



Annual Report 2010 -11



KIDZEE

Mount Litera
Zee School



ZEE INSTITUTE
OF CREATIVE ART

Unleash Your Potential

ZIMA
ZEE Institute of Media Arts
www.zimainstitute.com



ZEELEARN
ROBOTICS ACADEMY



ZEELEARN 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 Essel 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.