



Annual Report 2010 -11



KIOZEE

Mount Litera
Zee School



ZIMA
ZEE Institute of Media Arts
www.zima-institute.com



ZEE LEARN Gakken
SCIENCE ACADEMY

Mount Litera
World Preschool

BOARD OF DIRECTORS

Himanshu Mody

Chairman

Surjit Banga

Independent Director

Dr. Manish Agarwal

Independent Director

Sumeet Mehta

Whole-time Director

Company Secretary

Samir Raval

Auditors

M/s MGB & Co.

Chartered Accountants

Registered Office

Continental Building,

135, Dr. Annie Besant Road,

Worli, Mumbai - 400 018.

Corporate Office

3rd Floor, Valecha Chambers,

Plot B-6, New Link Road,

Andheri (W), Mumbai - 400 053.

Bankers

ICICI Bank Limited

Axis Bank Limited

State Bank of India

Registrar & Share Transfer Agent

Sharepro Services (India) Private Limited

13 AB, Samhita Warehousing Complex, 2nd Floor,

Sakinaka Telephone Exchange Lane,

Off Andheri-Kurla Road,

Sakinaka, Andheri (East), Mumbai - 400 072, India.

SENIOR MANAGEMENT

Mr. Nitin Sangle

Business Head – K 12

Mr. Pradeep Pillai

Business Head – Strategic Acquisition Team

Mr. Subhadarshi Tripathy

Head – Content Factory

Mr. Navneet Anhal

Business Head – New Initiatives

Ms. Nitya Ramaswami

Head – Academics & Child Development

Mr. Santosh Gupta

Head – IT

Mr. Keshab Goswami

Head – Human Resources

IMPORTANT INTIMATION TO MEMBERS

As you may be aware, the Ministry of Corporate Affairs, Government of India ('MCA') has recently introduced 'Green Initiative in Corporate Governance' by allowing paperless compliance by Companies, i.e. service of notice / documents including Annual Report can be sent by e-mail to its members. Keeping in view the underlying spirit and pursuant to the said initiative of MCA, we request the members who have not registered their e-mail addresses, so far, to register their e-mail addresses, in respect of electronic holdings with the Depository through their respective Depository Participants. Members holding the shares in physical mode are also requested to register their e-mail addresses with Company's Registrar & Share Transfer Agent viz. Sharepro Services (India) Private Limited.

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NOTICE

NOTICE is hereby given that the First Annual General Meeting of the Members of **Zee Learn Limited** will be held at 'The Hall of Culture', Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai 400 018 on Wednesday, the 29th day of June, 2011 at 10.30 a.m., to transact the following businesses:

ORDINARY BUSINESS:

1. To consider and adopt the audited Balance Sheet as at March 31, 2011, the Profit and Loss Account of the Company for the period commencing from the date of incorporation i.e. January 4, 2010 till March 31, 2011 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. Manish Agarwal, who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
3. To appoint M/s. MGB & Co., Chartered Accountants, having Firm Registration No. 101169W, as the Statutory Auditors of the Company to hold such office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board of Directors of the Company.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT in accordance with the provisions of Sections 16, 94 and other applicable provisions, if any, of the Companies Act, 1956 ('the Act'), the Authorized Capital of the Company be and is hereby increased from ₹ 15,00,00,000/- (Rupees Fifteen Crores Only) divided into 15,00,00,000 (Fifteen Crores) Equity Shares of ₹ 1/- (Rupee One) each to ₹ 30,00,00,000/- (Rupees Thirty Crores Only) divided into 30,00,00,000 (Thirty Crores) Equity Shares of ₹ 1/- (Rupee One) each and in consequence thereof the existing Clause V (a) of the Memorandum of Association of the Company relating to share capital be substituted by the following Clause:

V. a) The Authorized Share Capital of the Company is ₹ 30,00,00,000/- (Rupees Thirty Crores Only) divided into 30,00,00,000 (Thirty Crores) Equity Shares of ₹ 1/- (Rupee One) each."

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT in supersession of earlier resolution passed by the members at the Extra-ordinary General Meeting held on January 22, 2010 and pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors of the Company (hereinafter referred to as the 'Board', which expression shall include a Committee of Directors duly authorized in this behalf) be and is hereby authorized to borrow and raise such sum or sums of money or monies from time to time, as may be required for the purpose of business of the Company from any bank, financial institution or any other lending institutions or such other persons as may be considered fit and on such terms and conditions as may be considered suitable by the Board notwithstanding that the money already borrowed and/or to be borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate, for the time being, of the paid-up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purposes, provided that the aggregate of such borrowings shall not exceed ₹ 500,00,00,000/- (Rupees Five Hundred Crores) at any point in time."

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to Section 163 and other applicable provisions, if any, of the Companies Act, 1956, approval and consent of the Company is hereby accorded for maintaining the Register and Index of Members, Register & Index of Debenture holders, Share and/or Debenture Transfer Register and copies of all Annual Returns prepared under Section 159 of the Act together with copies of certificates and documents required to be annexed thereto under Section 161 of the Act, or any one or more of them at the offices of the Company's Registrar and Share Transfer agents M/s. Sharepro Services (India) Private Limited, at 13AB, Samhita Warehousing Complex, Second Floor, Sakinaka

Telephone Exchange Lane, Off Andheri-Kurla Road, Sakinaka, Andheri (East), Mumbai - 400 072 and /or at 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai – 400 021, instead of the registered office of the Company."

By order of the Board

Place: Mumbai
Date: May 20, 2011

Samir Raval
Company Secretary

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

NOTES:

1. **A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a member of the Company.**
Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Annual General Meeting.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of special businesses to be transacted at the Annual General Meeting is annexed herewith.
3. Corporate Members are requested to send to the Registered Office of the Company, a duly certified copy of the Board Resolution, pursuant to Section 187 of the Companies Act, 1956, authorizing their representative to attend and vote at the Annual General Meeting.
4. Additional information, pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, on Directors recommended by the Board for appointment/re-appointment at the Annual General Meeting forms part of the Report on Corporate Governance in the Annual Report.
5. Members/Proxies should bring their Attendance Slips at the meeting.
6. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, June 22, 2011 to Wednesday, June 29, 2011 (both days inclusive).
7. Queries on accounts and operations of the Company, if any, may be sent to the Company Secretary seven days in advance of the meeting so as to enable the Management to keep the information ready at the meeting.
8. Members who are holding Company's shares in dematerialised form are required to bring details of their Depository Account Number for identification.
9. Members holding equity shares in physical form are requested to notify the change of address/dividend mandate, if any, to the Company's Registrar and Share Transfer Agent, Sharepro Services (India) Private Limited, 13AB, Samhita Warehousing Complex, Second Floor, Sakinaka Telephone Exchange Lane, Off Andheri-Kurla Road, Sakinaka, Andheri (East), Mumbai - 400 072 or at 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai - 400 021.
10. Under Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form No 2B in duplicate (which will be made available on request) to M/s. Sharepro Services (India) Pvt. Ltd.

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

Item No. 4

At the Court Convened General Meeting held on March 28, 2011, Members of the Company had approved a Scheme of Amalgamation of Esse Entertainment Media Limited ('EEmL'). The said Scheme awaits approval of Hon'ble Bombay High Court. Upon approval of Hon'ble Bombay High Court and the Scheme becoming effective, your Company would be required to issue 14,00,00,000 (Fourteen Crores) Equity Shares of ₹ 1/- each of the Company, to the shareholders of EEmL, in ratio of 1 (one) Equity Share of ₹ 1/- each of the Company for every 5 (five) Equity Shares of ₹ 1/- each of EEmL. With a view to facilitate issuance of further Equity Shares in accordance with the Scheme of Amalgamation, it is proposed

to increase the Authorised Share Capital of the Company from ₹ 15,00,00,000/- (Rupees Fifteen Crores only) divided into 15,00,00,000 (Fifteen Crores) Equity Shares of ₹ 1/- each to ₹ 30,00,00,000/- (Rupees Thirty Crores) divided into 30,00,00,000 (Thirty Crores) Equity Shares of ₹ 1/- each.

Pursuant to the provisions of Section 94 of the Companies Act, 1956, any increase in the authorized share capital would require consent of the shareholders and the proposed amendments in the Memorandum of Association of the Company are consequential in nature.

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

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

Item No. 5

At the Extra Ordinary General Meeting held on January 22, 2010, the Members of the Company had authorized the Board to borrow, in excess of the paid up Capital and Free Reserves, upto an amount not exceeding ₹ 200 Crores.

Considering the existing and future financial requirements to support the business operations and future expansion plans, it is proposed the existing authority for borrowing by the Company be enhanced to ₹ 500 Crores and accordingly your approval is sought under the provisions of Section 293 (1)(d) of the Companies Act, 1956.

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

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

Item No. 6

Your Company has appointed M/s. Sharepro Services (India) Private Limited as 'Registrar & Share Transfer Agents (R & T agent). As the Registrars have been assigned with the duty *inter alia* of maintaining and updating the Register & Index of Members, Register & Index of Debenture holders, if any, Shares/Debentures Transfer Register etc., it will be convenient for them to maintain, if these are located at their office at 13AB, Samhita Warehousing Complex, Second Floor, Sakinaka Telephone Exchange Lane, Off Andheri-Kurla Road, Sakinaka, Andheri (East), Mumbai - 400 072 and/or at 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai - 400 021 rather than at the Registered office of the Company.

Your Board recommends resolution as set out in Item No. 6 for approval of the Members.

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

By order of the Board

Place: Mumbai
 Date: May 20, 2011

Samir Raval
 Company Secretary

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

CERTIFICATION ON FINANCIAL STATEMENTS OF THE COMPANY

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

- (a) We have reviewed the financial statements and the cash flow statement of the Company for the period ended March 31, 2011 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) To the best of our knowledge and belief, no transactions entered into by the Company during the period ended March 31, 2011 are fraudulent, illegal or violative to the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken to rectify these deficiencies.
- (d) During the period:
 - (i) There has not been any significant changes in internal control over financial reporting;
 - (ii) There have not been any significant changes in accounting policies; and
 - (iii) There have been no instances of significant fraud of which we are aware that involve management or other employees, having significant role in the Company's internal control system over financial reporting.

Mumbai, May 20, 2011

Sumeet Mehta
Whole-time Director

Vinit Jain
Chief Financial Officer

DIRECTORS' REPORT

To
 The Members of
Zee Learn Limited

Your Directors take pleasure in presenting the First Annual Report of the Company together with Audited Statement of Accounts for the period from January 4, 2010 being the date of incorporation of the Company, up to March 31, 2011.

FINANCIAL PERFORMANCE

(Amount in ₹)

Particulars	For the period ended March 31, 2011
Sales & Services	438,981,035
Other Income	10,880,542
Total Income	449,861,577
Total Expenses	415,457,629
Operating Profit	34,403,948
Less: Finance Cost	1,455,155
Less: Depreciation	7,527,362
Profit before Tax	25,421,431
Provision for Taxation (Net)	6,900,745
Profit after Tax	18,520,686
Balance Carried To Balance Sheet	18,520,686

DIVIDEND

With a view to conserve resources for funding any future business requirements and expansion plans, your Directors have not recommended any dividend on Equity Shares for the period under review.

SHARE CAPITAL & VESTING OF EDUCATION BUSINESS UNDERTAKING PURSUANT TO THE SCHEME

During the period under review, the Authorised Share Capital of the Company was sub-divided & increased from ₹ 5,00,000/- (Rupees Five Lacs only) divided into 50,000 (Fifty Thousand) Equity Shares of ₹ 10/- (Rupees Ten only) each to ₹ 15,00,00,000/- (Rupees Fifteen Crores only) divided into 15,00,00,000 (Fifteen Crores) Equity Shares of ₹ 1/- (Rupee one) each.

Your Company was incorporated as a special purpose vehicle with a view to acquire the Education Business Undertaking demerged from Zee Entertainment Enterprises Limited (ZEEL), pursuant to a Composite Scheme of Amalgamation and Arrangement approved by Hon'ble Bombay High Court vide order passed on July 16, 2010. The said Scheme became effective from August 30, 2010 and consequently all assets and liabilities of Education Business Undertaking of ZEEL as at April 1, 2010 (Appointed Date) were transferred to and vested on the Company with effect from Effective Date. In pursuance of the said Demerger, the Company had allotted and issued 12,22,38,599 (Twelve Crores Twenty Two Lacs Thirty Eight Thousand Five Hundred Ninety Nine) Equity Shares of ₹ 1/- each of the Company to the shareholders of ZEEL, in the ratio of 1 (one) Equity Share of ₹ 1/- each of the Company for every 4 (four) Equity Shares of ₹ 1/- each held in ZEEL. Thereafter the entire issued Equity Shares of the Company were listed and admitted for trading on the Bombay Stock Exchange Ltd. and the National Stock Exchange of India Ltd. with effect from December 20, 2010.

BUSINESS OVERVIEW

During the period under review, your Company earned revenue of ₹ 43.89 crores and Net Profit after tax of ₹ 1.85 crores. This performance is on the back of over 46,500 enrolments in Kidzee, over 3,700 enrolments in Mount Litera Zee Schools, 1,263 enrolments in Zee Institute of Creative Arts ('ZICA') and 290 enrolments in Zee Institute of Media Arts ('ZIMA'). Your Company also added 206 new Kidzees, 33 new Mount Litera Zee Schools and 10 new ZICAs into its franchise system during the period under review. Your Company entered the School Solutions segment with Zee Learn School Innovations ('ZLSI'), which offers Zee Learn Gakken Science Academies ('ZLGSA') to schools that want to improve the performance and understanding of their students in Science. During the period under review 51 schools signed up for ZLGSA.

Your Company's performance during the period makes it the largest chain of preschools in India and one of the fastest growing K-12 school chains. With ZLGSA, your Company is the only organized Activity Based Learning solutions providers to schools in the country.

MERGER OF ESSEL ENTERTAINMENT MEDIA LIMITED WITH THE COMPANY

The Scheme of Amalgamation for merger of Essel Entertainment Media Limited (EEML) with the Company, approved by the Members at the Court Convened General Meeting held on March 28, 2011, awaits approval of Hon'ble Bombay High Court. As per the said Scheme, EEML shall merge with the Company with effect from March 31, 2011 (Appointed Date). However pending receipt of final approval from Hon'ble Bombay High Court, the effect of the Scheme of Amalgamation is not given in the financial statements for the period ended March 31, 2011. Details of Assets and Liabilities of EEML as at March 31, 2011, which will vest on the Company upon effectiveness of the Scheme of Amalgamation is given in Schedule 17B Note 2B of the Notes to Accounts. Upon approval of Hon'ble Bombay High Court and the Scheme becoming effective, your Company would be required to issue 14,00,00,000 (Fourteen Crores) equity shares of ₹ 1/- each of the Company, to the shareholders of EEML, in ratio of 1 (one) Equity Share of ₹ 1/- each of the Company for every 5 (five) Equity Shares of ₹ 1/- each of EEML.

With a view to facilitate issuance of further Equity Shares in accordance with the Scheme of Amalgamation, your Directors have subject to your approval, approved a proposal for increase in Authorised Share Capital of the Company from ₹ 15,00,00,000/- (Rupees Fifteen Crores only) divided into 15,00,00,000 (Fifteen Crores) Equity Shares of ₹ 1/- each to ₹ 30,00,00,000/- (Rupees Thirty Crores) divided into 30,00,00,000 (Thirty Crores) Equity Shares of ₹ 1/- each. Requisite proposal seeking Members approval for the proposed increase in the Authorised Share Capital forms part of the Notice of ensuing Annual General Meeting.

CREDIT RATING AND VESTING OF NON-CONVERTIBLE DEBENTURES

Pursuant to the Composite Scheme of Amalgamation and Arrangement, the Non-Convertible Debentures (NCDs) of ₹ 50,00,00,000/- (Rupees Fifty Crores only) issued by the erstwhile ETC Networks Ltd. were transferred and vested on the Company. The said NCDs are listed on Wholesale Debt Market Segment of the National Stock Exchange of India Ltd.

Credit Analysis & Research Limited (CARE) has reaffirmed the rating of 'CARE AA (SO)', assigned to the NCDs issued by the Company. Based on the said rating, the said NCDs are construed to offer high safety for timely servicing of debt obligation and carries very low credit risk.

EMPLOYEES STOCK OPTION SCHEME

As approved by the Members at the Extra-ordinary General Meeting of the Company held on October 13, 2010, your Company has implemented an Employee Stock Option Scheme called ZLL ESOP-2010, in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (SEBI Guidelines) for grant of stock options to its eligible employees. The Remuneration Committee of the Board administers and monitors the Scheme.

During the period under review, the Remuneration Committee had pursuant to ZLL ESOP 2010, granted 11,07,000 Stock Options convertible into equivalent number of equity shares of ₹ 1/- each of the Company. The aforesaid grant includes 60,000 Stock Options granted to the Non-Executive Independent Directors of the Company. Applicable disclosures as stipulated under the SEBI Guidelines as at March 31, 2011 are annexed herewith and forms part of this report.

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

DIRECTORS

As per Article 84 of the Articles of Association, Mr. Himanshu Mody, Dr. Manish Agarwal and Mr. Sumeet Mehta were appointed as First Directors of the Company with effect from the date of incorporation of the Company i.e. January 4, 2010. Thereafter upon vesting of Education Business Undertaking from Zee Entertainment Enterprises Ltd. pursuant to the Composite Scheme, your Board had approved appointment of Mr. Sumeet Mehta, the Whole-time Director & CEO of the Education Business Undertaking of erstwhile ETC Networks Ltd. as Whole-time Director of the Company for a period of 3 years with effect from September 1, 2010, and Mr. Surjit Banga as an Additional Director of the Company in the capacity of Independent Director with effect from September 1, 2010.

The Shareholders of the Company, at the Extra-ordinary General Meeting held on October 1, 2010 had approved the appointment of Mr. Surjit Banga as a Director and Mr. Sumeet Mehta as a Whole-time Director of the Company.

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

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

CORPORATE GOVERNANCE

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

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

AUDITORS

M/s. MGB & Co., Chartered Accountants, the First Statutory Auditors of the Company having firm registration No. 101169W hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them to the effect that their re-appointment, if made, will be in accordance with the limits specified under Section 224(1B) of the Companies Act, 1956.

GROUP

Pursuant to the communication received by the Company from the Promoters, the names of the Promoters and entities comprising 'group' for the purpose of Clause 3(1)(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, are disclosed in the Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

As a responsible citizen, your Company believes that a Business cannot succeed in a society that fails and therefore it is imperative for business houses, to invest in the future by taking part in CSR activities. Being engaged in the education business, CSR activity forms part of every business decisions of the Company. As a part of CSR activity, the Company through Zee Learn Education Society has been providing School Management Services under Public Private Partnership to the Schools managed by Gujarat State Tribal Development Residential Educational and Institutional Society under the Eklavya Model Residential School project of Government of Gujarat. Additionally, the Company regularly organizes various Education awareness events/programs for the various sections of the Society.

PUBLIC DEPOSITS

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

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

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

However, the information as applicable are given hereunder:

I. Energy Conservation

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

II. Technology Absorption

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

III. Foreign Exchange Earning and Outgo

Particulars of foreign exchange earnings and outgo during the period under review is given in Schedule 17B Note 15(b) of the Notes to Accounts forming part of the Annual Accounts.

PARTICULARS OF EMPLOYEES

No Employee, other than Mr. Sumeet Mehta, Whole-time Director of the Company draw remuneration in excess of limits prescribed under the Companies (Particulars of Employees) Rules, 1975, as amended. Requisite details of remuneration paid to Mr. Sumeet Mehta (during the period from September 1, 2010 to March 31, 2011), pursuant to Section 217(2A) of

the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is as detailed herein:

Name, Designation & Age	Sumeet Mehta, Whole-time Director, 35
Total Remuneration	₹ 39,47,880
Qualification	MBA (IIM, Ahmedabad)
Total Experience & Date of Joining	12 Years, September 1, 2010
Previous Employment	Zee Entertainment Enterprises Ltd.

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

DISCLOSURE PURSUANT TO CLAUSE 5A OF THE LISTING AGREEMENT

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

Description	Number of shareholders	Number of Equity Shares
Aggregate number of shareholders and the outstanding shares in the suspense account post allotment and issuance on October 14, 2010	231	44,645
Number of shareholders who approached the Company for transfer of shares from suspense account till March 31, 2011	-	-
Number of shareholders to whom shares were transferred from the suspense account till March 31, 2011	-	-
Aggregate number of shareholders and the outstanding shares in the suspense account lying as on March 31, 2011	231	44,645

The voting rights on the shares outstanding in the suspense account as on March 31, 2011 shall remain frozen till the rightful owner of such shares claims the shares. In compliance with the said requirements, these shares will be transferred into one folio in the name of 'Unclaimed Suspense Account' in due course.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- in the preparation of the Annual Accounts for the period ended March 31, 2011, the applicable Accounting Standards have been followed and there are no material departures;
- they have selected such accounting policies in consultation with the statutory auditors and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the period ended March 31, 2011 and the profit of the Company for that period;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- they have prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board

Place : Mumbai
Date : May 20, 2011

Sumeet Mehta
Whole-time Director

Surjit Banga
Director

ANNEXURE TO DIRECTORS' REPORT

I. Disclosures as stipulated under the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 2003 and forming part of Directors' Report for the period ended March 31, 2011

Particulars	Grant of Options
a Options Granted (Nos.)	11,07,000
b Exercise Price (₹)	26.05
c Options Vested	NIL
d Options Exercised	NIL
e Total number of Shares arising as a result of Exercise of Options	NA
f Options Lapsed (Nos.)	21,000
g Variation in terms of Options	NIL
h Money realized by exercise of Options	NIL
i Total Number of Options in force	10,86,000
j Employee wise details of Options granted to:	
(i) Senior Management Personnel	4,88,000
Sumeet Mehta – Whole-time Director	3,50,000
Nitin Sangle – Business Head - K12	28,500
Nitya Ramaswami – Head Academics	21,900
Subhdarshi Tripathi – Head Content Factory	17,500
Keshab Chandra Goswami – Head HR	21,900
Pradeep Pillai – Head Strategic Acquisition	26,300
Navneet Anhal – Head New Initiatives	21,900
(ii) Any other employee who received a grant in any one year of Options amounting to 5% or more of Options granted during that year.	NIL
(iii) Identified employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL
k Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard (AS) 20. 'Earning Per Share'	Not Applicable since no option is yet vested.
l Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	The issuance of the equity shares upon exercise of option shall not affect the Profit & Loss Account of the Company, as the Pricing formula as approved by the Shareholders of the Company is the Market Price as per the SEBI Guidelines i.e. latest available closing price prior to the date of grant of options at the Stock Exchange where there is highest trading volume.
m Weighted-average exercise prices and weighted-average fair values of options, separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Not Applicable
n A description of the method and significant assumptions used during the year to estimate the fair value of options, including the following weighted-average information (i) Risk-free interest rate (ii) Expected life (iii) Expected volatility (iv) Expected dividends (v) The price of the underlying share in market at the time of option grant	Not Applicable

Entities comprising of "Group" for the purpose of Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Share and Takeovers) Regulations, 1997

Sr. No.	Name	Sr. No.	Name
1	Churu Trading Co. Pvt. Ltd.	33	Esse Airport Infrastructure Pvt. Ltd.
2	Ganjam Trading Co. Pvt. Ltd.	34	Pan India Infrastructure Pvt. Ltd.
3	Prajatma Trading Co. Pvt. Ltd.	35	Esse Infra Projects International Holding Ltd.
4	Briggs Trading Co. Pvt. Ltd.	36	Esse Sagar Damoh Toll Roads Limited
5	Premier Finance and Trading Co Ltd.	37	Esse Bhind Mihona Gopalpur Toll Roads Limited
6	Veena Investments Pvt. Ltd.	38	Esse Bina Khimlasa Malthon Toll Roads Limited
7	Ambience Business Services Pvt. Ltd.	39	Esse Damoh-Jabalpur Toll Roads Limited
8	Esse Infra Projects Ltd.	40	Esse Entertainment Media Limited
9	Churu Enterprises LLP	41	Esse Ahmedabad Godhra Toll Roads Limited
10	Prajatma Enterprises LLP	42	EOP PTE Limited, Singapore
11	Jayneer Enterprises LLP	43	Jay Properties Pvt. Ltd.
12	Delgrada Limited	44	Edisons Continental Laboratories Pvt. Ltd.
13	Lazarus Investments Ltd.	45	Esse Ship Breaking Ltd.
14	Esse Holdings Ltd.	46	Continental Drug Company Pvt. Ltd.
15	Asian Satellite Broadcast Pvt. Ltd.	47	25FPS Media Pvt. Ltd.
16	Jayneer Capital Pvt. Ltd.	48	Rama Associates Ltd.
17	Buddha Films Ltd.	49	Esse International Ltd.
18	Cyquator Media Services Pvt. Ltd.	50	Esse Agro Pvt. Ltd.
19	Intrex India Ltd.	51	ICL Heroes Sports Pvt. Ltd.
20	New Media Broadcast Pvt. Ltd.	52	ICL Rockets Sports Pvt. Ltd.
21	Pan India Network Infravest Pvt. Ltd.	53	Lahore Badshahs Pvt. Ltd.
22	Pan India Network Ltd.	54	Dhaka Warriors Sports Pvt. Ltd.
23	Prime Publishing Ltd.	55	Royal Bengal Sports Pvt. Ltd.
24	Mediavest India Pvt. Ltd.	56	ICL Lions Pvt. Ltd.
25	Vasant Sagar Properties Pvt. Ltd.	57	Esse Media & Entertainment Limited
26	Esse Sports Private Limited	58	Agrani Holdings (Mauritius) Limited
27	Aqualand India Ltd.	59	Maharashtra Hydrocarbon Products Pvt. Ltd.
28	Wire and Wireless (India) Ltd.	60	Digital Ventures Pvt. Ltd.
29	Dish TV India Ltd.	61	Rupee Finance and Management Pvt. Ltd.
30	Zee News Limited	62	Packaging Products Investments Ltd.
31	Shirpur Gold Refinery Limited	63	Afro Asian Satellite Communications Ltd.
32	Solid Containers Ltd.	64	Esse Corporate Resources Pvt. Ltd.

For and on behalf of the Board

REPORT ON CORPORATE GOVERNANCE

COMPANY'S GOVERNANCE PHILOSOPHY

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

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

BOARD OF DIRECTORS

a) Composition & Category of Directors

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

Composition of the Board as on March 31, 2011

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

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

Particulars of Directors, their attendance at Board meetings held during the period from date of incorporation till March 31, 2011 and also their other directorships in other Public Companies (excluding Foreign Companies and Section 25 Companies) & membership of other Board Committees (excluding Remuneration Committee) as at March 31, 2011 are as under:

Sr. No.	Name of Director	Category	Attendance at Board Meetings (Total 11 Meetings)	No. of Directorship of other Companies	No. of memberships of Board Sub Committees
1	Mr. Himanshu Mody	Non Executive Chairman	11	6	4
2	Dr. Manish Agarwal	Independent – Non-Executive	11	2	1
3	Mr. Surjit Banga	Independent – Non-Executive	06	1	3
4	Mr. Sumeet Mehta	Executive Director	11	NIL	1

Particulars of attendance at the previous Annual General Meeting is not applicable, since this is first Annual General Meeting.

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

b) Board Meetings & Procedures

During the period from the date of incorporation i.e. January 4, 2010 till March 31, 2011 eleven (11) meetings of the Board were held, most of which were before the shares of Company was listed. The intervening period between the Board Meetings were well within the maximum time gap of four (4) months prescribed under Clause 49 of the Listing Agreement. The annual calendar of meetings is broadly determined at the beginning of each year. The details of the meetings held during the year are as under:

Sr. No.	Date	Board Strength	No. of Directors present
1	January 5, 2010	3	3
2	January 20, 2010	3	3
3	May 17, 2010	3	3
4	August 2, 2010	3	3
5	September 1, 2010	3	3

Sr. No.	Date	Board Strength	No. of Directors present
6	September 28, 2010	4	4
7	October 12, 2010	4	4
8	October 14, 2010	4	4
9	November 26, 2010	4	4
10	January 27, 2011	4	4
11	March 28, 2011	4	4

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

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

c) Brief profile of all Directors including Directors proposed to be appointed / re-appointed at the Annual General Meeting

Dr. Manish Agrawal, 44, is a M.B.B.S. from University of Bombay, D.(Ortho) from College of Physicians & Surgeons, M.S. (Ortho) from University of Bombay, D.N.B.(Ortho), National Board of Examination, New Delhi and Diploma in Tissue Banking from National University of Health, Singapore. Mr. Agarwal is an Orthopaedic Oncologist involved in clinical, teaching and Research work. He has been member of various professional organizations and has been recipient of various prestigious awards/Medals like Shree Jairamdas Berry Gold Medal, Gold Medal for Orthopaedic Surgery etc. Mr. Agarwal has contributed articles in various publications and authored various books in area of his specialization.

Apart from the Company, Dr. Manish Agrawal holds Directorship in two (2) other Indian Public Limited Companies viz., Value Media Limited and Valuable Technologies Limited.

Dr. Manish Agrawal does not hold any Shares in the Company.

Mr. Himanshu Mody, 33, currently heads Group Finance & Strategy for the Essel Group. With almost 12 years in the industry, he brings with him rich experience and skills in corporate strategy and finance. After his MSc in Finance from University of Strathclyde, Galsgow, Mr. Mody started his career as a management trainee with Barclays Bank, London city office. After a 2-year intensive course, he returned to India to start the Fun Republic chain of multiplexes as a senior member in the finance team.

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

Apart from the Company, Mr. Himanshu Mody holds Directorship in six (6) other Indian Public Limited Companies viz., Zee Sports Ltd, Diligent Media Corporation Ltd, Essel Sagar Damoh Toll Roads Ltd, Essel Damoh Jabalpur Toll Roads Ltd, Essel Entertainment Media Ltd, and Shirpur Gold Refinery Ltd.

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

Mr. Surjit Banga, 69, is a senior and experienced banker and is known for his leadership and commendable contribution to the Banking sector. Mr. Banga earlier held the position of Managing Director of SBI Factors and Commercial Services Limited and was associated with the State Bank of India in various capacities in his 40 years career in Banking. He is a Graduate in Sociology, Fellow of All India Management Association and is a Certified Associate of Indian Institute of Bankers.

Apart from the Company, Mr. Surjit Banga holds Directorship in one (1) other Indian Public Limited Companies viz., Aadi Industries Ltd.

Mr. Surjit Banga does not hold any Shares in the Company.

Mr. Sumeet Mehta, 35, is a B.E. (Electrical) from Punjab Engineering College, Chandigarh and MBA (PGDM) from IIM, Ahmedabad. Mr. Mehta has over 8 years of rich experience in the marketing, with world's premier Marketing Company viz. Proctor & Gamble. Mr Mehta possesses a good understanding of Business Strategy and Brand Management and has been instrumental in strategizing and turning around many well known brands of Proctor & Gamble. Mr Mehta's extensive marketing experience overseas has enhanced his skills in joint business planning in terms of setting common goals and meeting stringent deadlines. Before the Company, Sumeet as Whole-time Director of erstwhile ETC Networks Ltd was heading the Education Division of ETC as its Chief Executive Officer.

Apart from the Company, Mr. Sumeet Mehta does not hold Directorship in any other Indian Public Limited Companies. Mr. Sumeet Mehta does not hold any Shares in the Company.

d) Code of Conduct

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

A declaration affirming compliance with the code of conduct by the members of the board and senior management is given below:

Declaration

I confirm that the Company has obtained from all Directors and Senior Management of the Company their affirmation of compliance with the 'Code of Conduct for Members of the Board of Directors and Senior Management' of the Company for the period ended March 31, 2011.

Sumeet Mehta
 Whole-time Director
 Mumbai, May 20, 2011

BOARD COMMITTEES

a) Audit Committee

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

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

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

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

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

The Audit Committee also reviews adequacy of disclosures and compliance with all relevant laws. The provisions of Clause 49 of the Listing Agreement became applicable to the Company from December 20, 2010 i.e. from the date of listing of securities of the Company on the Stock Exchanges.

During the period under review, two (2) Audit Committee meetings were held. The details of the meetings are as under:

Sr. No.	Date	Committee Strength	No. of members present
1	November 26, 2010	3	3
2	January 27, 2011	3	3

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

b) Remuneration Committee and Policy

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

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

During the period under review, two (2) meetings of Remuneration Committee were held. The details of the meetings are as under:

Sr. No.	Date	Committee Strength	No. of members present
1	September 1, 2010	3	3
2	January 27, 2011	3	3

Remuneration to Executive Director

Details of remuneration paid to Mr. Sumeet Mehta, Whole-time-Director during the period from September 1, 2010 till March 31, 2011 is as under:

Particulars	Amount (₹)
Salary, Allowances & Perquisites	36,94,200
Employer's Contribution to Provident Fund	2,53,680
Total	39,47,880

Remuneration payable to Non-Executive Director

Non-Executive Directors are entitled to sitting fees of Rs. 10,000/- per meeting for attending the meeting of the Board and Committees thereof with effect from October 1, 2010.

Particulars of sitting fees paid to Non-Executive Directors of the Company for period ended March 31, 2011 are as under:

Name of Director	Sitting Fees Paid (₹)
Mr. Surjit Banga	80,000
Dr. Manish Agarwal	80,000
Total	1,60,000

c) Share Transfer and Investors Grievance Committee

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

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

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

During the period from the date of Listing till March 31, 2011, Share Transfer and Investors Grievance Committee met three (3) times. The details of the meetings are as under:

Sr. No.	Date	Committee Strength	No. of members present
1	January 17, 2011	2	2
2	February 21, 2011	2	2
3	March 7, 2011	2	2

Details of number of requests/complaints received and resolved during the period from date of Listing till March 31, 2011, are as under:

Nature of Correspondence	Received	Replied/Resolved	Pending
Non-receipt of Share Certificate (Demerger)	1	1	NIL
Total	1	1	NIL

General Meetings

The First Annual General Meeting of the Company for the period ended March 31, 2011 will be held on Wednesday, June 29, 2011 at 'The Hall of Culture', Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai - 400 018.

Details of Annual General Meetings of the Company held during last 3 years are not applicable.

No Ordinary or Special resolutions were passed through Postal Ballot during the period ended March 31, 2011. None of the resolutions proposed at the ensuing Annual General Meeting needs to be passed by Postal Ballot.

Disclosures

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

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

Means of Communication

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

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

General Shareholders Information

The required information is provided in Shareholders Information Section.

CORPORATE GOVERNANCE COMPLIANCE REPORT

To,
 The Members,
Zee Learn Limited

We have examined the compliance of conditions of Corporate Governance by **Zee Learn Limited ('the Company')**, for the period ended March 31, 2011 as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

We state that no investor grievances are pending for a period exceeding 30 days against the Company as per the records maintained by the Company.

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

For and on behalf
MGB & Co.
 Chartered Accountants

Sanjay Kothari
 Partner
 Membership No. 48215
 Mumbai, May 20, 2011

SHAREHOLDERS' INFORMATION

1. Date, Time and Venue of Shareholders' Meeting	Meeting : First Annual General Meeting Day & Date : Wednesday, June 29, 2011 Time : 10.30 a.m. Venue : The 'Hall of Culture', Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai - 400 018.
2. Financial Year	Period commencing from date of incorporation i.e. January 4, 2010 till March 31, 2011
3. Date of Book Closure	Wednesday, June 22, 2011 to Wednesday, June 29, 2011 (both days inclusive)
4. Dividend Payment Date	Not applicable as the Board has not recommended any equity dividend.
5. Address for Correspondence	<p>Registered Office Continental Building, 135, Dr. Annie Besant Road, Worli, Mumbai-400 018, India Tel: +91-22-2483 1234 Fax: +91-22-2490 0302 Website : www.zeelearn.com</p> <p>Corporate Office 3rd Floor, Valecha Chambers, Plot B-6, New Link Road, Andheri (West), Mumbai - 400 053. Tel: +91-22-4034 3900 Fax: +91-22-2674 3422</p>
6. ROC Registration no./Company Identification no.	U80301MH2010PLC198405
7. Listing on Stock Exchanges	<p>Equity Shares: Bombay Stock Exchange Limited (BSE) The National Stock Exchange of India Limited (NSE)</p> <p>Debentures : The National Stock Exchange of India Limited (NSE)</p>
8. Stock Code	BSE : 533287 NSE : ZEELEARN
9. ISIN No.	NSE : ZLE15
10. Registrar & Share Transfer Agent	<p>Equity Shares : INE565L01011 Non-Convertible Debentures : INE098J07022</p> <p>Sharepro Services (India) Private Limited, 13AB, Samhita Warehousing Complex, Second Floor, Sakinaka Telephone Exchange Lane, Off Andheri - Kurla Road, Sakinaka, Andheri (East) Mumbai - 400 072, India Tel: +91-22-67720400, Fax: +91-22-28591568 E-mail: sharepro@shareproservices.com</p>
11. Investor Relation Officer	<p>Mr. Samir Raval, Company Secretary Continental Building, 135, Dr. Annie Besant Road, Worli, Mumbai - 400 018. Tel: +91-22-2483 1234, Fax: +91-22-2490 0302/ 24955974 E-mail: samir.raval@zeelearn.com</p>
12. Change of Address	Members holding equity share(s) in physical form are requested to notify the change of address/dividend mandate, if any, to the Company's Registrar & Share Transfer Agent, at the address mentioned above.

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

Keeping with the spirits of the "Green Initiative in Corporate Governance", notified by the Ministry of Corporate Affairs, members holding shares in dematerialized form are requested to register and update their email address with

respective Depository Participant(s). The members holding shares in physical form are requested to register their email address with the Company's Registrar and Share Transfer Agent.

13. Share Transfer System

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

14. Dematerialisation of Equity Shares/Debentures & Liquidity

To facilitate trading in demat form, the Company has made arrangements with both the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Shareholders/Debentures holders may open account with any of the Depository Participant registered with any of these two depositories. As on date 99.39% of the equity shares and 100% of Non-Convertible Debentures issued by the Company are in the dematerialised form.

15. Shareholders' Correspondence

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

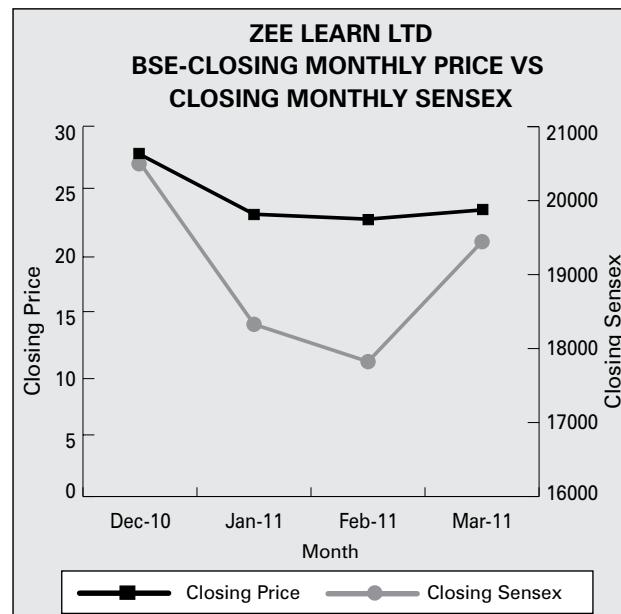
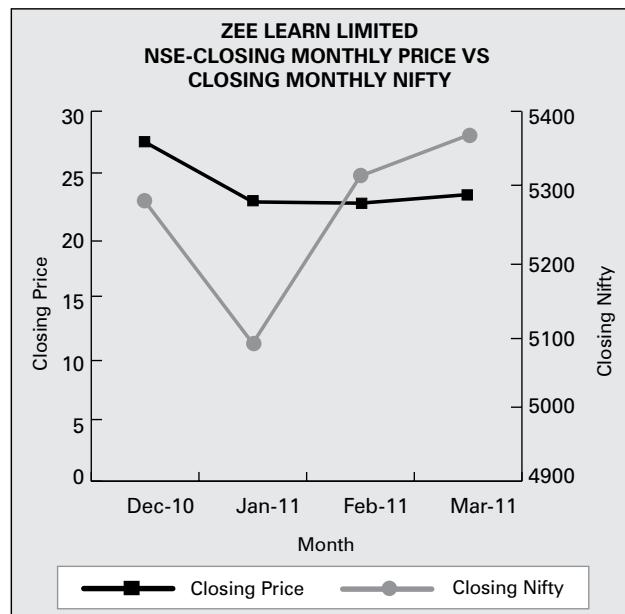
All correspondence may please be addressed to the Registrar & Share Transfer Agent at the address given above. In case any shareholder is not satisfied with the response or do not get any response within reasonable period, they may approach the Investor Relation Officer at the address given above.

16. Stock Market Data Relating to Shares Listed in India

The shares of the Company have been admitted for listing and trading on stock exchanges with effect from December 20, 2010. Monthly high and low quotations and volume of Equity Shares traded on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited from December 20, 2010 till March 31, 2011 are given as under:

Months	BSE			NSE		
	High (₹)	Low (₹)	Volume of Shares Traded	High (₹)	Low (₹)	Volume of Shares Traded
December, 2010	73.95	15.00	9,697,868	101.00	15.00	22,484,897
January, 2011	32.40	20.60	20,928,809	32.30	20.60	44,830,114
February, 2011	26.65	18.00	18,981,252	26.70	18.00	34,670,000
March, 2011	25.10	19.80	16,750,538	24.10	20.90	81,56,192

Relative Performance of the shares of Zee Learn Limited Vs. BSE Sensex & Nifty Index for Equity Shares:

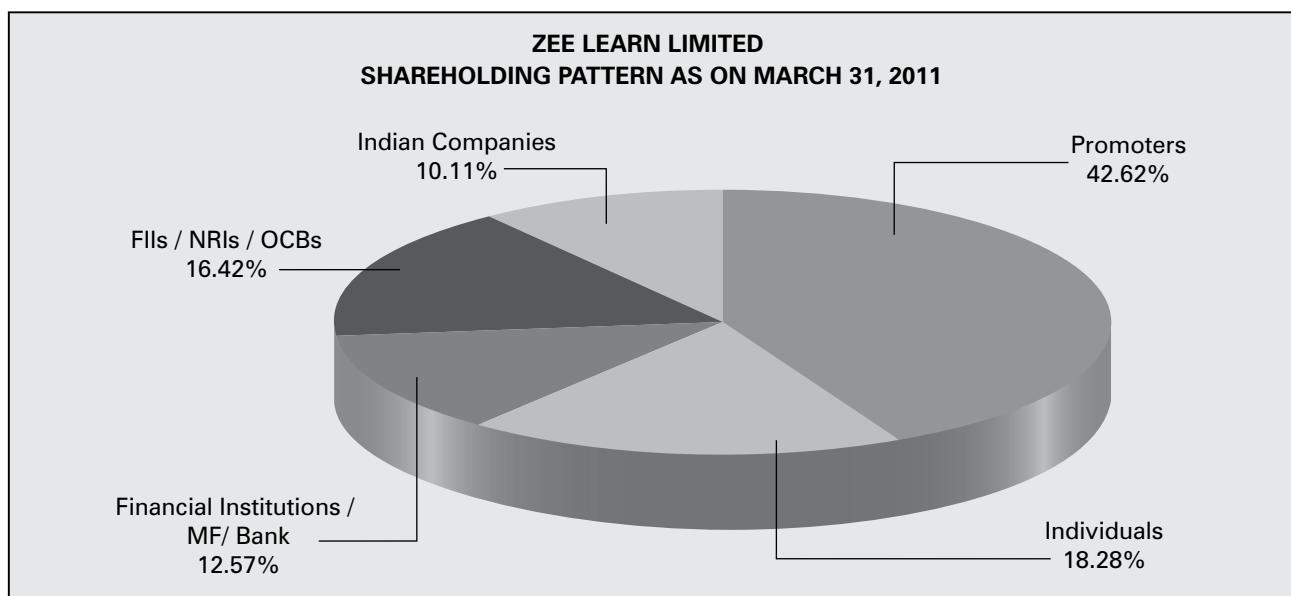


17. Distribution of Shareholding as on March 31, 2011

No. of Equity Shares	Shareholders		No. of Shares	
	Number	% of Holders	Number	% of Shares
Up to 5000	119,577	99.43%	12,628,724	10.29%
5001 – 10000	258	0.22%	1,972,171	1.61%
10001-20000	147	0.12%	2,159,629	1.76%
20001-30000	77	0.06%	1,923,567	1.57%
30001-40000	22	0.02%	772,583	0.62%
40001-50000	25	0.02%	1,129,265	0.92%
50001-100000	48	0.04%	3,411,290	2.78%
100001 and Above	103	0.09%	98,741,370	80.45%
Total	120,257	100.00%	122,738,599	100.00%

18. Categories of Equity Shareholders as on March 31, 2011

Category	March 31, 2011	
	No. of shares held	% of shareholding
Promoters	52,309,058	42.62%
Individuals	22,436,624	18.28%
FIs/MF/Banks	15,422,485	12.57%
FIIIs/ NRIs/OCBs	20,162,313	16.42%
Indian Companies	12,408,119	10.11%
Total	122,738,599	100.00%



19. Particulars of Shareholding
a) Promoters Shareholding as on March 31, 2011

Sr. No.	Name of Shareholder	No. of Shares held	% of shareholding
1.	Ashok Kurien	559,089	0.46%
2.	Ambience Advertising Pvt. Ltd.	622,883	0.51%
3.	Ganjam Trading Co. Pvt. Ltd.	2,472,233	2.01%
4.	Churu Trading Co. Pvt. Ltd.	5,990,102	4.88%
5.	Essel Infraprojects Ltd.	1,752,286	1.43%
6.	Laxmi N Goel	480,470	0.39%
7.	Sushila Goel	170,000	0.14%
8.	Briggs Trading Co. Pvt. Ltd.	146,545	0.12%
9.	Prajatma Trading Co. Pvt. Ltd.	2,238,623	1.82%
10.	Premier Finance & Trading Co. Ltd.	12,698,648	10.35%
11.	Veena Investment Pvt. Ltd.	3,592,277	2.93%
12.	Delgrada Ltd.	12,861,036	10.48%
13.	Lazarus Investments Ltd.	2,875,000	2.34%
14.	Essel Holdings Ltd.	5,797,315	4.72%
15.	Jayneer Enterprises LLP	13	0.00%
16.	Prajatma Enterprises LLP	13	0.00%
17.	Churu Enterprises LLP	13	0.00%
18.	Asian Satellite Broadcast Pvt. Ltd.	52,512	0.04%
Total		52,309,058	42.62%

b) Top ten (10) Public Shareholding as on March 31, 2011

Sr. No.	Name of Shareholder	No of Shares held	% of shareholding
1.	Reliance Capital Trustee Co. Ltd. A/C Reliance Equity Opportunities Fund	5,560,981	4.53%
2.	Oppenheimer Developing Markets Fund	4,831,515	3.94%
3.	LIC of India Money Plus	3,530,251	2.88%
4.	Reliance Capital Trustee Co. Ltd. A/C Reliance Small Cap Fund	2,902,101	2.36%
5.	A E Securities & Investments Pvt. Ltd.	2,000,000	1.63%
6.	Oppenheimer Global Fund	1,750,446	1.43%
7.	FID Funds (Mauritius) Limited	1,552,264	1.26%
8.	INDEA Capital PTE Limited A/C INDEA Ankam Master Fund	1,500,000	1.22%
9.	Life Insurance Corporation of India	1,493,194	1.22%
10.	LIC of India - Market Plus	1,201,083	0.98%
Total		26,321,835	21.45%

MANAGEMENT DISCUSSION AND ANALYSIS

Zee Learn Limited ("ZLL") is an Education company focused on core education with the purpose of Improving Human Capital. We are one of the fast emerging Education players in the largely fragmented and unorganized education space, bringing in innovation and professionalism in this space.

INDUSTRY AND BUSINESS OVERVIEW

INDUSTRY OVERVIEW:

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

Growth drivers

Demand for education is set to rise in India in the years to come due to the following factors:

Population dividend: As the young country comes of age, India is set to reap a demographic dividend, with the population in the working group set to increase substantially. In many respects, this mirrors the demographic trend of the US from 1970s to 2000, and is likely to be visible in India over the next two decades with a large portion of the population moving into the working and child bearing age group.

Change in GDP structure: The GDP structure is set to change over the next few years with the proportion of agriculture in GDP likely to decline as the economy grows. We are increasingly becoming a knowledge economy. This changing structure creates the need for better education system.

Higher income levels: Increasing income levels lead to higher aspirations. The middle class population is expected to rise 10 fold over the next 15 years as the income distribution graphic moves from being a pyramid to a diamond. This leads to a demand for not just education, but "quality" education. At the same time, it leads to the creation of a population segment that has the capability and willingness to pay for quality education.

Segments in the Education Sector

Segment	Market Size* (2010 Estimated)	Estimated Growth Rate (CAGR)
Pre-school	23.58	31%
K-12	565.2	20%
Higher Education	424.83	19%
Vocational Education	57.12	19%
Test Preparation	36	-
ICT in Schools	98	-
Teacher Training	1.15	15%

*all figures are in Rupees Billion

* Source: Edelweiss Report 2009

BUSINESS OVERVIEW

Zee Learn Limited runs programs in 1) Early Childhood Education, 2) School Education and 3) Vocational Training in Media and Design through partnerships/franchising and through running its own institutes. It also offers School Solutions to other, existing K-12 schools to improve student learning and understanding in various curricular and co-curricular subjects.

Zee Learn owns the following brands in education:

Mount Litera Zee School: Mount Litera Zee Schools aim to provide Learner Centric education with an integrated approach – where the child is at the centre of everything. Mount Litera Zee schools are an endeavor by Zee Learn to bring about a quantum improvement in school education. The purpose is to help children realize their unique potential through our state-of-the-art infrastructure and facilities, well trained teachers, and a proprietary pedagogy; Mount Litera Zee Schools provide holistic and quality education to all its students. There are three critical belief systems at play here:

- Every child is unique
- Education should foster real understanding
- Real understanding by every child requires an integrated approach

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

Zee Learn partners with local education entrepreneurs, trusts and builders under various operating models to set up and run Mount Litera Zee Schools. The range of services and solutions provided by Zee Learn under these partnerships range from school set up assistance, teacher training, Assessment, teaching materials, Branding to enrolment assistance.

In FY 2010-11, 10 new Mount Litera Zee Schools have started operation and 33 new schools have been signed up taking the total to 77 schools. Eleven more Mount Litera Zee schools are expected to start operation in 2011-12.

Kidzee: With over 750 pre-schools in more than 300 cities across the country, Kidzee is the largest pre-school chain in Asia. Kidzee has touched the lives of more than 1,75,000 children since its inception in 2003.

Its proprietary pedagogy, iLLUME is what sets Kidzee a class apart from other pre-school chains. iLLUME is an approach that helps parents and teachers spot the unique potential in each child and helping them realize it. This new pedagogy was instituted by Kidzee after conducting an action research carried out across 20,000 parents, 2,000 teachers and 1,30,000 children. iLLUME is different from the one size fits all approach followed in most of the preschools, lays before a child diverse pathways. With keen observation, a note is made of the preferred learning style of each child. Once this is concluded, activities are built around his/her preferred learning style. This approach ensures that no pressure is enforced on the child and hence they grow at their own pace. The child learns HOW to think rather than WHAT to think.

Zee Learn offers franchises to local education entrepreneurs, especially women, to run and manage Kidzee preschools.

During FY 2010-11, more than 46500 students have enrolled in Kidzee and 206 new Kidzees have been started taking the total to 756 Kidzee centres across the country.

Zee Institute of Creative Art (ZICA) is the nation's first full-fledged Classical and Digital Animation Training Academy that trains youth in classical 2D and modern 3D animation. For the past six years, this institute has produced some of the best names in the world of animation. The institute has adopted a novel training style and is focused entirely on creating a stimulating environment for its curriculum. ZICA is now operating 31 centres in more than 15 major cities across India including Mumbai, Delhi, Bangalore, Hyderabad, Kolkata, Pune, Lucknow, Chandigarh, Bhubhaneshwar, Ahmedabad etc.

Zee Learn offers ZICA franchises to interested people. During FY 2010-11, 10 new ZICA centres were started.

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

Zee Learn Gakken Science Academy: Zee Learn Gakken Science Academy is a venture of Zee Learn Ltd. and Gakken Educational Co., Japan. It aims to bring the best of Japanese education in the field of science to schools in India. The intention is to improve conceptual understanding and developing scientific temper amongst students by providing hands-on experiment tools.

ZLGSA is an integrated four level concept builder program for students of class III to VIII. The program runs in schools as supplement to the regular curriculum and brings better understanding and appreciation of the world of Science. Zee Learn Gakken Science Academy has been launched in Andhra Pradesh and Maharashtra in FY 2011. The performance is very encouraging with over 50 schools signed up in FY 2011. As a result Zee Learn Gakken Science Academy would reach 25,000 students.

BUSINESS STRATEGY

The key strategic pillars of Zee Learn Limited operations and growth plans are a combination of expanding our footprint of schools/pre-schools and offering services to existing schools to improve their education delivery.

1. Expansion of footprint:

K-12 Schools: The number of enrolments in primary school is at all time high. There are 13.3 crores (DISE 2009-10) children enrolled in primary schools in the country. However the current infrastructure - number of middle

and secondary schools - is not enough to handle this demand. At least 40,000 new private schools are required in the country in the next few years. This requirement of schools backed by demand for quality education spells an invaluable opportunity for a core K-12 education player like Zee Learn.

Pre-schools: Pre-schools have a fairly low penetration in India right now - at about 20%. There are two broad trends that this segment is witnessing. One is the increase in penetration as more and more parents are willing to send their kids to pre-schools at an earlier age than it used to happen earlier. Secondly, there is also a migration taking place from unorganized pre-schools to organised pre-schools as parents are becoming aware that organized pre-schools can add a lot more value. To ride on these trends, it is critical to deepen the geographic spread.

With the country in a growth mode and rapid rate of urbanization, it is imperative for business growth that we increase our penetration by adding more cities to our network. This addition is done after mapping market potential of the cities against our products. Depending upon the market potential, we shall also be looking at partnerships for opening more Mount Litera Schools (both domestic and international boards). We shall continue to franchise Kidzee pre-schools.

Apart from this, we would also be opening more company-owned premium preschools and ZICAs. In the next 5 years, we plan to have over 300 Mount Litera Zee Schools and over 2,400 Kidzees.

- 2. Constantly improve capacity utilization of our schools and preschools:** To fully utilize the capacity of each of our schools and pre-schools, we ensure that there are enough enrolment activities carried out through the year. Furthermore, synergy between offerings is utilized to achieve this end. We ensure there are enough pre-schools near our schools so that we can provide a continuous solution to the parents for their child's education from pre-school through senior secondary school. In the next 5 years, we plan to increase the enrolment in Mount Litera Zee Schools to over 90,000 students and in Kidzee to over 1,66,000 students.

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

- 3. Improve education delivery at other, existing schools:** Addition of Zee Learn School Innovations to our portfolio has opened up new customer segments for us. We would be able to reach out to thousands of current schools and provide solutions to benefit their students by sharing our experience of learning and teaching designs, methodologies and practices with these schools.

FINANCIAL PERFORMANCE

Revenue

During the period under review the total Income of the Company was ₹ 449.86 million. The net profit before tax of the Company was ₹ 25.42 million.

Expenditure

During 2010-11, Operating costs of the company were ₹ 124.24 million. The Administration expenses and Personnel costs were ₹ 79.31 million and ₹ 129.58 million respectively. Selling and distribution costs were ₹ 82.33 million. Financial costs were ₹ 1.46 million and depreciation was ₹ 7.53 million.

OUTLOOK

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

In order to accelerate growth, Zee Learn has initiated new businesses that have the potential to become the torchbearers of the growth story.

Zee Learn School Innovations:

In addition to opening new schools under its own brand name Mount Litera Zee Schools, Zee Learn aims to improve the education delivery at existing schools through its School Innovations division. With our extensive experience in education and proprietary pedagogy, we are perfectly positioned to provide education solutions to these schools. There are over 1.3 million schools in the country today which translates into a huge opportunity. There are two areas of focus in this division:

Supplemental: We focus on supplemental classes that improve the understanding of children through activity based, hands-on programs. Always at the front of innovation, we have tied up with Gakken Education Co. (Japan) to offer Zee Learn Gakken Science Academy (ZLGSA) to schools in India. This is an integrated four level concept builder program for students of class III to VIII. The programs shall run in schools as supplement to the regular curriculum and would bring better understanding and appreciation of the world of Science.

Core education delivery: We are looking at managing existing schools - both government schools as well as private. With Zee Learn's experience in running and managing schools with high standards of education delivery and student learning outcomes, this is a logical extension. The intention is to take over the management of a school and improve the teaching-learning outcomes there. The need-gaps in these schools shall be assessed and fulfilled through implementation of specific modules e.g. school ERP or teacher training. In such schools, we plan to implement a per child fee model.

We have also ventured into:

Premium Pre-schools: In the wake of the recent increase in disposable incomes in the country and rising awareness of global standards of education amongst parents, there is a demand for international standard pre-schools. To meet this requirement, Zee Learn plans to launch a chain of Premium preschools called Mount Litera World Preschools. These preschools would be company owned or joint ventures with progressive individuals or entities.

RISK FACTORS

Competition from Other Players:

The education business has seen the entry of host of new pre-schools. The Education Business is one of the high growth and happening industry with presence of mix of various professional academies, Private and Public Schools, International Schools / academies, private tutors, Government schools etc., which forms part of the industry. Technological and regulatory changes have spawned new platforms of delivery. The Company operates in highly competitive environment that is subject to innovations, changes and varying levels of resources available to each player in each segment of business. This may be a matter of concern if the Company does not adapt to the changing face of the Industry. The Company has been keeping itself abreast of latest technological changes in the industry to implement the same in its operation to keep itself ahead of competition.

Interest Rate Fluctuations:

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

Personnel Risk:

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

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

Regulatory Risk:

Governments and Education Boards do not see franchising in school education favorably. If there is any adverse regulation in this regard, the Company might need to relook at the Education business model in future.

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

Regulatory enactments are monitored regularly and the Company shall be derisking its Education business model from time to time. Further, all necessary legal vetting is done by the management to ensure that Intellectual Property Rights relating to contents/rights have requisite protection.

Internal Controls:

The Company has in place adequate internal control systems, commensurate with its size and nature of operations so as to ensure smoothness of operations and compliance with applicable legislation. The Company has a well-defined system of management reporting and periodic review of business to ensure timely decision-making. Internal audit is conducted by professionally qualified financial personnel, which conducts periodic audits/review to maintain a proper system of checks and control.

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

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

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

Talent Acquisition: Talent pool of the Company is comprised of talents from across industries. We hire the best across industries. While hiring, we look for people who have the best interests of the child at heart as we believe in doing what is right for the child. During financial year 2010-11 we have doubled our employee strength with addition of approximately 250 new employees. The Company also follows a well-structured campus hiring program to hire Management trainees from tier one institutes like IIMs, IMT Ghaziabad/Nagpur, Sydenham, etc.

Talent Retention: The attrition rate was approximately 25% in the financial year 2010-11. It is interesting to note that most of the attrition is non regrettable in nature and as a company we have been able to hold to our talent pool. Several initiatives have been taken to combat attrition by investing in learning and development programs for employees, competitive compensation, creating a compelling work environment, empowering employees at all levels, as well as a well-structured reward and recognition mechanism.

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

Industrial Relations: Industrial Relations were cordial at all locations. In a challenging environment and business conditions, the support from the workforce was positive throughout.

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

AUDITORS' REPORT

To
 The Members,
Zee Learn Limited

1. We have audited the attached Balance Sheet of **Zee Learn Limited** ("the Company") as at March 31, 2011, and also the Profit and Loss account and the Cash Flow statement for the period from the date of incorporation i.e. January 4, 2010 to March 31, 2011, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 (the 'Order') issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 ("the Act"), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Without qualifying our opinion, attention is drawn to:
 - (a) Note 2 in Schedule 17B regarding demerger of Education business undertaking to the Company as at April 1, 2010 as per the Composite Scheme of Amalgamation and Arrangement u/s 391 to 394 approved by the Honorable High Court at Bombay and effect thereof is given in these financial statements and resultant surplus of ₹ 5,090.54 lacs is taken to General Reserve.
 - (b) Note 11 in Schedule 17B regarding Managerial Remuneration for the period is subject to approval of Central Government.
5. Further to our comments in the annexure referred to in paragraph (3) above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

(d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211 (3C) of the Act;

(e) On the basis of written representations received from the directors and taken on record by the Board, we report that none of the directors is disqualified as at March 31, 2011 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Act;

(f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together the significant accounting policies and notes to accounts as per Schedule 17, 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:

- i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
- ii) In the case of the Profit and Loss Account, of the Profit for the period from the date of incorporation i.e. January 4, 2010 to March 31, 2011; and
- iii) In the case of the Cash Flow Statement, of the cash flows for the period from the date of incorporation i.e. January 4, 2010 to March 31, 2011.

For **MGB & Co.**
 Chartered Accountants
 Registration No. 101169W

Sanjay Kothari
 Partner
 Membership No. 48215
 Mumbai, 20 May, 2011

Annexure referred to in Paragraph (3) of Auditors' Report to the Members of Zee Learn Limited on the accounts for the period ended March 31, 2011

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation, of its fixed assets.
- (b) The Company has a regular program of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years except assets lying with third parties. In our opinion, this periodicity of the physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) During the period, there was no disposal of substantial part of fixed assets.
2. (a) The inventory has been physically verified by the management at reasonable intervals during the period.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the Company has maintained proper records of inventory. The discrepancies noticed on verification between physical stocks and the book records were not material and have been properly dealt with in the books of accounts.
3. (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (b) The Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is adequate internal
- (b) According to the records of the Company, the dues outstanding of Sales Tax and VAT on account of dispute are as follows:

Name of the Statute	Nature of the Dues	Amount ₹ in lacs)	Period to which the amount relate*	Forum where dispute is pending
Maharashtra Value Added Tax Act, 2002	Sales Tax	74.64	FY 2005-2006	Deputy Commissioner of Sales Tax (Appeals)
		46.55		
Central Sales Tax Act	Sales tax	1.56	FY 2003-2004	Deputy Commissioner of Sales Tax (Appeals)
		4.30	FY 2004-2005	
		49.95	FY 2005-2006	
Bombay Sales Tax Act	Sales Tax	3.07	FY 2002-2003	Deputy Commissioner of Sales Tax (Appeals)
		3.66	FY 2003-2004	
		6.66	FY 2004-2005	

*pursuant to the Composite Scheme of Arrangement as referred in Note 2 of Schedule 17B.

10. The Company has been registered for a period of not more than five years. Hence, the requirement of Clause (x) of paragraph 4 of the said order is not applicable.
11. The Company has not defaulted in repayment of dues to banks, financial institutions and debenture holders.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not chit fund or a nidhi/mutual benefit fund/society.
14. The Company is not dealing in or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from bank or financial institution.
16. The Company has not raised any term loan during the period.
17. On the basis of review of utilization of funds which is based on an overall examination of the Balance Sheet of the Company and related information as made available to us, we report that short-term funds to the extent of ₹ 864.92 lacs have been used for long term investments.
18. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the period.
19. The Company has not issued any secured debentures during the period. However pursuant to the Composite Scheme of Arrangement, the Company has been vested liability of secured debentures issued by ETC Networks Limited. Further, the Company has created adequate securities in respect of secured debentures except assignment of lease deed for which extension has been granted by the debenture holders.
20. The Company has not raised any money by public issue during the period.
21. On the basis of our examination and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the period.

For **MGB & Co.**

Chartered Accountants
 Registration No. 101169W

Sanjay Kothari

Partner
 Membership No. 48215

Mumbai, 20 May, 2011

BALANCE SHEET AS AT MARCH 31, 2011

(Amount in ₹)

Particulars	Schedule	2011
SOURCES OF FUNDS		
Shareholders' Funds		
Share Capital	1	122,738,599
Reserves and Surplus	2	527,575,181
		<u>650,313,780</u>
Loan Funds		
Secured Loans	3	500,000,000
Unsecured Loans	4	41,000,000
		<u>541,000,000</u>
TOTAL		<u>1,191,313,780</u>
APPLICATION OF FUNDS		
Fixed Assets		
Gross Block	5	53,188,500
Less : Depreciation/Amortisation		7,492,624
Net Block		<u>45,695,876</u>
Capital Work-in-Progress		863,585,333
		<u>909,281,209</u>
Investments	6	5,000
Deferred Tax Assets		13,253,921
Current Assets, Loans and Advances	7	
Inventories		46,151,053
Sundry Debtors		30,996,890
Cash and Bank Balances		59,679,864
Loans and Advances		<u>322,878,857</u>
		<u>459,706,664</u>
Less :		
Current Liabilities and Provisions		
Current Liabilities	8	184,741,416
Provisions	9	6,191,598
		<u>190,933,014</u>
Net Current Assets		<u>268,773,650</u>
TOTAL		<u>1,191,313,780</u>
Significant Accounting Policies and Notes to Accounts	17	

As per our attached report of even date

For and on behalf of the Board

For **MGB & Co.**
Chartered Accountants

Sanjay Kothari
Partner

Surjit Banga
Director

Sumeet Mehta
Whole-time Director

Mumbai, May 20, 2011

Samir Raval
Company Secretary

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD JANUARY 4, 2010 TO
MARCH 31, 2011**

(Amount in ₹)

Particulars	Schedule	2011
INCOME		
Revenue from Operations	10	438,981,035
Other Income	11	10,880,542
TOTAL		449,861,577
EXPENDITURE		
Operational Expenses	12	124,242,427
Personnel Cost	13	129,580,430
Administrative and Other Expenses	14	79,309,061
Selling and Distribution Expenses	15	82,325,711
Financial Expenses	16	1,455,155
Depreciation		7,527,362
TOTAL		424,440,146
Profit before Tax		25,421,431
Provision for Taxation - Current		7,778,297
- Deferred Tax (Refer Note 4 of Schedule 17B)		(877,552)
Net Profit after Tax for the period		18,520,686
Balance brought forward		-
Balance carried to Balance Sheet		18,520,686
Basic and Diluted Earnings per share of face value of ₹ 1 each		0.19
Significant Accounting Policies and Notes to Accounts	17	

As per our attached report of even date

For and on behalf of the Board

 For **MGB & Co.**
 Chartered Accountants

Sanjay Kothari
 Partner

Sumeet Mehta
 Whole-time Director

Surjit Banga
 Director

Mumbai, May 20, 2011

Samir Raval
 Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011

(Amount in ₹)

Particulars	2011
SCHEDULE 1 : SHARE CAPITAL	
Authorized	
150,000,000 Equity Shares of ₹ 1/- each	150,000,000
	150,000,000
Issued, Subscribed and Paid up	
122,738,599 Equity Shares of ₹ 1/- each	122,738,599
(Out of the above 122,238,599 Equity shares if ₹ 1/- each fully paid up for consideration other than cash as per the Composite Scheme of Arrangement (Refer Note 2A(b)(iii) of Schedule 17B)	
TOTAL	122,738,599
SCHEDULE 2 : RESERVES AND SURPLUS	
General Reserve	
As per last balance sheet	-
Add : Adjusted pursuant to the Composite Scheme of Arrangement (Refer Note 2A(b)(ii) of Schedule 17B)	509,054,495
	509,054,495
Profit and Loss Account	
TOTAL	18,520,686
	527,575,181
SCHEDULE 3 : SECURED LOANS	
(Refer Note 3 of Schedule 17B)	
Debentures	500,000,000
TOTAL	500,000,000
SCHEDULE 4 : UNSECURED LOANS	
Inter Corporate Deposit	41,000,000
TOTAL	41,000,000

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011

SCHEDULE 5 : FIXED ASSETS (At Cost)

(Amount in ₹.)

Description of Assets	Gross Block			Depreciation / Amortisation			Net Block As at March 31, 2011
	Acquired Pursuant to the Scheme of Arrangement*	Additions	Deductions	As at March 31, 2011	For the period	Deductions	
Intangibles							
Content Development	2,082,272	651,750	-	2,734,022	892,184	-	892,184
Softwares	2,003,343	10,956,489	-	12,959,832	1,634,340	-	1,634,340
Tangibles							
Freehold Land**	584,890	-	-	584,890	-	-	584,890
Leasehold Asset Improvements	1,858,269	2,640,453	-	4,498,722	1,096,030	-	1,096,030
Equipments	5,613,849	4,105,717	-	9,719,566	1,029,872	-	1,029,872
Computer	7,032,456	11,808,753	72,987	18,768,222	2,286,169	34,738	2,251,431
Furniture and Fixtures	1,200,513	2,060,354	-	3,260,867	525,842	-	525,842
Vehicles	662,379	-	-	662,379	62,925	-	62,925
TOTAL	21,037,971	32,223,516	72,987	53,188,500	7,527,362	34,738	7,492,624
							45,695,876

* Refer Note 2A(b)(ii) of Schedule 17B
 ** Refer Note 2A(b)(iv) of Schedule 17B

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011

(Amount in ₹)

Particulars	2011
SCHEDULE 6 : INVESTMENTS	
Long Term - (At Cost)	-
Unquoted - Non-Trade	
National Savings Certificate	5,000
(Pledged with Sales Tax Authorities)	
TOTAL	5,000
SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES	
A. Current Assets	
(a) Inventories	
(as taken, Valued and certified by the management)	
(valued at lower of cost or estimated net realisable value)	
Educational Goods and Equipments	46,151,053
TOTAL	46,151,053
(b) Sundry Debtors	
(Unsecured and considered good unless otherwise stated)	
More than six months (includes doubtful ₹ 31,328,777)	33,308,018
Others (includes doubtful ₹ 619,339)	29,636,988
Less : Provision for doubtful debts	62,945,006
TOTAL	31,948,116
(c) Cash and Bank Balances	
Cash in hand	30,996,890
Balances with scheduled bank	
- in Current Accounts	85,962
- in Fixed Deposit*	23,460,740
TOTAL	36,133,162
(*Pledged ₹ 46,098 with Sales Tax Authorities and ₹ 15,136,740 as Security for Debentures as referred in Note 3 of Schedule 17B)	
TOTAL	59,679,864
B. Loans and Advances	
(Unsecured and considered good unless otherwise stated)	
Advances (recoverable in cash or in kind or for value to be received)	
Other advances	16,478,415
Deposits	308,581,352
Less : Provision for doubtful advances/deposits	325,059,767
TOTAL	2,180,910
TOTAL	322,878,857
SCHEDULE 8 : CURRENT LIABILITIES	
Sundry creditors - for goods and expenses	87,476,732
- for others	4,465,327
Trade advances/deposits received	91,742,498
Interest Accrued but not due	1,056,859
TOTAL	184,741,416
SCHEDULE 9 : PROVISIONS	
For Taxation (net of advances)	1,901,345
For Retirement benefits	4,290,253
TOTAL	6,191,598

**SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD
JANUARY 4, 2010 TO MARCH 31, 2011**

(Amount in ₹)

Particulars	2011
SCHEDULE 10 : REVENUE FROM OPERATIONS	
Sale of Educational Goods and Equipments	176,816,544
Education and Other Services	262,164,491
TOTAL	438,981,035
SCHEDULE 11 : OTHER INCOME	
Interest (Gross) (TDS ₹ 615,421)	6,346,582
Miscellaneous Income	1,374,071
Liabilities no longer required written back (net)	3,159,889
TOTAL	10,880,542
SCHEDULE 12 : OPERATIONAL EXPENSES	
Educational Goods and Equipments	
Opening Stock	-
Add : Acquired Pursuant to the Composite Scheme of Arrangement (Refer Note 2A(b)(ii) of Schedule 17B)	29,088,422
Add : Purchases	106,549,867
Less : Closing Stock	135,638,289
Cost of Goods sold	46,151,053
Education Centre Operation Expenses	89,487,236
Professional Fees	30,997,910
TOTAL	3,757,281
TOTAL	124,242,427
SCHEDULE 13 : PERSONNEL COST	
Salaries, Allowances and Bonus	108,857,323
Contribution to Provident and Other Funds	3,569,162
Staff Welfare Expenses	7,969,385
Recruitment Cost	9,184,560
TOTAL	129,580,430

**SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD
JANUARY 4, 2010 TO MARCH 31, 2011**

(Amount in ₹)

Particulars	2011
SCHEDULE 14 : ADMINISTRATIVE AND OTHER EXPENSES	
Rent	13,778,137
Rates and Taxes	3,922,679
Insurance	962,595
Repairs - Others	2,308,287
Electricity charges	3,361,393
Legal and Professional charges	8,384,937
Communication expenses	7,351,070
Printing and Stationary	2,622,865
Conveyance and Travelling	24,288,926
Vehicle expenses	3,411,836
Miscellaneous expenses	7,644,751
Provision for doubtful debts	1,223,310
Loss on sale of fixed assets (net)	25,251
Preliminary expenses written off	23,024
TOTAL	79,309,061
SCHEDULE 15 : SELLING AND DISTRIBUTION EXPENSES	
Advertisement and Publicity expenses	72,176,398
Business Promotion expenses	10,149,313
TOTAL	82,325,711
SCHEDULE 16 : FINANCIAL EXPENSES	
Interest - others	1,278,814
Bank charges	176,341
TOTAL	1,455,155

SCHEDULE : 17 NOTES TO ACCOUNTS

Significant Accounting Policies and Notes to Accounts

Background

ZEE Learn Limited ("the Company") was incorporated in State of Maharashtra on January 4, 2010. The Company is one of the most diversified premium education companies (business demerged under a Composite Scheme of Arrangement – Refer Note 2A of part B below), which delivers learning solutions and training through its multiple products viz. Kidzee, Zee Schools, Zee Institute of Media Arts (ZIMA), Zee Institute of Creative Arts (ZICA) and E - Learning Online Education and Testing.

A. Significant Accounting Policies

1. Basis of Accounting

The Financial Statements have been prepared under the Historical Cost Convention and on accrual basis in accordance with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.

2. Use of Estimates

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

3. Fixed Assets

- a) Fixed assets are stated at original cost of acquisition/installation net of accumulated depreciation, amortisation and impairment losses. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.
- b) Educational Content and software are capitalised as intangible assets in the year it is put to use.
- c) Cost incurred on development/improvement of leasehold assets is capitalised.
- d) Capital Work-in-progress includes expenditure incurred upto the date of Balance sheet, advances for capital expenditure etc.

4. Borrowing Costs

Borrowing Costs attributable to the acquisition or construction of qualifying assets are capitalised as a part of the cost of such assets. All other borrowing costs are charged to revenue.

5. Impairment of Assets

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

6. Depreciation/Amortisation

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

7. Investments

Long-term investment is carried at cost. Provision for diminution in value of investment other than temporary is made, wherever applicable.

8. Revenue Recognition

- a) Educational Services
 - i) Course fees and Royalty income is recognised over the duration of the course.
 - ii) Franchise fees is recognised as per the agreed terms of the agreement.

- b) Sale of Educational goods and equipments is recognised when the risk and rewards of ownership are passed onto the customers, which is generally on dispatch.
- c) Interest income is recognised on accrual basis.

9. Inventories

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

10. Employee Benefits

a) Defined Contribution Plan

The retirement benefits in the form of provident fund, the contribution payable by the Company is charged to Profit and Loss account of the year.

b) Defined Benefit Plan

The Present value of defined benefit obligations and the related current service cost are measured using the projected unit credit method with actuarial valuation being carried out at each balance sheet date. The defined benefit obligations are not funded.

Leave encashment:

Liability for leave encashment is provided on the basis of actuarial valuation at the balance sheet date.

Gratuity:

Liability for gratuity for the year is provided on the basis of actuarial valuation, as per defined retirement plan covering eligible employees. The plan provides payment to vested employees on retirement, death or termination of employment of an amount based on the respective employee's salary and the terms of employment with the Company.

11. Accounting for Taxes on Income

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

12. Operating Lease

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

13. Transactions in Foreign Currency

- a) Foreign currency transactions are accounted at the exchange rate prevailing on the date of such transactions.
- b) Foreign currency monetary assets and liabilities at the balance sheet date are translated at the closing rate. gains and losses resulting on settlement/translation of monetary assets and liabilities on the closing date are recognized in the Profit and Loss account.

14. Earnings Per Share

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

15. Provisions, Contingent Liabilities and Contingent Assets

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

B. Notes to Accounts

1. The financial statements for the current period are from the date of incorporation i.e. January 4, 2010 to March 31, 2011. This being the first accounting year, previous year's figures are not applicable.

2. Restructuring
A) Scheme of Amalgamation and Arrangement between ETC Networks Limited, Zee Entertainment Enterprises Limited and the Company

a) The Composite Scheme of Amalgamation and Arrangement ('the Composite Scheme') between ETC Networks Limited ('ETC'), Zee Entertainment Enterprises Limited ('ZEEL') and the Company and their respective shareholders was approved by the Hon'ble High Court of Bombay on July 16, 2010, and upon filing of the certified copy of the said order with the Registrar of Companies Maharashtra, Mumbai, the Composite Scheme became effective on August 30, 2010. Pursuant to the said Composite Scheme the ETC has merged and vested in ZEEL on March 31, 2010 and upon such merger the education business undertaking stand demerged from ZEEL and vested in the Company at book value on April 1, 2010.

b) Pursuant to the said Composite Scheme coming into effect on August 30, 2010:

- (i) The Composite Scheme has been given effect in these financial statements.
- (ii) As approved by the Board of Directors of ZEEL, the whole of the undertaking, assets, properties and liabilities of the Education Business Undertaking of ZEEL are transferred to/and are vested with the Company with effect from April 1, 2010 at book value. The difference between the book value of assets and the book value of liabilities is credited to General Reserve account of the company.

Particulars	(Amount in ₹)	
Fixed Assets (including Capital WIP)		800,654,891
Investments		5,000
Current Assets, Loans and advances		
Inventories	29,088,422	
Sundry Debtors (net)	12,100,439	
Cash and Bank Balances	207,010,388	
Loans and Advances (including Deferred Tax asset)	236,636,411	484,835,660
TOTAL ASSETS		1,285,495,551
Secured and Unsecured Loans	500,190,064	
Current Liabilities and Provisions	154,012,393	654,202,457
TOTAL LIABILITIES		654,202,457
Net Assets		631,293,094
Less: Shares issued and allotted on October 14, 2010		122,238,599
Surplus taken to General Reserve		509,054,495

- (iii) The Company has issued and allotted 122,238,599 Equity shares of ₹ 1 each to the shareholders of ZEEL on October 14, 2010, in the ratio of one equity share of the Company for every four equity shares held in the ZEEL.
- (iv) The title of the Freehold land and other assets which were vested in the Company pursuant to the Composite Scheme is in the process of transfer in the name of the Company.

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

With a view to consolidate the Education Infrastructure assets, the Board of Directors has approved Scheme of Amalgamation of EEML with the Company on the Appointed Date March 31, 2011. In Pursuance of the said Scheme 1 (One) fully paid up equity share of ₹ 1/- each of the Company would be issued and allotted to the shareholders of EEML for every 5 (Five) equity shares of ₹ 1/- each held by them in EEML i.e. the Company shall be required to issue 140,000,000 shares. Pursuant to the Scheme, all the assets and liabilities as at the close of March 31, 2011 on the Appointed Date shall be recorded by the Company at their respective book values.

Pending final approval by the Hon'ble High Court of Bombay to the said Scheme, no effect of the Scheme, is given in these financial statements.

Note:

The assets and liabilities of Essel Entertainment Media Limited as on March 31, 2011 are as below:

Particulars	(Amount in ₹)	
Fixed Assets		-
Investments		1,060,000,000
Current Assets, Loans and advances		
Cash and Bank Balances	321,279	321,279
TOTAL ASSETS		1,060,321,279
Unsecured Loans	6,922,941	
Current Liabilities and Provisions	323,910	7,246,851
TOTAL LIABILITIES		7,246,851
Net Assets		1,053,074,428

3. Secured Loans

Debentures

- i) 500, 12% Secured Redeemable Non-Convertible Debentures of ₹ 1,000,000 each fully paid up aggregating ₹ 500,000,000 (issued by ETC and vested with the company as part of the Composite Scheme of Arrangement) are redeemable at par in four equal installments with the earliest redemption being on January 6, 2012 and last being on January 6, 2015.
- ii) 12% Secured Redeemable Non-Convertible Debentures are:
 - Secured by first charge on Freehold land;
 - Secured by way of first charge on all fixed assets and current assets including certain fixed deposits, and first charge on escrow account through which all the receivables of the Company will be routed;
 - Secured by first charge on the Reserve Account and DSRA Undertaking by Zee Entertainment Enterprises Limited;
 - Secured by assignment of all the benefits under agreement for operations of school.
- iii) In the absence of adequate profits Debenture Redemption Reserve aggregating to Rs 31,250,000 has not been created in these financial statements.
- iv) Installment of Debenture due within one year aggregating to Rs 125,000,000

4. Taxation

- a) Provision for taxation is made on the income as per the provisions of Income Tax Act, 1961.
- b) The components of deferred tax balances as at March 31, 2011:

Particulars	(Amount in ₹)
Deferred Tax Assets	March 31, 2011
Provision for retirement benefits	1,351,430
Provision for doubtful debts	10,063,657
Depreciation	832,470
Other Timing difference	1,006,364
Deferred Tax Assets	13,253,921

- 5. (i) Capital work in progress includes capital advances of ₹ 778,955,415 and borrowing cost of ₹ 60,000,000 in compliance with AS 16 "Borrowing Costs"
 - Capital advances includes Rs 750,000,000 paid for acquiring rights for 30 years for operating a school in Bandra-Kurla Complex, Mumbai and shall be treated as an intangible asset on the date of commencement of operation of the school to be amortized over the period of the rights.
- (ii) Deposits under schedule 7B of the Balance Sheet includes Rs 290,000,000 being the refundable security deposits paid by the Company against school operating rights under two arrangements
- 6. The foreign exchange gain of ₹ 5,834 on settlement or realignment of foreign exchange transactions has been adjusted in respective heads of the Profit and Loss account.

7. During the period, the Company has granted 1,107,000 stock options to eligible employees and Independent Directors at an exercise price of ₹ 26.05 per share. The Vesting of said Stock Options shall commence at the end of one year from the date of grant i.e on and from 26th January 2012 and that the said options shall vest in tranches over a period of 3 years from the date of grant in the ratio of 50% of options granted to vest at the end of 1st year from the date of grant; 35% of options granted to vest at the end of 2nd year from the date of grant and balance 15% of options granted shall vest at the end of 3rd year from the date of grant and that all the vested options shall be entitled to be exercised by the Option Grantee within a period of 4 years from respective vesting dates.

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

8. Leasing Arrangements

The Company leases office premises and training centres under cancelable/non-cancelable agreements that are renewable on a periodic basis at the option of both the lessee and the lessor. The initial tenure of the lease is generally for 11 to 60 months.

In respect of assets taken on operating lease during the period:

Particulars	(Amount in ₹)
Lease rental charges for the period	18,288,137
Future lease rental obligation payable (Under non-cancellable leases)	March 31, 2011
Not later than one year	5,152,000
Later than one year but not later than five years	2,630,000

9. Contingent Liabilities not provided for

Particulars	(Amount in ₹)
Claims against Company not acknowledged as debts	5,440,373
Particulars	March 31, 2011
Disputed Indirect tax demands	19,813,177

10. Disclosures

- Estimated amount of contracts remaining to be executed on capital account not provided for (net of advances) is ₹ 250,860,920.
- The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the period end together with interest paid/payable as required under the said Act have not been furnished.
- Miscellaneous Expenses includes Auditors Remuneration (excluding service tax) as under:

Particulars	(Amount in ₹)
Audit Fees	1,000,000
Tax Audit Fees	150,000
Certification and Other Matters	968,322

11. Managerial Remuneration

- As approved by the Members of the Company on October 1, 2010 Mr. Sumeet Mehta has been appointed as Whole-time Director of the Company for a period of 3 years with effect from September 1, 2010.
- Particulars of remuneration paid by the Company to Mr. Sumeet Mehta from the date of Appointment till March 31, 2011 is as detailed herein:

(Amount in ₹)

Particulars	March 31, 2011
Salaries and Allowances	3,694,200
Provident fund contribution	253,680
Total	3,947,880
Maximum permissible remuneration to Managing Director as per Schedule XIII (excluding Provident fund contribution)	2,800,000
Excess Remuneration paid	894,200
Remuneration as per Central Government approval#	

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

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

c) No Commission is paid/payable to any Director and hence the computation of profits under Section 198 / 349 of the Companies Act, 1956 is not required

12. Employee Benefits

Defined Benefit plans:

(Amount in ₹)

	Gratuity (Non Funded) March 31, 2011
I. Expenses recognized during Period ended March 31, 2011	
1) Current Service Cost	1,394,742
2) Interest Cost	177,249
3) Actuarial Losses/(Gains)	(766,121)
Total Expenses	805,870
II. Net Asset/(Liability) recognized in the Balance Sheet as at March 31, 2011	
1) Present value of defined benefit obligation	2,717,752
2) Net Asset/(Liability)	(2,717,752)
III. Reconciliation of Net Asset/(Liability) recognized in the Balance Sheet during the Period ended March 31, 2011	
Net Asset/(Liability) at the beginning of period	(2,119,112)
Expense as per I above	(805,870)
Employer contributions	207,230
Net Asset/(Liability) at the end of the Period	(2,717,752)
IV. Actuarial Assumptions :	
1) Discount rate	8.30%
2) Expected rate of salary increase	6%
3) Mortality	LIC (1994-96) Ultimate

Notes:

- Amounts recognized as an expense and included in the Schedule 13: "Personnel Cost" are Gratuity ₹ 805,870 and Leave encashment ₹ 319,498.
- The estimates of future salary increases considered in the actuarial valuation take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- "Contribution to provident and other funds" is recognized as an expense in Schedule 13 of the Profit and Loss Account.

13. Related Party Transactions

Other Related parties with whom transactions have taken place during the period and balance outstanding at the period end.

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

Directors/Key Managerial Personnel:

Mr. Himanshu Mody, Mr. Sumeet Mehta, Dr. Manish Agrawal, Mr. Surjit Banga (with effect from September 1, 2010)

(Amount in ₹)

A) Transactions with Other Related Parties	March 31, 2011	
	Total Amount	Amount
Unsecured Loans taken Premier Finance and Trading Co. Limited	41,000,000	41,000,000
Purchase of Capital assets Cyquator Media Services Private Limited Packaging India Private Limited	899,800	800,000 99,800
Loans, advances and deposits given Digital Ventures Private Limited Himgiri Nabh Vishvavidyalaya Zee Entertainment Enterprises Limited	332,754,219	200,000,000 90,000,000 42,754,219
Loans, advances and deposits given repaid TALEEM Research Foundation Zee Entertainment Enterprises Limited	236,640,585	199,181,681 37,458,904
Interest Expense Premier Finance and Trading Co. Limited	1,170,412	1,170,412
Other Expenses E-City Project Constructions Private Limited Packaging India Private Limited Pan India Network Infravest Private Limited Pan India Paryatan Private Limited Zee Entertainment Enterprises Limited Zee News Limited	8,554,274	1,840,000 1,601,416 1,102,578 2,289,133 1,621,978 99,169
Sundry Balances Written Back Pan India Paryatan Private Limited	1,022,455	1,022,455
B) Balances outstanding as at March 31, 2011		
Unsecured Loans Premier Finance and Trading Co. Limited	41,000,000	41,000,000
Capital Work-in-Progress Digital Ventures Private Limited	750,000,000	750,000,000
Loans, Advances and Deposits Digital Ventures Private Limited Himgiri Nabh Vishwavidhyalaya Zee Entertainment Enterprises Limited	295,103,422	200,000,000 90,000,000 5,103,422
Sundry Creditors Packaging India Private Limited Pan India Network Infravest Private Limited Pan India Paryatan Private Limited Zee News Limited	10,748,478	232,429 142,072 111,646 10,262,331
Interest Accrued but not Due Premier Finance and Trading Co. Limited	1,056,859	1,056,859

Managerial Remuneration as referred in Note b 11.

Note: Related parties are identified by the Company based on the information available and relied upon by the auditors.

14. Segment Reporting

The Company is primarily engaged in the business of educational services and other related activities. The entire business has been considered as a single segment in terms of Accounting Standard 17 on "Segment Reporting" issued by the Institute of Chartered Accountants of India. There being no business outside India, the entire business is considered as a single geographic segment.

15. Additional Information pursuant to the provisions of Paragraph 3, 4C, 4D of Part II of Schedule VI of the Companies Act, 1956 :

a) Quantitative Details of Educational goods and equipments:

(Quantity in Numbers, Amount in ₹)

Particulars	March 31, 2011	
	Quantity	Amount
Pursuant to Scheme of Demerger		
• Equipments	573,034	11,978,548
• Others	-	17,109,874
TOTAL	573,034	29,088,422
Purchase/ Production/ Acquisition		
• Equipments	2,117,986	37,621,728
• Others	-	68,928,139
TOTAL	2,117,986	106,549,867
Revenue from Operations		
Educational goods and Equipments	1,949,854	64,081,263
• Equipments	-	112,735,281
• Others		
TOTAL	1,949,854	176,816,544
Closing Stock		
• Equipments	741,166	13,231,403
• Others	-	32,919,650
TOTAL	741,166	46,151,053

b) Other Additional Information required to be given pursuant to Part II of Schedule VI to the Companies Act, 1956 is as follows :

Particulars	March 31, 2011
Expenditure in Foreign Currency	
Traveling Expenses	311,100
CIF Value of Imports	
Capital Goods	2,383,143

16. Earnings per Share: Calculation of EPS - Basic and Diluted

Particulars	March 31, 2011
Profit after Tax (₹)	18,520,686
Weighted average number of shares	99,158,204
Nominal value of equity shares (₹)	1
Earnings per share – Basic and Diluted	0.19

Note: Stock options if any outstanding at the year end are anti-dilutive, hence ignored while computing dilutive EPS.

As per our attached report of even date

For and on behalf of the Board

For **MGB & Co.**

Chartered Accountants

Sanjay Kothari
Partner

Sumeet Mehta
Whole-time Director

Surjit Banga
Director

Mumbai, May 20, 2011

Samir Raval
Company Secretary

CASH FLOW STATEMENT FOR FOR THE PERIOD JANUARY 4, 2010 TO MARCH 31, 2011

(Amount in ₹)

Particulars	March 31, 2011
A. CASH FLOW FROM OPERATING ACTIVITIES	
Net Profit before tax	25,421,431
Adjustments for:	
Depreciation/Amortisation	7,527,362
Interest Income	(6,346,582)
Interest Expense	1,278,814
Provision for doubtful debts	1,223,310
Loss/(Profit) on sale of fixed assets (net)	25,251
Operating Profit before Working Capital Changes	29,129,586
Adjustments for:	
Decrease/(Increase) in Trade and other receivables	(118,738,576)
Decrease/(Increase) in Inventories	(17,062,631)
Increase/(Decrease) in Trade and other payables	33,962,415
Cash Generated from Operations	(72,709,206)
Direct Taxes paid	(5,876,952)
Net Cash from Operating Activities (A)	(78,586,158)
B. CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of fixed assets (including Capital Work-in-Progress)	(116,191,929)
Sale of fixed assets	13,000
Interest received	6,346,582
Net Cash from Investing Activities (B)	(109,832,347)
C. CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from Issue of Share capital	500,000
Proceeds from Intercorporate deposits	41,000,000
Repayment of Borrowings	(190,064)
Interest paid	(221,955)
Net Cash from Financing Activities (C)	41,087,981
Net Changes in Cash and Cash Equivalent (A+B+C)	(147,330,524)
Cash and Cash Equivalents transferred as per the Scheme of Arrangement (Refer Note 2 of Schedule 17B)	207,010,388
Cash and Cash Equivalents at the end of the period	59,679,864

Notes :

(i) The Composite Scheme of Arrangement (Refer Note 2 of Schedule 17B) is not considered in the above cash flow statement being non-cash transaction

(ii) Cash and Cash Equivalents at the end of the period

Cash in hand 85,962

Balance with Scheduled Banks in

- Current Accounts 23,460,740

- Fixed Deposits

TOTAL

36,133,162

59,679,864

As per our attached report of even date

For and on behalf of the Board

For **MGB & Co.**

Chartered Accountants

Sanjay Kothari

Partner

Sumeet Mehta

Whole-time Director

Surjit Banga

Director

Samir Raval

Company Secretary

Mumbai, May 20, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

U 8 0 3 0 1 M H 2 0 1 0 P L C 1 9 8 4 0 5

State Code

1 1

Balance Sheet Date

Date Month

3 1 0 3

Year

2 0 1 1

II. Capital raised during the year (₹ in '000)

Public Issue

- - N I L - - -

Rights Issue

- - N I L - - -

Bonus Issue

- - N I L - - -

Allotment pursuant to the Scheme of Amalgamation & Arrangement

0 0 1 2 2 2 3 9

III. Position of Mobilisation and Deployment of Funds (₹ in '000)

Total Liabilities

0 1 1 9 1 3 1 4

Total Assets

0 1 1 9 1 3 1 4

Sources of Funds

Paid-up Capital

0 0 1 2 2 7 3 9

Reserves and Surplus

0 0 5 2 7 5 7 5

Secured Loans

0 0 5 0 0 0 0 0

Unsecured Loans

0 0 0 4 1 0 0 0

Application of Funds

Net Fixed Assets

0 0 9 0 9 2 8 1

Investments

- - - - - - - - 5

Net Current Assets

0 0 2 6 8 7 7 4

Miscellaneous Expenditure

- - N I L - - -

Accumulated Losses

- - N I L - - -

Deferred Tax Asset

0 0 0 1 3 2 5 4

IV. Performance of Company (₹ in '000)

Turnover

0 4 4 9 8 6 2

Total Expenditure

0 0 4 2 4 4 4 0

+ - Profit/Loss before tax

0 0 2 5 4 2 1

+ - Profit/Loss after tax

0 0 0 1 8 5 2 1

Earning Per Share (₹)

0 . 1 9

Dividend Rate (%)

- - N I L - - -

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

Item Code No. (ITC Code)

N A

Product Description

E D U C A T I O N S E R V I C E S

As per our attached report of even date

For and on behalf of the Board

For **MGB & Co.**

Chartered Accountants

Sanjay Kothari

Partner

Sumeet Mehta

Whole-time Director

Surjit Banga

Director

Mumbai, May 20, 2011

Samir Raval
Company Secretary



ZEE LEARN LIMITED

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

PROXY FORM

I/We of being a member/ members of
.....
ZEE LEARN LIMITED hereby appoint
of or failing
him/ her of
..... as my/ our proxy to attend and vote for me/ us and on my/ our
behalf at the First Annual General Meeting of the Company to be held on Wednesday, June 29, 2011 at 10:30 a.m. at the
'Hall of Culture', Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400 018 and at any adjournment(s) thereof.
Signed this day of June, 2011.

Signature of Shareholder

Regd. Folio No.

DP ID No.

Client ID No.

No. of Shares

Affix
₹ 1/-
Revenue
Stamp

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



ZEE LEARN LIMITED

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

ATTENDANCE SLIP

(To be presented at the entrance)

I hereby record my presence at the First Annual General Meeting of the Company held on Wednesday, June 29, 2011 at 10:30 a.m. at the 'Hall of Culture', Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai - 400 018.

.....
Name of the Shareholder/Proxy (in BLOCK LETTERS)

.....
Signature of the Shareholder/Proxy

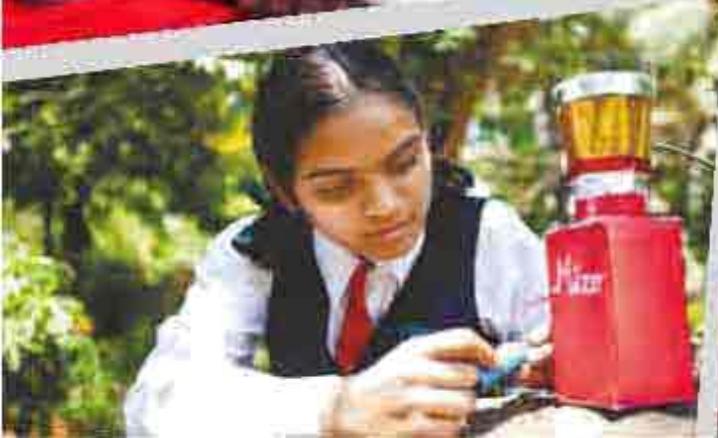
Regd. Folio No.

DP ID No.

Client ID No.

No. of Shares







Registered Office:

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

Tel: +91-22-24831234 • Fax: +91-22-24900302