

37th ANNUAL REPORT 2006



MACMILLAN
Macmillan India Ltd

Macmillan Publishing Solutions



New Chennai unit for Journals' services and data conversion

Report Junction.com Award for Customer Excellence



SAP celebrated its completion of a decade of operations in India in 2006 and instituted its first ever Award for **Customer Excellence**.

Macmillan India Limited received this award in August 2006 in the category of **Best Business Impact**. It was given in recognition of being a clean integration project that has helped improve inventory and receivables and also the company's financial and HR processes.



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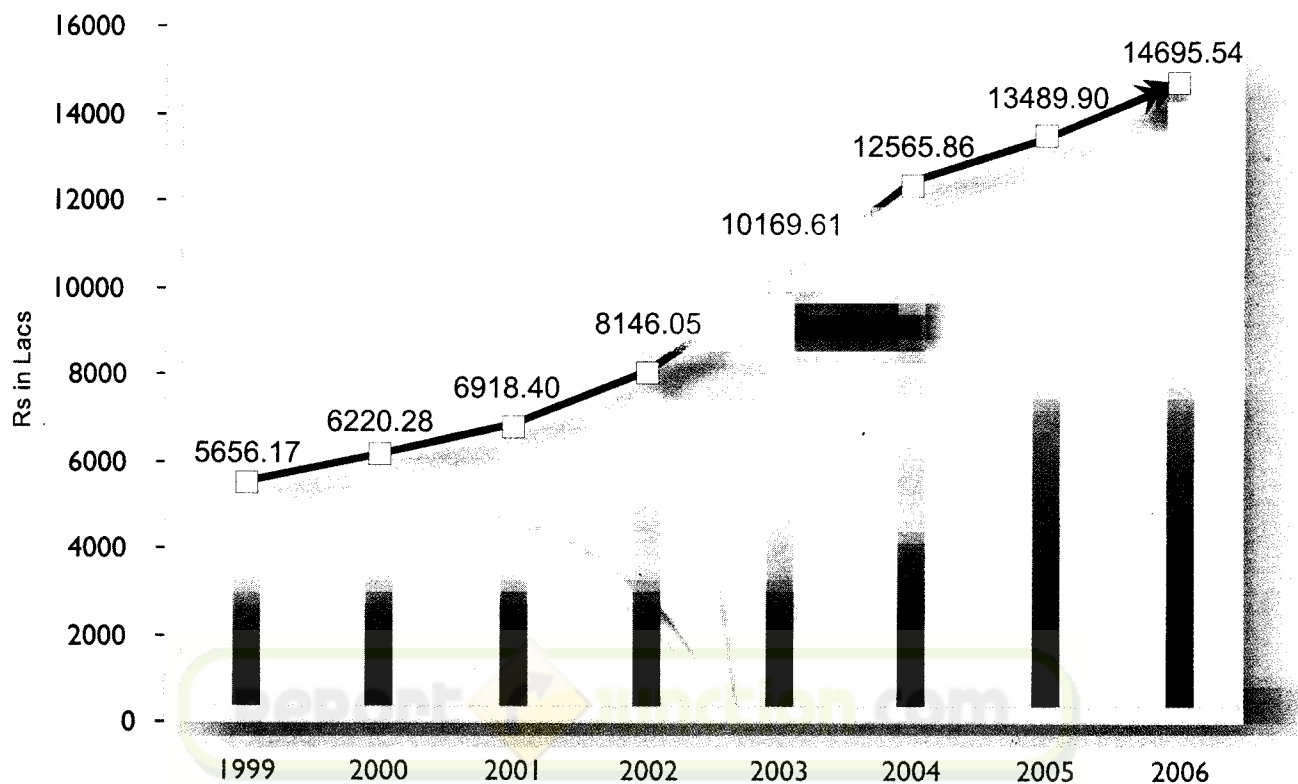
Board of Directors

Mr. Richard Charkin	Chairman
Mr. D E Udawadia	Vice Chairman
Mr. M J Barnard	Director (upto 13-10-2006)
Mr. R R Chari	Director
Mr. A Contractor	Director
Mr. A May-Miller	Director (from 28-01-2006)
Mr. S Inchcoombe	Director (from 13-10-2006)
Mr. Rajiv Beri	Managing Director
Mr. D Banerjee	Whole-time Director
Mr. Rajiv Seth	Whole-time Director (from 23-04-2007)
Mr. V K Venkatakrishnan	Company Secretary & Financial Controller
Legal Advisors	Messrs Udawadia & 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 69, Eldams Road, Teynampet, Chennai 600 018 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 ICC Macmillan 1466, NW Naito Parkway, Suite 200, Portland, Oregon 97209, U.S.A. and its subsidiary ICC India (Private) Ltd. NSIC-STP Complex, 48, Okhla Industrial Estate, New Delhi 110 020 Macmillan-ICC Publishing Solutions (Private) Ltd. MS Complex, 14/45, Dr. Giriappa Road, T Nagar, Chennai 600 017
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

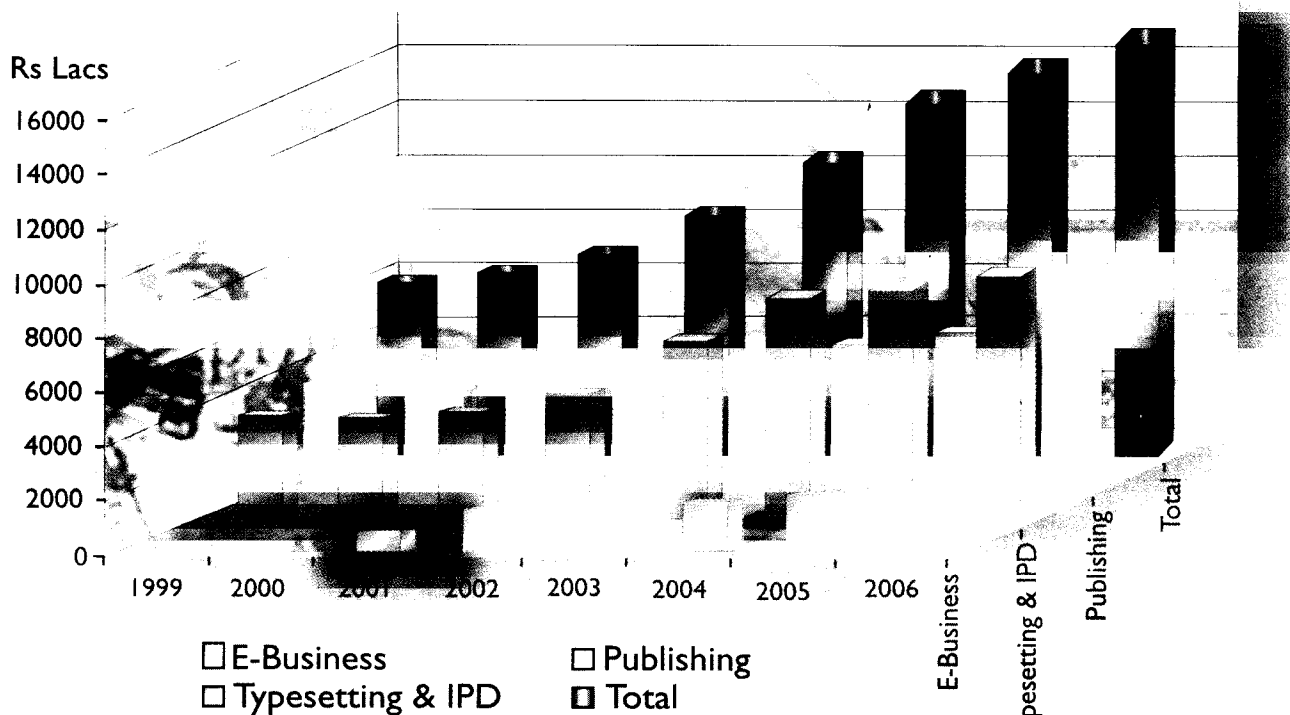


KEY FINANCIAL

SALES



SEGMENTAL SALES



KEY FINANCIALS

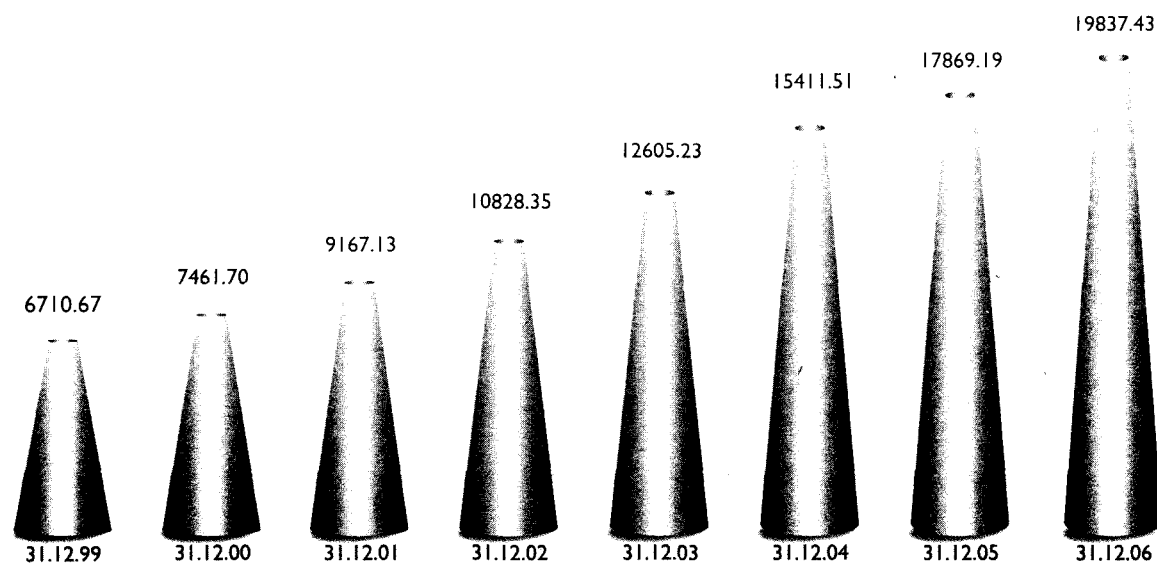
	1999	2000	2001	2002	2003	2004	2005	2006
Rs. in Lacs								
INCOME								
Sales								
Publishing	2,796.58	3,274.16	3,840.41	3,935.64	3,937.66	4,329.85	4,832.54	4,888.80
E-Business			0.40	260.86	355.13	501.16	430.65	475.63
IPD&Typesetting	2,859.59	2,946.12	3,077.59	3,949.55	5,876.82	7,734.85	8,226.71	9,331.11
Total Sales	5,656.17	6,220.28	6,918.40	8,146.05	10,169.61	12,565.86	13,489.90	14,695.54
Interest	226.98	220.20	212.32	200.29	340.25	305.88	292.68	227.87
Other Income	164.76	144.37	339.80	339.31	238.49	73.76	251.49	285.67
Total Income	6,047.91	6,584.85	7,470.52	8,685.65	10,748.35	12,945.50	14,034.07	15,209.08
YOY Growth								
Publishing & E-Business	26%	17%	17%	9%	2%	13%	9%	2%
IPD&Typesetting	22%	3%	4%	28%	49%	32%	6%	13%
Total Sales	24%	10%	12%	18%	20%	19%	7%	9%
EXPENDITURE								
Expenditure	3,071.29	3,417.74	4,379.37	5,522.49	6,831.19	7,873.49	9,357.92	11,180.16
Depreciation	197.41	373.12	353.32	396.55	431.64	435.34	482.62	485.64
Total Expenditure	3,268.70	3,790.86	4,732.69	5,919.04	7,262.83	8,308.83	9,840.54	11,665.80
Profit before Extra-ordinary Items	2,779.21	2,793.99	2,737.83	2,766.61	3,485.52	4,636.67	4,193.53	3,543.28
Less: Provision for Diminution in value of Investments		106.93	23.83					
Profit before Taxation	2,779.21	2,687.06	2,714.00	2,766.61	3,485.52	4,636.67	4,193.53	3,543.28
Provision for Taxation	590.00	715.00	448.89	379.73	380.40	300.00	100.00	40.48
Profit after Taxation	2,189.21	1,972.06	2,265.11	2,386.88	3,105.12	4,336.67	4,093.53	3,502.80



NET WORTH

	Rs. In Lacs							
	31.12.99	31.12.00	31.12.01	31.12.02	31.12.03	31.12.04	31.12.05	31.12.06
Fixed Assets	2,682.63	2,686.92	2,953.34	3,076.75	3,147.57	3,359.51	3,186.37	3,463.93
Investments	595.18	478.20	554.02	764.38	764.57	2,581.61	5,188.94	6,830.84
Current Assets, Loans & Advances	5,051.11	5,746.86	7,305.41	9,656.34	12,394.19	13,363.36	13,432.79	13,945.01
Current Liabilities & Provisions	(1,618.25)	(1,450.28)	(1,645.64)	(2,669.12)	(3,701.10)	(3,892.97)	(3,938.91)	(4,402.35)
NET WORTH	6,710.67	7,461.70	9,167.13	10,828.35	12,605.23	15,411.51	17,869.19	19,837.43

Rs. In Lacs

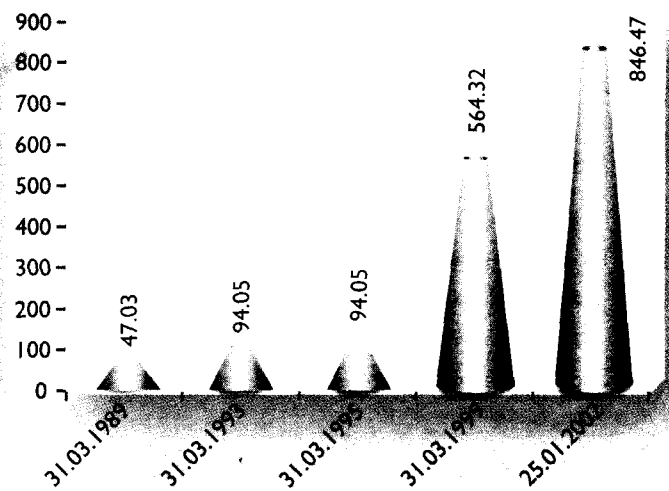


SHAREHOLDER VALUE

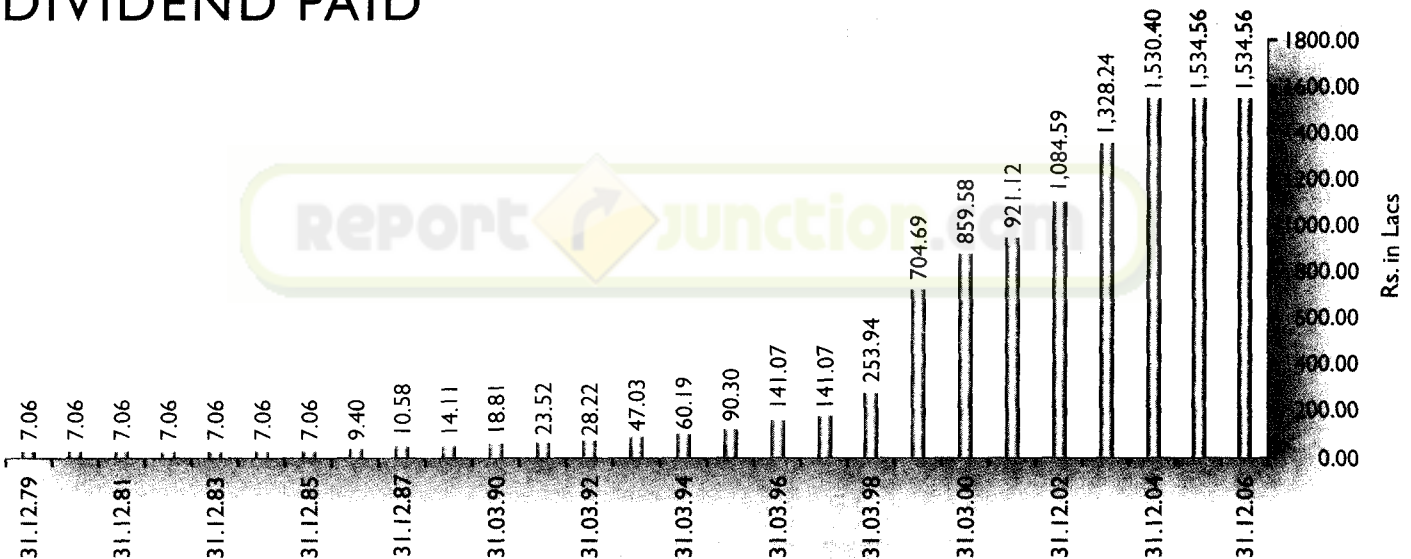
Bonus Issued

	CAPITAL	BONUS	ON	No. of
	Rs in Lacs	ISSUED	CURRENT	Times on
		Rs in Lacs	CAPITAL	Original
			RATIO	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

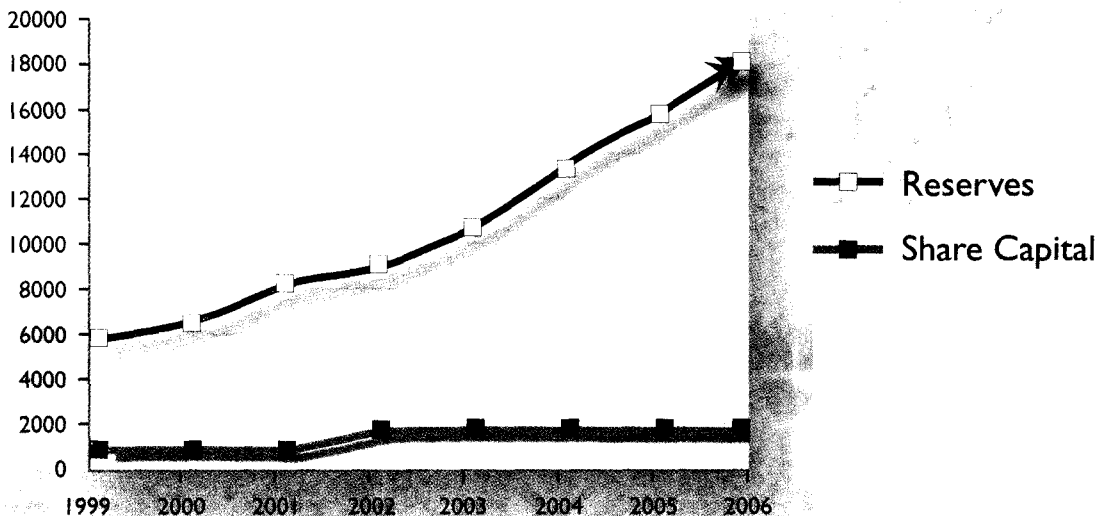


DIVIDEND PAID



SHARE CAPITAL & RESERVES

Rs in Lacs



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REPORT OF THE BOARD OF DIRECTORS

The Directors are pleased to present the **Thirty-seventh Annual Report** together with the Accounts for the year ended 31st December 2006.

The profit for the year is as under.

Accounts	Rs in lacs	
	Year ended 31.12.2006	Year ended 31.12.2005
Profit for the year after depreciation and taxation	3,502.80	4,093.53
<i>To which is added:</i>		
Surplus brought forward		
from previous year	10,684.92	8,625.95
	14,187.72	12,719.48
<i>Appropriations:</i>		
Interim dividend already paid	588.79	588.79
Second Interim Dividend	757.02	-
Proposed Dividend	-	757.02
Corporate Tax on Dividend	188.75	188.75
Transfer to General Reserve	500.00	500.00
Surplus carried forward	12,153.16	10,684.92
	14,187.72	12,719.48

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Dividend

An interim dividend of 35% has already been paid. A second interim dividend of 45% has been declared which would make a total dividend of 80% for the financial year ended 31st December 2006 and would be paid to all those Members whose names appear on the Register of Members as on 3rd April 2007.

PROGRESS OF THE BUSINESS

The overall consolidated sales for the year including the subsidiaries were Rs 210 crores as against Rs 148 crores in the corresponding previous year, recording a growth of 42%. The EPS continues to be healthy at Rs 20.44 as against Rs. 21.08 for the previous year. The drop in EPS was mainly due to significant investments for the future. The substantial investments including acquisition of the subsidiaries during the year are essential for long term growth prospects.

Business Outlook

On the publishing front, 2007 looks promising with the publication of high quality leading school series in all

subject areas, and initiatives in publishing for regional markets. In higher education, publication of core textbooks particularly in management areas, would lead to a higher market share. The International Assessment for Indian Schools (IAIS) project shows promise of good growth.

On the export front, the expansion of the book typesetting division and the acquisition of Charon Tec Ltd., ICC India P Ltd and Interactive Composition Corporation USA (now ICC Macmillan Inc. USA) enabled the Company to position itself as a major supplier of book typesetting services. Growing global outsourcing opportunities, new acquisitions to cater to the US market, new service offerings including high value added services, software products, fulfillment services and project management for its overseas publishing customers and strong support from the parent company, all promise a bright future.

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

Subsidiary Companies

During the year, the Company acquired ICC India Limited and ICC US to enlarge its scope of business in the book business particularly in the US. To enlarge the capacity and the business of the Information Processing Division, Macmillan ICC Publishing Solutions Limited was incorporated which would commence business from 2007.

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

Approval under Section 212 (8) of the Companies Act, 1956 was received from the Ministry of Company Affairs exempting publication of the accounts of the subsidiary companies and therefore the accounts of MPS Technologies Limited, Charon Tec Limited, ICC India Private Limited and ICC-Macmillan USA 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 are attached. As the newly formed Macmillan-ICC Publishing Solutions Private

REPORT OF THE BOARD OF DIRECTORS

Limited commenced business only in 2007 its first accounts would be for the period ending 30th June 2007 and hence have not been incorporated. However, the Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to the holding and subsidiary company investors seeking such information at any point of time. The annual accounts of the subsidiary companies will also be available for inspection by any investor at the Registered Office of the Company and that of the subsidiary company concerned and a note to the above effect will be included at the annual report of the holding company.

Awards and Recognition

The Company won the Top Export Award for 2005-06 from CAPEXIL for the highest exports in its category of products for the twenty fourth year in succession.

The Company won the first-ever SAP ACE – Awards for Customer Excellence, in the Business Impact Category. SAP recognised the Company among best-run businesses that have set global benchmarks in excellence.

Det Norske Veritas (DNV) Norway awarded emacmillan an ISO 9001-2000 certification on 26th March 2006. This certificate has demonstrated that the emacmillan Quality Management System fully conforms to the requirements of the ISO 9001 – 2000 Standard and emacmillan adheres to its own highly challenging quality policies and objectives.

The Federation of Indian Publishers awarded the Company the following prizes for excellence in publishing:

- First Prize - Steel Industries – Jacket English
- Second Prize - You Can Win –Telugu translation
- Certificates of Merit: Prashasanik Sidhant
- Certificates of Merit: Unique Valour – (Reference Books English)

Certificates of Merit: General Catalogues & Brochures (English)

Indian Society of Training & Development selected the following books published by us for the ISTD Book Awards for the year 2005-2006.

1. Jain: Chains That Liberate – Governance of Family Business: 1st Prize.
2. Pareekh & Rao: Training of Education Managers: Consolation Prize
3. Ovasdi: Management of Non-Governmental Organisations: Consolation Prize

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.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Out-go

During the year under review, foreign exchange earned through exports was Rs. 9,841 lacs as against Rs 8,690 lacs for the period ended 31st December 2005. The outgo of foreign exchange was Rs. 2,365 lacs. Thus the net foreign exchange earned by the Company was Rs. 7,476 lacs as against Rs. 6,539 lacs for the period ended 31st December 2005. The details of earnings and outgo are given in the Notes forming part of the Accounts for the period ended 31st December, 2006.

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. R. Charkin and Mr. A. Contractor retire by rotation and being eligible, offer themselves for re-appointment. Mr. Steven Inchcoombe 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 13th October, 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. Inchcoombe as Director of the Company at the forthcoming Annual General Meeting.

Mr. M.J. Barnard retired from the Board of Directors from 13th October 2006 after being a director for 12 years. Mr. Barnard 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.

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 2006 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 2006.

Clause 49 requirement.

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.

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 2006.

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.macmillanindia.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, 2006 and the profit of the Company for the financial year ended 31st December, 2006.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Company's 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'.

For and on behalf of the Board

Mumbai,
28th March 2007

D E Udawadia
Vice Chairman

Rajiv Beri
Managing Director