income	–	(14,142,845)
<b>Operating profit before working capital changes</b>	<b>621,116,509</b>	<b>420,759,316</b>
Adjustments for:		
(Increase) in inventories	(9,513,940)	(21,878,894)
Deposits given to K-12 Schools	(541,900,000)	(201,840,000)
Decrease/(Increase) in sundry debtors	(10,659,269)	(40,364,236)
(Increase)/Decrease in loans and advances	(77,312,169)	(83,728,283)
Increase in liabilities and provisions	56,007,877	56,390,964
<b>Cash generated from operations</b>	<b>37,739,008</b>	<b>129,338,867</b>
Income tax paid	(176,407,998)	(65,357,380)
<b>Net cash generated from operating activities</b>	<b>(138,668,990)</b>	<b>63,981,486</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets (including capital work in progress)	(786,378,066)	(819,331,353)
Proceeds from Sale of Fixed Assets	31,948,475	66,509,000
Payment made for acquiring Business Commercial Rights	–	(8,710,942)
Purchase of investments	(38,058,500)	(285,250,000)
Proceeds from Sale of Investment	250,000,000	–
Interest received	24,268,581	21,786,993
Profit on sale of investment	24,015,000	–
Dividend received	–	14,142,845
<b>Net cash used in investing activities</b>	<b>(494,204,510)</b>	<b>(1,010,853,457)</b>

₹

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares including securities premium	503,119,982	1,310,261,019
Payment of Dividends	(33,715,270)	—
Proceeds from issue of Share warrants	100,170,000	—
Share issue expenses	(14,616,926)	(150,276,078)
Repayment of term loan	(16,666,667)	—
Proceeds from term loan	418,500,000	—
Proceeds from working capital loan (net)	(248,640,500)	37,750,792
Interest paid	(65,011,763)	(62,723,215)
<b>Net cash provided by financing activities</b>	<b>643,138,856</b>	<b>1,135,012,518</b>
Net increase in cash and cash equivalents during the year	10,265,356	188,140,547
Cash and cash equivalents as at the beginning of the year	476,886,073	288,745,525
<b>Cash and cash equivalents as at the end of the year</b>	<b>487,151,429</b>	<b>476,886,073</b>
<b>CASH AND CASH EQUIVALENTS AS AT YEAR END CONSTITUTES:</b>		
Cash in hand	5,034,444	1,873,597
Cheques in hand	—	—
Balance in current account with banks	27,624,108	31,258,588
Fixed deposits with banks (refer Note 2)	454,492,877	443,753,888
	<b>487,151,429</b>	<b>476,886,073</b>

**Notes:**

- The Cash Flow Statement has been prepared under Indirect Method as set out in Accounting Standard (AS) -3, 'Cash Flow Statements', as notified by Central Government under the Companies Act, 1956.
- Cash and cash equivalents above includes fixed deposits of ₹ 451,420,877 (Previous Year ₹ 409,030,556) placed with a bank against working capital loan obtained from them.
- Cash and cash equivalents above includes fixed deposits of ₹ 572,000 (Previous Year ₹ 7,223,332) placed with a bank against which the bank has given a guarantee.

As per our report of even date

**For Jogish Mehta & Co.**  
Chartered Accountants  
Firm Registration No. 104326W  
Membership No. F/38974

**per Jogish N. Mehta**  
Proprietor

**Place:** Mumbai  
**Date :** May 27, 2013

For and on behalf of the Board of Directors

**Sanjaya Kulkarni**  
Chairman

**Vishal Shah**  
Director

**Place:** Mumbai  
**Date :** May 27, 2013

**Rajesh Bhatia**  
Managing Director

**Deepali Hanchate**  
Company Secretary

# Significant Accounting Policies

## GENERAL INFORMATION

Treehouse Education & Accessories Limited (the 'Company') was incorporated on July 10, 2006 under the Indian Companies Act, 1956 (the 'Act'). The Company is engaged in providing education and related services including leasing of education infrastructure.

## 1. Significant Accounting Policies

### 1.1 Basis of preparation

The financial statements have been prepared under historical cost convention on the accrual basis of accounting and, are in accordance with generally accepted accounting principles [GAAP], the applicable requirements of the Companies Act, 1956 (the 'Act') and comply in all material aspects with the Accounting Standards as notified by the Companies (Accounting Standards) Rules, 2006, to the extent applicable. The accounting policies have been consistently applied by the Company.

All assets and liabilities have been classified as current and non-current as per normal operating cycle of the Company and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on nature of products / services, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

### 1.2 Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of income and expenses of the year, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include useful lives of fixed assets including intangibles, future obligations under employee retirement benefit plans, provision for doubtful debts and advances, etc. Actual results could differ from those estimates. Any revisions to accounting estimates are recognised prospectively in the current and future periods.

### 1.3 Provisions and contingencies

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined based on best estimate of the amount required to settle the obligation at the Balance Sheet date. Provisions are reviewed at each Balance Sheet date and adjusted to reflect current best estimates. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

### 1.4 Fixed assets, depreciation and amortisation

Fixed assets are stated at cost, less accumulated depreciation, amortisation and impairment losses, if any. Cost includes all expenses incurred to bring the assets to their present location and condition for their intended use.

Assets acquired but not ready for use are classified under Capital work in progress.

Depreciation and amortisation on fixed assets is provided under the straight line method at the rates and in the manner prescribed in Schedule XIV of the

Companies Act, 1956 which, as per the management, represents the estimated useful life of the assets. Leasehold improvements are amortised on the basis of useful lives of assets or balance lease period, whichever is lower. Individual assets costing ₹ 5,000 or less are depreciated at 100% on a prorata basis.

### 1.5 Intangibles

- a) Cost incurred for acquiring brands are capitalised and amortised on a straight-line basis over a period of not more than ten years, being the estimated useful life.
- b) Goodwill arising from acquisition of business is amortised over the expected useful life, not exceeding ten years.
- c) Business Commercial Rights i.e. "School facilitation service rights" acquired from various Trusts/Societies are capitalised and amortised on a straight line basis over the agreement period.

### 1.6 Impairment of Assets

The carrying amount of assets, other than inventories is reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the assets is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use determined based on the present value of estimated future cash flows. All impairment losses are recognised in the Statement of Profit and Loss.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

## 1.7 Revenue Recognition

### Income from Services

Revenue is recognised on rendering of services and is recognised when there are no significant uncertainties as to its measurability or collectability.

In instances where fees are received during a term, revenue is recognised on a proportionate basis for the period which falls under the current reporting period and the balance is shown as advance fees received.

Revenue from consultancy services is recognised on rendering of services, as evidenced from the customers' acknowledgment of services received. In respect of non-refundable fees for consultancy services rendered to franchisee for setting up of its operations, the rendering of service generally coincides with signing of the franchisee service agreement.

### Royalty income

Royalty income is recognised as per the franchise agreement at specified percentage of gross revenue earned by the franchisee.

### Interest

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

### Sale of goods

The revenue from sale of education aids is recognised on transfer of property in goods which generally coincides with despatch/delivery to the customer.

### Dividend

Dividend income is recognised when the right to receive payment is established.

## 1.8 Inventories

Inventories consist of book kits and other student activity materials. Inventory is valued at lower of cost and net realisable value. Cost is determined on first in first out (FIFO) basis.

## 1.9 Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Long-term investments are stated at cost. Provision for diminution in the value of long term investments is made when the decline is other than temporary in nature.

Current investments are stated at lower of cost and market value determined on an individual investment basis.

### 1.10 Expenditure during construction period

Expenditure directly relating to construction activity of a new centre is capitalised. Indirect expenditure incurred during construction period is capitalised as part of indirect construction cost to the extent it directly relates to construction or is incidental thereto. Other indirect expenditure incurred during the construction activity is charged to Statement of Profit and Loss.

### 1.11 Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities are translated at the year-end rate. The difference between the rate prevailing on the date of the transaction and on the date of settlement, as also on the translation of monetary assets and liabilities at the end of the year is recognised as income or expense as the case may be for the year.

## 1.12 Borrowing Costs

Borrowing costs attributable to the acquisition and construction of an asset are capitalised as part of the cost of such asset up to the date of such asset being ready for its intended use. Other borrowing costs are treated as revenue expenditure.

## 1.13 Leases

### Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and rewards of ownership during the lease term, are classified as operating leases. Lease rentals in respect of assets taken under an operating lease are charged to the Statement of Profit and Loss on straight line basis over the initial period of the lease.

### Where the Company is the lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Statement of Profit and Loss on a straight-line basis over the lease term. Expenses, including depreciation are recognised as an expense in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage, etc. are recognised immediately in the Statement of Profit and Loss.

## 1.14 Taxes on income

Tax expense comprises both current and deferred taxes. The current charge for income taxes is calculated in accordance with the relevant tax regulations. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

# Significant Accounting Policies

Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain/virtually certain that future taxable income will be available against which such deferred tax assets can be realised.

## **1.15 Employee benefits**

### **Provident fund:**

Company's contributions paid / payable to provident fund authorities are recognised in the Statement of Profit and Loss of the year when the contribution to the fund is due.

### **Gratuity:**

Gratuity is a post employment benefit and is in the nature of defined benefit plan. The liability recognised in the Balance Sheet in respect of the gratuity is present value of the defined benefit/ obligation at the Balance Sheet date less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost. The defined benefit/ obligation is calculated at the Balance Sheet date by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the Statement of Profit and Loss in the year in which such gains or losses arise.

### **Compensated absences**

The employees of the Company are entitled to compensated absences which are non-accumulating in nature. Expenses on non-accumulating compensated absences are recognised in the year in which the absence occurs.

## **1.16 Share issue expenses**

Share issue expenses are adjusted in the same year against the Securities Premium Account as permitted by section 78(2) of the Act. In case of insufficient balances in the Securities Premium Account, unadjusted share issue expenses are amortised over a period of 5 years. In case there arises a securities premium balance subsequently, unadjusted share issue expenses would not be amortised but will be adjusted against the Securities Premium Account.

## **1.17 Cash flow statement**

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

## **1.18 Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

# Notes

on Accounts for the year ended March 31, 2013

## 2 NOTES ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2013

The previous year's figures have been regrouped / reclassified, where ever necessary to conform to the current year's presentation.

Amounts in the notes are presented in Indian Rupees (INR), except otherwise stated.

₹

Particulars	As at	As at
	March 31, 2013	March 31, 2012
<b>2.1 SHARE CAPITAL</b>		
<b>Equity Share Capital</b>		
<b>Authorised share capital</b>	400,000,000	355,000,000
(40,000,000 (previous year: 35,500,000) equity shares of ₹10 each)		
<b>Issued, subscribed and fully paid up equity share capital</b>	359,652,700	337,152,700
(35,965,270 (previous year: 33,715,270) equity shares of ₹10 each fully paid up)		
<b>Total</b>	<b>359,652,700</b>	<b>337,152,700</b>

### Terms / rights attached to equity shares

The Company has only one class of shares referred to as equity shares having par value of ₹ 10. Each holder of equity share is entitled to one vote per share. 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 all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

### Reconciliation of the number of shares outstanding at the beginning and at the end of the year

₹

Particulars	March 31, 2013	March 31, 2012
Number of shares at the beginning of the year	33,715,270	24,018,927
Add: Shares issued during the year	2,250,000	9,696,343
Number of shares at the end of the year	<b>35,965,270</b>	<b>33,715,270</b>

During the year, the Company has issued and allotted the shares as detailed below:

- 1,400,000 equity shares of ₹ 10 each for cash consideration at a premium of ₹ 212.60 per share to Aditya Birla Trustee Company Private Limited for and on behalf of Aditya Birla Private Equity Sunrise Fund on a preferential allotment basis.
- 450,000 equity shares of ₹ 10 each for cash consideration at a premium of ₹ 212.60 per share to ON Mauritius on a preferential allotment basis.
- 400,000 equity shares of ₹ 10 each for cash consideration at a premium of ₹ 218 per share to Tree House Employees Welfare Trust.

### Shareholder holding more than 5 % of the total shares in the Company

₹

Name of Shareholder	March 31, 2013		March 31, 2012	
	No. of shares	% of holding	No. of shares	% of holding
Matrix Partners India Investment Holdings, LLC	9,010,926	25.05	9,010,926	26.73
Geeta Bhatia	6,025,000	16.75	6,025,000	17.87
FC VI India Venture Mauritius Limited	2,898,001	8.06	2,898,001	8.60
Rajesh Bhatia	2,785,000	7.74	2,785,000	8.26
Rajesh Bhatia and Geeta Bhatia	1,120,833	3.12	1,120,833	3.32

# Notes

on Accounts for the year ended March 31, 2013

		₹
Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.2 RESERVES AND SURPLUS</b>		
<b>Securities Premium Account</b>		
Balance at the beginning of the year	1,933,023,546	870,002,035
Add: Addition during the year	480,619,982	1,213,297,589
Less: Share issue expenses	14,616,926	150,276,078
Balance at the close of the year (A)	<b>2,399,026,602</b>	<b>1,933,023,546</b>
Surplus in Statement of Profit and Loss		
Balance at the beginning of the year	293,722,770	116,261,632
Add : Transferred from Statement of Profit and Loss	333,352,630	216,645,868
	<b>627,075,400</b>	<b>332,907,500</b>
Less: Appropriation		
Proposed dividend	44,956,588	33,715,270
Tax on dividend	7,294,206	5,469,460
Balance at the end of the year (B)	574,824,606	293,722,770
<b>Total (A+B)</b>	<b>2,973,851,208</b>	<b>2,226,746,316</b>

## 2.3 MONEY RECEIVED AGAINST SHARE WARRANTS

The Company has allotted 1,800,000 warrants carrying an entitlement to subscribe to one Equity Share of the Company, in exchange of each such warrant at a future date within a period not exceeding 18 months from the date of issue of such warrants aggregating to ₹ 400,680,000 (assuming full conversion of warrants into equity shares) to the promoters on a preferential basis, approved by its shareholders in the extraordinary general meetings of the Members of the Company on December 27, 2012. In this regard the warrants were allotted to the promoters and 25% application money aggregating to ₹ 100,170,000 was received from them.

		₹
Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.4 LONG TERM BORROWINGS</b>		
<b>Secured *</b>		
Term loans from banks	290,273,261	—
<b>Total</b>	<b>290,273,261</b>	<b>—</b>

An amount of ₹ 161,231,742 of term loans which is repayable within 12 months from the date of balance sheet has been grouped under short term borrowings.

\* Secured by mortgage of building, hypothecation of movable assets, book debts

# Notes

on Accounts for the year ended March 31, 2013

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.5 DEFERRED</b>		
<b>Deferred tax liability on:</b>		
Depreciation and amortisation	40,238,592	29,879,643
Provision for rent equalisation income (net)	5,047,614	3,843,479
<b>Deferred tax assets on:</b>		
Provision for gratuity	1,258,400	877,947
Others	462,119	—
<b>Deferred tax liability (net)</b>	<b>43,565,687</b>	<b>32,845,175</b>

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.6 OTHER LONG TERM LIABILITIES</b>		
Security deposit received	163,305	1,000,000
<b>Total</b>	<b>163,305</b>	<b>1,000,000</b>

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.7 LONG TERM PROVISIONS</b>		
Provision for employee benefits	3,015,220	2,305,773
<b>Total</b>	<b>3,015,220</b>	<b>2,305,773</b>

The following table sets out the status of the gratuity plan for the year ended March 31, 2013 in accordance with Accounting Standard 15, Employee Benefits (Revised), as notified under the Companies Act, 1956.

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed years of service. The scheme is unfunded.

# Notes

on Accounts for the year ended March 31, 2013

## Profit and loss account

### Net employee benefit expenses (recognised in employee cost)

₹

Particulars	March 31, 2013	March 31, 2012
Cost for the year:		
Service cost	1,852,054	1,257,362
Interest cost	232,489	96,803
Expected return on plan assets	—	—
Actuarial loss	(1,083,042)	185,484
<b>Total net cost recognised as employee remuneration</b>	<b>1,001,501</b>	<b>1,539,649</b>

## Balance sheet

### Details of provision for gratuity

Present value of defined benefit obligation as at year end (A)	3,702,264	2,705,956
Fair value of plan assets as at year end (B)	—	—
Net liability as at year end recognised in Balance Sheet (A)-(B)	3,702,264	2,705,956

Provision for gratuity		
Long term	3,015,220	2,305,773
Short term	687,044	400,183

### Changes in present value of the defined benefit obligation are as follows:

<b>Changes in defined benefit obligation:</b>		
Defined benefit obligation as at the beginning of the year	2,705,956	1,166,307
Current service cost	1,852,054	1,257,362
Interest cost	232,489	96,803
Actuarial loss / (gain) on obligations	(1,083,042)	185,484
Benefit paid	(5,193)	—
Present value of defined benefit obligation at the end of the year [A]	3,702,264	2,705,956

### The principal assumptions used in determining gratuity for the Company's plans are shown below:

<b>Assumptions</b>		
Discount rate	8.05%	8.60%
Attrition rate	Upto age 35 - 20%	Upto age 35 - 20%
	36-40 - 10%	36-40 - 10%
	41-58 - 5%	41-58 - 5%
Salary escalation rate	6%	6%

# Notes

on Accounts for the year ended March 31, 2013

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.8 SHORT-TERM BORROWINGS</b>		
Secured *	376,889,071	513,969,496
<b>Total</b>	<b>376,889,071</b>	<b>513,969,496</b>

\* Secured by mortgage of building, hypothecation of movable assets, book debts and lien against fixed deposits.

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.9 TRADE PAYABLES</b>		
Trade Payables		
Dues to micro, small and medium enterprises *	—	—
Others	37,489,081	29,808,654
<b>Total</b>	<b>37,489,081</b>	<b>29,808,654</b>

\* The Company has during the year, not received from any of its suppliers any information regarding their status under the said Act. In the light of the above facts, management has decided that none of them are registered under the said Act and disclosure, if any relating to amount unpaid as at the year end along with the interest payable / paid has not been given.

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.10 OTHER CURRENT LIABILITIES</b>		
Sundry creditors for services / expenses	20,555,044	19,109,478
Advance tuition fees received	175,802,227	133,195,329
Withholding and other tax payable	4,615,944	640,791
Interest accrued but not due	1,237,919	118,904
<b>Total</b>	<b>202,211,134</b>	<b>153,064,502</b>

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.11 SHORT-TERM PROVISIONS</b>		
Provision for employee benefits	4,718,456	5,410,391
Proposed dividend	44,956,588	33,715,270
Tax on dividend	7,294,206	5,469,460
Provision for current tax	—	23,881,044
<b>Total</b>	<b>56,969,250</b>	<b>68,476,165</b>

# Notes

on Accounts for the year ended March 31, 2013

## 2.12 FIXED ASSETS

Particulars	Gross block (at cost)			Depreciation and amortisation			Net block	
	As at April 1, 2012	Additions	Deletions/Transfer	As at April 1, 2012	For the year	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
<b>Tangible</b>								
Freehold land	128,605,395	-	-	-	-	-	128,605,395	128,605,395
Building	330,338,097	87,977,177	26,180,283	5,618,740	5,958,658	683,594	381,241,187	324,719,357
Furniture and fittings	600,223,771	166,498,782	7,277,478	62,898,692	60,205,047	7,204,525	643,545,861	537,325,079
Office and other equipment	16,043,325	5,374,737		2,950,959	1,502,012	-	16,965,091	13,092,366
Teaching aid and equipment	30,525,188	2,388,418		18,892,308	4,173,800	-	9,847,498	11,632,880
Computers	4,226,554	3,322,617	-	1,160,771	1,119,040	-	5,269,360	3,065,783
Leasehold Improvement	150,122,093	71,182,601		37,162,537	44,795,186	-	139,346,971	112,959,556
Vehicles	5,160,789	890,739		644,671	574,895	-	4,831,962	4,516,118
<b>Intangibles</b>								
Goodwill *	14,245,854	1,155,138		5,544,389	1,491,362	-	8,365,241	8,701,465
Business Commercial rights	200,064,534	-		10,752,246	6,662,149	-	182,650,139	189,312,288
Brands	64,791,627	-		27,988,679	7,333,667	-	29,469,281	36,802,948
<b>Grand Total</b>	<b>1,544,347,227</b>	<b>338,790,217</b>	<b>33,457,761</b>	<b>173,613,992</b>	<b>133,815,816</b>	<b>7,888,119</b>	<b>1,550,137,986</b>	<b>1,370,733,235</b>
<b>Previous year</b>	<b>719,228,874</b>	<b>842,895,531</b>	<b>17,777,178</b>	<b>95,842,106</b>	<b>77,989,405</b>	<b>217,519</b>	<b>1,370,733,235</b>	<b>623,386,768</b>

\* During the year, the Company has acquired kindergarten and playschool business of MT Educare and has recognised goodwill of ₹ 1,155,138 for the same.

# Notes

on Accounts for the year ended March 31, 2013

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.13 INTANGIBLE UNDER DEVELOPMENT</b>		
<b>Intangible assets under development constitute the following:</b>		
Business Commercial Rights	50,898,874	52,045,642
<b>Total</b>	<b>50,898,874</b>	<b>52,045,642</b>

The Company has entered into an exclusive facilitation service agreement with various educational trusts in accordance with which the Company has exclusive rights for a period of 30 years to provide various facilitation services for schools/courses to be set up by these educational trusts. The Company has paid one time fixed fee to the educational trusts towards such exclusive rights. The fee paid is recognised as an intangible asset and accordingly capitalised as 'Business Commercial Rights' in the financial statements.

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.14 NON-CURRENT INVESTMENTS</b>		
<b>(Unquoted, at cost)</b>		
<b>Trade</b>		
<b>Investments in Equity instruments of:</b>		
Joint Venture		
JT Infrastructure Private Limited	99,800,000	60,000,000
– 9,980,000 (previous year: 6,000,000) equity shares of ₹ 10 each fully paid up		
– Share Application Money	–	1,740,000
<b>Non-trade</b>		
New India Co-op Bank Limited	–	1,500
Nil (previous year 150) equity shares of ₹ 10 each fully paid up		
<b>Total</b>	<b>99,800,000</b>	<b>61,741,500</b>

The Company has entered into a joint venture agreement with Jayshree Builders ('JB') to construct and rent a school building. As part of the arrangement, the Company and JB have agreed to equally contribute to share capital of JT Infrastructure Private Limited, a company in which both Treehouse Education & Accessories Limited and JB have equal share holding.

The Company has a 50% interest in the assets, liabilities, expenses and income of JT Infrastructure Private Limited, a company incorporated in India. The operations have not yet commenced and Company's share of the assets and liabilities of the jointly controlled entity as per the information provided as of March 31, 2013 are:

₹

Particulars	As at March 31, 2013	As at March 31, 2012
Assets	103,707,452	62,261,248
Liabilities (includes share application money)	3,777,451	2,261,248
Income	Nil	Nil
Expenditure	Nil	Nil
Contingent Liabilities	Nil	Nil
Capital Commitment		

# Notes

on Accounts for the year ended March 31, 2013

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.15 LONG-TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Capital Advances	389,684,732	137,352,263
Security Deposits (includes ₹ 20,000,000 (previous year ₹20,000,000) given to directors)	1,229,650,021	631,433,435
Other loans and advances	73,876,585	79,972,142
<b>Total</b>	<b>1,693,211,338</b>	<b>848,757,840</b>

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.16 CURRENT INVESTMENTS</b>		
Investments in Debt Oriented Mutual funds		
- Axis Fixed Term Maturity Plan	—	250,000,000
<b>Total</b>	<b>—</b>	<b>250,000,000</b>

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.17 INVENTORIES</b>		
Stock in trade	46,045,203	36,531,263
<b>Total</b>	<b>46,045,203</b>	<b>36,531,263</b>

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.18 TRADE RECEIVABLES</b>		
Outstanding for a period exceeding six months:		18,591,679
Good	51,627,317	
Doubtful	1 359 572	
Less: Provision for bad and doubtful debts	(1,359,572)	
Others	17,122,426	39,498,795
<b>Total</b>	<b>68,749,743</b>	<b>58,090,474</b>

# Notes

on Accounts for the year ended March 31, 2013

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.19 CASH AND BANK BALANCES</b>		
Cash and cash equivalents		
Balance in current accounts with banks	27,624,108	31,258,588
Fixed deposits with banks (refer note below)	454,492,877	443,753,888
Cash on hand	5,034,444	1,873,597
<b>Total</b>	<b>487,151,429</b>	<b>476,886,073</b>

## Note:

- Fixed deposits of ₹ 451,420,874 (previous year ₹ 409,030,556) placed with a bank against working capital loan obtained from them.
- Fixed deposit of ₹ 572,000 (previous year ₹ 7,223,332) placed with a bank against which bank has given a guarantee.

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.20 SHORT-TERM LOANS AND ADVANCES</b>		
<b>(Unsecured, considered good)</b>		
Others	72,816,358	52,061,301
<b>Total</b>	<b>72,816,358</b>	<b>52,061,301</b>

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.21 OTHER CURRENT ASSETS</b>		
Interest Accrued on Fixed Deposits	28,568,266	15,127,118
Interest Accrued on Loan	99,242	25,002
<b>Total</b>	<b>28,667,508</b>	<b>15,152,120</b>

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.22 CONTINGENT LIABILITIES AND COMMITMENTS</b>		
<b>(to the extent not provided for)</b>		
Commitments		
Estimated amount of unexecuted contracts	401,400,277	566,803,591
<b>Total</b>	<b>401,400,277</b>	<b>566,803,591</b>

# Notes

on Accounts for the year ended March 31, 2013

₹

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>2.23 REVENUE FROM OPERATIONS</b>		
Revenue from		
- Sale of education kits	32,784,687	25,421,457
- Sale of services		
Consultancy income	118,363,338	59,686,986
Income from Early Childhood Education	939,342,055	636,369,348
Income from Early Childhood Training Course	30,849,847	30,645,120
Other operating income	101,240	1,434,048
- Rent income from education infrastructure	12,182,240	12,182,240
- Royalty income	9,200,937	6,363,129
<b>Total</b>	<b>1,142,824,344</b>	<b>772,102,328</b>

₹

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>2.24 OTHER INCOME</b>		
Interest income (tax deducted at source ₹ 3,764,943 previous year ₹ 2,550,166)	37,783,969	22,195,720
Dividend income	–	14,142,845
Profit on sale of investment	24,015,000	–
Net gain on sale of fixed assets	5,812,067	1,844,484
Other non-operating income	2,973,230	597,144
<b>Total</b>	<b>70,584,266</b>	<b>38,780,193</b>

₹

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>2.25 OPERATING EXPENSES</b>		
Rent (includes conducting charges and society maintenance)	216,072,108	120,873,659
Security charges	9,704,181	12,506,957
Training material and equipment consumed	45,929,791	21,603,946
Water, electricity and cleaning charges	14,489,605	14,414,594
Activity expenses	6,651,236	9,487,460
Other center expenses	8,734,822	7,581,573
<b>Total</b>	<b>301,581,742</b>	<b>186,468,189</b>

# Notes

on Accounts for the year ended March 31, 2013

₹

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>2.26 EMPLOYEE BENEFIT EXPENSES</b>		
Salaries and wages	128,965,429	92,439,486
Contribution to provident and other funds	3,991,901	3,354,452
Staff welfare expenses	137,622	449,980
<b>Total</b>	<b>133,094,952</b>	<b>96,243,918</b>

₹

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>2.27 FINANCE COST</b>		
Interest expenses	60,149,638	59,402,873
Finance charges	4,862,125	3,138,991
Interest on delay in payment of Income Tax	1,155,812	2,486,541
<b>Total</b>	<b>66,167,575</b>	<b>65,028,406</b>

₹

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>2.28 OTHER EXPENSES</b>		
Advertisement and publicity expenses	51,434,036	34,487,800
Legal and professional fees	6,893,475	3,508,006
Office expenses	1,182,058	1,264,014
Rent, rates and taxes	10,639,360	3,941,401
Insurance	423,263	594,761
Telephone and courier expenses	2,221,043	439,737
Auditors' remuneration	1,688,678	1,622,270
Brokerage and commission	1,139,854	5,760,516
Business promotion	181,050	341,939
Printing and stationery	1,549,697	2,673,104
Donation	309,379	19,501
Repairs and maintenance - others	1,334,378	2,732,637
Travelling and conveyance	3,575,954	5,370,288
Freight and delivery expenses	1,416,611	1,343,370
Fixed assets written off	—	54,472
Bad debts	475,263	2,369,937
Provision for doubtful debts	1,359,572	—
Director Sitting Fees	575,694	81,000
Miscellaneous expenses	3,605,006	2,677,769
<b>Total</b>	<b>90,004,372</b>	<b>69,282,522</b>

Overview

Strategic review

Statutory reports

Financial statements

# Notes

on Accounts for the year ended March 31, 2013

			₹
Particulars	Year ended March 31, 2013	Year ended March 31, 2012	
<b>2.29 BORROWING COST</b>			
Details of borrowing cost capitalised during the year:			
As capital work in progress	11,717,125	3,338,599	
<b>Total</b>	<b>11,717,125</b>	<b>3,338,599</b>	

			₹
Particulars	Year ended March 31, 2013	Year ended March 31, 2012	
<b>2.30 EXPENDITURE DURING CONSTRUCTION PERIOD</b>			
Opening balance	–	838,400	
Add : Incurred during the year	5,096,833	7,208,704	
Less : Allocated to fixed assets	4,704,833	8,047,104	
<b>Total</b>	<b>392,000</b>	<b>–</b>	

## 2.31 SEGMENT INFORMATION

The activities of the Company comprise of only one business segment i.e “providing education and related services including leasing of education infrastructure”. The Company operates in only one geographical segment i.e. India. Hence, the Company's financial statements are reflective of the information required by Accounting Standard 17, “Segment Reporting” notified under the Companies Act, 1956.

## 2.32 RELATED PARTY DISCLOSURES

In accordance with the requirements of Accounting Standard 18, “Related Party Disclosures” notified under the Companies Act, 1956, the related party disclosures are given below:

### a) List of related parties

#### i Key management personnel (KMP)

Key management personnel ('KMP')

- Mr. Rajesh Bhatia – Managing Director
- Mr. Vishal Shah – Director

#### ii. Relatives of key management personnel

Relatives of KMP Mrs. Geeta Bhatia – wife of Mr. Rajesh Bhatia

#### iii. Joint venture company

JT Infrastructure Private Limited

# Notes

on Accounts for the year ended March 31, 2013

## b) Transactions undertaken / balances outstanding with related parties in the ordinary course of business

Transactions during the year

₹

Particulars	Key Management Personnel ('KMP')		Relatives of KMP		Joint Venture	
	Year ended		Year ended		Year ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
<b>Rent expense</b>						
- Mr. Rajesh Bhatia	19,971,275	10,171,153		-	-	-
- Mrs. Geeta Bhatia		-	19,971,275	10,171,153	-	-
<b>Additional lease deposit</b>						
Mr. Rajesh Bhatia		1,000,000		-	-	-
<b>Remuneration</b>						
- Mr. Vishal Shah	1,620,000	1,600,000		-	-	-
- Mr. Rajesh Bhatia	4,800,000	3,599,995		-	-	-
<b>Payments received against share warrants</b>						
- Mr. Rajesh Bhatia	100,170,000	-		-	-	-
<b>Fixed assets purchased from</b>						
- Mr. Rajesh Bhatia *	-	134,500,000		-	-	-
<b>Investment</b>						
- JT Infrastructure Private Limited	-	-	-	-	38,060,000	35,250,000

\* The value of fixed assets purchase from Mr. Rajesh Bhatia during last year amounts to ₹ 134,500,000 against which advance of ₹ 39,600,000 was paid during the previous year.

### Closing balances with related parties in the ordinary course of business

Particulars	Key Management Personnel ('KMP')		Relatives of KMP		Joint Venture	
	Year ended		Year ended		Year ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
<b>Creditors:</b>						
- Mrs. Geeta Bhatia	-	-	-	1,557,926		-
<b>Lease Deposit (Mr. Rajesh Bhatia)</b>	20,000,000	20,000,000		-		-
<b>Money received against issue of share warrants</b>						
- Mr. Rajesh Bhatia	100,170,000	-		-		-
<b>Investment</b>						
- JT Infrastructure Private Limited		-		-	99,800,000	61,740,000

# Notes

on Accounts for the year ended March 31, 2013

## 2.33 LEASES

### In case of assets taken on lease

The lease rent and amenities charges recognised in the Statement of Profit and Loss during the year ended March 31, 2013 is ₹ 203,651,482 (previous year: ₹ 111,388,507)

### Obligation of the Company towards future lease payments

			₹
Particulars	As at March 31, 2013	As at March 31, 2012	
Not later than one year	182,923,007	139,130,394	
Later than one year but not later than five years	410,850,997	210,209,039	
Later than five years	7,263,378	—	

### Significant leasing arrangements:

- 1.1 The period of lease for the premises varies by location and ranges from 3 to 5 years.
- 1.2 Renewal of the lease at the end of the initial term is at mutual consent of both parties.
- 1.3 The Company has entered into lease conducting agreements with certain parties where the lease rentals are based on the revenue earned at the respective centers. The expected future lease payments cannot be estimated in respect of these lease conducting agreements and hence future liability in respect of the same have not been disclosed.

### In case of assets given on lease

The lease rent income recognised in the Statement of Profit and Loss during the year ended March 31, 2013 is ₹ 12,182,240 (previous year: ₹ 12,182,240)

### Right of the Company towards future lease payments

			₹
Particulars	As at March 31, 2013	As at March 31, 2012	
Not later than one year	6,900,000	6,750,000	
Later than one year but not later than five years	30,532,500	37,432,500	
Later than five years	304,284,748	304,284,714	

### Significant leasing arrangements:

- a) The period of lease for the premises is 30 (Thirty) years.
- b) The lease rent shall stand revised by addition of an amount equivalent to 15% at the end of every third year.
- c) After the expiry of the said initial term of 30 years, the lessee has a sole option to renew the lease term for further period of 30 years.

			₹
Particulars	As at March 31, 2013	As at March 31, 2012	
<b>2.34 EARNINGS PER SHARE</b>			
Profit after tax	333,352,630	216,645,868	
Weighted average number of shares outstanding (Basic)	34,418,558	30,231,860	
Weighted average number of shares outstanding (Diluted)	34,882,119	30,231,860	
Nominal value per share	10.00	10.00	
Basic earnings per share	9.69	7.17	
Diluted earnings per share	9.56	7.17	

# Notes

on Accounts for the year ended March 31, 2013

₹

Particulars	As at March 31, 2013	As at March 31, 2012
<b>2.35 AUDITORS' REMUNERATION</b>		
Statutory audit fees	1,550,000	1,472,270
Tax audit fees	150,000	150,000
Other services*	304,000	—
<b>Total</b>	<b>2,004,000</b>	<b>1,622,270</b>

\* Other service includes ₹ 100,000 for the year ended March 31, 2013 relates to certification services for preferential allotment and hence has been adjusted against securities premium account as part of share issue expenses.

## 2.36 EMPLOYEE STOCK OPTION PLANS

For the financial year March 31, 2013 following schemes were in operation:

- 1) Treehouse Education Employees' Stock Option Plan, 2010 – ESOP A
- 2) Treehouse Education Employees' Stock Option Plan, 2012 – ESOP B

Sr. No.	Particulars	During the year ended 31 March, 2013		During the year ended 31 March, 2012	
		Options (numbers)	Weighted average exercise price per option (₹)	Options (numbers)	Weighted average exercise price per option (₹)
1	Option outstanding at the beginning of the year:				
	ESOP A	1,400,000	71	14,00,000	71
	ESOP B	—	—	—	—
2	Granted during the year:				
	ESOP A	—	—	—	—
	ESOP B	400,000	228	—	—
3	Vested during the year:				
	ESOP A	1,350,000	71	—	—
	ESOP B	—	—	—	—
4	Exercised during the year:				
	ESOP A	1,082,625	71	—	—
	ESOP B	—	—	—	—
5	Lapsed during the year:				
	ESOP A	3,500	71	—	—
	ESOP B	—	—	—	—
6	Option outstanding at the end of the year:				
	ESOP A	3,3875	71	14,00,000	71
	ESOP B	400,000	228	—	—
7	Option available for grant:				
	ESOP A	3,500	71	—	—
	ESOP B	—	—	—	—
8	Money realised by exercise of option:				
	ESOP A	76,866,375	—	—	—
	ESOP B	—	—	—	—
		—	—	—	—

# Notes

on Accounts for the year ended March 31, 2013

## 9 A description of the method and significant assumption used during the year to estimate the fair value of the option

The fair value of the ESOP used to compute proforma net income & earnings per equity share have been estimated on the dates of each grant using Black-Scholes model.

The various assumption considered in this model for the ESOP granted are as follows:

Particular	ESOP – A	ESOP – B
Risk free interest rate	7.5% per annum	7.5% per annum
Expected life	2.10 years (weighted average option life)	3.5 years (weighted average option life)
Expected annual volatility of share	Nil*	40.3%
Expected dividend yield	1% per annum	0.50% per annum

\*The volatility is computed as nil as the shares were not listed at the time of grant.

## 10 Had the compensation cost for the ESOP outstanding been determined based on the fair value approach, the net profit & earnings per share would have been as per the proforma amounts indicated below:

Particulars	For the year ended 31 March, 2013	For the year ended 31 March, 2012
Profit & loss(as reported)	333,352,630	216,645,686
Add: ESOP cost using intrinsic value method	–	–
Less: ESOP cost using fair value method		
ESOP - A	218,080	9,371,778
ESOP - B	10,364,718	Nil
Proforma profit after tax	322,769,832	207,273,908
Earnings per share		
<b>Basic</b>		
- As reported	9.69	7.17
- As Proforma	9.38	6.86
<b>Diluted</b>		
- As reported	9.56	7.17
- As Proforma	9.25	6.86

	Particular	ESOP – A	ESOP – B
11	Weighted average exercise prices and weighted average fair value of options granted whose exercise price either equals or exceeds or is less than the marker price of the stock.	71	228
	Weighted average fair value per option	9.05	88.64

## 12. Details of options granted to Senior Managerial Personal.

All Options have an exercise period of 1 year from the grant date.

ESOP Plan	Name of the Employee	Option Granted	Option vested	Option Lapsed	Option Exercised	Balance
ESOP –A	Mr. Vishal Shah	1,300,000	1,300,000	Nil	1,050,000	250,000
ESOP – B	Mr. Vishal Shah	168,200	168,200	Nil	Nil	168,200

# Notes

on Accounts for the year ended March 31, 2013

## 13. Vesting schedule

Particulars	ESOP – A	ESOP - B
For option granted to Mr. Vishal Shah	12 months from the grant date-100%	12 months from the grant date-25% 24 months from the grant date-25% 36months from grant date -25% 48 months from grant date-25%
For all other options	12 months from the grant date-25% 24 months from the grant date-25% 36months from grant date -25% 48 months from grant date-25%	12 months from the grant date-25% 24 months from the grant date-25% 36months from grant date -25% 48 months from grant date-25%

The exercise price and expected remaining contractual life (comprising the vesting period and exercise period) of options outstanding as at March 31, 2013 is as under:

Number of options	Exercise price	Expected remaining contractual life
50,000	71	33 months
400,000	228	42 months

### Notes related to ESOP Plan 2010:

- 1) The Compensation Committee has granted on January 04, 2011 a total of 1,400,000 options convertible into 1,400,000 Equity Shares which represents 3.89% of the paid up share capital of the Company. The fair market value of ₹ 71/- on the date of grant is also the exercise price of the Option.
- 2) There is one employee who has been granted options equal to or exceeding 1% of the Issued Capital.
- 3) The Company accounts for 'Employee Share Based Payments' using the intrinsic value method.
- 4) The Company has given an interest free loan to Treehouse Employee Welfare Trust aggregating ₹ 21,836,250 (previous year ₹ 99,410,000) which has been grouped under Loans and Advances.

### Notes related to ESOP Plan 2012:

- 1) The Compensation Committee has granted on September 06, 2012 a total of 400,000 options convertible into 4,00,000 Equity Shares which represents 1.11% of the paid up share capital of the Company. The fair market value of ₹ 228/- on the date of grant is also the exercise price of the Option.
- 2) There is no employee who has been granted options equal to or exceeding 1% of the Issued Capital.
- 3) The Company accounts for 'Employee Share Based Payments' using the intrinsic value method.
- 4) The Company has given an interest free loan to Treehouse Employee Welfare Trust aggregating ₹ 9,12,00,000 (previous year ₹ Nil) which has been grouped under Loans and Advances.

## 2.37 FOREIGN CURRRNCY EXPENSES

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Professional fees	489,690	—
Travel	211,062	—
<b>Total</b>	<b>700,752</b>	—

# Notes

on Accounts for the year ended March 31, 2013

## 2.38 UTILISATION OF IPO PROCEEDS

The utilisation of IPO proceeds as on March 31, 2013 is as under:

Particulars	Planned to utilise	Revised plan as approved by members	Amount utilised	Balance to be utilised
Expansion of Pre-School Business	420,000,000	850,000,000	689,820,790	160,179,210
Acquisition of office space	135,000,000	132,500,000	132,500,000	–
Procurement of exclusivity rights to provide educational services	270,000,000	170,000,000	170,000,000	–
Construction of Infrastructure for an educational complex in Rajasthan and Gujarat	402,700,000	275,000,000	231,940,279	43,059,721
Repayment of loans	285,800,000	86,000,000	86,000,000	–
<b>Total</b>	<b>1,513,500,000</b>	<b>1,513,500,000</b>	<b>1,310,261,069</b>	<b>203,238,931</b>

The Company had raised an aggregate sum of ₹ 1,310,261,069 in August 2011 of which ₹ 189,623,150 was raised in Pre Initial Public offering and ₹ 1,120,637,919 was raised in Initial Public offer against ₹ 1,513,500,000 of planned objects of the issue as mentioned in the Prospectus. The funds raised have been utilised in their entirety at the end of this year.

As per our report of even date

**For Jogish Mehta & Co.**

Chartered Accountants

Firm Registration No. 104326W

Membership No. F/38974

**per Jogish N. Mehta**

Proprietor

**Place:** Mumbai

**Date :** May 27, 2013

For and on behalf of the Board of Directors

**Sanjaya Kulkarni**

Chairman

**Vishal Shah**

Director

**Place:** Mumbai

**Date :** May 27, 2013

**Rajesh Bhatia**

Managing Director

**Deepali Hanchate**

Company Secretary

## TREE HOUSE EDUCATION & ACCESSORIES LIMITED

702 'C', Morya House, Off New Link Road, Near Infinity Mall, Andheri (W), Mumbai-400 053.  
Phone: 022-64572730 / 31923155 | Email: [compliance@treehouseplaygroup.net](mailto:compliance@treehouseplaygroup.net)  
Website: [www.treehouseplaygroup.net](http://www.treehouseplaygroup.net)

### ATTENDANCE SLIP

#### PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING PLACE

I hereby record my attendance at the SEVENTH ANNUAL GENERAL MEETING of TREE HOUSE EDUCATION & ACCESSORIES LIMITED held on Saturday, September 07, 2013 at 10.00 a.m. at Mayor Hall, All India Institute of Local Self Government, Sthanikraj Bhavan, C.D. Barfiwala Marg, Juhu Lane, Andheri (W), Mumbai – 400 058.

\_\_\_\_\_  
Signature of the Member /  
Signature of the Proxy

Name of the Member \_\_\_\_\_

Name of the Proxy \_\_\_\_\_

Folio No.: \_\_\_\_\_ No. of Shares: \_\_\_\_\_



TEAR HERE



## TREE HOUSE EDUCATION & ACCESSORIES LIMITED

702 'C', Morya House, Off New Link Road, Near Infinity Mall, Andheri (W), Mumbai-400 053.  
Phone: 022-64572730 / 31923155 | Email: [compliance@treehouseplaygroup.net](mailto:compliance@treehouseplaygroup.net)  
Website: [www.treehouseplaygroup.net](http://www.treehouseplaygroup.net)

### PROXY FORM

I/We \_\_\_\_\_ being a Member(s) of Tree House Education & Accessories Limited, hereby appoint Mr./Mrs. \_\_\_\_\_ or failing him/her Mr./Mrs. \_\_\_\_\_ as my/our Proxy to attend and vote for me/us and on my/our behalf, at the Seventh Annual General Meeting of the Company, to be held on Saturday, September 07, 2013 at 10.00 a.m. and at any adjournment(s) thereof.

Signature of Member across the Stamp

Folio No. :

Affix Re. 1/  
Revenue  
stamp

Signed by the said proxy

1. \_\_\_\_\_ 2. \_\_\_\_\_

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2013

**NOTE :** This form, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company, not less than 48 hours before the meeting



# Corporate Information

## Board of Directors

Mr. Sanjaya Kulkarni  
Mr. Rajesh Bhatia  
Mrs. Geeta Bhatia  
Mr. Jayant Sinha  
Mr. Vishal Shah  
Mr. TS Sarangpani  
Mr. Parantap Dave  
Mr. Rishi Navani  
Mr. Ashu Garg

## Bankers

Corporation Bank Ltd.  
HDFC Bank Ltd.  
ICICI Bank Ltd.  
Indian Bank Ltd.  
Kotak Mahindra Bank Ltd.  
State Bank of India  
Union Bank of India

## Company Secretary

Ms. Deepali Hanchate

## Statutory Auditors

M/s. Jogish Mehta & Co.  
*Chartered Accountants*  
Mumbai

## Registered Office

702 'C', Morya House,  
Off New Link Road,  
Andheri (West),  
Mumbai 400 053

## Internal Auditor

M/s. S.R. Divatia & Company  
*Chartered Accountants*  
Mumbai

## Registrar & Share Transfer Agent

Link Intime India Pvt. Ltd.  
C-13,  
Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (West),  
Mumbai – 400 078



## TREE HOUSE EDUCATION & ACCESSORIES LIMITED

702 'C', Morya House, Off New Link Road, Andheri (W), Mumbai – 400 053.



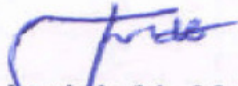

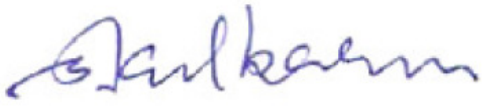
Phone : 022 - 6457 2730 / 3192 3155

Email : [compliance@treehouseplaygroup.net](mailto:compliance@treehouseplaygroup.net)

Website : [www.treehouseplaygroup.net](http://www.treehouseplaygroup.net)

## FORM A

### Format of covering letter of the annual audit report to be filed with the Stock Exchange

1	Name of the company	Tree House Education & Accessories Limited
2	Annual financial statements for the year Ended	31st March, 2013
3	Type of Audit observation	Un-qualified
4	Frequency of observation	N.A.
5	To be signed by-	
	<b>Managing Director</b> Rajesh Bhatia	For <b>Tree House Education &amp; Accessories Limited</b>  <b>Managing Director</b>
	<b>CFO</b> Utsav Shrivastava	For <b>Tree House Education &amp; Accessories Limited</b>  <b>Chief Financial Officer</b>
	<b>Auditor of the Company</b> M/s Jogish Mehta & Co.	 <b>Jogish N. Mehta</b> (Proprietor) 
	<b>Audit Committee Chairman</b> Sanjaya Kulkarni	For <b>Tree House Education &amp; Accessories Limited</b>  <b>Chairman</b>