

SCHEME OF AMALGAMATION
OF
ESSEL ENTERTAINMENT MEDIA LIMITED ... THE TRANSFEROR COMPANY
WITH
ZEE LEARN LIMITED ... THE TRANSFEREE COMPANY
AND
THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

(A) PREAMBLE

This Scheme of Amalgamation ('Scheme') is presented under Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 for amalgamation of Essel Entertainment Media Limited with Zee Learn Limited pursuant to the relevant provisions of the Companies Act, 1956. This Scheme also provides for various other matters consequential or otherwise integrally connected therewith.

(B) RATIONALE FOR THE SCHEME

1. Zee Learn Limited ('ZLL'), part of the Essel Group, is a diversified education company that delivers learning solutions to various business segments. The Education Business Undertaking of Zee Entertainment Enterprises Limited was demerged and vested in Zee Learn Limited with effect from April 01, 2010 on a going concern basis pursuant to a Composite Scheme of Amalgamation and Arrangement between ETC Networks Limited, Zee Entertainment Enterprises Limited and Zee Learn Limited and their respective shareholders and creditors. The purpose of the said demerger was to enable ZLL to channelize all the business efforts for its core Education business.
2. The education business of ZLL span across child education and youth vocational training business, through multiple products such as Kidzee, Kidzee High, Kidzcare, Zee Institute of Media Arts, Zee Institute of Creative Arts and Zee Career Academy. For accelerating growth, ZLL has initiated new

businesses including education infrastructure and management, Zee learn School innovations and Premium Preschools.

3. Digital Ventures Private Limited (DVPL'), part of the Essel Group, is a wholly owned subsidiary of Essel Entertainment Media Limited ('EEML'). DVPL is in process of building around 5 lacs sq ft constructed area in Bandra Kurla Complex, Mumbai. Considering the growth potential of the education business in the area, ZLL intends to get complete access to the area being constructed by DVPL at Bandra Kurla Complex, Mumbai. Hence it is proposed to merge EEML, the holding company of DVPL with itself. Post merger of EEML with ZLL, DVPL would become wholly owned subsidiary of ZLL.

(C) PARTS OF THE SCHEME:

This Scheme of Amalgamation is divided into the following parts:

- (i) **PART I** deals with the definitions and share capital;
- (ii) **PART II** deals with amalgamation of Essel Entertainment Media Limited with Zee Learn Limited;
- (iii) **PART III** deals with general clauses applicable to this Scheme;
- (iv) **PART IV** deals with other terms and conditions applicable to this Scheme.

PART I

DEFINITIONS AND SHARE CAPITAL

1. DEFINITIONS

In this Scheme (as defined hereunder), unless inconsistent with the subject or context, the following expressions shall have the following meaning:

- 1.1 **“Act” or “The Act”** means the Companies Act, 1956, or any statutory modification or re-enactment thereof for the time being in force;
- 1.2 **“Appointed Date”** means the closing hours of business on March 31, 2011 or such other date as may be fixed or approved by the High Court of Judicature at Bombay.
- 1.3 **“Court” or “High Court”** means the High Court of Judicature at Bombay and shall include the National Company Law Tribunal, if and when applicable;
- 1.4 **“EEML” or “the Transferor Company”** means Essel Entertainment Media Limited, a Company incorporated under the Companies Act, 1956, and having its Registered Office at Continental Building, 135, Dr. Annie Besant Road, Worli, Mumbai – 400 018;
- 1.5 **“Effective Date”** means the later of the dates on which the certified copy of the Order sanctioning the Scheme, passed by the High Court of Judicature at Bombay or such other competent authority, as may be applicable, is filed by EEML and ZLL with the Registrar of Companies, Mumbai, Maharashtra.
- 1.6 **“Scheme” or “the Scheme” or “this Scheme”** means this Scheme of Amalgamation in its present form as submitted to the Honorable High Court of Judicature at Bombay or this Scheme with such modification(s), if any made, as per Clause 16 of the Scheme;
- 1.7 **“ZLL” or “the Transferee Company”** means Zee Learn Limited, a Company incorporated under the Companies Act, 1956, and having its Registered Office at Continental Building, 135, Dr. Annie Besant Road, Worli, Mumbai – 400 018.

All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under

the Act, the Securities Contract Regulation Act, 1956, the Depositories Act, 1996 and other applicable laws, rules, regulations, bye-laws, as the case may be or any statutory modification or re-enactment thereof from time to time.

2. DATE OF TAKING EFFECT AND OPERATIVE DATE

The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the High Court of Judicature at Bombay, shall be effective from the Appointed date but shall be operative from the Effective Date.

3. SHARE CAPITAL

3.1 The authorized, issued, subscribed and paid-up share capital of Transferor Company as on January 25, 2011 is as follows:

Share Capital	Amount in Rs.
<u>Authorized Share Capital</u>	
70,00,00,000 Equity shares of Re. 1 each	70,00,00,000
TOTAL	70,00,00,000
<u>Issued, subscribed and paid-up Share Capital</u>	
70,00,00,000 Equity shares of Re. 1 each, fully paid up	70,00,00,000
TOTAL	70,00,00,000

3.2 The authorized, issued, subscribed and paid-up share capital of Transferee Company as on January 25, 2011 is as follows:

Share Capital	Amount in Rs.
<u>Authorized Share Capital</u>	
15,00,00,000 Equity Shares of Re. 1 each	15,00,00,000
Total	15,00,00,000

<u>Issued, Subscribed and Paid-up Share Capital</u>	
12,27,38,599 Equity Shares of Re. 1 each fully paid-up	12,27,38,599
Total	12,27,38,599

Additionally, ZLL has granted 11,07,000 stock options to its employees and/or independent directors convertible into equivalent number of equity shares of Re. 1 each, which upon exercise will increase the issued, subscribed and paid up equity share capital of ZLL

PART II
AMALGAMATION OF ESSEL ENTERTAINMENT MEDIA LIMITED WITH ZEE
LEARN LIMITED

4. TRANSFER AND VESTING OF UNDERTAKING

- 4.1 Upon the coming into effect of this Scheme and with effect from the Appointed Date the entire business and whole of the undertaking of Transferor Company as a going concern including all assets (whether movable or immovable, real or personal, corporeal or incorporeal, present, future or contingent, tangible or intangible including equity investments in Digital Ventures Private Limited, trademarks, intellectual property rights, copyrights) and properties and liabilities of Transferor Company shall pursuant to the provisions contained in Sections 391 to 394 and all other applicable provisions, if any, of the Act and without any further act or deed shall stand transferred to and vested in and / or be deemed to be transferred to and vested in Transferee Company so as to vest in Transferee Company all rights, title and interest pertaining to Transferor Company.
- 4.2 With effect from the Appointed Date, all debts, liabilities, contingent liabilities, duties and obligations of every kind, nature and description of Transferor Company shall also, under the provisions of Sections 391 to 394 and all other applicable provisions, if any, of the Act, and without any further act or deed, be transferred to or be deemed to be transferred to Transferee Company, so as to become from the Appointed Date the debts, liabilities, contingent liabilities, duties and obligations of Transferee Company and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, contingent liabilities, duties and obligations have arisen in order to give effect to the provisions of this sub-clause.
- 4.3 With effect from the Appointed Date and upon the Scheme becoming effective, any statutory licenses, permissions or approvals or consents relating to and or held by Transferor Company required to carry on business of Transferor Company shall stand vested in or transferred to Transferee Company without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of Transferee Company. The benefit of all statutory and regulatory permissions, registration or other licenses, and consents shall vest in

and become available to Transferee Company pursuant to the Scheme. In so far as the various incentives, subsidies, special status and other benefits or privileges, if any, granted by any Government body, local authority or by any other person, or enjoyed and availed of by Transferor Company are concerned, the same shall vest with and be available to Transferee Company on the same terms and conditions.

- 4.4 All the existing securities, mortgages, charges, encumbrances or liens, if any, as on the Appointed Date and those created by Transferor Company after the Appointed Date, over the assets of Transferor Company transferred to Transferee Company shall, after the Effective Date, continue to relate and remain attached to such assets or any part thereof to which they are related or attached prior to the Effective Date. Such securities, mortgages, charges, encumbrances or liens shall not relate or attach or extend to any of the other assets of Transferee Company.
- 4.5 Any existing encumbrances over the assets and properties of Transferee Company or any part thereof which relate to the liabilities and obligations of Transferee Company prior to the Effective Date shall continue to relate only to such assets and properties of Transferee Company and shall not extend or attach to any of the assets and properties of Transferor Company transferred to and vested in Transferee Company by virtue of this Scheme.

5. ISSUE AND ALLOTMENT OF SHARES BY TRANSFEE COMPANY

- 5.1 Pursuant to the Scheme coming into effect and upon the entire business and the whole of the Undertaking of Transferor Company being transferred to and vested in Transferee Company, Transferee Company shall without any further application or deed, issue and allot, credited as fully paid-up, to the extent indicated below, to every shareholder of Transferor Company, his / her heirs, executors, administrators or the successors-in-title, as the case may be, holding fully paid up equity shares of Transferor Company and whose names appear in the Register of Members of Transferor Company as on the Effective Date in the following proportion viz.:

“1 (One) fully paid Equity Share of Re 1 (Rupee One) each of Transferee Company shall be issued and allotted for every 5 (Five) Equity Shares of Re 1 (Rupee One) each held in the Transferor Company”.

- 5.2 No coupons shall be issued in respect of fractional entitlements, if any, by Transferee Company, to the members of Transferor Company at the time of issue and allotment of equity shares under Clause 5.1. In case any equity shareholder's holding in Transferor Company is such that the shareholder becomes entitled, pursuant to clauses 5.1 above, to a fraction of equity share of Transferee Company, Transferee Company shall round off the said entitlement to the nearest integer and allot equity shares accordingly.
- 5.3 The equity shares to be issued to the members of Transferor Company as above shall be subject to the Memorandum and Articles of Association of Transferee Company and shall rank *pari passu* with the existing equity shares of Transferee Company in all respects including dividends.
- 5.4 The equity shares shall be issued in dematerialized form to those shareholders who hold shares of Transferor Company in dematerialized form, in to the account in which Transferor Company shares are held or such other account as is intimated by the shareholders to Transferor Company and / or its Registrar before the Effective Date. All those shareholders who hold shares of Transferor Company in physical form shall also have the option to receive the equity shares, as the case may be, in dematerialized form provided the details of their account with any Depository Participant are intimated in writing to Transferor Company and / or its Registrar before the Effective Date. Otherwise, they would be issued equity shares in physical form only.
- 5.5 The Board of Directors of Transferee Company shall, if and to the extent required, apply for and obtain any approvals from concerned Government / Regulatory authorities for the issue and allotment of equity shares to the members of Transferor Company pursuant to clause 5.1 of the Scheme.
- 5.6 The equity shares to be issued by Transferee Company to the members of Transferor Company pursuant to clause 5.1 of this Scheme, in respect of any shares in Transferor Company which are held in abeyance under the provisions of Section 206A of the Act or otherwise, pending allotment or settlement of dispute, by order of court or otherwise, be held in abeyance by Transferee Company.
- 5.7 Approval of this Scheme by the shareholders of Transferee Company shall be deemed to be the due compliance of the provisions of Section 81(1A) and the

- other relevant and applicable provisions of the Act for the issue and allotment of equity shares by Transferee Company to the shareholders of Transferor Company, as provided in this Scheme.
- 5.8 The new equity shares of Transferee Company, issued pursuant to this Scheme shall be listed and/or admitted to trading on all the stock exchanges where the Equity shares of Transferee Company are currently listed and/ or admitted to trading. Transferee Company shall enter into such arrangements and give such confirmations and/ or undertakings as may be necessary in accordance with the applicable laws or regulations for complying with the formalities of the Stock exchanges. On such formalities being fulfilled the Stock exchanges shall list and/ or admit such equity shares also for the purpose of trading.
- 5.9 The approval of this Scheme by the shareholders of both the companies under Sections 391 and 394 of the Act shall be deemed to have the approval under Sections 16, 31 and other applicable provisions of the Act and any other consents and approvals required in this regard.

6. ACCOUNTING TREATMENT IN THE BOOKS OF TRANSFEEE COMPANY

- 6.1 On the Scheme becoming effective, Transferee Company shall account for the amalgamation in its books as under:
- (a) All the assets and liabilities as on the Appointed Date, recorded in the books of Transferor Company shall stand transferred to and vested in Transferee Company pursuant to the Scheme and shall be recorded by Transferee Company at their respective book values;
 - (b) Transferee Company shall credit in its books of account, face value of the equity shares issued to the members of Transferor Company pursuant to the Scheme, to the Share Capital Account;
 - (c) Inter-company balances and obligations, if any, will stand cancelled;
 - (d) The excess of the net assets of Transferor Company acquired and recorded by Transferee Company in terms of sub-clause (a) above over the amount credited as share capital and after making the adjustment as

mentioned in sub-clauses (c) above and after adjusting for all the expenses, duties, to be incurred for the implementation of the scheme would be credited to General Reserve Account. In case of there being a deficit, the same shall be debited by Transferee Company to its General Reserve Account.

- (e) If considered appropriate for the purpose of application of uniform accounting methods and policies between Transferor Company and Transferee Company, the Transferee Company may make suitable adjustments and reflect the effect thereof in the General Reserve of Transferee Company.

7. WINDING UP

On the Scheme becoming effective, Transferor Company shall stand dissolved without being wound up.

PART III
GENERAL CLAUSES

8. TRANSACTIONS BETWEEN APPOINTED DATE AND EFFECTIVE DATE

8.1 During the period between the Appointed Date and the Effective Date:

- i) Transferor Company shall be deemed to have held and stood possessed of and shall hold and stand possessed of the entire business and undertakings of Transferor Company for and on account of and in trust for Transferee Company;
- ii) All the profits or income accruing or arising to Transferor Company, including dividends, or expenditure or losses arising or incurred by Transferor Company, shall for all purposes be treated and deemed to accrue as the profits or income or expenditure or losses, as the case may be of Transferee Company;
- iii) Transferor Company shall carry on its business and activities with reasonable diligence and business prudence and shall not venture into/ expand any new businesses, invest in shares, etc, alienate, charge, mortgage, encumber or otherwise deal with the significant assets or any part thereof except in the ordinary course of business without the prior written consent of Transferee Company.
- iv) Transferor Company shall not, without the prior written consent of Transferee Company, issue or allot any further securities, either by way of rights or bonus shares.
- v) Transferee Company shall be entitled, pending sanction of the Scheme, to apply to the Central Government, State Government, Union Territories and all other concerned agencies, departments and authorities (statutory or otherwise) as are necessary under any law for such consents, approvals and sanctions, which Transferee Company may require to carry on the business of Transferor Company.

8.2 As and from the date of acceptance of this Scheme by the Board of Directors of Transferor Company and Transferee Company and till the Effective Date, Transferor Company shall not alienate, charge, mortgage, encumber or otherwise

deal with the assets of undertakings of Transferor Company or any part thereof without the prior written concurrence of the Board of Directors of Transferee Company.

9. PROFITS, DIVIDEND, BONUS/RIGHT SHARES

- 9.1 Transferor Company shall not utilize profits or income, if any, for any purpose including declaring or paying any dividend in respect of the period falling on and after the Appointed Date.
- 9.2 From the date of filing of this Scheme with the High Court and up to and including the Effective Date, Transferor Company shall not make any change in its capital structure in any manner either by any increase (including by way of issue of equity and/or preference shares on a rights basis or by way of a public issue, bonus shares and/or convertible debentures or otherwise), decrease, reduction, reclassification, sub-division, consolidation, re-organization, or in any other manner which may, in any way, affect the Share Exchange Ratio (as provided in the Clause 5.1).
- 9.3 In the event the Transferee Company restructures its equity share capital by way of share split / consolidation / issue of bonus shares during the pendency of the Scheme, the Share Exchange Ratio (as provided in the Clause 5.1) shall be adjusted accordingly to take into account the effect of such corporate actions.

10. COMBINATION OF AUTHORISED SHARE CAPITAL

- 10.1 Upon sanction of this Scheme, the authorised share capital of Transferee Company shall automatically stand increased without any further act, instrument or deed on the part of Transferee Company including payment of stamp duty and fees payable to Registrar of Companies, by the authorised share capital of Transferor Company as on the Effective Date.
- 10.2 The Memorandum of Association and Articles of Association of Transferee Company (relating to the authorized share capital) shall, without any further act, instrument or deed, be and stand altered, modified and amended, pursuant to Sections 16,31,94 and 394 and applicable provisions of the Act, as the case may be and for this purpose the stamp duties and fees paid on the authorized capital

of Transferor Company shall be utilized and applied to the increased authorized share capital of Transferee Company and no payment of any extra stamp duty and/or fee shall be payable by Transferee Company for increase in the authorised share capital to that extent.

- 10.3 Accordingly, in terms of this Scheme, the authorised share capital of the Transferee Company shall stand enhanced by an amount of Rs. 70,00,00,000 (Rupees Seventy Crores Only) divided into 70,00,00,000 (Seventy Crores) equity shares of Re. 1/- each.
- 10.4 It is clarified that the approval of the members of Transferee Company to the Scheme shall be deemed to be their consent / approval also to the alteration of the Memorandum and Articles of Association of Transferee Company as may be required under the Act.

11. STAFF AND EMPLOYEES

- 11.1 On the Scheme becoming operative, all staff and employees of Transferor Company in service on the Effective Date, shall be deemed to have become staff and employees of Transferee Company on such date without any break or interruption in their service and on the terms and conditions of their employment not less favorable than those subsisting with reference to Transferor Company as on the said date.
- 11.2 It is expressly provided that, on the Scheme becoming effective, the Provident Fund, Gratuity Fund, Pension Fund, Superannuation Fund or any other Special Fund or Trusts created or existing for the benefit of the staff, workmen and employees of Transferor Company shall become trusts / funds of Transferee Company for all purposes whatsoever in relation to the administration or operation of such Fund or Funds or in relation to the obligation to make contributions to the said Fund or Funds in accordance with the provisions thereof as per the terms provided in the respective Trust Deeds, if any, to the end and intent that all rights, duties, powers and obligations of Transferor Company in relation to such Fund or Funds shall become those of Transferee Company. It is clarified that the services of the staff and employees of Transferor Company will be treated as having been continuous for the purpose of the said Fund or Funds.

12. LEGAL PROCEEDINGS

- 12.1 All legal proceedings of whatsoever nature by or against Transferor Company pending as at the Appointed Date, shall be continued and enforced by or against Transferee Company in the manner and to the same extent as would or might have been continued and enforced by or against Transferor Company, as the case may be.
- 12.2 After the Appointed Date, if any proceedings are taken against Transferor Company in respect of the matters referred to in the sub-clause 12.1 above, Transferor Company shall defend the same at the cost of Transferee Company and Transferee Company shall reimburse and indemnify Transferor Company against all liabilities and obligations incurred by Transferor Company in respect thereof.
- 12.3 Transferee Company undertakes to have all legal or other proceedings initiated by or against Transferor Company referred to in sub-clause 12.1 and 12.2 above, transferred into its name and to have the same continued, prosecuted and enforced by or against Transferee Company to the exclusion of Transferor Company.

13. CONTRACTS, DEEDS AND OTHER INSTRUMENTS

- 13.1 Subject to the other provisions of the Scheme, all contracts, including contracts for tenancies and licenses, deeds, bonds, agreements and other instruments of whatsoever nature to which Transferor Company is a party, or the benefit to which Transferor Company may be eligible, subsisting or operative immediately on or before the Effective Date, shall be in full force and effect against or in favor of Transferee Company as the case may be and may be enforced as fully and effectively as if instead of Transferor Company, Transferee Company had been a party or beneficiary thereto.
- 13.2 Transferee Company shall, if so required or becomes necessary, enter into and / or issue and / or execute deeds, writings or confirmation in order to give formal effect to the provisions of this Scheme. Further, Transferee Company shall be deemed to be authorized to execute any such deeds, writings or confirmations on behalf of Transferor Company and to implement or carry out all formalities

required on the part of Transferor Company to give effect to the provisions of this Scheme.

14. SAVING OF CONCLUDED TRANSACTIONS

- 14.1 The transfer of the entire business and the undertaking of Transferor Company to Transferee Company shall not affect any transactions or proceedings already concluded by Transferor Company on or before the Effective Date, to the end and intent that Transferee Company accepts and adopts all acts, deeds, matters and things done and/or executed by Transferor Company in regard thereto as having been done or executed on behalf of Transferee Company.

PART IV

OTHER TERMS AND CONDITIONS

15. APPLICATION TO THE HIGH COURT

Transferor Company and Transferee Company shall, with all reasonable dispatch, make applications to the High Court of Judicature at Bombay or any competent authority, as may be applicable under whose jurisdiction the registered offices of Transferor Company and Transferee Company, respectively, are situated, for sanctioning this Scheme under sections 391 to 394 of the Act and for dissolution of Transferor Company without being wound up.

16. MODIFICATION / AMENDMENTS TO THE SCHEME AND GENERAL POWER TO THE BOARD

16.1 On behalf of both Transferor Company and Transferee Company and on behalf of all persons concerned, the Board of Directors of respective companies or any committee of Board of Directors, may consent, to any modifications or amendments of the Scheme and without prejudice to the generality of the foregoing, any modification to the Scheme involving withdrawal of any of the parties to the Scheme at any time and for any reason whatsoever, or to any conditions or limitations that the High Court or any other authority may deem fit to direct or impose or which may otherwise be considered necessary, desirable or appropriate by them (i.e. the Board of Directors) and solve all difficulties that may arise for carrying out the Scheme and do all acts, deeds and things necessary for putting the Scheme into effect.

16.2 Transferor Company and Transferee Company by their respective Board of Directors or Committees thereof shall be authorized to take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions whether by reason of any directive or order of any other authority or otherwise however arising out of or under or by virtue of the Scheme and/or any matter concerned or connected therewith.

17. CONDITIONALITY OF THE SCHEME

The Scheme is conditional upon and subject to:

- 17.1 The requisite consent, approval or permission of the Central Government or any other statutory or regulatory authority, which by law may be necessary for the implementation of this Scheme.
- 17.2 The approval by the requisite majority of the members / creditors of Transferor Company and Transferee Company as may be directed by the High Court or any other competent authority, as may be applicable.
- 17.3 The sanction of the Hon'ble High Court of Judicature at Bombay being obtained under Sections 391 and 394 and other applicable provisions of the Act, on behalf of Transferor Company and Transferee Company.
- 17.4 The certified or authenticated copies of the Order of the High Court under Section 391 and 394 of the Companies Act sanctioning the Scheme are filed with the Registrar of Companies, Maharashtra, Mumbai.

18. EFFECT OF NON-RECEIPT OF APPROVALS / SANCTIONS

- 18.1 In the event of any of the said sanctions and approvals referred to in the preceding Clause 18 not being obtained and / or the Scheme not being sanctioned by the High Court or such other competent authority and / or the Order not being passed as aforesaid before September 30, 2011 or such other date as the Board of Directors of Transferee Company may determine, the Scheme shall become null and void, and be of no effect, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any right, liability or obligations which have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as specifically provided in the Scheme or as may otherwise arise in law and Transferor Company and Transferee Company shall bear the respective cost, charges and expenses in connection with the Scheme unless otherwise mutually agreed.
- 18.2 In the event of this scheme failing to take effect, it becomes null and void and in that event no rights and liabilities of whatsoever nature shall accrue to or be incurred inter-se to or by the parties or any of them.

19. COSTS

In the event of the Scheme being sanctioned by the High Court, the Transferee Company shall bear and pay all costs, charges, expenses, taxes including duties, levies in connection with the Scheme.