

Auditors' REPORT

To
The Members,

Zee Entertainment Enterprises Limited

1. We have audited the attached Balance Sheet of Zee Entertainment Enterprises Limited ("the Company") as at 31 March, 2012, the Statement of Profit and Loss and the Cash Flow statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 (the 'Order') issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 ("the Act"), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to in paragraph (3) above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow statement dealt with by this report comply with the accounting standards referred to in Section 211 (3C) of the Act;
 - (e) On the basis of written representations received from the directors, as at 31 March, 2012 and taken on record by the Board, we report that none of the Director is disqualified as at 31 March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together the notes thereon, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2012;
 - ii) In the case of the Statement of Profit and Loss, of the Profit of the Company for the year ended on that date; and
 - iii) In the case of the Cash Flow statement, of the cash flows of the Company for the year ended on that date.

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

Hitendra Bhandari
Partner
Membership Number 107832
Mumbai, 21 May, 2012

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

- 1) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
(b) All the fixed assets, except assets lying with third parties, have been physically verified by the management during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
(c) During the year, there was no disposal of substantial part of fixed assets.
- 2) (a) The inventory has been physically verified (copyrights of programs and film/movie rights verified with reference to title documents/agreements) by the management at reasonable intervals during the year.
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
(c) In our opinion, the Company has maintained proper records of inventory. As explained to us, there were no discrepancies noticed on physical verification as compared to the book records.
- 3) (a) The Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
(b) The Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- 4) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system in respect of the aforesaid areas.
- 5) According to the information and explanations given to us, there are no contracts or arrangements the particulars of which are required to be entered into the register maintained in pursuance to Section 301 of the Act.
- 6) The Company has not accepted any deposits from the public during the year.
- 7) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 8) We have broadly reviewed the cost records maintained by the company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- 9) According to the records of the Company examined by us and information and explanations given to us:
 - (a) Undisputed Statutory dues including provident fund, investor education and protection fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and others as applicable have generally been regularly deposited with the appropriate authorities. There are no undisputed amounts payable in respect of the aforesaid dues which have remained outstanding as at 31 March, 2012 for a period of more than six months from the date they became payable.

(b) According to the records of the Company, the dues of service tax, income tax and wealth tax which are not deposited on account of any dispute are as under:

Name of the Statute	Nature of the Dues	Amount (₹/million)	Period to which the amount relate	Forum where dispute is pending
The Central Excise Act, 1944	Service Tax	1	F.Y. 2004-2005	Commissioner of Service Tax
		312	F.Y. 2006-2007	
		148	F.Y. 2007-2008	
		2	F.Y. 2006-2007	Commissioner of Central Excise (Appeals)
		0 (₹ 176,706)*	F.Y. 2006-2007, F.Y. 2007- 2008	Customs Excise and Service Tax Appellate Tribunal
The Income Tax Act, 1961	Tax Deducted at Source (including interest)	932	F.Y. 2005-2006 to F.Y. 2009-2010	Commissioner of Income Tax (Appeals)
	Income Tax	90	F.Y. 2005-2006	
		434	F.Y. 2007-2008	
		3	F.Y. 2008-2009	
The Wealth Tax Act, 1957	Wealth Tax	1	F.Y. 2004-2005	Commissioner of Income Tax (Appeals)
		0 (₹ 488,416)*	F.Y. 2005-2006	

* represents absolute amount

- 10) The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year or in the immediately preceding financial year.
- 11) The Company has not defaulted in repayment of dues to banks and financial institutions during the year.
- 12) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) The Company is not chit fund or a nidhi / mutual benefit fund / society.
- 14) The Company is not dealing in or trading in shares, securities, debentures and other investments.
- 15) In our opinion, the terms and conditions of guarantees given by the Company for loans taken by subsidiaries and others are prima-facie not prejudicial to the interests of the Company.
- 16) The Company has not raised any term loan during the year.
- 17) According to information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that funds raised on short term basis have not been used for long term investments.
- 18) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
- 19) The Company has not issued any secured debentures during the year.
- 20) The Company has not raised any money by public issue during the year.
- 21) Based on the audit procedures performed and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year.

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

Hitendra Bhandari
Partner
Membership Number 107832
Mumbai, 21 May, 2012