

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZEE ENTERTAINMENT ENTERPRISES LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Zee Entertainment Enterprises Limited (hereinafter referred to as "the Parent/the Company") and its subsidiaries, (the Parent and its subsidiaries together referred to as "the Group") which includes Group's share of profit in its associates and joint venture, which comprise the Consolidated Balance Sheet as at 31 March 2019, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of the other auditors on separate financial statements of the subsidiaries, associates and joint venture referred to in the Other Matters section below, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ('Ind AS'), and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2019, and their consolidated profit, their consolidated total comprehensive income, their consolidated cash flows and their consolidated changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under section 143 (10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the sub-paragraphs (a) and (b) of the Other Matters section below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Emphasis of Matter

We draw attention to Note 42 to the consolidated financial statements regarding unsecured interest-free deposits given to aggregators and advances given/recovered to/from the agencies (sub-agents) of the aggregators for acquiring movie libraries on the basis of Memorandum of Understanding (MOU), including management's observations on enhancing the related effectiveness of control, as detailed in the note.

Our opinion on the financial statements is not modified in respect of aforesaid matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	Auditors response
<p>Goodwill Impairment assessment as at 31 March 2019</p> <p>The consolidated financial statements reflect goodwill aggregating ₹ 5,252 million recognised mainly for the acquisition and allocated to following cash generating unit (CGUs):</p> <ol style="list-style-type: none"> 1. Online Media Business (₹ 2,373 million (net of impairment)); 2. International business (₹ 2,013 million); 3. Regional channel in India (₹ 621 million); <p>We considered this as key audit matter due to the amount of balance of goodwill and because of the Company's assessment of the fair value less cost of disposal (FVLCD) and value-in-use (VIU) calculations of the CGU. This assessment involve judgements about the valuation methodology, future performance of business and discount rate applied to future cash flow projections.</p> <p>Refer Notes 2 (h) and 7 to the Consolidated Financial Statements.</p>	<p>Principal Audit Procedures</p> <p>Our procedures consist of challenging management's methodology and key assumptions and included the following audit procedures:</p> <ul style="list-style-type: none"> • Evaluated the design of internal controls relating to review of goodwill impairment testing performed by management; • Validating impairment models through testing of the mathematical accuracy and verifying the application of the input assumptions; • Understanding the underlying process used to determine the risk adjusted discount rates; • Assessing the appropriateness of any changes to assumptions since the prior period; • Validating the cash flow forecasts with reference to historical forecasts, actual performance and independent evidence to support any significant expected future changes to the business; • Working with valuation specialist to benchmark the discount rates and perpetual growth rates applied by the Company for the purposes of computing VIU; • We have also engaged valuation specialist to assist us in evaluating the FVLCD determined by the Company. The valuation specialist independently evaluated revenue multiple used in determination of FVLCD.

Key Audit Matter	Auditors response	Information Other than the Financial Statements and Auditor's Report Thereon
<p>Audit of transactions involving movie acquisitions through sub-agents of the aggregators of the Company:</p> <p>The Company acquires movies from aggregators and production houses, during the year, the Company paid advances to certain sub-agents of the content aggregators for acquiring rights of movies on the basis of Memorandum of Understanding (MOU) entered into with the respective sub-agents.</p> <p>We considered this as key audit matter as it relates to a change in the movie acquisition process implemented by the Company during the year, the value of such movie advances and the risks associated with non-performance resulting in refunds of such advances.</p>	<p>Principal Audit Procedures</p> <ul style="list-style-type: none"> • Evaluated the design and operating effectiveness of internal controls relating to identification of aggregators and its sub-agents and authorisation of movie advances. Please refer to a material weakness identified in Annexure "A" to the independent auditor's report on our reporting under section 143(3)(i) of the Act on internal financial controls over financial reporting. • Obtained supporting documents for movie advances to sub-agents which included the Memorandum of Understanding (MOU) executed between the Company and the sub-agents and letters received from the content aggregators introducing the sub-agents to the Company and providing their undertaking towards the performance as well as the credit risk. • Obtained termination letters for cases where refunds were received from sub-agents due to non-fulfilment of their obligations stated in the MOUs. • Verified the computation and receipt of interest charged to sub-agents per the terms of the MOU on refund of movie advances. • Read the minutes of the meetings of the Audit Committee wherein the management has explained the film content acquisition strategy including the business rationale of the movie acquisition. • Obtained independent confirmation from the content aggregators and their sub-agents confirming the agency relationship with content aggregator, MOU's executed with Company, transactions done with the Company as well as outstanding balances, if any, at year end. 	<ul style="list-style-type: none"> • The Parent's Board of Directors is responsible for the other information. The other information comprises of information included in the Management Discussion and Analysis, Directors' Report including Annexures to the Directors' Report, Corporate Governance and Shareholders' Information, but does not include the consolidated financial statements and our auditor's report thereon. • Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. • In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, compare with the financial statements of the subsidiaries, joint venture and associates audited by the other auditors, to the extent it relates to these entities and, in doing so, place reliance on the work of the other auditors and consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. Other information so far as it relates to the subsidiaries, joint venture and associates, is traced from their financial statements audited by the other auditors. • If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. <p>Management's Responsibility for the Consolidated Financial Statements</p> <p>The Parent's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group including its associates and joint venture in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group and of its associates and joint venture are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associates and its joint venture and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Parent, as aforesaid.</p> <p>In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group (and of its associates and joint venture) are responsible for assessing the ability of the Group (and of its associates and joint venture) to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate or cease operations, or has no realistic alternative but to do so.</p>

The respective Board of Directors of the companies included in the Group and of its associates and joint venture are also responsible for overseeing the financial reporting process of the Group and of its associates and joint venture.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Parent has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associates and joint venture to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associates and joint venture to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associates and joint venture to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities or business activities included in the consolidated financial statements of which we are the independent auditors. For the other entities or business activities included in the consolidated financial statements, which have been audited by the other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

We communicate with those charged with governance of the Parent and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

- (a) We did not audit the financial statements of 28 subsidiaries whose financial statements reflect total assets of ₹ 60,754 millions as at 31 March 2019, total revenues of ₹ 19,623 millions and net cash outflows amounting to ₹ 1,058 millions for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of ₹ 24 millions for the year ended 31 March 2019, as considered in the consolidated financial statements, in respect of 2 associates and 1 joint venture, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of

these subsidiaries, joint venture and associates, and our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, joint venture and associates is based solely on the reports of the other auditors.

- (b) We did not audit the financial information of a subsidiary, whose financial information reflect total assets of ₹ 1 million as at 31 March 2019, total revenues of ₹ 11 millions and net cash outflows amounting to ₹ 1 million for the year ended on that date, as considered in the consolidated financial statements. These financial information are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial information are not material to the Group.

Our opinion on the consolidated financial statements above and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on the separate financial statements and the financial information of the subsidiaries, associates and joint venture referred to in the Other Matters section above we report, to the extent applicable that:
- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books, returns and the reports of the other auditors.
- c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act.
- e) On the basis of the written representations received from the directors of the Parent as on 31 March 2019 taken on record by the Board of Directors of the Company and the reports of the statutory auditors of its subsidiary companies, associate companies and joint venture incorporated in India, none of the directors of the Group companies, its associate companies and joint venture incorporated in India is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to

our separate Report in "Annexure A" which is based on the auditors' reports of the Parent, subsidiary companies, associate companies and joint venture incorporated in India. Our report expresses qualified opinion on the operating effectiveness of internal financial controls over financial reporting of those companies, for the reasons stated therein.

- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended: In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Parent to its directors during the year is in accordance with the provisions of section 197 of the Act.
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, its associates and joint venture; refer Note 34 to the Consolidated Financial Statements.
- ii) The Group, its associates and joint venture did not have any material foreseeable losses on long-term contracts including derivative contracts.
- iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Parent Company and its subsidiary companies, associate companies and joint venture incorporated in India.

For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

A. B. Jani
Partner
Membership No. 46488

Mumbai, 27 May 2019

ANNEXURE 'A' TO THE INDEPENDENT AUDITOR'S REPORT

**(REFERRED TO IN PARAGRAPH 1(F) UNDER 'REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS' SECTION OF OUR REPORT OF EVEN DATE)
REPORT ON THE INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE
COMPANIES ACT, 2013 ("THE ACT")**

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended 31 March 2019, we have audited the internal financial controls over financial reporting of Zee Entertainment Enterprises Limited (hereinafter referred to as 'the Parent/the Company') and its subsidiary companies, its associate companies and joint venture, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Parent, its subsidiary companies, its associate companies and joint venture, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Parent, its subsidiary companies, its associate companies and its joint venture, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the subsidiary companies, associate companies and joint venture, which are companies incorporated in India, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the internal financial controls system over financial reporting of the Parent, its subsidiary companies, its associate companies and its joint venture, which are companies incorporated in India.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur

and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Basis for Qualified Opinion

With respect to the Parent, according to the information and explanations given to us and based on our audit, a material weakness has been identified in the Company's internal financial controls over financial reporting as at 31 March 2019 relating to certain operating ineffectiveness in controls in respect of advance payments to agencies (sub-agents) of aggregators for movie library acquisition on the basis of Memorandum of Understanding (MOU). As a consequence of the said operating ineffectiveness in control for movie library acquisitions, there is a potential effect that the advances may be paid without adequate approvals.

Qualified Opinion

In our opinion, to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors referred to in the Other Matters paragraph below, the Parent and its subsidiary companies, associate companies and joint venture, which are companies incorporated in India have, in all material respects, maintained adequate internal financial controls over financial reporting as of 31 March 2019, based on the criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India, and except for the possible effects of the material weakness described in Basis

for Qualified Opinion paragraph above on the achievement of the objectives of the control criteria, the Parent's and its subsidiary companies', associate companies' and joint venture's internal financial controls over financial reporting were operating effectively as of 31 March 2019.

We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated Ind AS financial statements of the Company for the year ended 31 March 2019, and the material weakness does not affect our opinion on the said consolidated financial statements of the Company.

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to 7 subsidiary companies, 1 associate company and 1 joint venture, which are companies incorporated in India, is based solely on the corresponding reports of the auditors of such companies incorporated in India.

Our opinion is not modified in respect of the above matters.

For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

A. B. Jani
Partner
Membership No. 46488

Mumbai, 27 May 2019