Annexure 3

Report of the Audit Committee of Zee Media Corporation Limited (Formerly Zee News Limited) To the Board of Directors

The Board of Directors of Zee Media Corporation Limited (Formerly Zee News Limited) (hereinafter referred to as 'the Company') at the Meeting held on May 23, 2013, had accorded their in-principle approval for combination of News Publication Business of Diligent Media Corporation Limited (DMCL) with the News Broadcasting Business of the Company and had constituted a Committee of Independent Directors to recommend structure and manner of such combination and appoint independent professionals for the purpose.

The Committee had reported that they had considered various options on the structure of such combination and based on recommendation by the said Committee, the Audit Committee of the Board of Directors at the meeting held today i.e. on July 30, 2013, had considered a Scheme of Amalgamation for Merger of Essel Publishers Pvt Ltd (hereinafter 'EPPL'), the ultimate Holding Company of DMCL through its wholly owned Subsidiary Mediavest India Pvt Ltd, with the Company pursuant Section 391 to 394 and other applicable provisions of the Companies Act, 1956 and noted the following rationale and salient features of the Scheme:

I. Rationale

- ✓ Zee Media Corporation Limited (formerly known as Zee News Limited) is one of the foremost and most credible news networks in India and has eight exclusive news & current affairs television channels including regional news channels.

- ✓ Essel Publishers Private Limited (formerly known as Agamesh Properties Private Limited) is an Essel Group company and is the ultimate holding company of Diligent Media Corporation Limited ('DMCL') through its wholly-owned subsidiary Mediavest India Private Limited. DMCL publishes, distributes and operates the leading newspaper Daily News & Analysis – "DNA" and in addition is vested with a broadcasting license for a non news and current affairs channel. DNA is a general interest English newspaper targeted at the young, cosmopolitan, educated Indians. With the first edition launched in July 2005 in Mumbai, DNA has established itself as the No. 2 newspaper in Mumbai and is in wide circulation in Mumbai, Pune and Bangalore. Essel Publishers also owns 100% equity stake in Pre-Media Services Private Limited.

- ✓ Having already built a nationwide largest television news network with its varied news channels, with an object of creating a news powerhouse in the country, Zee Media aspires to expand its product offering across multiple platforms and regions and languages.

- ✓ DMCL has over the past few years of its operations expanded its reporters and photographer's strength, depth and variety of genre of news content and overall media presence through its increasing clientele. The combination of news publication business of DMCL with the news broadcasting business of Zee Media would impart host of synergies and opportunity for business expansion. As a consequence of such combination, Zee Media will be in a position to leverage the combined network of resources, working in an integrated newsroom through multiple platforms as well as providing a bouquet of services to advertisers which would strengthen its market reach.

- ✓ Zee Media is proposing to venture into print news media segment through amalgamation of Essel Publishers with itself. Further, Essel Publishers and Zee Media are part of the Essel Group ('the Group').

II. Salient Features of the Scheme:

- ➢ The Appointed date for the proposed Scheme of Amalgamation shall be Effective Date of the Scheme i.e. last of the date of filing of Order of Hon'ble Bombay High Court approving the Scheme with the Registrar of Companies by the Company and EPPL

- ➢ All assets and liabilities of EPPL as on Appointed Date shall stand transferred to and vested with the Company

- ➢ Upon effectiveness of the Scheme, EPPL shall stand dissolved without winding up

- ➢ All the shareholders of EPPL as on Effective Date will be issued equity shares by the Company as per the Share Swap ratio approved by the Board of Directors of the Company & EPPL

- ➢ In case any equity shareholder's holding in EPPL is such that the shareholder becomes entitled to a fraction of equity share of the Company, the Company shall round off the said entitlement to the nearest integer and allot equity shares accordingly.

- ➢ Upon effectiveness of the Scheme, the Authorised Share Capital of the Company shall automatically increase without any further act, instrument or deed on the part of the Company, by authorised share capital of EPPL and consequently the Clause V (Capital Clause) of the Memorandum of Association of the Company shall stand altered as under:

  'The Authorised Capital of the Company is Rs. 1,70,00,00,000 (Rupees One Hundred & Seventy Crores Only) divided into 1,70,00,00,000 (One Hundred & Seventy Crores) equity shares of Re. 1/- each with the power to increase or decrease, consolidate or sub-divide the shares under the powers of the Companies Act, 1956.'

- ➢ On the Scheme becoming effective, the Company shall account for the amalgamation in its books as under:

  - ▪ All the assets and liabilities as on the Appointed Date, recorded in the books of EPPL shall stand transferred to and vested in the Company pursuant to the Scheme and shall be recorded by the Company at their respective fair values;

  - ▪ The Company shall credit in its books of account, face value of the equity shares issued to the members of EPPL pursuant to the Scheme, to the Share Capital Account;

  - ▪ Inter-company balances and obligations, if any, on the Appointed Date will stand cancelled;
  - ▪ The excess of the net assets of EPPL acquired and recorded by the Company as above over the amount credited as share capital and after making the adjustment relating to inter-company balances would be credited to Capital Reserve

Account. In case of there being a deficit, the same shall be transferred by the Company to Goodwill Account.

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

- The Scheme shall be conditional upon and subject to (a) requisite regulatory and/or statutory approvals; (b) approval by requisite majority of Members / Creditors of the Company and EPPL as may be directed by Hon'ble Bombay High Court; (c) approval by requisite majority of such members as required under listing agreement entered into by Zee Media with the Stock Exchanges; (d) Sanction of Hon'ble Bombay High Court under Section 391 to 394 of the Companies Act, 1956; and (e) filing of certified or authenticated copies of the order of High Court with the Registrar of Companies, Maharashtra, Mumbai.

The Audit Committee further noted that M/s Walker Chandiok & Co., Chartered Accountants, who were mandated to carry out the valuation have submitted their Valuation Report and basis /methodology adopted for such valuation and have recommended share swap ratio as detailed herein for discharge of consideration towards Merger:

> **'Issuance of 2 (Two) fully paid up Equity Share of Re 1 each of the Company for every 11 (Eleven) Equity Shares of Re 1 each held in EPPL'**

After detailed deliberation on the Valuation report including appraisal of the methodology and basis followed in the valuation report and going through the workings in detail, the Audit Committee accorded its in-principle approval to the Scheme including the share swap ratio and recommends the Scheme of Amalgamation and share swap ratio as suggested by the independent valuer for approval of the Board.

This report is issued in compliance with the requirements of SEBI Circular No. CIR/CFD/DIL/5/ 2013 dated February 4, 2013 read with Circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013 and may be taken on record by the Board while considering the Scheme of Amalgamation.

For and on behalf of the Audit Committee

S/d
Surjit Banga
Chairman – Audit Committee
Zee Media Corporation Limited
(Formerly Zee News Limited)

Mumbai, July 30, 2013