

*Handholding  
the future*





"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 his 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 parent 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*

# Tree House Education & Accessories Limited

702 'C', Morya House, Off New Link Road, Andheri (W), Mumbai-400 053.

Phone: 022-64562306 / 64562322

## Notice

NOTICE IS HEREBY GIVEN THAT THE SIXTH ANNUAL GENERAL MEETING ("AGM") OF THE MEMBERS OF TREE HOUSE EDUCATION & ACCESSORIES LIMITED WILL BE HELD ON TUESDAY, AUGUST 07, 2012 AT 10.30 A.M. AT MAYOR HALL, ALL INDIA INSTITUTE OF LOCAL SELF GOVERNMENT, SHANIKRAJ BHAVAN, C.D. BARFIWALA MARG, JUHU LANE, ANDHERI(W), MUMBAI - 400 058, MAHARASHTRA, INDIA, TO TRANSACT THE FOLLOWING BUSINESS:-

### Ordinary Business

#### Item no. 1 - Adoption of accounts

To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012, the Profit and Loss Account for the year ended on that date and the Report of the Directors and the Auditors thereon.

#### Item no. 2 - Declaration of Dividend

To declare a dividend for the financial year ended March 31, 2012

#### Item no. 3 - Re-appointment of Mr. Sanjaya Kulkarni

To appoint a Director in place of Mr. Sanjaya Kulkarni, who retires by rotation and being eligible, offers himself for re-appointment.

#### Item no. 4 - Re-appointment of Mr. Parantap Dave

To appoint a Director in place of Mr. Parantap Dave, who retires by rotation and being eligible, offers himself for re-appointment.

#### Item no. 5 - Appointment of Auditors

To Appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration and to pass the following resolution:

"RESOLVED THAT, M/s Jogish Mehta & Co., Chartered Accountants (Firm Registration Number 104326W), and M/s Walker Chandiook & Co., Chartered Accountants (Firm Registration Number 001076N), be and are hereby reappointed as Joint Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of next Annual General Meeting, on such remuneration as may be determined by the Board of Directors in consultation with the Joint Auditors, and the remuneration may be paid on a progressive billing basis to be agreed between the Joint Auditors and the Board of Directors."

#### Item no. 6 - Appointment of Branch Auditors

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956 ("Act"), as amended or re-enacted from time to time, the Board be and is hereby authorised to appoint Branch Auditors for any branch office of the Company, whether existing or which may be opened / acquired hereafter, in India or abroad, in consultation with the Company's Auditors, any person(s) qualified to act as Branch Auditor within the provisions of Section 228 of the Act and to fix their remuneration."

### Special Business

#### Item no. 7 - Regularisation of appointment of Additional Director

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

"RESOLVED THAT Mr. Jayant Sinha who was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on November 10, 2011 and who ceases to hold office on the date of Annual General Meeting pursuant to Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from him proposing his candidature for the office of Director, be and is hereby appointed as a Non Executive, Non Independent Director of the Company."

"RESOLVED FURTHER THAT the office of Mr. Jayant Sinha shall be liable to retirement by rotation."

#### Item no. 8 - Creation of Charges on the movable and immovable properties of the Company, both present and future, in respect of borrowings

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

"RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the members of the Company be and is hereby accorded authorising the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof) to create such Charges, Mortgages and Hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit, together with power to take over the management and concern of the Company in certain events in favour of Banks/Financial Institutions and other investing agencies to secure Rupee/foreign currency Loans and Working capital facilities availed or proposed to be availed by the Company, provided that the total amount of loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premium on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company in respect of the said Loans, shall not, at any time exceed the limit of ₹ 200 Crores."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things, as well as to execute all such documents, instruments and writings as may be required in order to give effect to the above resolution"

By order of the Board of Directors  
For Tree House Education & Accessories Limited

Sd/-  
Deepali Hanchate  
Company Secretary

Place: Mumbai

Date: May 29, 2012

# Notice

## Explanatory Statement Pursuant to Section 173 (2) of The Companies Act, 1956

### Item No. 7

Mr. Jayant Sinha was opted as an Additional Director of the Company with effect from November 10, 2011, pursuant to Section 260 of the Companies Act, 1956. Mr. Jayant Sinha holds office of Director upto the date of the Annual General Meeting. The Company has received notice in writing from alongwith a deposit of ₹ 500/- proposing candidature of Mr. Jayant Sinha for the office of Director under the provisions of Section 257 of the Companies act, 1956.

The Board accordingly recommends the resolution as set out in Item No. 7 of the Notice for approval of the members.

None of Directors of the Company other than Mr. Jayant Sinha is interested or concerned in the said resolution.

### Item No. 8

Section 293 (1) (a) of the Companies Act, 1956 provides that the Board of Directors of public limited company shall not, without the consent of members of such public limited company in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company.

As the assistances from the institutions / banks provided / agreed to be provided to the Company have to be secured by the mortgage and charge created on the assets of the Company, both present and future and the whole of the undertaking of the Company and the aforesaid institutions would like to retain a power to take over the management of the business and concern of the Company in certain events, it is necessary for the members to pass a resolution under Section 293 (1) (a) of the Companies Act, 1956.

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

By order of the Board of Directors of  
For Tree House Education & Accessories Limited

Sd/-  
Deepali Hanchate  
Company Secretary

Place: Mumbai

Date: May 29, 2012

## Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THAT THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Members are requested to notify immediately any change in their addresses to the Company at the Company's registered office address.

## INFORMATION OF DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT PURSUANT TO CLAUSE 49 (IV) (G) (i) OF THE LISTING AGREEMENT

### 1. Mr. Sanjaya Kulkarni

Mr. Sanjaya Kulkarni holds a Bachelor of Technology degree from Indian Institute of Technology, Mumbai and Masters of Business Administration from Indian Institute of Management, Ahmadabad. Mr. Kulkarni has approximately thirty years of experience in the financial services and consumer durables industry. He has worked for Citibank, India from 1973-1980 and was involved in investment banking and managing corporate relationships and then promoted 20th Century Finance Corporation Ltd (TCFC) . TCFC subsequently promoted Centurion Bank Ltd. He was also the Chairman of the Equipment Leasing Association from 1993-1995. Mr. Kulkarni previously managed Century Direct Fund, one of the earliest private equity funds for investment in growth companies in India.

Other Directorship of Mr. Sanjaya Kulkarni is as follows:

Sr. No.	Name of the Firm / Company	Nature of Interest
1.	TPL Plastech Ltd.	Chairman
2.	Agro Tech Food Ltd.	Director
3.	Time Technoplast Ltd.	Director
4.	S.L. Poultry (P) Ltd.	Director
5.	Indian Direct Equity Advisors Pvt. Ltd.	Director
6.	Pro Capital Advisors Pvt. Ltd.	Director
7.	NED Energy Ltd.	Director
8.	YPA (Thailand) Ltd.	Director
9.	Iprof Learning Solutions India Pvt. Ltd.	Director

## 2. Mr. Parantap Dave

Mr. Parantap Dave holds a Bachelor of Commerce degree and is a Chartered Accountant. Mr. Dave has twenty five years of experience in the field of finance, banking, accounts, audit, taxation, legal, project and general management and commercial matters. Mr. Dave started his career on guiding individuals and corporates on managing their investible surplus on the capital market. This endeavor was further extended to include transacting for placement of commercial paper, advising clients on the initial public offering process, and wealth management. The resultant exposure to various business segments metamorphosed into a bouquet consulting firm, Argent Advisors, which provides corporate advisory to small and medium enterprises on strategy from incubation to initial public offering, from concept to capital, from vision to valuation. Mr. Dave enables business entities in securing funds, both in form of venture capital/ private equity and public equity.

Other Directorship of Mr. Parantap Dave is as follows:

Sr. No.	Name of the Firm / Company	Nature of Interest
1.	Mas Service Ltd.	Director
2.	Spectrum International Pvt. Ltd.	Director
3.	Dhanipa Management Services Pvt. Ltd	Director
4.	Sajeev Agri Private Limited	Director
5.	Capvital Advisors Private Limited	Director
6.	Sankalp Siddhi Corporate Advisory Private Limited	Director

## 3. Mr. Jayant Sinha

Mr. Jayant Sinha is Managing Director of Omidyar Network India Advisors, where he leads overall investment strategy and operations in India. In his role, Mr. Sinha helps Omidyar Network manage and develop the India based portfolio across our Access to Capital and Media, Markets & Transparency initiatives. Mr. Sinha brings more than twenty years of experience in investing and strategy consulting to his role as managing director, as well as a deep understanding of managing investments and advising businesses in India.

Prior to joining Omidyar Network, Mr. Sinha was Managing Director of Courage Capital Management, where he led technology and India-related investing for a global special situations hedge fund. Prior to joining Courage Capital in 2006, Mr. Sinha spent twelve years with McKinsey & Company as a partner in the Boston and Delhi offices.

Mr. Sinha has completed Masters of Business Administration with distinction from the Harvard Business School, an MS in energy management and policy from the University of Pennsylvania, and a Bachelor of Technology with distinction from the Indian Institute of Technology, Delhi.

Other Directorship of Mr. Jayant Sinha is as follows:

Sr. No.	Name of the Firm / Company	Nature of Interest
1.	Omidyar Network India Advisors Private Limited	Director
2.	Ver se Innovation Private Limited	Director
3.	Aspiring Minds Assessment Private Limited	Director
4.	D. Light Design Inc.	Director
5.	Puja Holdings LLC	Director

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## Forward Looking Statements

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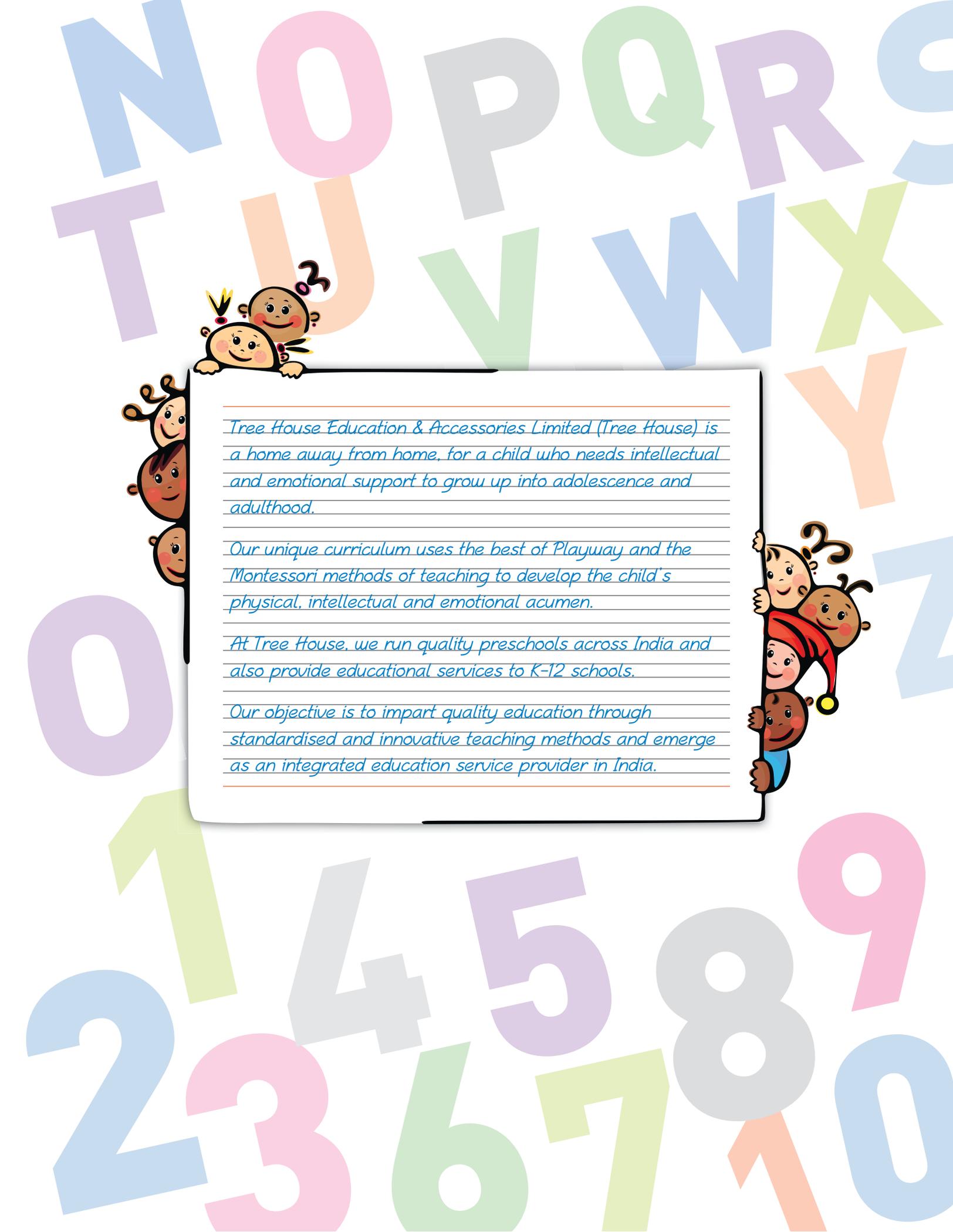
In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based 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.

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*Tree House Education & Accessories Limited (Tree House) is a home away from home, for a child who needs 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



“

*The government allows 100% FDI in the education sector. The education sector received a hike of about 18 % in the budgetary allocation for 2012-13 with a plan outlay of ₹ 61,427 crore (US\$ 10.92 billion) in which 22 % increase has been announced for the Sarva Siksha Abhiyan.*

### Dear Friends,

The Indian education system, one of the largest in the world, is divided into two major segments - core and non-core businesses. While, the core group has schools and higher education, the non-core business consists of preschools, vocational training and coaching classes. The concept of preschool is gaining immense popularity 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. We, at Tree House understand this, hence we handhold them for their future during their formative years.

The government allows 100% FDI in the education sector. The education sector received a hike of about 18% in the budgetary allocation for 2012-13 with a plan outlay of ₹ 61,427 crore (US\$ 10.92 billion) in which 22% increase has been announced for the Sarva Siksha Abhiyan. ₹ 15,458 crore (US\$ 2.74 billion) has been earmarked for higher education while school education has received ₹ 45,969 crore (US\$ 8.17 billion). The education spend in India is at US\$ 600 billion and the private education segment alone is expected to cross US\$45 billion mark by 2015 from the present \$35 billion, according to a research report prepared by Investor Relation Society, affiliated to US based Global Investor Relations Network.

According to CRISIL the preschool business is expected to reach ₹ 133 billion by 2015 from ₹ 43 billion in 2010. Several factors have contributed to it such as expanding urbanisation; rising disposable income and increasing awareness about the role of education in a competitive market are the driving force behind India's transforming education sector.

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 incessant focus is to provide a conducive learning environment for children. We are consistently striving to offer quality education and emerge as an integrated education service provider in India. Tree House is carving a niche by handholding the children for their future during their formative years.”

### Dear Friends,

India's education sector is growing significantly. Tree House started in 2003 offering a combination of Montessori and 'play work' to children one and a half to six years of age.

With more than 300 preschools, Tree House runs the largest network of self-operated preschools in the country. We offer preschool services through 302 centers spread across India. Of these, 240 centers, are operated by the Company, while the remaining ones are run on a franchise basis. The greater number of self-run schools compared to some of its peers increases the profitability of its overall business due to better control on costs and total retention of profits.

We successfully mopped up over ₹ 1,121 million through an initial public offer in August 2011, which will be used for expanding our presence in the country. On the back of our sound strategies and planned objectives, we aim to open more centres, acquire office space and construct educational complexes in Rajasthan and Gujarat.

The past six months have successfully enhanced student intake capacity across the country. We are witnessing significant traction for admission for the next academic year which will lead to margin expansion both on the PAT and EBITDA front. We ended the fiscal with ₹ 81.1 crore in sales and ₹ 21.7 crore in net profit. Both sales and profit more than doubled compared to a year ago. Our operating margin also improved significantly to 56.6% from 45.7%. The Company has added over 75 centres since its listing in August 2011.

Our incessant focus is to provide a conducive learning environment for children. We are consistently striving to offer quality education and emerge as an integrated education service provider in India. Tree House is carving a niche by handholding the children for their future during their formative years.

I take this opportunity to thank the entire management, teachers, staff, parents, franchise-owners and our stakeholders, who have believed in us and made our journey rewarding and fruitful.

Regards,

Rajesh Bhatia  
Managing Director

## *Nurturing children at the threshold of life*



*At Tree House, we understand that a child needs 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 / 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, LLC as investor (₹ 350 million investment)

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

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

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

**2011:** Received an investment of ₹ 400 million [₹ 310 million from FC VI India Venture (Mauritius) Ltd.

and ₹ 90 million from Matrix Partners India Investment Holdings, LLC]

**2012:** Received an investment of ₹ 189 million [₹ 42 million from Matrix Partners India Investment Holdings, LLC

₹ 14 million from FCVI India Venture (Mauritius) Ltd. And ₹ 133 million from ON Mauritius].

Received an investment of ₹ 1,121 million through an Initial Public Offer and shares of the Company

were listed at National Stock Exchange and Bombay Stock Exchange in the month of August 2011

## What we are

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



**302**  
Preschools

**240**  
Self-operated preschools

**62**  
Franchised preschools

**1,017**  
Teachers

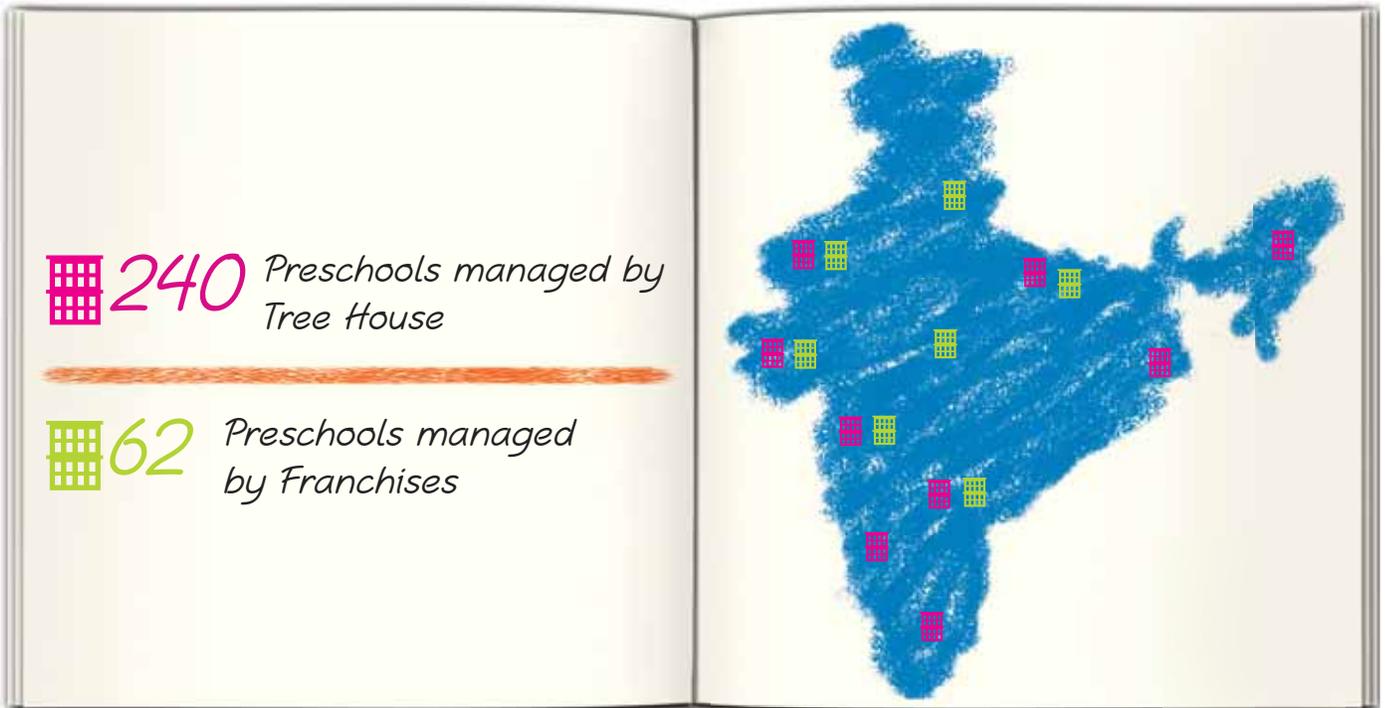
**35**  
Teacher training centres

**37**  
Cities in India

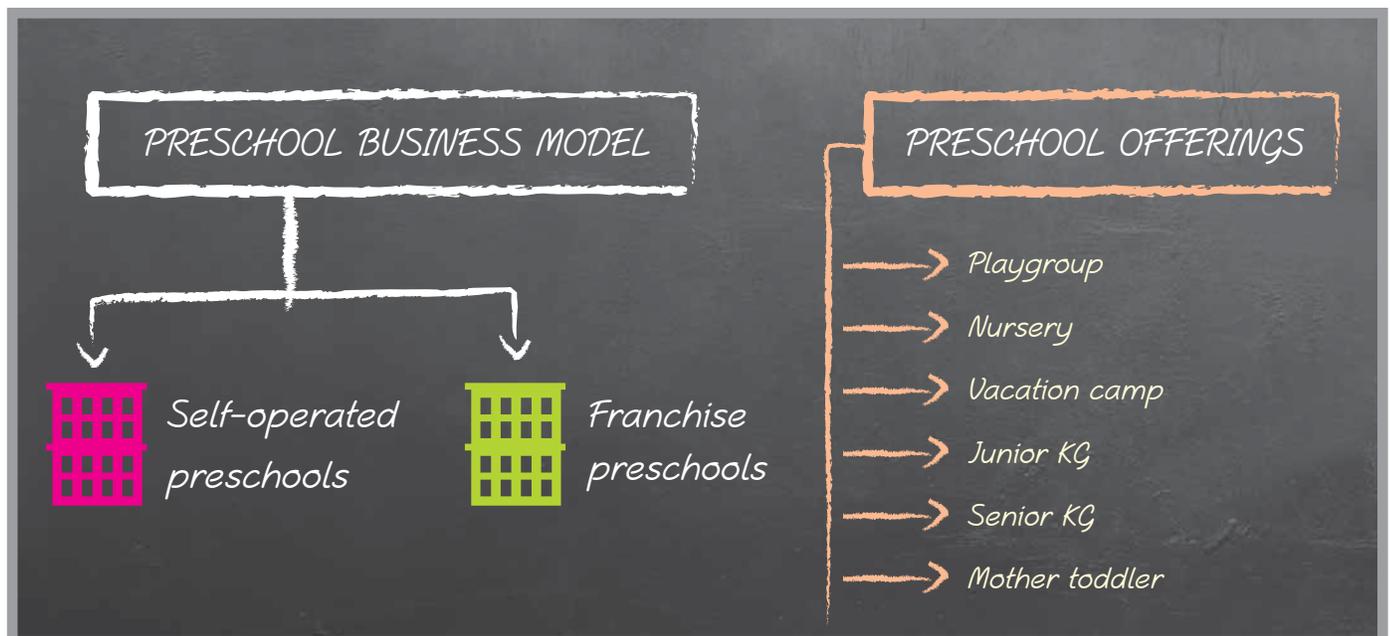
**17**  
K-12 schools

(Data as on March 31, 2012)

## Our presence

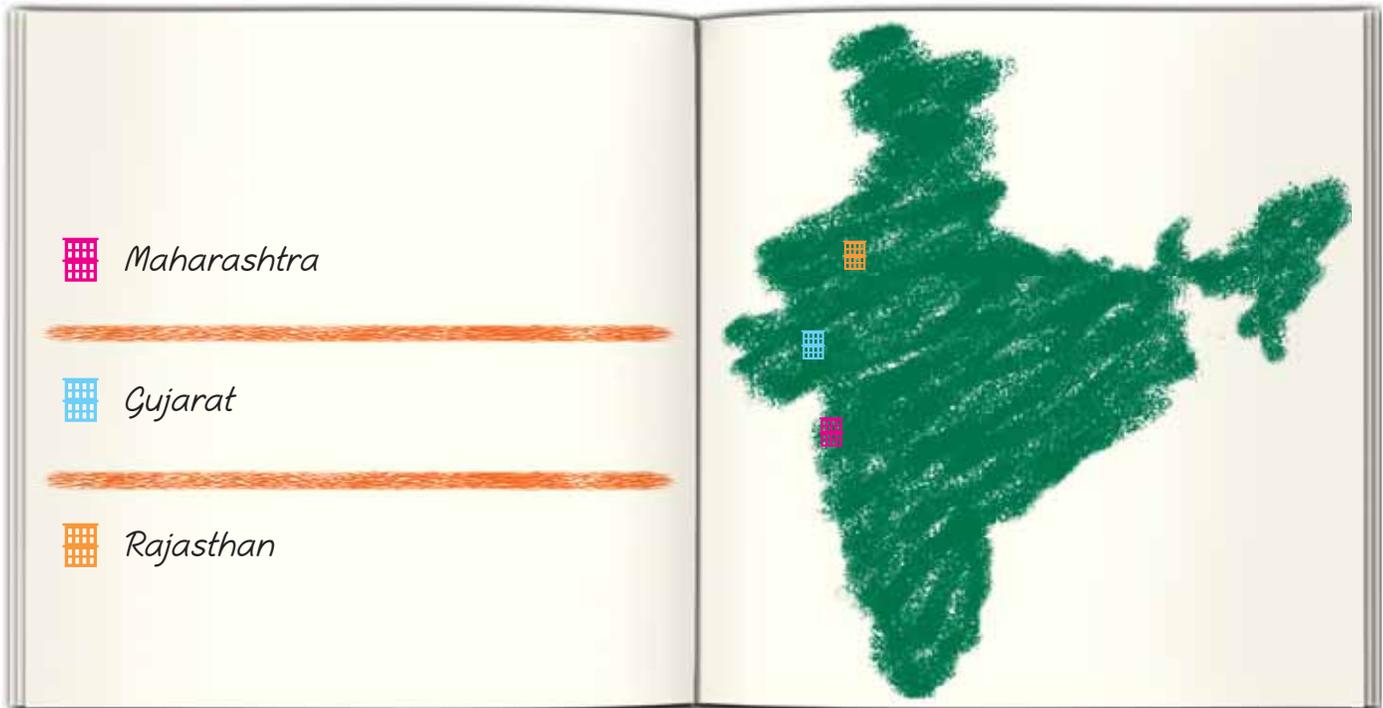


## Preschool business

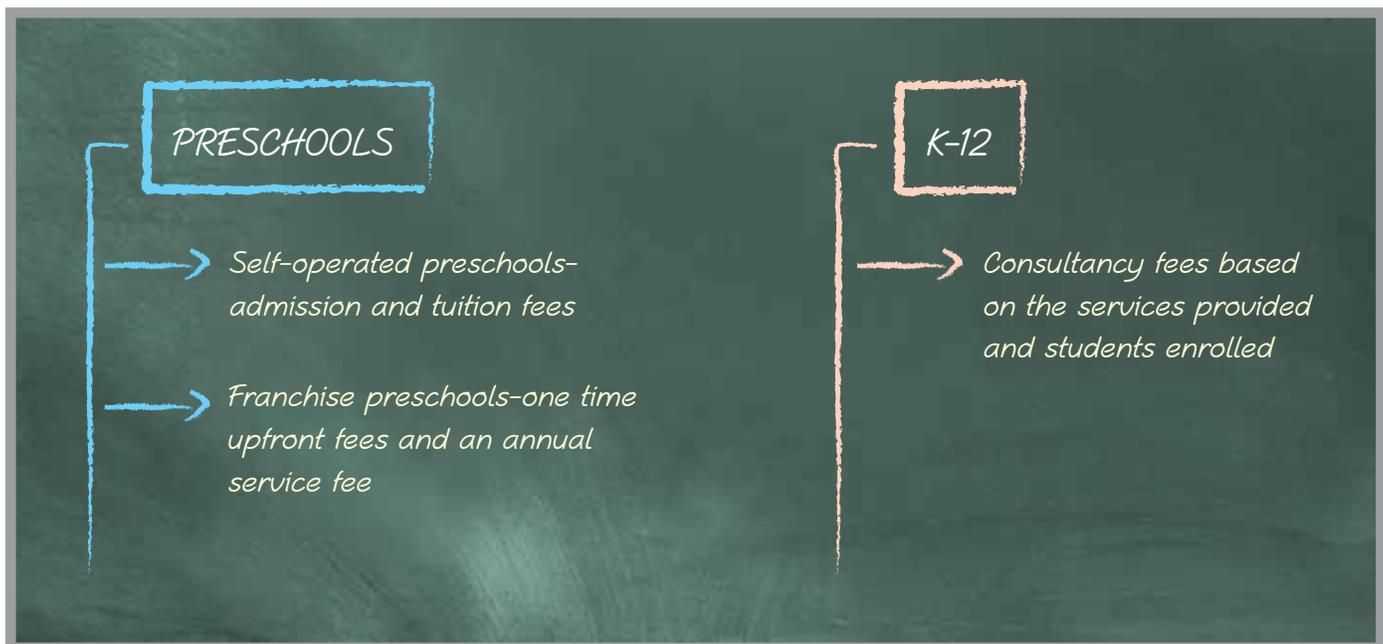


## Our services

Educational services offered to K-12 schools at the following locations



## Revenue model



## Our services

Our unique offerings

Financial highlights

Operating a dual business model

Annual Report  
**11-12**



## 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, World 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 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 teaching. 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. It has 240 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

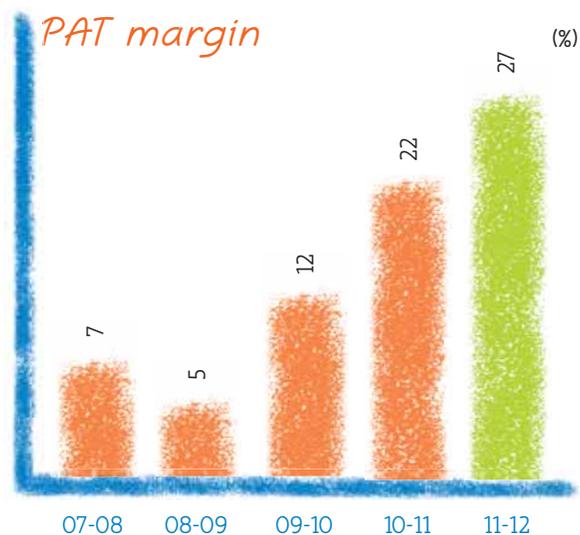
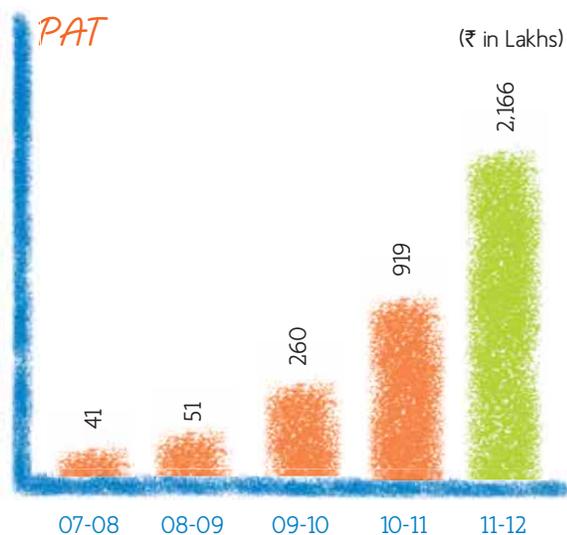
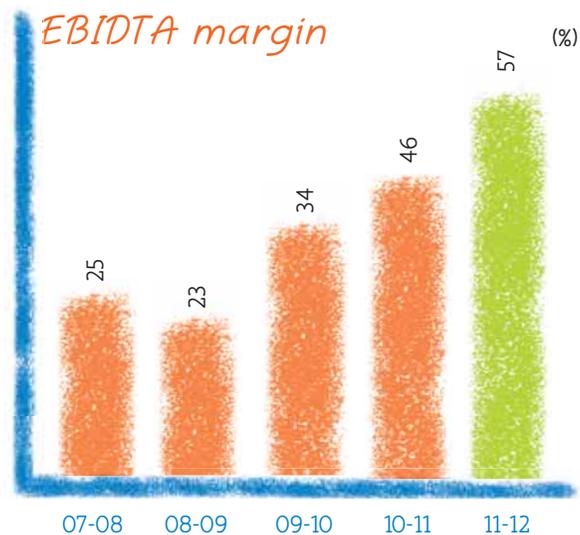
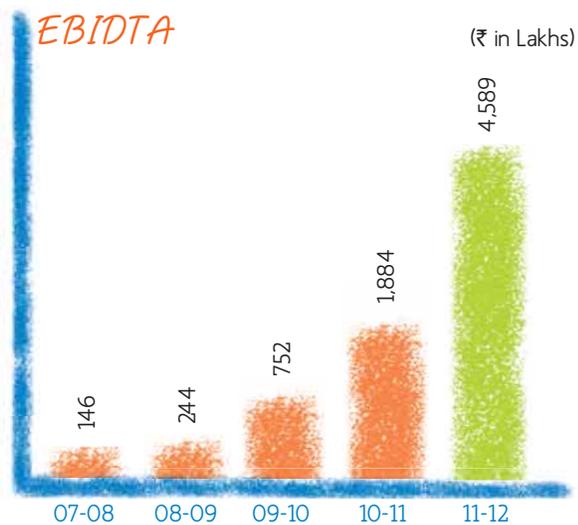
### Competent teachers

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



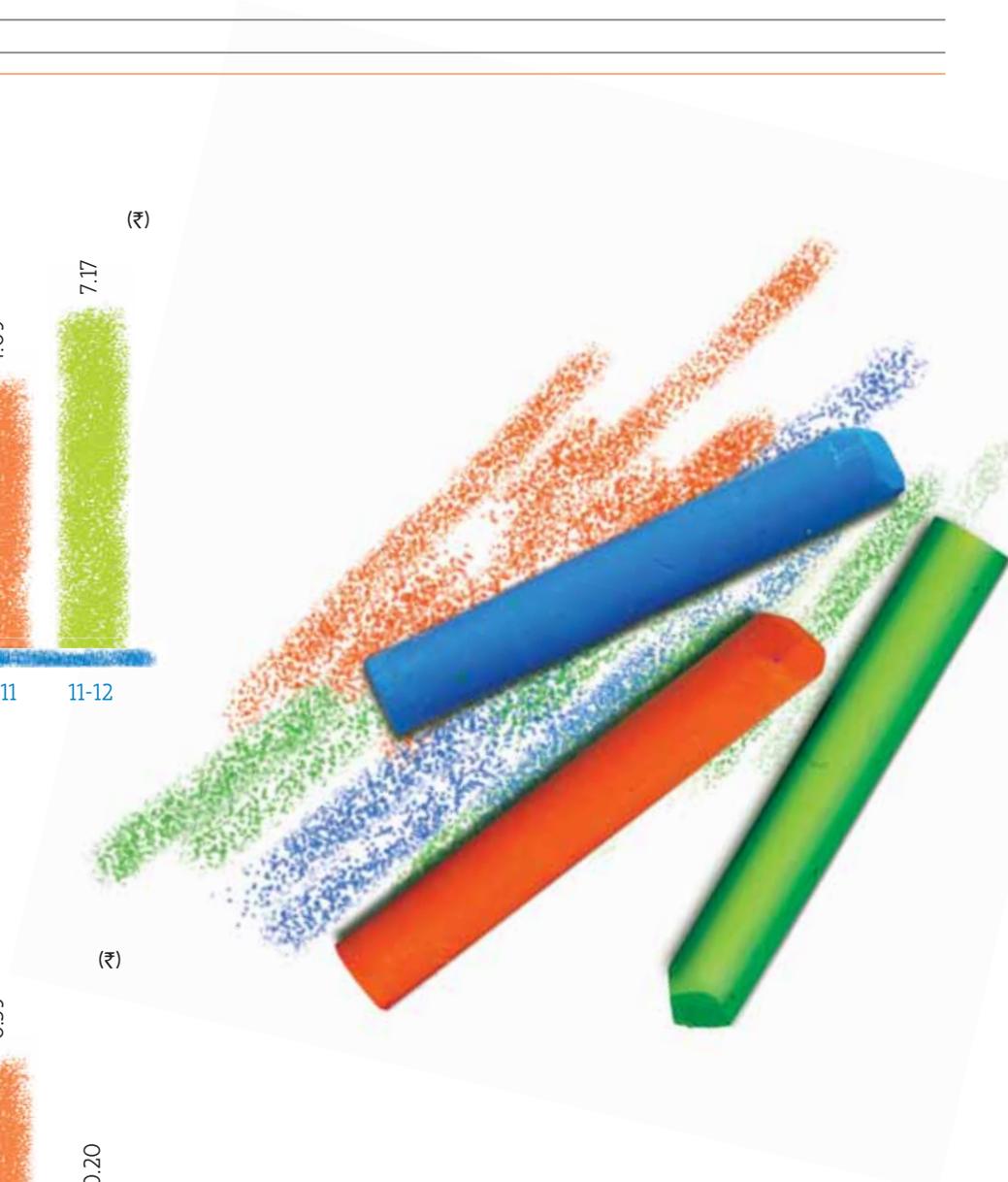
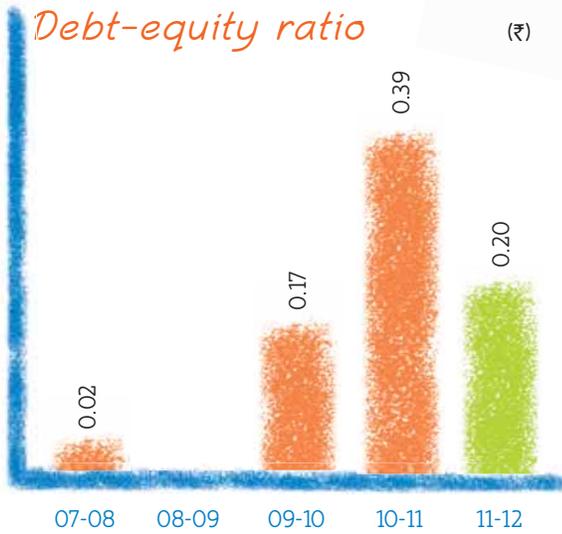
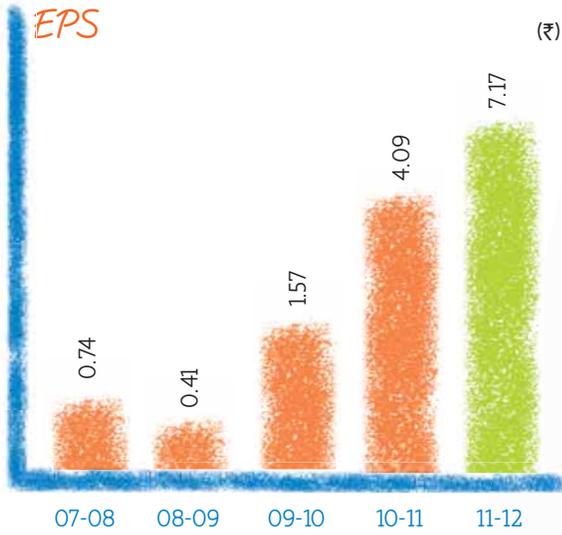
Note - 1) EBIDTA - Earnings before Interest, Depreciation, Tax & Amortisation

2) PAT - Profit After Tax

3) EPS - Earnings Per Share

Financial highlights

Operating a dual business model  
From preschool to the K-12 segment  
Board of Directors



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 37 cities in India. We run 240 self-operated preschools.

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 preschool 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 franchisees. One-time consultancy fees are paid up front, 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 are monitored to check their efficiency and the dissemination of knowledge

*From preschool*

*to the K-12 segment*



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*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.*

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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.

*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

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# Board of Directors

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## *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.

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## *Mr. Rajesh Bhatia*

Managing Director

Bachelor of Engineering from MS University, Baroda, and MBA from Pune University.

Associated with the Company since its inception.

9 years of experience in the field of education and he overlooks the organisation's day-to-day operations.

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## *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.

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## *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.

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## *Mr. T.S. Sarangpani*

Independent Director

Bachelor of Engineering and MBA from the University of Madras.

Rich 32 years experience in the financial services industry.

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## *Mr. Parantap Dave*

Independent Director

Qualified Chartered Accountant.

25 years of experience in the field of finance, banking, accounts, audit, taxation and general management.

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## *Mr. Ashu Garg*

Nominee Director

Bachelor of Technology from the Indian Institute of Technology, Delhi and MBA from the Indian Institute of Management, Bangalore.

Venture partner of Foundation Capital.

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## *Mr. Rishi Navani*

Nominee Director

Bachelor of Arts Degree from North-western 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.

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## *Mr. Jayant Sinha*

Additional Director

B.Tech - Chemical Engineering from IIT - Delhi, MS in Energy Management & Policy from University of Pennsylvania and MBA from Harvard University.

More than 20 years of experience in investing and strategy consulting.

12 years with McKinsey & Company as a partner in the Boston and Delhi offices.

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## Management Discussion and Analysis

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### Overview of India's education sector

India has the third largest education system globally, after China and the US, with one million schools and 18,000 higher education institutions. With a population of approximately 540 million in the 0-24 age bracket, it is also the largest education market globally. India's largest services market, the Indian education sector comprises more than 450 million students. The landscape is primarily dominated by central and state government funded and managed institutions with 80% of all schools being government schools. The government spending on education will be increased to US\$ 100 billion in the 12th Five Year Plan (2012-17).

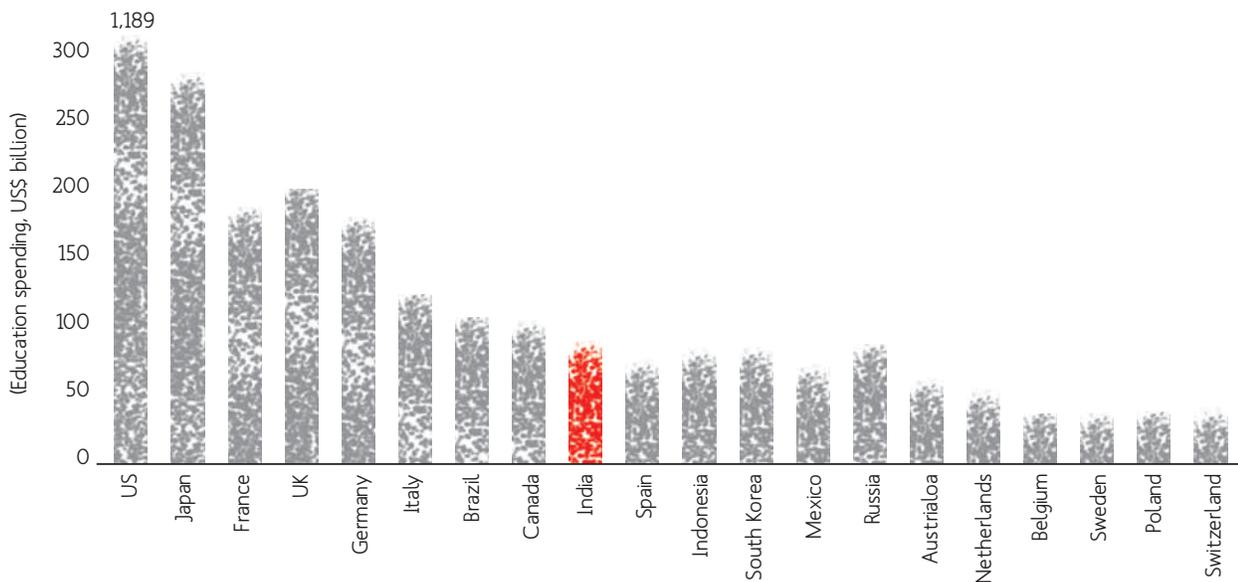
#### India advantage

- Third largest education system globally
- Largest education market in the world
- Largest services market in India
- Government increasing focus and spend

At US\$ 100 billion a year at market prices, India's education sector is among the top 10 in the world in terms of value. Additionally, the cost of educational services in India is one of the lowest in the world - less than one-sixth of the global average.

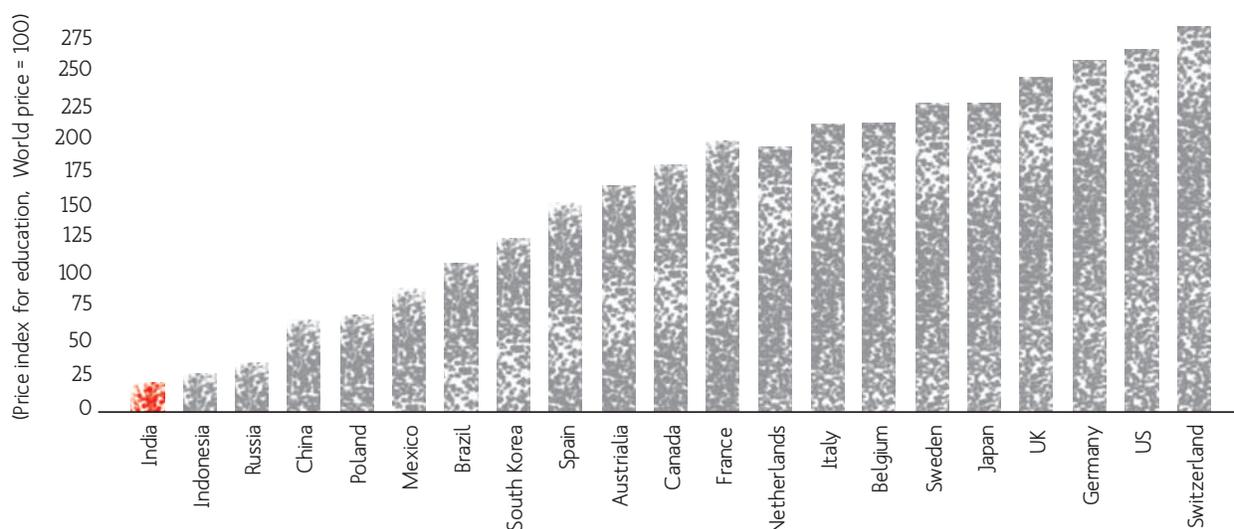
#### India's education size and steady growth

Fig. 1 India: among the top-10 markets by education spend



Source: World Bank and Anand Rathi Research

Fig. 2 Price of education in India: one-sixth of world average



Source: World Bank and Anand Rathi Research

The Indian Education market is one of the major thrust areas of the federal government and it is expected to invest US\$ 100 Billion between 2012-2017.

Various initiatives taken by the centre and state governments are giving a boost to the focus on education and the quality of education. Some of the landmark initiatives include:

### Right to education (RTE) bill

The Indian Parliament adopted The Right of Children to Free and Compulsory Education Bill in 2009, which envisages education to children in the 6-14 years age group obligatory. As per this bill, every school will have to earmark at least 25% seats in their lowest class for poor section of society. The bill seeks to do away with the practice of schools taking capitation fees before admission and subjecting the child or parents to any screening procedure. The bill also seeks to ban private tuition by teachers and ensure that no child is subjected to physical punishment or mental harassment. It shall be the duty of every parent or guardian to admit the child to a neighbourhood school for elementary education and no child should be denied admission for lack of age proof.

### ICT (Information and communication technologies)

The Right to Free and Compulsory Education has now become a law and its implementation will require enormous funds and ICT aids. The Government of India has been increasingly emphasising on the potential of utilising ICT in the education sector. As ICT has become compulsory for HEIs since August 2009 as per the policy of distance education (Source: Edge Report 2010), the government has approved the provision of broadband internet network to connect 20,000 Higher Education Institutions (HEIs) and 10,000 university departments. This mission will involve investments worth ₹ 4,612 Crore. Satellite and terrestrial connectivity will be provided to classrooms, facilitating live interaction.

### Foreign education bill

Present regulations do not permit foreign universities to directly offer degree courses in India. The Foreign Education Bill will allow foreign universities to invest at least 51% of the total capital expenditure needed to establish HEIs in India. Such institutes will be granted deemed university status under Section 3 of the Universities Grants Commission (UGC) Act, 1956. Although the Law is yet to be enforced, sources say the revised AICTE norms would allow foreign universities to set up campuses in India. This will help in increasing capacity, improving quality and challenging the current standards, strengthen research and save foreign exchange outflow, which in turn will generate jobs in India.

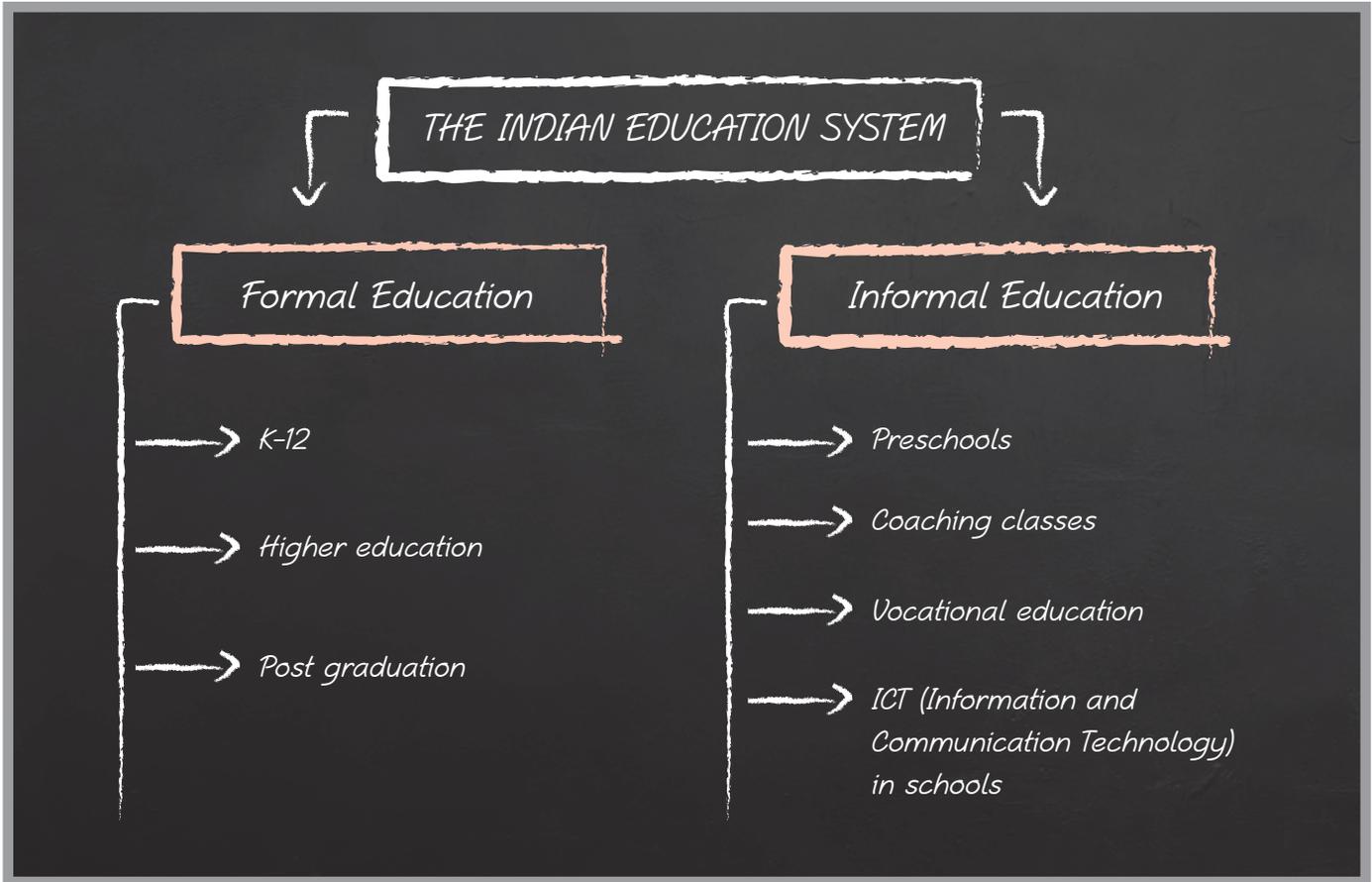
### The anatomy of the Indian education sector

**Formal education:** This comprises school, college, and university and technical/professional education. The core, or formal, education system in India is highly regulated. A key policy condition is that formal education institutes need to operate on a non-profit basis.

**Informal education:** This system is largely informal, runs parallel or prior to the core, and mainly supplements formal education. The components of the parallel system include preschool, private tuition/coaching, test/examination preparation and job/skill-oriented vocational institutes, corporate training and finishing schools.

**Ancillary education:** The last segment in the educational system comprises teacher training, textbooks and stationery, IT-enabled teaching aids and management of education services.

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 education system in India comprises of formal and informal education. While all levels of formal education are highly regulated and fall under the purview of Ministry of Human Resource Development, Government of India (MHRD), non-formal education is unregulated. The different aspects of formal, vocational and informal education are depicted below:



## India's K-12 market

K-12 is the most regulated segment of India's education sector. While the size of spend in this sector is around US\$ 75 billion per year, the predominant part of this comprises public spend. We estimate revenues for private players in the K-12 segment at US\$ 15 billion in 2012 growing to US\$ 20 billion in 2015.

### Number of institutes in K-12 space

The number of K-12 institutes in India was 1.45 million in 2010 and is estimated to be increased to 1.62 million in 2015-16.

### 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 Organisation.	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

## Operating models followed in India

### Owned schools

This operating model is followed by a number of trusts in which new schools are built or a takeover of the existing school occurs.

### Managed schools

The companies provide the management services 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.

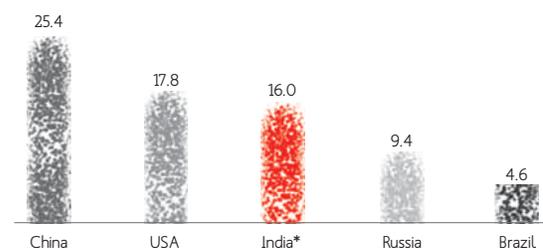
### Enrolments in K-12 space

The number of enrolments is expected to rise to 275 million in 2015-16.  
 (Source: CRISIL Research)

### Gross Enrolment Ratio (GER)

Even with a constant growth in number of higher education institutes (HEIs), enrolments 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)

## Higher Education

16,000 registered higher education colleges affiliated to 543 universities

7,700+ institutions providing diploma/certificate courses

26,478 institutions make India the largest higher education system in the world as compared to 6,706 and 4,000 in US and China respectively.

The current number 16 million students - is expected to increase to 40 million by 2020. The Indian higher education sector promises to grow at an 18% CAGR by then. And that is where private entrants aim to make an impact. Furthermore, the Government is planning to invest US\$ 20 billion in Technology / ICT as well as an additional US\$ 30 billion to be invested by the private sector into the K-12 segment. A further 800 private engineering colleges, 60 medical colleges, 300 MBA colleges are planned to be opened in 2012. India is driving towards creating a knowledge-based economy with education provision for all.

## Teacher training

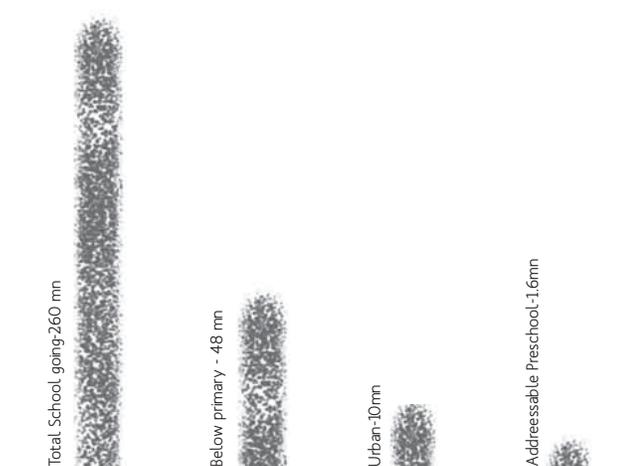
Teacher training is another emerging segment. The lack of trained teachers in India is a result of low spending by schools on the subject - both in terms of thought and subsequently, action. The market currently stands at ₹ 15 million annually. The Eleventh Plan seeks to train teachers to improve school quality through District Institutes of Education & Training (DIET). The plan has set aside ₹ 1,124 million for DIET alone. The Centre has drawn up plans to establish advanced ICT facilities in select institutions and public schools, set-up 6,000 model schools and conduct teacher training programs. It has allocated a total ₹ 40 billion to conduct teacher training programs under the Eleventh Plan, of which only 36% has been utilised so far.

## Preschools

Pre schools lay the foundation for formal education. They typically cater to the age group of one to six years and may also offer PG, nursery, junior kindergarten and senior kindergarten classes. Rising urbanisation, increased proportion of women joining the workforce, rising aspirations for quality education for offspring and improved affordability are factors driving the strong growth in this segment. 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.

As per Census 2011, India has 159 million students in the one to six years age bracket. Within this, 74% are students in rural India, a market not addressable both from economic and scalability standpoints. Based on socio-economic indicators, we believe that of the remaining 26% (urban population), only 12% would be willing to pay for such services and hence are likely to be the target segment for preschools. Thus, the total preschool addressable market works out to 1.6 million students, which is 0.6% of India's total school-going population.

### Preschool addressable segment



(Source: RCML Research)

Preschools are a part of the non formal education in India. 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.

Various teaching methodologies followed by preschools in India:

**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.

### 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%). There is adequate government support to increase literacy levels across the country. This depicts immense opportunities in the sector.

**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 2010-11 to ₹ 13,307 million in 2015-16 i.e. 5 year CAGR of 21.0%.

### 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 37 cities and operates the largest number of self-operated preschools in India 240 preschools are managed by Tree House while 62 preschools are managed by franchisees.

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

Tree House has been ranked among the Top 10 Innovative Companies in India according to magazine fastcompany.com.

### 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.

#### Preschools to supplement the enrolments at K-12 schools:

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

#### Pursue strategic acquisitions and partnerships:

- Evaluate acquisition of existing preschools
- Enter into 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. 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 37 cities in India.

#### Tree House offerings

Tree House proffers 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 duration of one hour.

**Teacher training** - The three month course is offered to women only. The course comprises 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 Mathematics 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 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 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 sixth Annual Report of your Company together with the Audited Statement of Accounts and the Report of the Auditors' thereon for the financial year ended, March 31, 2012. The summarised financial results are as under:

### FINANCIAL RESULTS

Particulars	(₹ in Lakhs)	
	2011-2012	2010-2011
Gross Income	8,109	4,115
Profit before Depreciation & Tax	3,938	1,758
Depreciation	780	396
Net Profit Before Tax	3,158	1,362
Provision for Tax	992	443
Profit after Tax	2,166	919
Appropriations:		
Proposed dividend on equity shares	337	-
Tax on dividend	55	-
Balance carried to balance sheet	1775	919
Paid up share Capital	3,371	2,402
Reserves & Surplus	22,267	9,862

### REVIEW OF OPERATION

During the year under review, the Company has achieved an aggregate income of ₹ 8,109 Lakhs, which is an increase of 97.1% as compared to ₹ 4,115 Lakhs in the previous year. The profit after tax has increased to ₹ 2,166 Lakhs, which is an increase of 135.7% from ₹ 919 Lakhs in the previous year. Your Directors are continuously looking for avenues for future growth of the Company in the education sector and are geared up to grab any opportunities available.

During the year the Company opened 130 preschools, and now operates in 37 cities in all over India.

### DIVIDEND

Considering the good performance during the year 2011-12, your Directors have recommended a maiden dividend of ₹ 1/- per Equity Share of ₹ 10/- each (10%) for the year under review. The proposed dividend, if approved, shall be payable to the Shareholders and beneficial owners as per the details furnished by NSDL and CDSL, determined with reference to the book closure dates from July 31, 2012 to August 07, 2012 (both days inclusive).

### FIXED DEPOSITS

The Company has not accepted any public deposit and, as such, no amount of principal or interest on public deposits was outstanding as on the date of the Balance Sheet.

### SHARE CAPITAL

During the year under review, the Company has increased its Authorised Share Capital from ₹ 35,00,00,000/- (Rupees Thirty Five Crores Only) divided into 3,50,00,000 (Three Crores Fifty Lakhs) Equity Shares of ₹ 10/- each to ₹ 35,50,00,000/- (Rupees Thirty Five Crores Fifty Lakhs Only) divided into 3,55,00,000 (Three Crores Fifty Five Lakhs) Equity Shares of ₹ 10/- each.

During the year the Company entered the capital market with an Initial Public Offering (IPO) which opened on August 10, 2011, where the Company offered 84,32,189 Shares. The ₹ 10/- shares were offered at ₹ 135/- (discount of ₹ 6/- was offered to the retail investors). The issue was oversubscribed and the Company raised a total amount of ₹ 112 Crores. Before the IPO the Company also placed 12,64,154 equity shares as a Pre IPO Placement at a price of ₹ 150/- each to various investors.

The Shares of your Company were listed at Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) on August 26, 2011.

## DIRECTORS

The Board of Directors had appointed Mr. Jayant Sinha, as an Additional Director of the Company with effect from November 10, 2011. As an Additional Director, Mr. Jayant Sinha holds office till the date of the forthcoming Annual General Meeting. Accordingly, his candidature for appointment as a Director is included at Item No. 7 of the Notice.

In terms of the provisions of Section 255 and 256 of the Companies Act, 1956 (the "Act") and Articles of Association of the Company, Mr. Sanjaya Kulkarni and Mr. Parantap Dave 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

### I) Tree House Education ESOP 2010

During the year 2010-11 the Company granted 14,00,000 options to the employees on January 04, 2011 which are administered through the Treehouse Employees Welfare Trust ("Trust"). Under this plan, Company has allotted 14,00,000 equity shares to Trust.

Summary of TREEHOUSE ESOP 2010 (through trust route) as on March 31, 2012 is as follows:

Total no. of stock options available under the plan	14,00,000
Exercise price	₹ 71/- per option
Exercise period	upto 5 years
Total no. of stock options granted under the scheme	14,00,000
Stock options lapsed	Nil
Stock options vested but not exercised	13,25,000
Stock options exercised	Nil
Outstanding Stock options	14,00,000

### II) Treehouse ESOP 2012

During the year 2011-12, the Company has introduced another ESOP Plan viz. Tree House Employees Stock Option Plan - 2012 (Tree House ESOP 2012) on February 09, 2012 for a total of 4,00,000 Shares. Under this plan, the Company proposes to grant initially 4,00,000 options to the eligible employees after completion of appraisal process.

## 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 by time to time.

## AUDIT COMMITTEE

The Audit Committee of the Company presently comprises of three Directors viz. Mr. Sanjaya Kulkarni (Chairman), Mr. Rajesh Bhatia and Mr. Parantap Dave.

The Internal Auditors of the Company report directly to the Audit Committee. Brief descriptions of the terms of reference of the Audit Committee have been furnished in the Report on Corporate Governance.

## AUDITORS

M/s. Jogish Mehta & Co. Chartered Accountants and M/s. Walker Chandok & Co. Chartered Accountants, who are the Joint Statutory Auditors of the Company, will hold office, in accordance with the provisions of the Act upto the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment.

## 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, the Company has neither earned nor used any foreign exchange.

## CORPORATE GOVERNANCE

The Company is adhering to good corporate governance practices in every sphere of its operations. The Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as stipulated in Clause 49 of the Listing Agreements entered into with the Stock Exchanges, are complied with. A separate report on Corporate Governance is enclosed as a part of the Annual Report.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the financial year under review as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchanges is set out in a separate section forming part of the Annual Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 ("Act") the Directors hereby confirm that-

- in preparation of the Annual Accounts for the year 2011-2012 the applicable accounting standards have been followed and there are no material departures;

2. they have 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 of the Company for the financial year;
3. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. they have prepared the Annual Accounts for the financial year ended March 31, 2012 on a going concern basis.

### 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 and teachers at all levels, without whom 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

Sd/-

Rajesh Bhatia

Managing Director

Sd/-

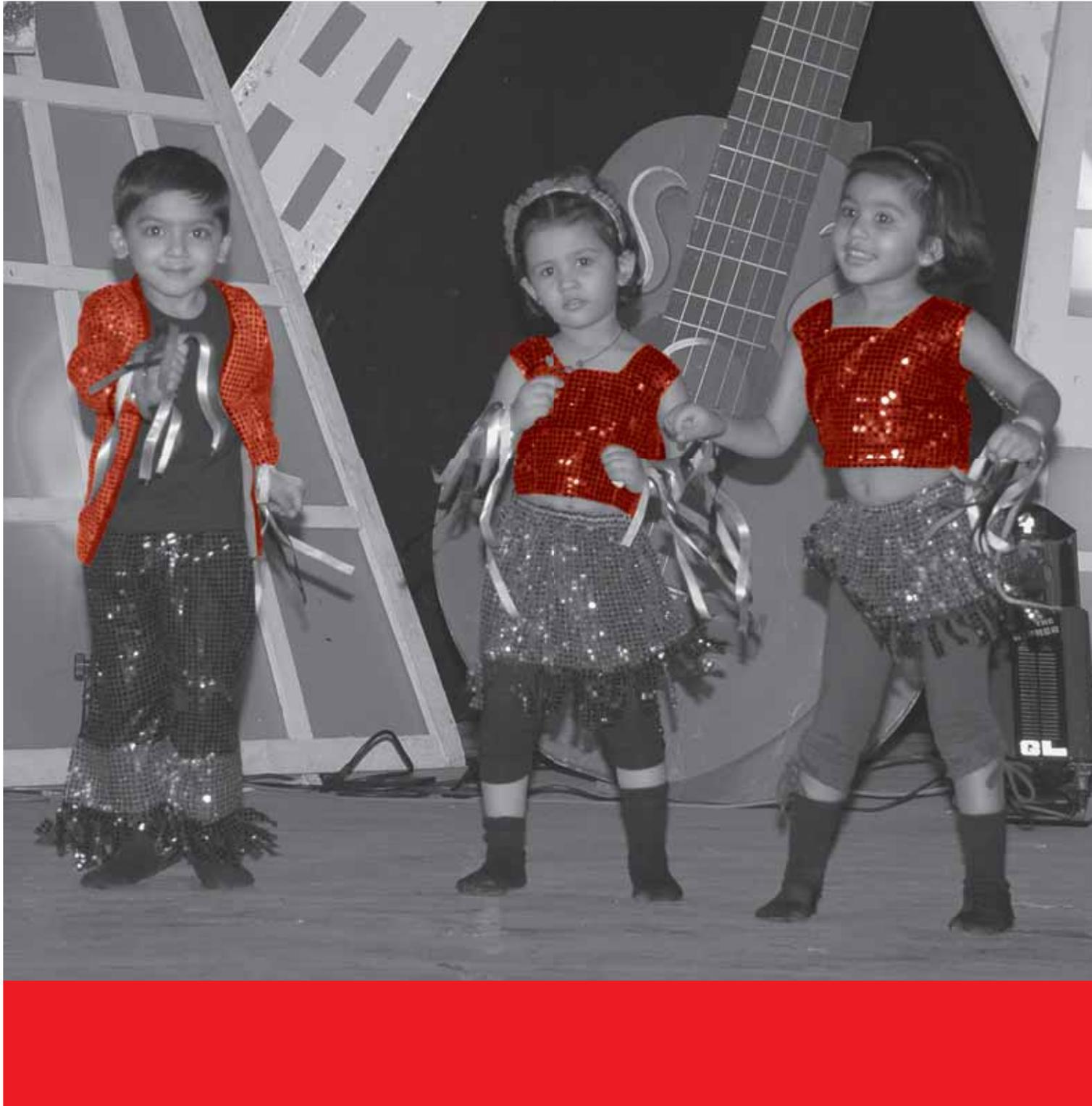
Vishal Shah

Director

Place: Mumbai

Date: May 29, 2012

# *Report On Corporate Governance*



Corporate governance is a systemic process by which our organisation is directed, administered, managed and controlled. It is a process to manage the business affairs of the Company towards enhancing business prosperity and accountability with the objective of realising long-term shareholder value, while taking into account the interests of the other stakeholders. In this dynamic environment, shareholders across the globe evince keen interest in the performance of the companies and thus good corporate governance is of paramount importance for companies seeking to distinguish themselves in the global footprint.

The equity shares of the Company are listed and admitted to dealings on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). Pursuant the provisions of the Clause 49 of the Listing Agreement, a report on Corporate Governance for the financial year ended March 31, 2012, is furnished below:

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company recognises that good governance practices originate from the philosophy and mindset of the organisation. The Company's philosophy on Corporate Governance envisages attainment of highest level of integrity, fairness, transparency, equity and accountability in all facets of its functioning and in its interactions with shareholders, employees, government, regulatory bodies, listeners and the community at large. The Company recognises that good Corporate Governance is a continuing exercise. The Company recognises good Corporate Governance practices as a key driver to sustainable growth and long term value creation and thus encourages timely and accurate dissemination of information to all their stakeholders.

In compliance with the regulatory requirements and effective implementation of corporate governance practices, the Company has adopted the Code of Conduct for Prevention of Insider Trading and regulating the dealings of the Directors and Employees of the Company possessing or likely to possess price sensitive information in the securities of the Company in accordance with the applicable Securities and Exchange Board of India regulations.

The Company is conscious of its responsibility as a good corporate citizen. The Company values transparency, professionalism and accountability.

## 2. BOARD OF DIRECTORS

### i) Composition of the Board of Directors and other Directorships and committee membership of the Directors:

The Company has a non-executive Chairman and the number of Independent Directors is 1/3 of the total number of Directors. As on March 31, 2012, the Company has 9 Directors on its Board, of which 3 Directors are independent. Since, the number of Non-Executive Directors (NEDs) is more than 1/3 of the total number of Directors, the Company is in compliance with the Clause 49 of the Listing Agreement pertaining to compositions of Directors.

The composition of the Board of Directors, their number of other directorship, attendance at Board Meetings (BM) and at the last Annual General Meeting (AGM) of the Company held during the financial year under review:

Name of Directors	Designation	Category	No. of other Directorships	Attendance at Board Meetings	Attendance at Last AGM
Mr. Sanjaya Kulkarni	Chairman	Non-Executive Independent	9	10	Yes
Mr. Rajesh Bhatia	Managing Director	Executive	4	10	Yes
Mrs. Geeta Bhatia	Director	Non Executive non Independent	4	9	Yes
Mr. Vishal Shah	Director	Executive	2	10	Yes
Mr. Parantap Dave	Director	Non-Executive Independent	6	8	Yes
Mr. T.S. Sarangpani	Director	Non-Executive Independent	Nil	5	No
Mr. Ashu Garg	Nominee Director	Non-Executive Independent	6	9	Yes
Mr. Rishi Navani	Nominee Director	Non-Executive Independent	3	10	Yes
Mr. Jayant Sinha	*Director	Additional Director	5	2	N.A.

\* Appointed as Additional Director in board meeting held on November 10, 2011

None of the Directors are related with each other (inter-se) within the meaning of Clause 49 IV (G) (ia) of the Listing Agreement except Mr. Rajesh Bhatia and Mrs. Geeta Bhatia who are related to each other as husband and wife.

None of the above referred Non-executive Directors have any material pecuniary relationship or transaction with the Company, which would affect the independence or judgment of the Board of Directors.

The Company has not entered into any materially significant transactions with its Promoters, Directors or their relatives or with the Management etc that may have potential conflict with the interest of the Company at Large.

None of the Directors on the Board are members of more than ten committees or chairman of more than five committees across all the companies in which they are directors. Necessary disclosures regarding the committee positions in other companies as on March 31, 2012 have been made by the Directors.

### Meetings of the Board of Directors:

The Board of Directors met ten times during the year under review on April 25, 2011, April 29, 2011, May 09, 2011, June 18, 2011, July 28, 2011, August 06, 2011, September 16, 2011, November 10, 2011, December 22, 2011 and February 09, 2012

### Information supplied to the Board:

The Board members are given agenda papers along with necessary documents and information in advance of each meeting of the Board and Committees. In addition to the regular business items, the following are regularly placed before the Board to the extent applicable.

- Quarterly and Half yearly results of the Company
  - Minutes of the Audit Committee and other Committee meetings
  - Details of Agreements entered into by the Company
  - Particulars of Non-Compliance of any statutory or Listing requirements
- ii) Declaration by the Managing Director under Clause 49(I)(D) of the Listing Agreement regarding adherence to the Code of Conduct is forming part of the Report on Corporate Governance.
- iii) In the preparation of the Annual Accounts, the applicable accounting standards have duly been followed and there are no material departures.

### Minutes of the Board Meeting

The minutes of the proceedings of every Board and Committee meetings are prepared and approved / initialed by the Chairman in next Meeting from the conclusion of the respective meeting.

## 3. AUDIT COMMITTEE

The Audit Committee of the Company is constituted in line with the composition provisions of clause 49 of the Listing Agreement entered into with the Stock Exchanges read with section 292 of the Companies Act, 1956.

### Terms of Reference:

The terms of reference of the Audit Committee include the following:

1. Review of the quarterly, half yearly and annual financial results of the Company before submission to the Board. ;
2. Overseeing the financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
3. Holding periodic discussions with statutory auditors and internal auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of auditors;
4. Making recommendations to the Board on any matter relating to the financial management of the Company, including the audit report;
5. Recommendations with respect to appointment and removal of statutory auditors, fixation of audit fees and also approval of fee for any other services by the auditors;

6. Investigating into any matter in relation to items specified in Section 292A of the Companies Act, 1956 or as may be referred to it by the Board and for this purpose to seek any relevant information contained in the records of the Company and also seek external professional advice, if necessary; and
7. Making recommendations to the Board on any matter relating to the financial management of the Company.

### Composition:

The Audit Committee of the Company comprises of three Directors viz. Mr. Sanjaya Kulkarni (Chairman), Mr. Rajesh Bhatia and Mr. Parantap Dave.

### Meetings of the Committee and Attendance during the year:

During the year, five Audit Committee meetings were held on May 09, 2011, September 16, 2011, November 10, 2011, December 22, 2011 and February 09, 2012

Meetings of the Audit Committee and Attendance of the Members during 2011-12	Meetings held	Meetings Attended
Mr. Sanjaya Kulkarni	5	5
Mr. Rajesh Bhatia	5	5
Mr. Parantap Dave	5	5

## 4. REMUNERATION COMMITTEE

### Terms of Reference:

The terms of reference of the Remuneration Committee include the following:

1. To look into the remuneration payable to the Managing Director, the Whole-time Directors and other Employees of the Company;
2. To determine and recommend to the Board of Directors the remuneration package of the Managing Director/Whole-Time Directors;
3. To approve in the event of loss or inadequate profits in any year the minimum remuneration payable to the Managing Director/Whole Time Directors within limits and subject to the parameters as prescribed in Schedule XIII of the Companies Act, 1956; and
4. To prepare and recommend various ESOP schemes to our Board.

### Composition:

The Remuneration Committee of the Company is constituted with three Directors, viz. Mr. Sanjaya Kulkarni (Chairman), Mrs. Geeta Bhatia and Mr. Parantap Dave.

### Meetings of the Committee and Attendance:

No meeting of Remuneration Committee was held during the year under consideration.

### Remuneration Policy:

The remuneration of Whole-time Directors is fixed by the Remuneration Committee as constituted above. The Non - Executive Directors are not paid any remuneration. The remuneration of Employees other than Whole - time Directors is approved by the Remuneration Committee based on recommendations made to it.

## Details of remuneration paid to Directors:

## (i) Executive Directors:

₹			
Name of Directors	Salary	Commission	Total
Mr. Rajesh Bhatia	35,99,995	-	35,99,995
Mr. Vishal Shah	16,00,000	-	16,00,000

## Note:

- Appointment, terms, conditions and payment of remuneration to the Managing Director is governed by the resolution(s) passed by the Remuneration Committee, Board of Directors and Members of the Company and approval from the Government of India, Ministry of Corporate Affairs, if necessary. The remuneration structure comprises salary, perquisites and allowance, etc.
- 13,00,000 options are granted to Mr. Vishal Shah, Director of the Company under "TREEHOUSE EMPLOYEES STOCK OPTION PLAN 2010"
- Mr. Rajesh Bhatia, Managing Director is holding 27,85,000 equity shares of the Company independently and 11,20,833 equity shares of the Company jointly with Mrs. Geeta Bhatia as on the date of this Report.
- Mr. Vishal Shah, Director of the Company is holding 2,22,100 equity shares of the Company as on the date of this Report.

## (ii) Details of sitting fees paid to the Non-Executive Directors for the financial year 2011 - 2012:

Name of non - executive Directors	Sitting Fees (in ₹)
Mrs. Geeta Bhatia	20,000
Mr. Sanjaya Kulkarni	30,500
Mr. Parantap Dave	30,500
Mr. T.S. Sarangpani	20,000

## (iii) Criteria for making payments to Non-Executive Directors:

Non-Executive Directors of the Company are paid sitting fees of ₹ 20,000/- (Rupees Twenty Thousand only) per Board Meeting, ₹ 8,000/- (Rupees Eight Thousand Only) per Audit Committee Meeting, ₹ 2,500/- (Rupees Two Thousand Five Hundred Only) per Investor's Grievance Committee Meeting and ₹ 2,500/- (Rupees Two Thousand Five Hundred Only) per Remuneration Committee Meeting during the financial year under review, subject to deduction of applicable taxes, levies etc., if any, for attending; the same is applicable from February 09, 2012.

Mr. Jayant Sinha, Mr. Rishi Navani and Mr. Ashu Garg are not paid any sitting fees.

## (iv) Number of shares and convertible instruments held by non-executive Directors as on the date of this Report, are as below:

Sr. No.	Name of Director	No. of equity shares held
1.	Mrs. Geeta Bhatia	60,25,000
2.	Mr. Sanjaya Kulkarni	64,235
3.	Mr. T.S. Sarangpani	50,000
4.	Mr. Parantap Dave	--
5.	Mr. Ashu Garg	--
6.	Mr. Rishi Navani	--
7.	Mr. Jayant Sinha	--

## 5. INVESTOR'S GRIEVANCE COMMITTEE

### Composition

The investor's Grievance Committee of the Company comprises of three Directors viz. Mr. Parantap Dave (Chairman), Mr. Sanjaya Kulkarni and Mrs. Geeta Bhatia.

### Terms of Reference:

The terms of reference of the Remuneration Committee include the following:

- To consider and approve requests for transfers, transmissions, dematerialisation/ rematerialisation and issue of fresh share certificates on replacement/sub-division/ consolidation, issue of duplicate share certificates on loss whether by theft, misplacement or otherwise;
- To review the status of dematerialisation of Company's shares and matters incidental thereto;
- To review and monitor the approval to the transfers and transmission made by any Director under executive authority delegated to him from time to time;
- To monitor the matters of litigation related to shareholders and take decisions relating thereto;
- To consider, review and monitor the matters related to the shareholders grievances, and to look into the redressing of shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non receipt of declared dividend, etc; and
- To deal with any other matters related and/or incidental to the shareholders.

The investor's complaints received by the Company during the financial year were attended to the satisfaction of the investors. The Company does not have any pending share transfers and investors complaints as on date of Director's Report.

### Meetings and attendance during the year:

During the financial year under review, the Investors' Grievances Committee met three times, i.e. on August 02, 2011; October 10, 2011; and January 10, 2012.

Meetings of the Investors Grievance Committee and Attendance of the Members during 2011-12	Meetings held	Meetings Attended
Mr. Parantap Dave	3	3
Mr. Sanjaya Kulkarni	3	3
Mrs. Geeta Bhatia	3	3

## 6. IPO COMMITTEE

### Composition:

The IPO Committee of the Company comprises of three Directors viz. Mr. Rajesh Bhatia (Chairman), Mr. Sanjaya Kulkarni and Mr. Parantap Dave

### Terms of Reference:

The IPO Committee had been constituted to decide the terms and conditions of the Issue, finalisation and filing of the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus with SEBI, the Stock Exchanges and other regulatory bodies as may be required, handling all matters relating to appointment of intermediaries and advisors in relation to the IPO, opening of bank accounts in terms of the escrow or custodian accounts, submitting applications and seeking listing of Equity Shares with the Stock Exchanges, finalising the price band and approving the basis for allocation and confirm allocation of the Equity Shares to various categories of persons, and do all acts and take all decisions as may be necessary for the purposes of the IPO and listing of the Equity Shares.

### Meetings and attendance during the year:

During the financial year under review, the IPO Committee met eight times, i.e. on June 18, 2011; August 02, 2011; August 06, 2011; August 09, 2011; August 11, 2011; August 13, 2011; August 18, 2011 and August 23, 2011.

Meetings of the IPO Committee and Attendance of the Members during 2011-12	Meetings held	Meetings Attended
Mr. Rajesh Bhatia	8	8
Mr. Sanjaya Kulkarni	8	8
Mr. Parantap Dave	8	8

## 7. GENERAL BODY MEETINGS

### i) Annual General Meetings:

Details of previous three Annual General Meetings:

Day	Date	Time	Venue
Wednesday	September 30, 2009	3.00 p.m.	702 'C', Morya House, Off New Link Road, Andheri (West), Mumbai - 400 053
Thursday	September 30, 2010	3.00 p.m.	702 'C', Morya House, Off New Link Road, Andheri (West), Mumbai - 400 053
Monday	May 09, 2011	6.30 p.m.	301, Embassy Chambers, 3rd Road, Khar (West), Mumbai - 400 052

### ii) Special Resolution passed through Postal Ballot:

During the financial year under review, in pursuance of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, a Special Resolution was passed on Thursday, February 02, 2012, by the Members of the Company through Postal Ballot voting process, for the following purpose:

- a) Increase in authorised share capital of the Company from ₹ 35 Crores to ₹ 35.50 Crores;
- b) Approval from members for adoption of new Employees Stock Option Plan; and
- c) Amendment in utilisation of IPO Proceeds.

Whilst the said resolution was not mandatorily required to be passed through General Meeting process, the Company, in order to facilitate wider participation in the approval process by the Members residing at different Locations, conducted a Postal Ballot voting process for obtaining approval of the Members of the Company.

### iii) Person who conducted the postal ballot exercise:

Mr. Upendra Shukla, Practicing Company Secretary was appointed as the Scrutiniser by the Board of Directors at their meeting held on December 22, 2011, for receiving and scrutinising the Ballot Papers from the Members and for conducting Postal Ballot exercise in a fair and transparent manner. Mr. Shukla carried out the scrutiny of all the Ballot Papers received upto the close of working hours on Saturday, January 28, 2012 and accordingly submitted his report to the Chairman on Thursday February 02, 2012.

### iv) Procedure followed:

The Company has duly complied with the requirements of Postal Ballot and followed the procedure as stipulated under the provisions of Section 192A and other applicable provisions of the

Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001:

- The Postal Ballot Notice along with accompanying documents were sent to all the Members of the Company whose names appeared on the Register of Members/ List of beneficiaries as on the date of dispatch of aforesaid Notice, being Thursday, December 29, 2011.
- Notice was given in the newspapers pursuant to Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, regarding completion of dispatch of the aforesaid Notice.
- A calendar of events along with Board Resolution was submitted to the Registrar of Companies, Ministry of Corporate Affairs, Maharashtra, Mumbai.
- The Members were requested to send the duly completed Postal Ballot Form with the assent (for) or dissent (against), in the attached pre-paid self addressed envelope, so as to reach the Scrutiniser not later than the close of the working hours on Saturday, January 28, 2012.
- The Scrutiniser carried out the scrutiny of all the Ballot Papers received from the Members upto the close of the working hours on Saturday, January 28, 2012 and thereafter submitted his report to the Chairman on Thursday, February 02, 2012.
- The Chairman of the Company declared the results of the Postal Ballot on Thursday, February 02, 2012.

### v) Details of voting pattern:

Summary of voting statistics is as below:

Particulars		Number of postal ballot forms	Number of Shares
a)	Total postal ballot forms received	128	2,95,02,621
b)	Less: Invalid postal ballot forms (as per the register)	12	6,70,718
c)	Net valid postal ballot forms (as per the register)	116	2,88,31,903

	Resolution 1			Resolution 2			Resolution 3		
	No. of Ballots	No. of votes / shares	% of votes	No. of Ballots	No. of votes / shares	% of votes	No. of Ballots	No. of votes / shares	% of votes
Assent	115	2,88,31,863	97.73	113	2,88,31,528	97.73	115	2,88,31,863	97.73
Dissent	1	40	00.00	3	375	00.00	1	40	00.00
Rejected	12	6,70,718	02.27	12	6,70,718	02.27	12	6,70,718	02.27
TOTAL	128	2,95,02,621	100.00	128	2,95,02,621	100.00	128	2,95,02,621	100.00

vi) Whether any special resolution is proposed to be conducted through postal ballot: NO

## 8. DISCLOSURES

No transaction of material nature has been entered into by the Company with Directors or management and their relatives etc. that may be a potential conflict with the interests of the Company. The Register of contracts containing transactions in which Directors are interested is placed before the Board regularly.

There has not been any instance of non-compliance by the Company on any matter related to capital markets. Hence the question of penalties or structures being imposed by SEBI or Stock Exchanges does not arise.

The Company is in compliance with all the mandatory requirements of Corporate Governance and has fulfilled all the requirements as prescribed in Annexure 1D of the revised Clause 49 of the Listing Agreement with Stock Exchanges.

The Company has followed the Accounting Standards as notified by the Companies (Accounting Standards) Rules, 2006, to the extent applicable, in the preparation of Financial Statements.

The Company has laid down procedures to inform Board members about the risk assessment and minimisation procedures. These procedures are periodically reviewed to ensure that executive management control risks through means of a properly defined framework.

The Company has adopted the Code of Conduct applicable to all Directors, senior management and employees. The declaration as required under Clause 49 is as below:

"All the Director and Senior Management of the Company have affirmed compliance with the Company's Code of Conduct for the financial year ended March 31, 2012"

## 9. MEANS OF COMMUNICATION

### i) Quarterly/ Half yearly/ Annual results:

Quarterly/ Half yearly/Annual results are regularly submitted to the Stock Exchanges where the shares of the Company are listed pursuant to the provisions of Listing Agreement and are published in the newspapers. The Company has also displayed the results as specified under Clause 41 of the Listing Agreement on the Company's website i.e. [www.treehouseplaygroup.net](http://www.treehouseplaygroup.net).

### ii) Newspapers wherein results are normally published:

Economics Times and Free Press Journal (English daily news papers) and Nav Shakti (Marathi regional Language news paper).

### iii) Any Website, where displayed:

[www.treehouseplaygroup.net](http://www.treehouseplaygroup.net)

### iv) Whether Website also displays official news releases:

Yes, at the Company's website i.e. [www.treehouseplaygroup.net](http://www.treehouseplaygroup.net)

### v) Whether presentations made to institutional investors or to the analysts: No

## 10. GENERAL SHAREHOLDERS INFORMATION

1.	6th Annual General Meeting Schedule Date, Day and time Venue	:	Tuesday, August 07, 2012 at 10.30 a.m. Mayor Hall, All India Institute of Local Self Government, Sthanikraj Bhavan, C.D. Barfiwala Marg, Juhu Lane, Andheri (W), Mumbai - 400 058
2.	Financial year	:	April 01, 2011, to March 31, 2012
3.	Dates of Book Closure (period)	:	July 31, 2012 to August 07, 2012
4.	Dividend Payment Date	:	August 08, 2012 onward
5.	Listing at Stock Exchanges	:	Bombay Stock Exchange Limited (BSE) National Stock Exchange of India Limited (NSE)
6.	The Listing Fees	:	The Company has paid the annual listing fees to Stock Exchanges for the year 2011-2012, as applicable
7.	Stock Code	:	TREEHOUSE on NSE 533540 on BSE
8.	ISIN no.	:	INE040M01013
9.	CIN No.	:	U80101MH2006PLC163028
10.	Market Price Data	:	High, Low during each month in last financial year*

The performance of the Equity Shares of the Company on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE) depicting the liquidity of the Company's Equity Shares for the financial year ended March 31, 2012, on the said exchanges, is given hereunder:-

#### Stock Market data - BSE

Month	Open (₹)	High (₹)	Low (₹)	Close (₹)	No. of Shares	Turnover (in Lakhs)
Aug-11	132.80	161.50	104.15	127.10	28,514,848	3,864.94
Sep-11	127.40	183.65	110.50	151.60	19,057,996	3,072.06
Oct-11	152.00	205.00	149.70	196.80	4,669,038	825.66
Nov-11	194.60	211.80	146.00	173.50	1,846,067	346.37
Dec-11	181.00	184.75	140.05	163.55	688,574	114.15
Jan-12	162.65	230.00	161.10	214.15	1,449,949	301.60
Feb-12	215.95	240.70	193.30	209.65	798,501	179.34
Mar-12	206.10	218.05	194.60	212.20	746,778	153.80

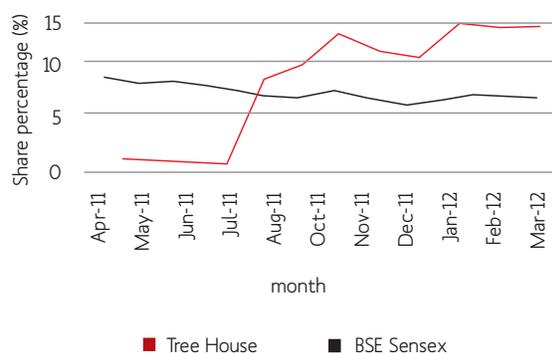
#### Stock Market data - NSE

Month	Open (₹)	High (₹)	Low (₹)	Close (₹)	No. of Shares	Turnover (in Lakhs)
Aug-11	125.00	131.50	122.60	127.25	3,891,529	4951.83
Sep-11	166.25	167.90	135.60	151.85	520,704	828.98
Oct-11	199.85	199.85	195.20	196.55	67,594	133.61
Nov-11	175.00	178.95	172.60	174.05	17,876	31.20
Dec-11	163.60	165.00	159.85	163.25	21,454	35.01
Jan-12	204.00	215.75	204.00	213.70	74,366	156.92
Feb-12	212.20	218.80	207.00	208.80	23,854	50.56
Mar-12	201.95	214.80	198.25	210.75	42,001	87.01

\* (Source: This information is compiled from the data available from the website of BSE and NSE)

#### 11. Performance Comparison :

Performance of Tree House Share Price in comparison to BSE Sensex



12. Registrar & Share Transfer Agent : Link Intime India Private Limited, C-13, Pannalal Silk Mill Comprnd.,Bhandup (West), Mumbai - 400 078
13. Share Transfer Process : The Company's shares are traded in Demat form at the Stock Exchanges. Only off - market trades can be delivered in physical form. All shares received for transfer etc. are processed and returned to the shareholders within 21 days of receipt of lodgment.

14. Distribution of Shareholding : (As on 31.03.2012)

Category / No. of Shares	Number of holders	% of total holders	Number of shares	% of total shares
Upto 5000	2156	81.42	240,813	0.71
5001 - 10000	207	7.82	147,700	0.44
10001 - 20000	85	3.21	127,695	0.38
20001 - 30000	43	1.62	108,540	0.32
30001 - 40000	23	0.87	80,249	0.24
40001 - 50000	14	0.53	65,817	0.20
50001 - 100000	37	1.40	269,540	0.80
Above 100001	83	3.13	32,674,916	96.91
<b>TOTAL</b>	<b>2648</b>	<b>100</b>	<b>33,715,270</b>	<b>100</b>

Shareholding pattern of the Company (as on March 31, 2012):

Statement showing Shareholding Pattern as on March 31, 2012

Name of the Company: Tree House Education & Accessories Limited

Scrip Code: BSE Scrip Code: 533540/ Symbol: TREEHOUSE

Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Total shareholding as a percentage of total number of share
(A)	Shareholding of Promoter and Promoter Group			
1	Indian			
(a)	Individuals/ Hindu Undivided family	4	99,78,733	29.60
(b)	Central Government/ State Government(s)	-	-	-
(c)	Bodies Corporate	-	-	-
(d)	Financial Institutions/ Banks	-	-	-
(e)	Any Others(Specify)	-	-	-
	Sub Total(A)(1)	4	99,78,733	29.60
2	Foreign			
(a)	Individuals (Non-Residents Individuals/ Foreign Individuals)	-	-	-
(b)	Bodies Corporate	-	-	-
(c)	Institutions	-	-	-
(d)	Any Others(Specify)	-	-	-
	Sub Total (A) (2)	-	-	-
	Total Shareholding of Promoter and Promoter Group (A)= (A) (1)+(A)(2)	4	99,78,733	29.60

Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Total shareholding as a percentage of total number of share
(B)	Public shareholding			
1	Institutions			
(a)	Mutual Funds/ UTI	9	24,59,933	7.30
(b)	Financial Institutions / Banks	-	-	-
(c)	Central Government/ State Government(s)	-	-	-
(d)	Venture Capital Funds	-	-	-
(e)	Insurance Companies	-	-	-
(f)	Foreign Institutional Investors	2	8,62,802	2.56
(g)	Foreign Venture Capital Investors	-	-	-
(h)	Any Other (specify)	-	-	-
	Sub-Total (B)(1)	11	33,22,735	9.86
B 2	Non-institutions			
(a)	Bodies Corporate	159	24,80,044	7.36
(b)	Individuals			
I	Individuals - Individual shareholders holding nominal share capital up to ₹ 1 Lakh	2305	8,43,893	2.50
II	Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh.	35	23,69,109	7.03
(c)	Any Other (specify)			0.00
(c-i)	Clearing member	65	2,54,157	0.75
(c-ii)	Market Maker	-	-	-
(c-iii)	Office Bearers	-	-	-
(c-iv)	Foreign Nationals	-	-	-
(c-v)	Non Resident Indians (Repat)	40	51,609	0.15
(c-vi)	Non Resident Indians (Non Repat)	24	15,242	0.05
(c-vii)	Foreign Companies / FV CI	4	1,29,99,748	38.56
(c-viii)	Trust	1	14,00,000	4.15
	Sub-Total (B)(2)	2633	2,04,13,802	60.55
(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	2644	2,37,36,537	70.40
	TOTAL (A)+(B)	2648	3,37,15,270	100
(C)	Shares held by Custodians and against which Depository Receipts have been issued			
	GRAND TOTAL (A)+(B)+(C)	2648	3,37,15,270	100

15. Category wise Shareholding as at March 31, 2012

Category	Number of Equity Shares held	% of Shareholding
Promoters	99,78,733	29.60
Corporate Bodies	24,80,044	7.36
Overseas Corporate Bodies	-	-
Public	2,12,56,493	63.04
<b>TOTAL</b>	<b>3,37,15,270</b>	<b>100</b>

16. Dematerialisation of Shares : The Company has entered into separate Tripartite Agreement with the Depositories viz. NSDL and CDSL along with M/s Link Intime India Private Limited as Registrar and Share Transfer Agents. As on March 31, 2012, a total of 3,27,84,446 shares i.e. about 97.24% of the total listed shares have been dematerialised.
17. Outstanding Bonds / Convertible Instruments : NIL
18. Address for Communication and Registered Office : 702 'C', Morya House, Off New Link Road, Andheri (west), Mumbai - 400 053  
Tel: 022 - 6456 2306  
Fax: 022 - 2673 6905  
Email: compliance@treehouseplaygroup.net

For and on behalf of the Board

Place: Mumbai  
Date: May 29, 2012

Sd/-  
Rajesh Bhatia  
Managing Director

*Declaration Under Clause 49(I)(D) of The Listing Agreement  
Regarding Adherence to The Code of Conduct*

Date: 29.05.2012

I, Mr. Rajesh Bhatia, Managing Director of Tree House Education & Accessories Limited, hereby affirmed and declare, to the best of our knowledge and belief, and on behalf of the Board of Directors of the Company and senior management personnel, that:

- The Board of Directors has laid down a code of conduct for all Board members and Senior Management of the Company ('the Code of Conduct'); and
- All the Directors and Senior Management personnel have affirmed their compliance and adherence with the provisions of the Code of Conduct for the financial year ended March 31, 2012 applicable to them as laid down by the Board of Directors in terms of Clause 49(1) (D) (ii) of the Listing Agreement entered into with the Stock Exchanges, for the year ended March 31, 2012

For Tree House Education & Accessories Limited

Sd/-

Mr. Rajesh Bhatia

Managing Director

Place: Mumbai

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### *Auditor's Report on Corporate Governance*

To the Members of

Tree House Education & Accessories Limited

We have examined the compliance of conditions of corporate governance by Tree House Education & Accessories Limited ("the Company") for the year ended March 31, 2012, as stipulated in clause 49 of the Listing Agreement of the Company with the stock exchanges.

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

Based on the aforesaid examination, in our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement. We have to state that the records of investor grievances are maintained by the Registrar and Transfer Agents appointed by the Company. The Registrar and Transfer Agents have certified that during the year under review there were no investor grievances pending/unattended to for more than 30 days.

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

For Jogish Mehta & Co.  
Chartered Accountants

Sd/-  
Jogish N. Mehta.

Proprietor.

Membership No. F/38974

Firm Registration Number : 104326W

Place : Paris, France

Dated : May 29, 2012

# 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 (the 'Company'), as at March 31, 2012, and also the Statement of Profit and Loss 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 branches not visited by us;
- (c) The financial statements dealt with by this report are in agreement with the books of account and with the returns received from the branches not visited by us;
- (d) On the basis of written representations received from the directors, as at March 31, 2012 and taken on record by the Board of Directors, none of the directors is disqualified as at March 31, 2012 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 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, 2012;
  - (ii) the Statement of Profit and Loss, 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, Chandio & Co.  
Chartered Accountants  
Firm Registration No.001076N

per Khushroo B. Panthaky  
Partner  
Membership No. F-42423

Place: Mumbai  
Date : May 29, 2012

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

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

Place: Paris, France  
Date : May 29, 2012

## Annexure to Auditors' Report

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 management has conducted physical verification of inventory at reasonable intervals during the year.
- (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 4(iii)(d) of the Order are not applicable.
- (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
- (iv) In our opinion, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets. *However there is a scope for considerable improvement in so far as internal control system for sale of goods and services is concerned.* In our opinion, there is no continuing failure to correct major weaknesses in such internal control systems.
- (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) In our opinion, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (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) The Company has an internal audit system, *the scope and coverage of which, in our opinion, requires to be further enhanced to be 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 Company's products/ services. 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 generally been regularly deposited with the appropriate authorities, though there has been a *slight delay in a few 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, wealth tax, service tax, customs duty, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.
- (x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to any bank or financial institution during the year. The Company did not have any outstanding debentures 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) 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 or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.
- (xvi) In our opinion, the Company has applied the term loans for the purpose for which these loans were obtained.
- (xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.
- (xviii) During the year, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (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) We have verified that the end use of money raised by public issue is as disclosed in the notes to the financial statements.
- (xxi) In our opinion, no fraud on or by the Company has been noticed or reported during the period covered by our audit.

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

per Khushroo B. Panthaky  
Partner  
Membership No. F-42423

Place: Mumbai  
Date : May 29, 2012

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

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

Place: Paris, France  
Date : May 29, 2012

# Balance Sheet

as at March 31, 2012

	Note No	As at March 31, 2012	As at March 31, 2011
₹			
<b>I Equity and Liabilities</b>			
<i>Shareholders' Funds</i>			
1. Share Capital	2.1	337,152,700	240,189,270
2. Reserves and Surplus	2.2	2,226,746,316	986,263,667
<i>Non-Current Liabilities</i>			
1. Deferred tax liabilities (Net)	2.3	32,845,175	18,163,221
2. Other long-term liabilities	2.4	1,000,000	-
3. Long-term provisions	2.5	2,705,956	1,166,307
<i>Current Liabilities</i>			
1. Short-term borrowings	2.6	513,969,496	476,218,704
2. Trade payables	2.7	29,808,654	25,480,773
3. Other current liabilities	2.8	153,064,502	103,866,541
4. Short-term provisions	2.9	68,075,982	7,075,709
<b>Total</b>		<b>3,365,368,781</b>	<b>1,858,424,192</b>
<b>II Assets</b>			
<i>Non-current assets</i>			
1. Fixed assets			
a. Tangible assets	2.10	1,135,916,534	383,198,260
b. Intangible assets	2.10	234,816,701	240,188,508
c. Capital work-in-progress		141,474,033	205,000,781
d. Intangible assets under development	2.11	53,940,942	313,065,475
2. Non-current investments	2.12	61,741,500	26,491,500
3. Long-term loans and advances	2.13	848,757,840	335,318,455
<i>Current assets</i>			
1. Current investments	2.14		
	2.15	250,000,000	-
2. Inventories	2.16	36,531,263	14,652,369
3. Trade receivables	2.17	58,090,474	17,726,238
4. Cash and bank balances	2.18	476,886,073	288,745,525
5. Short-term loans and advances	2.19	52,061,301	19,293,688
6. Other current assets		15,152,120	14,743,393
<b>Total</b>		<b>3,365,368,781</b>	<b>1,858,424,192</b>
The Notes are an integral part of these financial statements			

This is the Balance Sheet referred to in our report of even date.

For and on behalf of the Board of Directors

For Walker, Chandok & Co.  
Chartered Accountants

per Khushroo B. Panthaky  
Partner

Place: Mumbai  
Date : May 29, 2012

For Jogish Mehta & Co.  
Chartered Accountants

per Jogish N. Mehta  
Proprietor

Place: Paris, France  
Date : May 29, 2012

Chairman

Managing Director

Director

Company Secretary

Place: Mumbai

Date : May 29, 2012

# Statement of Profit and Loss

for the year ended March 31, 2012

₹

	Note No	Year ended March 31, 2012	Year ended March 31, 2011
<b>I Revenue</b>			
1. Revenue from operations	2.21	772,102,328	392,383,372
2. Other income	2.22	38,780,193	19,141,384
<b>Total Revenue</b>		<b>810,882,521</b>	<b>411,524,756</b>
<b>II Expenses</b>			
1. Operating expenses	2.23	188,201,521	104,992,385
2. Employee benefit expenses	2.24	96,243,918	49,142,201
3. Finance costs	2.26	65,028,406	12,514,682
4. Depreciation and amortisation expense	2.10	77,989,405	39,624,905
5. Other expenses	2.25	67,549,189	68,995,392
<b>Total Expenses</b>		<b>495,012,439</b>	<b>275,269,565</b>
<b>III Profit before tax</b>		<b>315,870,082</b>	<b>136,255,191</b>
Tax expense:			
- Current tax		80,250,000	29,900,000
- Deferred tax		14,681,954	14,405,983
- Short provision of earlier years		4,292,260	-
<b>IV Net profit</b>		<b>216,645,868</b>	<b>91,949,208</b>
Earnings per equity share:			
Basic	2.30	7.17	4.09
Diluted		7.17	4.09
The Notes are an integral part of these financial statements			

This is the statement of Profit and Loss referred to in our report of even date

For Walker, Chandio & Co.  
Chartered Accountants

per Khushroo B. Panthaky  
Partner

Place: Mumbai  
Date : May 29, 2012

For Jogish Mehta & Co.  
Chartered Accountants

per Jogish N. Mehta  
Proprietor

Place: Paris, France  
Date : May 29, 2012

For and on behalf of the Board of Directors

Chairman

Managing Director

Director

Company Secretary

Place: Mumbai  
Date : May 29, 2012

# Cash Flow Statement

for the year ended March 31, 2012

	₹	
	Year ended March 31, 2012	Year ended March 31, 2011
<b>A Cash flows from operating activities</b>		
Profit before tax	315,870,082	136,255,191
Adjustments for:		
Depreciation / amortisation	77,989,405	39,624,905
Fixed assets written off	54,472	1,249,031
Finance charges	65,028,406	12,514,682
Net gain on sale of fixed assets	(1,844,484)	-
Interest on fixed deposits	(22,195,720)	(19,052,931)
Dividend income	(14,142,845)	(195)
Operating profit before working capital changes	420,759,316	170,590,683
Adjustments for:		
(Increase) in inventories	(21,878,894)	(11,690,413)
Deposits given to K-12 Schools	(201,840,000)	-
(Increase)/ Decrease in Trade Receivables	(40,364,236)	51,760,324
(Increase)/ Decrease in Loans and advances	(83,728,283)	(159,699,356)
Increase in liabilities and provisions	56,390,964	87,276,227
Cash generated from operations	129,338,867	138,237,465
Income tax paid	(65,357,380)	(31,594,814)
Net cash generated from operating activities	63,981,487	106,642,651
<b>B Cash flow from investing activities</b>		
Purchase of fixed assets (including capital work in progress and capital advances)	(819,331,353)	(345,015,164)
Proceeds from Sale of Fixed Assets	66,509,000	-
Payment made for acquiring Business Commercial Rights	(8,710,942)	(348,957,323)
Purchase of investments	(285,250,000)	(16,345,000)
Interest received	21,786,993	8,690,704
Dividend received	14,142,845	195
Net cash used in investing activities	(1,010,853,457)	(701,626,588)

	₹	
	Year ended March 31, 2012	Year ended March 31, 2011
<b>C Cash flow from financing activities</b>		
Proceeds from issue of shares including securities premium	1,310,261,019	516,873,266
Share issue expenses	(150,276,078)	(80,065,377)
Repayment of term loan	-	(50,000,000)
Proceeds from working capital loan (net)	37,750,792	406,565,959
Repayment of unsecured loan	-	(351,569)
Interest paid	(62,723,215)	(12,737,285)
Net cash provided by financing activities	1,135,012,518	780,284,994
Net increase in cash and cash equivalents during the year	188,140,548	185,301,057
Cash and cash equivalents as at the beginning of the year	288,745,525	103,444,468
Cash and cash equivalents as at the end of the year	476,886,073	288,745,525
Cash and cash equivalents as at year end constitutes:		
Cash on hand	1,873,597	1,315,204
Balance in current accounts with banks	31,258,588	17,430,320
Fixed deposits with banks (refer Note 2 & 3 below)	443,753,888	270,000,001
	476,886,073	288,745,525

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 under the Companies Act, 1956.
2. Cash and cash equivalents above includes fixed deposits of ₹ 409,030,556 (previous year ₹ 270,000,001) placed with a bank against working capital loan obtained from them.
3. Cash and cash equivalents above includes fixed deposits of ₹ 7,223,332 (previous year ₹ Nil) placed with a bank against which the bank has given a guarantee.

This is the Cash Flow Statement referred to in our report of even date

For Walker, Chandio & Co.  
Chartered Accountants

per Khushroo B. Panthaky  
Partner

Place: Mumbai  
Date : May 29, 2012

For Jogish Mehta & Co.  
Chartered Accountants

per Jogish N. Mehta  
Proprietor

Place: Paris, France  
Date : May 29, 2012

For and on behalf of the Board of Directors

Chairman

Managing Director

Director

Company Secretary

Place: Mumbai

Date : May 29, 2012

# Notes to the Financial Statements

for the year ended March 31, 2012

## General Information

Treehouse Education & Accessories Limited (the 'Company') 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.

## 1. Significant Accounting Policies

### 1.1 Basis of preparation:

The financial statements have been prepared under historical cost convention on the accrual basis of accounting and, are in accordance with generally accepted accounting principles (GAAP), 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.

All assets and liabilities have been classified as current and non-current as per normal operating cycle of the Company and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on nature of products / services, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

### 1.2 Use of estimates:

The preparation of financial statements in conformity with 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 including intangibles, 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.

### 1.3 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.

### 1.4 Fixed assets, depreciation and amortisation

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.

Assets acquired but not ready for use are classified under Capital work in progress.

Depreciation and amortisation 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. Leasehold 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.

### 1.5 Intangibles

- Cost incurred for acquiring brands are capitalised and amortised on a straight-line basis over a period of not more than ten years, being the estimated useful life.
- Goodwill arising from acquisition of business is amortised over the expected useful life, not exceeding ten years.
- Business Commercial Rights i.e. "School facilitation service rights" acquired from various Trusts/Societies are capitalised and amortised on a straight line basis over the agreement period.

### 1.6 Impairment of Assets

The carrying amount of assets, other than inventories is reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the assets is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use determined based on the present value of estimated future cash flows. All impairment losses are recognised in the Statement of Profit and Loss.

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.

### 1.7 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 fees for consultancy services rendered to franchisee for setting up of its operations, the rendering of service generally coincides with signing of the franchisee service agreement.

**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 despatch/delivery to the customer.

**Dividend**

Dividend income is recognised when the right to receive payment is established.

**1.8 Inventories**

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

**1.9 Investments**

Investments that are readily realisable 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.

**1.10 Expenditure during construction period**

Expenditure directly relating to construction activity of a new centre is capitalised. Indirect expenditure incurred during construction period is capitalised as part of indirect construction cost to the extent it directly relates to construction or is incidental thereto. Other indirect expenditure incurred during the construction activity is charged to Statement of Profit and Loss.

**1.11 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.

**1.12 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.

**1.13 Leases****Where the Company is the lessee**

Leases where the lessor effectively retains substantially all the risks and rewards 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 Statement of Profit and Loss 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 Statement of Profit and Loss on a straight-line basis over the lease term. Expenses, including depreciation are recognised as an expense in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage, etc. are recognised immediately in the Statement of Profit and Loss.

**1.14 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.

**1.15 Employee benefits****Provident fund:**

Company's contributions paid / payable to provident fund authorities are recognised in the Statement of Profit and Loss 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 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 Statement of Profit and Loss in the year in which such gains or losses arise.

**Compensated absences**

The employees of the Company are entitled to compensated absences which are non-accumulating in nature. Expenses on non-accumulating compensated absences are recognised in the year in which the absence occurs.

# Notes to the Financial Statements

for the year ended March 31, 2012

## 1.16 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 Act. In case of insufficient balances in the Securities Premium Account, unadjusted share issue expenses are amortised over a period of 5 years. In case there arises a securities premium balance subsequently, unadjusted share issue expenses would not be amortised but will be adjusted against the Securities Premium Account.

## 1.17 Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effect of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities are segregated.

## 1.18 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.

## 2. Notes on Accounts for the year ended March 31, 2012

The previous year's figures have been regrouped / reclassified, where ever necessary to conform to the current year's presentation.

Amounts in the notes are presented in Indian Rupees (INR), except otherwise stated.

## 2.1 Share Capital

Particulars	₹	
	As at March 31, 2012	As at March 31, 2011
<b>Equity Share Capital</b>		
Authorised share capital (35,500,000 (previous year: 35,000,000) equity shares of ₹ 10 each)	355,000,000	350,000,000
Issued, subscribed and fully paid up equity share capital (33,715,270 (previous year: 24,018,927) equity shares of ₹ 10 each fully paid up)	337,152,700	240,189,270
<b>Total</b>	<b>337,152,700</b>	<b>240,189,270</b>
The Company has only one class of shares referred to as equity shares having par value of ₹ 10. Each holder of equity share is entitled to one vote per share.		

## Reconciliation of the number of shares outstanding

Particulars	₹	
	As at March 31, 2012	As at March 31, 2011
Number of shares at the beginning	24,018,927	17,416,667
Add: Shares issued during the year	9,696,343	6,602,260
Number of shares at the end	<b>33,715,270</b>	<b>24,018,927</b>

During the year, the Company has issued and allotted the shares as detailed below:

- 280,000 equity shares of ₹ 10 each for cash consideration at a premium of ₹ 140 per share to Matrix Partners India Investment Holdings, LLC.
- 93,333 equity shares of ₹ 10 each for cash consideration at a premium of ₹ 140 per share to FC V1 India Venture Mauritius Limited.
- 890,821 equity shares of ₹ 10 each for cash consideration at a premium of ₹ 140 per share to On Mauritius.
- 8,432,189 equity shares of ₹ 10 each for cash consideration at a premium of ₹ 125 per share (with discount of ₹ 6 per share to retail investors) during the initial public offering.

## Number of shares held by each shareholder holding more than 5 percent of the total shares outstanding

Name of Shareholder	As at March 31, 2012		As at March 31, 2011	
	No. of shares	% of holding	No. of shares	% of holding
Matrix Partners India Investment Holdings, LLC	9,010,926	26.73	8,730,926	36.35
Geeta Bhatia	6,025,000	17.87	6,025,000	25.08
FC VI India Venture Mauritius Limited	2,898,001	8.60	2,804,668	11.68
Rajesh Bhatia	2,785,000	8.26	2,785,000	11.59
Rajesh Bhatia and Geeta Bhatia	1,120,833	3.32	1,120,833	4.67

**2.2 Reserves and Surplus**

Particulars	₹	
	As at March 31, 2012	As at March 31, 2011
<b>Securities Premium Account</b>		
Balance at the beginning of the year	870,002,035	416,690,023
Add: Addition during the year	1,213,297,589	533,377,389
Less: Share issue expenses	150,276,078	80,065,377
Balance at the close of the year (A)	1,933,023,546	870,002,035
<b>Surplus in Statement of Profit and Loss</b>		
Balance at the beginning of the year	116,261,632	24,312,424
Add : Transferred from Statement of Profit and Loss	216,645,868	91,949,208
	332,907,500	116,261,632
Less: Appropriation		
Proposed dividend on equity shares (Dividend per share - Re.1)	33,715,270	-
Tax on dividend	5,469,460	-
Balance at the end of the year (B)	293,722,770	116,261,632
<b>Total (A+B)</b>	<b>2,226,746,316</b>	<b>986,263,667</b>

**2.3 Deferred Taxes**

Particulars	₹	
	As at March 31, 2012	As at March 31, 2011
<b>Deferred tax liability on:</b>		
Depreciation and amortisation	29,879,643	16,990,077
Provision for rent equalisation (net)	3,843,479	1,551,552
<b>Deferred tax assets on:</b>		
Provision for gratuity	877,947	378,408
<b>Deferred tax liability (net)</b>	<b>32,845,175</b>	<b>18,163,221</b>

**2.4 Other Long-term Liabilities**

Particulars	₹	
	As at March 31, 2012	As at March 31, 2011
Security Deposit Received	1,000,000	-
<b>Total</b>	<b>1,000,000</b>	<b>-</b>

# Notes to the Financial Statements

for the year ended March 31, 2012

## 2.5 Long-term Provisions

Particulars	₹	
	As at March 31, 2012	As at March 31, 2011
Provision for employee benefits	2,705,956	1,166,307
<b>Total</b>	<b>2,705,956</b>	<b>1,166,307</b>

The following table sets out the status of the gratuity plan for the year ended March 31, 2012 in accordance with Accounting Standard 15, Employee Benefits (Revised), as notified under the Companies Act, 1956.

Particulars	₹	
	As at March 31, 2012	As at March 31, 2011
<b>Changes in defined benefit obligation:</b>		
Defined benefit obligation as at the beginning of the year	1,166,307	464,332
Current service cost	1,257,362	642,427
Interest cost	96,803	37,147
Actuarial loss on obligations	185,484	22,401
Present value of defined benefit obligation at the end of the year	2,705,956	1,166,307
<b>Cost for the year:</b>		
Service cost	1,257,362	642,427
Interest cost	96,803	37,147
Expected return on plan assets	-	-
Actuarial loss	185,484	22,401
Total net cost recognised as employee remuneration	1,539,649	701,975
<b>Reconciliation of benefit obligation and plan assets:</b>		
Present value of defined benefit obligation as at year end (A)	2,705,956	1,166,307
Fair value of plan assets as at year end (B)	-	-
Net liability as at year end recognised in Balance Sheet (A)-(B)	2,705,956	1,166,307
<b>Assumptions</b>		
Discount rate	8.60%	8.30%
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%	6%

## 2.6 Short-term Borrowings

Particulars	₹	
	As at March 31, 2012	As at March 31, 2011
Secured loans*	513,969,496	476,218,704
<b>Total</b>	<b>513,969,496</b>	<b>476,218,704</b>

\* Secured by mortgage of building, hypothecation of movable assets, book debts and lien against fixed deposits.

**2.7 Trade Payables**

Particulars	₹	
	As at March 31, 2012	As at March 31, 2011
Sundry creditors		
- Micro, small and medium enterprises (MSME's)	-	-
- Others	29,808,654	25,480,773
<b>Total</b>	<b>29,808,654</b>	<b>25,480,773</b>

The Company has initiated the process of obtaining confirmation from suppliers who have registered under the Micro, Small and Medium Enterprises Development Act, 2006. Based on the information available with the Company, there is no amount outstanding as on March 31, 2012 to MSME's. There are no overdue principal amounts and therefore no interest is paid or payable.

**2.8 Other Current Liabilities**

Particulars	₹	
	As at March 31, 2012	As at March 31, 2011
Sundry creditors for services / expenses	19,109,478	23,322,562
Advance tuition fees received	133,195,329	78,322,880
Withholding and Other Tax Payable	640,791	2,221,099
Interest accrued but not due	118,904	-
<b>Total</b>	<b>153,064,502</b>	<b>103,866,541</b>

**2.9 Short-term Provisions**

Particulars	₹	
	As at March 31, 2012	As at March 31, 2011
Provision for employee benefits	5,010,208	4,565,831
Proposed dividend	33,715,270	-
Tax on dividend	5,469,460	-
Provision for current tax	23,881,044	2,509,878
<b>Total</b>	<b>68,075,982</b>	<b>7,075,709</b>

# Notes to the Financial Statements

for the year ended March 31, 2012

Particulars	Gross block (at cost)			Depreciation and amortisation			Net block		
	As at April 1, 2011	Additions	Deletions/Transfer	As at March 31, 2012	As at April 1, 2011	For the Year	Deletions/Transfer	As at March 31, 2012	As at March 31, 2011
<b>Tangible</b>									
Freehold land	122,682,897	5,922,498	-	128,605,395	-	-	-	128,605,395	122,682,897
Building *	102,982,017	245,066,338	17,710,258	330,338,097	2,801,516	3,022,295	205,071	324,719,357	100,180,501
Furniture and fittings	150,015,547	450,208,224	-	600,223,771	32,176,091	30,722,601	-	537,325,079	117,839,456
Office and other equipment	10,387,699	5,655,626	-	16,043,325	1,842,118	1,108,841	-	13,092,366	8,545,581
Teaching aid and equipment	21,150,071	9,375,117	-	30,525,188	15,001,064	3,891,244	-	11,632,880	6,149,007
Computers	2,213,124	2,013,430	-	4,226,554	545,476	615,295	-	3,065,783	1,667,648
Leasehold Improvement	34,079,755	116,109,258	66,920	150,122,093	12,952,978	24,222,007	12,448	112,959,556	21,126,777
Vehicles	5,160,789	-	-	5,160,789	154,396	490,275	-	4,516,118	5,006,393
<b>Intangibles</b>									
Goodwill	14,245,854	-	-	14,245,854	4,119,804	1,424,585	-	8,701,465	10,126,050
Business Commercial rights	200,064,534	-	-	200,064,534	4,090,097	6,662,149	-	189,312,288	195,974,437
Brands	56,246,587	8,545,040	-	64,791,627	22,158,566	5,830,113	-	36,802,948	34,088,021
<b>Grand Total</b>	<b>719,228,874</b>	<b>842,895,531</b>	<b>17,777,178</b>	<b>1,544,347,227</b>	<b>95,842,106</b>	<b>77,989,405</b>	<b>217,519</b>	<b>1,370,733,235</b>	<b>623,386,768</b>
Previous year	386,667,546	334,117,799	1,556,471	719,228,874	56,524,641	39,674,905	307,440	623,386,768	

\* Building includes purchase of registered office of the Company Mr. Rajesh Bhatia / Mrs. Geeta Bhatia (promoters) amounting to ₹ 134,548,973 (previous year - Nil), whose registration formalities are in the process of being completed.

**2.11 Intangible Assets Under Development**

Particulars	₹	
	As at March 31, 2012	As at March 31, 2011
Business Commercial Rights	53,940,942	313,065,475
<b>Total</b>	<b>53,940,942</b>	<b>313,065,475</b>

The Company has entered into an exclusive facilitation service agreement with various educational trusts in accordance with 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 exclusive rights. The fee paid is recognised as an intangible asset and accordingly capitalised as 'Business Commercial Rights' in the financial statements.

During the current year, the terms of payment for these Business Commercial Rights have been modified with the 'one time fixed fee' being replaced with combination of 'one time fixed fee' and 'partial interest bearing refundable deposits'. These deposits attract interest once a particular threshold on number of students as mentioned in the respective school management agreements is achieved. The interest is levied @ BPLR +2%. The deposits are repayable to the Company at the end of 5 years.

Consequently, such 'refundable deposits' amounting to ₹ 262,735,475, paid towards Business Commercial Rights and disclosed as 'Capital work-in-progress' as at March 31, 2011 have been reclassified as 'Refundable Security Deposits' and disclosed in Note 2.13, Long term loans and advances.

**2.12 Non-Current Investments**

Particulars	₹	
	As at March 31, 2012	As at March 31, 2011
(Long term, unquoted) (at cost)		
<b>Trade</b>		
<b>Investments in Equity instruments of:</b>		
Joint Venture Company (JT Infrastructure Private Limited)		
- 6,000,000 (previous year: 10,000) equity shares of ₹ 10 each fully paid up	60,000,000	100,000
Share Application Money		
- Joint Venture Company (JT Infrastructure Private Limited)	1,740,000	26,390,000
<b>Non-trade</b>		
New India Co-op Bank Limited	1,500	1,500
- 150 (previous year 150) equity shares of ₹ 10 each fully paid up		
<b>Total</b>	<b>61,741,500</b>	<b>26,491,500</b>

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, a company in which both Treehouse Education & Accessories Limited and JB have equal share holding.

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 yet commenced and Company's share of the assets and liabilities of the jointly controlled entity as per the audited Balance Sheet of March 31, 2012 are:

Particulars	₹	
	As at March 31, 2012	As at March 31, 2011
Assets	62,261,248	14,976,492
Liabilities (includes share application money)	2,261,248	14,876,492

# Notes to the Financial Statements

for the year ended March 31, 2012

## 2.13 Long-term Loans and Advances

Particulars	As at March 31, 2012	As at March 31, 2011
(Unsecured, considered good)		
Capital Advances	137,352,263	146,799,023
Security Deposits (includes ₹ 20,000,000 (previous year ₹19,000,000) given to directors)	631,433,435	83,012,160
Other Loans and advances	79,972,142	105,507,272
<b>Total</b>	<b>848,757,840</b>	<b>335,318,455</b>

## 2.14 Current Investments

Particulars	As at March 31, 2012	As at March 31, 2011
Investments in Debt Oriented Mutual funds		
- Axis Fixed Term Maturity Plan	250,000,000	-
<b>Total</b>	<b>250,000,000</b>	<b>-</b>

## 2.15 Inventories

Particulars	As at March 31, 2012	As at March 31, 2011
Stock in trade	36,531,263	14,652,369
<b>Total</b>	<b>36,531,263</b>	<b>14,652,369</b>

## 2.16 Trade Receivables

Particulars	As at March 31, 2012	As at March 31, 2011
(Unsecured, considered good)		
Outstanding for a period exceeding six months	18,591,679	9,387,885
Others	39,498,795	8,338,353
<b>Total</b>	<b>58,090,474</b>	<b>17,726,238</b>

## 2.17 Cash and Bank Balances

Particulars	As at March 31, 2012	As at March 31, 2011
Balance in current accounts with banks	31,258,588	17,430,320
Fixed deposits with banks (refer notes below)	443,753,888	270,000,001
Cash on hand	1,873,597	1,315,204
<b>Total</b>	<b>476,886,073</b>	<b>288,745,525</b>

Notes:

- Fixed deposits of ₹ 409,030,556 (previous year ₹ 270,000,001) placed with a bank against working capital loan obtained from them.
- Fixed deposits of ₹ 7,223,332 (previous year ₹ Nil) placed with a bank against which the bank has given a guarantee.

**2.18 Short-term Loans and Advances**

Particulars	As at March 31, 2012	As at March 31, 2011
(Unsecured, considered good)		
Others	52,061,301	19,293,688
<b>Total</b>	<b>52,061,301</b>	<b>19,293,688</b>

**2.19 Other Current Assets**

Particulars	As at March 31, 2012	As at March 31, 2011
Interest Accrued on Fixed Deposits	15,127,118	14,743,393
Interest Accrued on Loan	25,002	-
<b>Total</b>	<b>15,152,120</b>	<b>14,743,393</b>

**2.20 Contingent Liabilities and Commitments (to the extent not provided for)**

Particulars	As at March 31, 2012	As at March 31, 2011
Contingent Liabilities		
Guarantee given for loan taken by director	-	11,445,000
Commitments		
Estimated amount of unexecuted contracts	566,803,591	227,366,679
<b>Total</b>	<b>566,803,591</b>	<b>238,811,679</b>

**2.21 Revenue From Operations**

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Revenue from		
- Sale of education kits	25,421,457	10,970,110
- Sale of services		
Consultancy income	59,686,986	107,026,238
Income from Early Childhood Education	636,369,348	247,937,119
Income from Early Childhood Training Course	30,645,120	10,454,891
Other operating income	1,434,048	653,204
- Rent income from education infrastructure	12,182,240	12,182,244
- Royalty income	6,363,129	3,159,566
<b>Total</b>	<b>772,102,328</b>	<b>392,383,372</b>

**2.22 Other Income**

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Interest income (tax deducted at source ₹ 2,550,166 previous year ₹1,873,177)	22,195,720	19,052,931
Dividend income	14,142,845	195
Net gain on sale of fixed assets	1,844,484	-
Other non-operating income	597,144	88,258
<b>Total</b>	<b>38,780,193</b>	<b>19,141,384</b>

# Notes to the Financial Statements

for the year ended March 31, 2012

## 2.23 Operating Expenses

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Rent (includes conducting charges and society maintenance)	122,606,991	60,638,507
Security charges	12,506,957	9,158,046
Training material and equipment consumed	21,603,946	14,995,142
Water, electricity and cleaning charges	14,414,594	6,873,309
Activity expenses	9,487,460	7,988,478
Other center expenses	7,581,573	5,338,903
<b>Total</b>	<b>188,201,521</b>	<b>104,992,385</b>

## 2.24 Employee Benefit Expenses

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Salaries and wages	92,439,486	46,808,690
Contribution to provident and other funds	3,354,452	1,719,327
Staff welfare expenses	449,980	614,184
<b>Total</b>	<b>96,243,918</b>	<b>49,142,201</b>

## 2.25 Other Expenses

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Advertisement and publicity expenses	34,487,800	42,201,764
Legal and professional fees	3,508,006	4,047,327
Office expenses	1,264,014	1,188,756
Rent, rates and taxes	2,208,068	1,206,856
Insurance	594,761	240,157
Communication	439,737	488,232
Auditors' remuneration (refer note 2.31)	1,622,270	1,300,000
Brokerage and commission	5,760,516	2,294,284
Business promotion	341,939	2,387,928
Printing and stationery	2,673,104	2,346,045
Donation	19,501	66,501
Repairs and maintenance - others	2,732,637	1,870,808
Travelling and conveyance	6,713,658	3,958,718
Fixed assets written off	54,472	1,249,031
Bad Debts	2,369,937	-
Director Sitting Fees	81,000	-
Miscellaneous expenses	2,677,769	4,148,985
<b>Total</b>	<b>67,549,189</b>	<b>68,995,392</b>

## 2.26 Finance Cost

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Interest expenses	59,703,128	11,795,861
Interest on delay in payment of Income Tax	2,186,286	-
Finance charges	3,138,992	718,821
<b>Total</b>	<b>65,028,406</b>	<b>12,514,682</b>

### 2.27 Segment Information

The activities of the Company comprise of only one business segment i.e. "providing education and related services including leasing of education infrastructure". 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.

### 2.28 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
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##### ii. Relatives of key management personnel

Relatives of KMP	Mrs. Geeta Bhatia - wife of Mr. Rajesh Bhatia
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##### 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')		Relatives of KMP		Joint Venture	
	Year ended		Year ended		Year ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Rent expense						
- Mr. Rajesh Bhatia	10,171,153	1,702,623	-	-	-	-
- Mrs. Geeta Bhatia	-	-	10,171,153	1,702,623	-	-
Additional lease deposit						
- Mr. Rajesh Bhatia	1,000,000	4,000,000	-	-	-	-
Repayment of loan						
- Mrs. Geeta Bhatia	-	-	-	351,569	-	-
Remuneration						
- Mr. Vishal Shah	1,600,000	1,325,000	-	-	-	-
- Mr. Rajesh Bhatia	3,599,995	1,808,066	-	-	-	-
Equity subscription						
- Mr. Rajesh Bhatia*	-	10,083,330	-	-	-	-
Fixed assets purchased from						
- Mr. Rajesh Bhatia	134,500,000	-	-	-	-	-
Advance towards purchase of office						
- Mr. Rajesh Bhatia	-	39,600,000	-	-	-	-
Investment						
- JT Infrastructure Private Limited	-	-	-	-	35,250,000	16,345,000

\*- The value of fixed asset purchased from Mr. Rajesh Bhatia during the year amounts to ₹ 134,500,000, against which advance of ₹ 39,600,000 was paid during the previous year.

# Notes to the Financial Statements

for the year ended March 31, 2012

Closing balances with related parties in the ordinary course of business

Particulars	Key Management Personnel ('KMP')		Relatives of KMP		Joint Venture	
	As at		As at		As at	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Advances:						
- Mr. Rajesh Bhatia	-	39,600,000	-	-	-	-
Creditors:						
- Mrs. Geeta Bhatia	-	-	1,557,926	-	-	-
Lease Deposit						
- Mr. Rajesh Bhatia	20,000,000	19,000,000	-	-	-	-
Bank guarantee given by Company against loan given to director						
- Mr. Rajesh Bhatia	-	11,445,000	-	-	-	-
Investment						
- JT Infrastructure Private Limited	-	-	-	-	61,740,000	26,490,000

₹

## 2.29 Leases

In case of assets taken on lease

The lease rent and amenities charges recognised in the Statement of Profit and Loss during the year ended March 31, 2012 is ₹ 111,388,507 (previous year: ₹ 52,158,020)

Obligation of the Company towards future lease payments

Particulars	As at	As at
	March 31, 2012	March 31, 2011
Not later than one year	139,130,394	63,347,864
Later than one year but not later than five years	210,209,039	134,279,576
Later than five years	-	-

₹

Significant Leasing arrangements:

- The period of lease for the premises varies by location and ranges from 3 to 5 years.
- Renewal of the lease at the end of the initial term is at mutual consent of both parties.
- The Company has entered into lease conducting agreements with certain parties where the lease rentals are based on the revenue earned at the respective centers. 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 Statement of Profit and Loss during the year ended March 31, 2012 is ₹ 12,182,240 (previous year: ₹ 12,182,244)

**Right of the Company towards future lease payments**

Particulars	₹	
	As at March 31, 2012	As at March 31, 2011
Not later than one year	6,750,000	6,000,000
Later than one year but not later than five years	37,432,500	36,247,500
Later than five years	304,284,714	312,219,714

**Significant leasing arrangements:**

- 1.1 The period of lease for the premises is 30 (Thirty) years.
- 1.2 The lease rent shall stand revised by addition of an amount equivalent to 15% at the end of every third year.
- 1.3 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.

**2.30 Earnings Per Share**

Particulars	₹	
	Year ended March 31, 2012	Year ended March 31, 2011
Profit after tax	216,645,868	91,949,208
Weighted average number of shares outstanding (Basic)	30,231,860	22,507,799
Weighted average number of shares outstanding (Diluted)	30,231,860	22,507,799
Nominal value per share	10.00	10.00
Basic earnings per share	7.17	4.09
Diluted earnings per share	7.17	4.09

**2.31 Auditors' Remuneration**

Particulars	₹	
	Year ended March 31, 2012	Year ended March 31, 2011
Statutory audit fees	1,472,270	1,200,000
Tax audit fees	150,000	100,000
Other services*	-	5,000,000
<b>Total</b>	<b>1,622,270</b>	<b>6,300,000</b>

\* 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.

# Notes to the Financial Statements

for the year ended March 31, 2012

## 2.32 Employee Stock Option Plans

The Company has implemented Employee Stock Option Plan for the key employees of the Company through the Treehouse 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 Treehouse 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 Treehouse Education Employees' Stock Option Plan, 2010 of the Company as at March 31, 2012 are as under:

Sr. No.	Particulars	Treehouse Education Employees' Stock Option Plan, 2010				
1.	Details of approval	Compensation Committee resolution dated January 04, 2011				
2.	Implemented through	Trust				
3.	Total number of shares	1,400,000				
4.	Price per option	₹ 71				
5.	Granted	1,400,000				
6.	Vested	1,325,000				
7.	Exercised	NIL				
8.	Lapsed options	NIL				
9.	Vested and unexercised	1,325,000				
10.	Total number of options in force	1,400,000				
11.	Money realised					
12.	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 %				
13.	Senior Managerial Personnel					
	Options Granted	Options Vested				
	Options Lapsed	Options Exercised				
	Balance					
	Mr. Vishal Shah	1,300,000	NIL	NIL	NIL	1,300,000
14.	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 4.15% 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.
- f. The Company has given an interest free loan to Treehouse Employee Welfare Trust aggregating ₹ 99,410,000 (previous year ₹ 99,410,000) which has been grouped under Loans and Advances.

The movement of stock options during the year ended March 31, 2012 are summarised below:

Particulars	Number of options
Outstanding at the beginning of the year	1,400,000
Granted during the year	NIL
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, 2012 is as follows:

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

### 2.33 Initial Public Offer (IPO) of the Equity Shares of the Company

During the year, the Company has successfully made an IPO of 8,432,189 equity shares of ₹ 10 each constituting 25.01% of the post issue share capital of the Company at a price of ₹135 per share including a premium of ₹125 per share with a retail discount of ₹ 6 per equity share. The issue was opened for subscription to the public on August 10, 2011 and closed on August 12, 2011. The trading in the fully paid up shares of the Company commenced on August 26, 2011 at National Stock Exchange of India Ltd and Bombay Stock Exchange Ltd.

The members of the Company have on February 02, 2012 approved by way of postal ballot an amendment in the utilisation of IPO proceeds.

The utilisation of IPO proceeds as on March 31, 2012 is as under:

Particulars	Planned to utilise	Revised plan as approved by members	Amount utilised	₹
				Balance to be utilised
Expansion of Pre-School Business	420,000,000	850,000,000	561,920,516	288,079,484
Acquisition of office space	135,000,000	132,500,000	132,500,000	-
Procurement of exclusivity rights to provide educational services	270,000,000	170,000,000	151,029,203	18,970,797
Construction of Infrastructure for an educational complex in Rajasthan and Gujarat	402,700,000	275,000,000	111,190,279	163,809,721
Repayment of loans	285,800,000	86,000,000	-	86,000,000
<b>Total</b>	<b>1,513,500,000</b>	<b>1,513,500,000</b>	<b>956,639,998</b>	<b>556,860,002</b>

Signatures to Notes 1.1 to 2.33

As per our report of even date

For Walker, Chandio & Co.  
Chartered Accountants

per Khushroo B. Panthaky  
Partner

Place: Mumbai

Date : May 29, 2012

For Jogish Mehta & Co.  
Chartered Accountants

per Jogish N. Mehta  
Proprietor

Place: Paris, France

Date : May 29, 2012

For and on behalf of the Board of Directors

Chairman

Managing Director

Director

Company Secretary

Place: Mumbai

Date : May 29, 2012



# Corporate Information

## *BOARD OF DIRECTORS*

Mr. Sanjaya Kulkarni, Chairman and Independent Director  
Mr. Rajesh Bhatia, Managing Director  
Mrs. Geeta Bhatia, Non Executive Non-Independent Director  
Mr. Vishal Shah, Whole time Director  
Mr. T.S. Sarangpani, Independent Director  
Mr. Parantap Dave, Independent Director  
Mr. Rishi Navani, Nominee Director  
Mr. Ashu Garg, Nominee Director  
Mr. Jayant Sinha, Additional Director

## *COMPANY SECRETARY*

Ms. Deepali Hanchate

## *STATUTORY AUDITORS*

M/s. Jogish Mehta & Co.  
Chartered Accountants  
Mumbai

M/s. Walker Chandiook & Co.  
Chartered Accountants,  
Mumbai

## *BANKERS*

Corporation Bank Ltd.  
Citi Bank NA  
HDFC Bank Ltd.  
Indian Bank Ltd.  
ICICI Bank Ltd.  
Kotak Mahindra Bank Ltd.  
Union Bank of India  
Yes Bank Ltd

## *REGISTERED OFFICE*

702 'C', Morya House, Off New  
Link Road, Andheri (West),  
Mumbai 400 053

## *REGISTRAR & SHARE TRANSFER AGENT*

Link Intime India Pvt. Ltd.  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (West),  
Mumbai - 400 078



## Tree House Education & Accessories Limited

702 'C', Morya House, Off New Link Road, Andheri (W), Mumbai-400 053.

Phone: 022-64562306 / 64562322

Email: [contact@treehouseplaygroup.net](mailto:contact@treehouseplaygroup.net)

Website: [www.treehouseplaygroup.net](http://www.treehouseplaygroup.net)