

36th ANNUAL REPORT 2005

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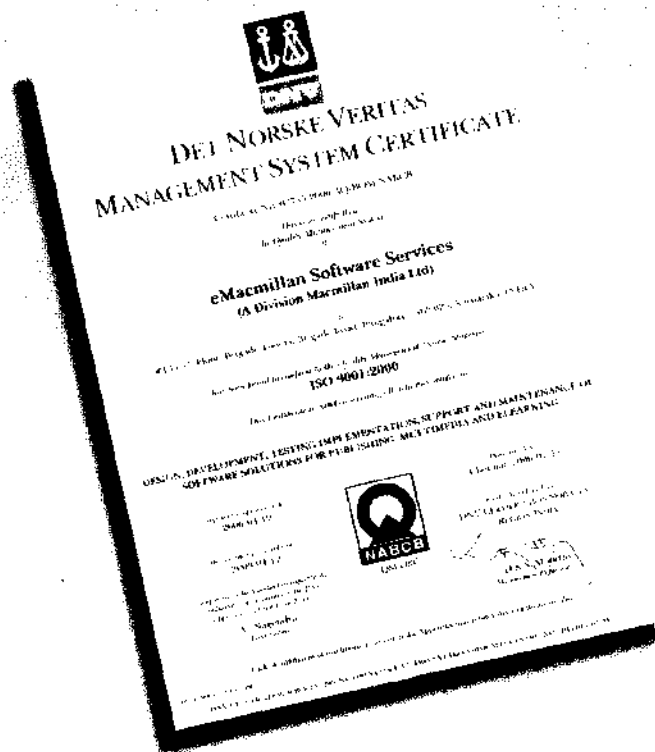
Macmillan acquires Charon Tec

Macmillan India Limited, with a view to becoming a major supplier in typesetting and data conversion services to book publishers, acquired Charon Tec Private Limited in June 2005. Charon Tec primarily offers prepress services to publishers in the UK, Europe and the US. It currently has a staff strength of over 300 and is poised for a rapid growth in 2006.



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ISO 9001:2000 certification for emacmillan



Det Norske Veritas (DNV) Norway, has awarded emacmillan an ISO 9001:2000 certification on 24th March 2006. The scope of certification is for design, development, testing, implementation, support and maintenance of software solutions for publishing, multimedia e-learning.

This certification by DNV has demonstrated that the emacmillan Quality Management System fully conforms to the requirements of the ISO 9001:2000 Standard, and adheres to its own highly challenging quality policies and objectives.



Macmillan India Limited

36th ANNUAL REPORT 2005

Board of Directors

Mr. Richard Charkin	Chairman
Mr. O E Udwadia	Vice Chairman
Mr. A Soar	Director (upto 21-04-2005)
Mr. M J Bamard	Director
Mr. R R Chari	Director
Mr. A Contractor	Director
Mr. A May-Miller	Director (from 28-01-2006)
Mr. Rajiv Beri	Managing Director
Mr. D Banerjee	Whole-time Director
Mr. V K Venkatakrishnan	Company Secretary & Financial Controller
Legal Advisors	Messrs Udwadia & Udeshi Solicitors & Advocates Thomas Cook Building III Floor 324, D.N. Road, Fort, Mumbai 400 001
Auditors	Messrs Fraser & Ross Temple Towers, II Floor, 672, Anna Salai, Nandanam, Chennai 600 035
Corporate Office	315-316, Raheja Chambers, 12, Museum Road, Bangalore 560 001
Registered Office	21, Patullos Road, Chennai 600 002
Information Processing Division	HMG Ambassador, 137, Residency Road, Bangalore 560 025 Brigade Towers, 135, Brigade Road, Bangalore 560 025 St. Patrick's Complex 4th Floor 157, Brigade Road, Bangalore 560 025 Salarpuria Citadel, 3, Hosur Road, Adugodi, Bangalore 560 030 Midford Crescent, 53/1, Richmond Road, Bangalore 560 025. 40, Peters Road, Chennai 600 014 D-5, Sector 10, Noida (UP)
E-Business Division	Floor 8, Brigade Towers, Bangalore 560 025
Subsidiary Companies	MPS Technologies Ltd. DLF Corporate Park, Block 3A, 4th & 5th Floor, Gurgaon, 122 002, Haryana Charon Tec Ltd. MS Complex, 14/45, Dr. Giriappa Road, T Nagar, Chennai 600 017 Interactive Composition Corporation 1466, NW Naito Parkway, Suite 200, Portland, Oregon 97209, USA and its subsidiary ICC India (Private) Ltd. NSIC-STP Complex 48, Okhla Industrial Estate, New Delhi 110 020
Printing Press	Injambakkam, Chennai 600 041
Editorial	2/10, Ansari Road, New Delhi 110 002
Regional Offices Showrooms	Chennai, Delhi, Kolkata, Mumbai Ahmedabad, Bangalore, Bhopal, Chandigarh, Chennai, Coimbatore, Cuttack, Ghaziabad, Guwahati, Hubli, Hyderabad, Jaipur, Lucknow, Madurai, Mumbai, Nagpur, Patna, Pune, Raipur, Thiruvananthapuram, Visakhapatnam.
Registrars and Share Transfer Agents	Cameo Corporate Services Limited Subramanian Building, I, Club House Road, Chennai 600 002

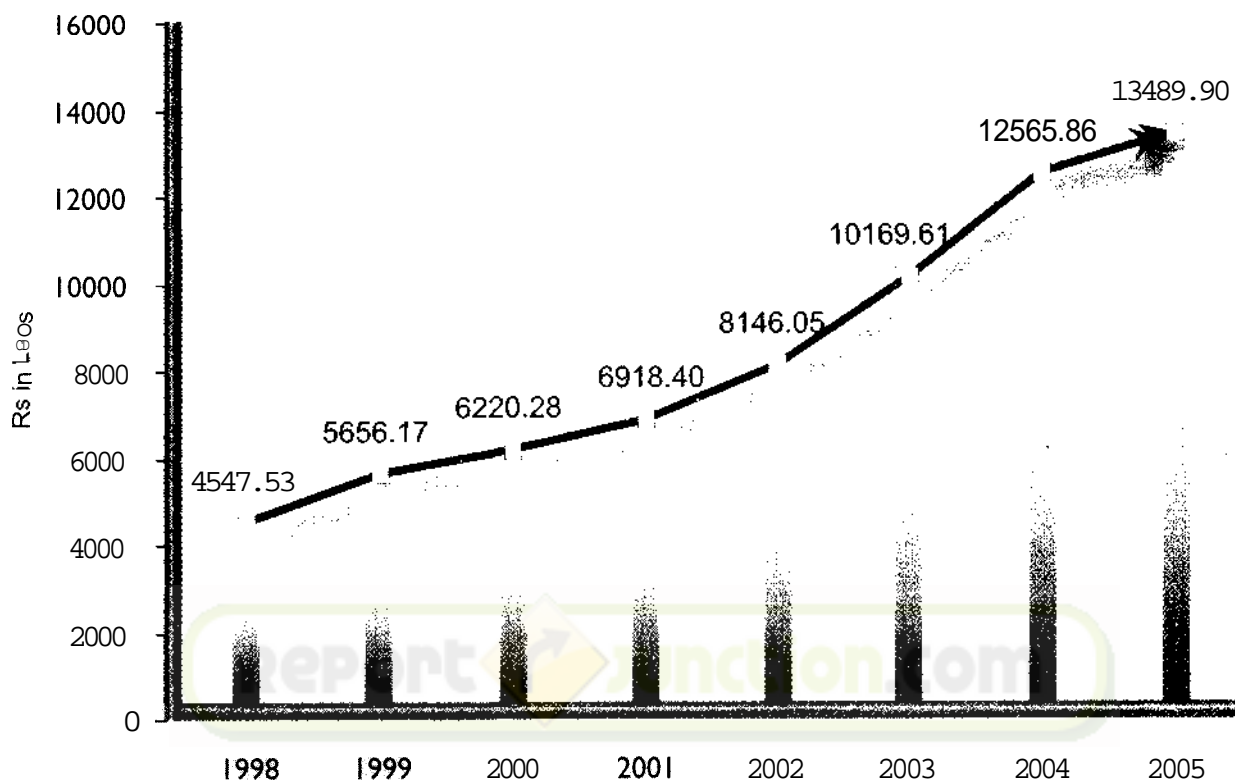


MACMILLAN
Macmillan India Ltd.

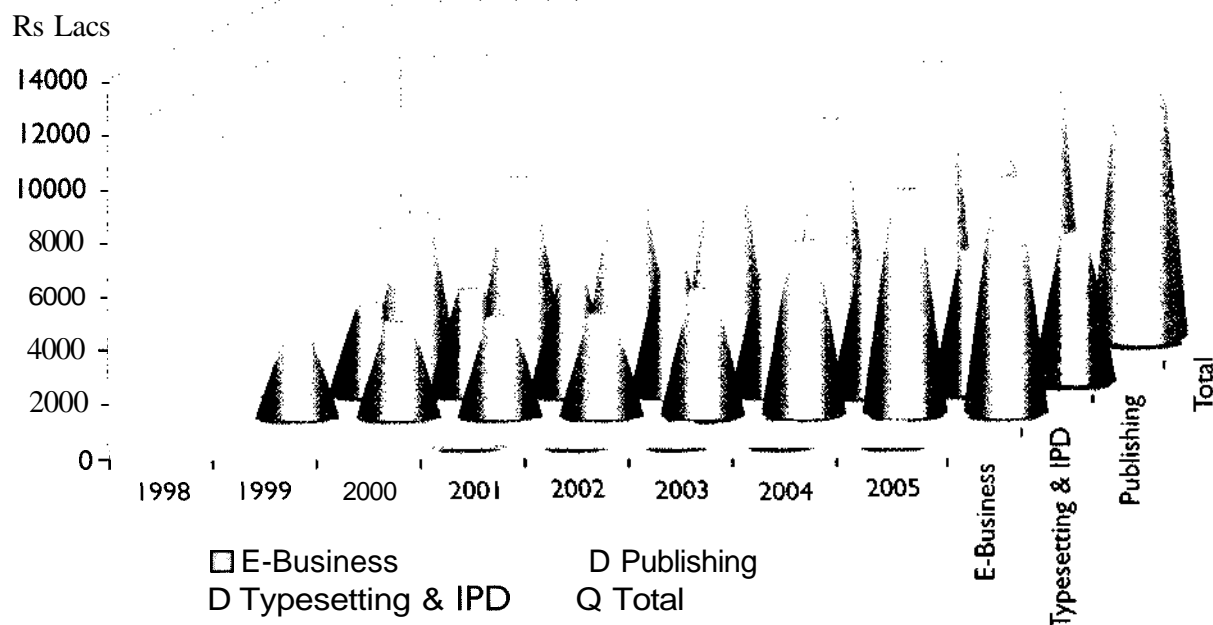


FINANCIALS

SALES

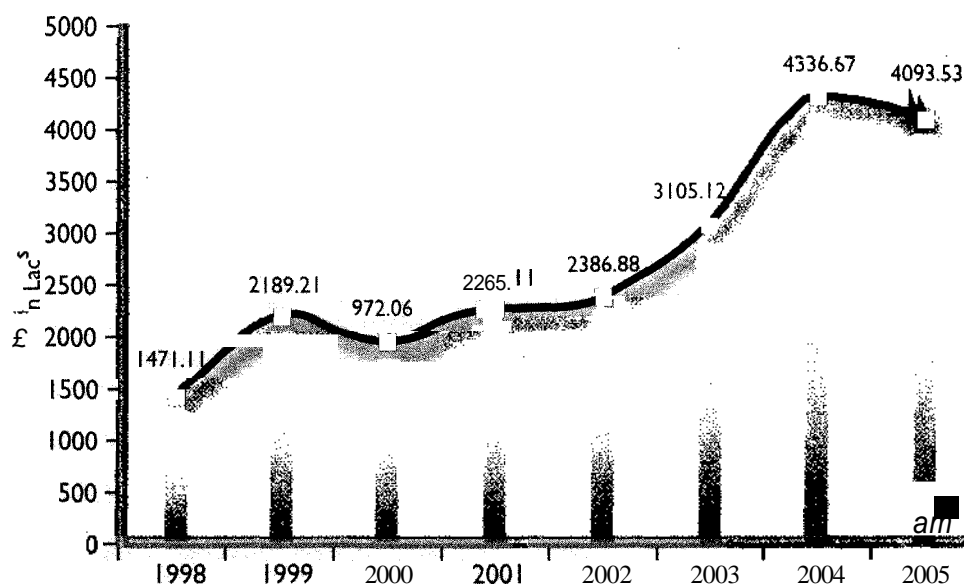


SEGMENTAL SALES



	1998	1999	2000	2001	2002	2003	2004	2005
Rs. in Lacs								
INCOME								
Sales								
Publishing	1,221.74	2,796.58	3,274.16	3,840.41	3,935.64	3,937.66	4,329.85	4,832.54
E-Business				0.40	260.86	355.13	501.16	430.65
IPD&Typesetting	2,334.79	2,859.59	2,946.12	3,077.59	3,949.55	5,876.82	7,734.85	8,226.71
Total Sales	4,547.53	5,656.17	6,220.28	6,918.40	8,146.05	10,169.61	12,565.86	13,489.90
Interest	199.77	226.98	220.20	212.32	200.29	340.25	305.88	292.68
Other Income	149.89	164.76	144.37	339.80	339.31	238.49	73.76	251.49
Total Income	4,897.19	6,047.91	6,584.85	7,470.52	8,685.65	10,748.35	12,945.50	14,034.07
YOY Growth								
Publishing & E-Business	18%	26%	17%	17%	9%	2%	13%	9%
IPD&Typesetting	41%	22%	3%	4%	28%	49%	32%	6%
Total Sales	29%	24%	10%	11%	18%	25%	24%	7%
EXPENDITURE								
Expenditure	2,722.77	3,071.29	3,417.74	4,379.37	5,522.49	6,831.19	7,873.49	9,357.92
Depreciation	188.73	197.41	373.12	353.32	396.55	431.64	435.34	482.62
total Expenditure	2,911.50	3,268.70	3,790.86	4,732.69	5,919.04	7,262.83	8,308.83	9,840.54
Profit before Extra-ordinary Items	1,985.69	2,779.21	2,793.99	2,737.83	2,766.61	3,485.52	4,636.67	4,193.53
Less: Provision for Diminution in value of Investments			106.93	23.83				
Profit before Taxation	1,985.69	2,779.21	2,687.06	2,714.00	2,766.61	3,485.52	4,636.67	4,193.53
Provision for Taxation	514.58	590.00	715.00	448.89	379.73	380.40	300.00	100.00
Profit after Taxation	1,471.11	2,189.21	1,972.06	2,265.11	2,386.88	3,105.12	4,336.67	4,093.53

NET PROFIT AFTER TAX

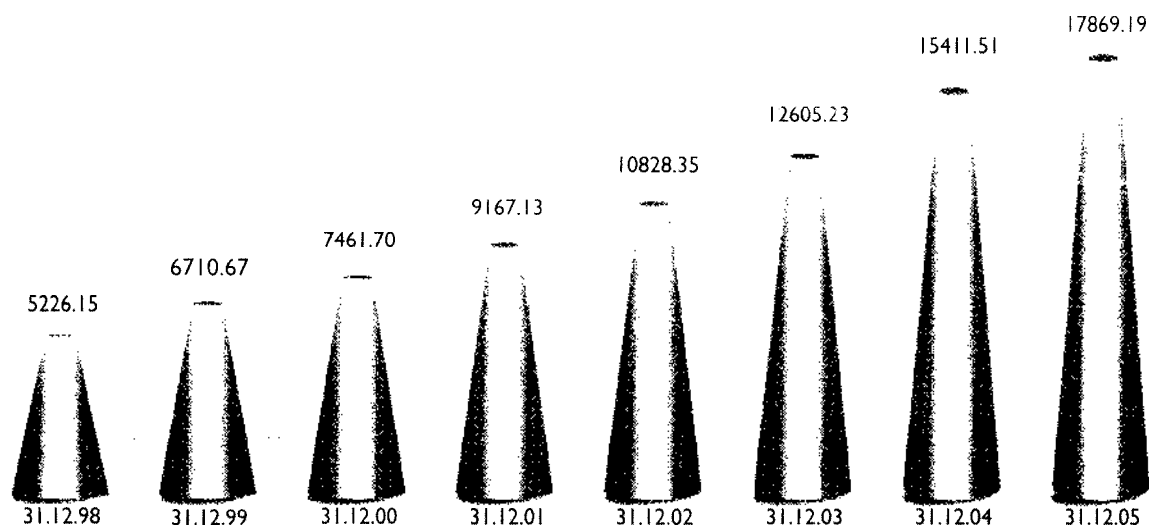




NET WORTH

	Rs. In Lacs							
	31.12.98	31.12.99	31.12.00	31.12.01	31.12.02	31.12.03	31.12.04	31.12.05
Fixed Assets	2,015.37	2,682.63	2,686.92	2,953.34	3,076.75	3,147.57	3,359.51	3,186.37
Investments	595.20	595.18	478.20	554.02	764.38	764.57	2,581.61	5,188.94
Current Assets, Loans & Advances	4,286.39	5,051.11	5,746.86	7,305.41	9,656.34	12,394.19	13,363.36	13,432.79
Current Liabilities & Provisions	(1,670.81)	(1,618.25)	(1,450.28)	(1,645.64)	(2,669.12)	(3,701.10)	(3,892.97)	(3,938.91)
NET WORTH	5,226.15	6,710.67	7,461.70	9,167.13	10,828.35	12,605.23	15,411.51	17,869.19

Rs. In Lacs

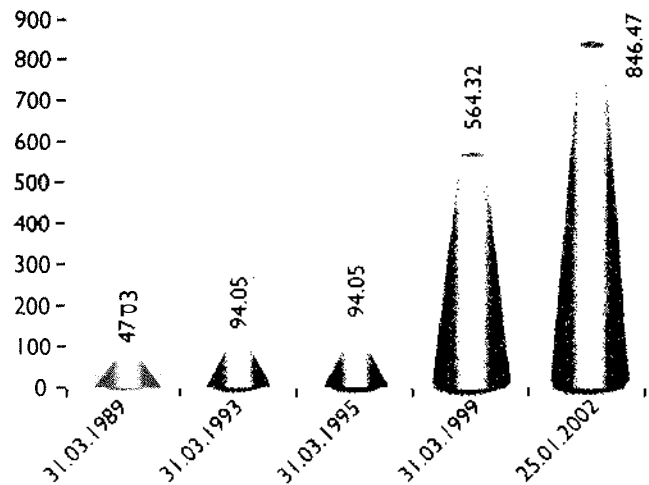


SHAREHOLDERS VALUE

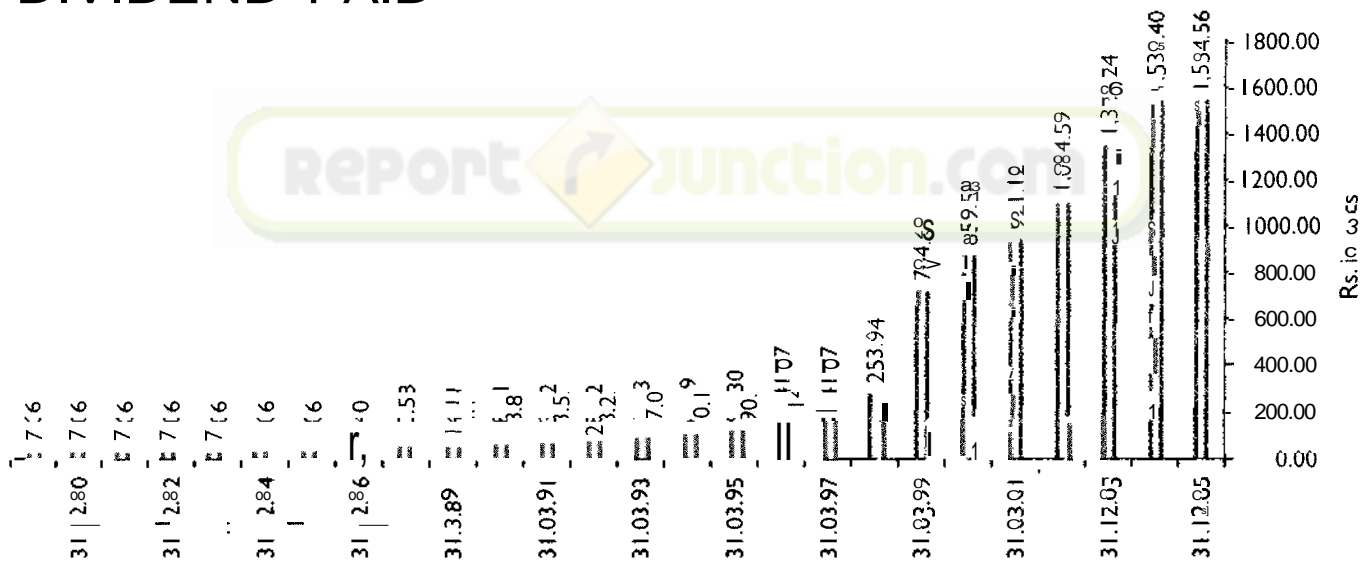
Bonus Issued

	CAPITAL	BONUS	ON	No. of
	ISSUED	CURRENT	Times on	
	fts in Lacs	Rs in Lacs	RATIO	Original Capital
25.01.2002	1692.94	846.47	1 : 1	36
31.03.1999	846.47	564.32	2 : 1	18
31.03.1995	282.15	94.05	1 : 2	6
31.03.1993	188.10	94.05	1 : 1	4
31.03.1989	94.05	47.03	1 : 1	2

Rs in Lacs

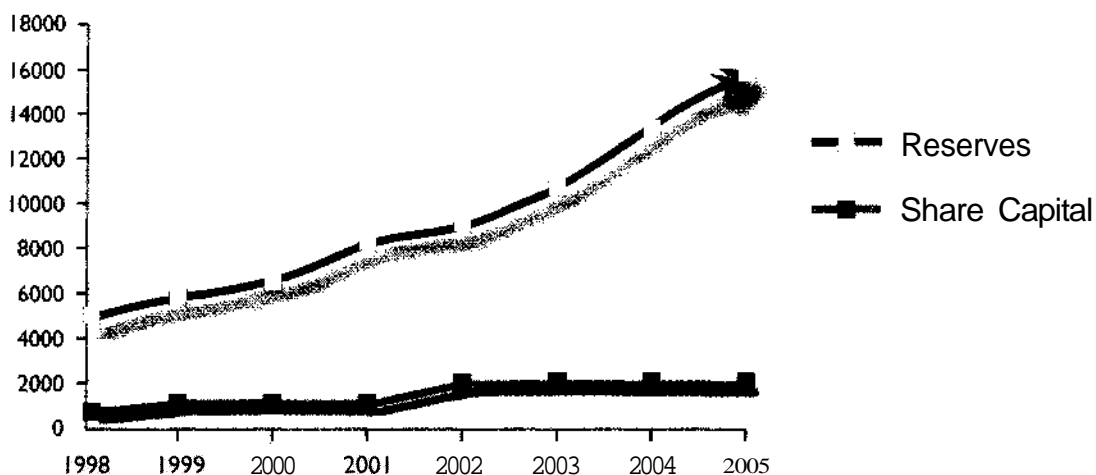


DIVIDEND PAID



SHARE CAPITAL & RESERVES

Rs in Lacs



The Directors are pleased to present the **Thirty-sixth Annual Report** together with the Accounts for the year ended 31st December 2005.

Accounts

The profit for the year is as under.

	Rs in Lacs	
	Year ended	Year ended
	31.12.2005	31.12.2004
Profit for the year after depreciation and taxation	4,093.53	4,336.67
<i>To which is added:</i>		
Surplus brought forward from previous year	8,625.95	6,319.67
	<u>12,719.48</u>	<u>10,656.34</u>

Appropriations:

interim dividend already paid	588.79	588.69
Proposed Final Dividend	757.02	756.89
Corporate Tax on Dividend	188.75	184.81
Transfer to General Reserve	500.00	500.00
Surplus carried forward	10,684.92	8,625.95
	<u>12,719.48</u>	<u>10,656.34</u>

Dividend

An interim dividend of 35% has already been paid. The Directors have recommended a final dividend of 45% for the financial year ended 31st December 2005, which if approved at the forthcoming Annual General Meeting would be paid to all those Members whose names appear on the Register of Members as on 20th June 2006.

PROGRESS OF THE BUSINESS

The overall sales for the year were Rs 135 crores as against Rs 126 crores in the corresponding previous year recording an increase of 7%. The EPS continues to be healthy at Rs 24.33 and the post tax profit was Rs 40.94 crores, marginally lower than the previous year due to the strengthening of Indian Rupee resulting in lower export

realisation in revenue. However the export sales and profit on year-to-year comparison at fixed forex rates would be higher by Rs 2.32 crores. During the year the Company was recognized as a **Business Superbrand 2004-2006** by Superbrands India, a part of Superbrands Ltd. UK. Appearing in the Business Superbrands category could be regarded as a supreme endorsement of the brand's exceptional status for existing and potential customers, the media, the suppliers, investors and the employees. **Business Today** has rated the Company among the 250 most valuable companies in India, and also among the fastest growing small size companies in India.

Business Outlook

Growth in education and literacy level in India together with the increase in student population every year offer good growth opportunities and Macmillan plans to maintain its leadership in educational publishing. Long term outlook for publishing business remains positive due to increasing shift towards English as the medium of instruction in schools and the possibility of decontrol of content at the state level.

On the export front, growing global outsourcing opportunities, new service offerings, maintaining focus on high value added services, new initiatives in the US market and strong support from the parent company promise a bright future.

The Company won the Top Export Award for 2004-05 from CAPEXIL for the highest exports in its category of products for the twenty third time in succession.

Detailed analysis, discussion and progress are given in the segmental reporting section in the Management Discussion and Analysis Report of the Annual Report.



Overall Company Aims

The Company's current strategy remains unchanged:

- (a) To build its lead as the country's foremost educational publisher at all levels of education, both by continuing to increase the scope and quality of its textbook publishing and by building a new reputation as a leader in distance education through e-learning.
- (b) To increase the size, scope and technological advantage of its business as a global high value added IT-enabled service provider for publishers. Our intention is to remain in the forefront of this area, and to play a major part in the harnessing of India's skills, abilities and cost-advantages and in assisting in India's domination of IT-enabled services in the coming years.

Subsidiary Companies

To enlarge the capacity and the business of the Information Processing Division, Charon Tec Private Limited was acquired to position the Company as one of the major suppliers for book typesetting services for overseas publishers. Post acquisition sales achieved for the period ended December 31, 2005 were Rs 3.34 crores.

For the period ended December 31, 2005, MPS Technologies Limited generated revenues of Rs 9.56 crores from its software products and fulfilment services.

Approval under Section 212 (8) of the Companies Act, 1956 was received from Ministry of Company Affairs exempting publication of the accounts of the subsidiary companies and therefore the accounts of MPS Technologies Limited and Charon Tec Limited are not attached. However, pursuant to Clause 41 of listing agreement and as prescribed by Accounting Standard 21 issued by the Institute of Chartered Accountants of India, the audited consolidated financial statement incorporating accounts of the subsidiary companies MPS Technologies Limited and Charon Tec Limited are attached.

The amalgamation of Brigade Marketing Company Limited with the Company was approved by the Hon'ble High Court at Chennai and pursuant to the Court Order, 2814 equity shares of Rs 10 each of your Company were allotted to the minority shareholders of Brigade Marketing Company Limited as fully paid-up without payments being received in cash. The assets and liabilities of Brigade Marketing Company Limited now vest with your Company and were included in the appropriate heads in the accounts.

Conservation of energy, technology absorption and foreign exchange earnings and out-go

During the year under review, foreign exchange earned through exports was Rs 8,690 Lacs as against Rs 8,237 lacs for the period ended 31st December 2004. The outgo of foreign exchange was Rs 2,151 lacs. Thus the net foreign exchange earned by the Company was Rs 6,539 lacs. The details of earnings and outgo are given in the Notes forming part of the Accounts for the year ended 31st December, 2005.

The provisions regarding disclosure of particulars in Form A with respect to Conservation of Energy is not applicable to the printing and publishing industry. Particulars regarding Technology Absorption in Form B are annexed to this report.

Directors

Under Articles 139 to 142 of the Articles of Association of the Company Mr. D.E. Udawadia and Mr. R.R. Chari retire by rotation and being eligible, offer themselves for re-appointment. Mr. Andrew May-Miller was appointed as an Additional Director pursuant to Section 260 of the Companies Act, 1956 read with Article 125 of the Articles of Association of the Company, with effect from 28th January, 2006 and holds office upto the date of the forthcoming Annual General Meeting of the Members of the Company. The Company has received a notice from a Member under Section 257 of the Companies Act, 1956 proposing the appointment of Mr. May-Miller as Director of the Company at the forthcoming Annual General Meeting.



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D I R E C T O R S

Mr. Adrian Soar retired from the Board of Directors from 21st April 2005 after being a director for 32 years of which he was Chairman for 4 years. Mr. Soar in his long tenure was instrumental in the success and growth of the Company, and the Board placed on record its deep appreciation for his huge contribution.

As the present period of appointment of Mr. Rajiv Beri expires on 31st July 2006, his re-appointment as Managing Director is recommended for a further period of five years. The revision of the period and terms of appointment of Mr. D. Banerjee as Technical Director is also recommended for a further period of five years from 1st April 2006.

Auditors

The Company's Auditors, Messrs Fraser & Ross, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

Particulars of Employees

Information as per sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 forming part of the Directors' Report for the year ended 31st December 2005 is annexed to this Report.

Employee Stock Option Scheme

The Members at the Annual General Meeting on 30th June 2005 approved formulation of the "Employee Stock Option Scheme" for the eligible employees including Directors of your Company and its subsidiaries. No stock option was granted during the year ended 31st December 2005.

Clause 49 Requirements

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a compliance report on Corporate

Governance together with a certificate from the statutory auditors confirming compliance with the conditions of corporate governance stipulated in the said clause is annexed to this report.

The Board laid down a "Code of Conduct" for all Board members and senior management of the Company and the "Code of Conduct" has been posted in the website of the Company, www.macmillanindio.com.

Directors Responsibility Statement

Pursuant to sub-section (2AA) of Section 217 of the Companies (Amendment) Act 2001, the Directors confirm that:

- (i) In preparation of the annual accounts, the applicable accounting standards have been followed and proper explanations have been provided for material departures, wherever applicable.
- (ii) The Directors have selected such accounting policies and applied them consistently, and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at 31st December, 2005 and the profit of the Company for the financial year ended 31st December, 2005.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the annual accounts on a 'going concern basis'.

Acknowledgements

The Company is dependent for its success on the support of its Members, its authors, its customers and above all its management and staff. The Directors wish to place on record their appreciation of this support during another successful year in 2005.

Place: Mumbai

Date: 28th April 2006

For and on behalf of the Board

RICHARD CHARKIN

Chairman