The TreeHouse

Playgroup & Nursery

'From roots to wings'

www.treehouseplaygroup.net

Handholding the future

Tree House Education & Accessories Limited

Annual Report 10-11

"It was really a wonderful experience.
Even though my son, 'Atharv' was enrolled few months late than the beginning of the academic year, the teachers made him adjust well with, surroundings. He is so attached with his teacher 'Amita' that even when it is time for him to attend higher school for further education, he still insists for the same teacher. I congratulate the whole team of Tree House Magarpatta centre for their sincere support. Thank you."

Annu Iyer, Pune

"The festival of Janmashtmi at the centre was very nice and informative for the kids. We liked it very much and the Tree House staff was very co-operative. I, as a parents am very happy with the centre. We are really very happy and satisfied with the development of our kid."

Stephen Samuel Philip, Ahmedabad

"My daughter performed brilliantly at the recently conducted fashion show for the kids in Kolkata. I always thought that my kid was very shy and will never walk on the stage. But, to my utter amazement and astonishment she not only walked confidently but also waved and threw flying kisses at the audience. All credit goes to the patience and hard work of Deblina and all the other teachers. Thanks to them."

Dalia Datta, Kolkata

"Tree House is refreshing in its approach to education. We have been very fortunate to find such a great play school with caring teachers. My family has been extremely pleased with the care and education she is receiving. I am very happy with my daughter's progress and I give Tree House a million thanks for this."

Seema Balan, Vidyavihar, Mumbai

Forward Looking Statements

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contents

Tree House Education & Accessories Limited (Tree House) is a home away from home. For the child, who needs all the intellectual and emotional support to grow up into adolescence and adulthood.

Our unique curriculum uses the best of Playway and the Montessori methods of teaching to develop the child's physical, intellectual and emotional acumen.

At Tree House, we run quality preschools across India and also provide educational services to K-12 schools.

Our objective is to impart quality education through standardised and innovative teaching methods and emerge as an integrated education service provider in India.

Chairman's communiqué

"Significant potential for growth exists in the Indian preschool industry . Crisil research indicates that the preschool business is expected to reach ₹ 133 billion by 2015 from ₹ 43 billion in 2010. Driving this growth are several social factors, such as expanding urbanisation, rising disposable income and increasing awareness about the role of education in a competitive market. This sets the context for an attractive business opportunity, which we expect to capitalise.

Dear Friends,

India's education sector has played a catalytic role in making the country a key player by enhancing employability, economic growth and social well-being. The Indian education sector has evolved over the last few years, with the increase in the number of schools, colleges, universities. With adoption of new teaching methods and technology, it today even touches the rural population. Modern techniques, thinking, strategy and execution of the same on a massive scale is essential to provide good and consistent education to students across the vast spectrum: from playschools to the K-12 segment.

Significant potential for growth exists in the Indian preschool industry. CRISIL research indicates that the preschool business is expected to reach ₹ 133 billion by 2015 from ₹ 43 billion in 2010. Driving this growth are several social factors, such as expanding urbanisation, rising disposable income and increasing awareness about the role of education in a competitive market. This sets the context for an attractive business opportunity, which we expect to capitalise.

Playschools, popularly known as preschools, cater to children between the age of one-and-a-half and six years, the time when children are too young to start formal education. The concept of preschools is relatively new in India, but the trend is growing fast due to increasing awareness about the fact that about 40% of a person's ability to learn is shaped during the first four years of the child's life. So, it becomes all the more important that they are hand held during the formative years of their life and get well prepared for their future.

That is exactly what we at Tree House, do-handholding them for their future during their formative years.

Let me also take this opportunity to thank all our stakeholders for their support and belief in us.

Regards,

Sanjaya Kulkarni
Chairman and Independent Director

From the MD's desk

"Our core objective is to modernise teaching abilities, while providing a conducive learning environment that will enable children to integrate meaningfully in an evolving world. At Tree House, we strongly believe that a child should be given proper direction and physical, intellectual, and emotional acumen be developed right at the onset. At Tree House, we strive to create this learning experience exciting and enjoyable.

Dear Friends,

The year FY 2010-11 was a rewarding one. We received an investment of ₹ 400 million, which would help us fund our growth objectives. Our financials also registered good growth levels - Our PAT margin recorded an increment from 12% to 22% and EBIDTA margin grew from 34% to 46% in the current year, signalling a clear growth momentum. This has been achieved on the back of our sound strategies, planned objectives, and the unique experience of warmth and togetherness, we try to provide every child and parent, who is part of the Tree House family.

The journey began in 2003 with 51 students, and today we have over 5,000+ students across various parts of India. We have earned the reputation of operating the largest number of self-operated preschools in India and also provide school management services to 12 K-12 schools. This growth would not have been possible without the support of parents and students.

Tree House, the only venture capital-backed branded playschool chain in India, has adopted a dual business model: 65% of its branches being Company-owned and 35% being operated through franchise. This has been our primary strategy that has catalysed growth.

Our core objective is to modernise teaching abilities, while providing a conducive learning environment that will enable children to integrate meaningfully in an evolving world. At Tree House, we strongly believe that a child should be given proper direction and physical, intellectual, and emotional acumen be developed right at the onset. At Tree House, we strive to create this learning experience exciting and enjoyable.

At Tree House, consistent efforts in this regard, drive us to offer quality education and emerge as an integrated education service provider in India. Our modern, comprehensive and updated curriculum is widely accepted by parents.

'Keep Smiling you are at Tree House' - is our overriding message of goodwill to every parent and child, so that we can reliably play the role of a facilitator in student's future endeavours.

I take the opportunity to thank all those who believed in us, and who have made our journey rewarding and fruitful.

Regards,

Rajesh Bhatia
Managing Director

Nurturing children at the threshold of life

At Tree House, we understand that the child needs a holistic support system before his/her initiation into the ocean of life.

Our comprehensive curriculum prepares the children intellectually and emotionally, so that they are equipped to handle the challenges of tomorrow. But this is done without losing sight of the fact that every child is different, and they need special care in the formative years, especially the first four or five years of his/her life.

Key milestones

2003: Inception of the first preschool in Mumbai

2006: Set up six more preschools

2007: Acquired proprietorship from M/s Tree House; the first franchised preschool was launched

2008: Launched a teacher training programme

Roped in Matrix Partners India Investment Holdings as investor (₹ 350 million investment)

2009: Entered the K-12 segment. started day care centres-'Muskaan'

2010: Ranked amongst the 100 small business in an annual survey conducted by franchising world

A further investment of ₹ 150 million from Matrix Partners India Investment Holdings

2011: Received an investment of ₹ 400 million [₹ 310 million from FC VI India Venture (Mauritius) and Matrix Partners India Investment Holdings]

What we are

Tree House is the largest self-operated preschool provider in India

178
Preschools

110
Self-operated preschools

68
Franchised preschools

5,355
Students in self-operated preschools

378
Teachers

38
Teacher training centres

33
Cities in India

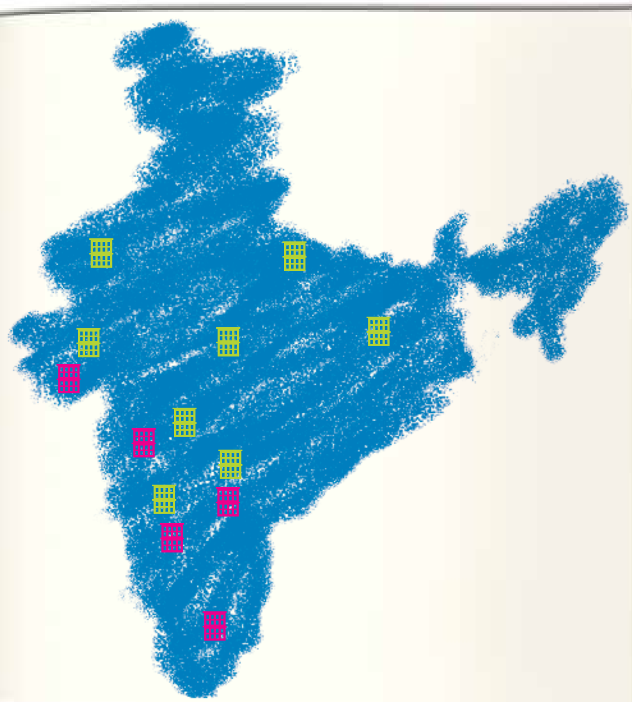
12
K-12 schools

(Data as on March 31, 2011)

Our presence

110 Preschools managed by Tree House

68 Preschools managed by franchisees



Preschool business

PRESCHOOL BUSINESS MODEL

- Self-operated preschools
- Franchise preschools

PRESCHOOL OFFERINGS

- Playgroup
- Nursery
- Vacation camp
- Junior KG
- Senior KG
- Mother toddler

(Source: DRHP)

Our services

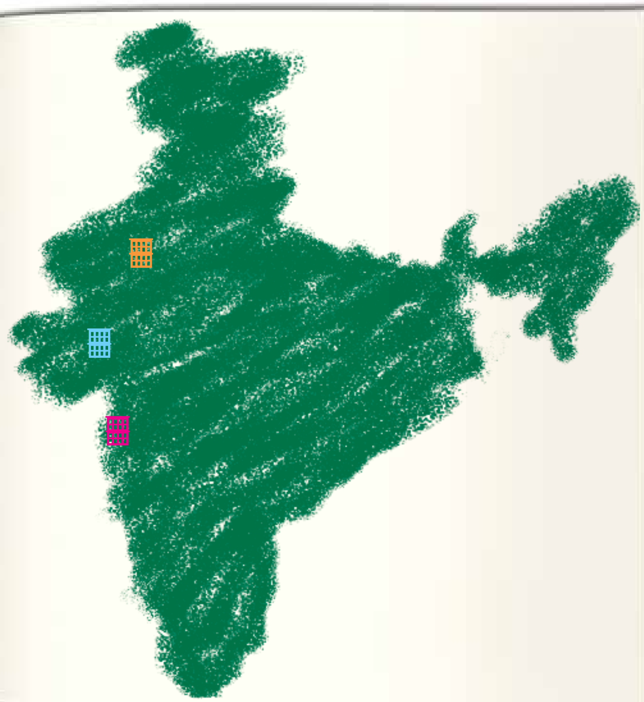
Educational services offered to the following K-12 schools

Number of schools

2 Schools (Mumbai)

2 Schools (Vadodara)

8 Schools (Rajasthan)



Revenue model

PRESCHOOLS

- Self operated preschools- admission and tuition fee
- Franchise preschools- one time upfront fees and an annual service fee

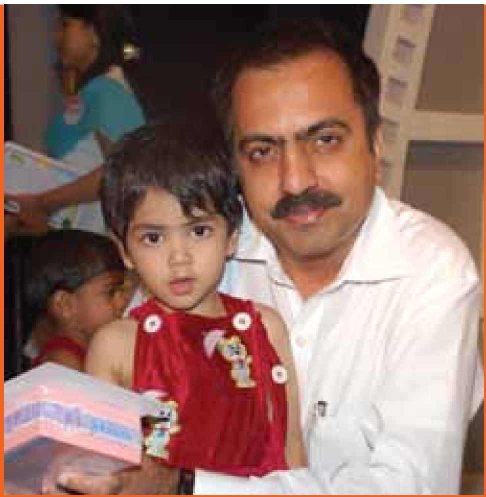
K-12

- The service/consultancy fees are based on admission of every child and an extra amount is charged for services beyond the scope of service agreement

Courses offered

Name of the course	Age group	Activities
Playgroup: Playgroup is the 1st step in preschool	1 ½ years to 2 ½ years	Children learn through play, developing the following skills: language, motor, social, emotional, cognitive, aesthetic, creative and value education.
Nursery: This is a smooth transition to formal school	2 ½ years to 3 ½ years	Primarily play-way with regular use of Montessori equipment. Children learn the following skills: language (writing and reading readiness), motor and physical social cognitive - conceptual, mathematical, sensory, and general knowledge aesthetic creative value education.
Junior KG: Preparing the child for reading, writing and mathematics	3 ½ years to 4 ½ years	Sight Reading: Writing upper case letters of the alphabet, writing number 1- 10, number value, science experiment, social skills creative expression cognitive skills and language skills.
Senior KG: Preparing for formal education , self-dependence and interpersonal skills	4 ½ to 5 ½ years	A blend of play-way and Montessori to teach the children english, mathematics, environmental studies, value education, revolve around us, Hindi (introduction), general knowledge, celebration of festivals, and so on.
Mother Toddler	7 months to 18 months	This is a unique programme attended by toddlers as well as their mothers. This programme is introduced to provide maximum positive stimulation for mental, physical, emotional and social growth of a toddler.
Activity Class		Tree House also offers activity classes at select centres. These are conducted and managed by professionals. Activities comprise dance (western / Indian / classical) / music / art and craft / yoga / karate, among others.

Our unique offerings



Educating India with a difference

- Tree House has the best-in-class curriculum developed by our in-house curriculum development team.
- Tree House centres are spread across many cities, making transfers easier and hassle free.
- We follow a combination of the Montessori as well as play-way method. This combination is available only with select preschools and is found to be most conducive for learning.
- Latest Montessori equipment.
- Affordable fee structure.
- Admissions can be taken throughout the year.
- Flexibility in choosing the academic term and batch.
- Healthy Teacher-Student ratio ensures each child is given individual attention.
- Regular feedback sessions are conducted with parents to keep them updated on the child's progress.
- Our teachers are trained in early child care and are passionate about both teaching as well as children. They are a key differentiating factor, which makes Tree House special.

We are preferred for our differentiated strategies

Focus on self-operated preschools

Tree House primarily focuses on self-operated business model (although franchisees are encouraged). It has 149 preschools based on this model. This model provides enhanced safety, hygiene, teaching methodologies and infrastructure.

Imparting education through standardised and innovative methods

We impart standardised and innovative methods of teaching at our preschools. Our standardised and comprehensive curriculum breaks down daily activities into small modules, and we maintain a healthy teacher-student ratio of 1:14. We have introduced interactive whiteboards in our classrooms, so that children are introduced to the prevailing technologies very early in their lives.

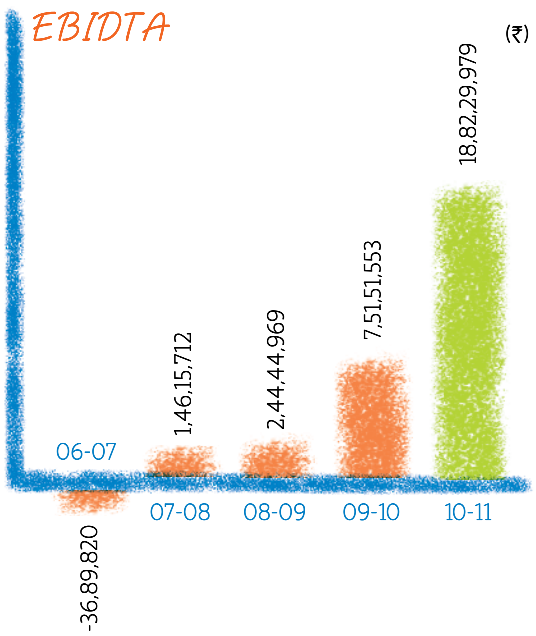
Competent teachers

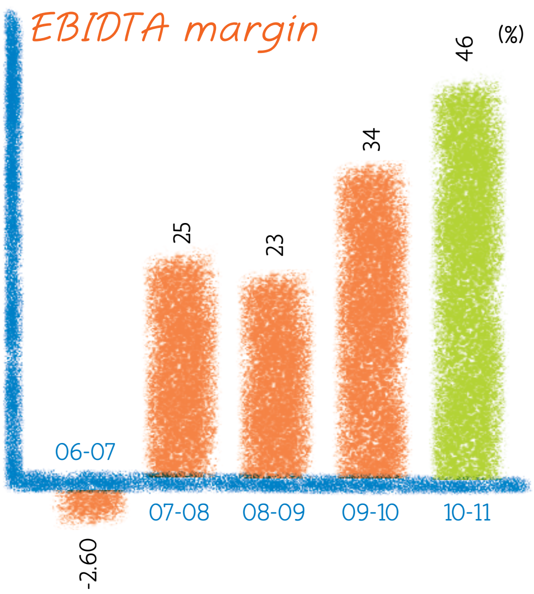
We select teachers on the basis of their academic credentials and specialisation in early childhood education. We also initiate training programmes to enhance competence and familiarise them into new techniques of imparting education.

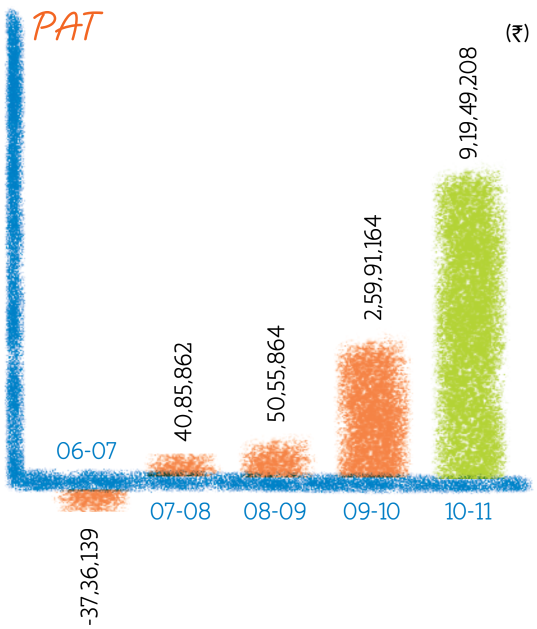
Brand awareness

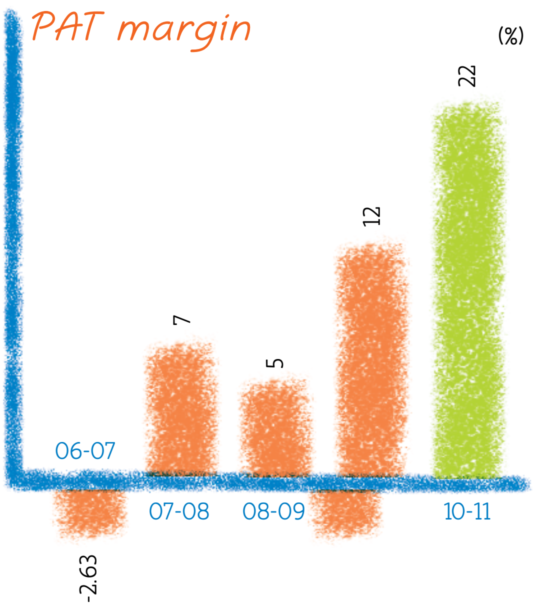
We have successfully established Tree House as a brand in the field of preschool education with innovative and technologically upgraded teaching aids. The brand awareness helps in attracting talent and enhances the enrolment at the preschools.

Financial highlights

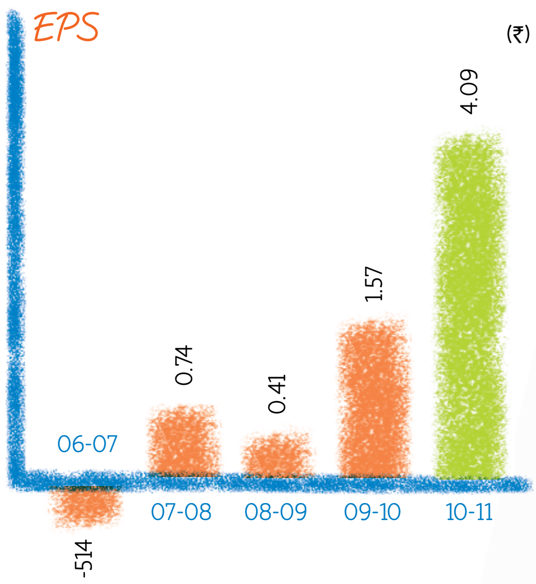


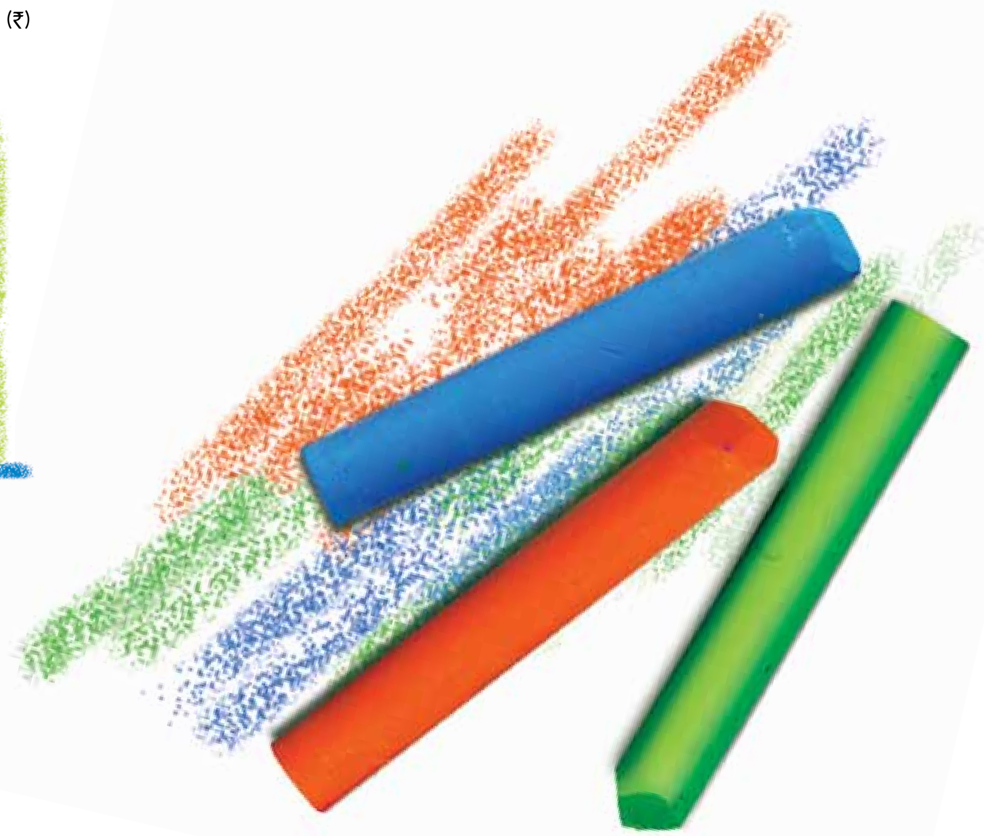


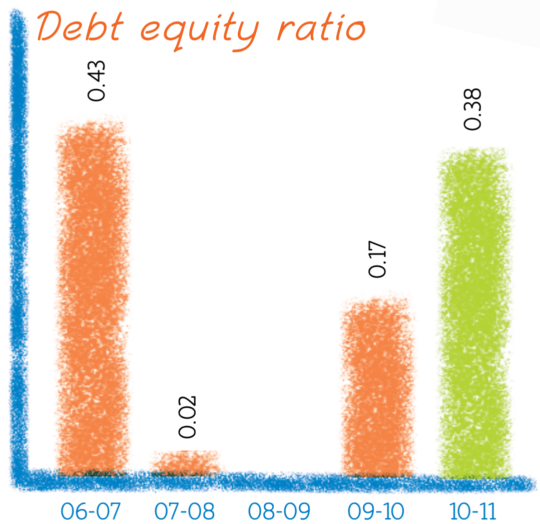




Note - 1) EBIDTA - Earnings before Inerest, Depreciation, Tax & Amortization
2) PAT - Profit after tax
3) EPS - Earnings per Share







Post-balance sheet development

Tree House is steadily meeting the demands of young children and parents by opening more preschools. Seven new centres (six in Mumbai and one at Nagpur) have opened, totalling 230 (as on August 26, 2011), enhancing our brand visibility.

Note: Graphs are not to scale

Note: Debt equity ratio 08-09 stood at nil

Operating a dual business model

At Tree House, we follow a dynamic and scalable business model. We have both self-operated and franchise-operated schools. We enjoy an advantage over our peers who primarily follow a franchise-based model.



Self-operated preschools

Since 2003, we have expanded our network across 33 cities in India. We run 110 self-operated preschools that have over 5,000 students between the ages of 1 ½ years to 6 years.

For our self-operated schools, we generally take properties on lease-and-license basis for a period of three-to-five years. Our business model focuses on self-operated preschools. The self-operated preschools maintain high standards of hygiene and safety control. A higher percentage of self-operated preschools enable us to introduce innovative teaching aids and better infrastructure facilities.

We employ a quality control team to regularly monitor the educational services as well. We hire special curriculum designers who have sound knowledge about preschool education to design our competitive and resourceful curriculum.

We conduct workshops for parents of students, so that they help their children adapt well to a preschool environment.

Franchise-operated preschools

Our first franchise-operated school was established in 2007 in Navi Mumbai. We usually establish self-operated preschools in the metro cities in India and enter into an agreement with the franchisees in the non-metro cities..

We are very selective in appointing a franchise for our preschool and the foremost criterion that we look for is commitment to operate a preschool.

Criteria to select a franchise

- A minimum space of 1,000 sq. ft is required to set up a preschool by the franchise.
- Appointing teachers, staff for the preschool before the beginning of the academic session.
- A franchise has to independently create the interiors at its own cost.
- All the pertinent approvals have to be taken.

To facilitate smooth operations of our franchise-operated preschools, a service agreement is formulated with the franchises. One-time consultancy fees are paid upfront, while service fees are paid either monthly, quarterly or annually. The consultancy fees are recognised as the revenue at the time of signing an agreement. The service fee is considered as the percentage of gross revenue of the franchise-operated preschool that includes admission fees, day care fees, tuition fees and other charges.

After selecting a franchise we share the following information

- The methods, systems and processes developed by us to run the preschool.
- The curriculum is provided so that we successfully impart standardised education at both self-operated and franchised preschools.
- The organisation provides training to all the teachers and other staff.
- The performance matrix of teachers is monitored to check their efficiency and for proper knowledge dissemination.

From preschool to the K-12 segment

The K-12 segment represents the proper initiation of a student into education, as opposed to preschool, which is just a preparatory phase. At Tree House, we are enhancing our visibility in both segments.

We have extended our educational services on an exclusive basis to the K-12 segment, since November 2008. The K-12 school operators are required to pay onetime fee, so that they can obtain the exclusive rights for the educational services provided by us. The usual term of our service agreement is 30 years, which includes annual service/consultancy fee as agreed for every child enrolled in the K-12 school. Besides, as per the terms of the service agreement we inspect the K-12 schools and ensure that the K-12 school operators do not avail of any educational service from any other organisation.

The educational services provided to the K-12 operators include:

- Providing curriculum and teaching aids, including literary, artistic, musical works that will help in imparting education
- Offering facilities/services for self improvement
- Supplying different methods to impart education
- Ensuring optimum utilisation of infrastructural and educational resources
- Training the employees for effective management of K-12 schools
- Organising unique extra-curricular activities for students
- Applying a holistic approach towards education by amending the methodology adopted by the K-12 schools

Board of Directors

Mr. Sanjaya Kulkarni Chairman and Independent Director	Bachelor of Technology from the Indian Institute of Technology (I.I.T.) Mumbai and MBA from Institute of Management, Ahmedabad. Rich experience of over 30 years in the field of financial services.
Mr. Rajesh Bhatia Managing Director	Bachelor of Engineering from MS University, Baroda, and MBA from Pune University. Associated with the Company since its inception. Seven years of experience in the field of education and he overlooks the organisation's day-to-day operations.
Mr. Vishal Shah Executive Director	Bachelor of Commerce from Mumbai University and MMS from Narsee Monjee Institute of Management Studies. Associated with the Company since its inception. Oversees the marketing, setting up of new centres, identifying properties for expansions and procurement initiatives.
Mrs. Geeta Bhatia Non-Executive Director	Bachelor of Commerce Degree from Mumbai University. Seven years of experience in the education industry. Associated with the Company since its inception. Felicitated with an award of merit for Montessori education by the Indian Council of Management Executives.
Mr. T.S. Sarangpani Independent Director	Bachelor of Engineering and MBA from the University of Madras. Rich 32-year experience in the financial services industry.
Mr. Parantap Dave Independent Director	Qualified Chartered Accountant. 25 years of experience in the field of finance, banking, accounts, audit, taxation and general management.
Mr. Ashu Garg Nominee Director	Bachelor of Technology from the Indian Institute of Technology, Delhi and MBA from the Indian Institute of Management, Bangalore.
Mr. Rishi Navani Nominee Director	Bachelor of Arts Degree from Northwestern University and MBA from Wharton School at the University of Pennsylvania. Over a decade's experience of investing in the Indian capital markets. Co-founder and Managing Director of Matrix India Asset Advisors Private Limited.

Management Discussion and Analysis

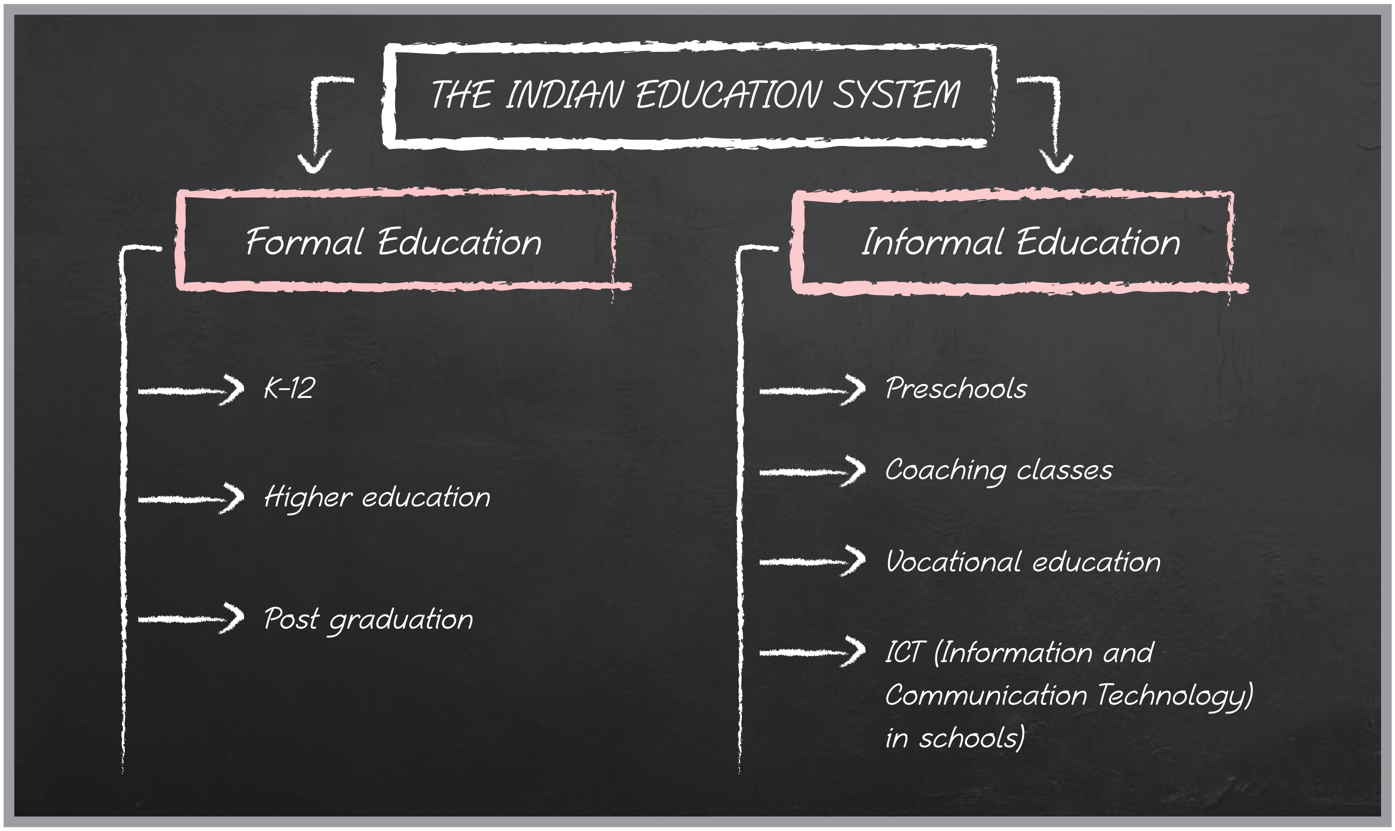
India's Education Landscape

Education is playing a key role in shaping India's growth story. In India, the education sector is included under the Concurrent List of the Constitution. Hence, legislative powers governing the sector are distributed between the centre and the states. Additionally, Indian educational institutions have to be run as not-for-profit entities, either as trusts, societies, or companies under Section 25 of the Indian Companies Act. Consequently, any surplus that is generated cannot be withdrawn but will have to be utilised for the development of the institution(s). However, recently, a slight modification was made to the rules, wherein the trusts can now transfer the surplus made by one institution to a sister concern under the umbrella of the same trust.

The Indian education sector is the 3rd largest system globally with the largest capitalised space (The public spending is 3.7% of GDP). It constitutes 1 million+ schools and 26 thousand+ higher education institutes that has an untapped demand of 572 million students between 0-24 years.

(Source: CRISIL Industry Preschool Report 2010)

Today, over 50% of India's education sector is privatised which is higher than US (32%) and China (25%) and is projected to grow up to a US$ 70 billion market by 2013. The Indian education system comprises formal and informal education. While all levels of formal education are highly regulated and fall under the purview of Ministry of Human Resource Development (MHRD), Government of India, non-formal education is unregulated. The different aspects of formal, vocational and informal education are depicted below:

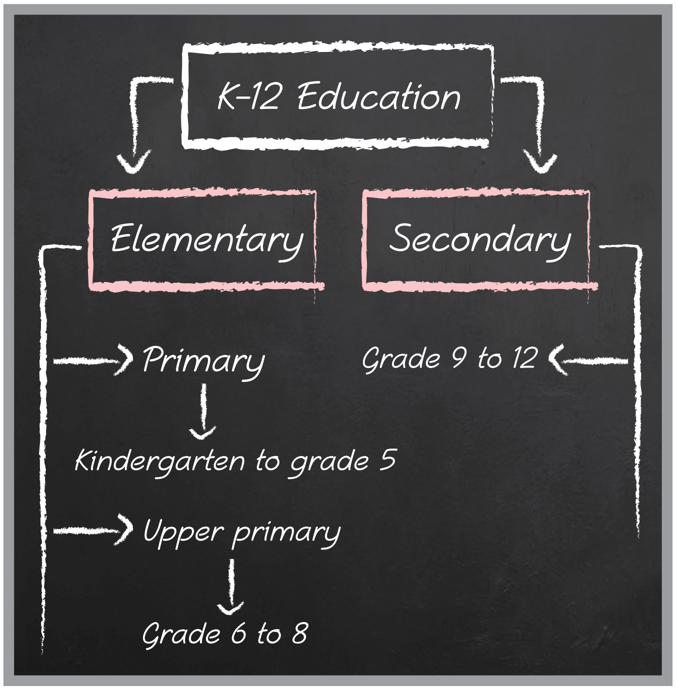


Formal Education

India's formal educational system broadly comprises schools [often classified as K-12 (kindergarten to 12th)] and higher education level. All the levels, from school to higher education, fall under the purview of the MHRD (department of school education and literacy & department of higher education).

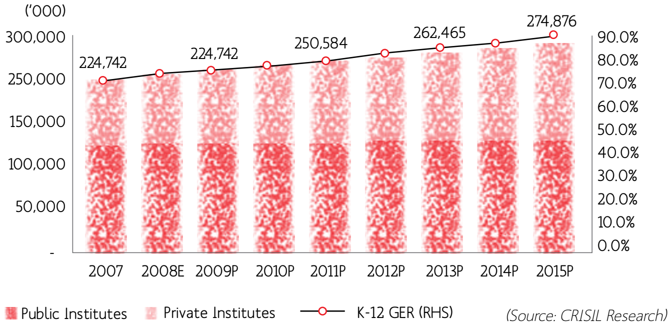
K-12 Potential in India

The K-12 sector represents education from kindergarten to class XII and forms the largest segment within the Indian education space.



The number of K-12 institutes in India is expected to increase to 1.62 million in 2015, growing at a CAGR of 13.5% over the next 5 years. The number of student enrollments is also expected to grow to 275 million by 2015 from about 239 million in 2010. *(Source: CRISIL Research 2010)*

Projections of K-12 enrolments in private and public institutes and GER

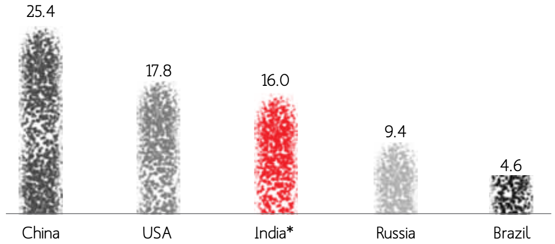


(Source: CRISIL Research)

Gross Enrollment Ratio (GER)

Even with a constant growth in number of Higher Education Institutes (HEIs), enrollments and increasing government spending, India has a low GER vis-à-vis other countries.

Student enrollment in millions in 2010



(Source: Ernst& Young Analysis 2011)

Regulatory framework

K-12 education in the country is regulated almost entirely at the state level; hence, regulations differ across states. Schools established by or funded by state governments are regulated through state level boards and the education departments of the respective states. All K-12 schools must be established and operated as "not-for-profit" societies or trusts. It is also mandatory for all schools to be affiliated to a board.

Types of school curricula

International curricula	Central/national curricula	State curricula (each state government in India has two curricula)
IB-International Baccalaureate curriculum from International Baccalaureate Organization.	CBSE- Central Board of Secondary Education, Government of India.	SSC: Secondary School Certificate for 10th Grade
IGCSE- (International General Certificate of Secondary Education) from University of Cambridge, UK	ICSE- Council for Indian School Certificate Examinations, New Delhi	HSC: Higher Secondary Certificate for 12th Grade

Business models followed in India

Owned schools- This business model is followed by a number of companies in which new schools are built or a takeover of the existing school occurs.

Managed schools- The companies acquire the management of an existing or a new school and provide an array of services including admissions, day-to-day operations, promotion and others in lieu of a management fee.

Informal Education

Informal education comprises preschool, vocational training, multimedia and soft skills development. Tree House has a strong presence in the preschool segment.

Preschools in India

Overview

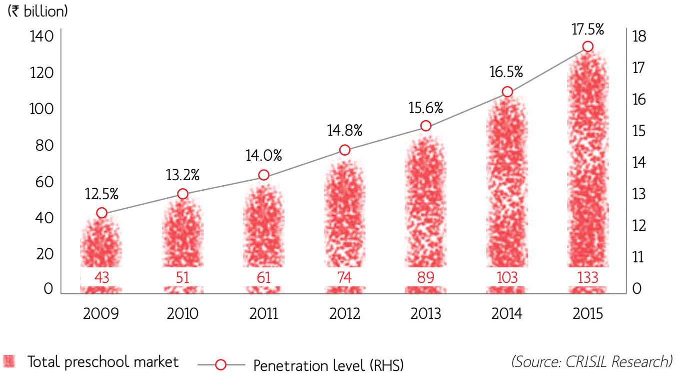
Preschools or playschools traditionally cater to children that belong to the 1-4 years age group. The concept is relatively new in India, but is gaining popularity fast. Various scientific studies indicate that human beings grasp the most till the age of four. It is during this time that children learn to assimilate information, express interest and develop cognitive and emotional skills. Hence, preschools play a large role in the development of a child's cognitive skills and intelligence.

Preschool Potential in India

It is expected that the preschool market will grow at a CAGR of 20.6% to reach ₹ 133 billion in 2015 from ₹ 43 billion in 2010, on the back of -

- Rising awareness of quality preschool education
- Expansion plans of existing players
- Entry of more organised players in the preschool sector

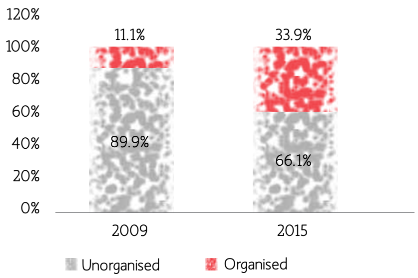
Indian preschool industry outlook



(Source: CRISIL Research)

Most of the preschool market in India comprises unorganised players. But, the share of the organised market is expected to grow from about 11% in 2009 to about 34% in 2015.

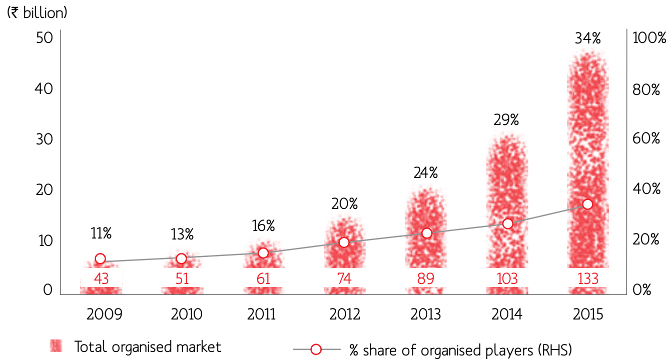
Preschool market size split



(Source: CRISIL Report)

A non-regulated space, preschool chains have largely grown using the franchisee route. Low upfront investment requirements by a franchisee and an underpenetrated market have led to the emergence of a high-growth market.

Organised preschool industry outlook



(Source: CRISIL Research)

Various teaching methodologies followed by Indian preschools:

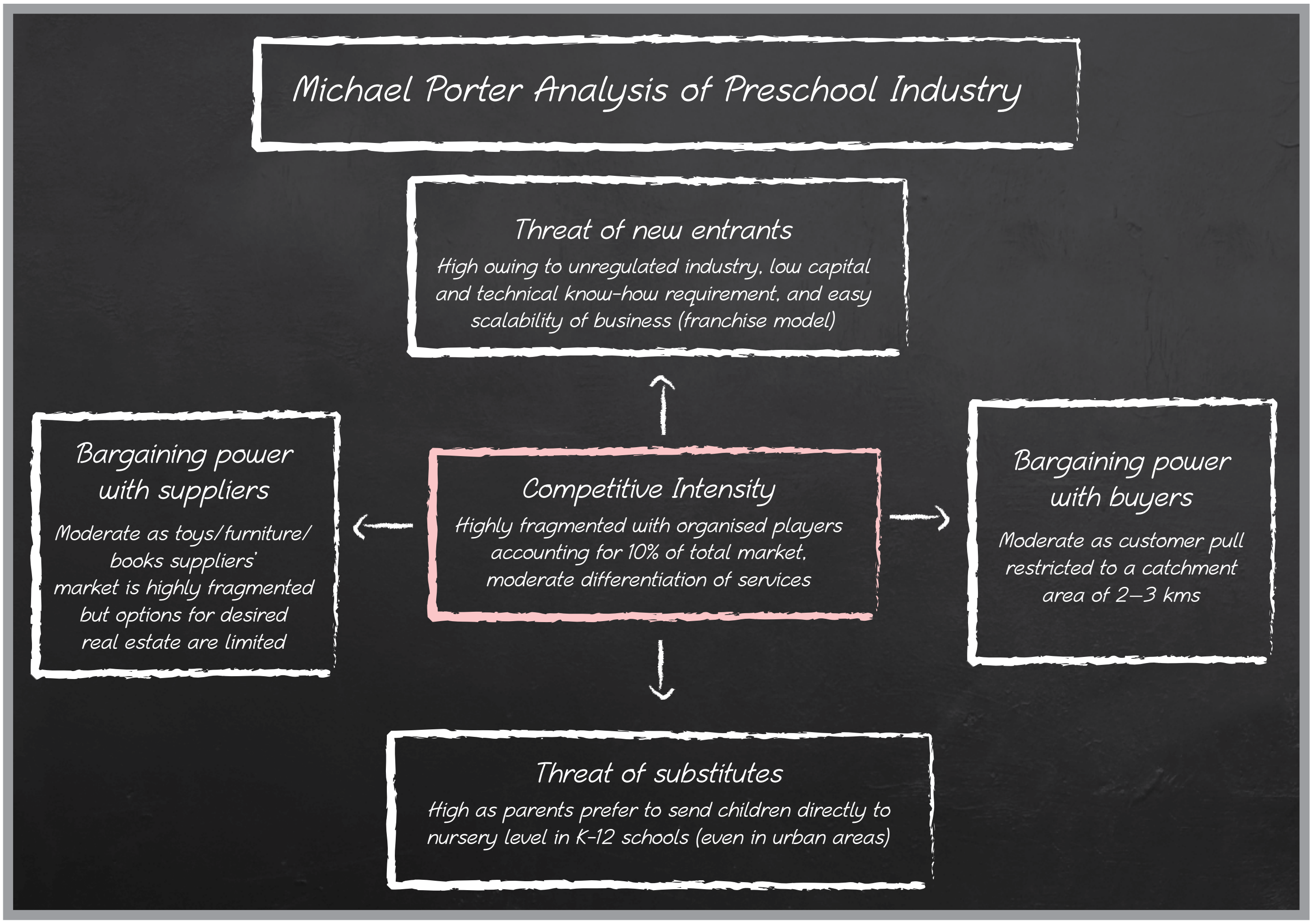
Conventional method- This method sticks to the regular book knowledge world with regular assignments and homework.

Play-and-learn- The teachers use various aids like games, audio-visual tools to impart education.

Montessori method- Knowledge is imparted as per the strengths and weakness of the child.

Sri Aurobindo and Mother method- The philosophy of free progress is followed in this method. Every child has a self-directed process of learning and cognition.

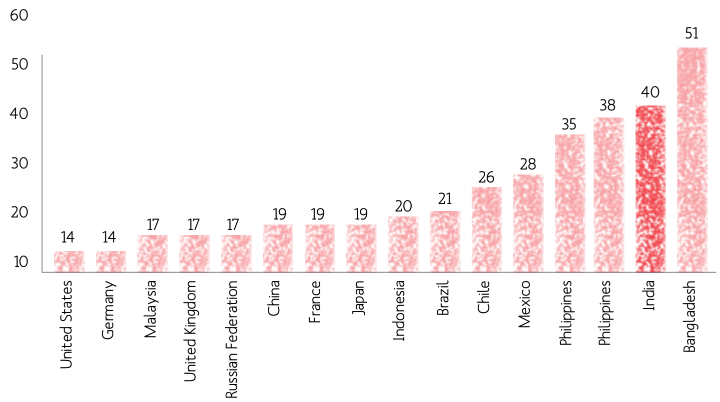
International methods- Greater emphasis is laid on IQ and EQ for all-round development of the child.



Teacher Training

The teacher training market in India currently stands at 15 million annually. Lack of trained teachers in India is a result of low spending by schools on teacher training. This makes it an emerging sector in the field of education. India's demand for teachers in 2011 will be approximately 0.8 million.

Student-teacher ratio in primary schools



Government Initiatives

K-12

Initiatives	Description
Right to free and compulsory education bill	Education as a fundamental right to children in the age group 6-14
Public Private Partnerships (PPP)	6,000 new model schools in secondary education 2,500 schools to be built on PPP model 3,500 schools to be built in Educationally Backward Blocks (EBB)
Mid-Day meal schemes	Mid-day meals for students in the I-VIII standards
Sarva Shiksha Abhiyaan (SSA)	SSA is Government of India's flagship programme for achievement of Universalization of Elementary Education (UEE) in a time bound manner to the children of 6-14 years age group. SSA is being implemented in partnership with State Governments to cover the entire country and address the needs of 192 million children.
Rashtriya Madhyamik Shiksha Abhiyaan (RMSA)	RMSA is a government scheme, to enhance access to secondary education and improving its quality.
Increased public spending for K-12	70% of the education budget is focused on schooling, a four-fold increase in allocation in the XIth plan (₹ 1,85,000 crores) as compared to the Xth plan (₹ 50,000 crores)

Emerging Trends in the Education Sector

Preschool

- Entry of corporates
- Joint ventures with builders
- Upward integration towards K-12
- Expansion to tier I and II cities
- Leveraging infrastructure for economic viability

K-12 Education

- Emergence of new operating model
- Foreign partnerships
- Hybrid teaching methodology
- Emergence of international schools
- CBSE going global (25 schools in Oman, Qatar, Dubai, Muscat and Singapore are proposed to be catered by the board)

Growth Drivers

Higher literacy rate: The adult literacy rate of India is lower than that of countries like Malaysia (92%), China (93%), Burma (90%), Saudi Arabia (85%) and UAE (90%). Even government support in terms of various programs for increasing literacy in our country, and this depicts an immense opportunity in the sector.

Increased government spending: As per the XIth plan there is a four-fold increase in allocation of funds for education sector. The government is spending ₹ 1, 85,000 crores on schooling in India.

Public Private Partnerships (PPP): Government is encouraging both private and foreign participation through private entities and PPPs. According to NCERT (National Council of Education Research & Training) India requires almost 20,000- 25,000 quality schools. This creates a sizable opportunity for the private players to enter this space.

Increasing penetration in preschools: Increasing awareness about the necessity of quality preschool education, the penetration level is set to rise. The total preschool market is expected to grow from ₹ 5,126 million in 2010 to ₹ 13,307 million in 2015 i.e. 5 year CAGR of 21.0%

Outlook

The Indian Education is contributing immensely to nation building. New models of schools are emerging for the private sector to participate in preschool and K-12 segment. Indian higher education sector will surge at a CAGR of 15% by 2013 according to RNCOS. The preschool market is expected to be a US$1 billion market by 2012.

Company Overview

Tree House is one of the leading providers of educational services in India that also offers a wide variety of educational services to K-12 schools. Tree House has a presence in 33 cities and operates the largest number of self-operated preschools in India-110 preschools are managed by Tree House while 68 preschools are managed by Franchise. In the K-12 segment Tree House initially started providing educational services in November 2008 to a school in Vadodara and today it provides its services to 12 schools in India.

The self-operated preschools serve more than 5,000 students, which does not include the students at our franchisee-operated preschools, primarily in the age group of 1.5 to 6 years. In recent years, we have branched into providing educational services to K-12 schools and as of March 31, 2011, we provide such services to 12 schools which have over 5,000 students, in 4 cities in India.

The Company has been ranked amongst the 100 Small Businesses of the year 2010 in the annual survey conducted by the franchising world.

Expansion Plans

With a multi pronged growth strategy, Tree House seeks to maintain leadership in self-operated preschools in India and to emerge as a significant player in providing educational services to K-12 schools in India.

Enter new geographical markets and enhance presence in existing markets:

- Additional 120 self-operated preschools across India by 2014
- Enter contracts with several K-12 school operators
- Services to additional 7 K-12 schools by 2013

Preschools to supplement the enrolments at K-12 schools:

- Advantage of existing relationships with preschool students and parents
- Encourage above to join TH serviced K-12 schools and students completing preschool with TH will act as potential feeders to these K-12 schools

Pursue strategic acquisitions and partnerships:

- Evaluate acquisition of existing preschools
- Enter into a franchisee arrangements with partners
- Pursue opportunities for providing services to K-12 schools
- Increase geographical presence
- Pursue potential targets whose operations can be scaled up

Strengths

Focus on self-operated preschools: Our focus is primarily on self-operated schools, and we will maintain our position as India's largest chain of self owned preschools. This business model helps in introducing new teaching methodologies and better infrastructure facilities.

Pioneering teaching methods: We have successfully introduced standardised and innovative teaching techniques at all our preschools with an average teacher student ratio of 1:14. Our novel teaching methods include audio-visual aids, and miscellaneous activities that induce a sense of learning for the children. The chalk and talk era is a passé as we have introduced interactive whiteboards for the K-12 segment. We have inculcated the latest technological aids which enhances the learning curve of the students.

Versatile and experienced staff: We have employed experienced and qualified teachers for our self operated preschools all over India. We hire the best talent in the industry and most of our teachers are well qualified in early childhood education. Our teaching staff undergoes incessant training sessions and regular workshops are conducted to impart knowledge about the latest technology that can be used to enhance the learning pattern of children.

Strong and established brand: Tree House is a strong and an established brand in the preschool industry. Our proven track record, pan-India presence and scalable business model contributes towards a sustaining a brand name.

Geographical presence: We started our operations in 2003 in 1 city and today we have preschools in 33 cities in India. Our student strength consisted of 5355 students in March 2011.

Tree House Offerings

Tree House offers the following courses and activities at its preschools:

Playgroup: We offer this course for children between the age group of 1.5 years to 2.5 years for 2 hours daily on weekdays. The course is based on play-way method with an aim to prepare children to attend a school.

Nursery: We offer this two hour course daily on weekdays to children between the age group of 2.5 years to 3.5 years. In this course, we teach children, interalia, writing and reading, value education through a combination of the Montessori and play-way method. The course is aimed at helping children to undergo a transition to formal school.

Vacation camp: We organise vacation camps during summer for a period of four weeks or Diwali or Christmas holidays for children between the age group of 2 years to 12 years. We conduct various activities during the camp to ensure that children utilise their time doing constructive things and learning;

Junior KG: We offer this three hour course daily on weekdays to children between the age group of 3.5 years and 4.5 years. We teach this course through a combination of Montessori and play-way method to prepare the children for reading, writing and mathematics;

Senior KG: This three hour course is offered daily on weekdays to children between the age group of 4.5 years to 5.5 years. Children are taught English, mathematics and general knowledge, amongst other things to prepare them for formal education, to build their inter-personal skills and to develop their independence;

Mother toddler: This course is specifically designed for toddlers between the age of 7 months to 18 months to stimulate the mental, physical, emotional and social growth of a toddler. The course is usually for a period of one year which is held thrice a week for a duration of one hour.

Teacher training: The three month course is offered to women only. The course comprises of theory classes and practical internship at our preschools. Additionally, we conduct workshops and provide interactive learning for candidates. The course provides qualifications to be a teacher at a preschool.

Activity or hobby class: We offer activities which includes dance (western / Indian / classical), music, art and craft, yoga, spoken English and Mathematic workshops at some of our select preschools; and

Day care services: We offer day care services at some of the self-operated preschools under the brand name 'Muskaan'. These services are usually offered for children who attend our preschools and continue to remain at our preschools after their course till such time that their parents are able to attend to them.

Human Resources (HR)

Tree House has a very sound and an efficient team of HR professionals. The HR team ensures the implementation of significant HR policies for the Company's growth and credibility.

The recruitment team focuses on hiring new talent and implements the retainment policy for the existing employees. There is a lot of emphasis on training and development so that there are emerging leaders and creation of extensive talent pool. Incessant communication with the employees and franchise is done via emails and various meetings are conducted.

Internal Control System and their Adequacy

The Company has proper and adequate systems of internal controls to provide reasonable assurance that all assets are safeguarded, transactions are authorised, recorded and reported correctly and to ensure compliance with policies and statutes.

The well documented policy guidelines, authorisation and approval procedures are in the process of implementation stage. The Company's Audit Committee comprising of Company's Directors is at the foundation of the system. The Audit Committee members meet regularly and review the quarterly report submitted by the Internal Auditors.

Directors' Report

To

The Members,

Your Directors are pleased to present the 05th Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended, March 31, 2011. The summarised financial results for the year ended March 31, 2011 are as under:

FINANCIAL RESULTS

Amount in ₹

Particulars	FY 2010-2011	FY 2009-2010
Gross Income	41,15,24,755	21,87,05,810
Profit before Depreciation & Tax	17,58,80,094	6,93,92,701
Depreciation	3,96,24,905	2,92,67,220
Net Profit / (Loss) before Tax	13,62,55,189	4,01,25,481
Provision for Tax	4,43,05,981	1,41,34,317
Profit / (Loss) after Tax	9,19,49,208	2,59,91,164
Surplus/(deficit) from previous year	2,43,12,424	(16,78,740)

REVIEW OF OPERATION

During the year under review, the Company has achieved an aggregate income of ₹ 4115.25 lakhs as compared to previous year's ₹ 2187.06 lakhs. The profit after tax has increased to ₹ 919.50 lakhs from ₹ 259.91 lakhs. Your Directors are continuously looking for avenues for future growth of the Company in education industry and geared up to grab the business opportunities available in India.

CORPORATE GOVERNANCE

Your Company has converted from private limited to public limited on December 22, 2010 and implemented the conditions of Corporate Governance as contained in clause 49 of listing agreement.

Company has started their Initial Public Offer ("IPO") and current status is as follows:

Company has filed draft red hearing prospectus ("DRHP") with SEBI on February 21, 2011 and replying on SEBI Comments. Company has taken in-principal approval from NSE and BSE for IPO implementation. Our Board has decided to appoint Bombay Stock Exchange Limited ("BSE") as designated stock exchange.

SHARE CAPITAL

During the year under review, the Company has increased its Authorised Share Capital from ₹ 20,00,00,000/- (rupees twenty crores only) divided into 2,00,00,000 (two crores) Equity Shares of ₹ 10/- each to ₹ 35,00,00,000/- (rupees thirty five crores only) divided into 3,50,00,000 (Three crores fifty lakhs) Equity Shares of ₹. 10/- each.

Company has allotted 15,83,333 Equity Shares of ₹ 10/- each at premium of ₹ 53.1579/- each on April 27, 2010 and 36,18,927 Series B Equity Shares of ₹ 10/- each at premium of ₹ 100.53/- each on May 15, 2010. Company has reclassified Series A and Series B Equity shares with prior approval of membe ₹ of the Company on December 13, 2010 and has allotted 14,00,000 Equity shares of ₹ 10/- each at premium of ₹ 61/- on December 15, 2010 under ESOP to Tree House Employees Welfare Trust. The Company has increased its paid up capital by allotment of 66,02,260 fully paid up Equity shares.

DIVIDEND

Your Directors feel that it is prudent to plough back the profits for future growth of the Company hence do not recommend any dividend for the year ended March 31, 2011.

DIRECTORS

Mr. Ashu Garg, nominee from investor FC VI India Venture (Mauritius) Limited has been appointed as Nominee Independent Director on our Board on May 5, 2010.

Mr. Rajesh Bhatia, Managing Director of the Company, Mrs. Geeta Bhatia and Mr. TS Sarangpani, Directors of the Company will retire by rotation at the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment.

EMPLOYEE STOCK OPTION SCHEME

The Company has issued Employees Stock Option Scheme - 2010 to the employees of the Company on October 29, 2010 through ESOP Trust route. Under this scheme, Company has allotted 14,00,000 equity shares to ESOP Trust. The Options shall Vest as per the following schedule:

Sr. No.	Vesting Date	Maximum % of Options that shall Vest
1	12 months from the Grant Date	25%
2	24 months from the Grant Date	25%
3	36 months from the Grant Date	25%
4	48 months from the Grant Date	25%
	Total	100% (One Hundred)%

Since, vesting of any Option shall take place unless one year has elapsed from the date of its Grant (i.e. January 4, 2011); the Company has not vested any schedule till date. The Options shall be exercised within 1 (one) year from the Vesting date.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Board of Directors of the Company confirms that-

1. In preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.

2. The Directors had selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.

3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

4. The Directors had prepared accounts for the financial year ended March 31, 2011 on a going concern basis.

PARTICULARS OF EMPLOYEES

There is no employee in the Company whose particulars are required to be given under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

AUDITORS

M/s. Jogish Mehta & Co. Chartered Accountants having its office at 807 Dev Plaza, Plot No. 68 S.V. Road, Andheri (West), Mumbai - 400 058 and M/s. Walker Chandiok & Co., Chartered Accountants, having its office at Engineering Centre, 6th Floor, 9 Matthew Road, Opera House, Mumbai - 400 004 will retire at the ensuing Annual General meeting of the Company and being eligible offer themselves for re-appointment.

Your directors recommend their re-appointment as Statutory Auditors of the Company.

AUDITORS' REPORT

The observations of the auditors in their report are self-explanatory and therefore, in the opinion of the Directors, do not call for further comments.

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

The particulars as required under the provisions of Section 217(1)(e) of the Companies Act, 1956 in respect of conservation of energy and technology absorption have not been furnished considering the nature of activities undertaken by the Company during the year under review. Further during the year under review, the Company has neither earned nor used any foreign exchange.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

	Managing Director	Director
Place: Mumbai	Rajesh Bhatia	Vishal Shah
Date: May 9, 2011		

Auditors' Report

To,

The Members of

Tree House Education & Accessories Limited

1. We have audited the attached Balance Sheet of Tree House Education & Accessories Limited (formerly Tree House Education & Accessories Private Limited), (the 'Company') as at March 31, 2011, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). 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 (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to 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 and proper returns adequate for the purposes of our audit have been received from the branch not visited by us. The Branch Auditor's Report has been forwarded to us and have been appropriately dealt with;

   c. The financial statements dealt with by this report are in agreement with the books of account and with the audited returns from the branch;

   d. On the basis of written representations received from the directors, as at March 31, 2011 and taken on record by the Board of Directors, 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;

   e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and 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, in the case of:

      (i) the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;

      (ii) the Profit and Loss Account, of the profit for the year ended on that date; and

      (iii) the Cash Flow Statement, of the cash flows for the year ended on that date

For Walker, Chandiok & Co.
Chartered Accountants
Firm Registration No.001076N

per Amyn Jassani
Partner
Membership No. F-46447

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

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

Place: Mumbai
Date : May 9, 2011

Annexure to Auditors' Report

as on even date

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

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

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

(ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to (d) of the Order are not applicable.

(e) The Company has not taken any loans during the year, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year in respect of loans taken during earlier years was ₹ 351,569 and the year-end balance was ₹ Nil.

(f) The interest free loans were repayable on demand. In our opinion, other terms and conditions on which such loans have been obtained were *prima facie* not prejudicial to the interest of the Company.

(g) In respect of interest free loans taken, repayment of the principal amount was as stipulated.

(iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the aforesaid internal control system.

(v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.

(b) There are no transactions in pursuance of contracts or arrangements entered in the registered maintained under section 301 of the Act during the year aggregating to rupees five lakhs or more in respect of any party.

(vi) The Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

(viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, in respect of the services rendered by the Company. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty, cess and other material statutory dues, as applicable, have been regularly deposited with the appropriate authorities, except for income-tax, *where significant delays have been observed in large number of cases.* No undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they became payable.

(b) There are no dues in respect of income tax, sales tax, service tax, customs duty and cess that have not been deposited with the appropriate authorities on account of any dispute.

(x) The Company has been registered for a period of less than five years. Accordingly, the provisions of clause 4(x) of the Order are not applicable.

(xi) In our opinion, the Company has not defaulted in repayment of dues to a bank during the year. The Company has no dues payable to a financial institution or debenture holders during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

(xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not, *prima facie*, prejudicial to the interest of the Company.

(xvi) In our opinion, the Company has applied the term loans for the purpose for which the loans were obtained.

(xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.

(xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.

(xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.

(xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For Walker, Chandiok & Co.
Chartered Accountants
Firm Registration No.001076N

per Amyn Jassani
Partner
Membership No. F-46447

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

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

Place: Mumbai
Date : May 9, 2011

Balance Sheet

as at March 31, 2011

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	Schedule	As at March 31, 2011	As at March 31, 2010
I Sources of funds			
1. Shareholders' funds			
a . Capital	1	240,189,270	174,166,670
b. Share application money		-	82,526,723
c . Reserves and surplus	2	986,263,667	441,002,447
2. Loan funds	3		
a. Secured loans		466,187,757	119,652,747
b. Unsecured loan		-	351,569
3. Deferred tax liability (net) (refer note 13 of schedule 19)		18,163,221	3,757,240
		1,710,803,915	821,457,396
II Application of funds			
1. Fixed assets	4		
a. Gross block		719,228,874	386,667,546
b. Less: Accumulated depreciation / amortisation		95,842,106	56,524,641
c. Net block		623,386,768	330,142,905
d. "Capital work in progress (including capital advances)"		664,865,279	305,010,591
		1,288,252,047	635,153,496
2. Investments	5	26,491,500	10,146,500
3. Current assets, loans and advances			
a. Inventories	6	14,652,369	2,961,956
b. Sundry debtors	7	17,726,239	69,486,566
c. Cash and bank balances	8	278,714,577	103,444,468
d. Other current assets	9	14,743,393	4,381,166
e. Loans and advances	10	208,818,809	49,746,157
		534,655,387	230,020,313
4. Less: Current liabilities and provisions			
a. Liabilities	11	134,351,495	47,999,846
b. Provisions	12	4,243,524	5,863,067
		138,595,019	53,862,913
5. Net current assets		396,060,368	176,157,400
		1,710,803,915	821,457,396
Notes to the financial statements	19		

The schedules referred to above form an integral part of the financial statements.

As per our report of even date

For Walker, Chandiok & Co.
Chartered Accountants

per Amyn Jassani
Partner

For Jogish Mehta & Co
Chartered Accountants

per Jogish N. Mehta
Proprietor

For and on behalf of the Board of Directors

Rajesh Bhatia
Director

Vishal Shah
Director

Deepali Hanchate
Company Secretary

Place: Mumbai
Date : May 9, 2011

Profit and Loss Account

for the year ended March 31, 2011

₹

	Schedule	As at March 31, 2011	As at March 31, 2010
I Income			
1. Revenue from operations	13	392,383,371	213,750,579
2. Other income	14	19,141,384	4,955,231
		411,524,755	218,705,810
II Expenditure			
1. Centre operating expenses		101,915,011	63,139,624
2. Employee cost		49,142,201	29,355,758
3. Administrative and other expenses		72,237,564	51,058,875
4. Finance charges		12,349,885	5,758,852
5. Depreciation / amortisation		39,624,905	29,267,220
		275,269,566	178,580,329
III Profit before tax		136,255,189	40,125,481
Provision for taxation			
- Current tax		29,900,000	11,535,660
- Deferred tax		14,405,981	2,598,657
IV Net profit		91,949,208	25,991,164
Balance brought forward from previous year		24,312,424	(1,678,740)
V Balance carried forward to Balance Sheet		116,261,632	24,312,424
1. Basic earnings per share		4.09	1.57
2. Diluted earnings per share		4.09	1.56
3. Nominal value per share		10	10
4. Notes to the financial statements			

The schedules referred to above form an integral part of the financial statements.

As per our report of even date

For Walker, Chandiok & Co.
Chartered Accountants

per Amyn Jassani
Partner

For Jogish Mehta & Co
Chartered Accountants

per Jogish N. Mehta
Proprietor

Place: Mumbai
Date : May 9, 2011

For and on behalf of the Board of Directors

Rajesh Bhatia
Director

Vishal Shah
Director

Deepali Hanchate
Company Secretary

Cash Flow Statement

as at March 31, 2011

	As at March 31, 2011 ₹	As at March 31, 2010 ₹
A Cash flows from operating activities		
Profit before tax	136,255,189	40,125,481
Adjustments for:		
Depreciation / amortisation	39,624,905	29,267,220
Fixed assets written off	1,249,031	3,214,516
Finance charges	12,349,885	5,758,852
Interest on fixed deposits	(19,052,931)	(4,952,030)
Dividend income	(195)	(195)
Operating profit before working capital changes	170,425,884	73,413,844
Adjustments for:		
(Increase) in inventories	(11,690,413)	(1,395,556)
Decrease/(Increase) in sundry debtors	51,760,327	(65,260,495)
(Increase)/Decrease in loans and advances	(159,699,356)	2,902,728
Increase in liabilities and provisions	87,276,227	20,694,115
Cash generated from operations	138,072,669	30,354,636
Income tax paid	(31,594,814)	(7,369,968)
Net cash generated from operating activities	106,477,855	22,984,668
B Cash flow from investing activities		
Purchase of fixed assets (including capital work in progress)	(345,015,164)	(129,578,170)
Payment made for acquiring Business Commercial Rights	(348,957,323)	(147,884,560)
Purchase of investments	(16,345,000)	(10,145,000)
Interest received	8,690,704	1,140,582
Dividend received	195	195
Net cash used in investing activities	(701,626,588)	(286,466,953)
C Cash flow from financing activities		
Proceeds from issue of shares including securities premium	516,873,266	150,000,000
Share issue expenses	(80,065,377)	(960,000)
Share application money received	-	82,526,723
Repayment of term loan	(50,000,000)	-
Proceeds from working capital loan (net)	396,535,010	119,652,746
Repayment of unsecured loans	(351,569)	-
Interest paid	(12,572,488)	(5,758,854)
Net cash provided by financing activities	770,418,842	345,460,615
Net increase in cash and cash equivalents during the year	175,270,109	81,978,330
Cash and cash equivalents as at the beginning of the year	103,444,468	21,466,138
Cash and cash equivalents as at the end of the year (refer schedule 8)	278,714,577	103,444,468
Cash and cash equivalents as at year end constitutes:		
Cash in hand	1,315,204	825,919
Cheques in hand	-	1,251,225
Balance in current account with banks	7,399,373	7,767,474
Fixed deposits with banks (refer Note 2)	270,000,000	93,599,850
	278,714,577	103,444,468

Notes

1. The Cash Flow Statement has been prepared under Indirect Method as set out in Accounting Standard (AS) -3, 'Cash Flow Statements', as notified by Central Government under the Companies Act, 1956.
2. Cash and cash equivalents above includes fixed deposits of ₹ 270,000,000 placed with a bank against working capital loan obtained from them.

As per our report of even date

For Walker, Chandiok & Co.
Chartered Accountants

per Amyn Jassani
Partner

For Jogish Mehta & Co
Chartered Accountants

per Jogish N. Mehta
Proprietor

For and on behalf of the Board of Directors

Rajesh Bhatia
Director

Vishal Shah
Director

Deepali Hanchate
Director

Place: Mumbai
Date : May 9, 2011

Schedules

forming part of Balance Sheet

₹

	As at March 31, 2011	As at March 31, 2010
Schedule 1		
Capital		
Authorised		
35,000,000 (previous year: 20,000,000) equity shares of Rs.10 each	350,000,000	200,000,000
	350,000,000	200,000,000
Issued, subscribed and paid up		
24,018,927 (previous year: 17,416,667) equity shares of Rs.10 each fully paid up	240,189,270	174,166,670
	240,189,270	174,166,670
Schedule 2		
Reserves and surplus		
Securities premium		
Opening balance	416,690,023	291,400,023
Add: Received during the year	533,377,389	126,250,000
Less: Share issue expenses written off	80,065,377	960,000
Closing balance	870,002,035	416,690,023
Profit and loss account	116,261,632	24,312,424
	986,263,667	441,002,447
Schedule 3		
Loan funds		
Secured loans		
From banks		
- Term loan (refer note 1 below)	-	50,000,000
- Working capital loan (refer note 1 below)	466,187,757	47,926,691
- Bank overdraft (refer note 1 below)	-	21,726,056
	466,187,757	119,652,747
Notes		
1 Secured by mortgage of building, hypothecation of movable assets, book debts and lien against fixed deposits		
2 Amount payable within one year, ₹ 466,187,757 (previous year: ₹ 69,652,747)		
Unsecured loan	-	351,569
Interest-free loan from a director	-	351,569

Schedules

forming part of Balance Sheet (contd.)

₹

Schedule 4 - Fixed assets

Particulars	Gross block (at cost)				Depreciation and amortisation				Net block	
	As at April 1, 2010	Additions	" Deletions/ Transfer "	As at March 31, 2011	As at April 1, 2010	For the Year	" Deletions/ Transfer "	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Tangible										
Freehold land	49,463,067	73,219,830	-	122,682,897	-	-	-	-	122,682,897	49,463,067
Building	102,982,017	-	-	102,982,017	1,127,508	1,674,008	-	2,801,516	100,180,501	101,854,509
Furniture and fittings	110,725,617	40,027,560	737,630	150,015,547	18,499,779	13,782,248	105,936	32,176,091	117,839,456	92,225,838
Office and other equipment	7,597,600	2,790,099	-	10,387,699	1,069,210	772,908	-	1,842,118	8,545,581	6,528,390
Teaching aid and equipment	16,855,781	4,294,290	-	21,150,071	9,379,451	5,621,613	-	15,001,064	6,149,007	7,476,330
Computers	1,062,624	1,150,500	-	2,213,124	206,088	339,388	-	545,476	1,667,648	856,536
Leasehold Improvement	28,631,356	6,267,240	818,841	34,079,755	6,899,098	6,255,384	201,504	12,952,978	21,126,777	21,732,258
Vehicles	457,043	4,703,746	-	5,160,789	31,944	122,452	-	154,396	5,006,393	425,099
Intangibles										
Goodwill (refer note 1 below)	12,645,854	1,600,000	-	14,245,854	2,762,245	1,357,559	-	4,119,804	10,126,050	9,883,609
"Business Commercial rights (refer note 2 below)"	-	200,064,534	-	200,064,534	-	4,090,097	-	4,090,097	195,974,437	-
Brands (refer note 1 below)	56,246,587	-	-	56,246,587	16,549,318	5,609,248	-	22,158,566	34,088,021	39,697,269
Grand Total	386,667,546	334,117,799	1,556,471	719,228,874	56,524,641	39,624,905	307,440	95,842,106	623,386,768	330,142,905
Previous year	263,246,336	128,459,253	5,038,043	386,667,546	28,125,367	29,267,220	867,946	56,524,641	330,142,905	

Notes

1. During an earlier year, the Company had acquired Kindergarten and play school businesses. As part of these transactions Tree House and "Mira Kindergarten" brands were acquired and goodwill was recognised in books. Further, during the year ended March 31, 2011, the Company has acquired the business of Utsah Education Society and has recognised goodwill of ₹ 1,600,000 for the same.

2. During the year ended March 31, 2011, the Company has acquired exclusive rights for providing facilitation services to various educational institutions for their schools / courses which has been recognised as Business Commercial Rights aggregating ₹ 200,064,534.

	₹ As at March 31, 2011	As at March 31, 2010
Schedule 5		
Investments		
(Long term, unquoted) (at cost)		
Trade		
"JT Infrastructure Private Limited (Joint Venture) (Formerly Rage Realty Private Limited) - 10,000 (previous year: 10,000) equity shares of ₹ 10 each fully paid up"	100,000	100,000
- Share application money (refer note 6 of schedule 19)	26,390,000	10,045,000
Non-trade		
New India Co-operative Bank	1,500	1,500
(150 (previous year: 150) Shares of ₹ 10 each fully paid up)		
	26,491,500	10,146,500
Schedule 6		
Inventories		
(at cost or net realisable value, whichever is less)		
Education and training material	14,652,369	2,961,956
	14,652,369	2,961,956
Schedule 7		
Sundry debtors		
(Unsecured, considered good)		
Outstanding for a period exceeding six months	9,387,885	2,856,145
Others	8,338,354	66,630,421
	17,726,239	69,486,566
Schedule 8		
Cash and bank balances		
Cash in hand	1,315,204	825,919
Cheques in hand	-	1,251,225
Balance with scheduled banks		
- on current accounts	7,399,373	7,767,474
"- on fixed deposit accounts [pledged with bank against working capital loan]"	270,000,000	93,599,850
	278,714,577	103,444,468

Schedules

forming part of Balance Sheet (contd.)

₹

	As at March 31, 2011	As at March 31, 2010
Schedule 9		
Other current assets		
Interest accrued but not due on fixed deposits	14,743,393	4,154,195
Interest accrued on advances	-	226,971
	14,743,393	4,381,166
Schedule 10		
Loans and advances (Unsecured, considered good)		
"Security deposits (includes ₹ 19,000,000 (previous year: ₹ 15,000,000) given to directors)"	83,012,160	39,755,258
Loan given to others (includes ₹ 99,410,000 (previous year: ₹ Nil) given to Tree House Employee Welfare Trust as interest free loan)	108,907,975	3,424,038
Advances recoverable in cash or in kind or for value to be received	16,331,335	5,372,818
(Includes Rs. Nil (previous year: ₹ 589,586) receivable from a director)		1,500
Advance tax (net of provision)	567,339	1,194,043
	208,818,809	49,746,157
Schedule 11		
Liabilities		
Sundry creditors		
- Micro, small and medium enterprises (refer note 18 of schedule 19)		
- Others	51,680,243	15,646,453
Advance fees received	78,322,880	24,672,016
Interest accrued but not due	-	222,603
Other liabilities	4,348,372	7,458,774
	134,351,495	47,999,846
Schedule 12		
Provisions		
Provision for taxes (net of advance tax)	3,077,217	5,398,735
Provision for gratuity	1,166,307	464,332
	4,243,524	5,863,067

Schedules

forming part of Profit and Loss Account

₹

	As at March 31, 2011	As at March 31, 2010
Schedule 13		
Revenue from operations		
Fee income	238,652,840	123,705,698
Consultancy income	107,026,238	57,671,275
Sale of education aids	10,970,109	1,924,538
Rent income from education infrastructure	12,182,244	11,001,867
Royalty income	3,159,566	1,734,944
Other operating income	20,392,374	17,712,257
	392,383,371	213,750,579
Schedule 14		
Other income		
Interest (tax deducted at source ₹ 1,873,177, previous year: ₹ 483,992)	19,052,931	4,952,030
Dividend	195	195
Miscellaneous	88,258	3,006
	19,141,384	4,955,231
Schedule 15		
Centre operating expenses		
Rent (includes conducting charges and society maintenance)	59,963,839	40,067,016
Security charges	7,319,163	4,994,794
Training material and equipment consumed	15,005,971	4,829,124
Water, electricity and cleaning charges	6,056,810	3,518,995
Activity expenses	7,634,192	5,032,815
Other centre expenses	5,935,036	4,696,880
	101,915,011	63,139,624
Schedule 16		
Employee cost		
Salaries and allowances	46,808,690	28,387,615
Contribution to provident and other funds	1,719,327	845,471
Staff welfare	614,184	122,672
	49,142,201	29,355,758

Schedules

forming part of Profit and Loss Account (contd.)

₹

	As at March 31, 2011	As at March 31, 2010
Schedule 17		
Administrative and other expenses	38,586,323	32,178,067
Advertisement and publicity expenses	7,830,066	3,023,630
Legal and professional fees	4,721,949	987,109
Office expenses	3,133,805	1,568,258
Rent, rates and taxes	218,269	200,115
Insurance	497,241	479,868
Communication	1,300,000	1,421,901
Auditors' remuneration (refer note 14 of Schedule 19)	2,294,284	1,172,995
Brokerage and commission	2,423,928	1,762,124
Business promotion	2,346,045	947,084
Printing and stationery	66,501	-
Donation	952,418	539,379
Repairs and maintenance - others	3,913,731	2,283,377
Travelling and conveyance	1,249,031	3,214,516
Fixed assets written off	2,703,973	1,280,452
Miscellaneous expenses	72,237,564	51,058,875
Schedule 18		
Finance charges		
Interest paid		
- Term loan	736,912	222,603
- Working capital loan	11,612,973	5,536,249
	12,349,885	5,758,852

Schedules

Notes to the financial statements

Schedule 19

1. Background

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

2. Basis of preparation

The financial statements have been prepared under Historical Cost Convention on the accrual basis of accounting, are in accordance with the applicable requirements of the Companies Act, 1956 (the 'Act') and comply in all material aspects with the Accounting Standards as notified by the Companies (Accounting Standards) Rules, 2006, to the extent applicable. The accounting policies have been consistently applied by the Company.

3. Use of estimates

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

4. Significant Accounting Policies

a. Provisions and contingencies

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

b. Fixed assets and depreciation

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

Capital advances in respect of Capital work in progress or assets acquired but not ready for use are classified under Capital work in progress.

Depreciation on fixed assets is provided under the straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 which, as per the management represents the estimated useful life of the assets. Lease hold improvements are amortised on the basis of useful lives of assets or balance lease period, whichever is lower. Individual assets costing ₹ 5,000 or less are depreciated at 100% on a prorata basis.

c. Intangibles

(i) Cost incurred for acquiring brands are capitalised and amortised on a straight-line basis over a period of ten years, being the estimated useful life.

(ii) Goodwill arising from acquisition of business is amortised over the expected useful life, not exceeding ten years.

(iii) Business Commercial Rights i.e "School facilitation service rights" acquired from various Trusts/Societies are capitalised and amortised on a straight line basis over a period of thirty years, being the estimated useful life.

d. Impairment of Assets

In accordance with Accounting Standard 28 'Impairment of Assets' as notified by the Companies (Accounting Standards) Rules, 2006, the carrying amounts of the Company's assets are reviewed at each balance sheet date to assess the indication of impairment of assets. On existence of such an indication, the carrying amounts of the Company's assets are reviewed to determine whether there is any impairment. The recoverable amount of the assets is estimated as the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. Impairment loss is recognised in the Profit and Loss Account.

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

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

e. Revenue Recognition

Income from Services

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

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

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

Schedules

Notes to the financial statements (contd.)

Royalty income

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

Interest

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

Sale of goods

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

f. Inventories

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

g. Investments

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

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

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

h. Foreign currency transactions

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

i. Borrowing Costs

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

j. Leases

Where the Company is the lessee

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

Where the Company is the lessor

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

k. Taxes on income

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

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

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

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified future period. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note on accounting for Credit Available in Respect of Minimum Alternative Tax under the Income - tax Act, 1961, issued by the Council of the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

l. Employee benefits

Provident fund:

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

Gratuity:

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

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

m. Share issue expenses

Share issue expenses are adjusted in the same year against the securities premium account as permitted by section 78(2) of the Companies Act, 1956. In case of insufficient balances in the securities premium account, unadjusted share issue expenses are amortised over a period of 5 years. In case subsequently there arises a securities premium balance, unadjusted share issue expenses would not be amortised but will be adjusted against the Securities Premium Account.

n. Earnings Per Share

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

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

5. Business Commercial Rights

The Company has entered into an exclusive facilitation service agreement with various educational trusts based on which the Company has exclusive rights for a period of 30 years to provide various facilitation services for schools/courses to be set up by these educational trusts. The Company has paid one time fixed fee to the educational trusts towards such rights. The fee paid is recognised as an intangible asset and accordingly capitalised as 'Business Commercial Rights' in the financial statements. The annual income from these educational trusts is based on fixed fee per student admitted /enrolled with the schools /courses during the tenor of the agreement and is subject to minimum guaranteed amount each year.

The Company had prepared and submitted audited interim financial statements for the nine months ended December 31, 2010 and Business Commercial Rights were amortised over a period of 10 years. Currently, in view of the improvement in the projected cash inflows due to the expected increase in student enrolments in the schools/ courses, the management has revised the estimated useful life of Business Commercial Rights and the same are now amortised over a period of 30 years, being the period specified under the facilitation agreements.

Capital work in progress (including capital advances) includes an amount of ₹ 307,965,475 (previous year: ₹ 159,120,534) incurred towards Business Commercial Rights, which will be capitalised on commencement of operation of the schools and full payment of the agreed fees to the education institutions.

6. Joint Venture agreement

The Company has entered into a joint venture agreement with Jayshree Builders ('JB') to construct and rent a school building. As part of the arrangement, the Company and JB have agreed to equally contribute to share capital of JT Infrastructure Private Limited (Formerly known as 'Rage Realty Private Limited'), a Company in which both Tree House Education & Accessories Limited and JB have equal share holding. The Company has contributed ₹ 26,390,000 (previous year ₹ 10,145,000) towards share application money in JT Infrastructure Private Limited.

The Company has a 50% interest in the assets, liabilities, expenses and income of JT Infrastructure Private Limited, a Company incorporated in India. The operations have not commenced and Company's share of the assets and liabilities of the jointly controlled entity as per the latest available audited Balance Sheet are :

₹

Particulars	As at and for the year ended March 31, 2011	As at and for the year ended March 31, 2010
Assets	14,976,492	5,080,580
Liabilities (includes share application money)	14,876,492	5,022,500

7. Managerial Remuneration

₹

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Salary and allowances	3,133,066	3,000,000
Contribution to provident fund	-	-
Total	3,133,066	3,000,000

As the liability for gratuity is provided on actuarial basis for the Company as a whole, the amount pertaining to the directors are not ascertainable and, therefore, not included above.

Schedules

Notes to the financial statements (contd.)

8. Gratuity Plan

The following table sets out the status of the gratuity plan for the year ended March 31, 2011 as required under Accounting Standard 15, Employee Benefits (Revised), as notified under the Companies Act, 1956.

₹

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Changes in defined benefit obligation:		
Defined benefit obligation as at the beginning of the year	464,332	337,735
Current service cost	642,427	270,745
Interest cost	37,147	27,019
Actuarial (gain)/loss on obligations	22,401	(171,167)
Present value of defined benefit obligation at the end of the year [A]	1,166,307	464,332
Cost for the year:		
Service cost	642,427	270,745
Interest cost	37,147	27,019
Expected return on plan assets	-	-
Actuarial (gain)/loss	22,401	(171,167)
Total net cost recognised as employee remuneration	701,975	126,597
Reconciliation of benefit obligation and plan assets:		
Present value of defined benefit obligation as at year end (A)	1,166,307	464,332
Fair value of plan assets as at year end (B)	-	-
Net liability as at year end recognised in Balance Sheet (A)-(B)	1,166,307	464,332
Assumptions		
Discount rate	8.30%	8.00%
Attrition rate	Upto age 35 - 20%	Upto age 35 - 20%
	36-40 - 10%	36-40 - 10%
	41-58 - 5%	41-58 - 5%
Salary escalation rate	6%	3%

9. Segment information

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

10. Related party disclosures

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

a. List of related parties

i. Key management personnel (KMP)

Key management personnel ('KMP')	Mr. Rajesh Bhatia - Managing Director Mr. Vishal Shah - Director Mr. Utsav Shrivastava- Chief Financial officer

ii. Relatives of key management personnel

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

iii. Joint venture company

JT Infrastructure Private Limited

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

Transactions during the year

₹

Particulars	Key Management Personnel ('KMP') Year ended March 31, 2011	Key Management Personnel ('KMP') Year ended March 31, 2010	Relatives of KMP Year ended March 31, 2011	Relatives of KMP Year ended March 31, 2010	Joint Venture Year ended March 31, 2011	Joint Venture Year ended March 31, 2010
Rent expense						
- Mr. Rajesh Bhatia	1,702,623	177,500	-	-	-	-
- Mrs. Geeta Bhatia	-	-	1,702,623	177,500	-	
Additional lease deposit						
- Mr. Rajesh Bhatia	4,000,000	5,000,000	-	-	-	-
Repayment of loan						
- Mrs. Geeta Bhatia	-	-	351,569	-	-	-
Remuneration						
- Mr. Vishal Shah	1,325,000	1,200,000	-	-	-	-
- Mr. Utsav Shrivastava	1,494,582	1,627,840	-	-	-	-
- Mr. Rajesh Bhatia	1,808,066	1,800,000	-	-	-	-
Equity subscription						
- Mr. Rajesh Bhatia	10,083,330	-	-	-	-	-
Fixed assets purchased from						
- Mr. Rajesh Bhatia	-	50,000,000	-	-	-	-
Advance towards purchase of office						
- Mr. Rajesh Bhatia	39,600,000	-	-	-	-	-
Investment						
- JT Infrastructure Private Limited	-	-	-	-	16,345,000	10,045,000

Closing balances with related parties in the ordinary course of business

₹

Particulars	Key Management Personnel ('KMP') As at March 31, 2011	Key Management Personnel ('KMP') As at March 31, 2010	Relatives of KMP As at March 31, 2011	Relatives of KMP As at March 31, 2010	Joint Venture As at March 31, 2011	Joint Venture As at March 31, 2010
Advances						
- Mr. Rajesh Bhatia	39,600,000	589,586	-	-	-	-
Creditors						
- Mrs. Geeta Bhatia	-	-	-	48,621	-	-
Loans taken						
- Mrs. Geeta Bhatia	-	-	-	351,569	-	-
Share Application money						
- Mr. Rajesh Bhatia	-	62,000,000	-	-	-	-
Lease Deposit (Mr. Rajesh Bhatia)	19,000,000	15,000,000	-	-	-	-
Bank guarantee given by Company against loan given to director						
- Mr. Rajesh Bhatia	11,445,000	11,445,000	-	-	-	-
Investment						
- JT Infrastructure Private Limited	-	-	-	-	26,490,000	10,145,000

Schedules

Notes to the financial statements (contd.)

11. Operating lease

In case of assets taken on lease

The lease rent charges of premises and furniture recognised in the Profit and Loss Account during the year ended March 31, 2011 is ₹ 58,034,527 (previous year: ₹ 38,309,794)

Obligation of the Company towards future lease payments

₹

Particulars	As at March 31, 2011	As at March 31, 2010
Not later than one year	63,347,864	38,879,996
Later than one year but not later than five years	134,279,576	90,261,658
Later than five years	-	1,430,200

Significant leasing arrangements:

a. The period of lease for the premises varies by location and ranges from 3 to 10 years.

b. Renewal of the lease at the end of the initial term is at mutual consent of both parties.

c. For leases entered into with the promoters, promoters have a choice to terminate the lease agreement if their shareholding in the Company reduces to less than 50%.

d. The Company has entered into lease conducting agreements with certain parties where the lease rentals are based on the revenue earned at the respective centres. The expected future lease payments cannot be estimated in respect of these lease conducting agreements and hence future liability in respect of the same have not been disclosed.

In case of assets given on lease

The lease rent income recognised in the Profit and Loss Account during the year ended March 31, 2011 is ₹ 12,182,244 (previous year: ₹ 11,001,867)

Right of the Company towards future lease payments

₹

Particulars	As at March 31, 2011	As at March 31, 2010
Not later than one year	6,000,000	6,000,000
Later than one year but not later than five years	36,247,500	34,312,500
Later than five years	312,219,714	320,154,743

Significant leasing arrangements:

a. The period of lease for the premises is 30 (Thirty) years.

b. The lease Rent shall stand revised by addition of an amount equivalent to 15% at the end of every third year.

c. After the expiry of the said initial term of 30 years, the lessee has a sole option to renew the lease term for further period of 30 years.

12. Earnings per share

₹

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Profit after tax	91,949,208	25,991,164
Weighted average number of shares outstanding (Basic)	22,507,799	16,577,283
Weighted average number of shares outstanding (Diluted)	22,507,799	16,673,107
Nominal value per share	10.00	10.00
Basic earnings per share	4.09	1.57
Diluted earnings per share	4.09	1.56

13. Deferred Tax

₹

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Deferred tax liability on		
Depreciation and amortisation	16,990,077	3,034,136
Provision for rent equalisation income	2,005,829	1,711,321
Deferred tax assets on		
Provision for gratuity	378,408	154,239
Others	454,277	833,978
Deferred tax liability (net)	18,163,221	3,757,240

14. Auditors' remuneration (excluding service tax)

₹

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Statutory audit fees	1,200,000	1,194,646
Tax audit fees	100,000	82,196
Other services*	5,000,000	145,059
Total	6,300,000	1,421,901

* Other Services for the year ended March 31, 2011 relates to assurance services for Initial Public Offering (IPO) and hence has been adjusted against Securities Premium Account as part of share issue expenses.

Schedules

Notes to the financial statements (contd.)

15. Contingent Liabilities (not provided for)

₹

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Bank guarantees given against loan taken by director. Outstanding loan amount as at year end is ₹ 7,466,821 (previous year: ₹ 8,983,110)	11,445,000	11,445,000

16. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ 227,366,679 (previous year: ₹ 70,715,440).

17. The Company is primarily engaged in providing education services. The sale of such service cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraph 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956

18. Dues to Micro, Small and Medium Enterprises

The Company is in the process of identifying micro and small suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 and in the absence of information in this regard, the particulars required by the aforesaid Act have not been given.

19. Employee Stock Option Plan

The Company has implemented Employee Stock Option Plan for the key employees of the Company through the Tree House Employees Welfare Trust (the 'Trust') formed for the purpose. All the options issued by the Company are equity share based options which have to be settled in equity shares only. The shares to be allotted to employees under the Tree House Education Employees' Stock Option Plan, 2010 are issued to the Trust by the Company. Based on the information provided by the Trust, the details of the Tree House Education Employees' Stock Option Plan, 2010 of the Company as at March 31, 2011 are as under:

Particulars	Tree House Education Employees' Stock Option Plan, 2010
Details of approval	Compensation Committee resolution dated January 4, 2011
Implemented through	Trust
Total number of shares	1,400,000
Price per option	₹ 71
Granted	1,400,000
Vested	NIL
Exercised	NIL
Lapsed options	NIL
Vested and unexercised	NIL
Total number of options in force	1,400,000
Money realised	₹ 99,400,000
Vesting Schedule	
Designation	
For Options granted to Mr. Vishal Shah	12 months from the date of grant - 100 %
For All other options	12 months from the date of grant - 25 % 24 months from the date of grant - 25 % 36 months from the date of grant - 25 % 48 months from the date of grant - 25 %

Particulars					
Senior Managerial Personnel	Options Granted	Options Vested	Options Lapsed	Options Exercised	Balance
	1,300,000	NIL	NIL	NIL	1,300,000

All options have an exercise period of 1 year after vesting period.

Notes

a. The Compensation Committee has granted a total of 1,400,000 options convertible into 1,400,000 Equity Shares which represents 5.83% of the paid up share capital of the Company. The fair market value on the date of grant, ₹ 71, is also the exercise price of the Option.

b. There is one employee who has been granted options equal to or exceeding 1% of the Issued Capital.

c. The Diluted Earnings Per Share and Basic Earnings Per Share are the same, as the shares covered under options are already issued and allotted and are held by the Trust.

d. In the event of any further rights or bonus issue of equity shares after vesting but prior to exercise of the options, the Company/Trust shall consider the grant of an appropriate number of additional options, at such price as may be determined by the Compensation Committee.

e. The Company accounts for 'Employee Share Based Payments' using the fair value method.

The movement of stock options during the year ended March 31, 2011 are summarised below:

Particulars	Number of options
Outstanding at the beginning of the year	NIL
Granted during the year	1,400,000
Forfeited during the year	NIL
Exercised during the year	NIL
Expired during the year	NIL
Outstanding at the end of the year	1,400,000
Exercisable at the end of the year	1,400,000

The exercise price and expected remaining contractual life (comprising the vesting period and exercise period) of options outstanding as at March 31, 2011 is as follows:

Number of options	Exercise price	Expected remaining contractual life
1,300,000	71	9 months
100,000	71	45 months
1,400,000		

There were 1,400,000 options granted during the year.

20. Expenditure in foreign currency

₹

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Foreign travel	246,080	-

21. Previous year's figures have been regrouped, rearranged, or recasted wherever considered necessary to conform to current year's presentation.

Signatures to Schedules 1 to 19 which form an integral part of the financial statements.

For Walker, Chandiok & Co.	For Jogish Mehta & Co Chartered Accountants	For and on behalf of the Board of Directors	
per Amyn Jassani Partner	per Jogish N. Mehta Proprietor	Rajesh Bhatia Director	Vishal Shah Director

Place: Mumbai
Date : May 9, 2011

Notes

Corporate Information

BOARD OF DIRECTORS
Mr. Sanjaya Kulkarni, Chairman

Mr. Rajesh Bhatia, Managing Director

Mrs. Geeta Bhatia

Mr. Vishal Shah

Mr. TS Sarangpani

Mr. Parantap Dave

Mr. Rishi Navani

Mr. Ashu Garg

COMPANY SECRETARY
Ms. Deepali Hanchate

AUDITORS
M/s. Jogish Mehta & Co.

Chartered Accountants

Mumbai

M/s. Walker Chandiok & Co.

Chartered Accountants,

Mumbai

BANKERS
Corporation Bank Ltd.

ICICI Bank Ltd.

Kotak Mahindra Bank

Union Bank of India

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