

38th ANNUAL REPORT 2007

Macmillan India Limited

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Board of Directors

Mr. Steven Inchcoombe	Chairman
Mr. D E Udawadia	Vice Chairman
Mr. M J Barnard	Director (from 24-10-2007)
Mr. W Hanson Farries	Director (from 24-10-2007)
Dr Annette Thomas	Director (from 21-04-2008)
Mr. Richard Charkin	Chairman (upto 27-9-2007)
Mr. A May-Miller	Director (upto 24-10-2007)
Mr. D Banerjee	Whole-time Director (upto 31-10-2007)
Mr. R R Chari	Director
Mr. A Contractor	Director
Mr. Rajiv Beri	Managing Director
Mr. Rajiv Seth	Whole-time Director
Mr. V K Venkatakrishnan	Company Secretary & Financial Controller
Legal Advisors	Messrs Udawadia & Udeshi

Solicitors & Advocates

Elphinstone House, 1st Floor, 17, Marzban Road, Mumbai 400 001

Messrs Fraser & Ross

Temple Towers, II Floor, 672, Anna Salai, Nandanam, Chennai 600 035

Auditors

Corporate Office

315-316, Raheja Chambers, 12, Museum Rd, 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 Rd, Bangalore 560 025

Midford Crescent, 53/1, Richmond Road, Bangalore 560 025

69, Eldams Road, Teynampet, Chennai 600 018

48, Okhla Industrial Estate, New Delhi 110 020

D-5, Sector 10, Noida (UP)

No. 1016, Udayaravi Road, E & F Block, Kuvempunagar, Mysore - 570 023

E-Business Division

Salarpuria Citadel, 3, Hosur Road, Adugodi, Bangalore 560 030

Subsidiary Companies

MPS Technologies Ltd.

DLF Corporate Park, Block 3A, 4th & 5th Floor, Gurgaon, 122 002

Charon Tec Ltd.

MS Complex, 14/45, Dr. Giriappa Road, T Nagar, Chennai 600 017

Frank Brothers & Co (Publishers) Ltd

4675A, Ansari Road, 21, Daryaganj, New Delhi 110 002

Macmillan-ICC Publishing Solutions (Private) Ltd.

MS Complex, 14/45, Dr. Giriappa Road, T Nagar, Chennai 600 017

ICC Macmillan

1466, NW Naito Parkway, Suite 200, Portland, Oregon 97209

and its subsidiary

ICC India (Private) Ltd.

NSIC-STP & 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

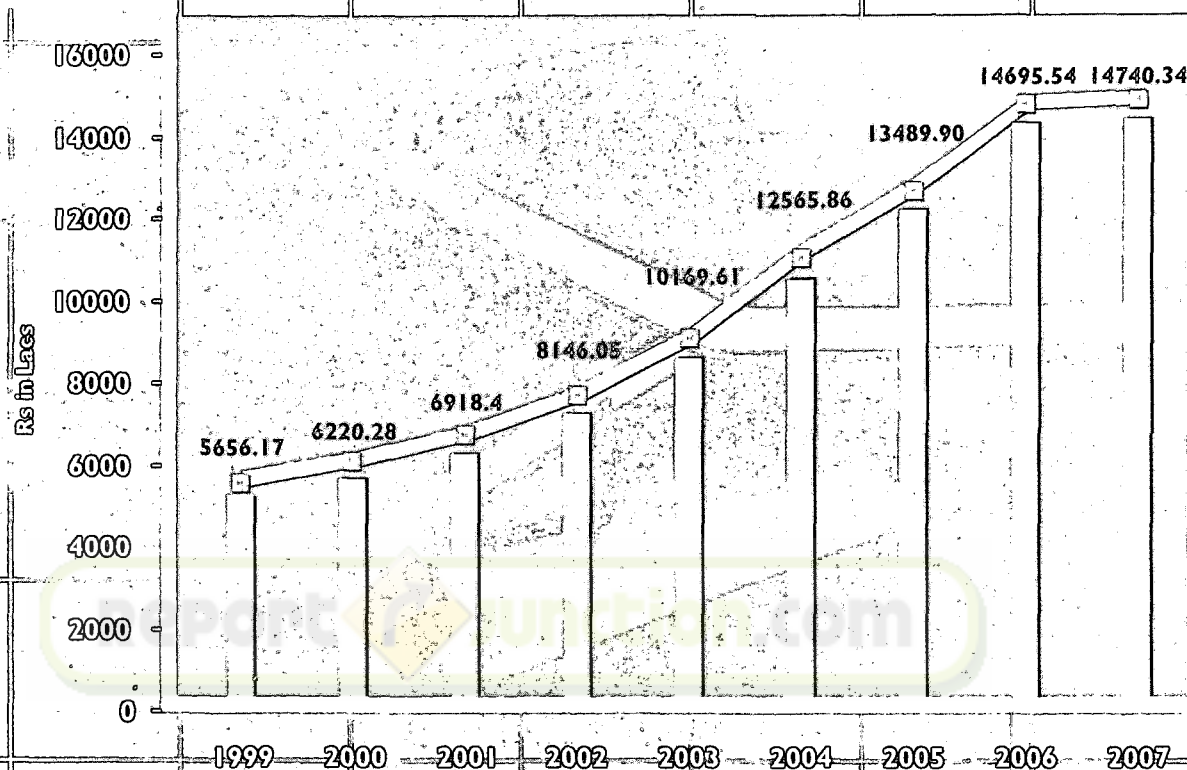
Subramanian Building, I, Club House Rd, Chennai 600 002

MACMILLAN

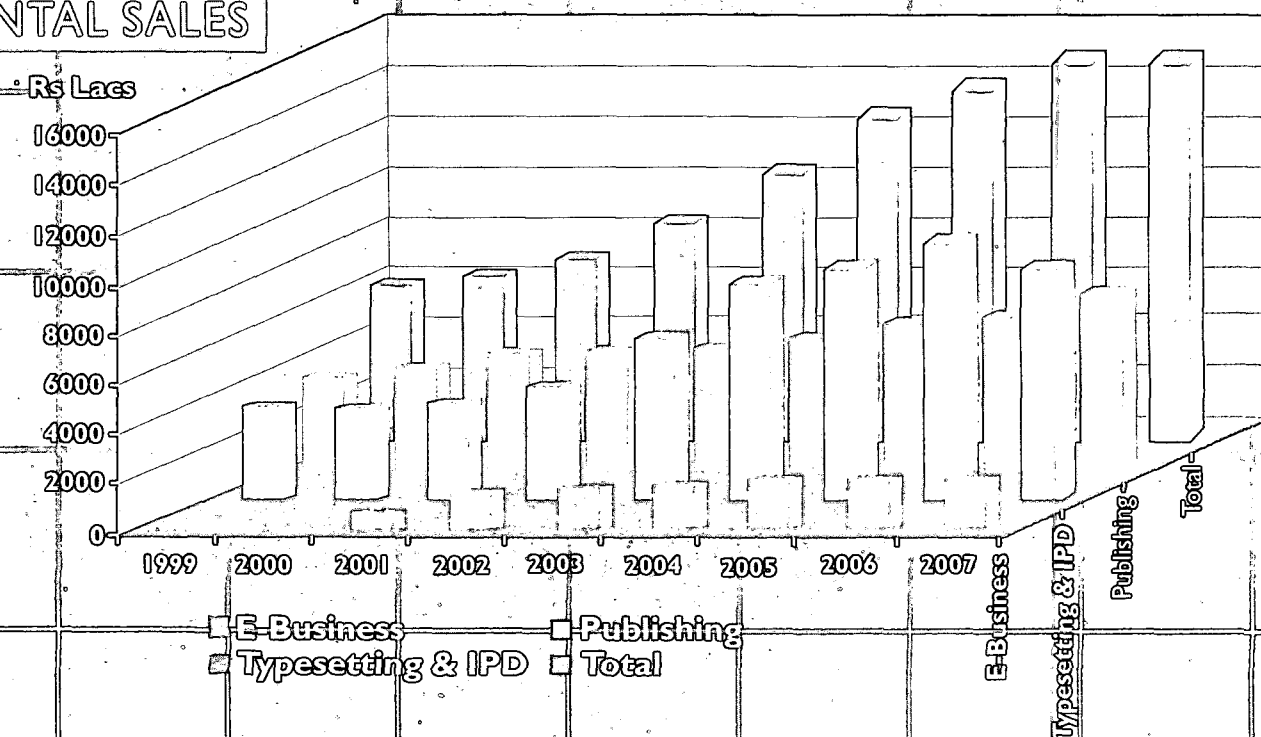
www.rep Macmillan India Ltd.

KEY FINANCIALS

SALES



SEGMENTAL SALES



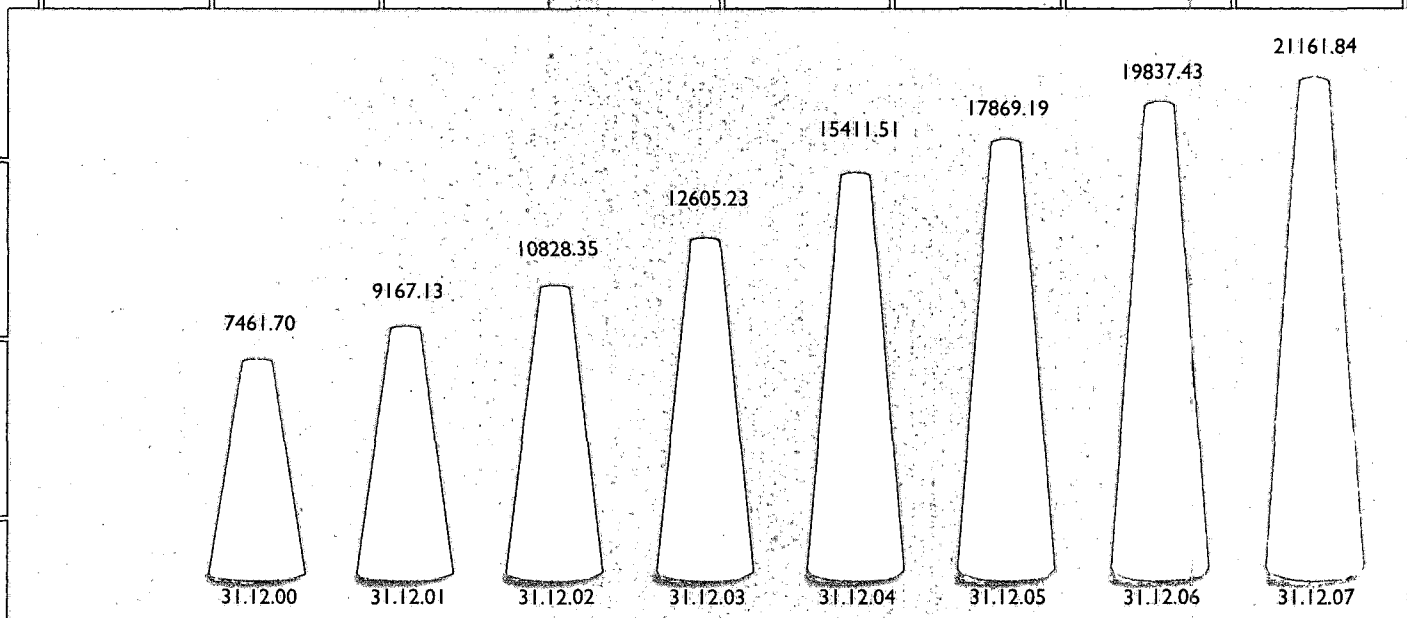
KEY FINANCIALS

	2000	2001	2002	2003	2004	2005	2006	2007
Rs. in Lacs								
INCOME								
Sales								
Publishing	3,274.16	3,840.41	3,935.64	3,937.66	4,329.85	4,832.54	4,888.80	6,103.14
E-Business		0.40	260.86	355.13	501.16	430.65	475.63	694.15
IPD&Typesetting	2,946.12	3,077.59	3,949.55	5,876.82	7,734.85	8,226.71	9,331.11	7,943.05
Total Sales	6,220.28	6,918.40	8,146.05	10,169.61	12,565.86	13,489.90	14,695.54	14,740.34
Interest	220.20	212.32	200.29	340.25	305.88	292.68	227.87	199.65
Other Income	144.37	339.80	339.31	238.49	73.76	251.49	285.67	544.62
Total Income	6,584.85	7,470.52	8,685.65	10,748.35	12,945.50	14,034.07	15,209.08	15,484.61
YOY Growth								
Publishing & E-Business	17%	17%	9%	2%	13%	9%	2%	26.71%
IPD&Typesetting	3%	4%	28%	49%	32%	6%	13%	-14.88%
Total Sales	10%	11%	18%	25%	24%	7%	9%	0.30%
EXPENDITURE								
Expenditure	3,417.74	4,379.37	5,522.49	6,831.19	7,873.49	9,357.92	11,180.16	12,775.24
Depreciation	373.12	353.32	396.55	431.64	435.34	482.62	485.64	571.91
Total Expenditure	3,790.86	4,732.69	5,919.04	7,262.83	8,308.83	9,840.54	11,665.80	13,347.15
Profit before Extra-ordinary Items	2,793.99	2,737.83	2,766.61	3,485.52	4,636.67	4,193.53	3,543.28	2,137.46
Less: Provision for Diminution in value of Investments	106.93	23.83						
Profit before Taxation	2,687.06	2,714.00	2,766.61	3,485.52	4,636.67	4,193.53	3,543.28	2,137.46
Provision for Taxation	715.00	448.89	379.73	380.40	300.00	100.00	40.48	321.00
Profit after Taxation	1,972.06	2,265.11	2,386.88	3,105.12	4,336.67	4,093.53	3,502.80	1,816.46

NET WORTH

	Rs. In Lacs							
	31.12.00	31.12.01	31.12.02	31.12.03	31.12.04	31.12.05	31.12.06	31.12.07
Fixed Assets	2,686.92	2,953.34	3,076.75	3,147.57	3,359.51	3,186.37	3,463.93	3,332.19
Investments	478.20	554.02	764.38	764.57	2,581.61	5,188.94	6,830.84	7,992.72
Current Assets, Loans & Advances	5,746.86	7,305.41	9,656.34	12,394.19	13,363.36	13,432.79	13,945.01	13,697.86
Current Liabilities & Provisions	(1,450.28)	(1,645.64)	(2,669.12)	(3,701.10)	(3,892.97)	(3,938.91)	(4,402.35)	(3,860.93)
NET WORTH	7,461.70	9,167.13	10,828.35	12,605.23	15,411.51	17,869.19	19,837.43	21,161.84

Rs. In Lacs

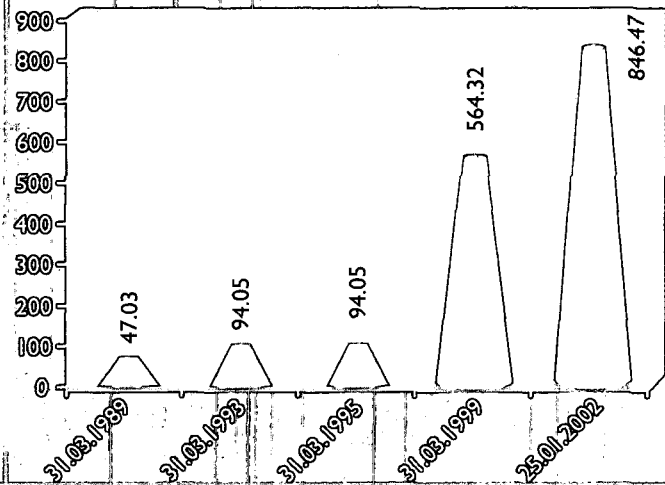


SHAREHOLDER VALUE

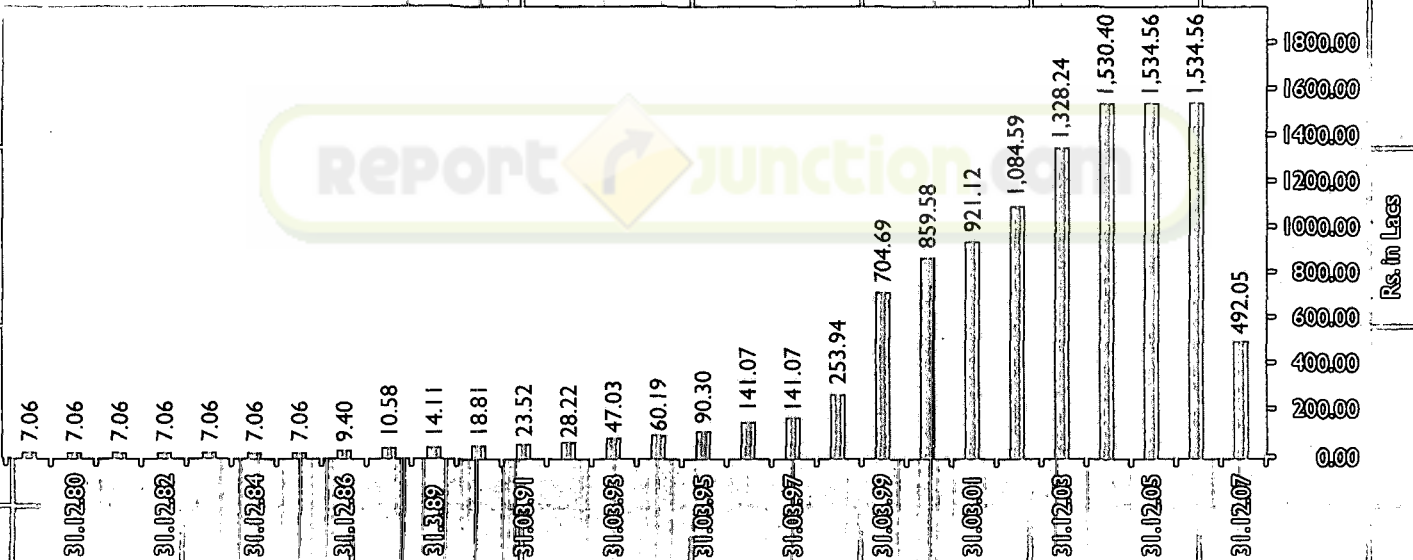
Bonus Issued

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

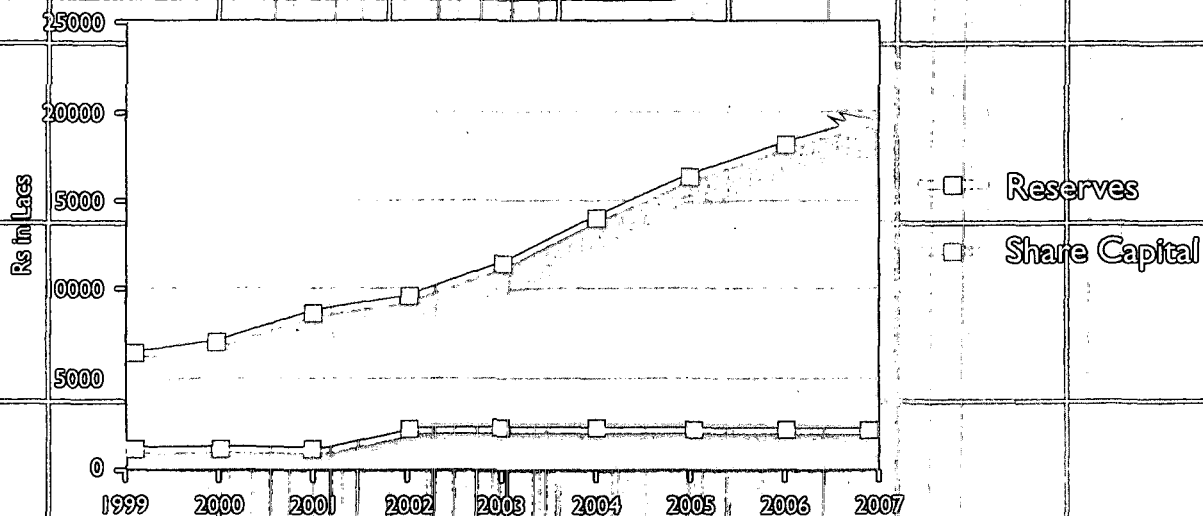
Rs in Lacs



DIVIDEND PAID



SHARE CAPITAL & RESERVES



The Directors are pleased to present the **Thirty-eighth Annual Report** together with the Accounts for the year ended 31st December 2007.

The profit for the year is as under.

Rs in lacs

Accounts	Year ended 31.12.2007	Year ended 31.12.2006
Profit for the year after depreciation and taxation	1,816.46	3,502.80
To which is added:		
Surplus brought forward from previous year	12,153.16	10,684.92
	13,969.62	14,187.72
Appropriations:		
Interim dividend already paid	420.57	588.79
Second Interim dividend paid	—	757.02
Proposed Dividend	—	—
Corporate Tax on Dividend	71.48	188.75
Transfer to General Reserve	500.00	500.00
Surplus carried forward	12,977.57	12,153.16
	13,969.62	14,187.72

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Dividend

An interim dividend of 25% has already been paid. The Board has decided not to declare any final dividend for the year ended 31st December, 2007. This is in view of the Company's plans for significant investments for growth.

PROGRESS OF THE BUSINESS

The overall consolidated sales for the year including the subsidiaries were Rs 220 crores as against Rs 212 Crores in the corresponding previous year. The net profit after tax of Rs. 13.85 Crores giving an EPS of Rs 8.23 per Rs 10 share was lower than the previous year mainly due to the following reasons;

- Short term effect of the loss of exclusive ad composing business from Pindar but the Company has signed contracts with other yellow pages directory publishers to recoup the loss of business, from 2008.

- 2007 was a year of strategic investments for the future, which had an impact on profitability, but was necessary for building business for the future.
- Strengthening of Indian Rupee resulted in lower realization and profitability.
- Global pricing pressures on Journals and services.
- Substantial investments were made in the acquired companies, which will give results from 2008 onwards.

Business Outlook

In publishing, sales growth during 2007 was encouraging with a 25% increase over last year, indicating steady growth in 2008. The acquisition of Frank Brothers has enhanced the product and customer base to place the Company in a leadership position in educational publishing.

On the export front, in view of the wide range of services that the Company offers to the global publishing community and the need to integrate the services, the Company has created an umbrella branding – Macmillan Publishing Solutions, as a one-stop shop for publishers. This initiative together with the considerable investment made for expansion and with the acquisition of new ad-composing business, it is expected that the export activity is poised for a quantum growth in the coming years.

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 80% of the share capital of Frank Brothers Company (Publishers) Limited with the right to acquire the balance by March 2009. The acquisition has placed the Company in a leadership position in the national curriculum educational market. 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.

REPORT OF THE BOARD OF DIRECTORS

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, ICC-Macmillan USA, Macmillan ICC Publishing Solutions Private Limited and Frank Brothers and Company (Publishers) 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 are attached. 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 in its Registered Office and in the offices of the concerned subsidiary company.

Awards and Recognition

The Company won the Top Export Award for 2006-07 from CAPEXIL for the highest exports in its category of products for the twenty-fifth year in succession.

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

- Kothakoli Book 1: First Prize in Text Books - Schools (Regional Languages) category
- Indian Feudalism (2/e): Second Prize in Text Books - Colleges (English) category
- Business & Management Catalogue 2007: Certificate of Merit in the Price Lists, Catalogues & Brochures (English) category.
- The book "Supply Chain-Modelling and Solutions" was awarded the consolation prize by Indian Society of Training & Development for the year 2005-2006.

ScholarlyStats software product developed by the subsidiary MPS Technologies Limited which provides usage statistics to libraries, has won the Library Product of the

year at the 2006 International Information Industry Awards, in 2007.

The processes of ebusiness were assessed at CMMI level 3 by KPMG and were also certified for ISO 9001:2000 by DNV. The unit also became a Gold partner of Microsoft.

Overall Company Aims

The Company's current strategy remains unchanged:

- (a) To provide the highest quality educational materials and to maintain and grow undisputed leadership in school publishing. Also to be a frontrunner in innovation and digital content initiatives.
- (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 be a leader in this area, and to play a major part in the harnessing of India's skills, abilities and cost-advantages and to contribute to India's domination of IT-enabled services in the coming years.

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

The provisions regarding disclosure of particulars in Form A with respect to Conservation of Energy is not applicable to the printing and publishing industry as the operations are not energy-intensive. However constant efforts are made to make the infrastructure more energy efficient. Particulars regarding Technology Absorption, Research and Development in Form B are annexed to this report.

During the year under review, foreign exchange earned through exports was Rs. 8,684 lacs as against Rs 9,841 lacs for the year ended 31st December 2006. The outgo of foreign exchange was Rs. 1,841 lacs as against the previous year outgo of Rs.2, 365 lacs. Thus the net foreign exchange earned by the Company was Rs. 6,843 lacs. The details of earnings and outgo are given in the Notes forming part of the Accounts for the year ended 31st December, 2007.



Directors

Under Articles 139 to 142 of the Articles of Association of the Company Mr. D.E Udadia and Mr. R. R. Chari retire by rotation and being eligible, offer themselves for re-appointment. Mr. Michael Barnard who was earlier a director of the Company from November 29, 1994 to October 13, 2006 and Mr. Hanson Farries were appointed as Additional Directors with effect from 24th October 2007, and Ms. Annette Thomas with effect from April 21, 2008 pursuant to Section 260 of the Companies Act, 1956 read with Article 125 of the Articles of Association of the Company, and hold office upto the date of the forthcoming Annual General Meeting of the Members of the Company. The Company has received notices from Members under Section 257 of the Companies Act, 1956 proposing the appointments of Mr. Michael Barnard, Mr. Hanson Farries and Ms. Annette Thomas as Directors of the Company at the forthcoming Annual General Meeting.

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Mr. Richard Charkin resigned from the Board of Directors from 27th September 2007 consequent to his resignation from the services of Macmillan Ltd, UK. The Board placed on record its deep appreciation of the valuable services of Mr. Richard Charkin as a director for 10 years of which he was the Chairman for 3 years and the huge contribution made by him for the success and growth of the Company. The Board appointed Mr. Steven Inchcoombe as Chairman of the Board.

Mr. Andrew May Miller resigned from the Board of Directors with effect from 24th October 2007. The Board placed on record its deep appreciation of the valuable services of Mr. Andrew May Miller as a director from 28th January 2006.

Mr. Debasish Banerjee retired from the Board of Directors with effect from 31st October 2007 consequent to his superannuation. The Board placed on record its deep appreciation of the valuable services of Mr. Debasish Banerjee as a director from 1st February 2001.

Auditors

M/s Fraser & Ross, Chartered Accountants, Chennai retiring Auditors have informed the Board that owing to administrative reasons they do not propose to offer themselves as Statutory Auditors of the Company for the year 2008.

A Special notice in terms of Section 190 of the Companies Act, 1956 has been received from a member proposing the appointment of M/s Deloitte Haskins & Sells, Chennai as Auditors in place of M/s Fraser & Ross.

M/s Deloitte Haskins & Sells, Chennai have expressed consent for their appointment as Statutory Auditors of the Company for the Financial Year 2008 and have confirmed, the appointment if made, will be in accordance with the limits specified under Section 224(1B) of the Companies Act, 1956.

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 2007 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 until the year ended 31st December 2007.

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.

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.