39th ANNUAL REPORT 2008

MACMILLAN
PUBLISHING SOLUTIONS

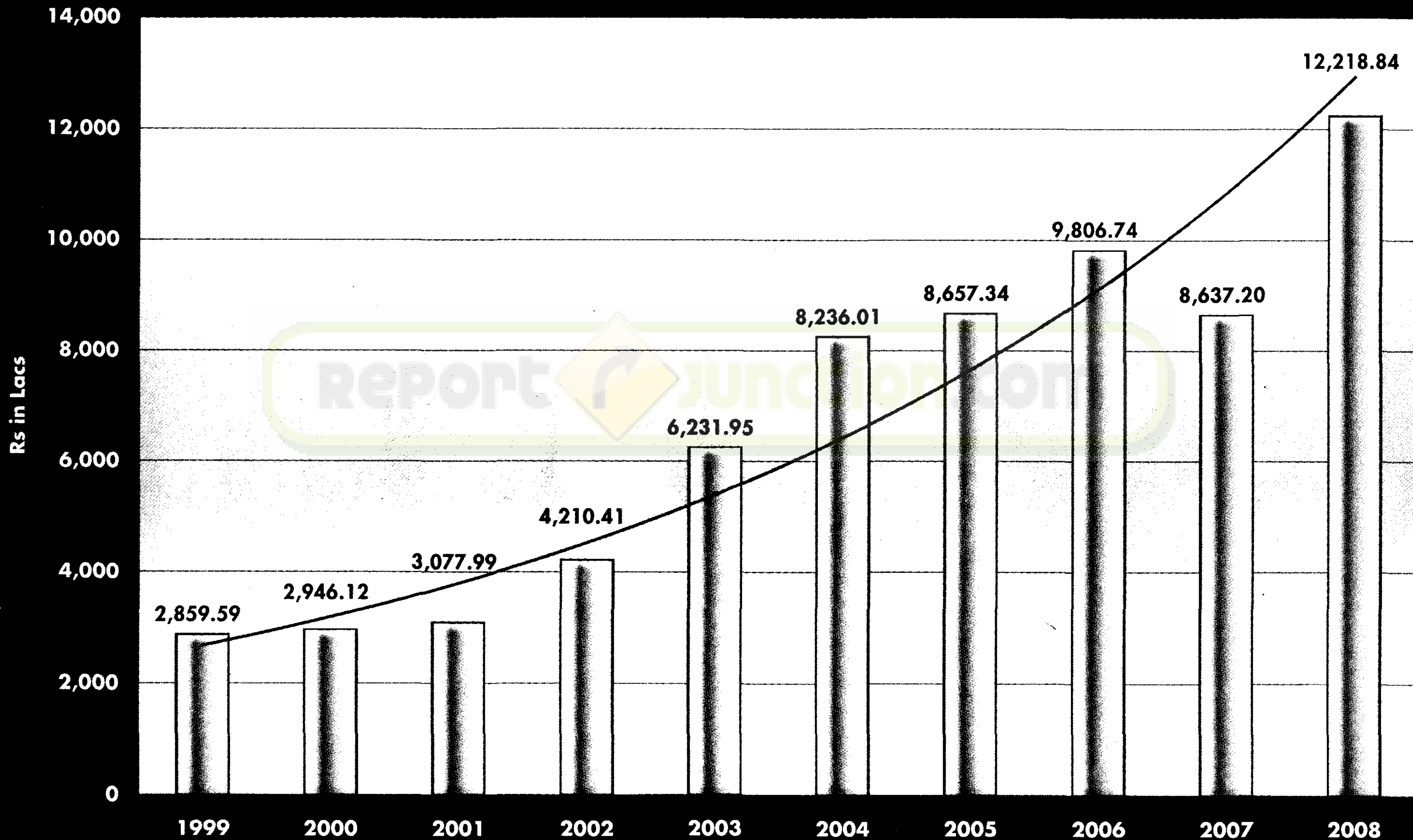
MACMILLAN INDIA LIMITED

board of directors

Mr. Lawrence Jennings	Chairman (from 25.02.2009)
Mr D E Udwadia	Vice Chairman
Mr R R Chari	Director
Mr A Contractor	Director
Mr S Inchcoombe	Director (upto 25.02.2009)
Mr W Hanson Farries	Director
Dr Annette Thomas	Director (upto 25.02.2009)
Mr M J Barnard	Director (upto 25.02.2009)
Mr Rajiv Kumar Seth	Managing Director
Mr Rajiv Beri	Director (upto 25.02.2009)

Mr S M Krishnan	Associate Vice President & Company Secretary
Legal Advisors	Messrs Udwadia & Udeshi Solicitors & Advocates, Elphinstone House, 1st Floor, 17, Murzban Road, Mumbai – 400 001
Auditors	Messrs Deloitte Haskins & Sells 7th Floor ASV Towers, Old No. 37, New No 52, Venkatanarayana Road T Nagar, Chennai 600 017
Bankers	BNP PARIBAS Landmark Building, 3rd Floor, 21/15, M G Road, Bengaluru 560 001 Standard Chartered Bank, 19, Rajaji Salai, Chennai 600 001
Corporate Office	HMG Ambassador, 137, Residency Road, Bengaluru 560 025
Registered Office	21, Patullos Road, Chennai 600 002
Other Offices	Brigade Towers, 135, Brigade Road, Bengaluru 560 025 Salarpuria Citadel, 3, Hosur Road, Adugodi, Bengaluru 560 027 Midford Crescent, 53/1, Richmond Road, Bengaluru 560 025 69, Eldams Road, Teynampet, Chennai 600 018 SDF K Block, No 6 and 7, NSEZ, Noida Dadri Road, Phase II, Noida 201 305 865, Udyog Vihar, Phase V, Gurgaon – 122 016 MS Complex, 14/45, Dr Giriappa Road, T.Nagar, Chennai 600 017 No. 1016, Udayaravi Road, E & F Block, Kuvempunagar, Mysore-570 023
Subsidiary Companies	MPS Technologies Ltd DLF Corporate Park, Block 3A, 4th & 5th Floor, Gurgaon, 122 002, Haryana ICC Macmillan Inc, 810, SE, Sherman Suite B, Portland, OR 97214, United States and its subsidiaries MPS Mobile Inc 810, SE, Sherman Suite B, Portland, OR 97214, United States ICC India (Private) Ltd NSIC-STP & 48, Okhla Industrial Estate, New Delhi - 110 020
Registrars and Share Transfer Agents	Cameo Corporate Services Limited Subramanian Building, 1, Club House Road, Chennai 600 002

PUBLISHING SERVICES SALES TREND - LAST 10 YEARS



KEY FINANCIALS

YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008
Rs. In Lacs									
INCOME									
Sales									
Publishing Services*	2,946.12	3,077.99	4,210.41	6,231.95	8,236.01	8,657.34	9,806.74	8,637.20	12,218.84
Publishing**	3,274.16	3,840.41	3,935.64	3,937.66	4,329.85	4,832.56	4,888.80	6,103.14	4,030.98
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	16,249.82
Intrerest	220.20	212.32	200.29	340.25	305.88	292.68	227.87	199.65	44.22
Other Income	144.37	339.80	339.31	238.49	73.76	251.49	285.67	544.62	139.75
Total Income	6,584.85	7,470.52	8,685.65	[illegible],748.35	12,945.50	14,034.07	15,209.08	15,484.61	16,433.79
EXPENDITURE									
Expenditure	3,417.74	4,379.37	5,522.49	[illegible],831.19	7,873.49	9,357.92	11,180.16	12,775.24	13,491.10
Depreciation	373.12	353.32	396.55	431.64	435.34	482.62	485.64	571.91	613.77
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	14,104.87
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	2,328.92
Less: Provision for Deminution 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	2,13[illegible]	2,328.92
Provision for Taxation	715.00	448.89	379.73	380.40	300.00	100.00	40.48	32[illegible]0	512.83
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	1,816.09

Note:

(i) * Publishing services sales for 2008 also includes the sales of Charon Tec Ltd & Macmillan-ICC Publishing Solutions Pvt Ltd ,which were merged effective 31st Dec,2007 with the Company

(ii) ** Publishing Sales for 2008 includes only the portion attributable for the period from 01.01.2008 till 11.05.2008

The Directors are pleased to present the **Thirty-ninth Annual Report** together with the Accounts for the year ended 31st December 2008.

The profit for the year is as under.

Accounts	Year ended 31.12.2008 *	Year ended 31.12.2007
	Rs in lacs	
Profit for the year after depreciation and taxation	1,816.09	1,816.46
To which is added:		
Surplus brought forward from previous year	12,977.57	12,153.16
	14,793.66	13,969.62
To which is deducted :		
Adjustments arising on account of Scheme of Arrangement	(12,644.67)	-
	2,148.99	**13,969.62**
Appropriations:		
Proposed Dividend	-	420.57
Corporate Tax on Dividend	-	71.48
Transfer to General Reserve	500.00	500.00
Surplus carried forward	1,648.99	12,977.57
	2,148.99	**13,969.62**

* Figures are not comparable to previous year due to demerger of the domestic publishing business

Dividend

The Board has decided not to declare any dividend for the year ended 31st December, 2008 in view of the company's plans to conserve resources in a globally challenging economic scenario and continuing significant investments being made for securing growth .

PROGRESS OF THE BUSINESS

The overall consolidated sales for the year including the subsidiaries was Rs 225 crores as against a figure of Rs 220 Crores for the corresponding previous year. The net profit after tax was Rs. 12.48 Crores giving an EPS of Rs 7.42 per Rs 10 share . However the above figures also include the portion relating to the demerged domestic publishing operations for the period from 1st January till 11th May, 2008 which was transferred to Macmillan Publishers India Ltd in terms of the Court approved Scheme of Arrangement with the Appointed Date for the demerger being 12th May, 2008.

The lower profitability as compared to the previous year is mainly due to the following reasons :

- Strategic investments made for expansion of the Ad-composition and book typesetting businesses
- Commoditisation of core journals and books services markets
- Depressed Global economic scenario reflecting in pricing pressures.

Business Outlook

The company's rebranding as Macmillan Publishing Solutions helped it cross-sell many of its services to new and existing clients, and create a niche for itself in the market as a one-stop solutions provider. A key highlight was several breakthroughs in selling combined or packaged services to large clients. The assets purchase of the US-based Compset Inc., a full-service graphics and composition provider to the school (Kindergarten-12th standard or K-12) market, supplemented the company's spectrum of service offerings. In the course of the year, formal separation of the publishing services business (formerly known as the Information Processing Division) from the domestic publishing operations took place. As a result the publishing services business will be able to focus on the new initiatives that are already underway and continue to grow and increase its market share.

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

Scheme of Arrangement

The two distinct business activities that formed Macmillan India Ltd, the domestic publishing operation and the offshoring business, required very different strategies to achieve accelerated growth. Due to their differing cash flow requirements, investment profiles and risks it had become commercially requisite to segregate the domestic publishing business. A Scheme of Arrangement provided for the amalgamation of Macmillan-ICC Publishing Solutions Pvt Ltd (MIPS) and Charon Tec Ltd (Charon) with the Company. The Scheme also simultaneously effected the demerger of the domestic publishing business from the Company and its transfer and vesting in an unlisted company, Macmillan Publishers India Ltd (MPIL). The Scheme was filed with the Honourable High Court at Madras after obtaining the requisite 'No objection' letters from the Stock Exchanges.

The shareholders approval was obtained with an overwhelming majority at the Court-convened shareholders meeting held on 2nd August, 2008. The Honourable Madras High Court has conveyed its approval to the Scheme of Arrangement vide its order dated 22nd September, 2008.

This Company, Macmillan India Ltd (MIL), now solely comprises of the publishing services business which is a 100% export oriented activity, Macmillan Publishers India Ltd (MPIL) will direct initiatives relating to the domestic publishing operations.

The restructuring exercise has enabled MIL to effectively take advantage of its strategic position and its ability to provide economical and cost effective services.

As per the Scheme, the existing shareholders in Macmillan India Ltd as of the Record Date fixed for the purpose, 12th November 2008, have been allotted shares of Macmillan Publishers India Ltd in the ratio of 1:1.

As MPIL is not a listed Company the members of Macmillan India Ltd, other than the Promoters who will be issued and allotted shares in MPIL, would have the following options, exercisable by them at their discretion post issue and allotment of shares of MPIL in the ratio of 1 equity share for every 1 equity share held by them in Macmillan India Ltd as per the Scheme:

- they can retain the unlisted shares in MPIL issued and allotted to them in terms of the Scheme; or
- they can offer to sell the shares issued and allotted to them in MPIL to the Promoters at Rs. 69 per share based on the Valuation Report submitted by PricewaterhouseCoopers Private Limited

Acquisitions and Subsidiary Companies

During the year, the Company's subsidiary ICC Macmillan Inc, USA acquired the assets of Compset Inc, a full-service graphics and composition firm with developmental and production expertise in elementary-high school textbooks, higher education, medical reference books, academic and university titles, trade books, and professional journals. Compset Inc. is located in Beverly, Massachusetts. The acquisition of a US-based production centre strengthens MIL'S Publishing Services business position in the "El-Hi" market, which concentrates on instructional materials for elementary and secondary schools. It also strengthens the company's East Coast presence and helps build significant onshore project management capacity. The new production group will accommodate the school (K-12) market's growing market needs for onshore production services.

The US subsidiary, ICC Macmillan Inc USA has recently formed a new subsidiary, MPS Mobile Inc USA to take over the Mobile content delivery business hitherto promoted by it.

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 Corporate Affairs exempting publication of the accounts of the subsidiary companies and therefore the accounts of MPS Technologies 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. The Company will however 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 2007-08 from CAPEXIL for the highest exports in its category of products for the twenty-sixth year in succession.

The processes of the Company's fulfilment and subscription management division became ISO/IEC 27001:2005-certified by AFNOR Certification on 9th October 2008.

Overall Company Aims

The Company's current strategy remains:

To increase the size, scope and technological advantage of its business as a global, high value-add, IT-enabled service provider for publishing activities and be a leader in this area. The strategic intent is 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-going

The provisions regarding disclosure of particulars in Form A with respect to Conservation of Energy is not applicable to the printing and publishing services 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. 12,239 lacs as against Rs 8,684 lacs for the year ended 31st December 2007. The outgo of foreign exchange was Rs. 1,696 lacs as against the previous year outgo of Rs. 1,841 lacs. Thus the net foreign exchange earned by the Company was Rs. 10,543 lacs. The details of earnings and outgo are given in the Notes forming part of the Accounts for the year ended 31st December, 2008.

Directors

Mr. Rajiv Beri ceased to be the Managing Director of Macmillan India Ltd with effect from 22nd October 2008 consequent to his appointment as the Managing Director of Macmillan Publishers India Ltd, and stepped down from the Board of Macmillan India Ltd with effect from 25th February, 2009. The Board places on record its deep appreciation of the valuable services tendered by Mr. Rajiv Beri during his tenure as Managing Director since 20th February 1995.

Mr. Rajiv Kumar Seth was appointed as Managing Director of Macmillan India Ltd with effect from 22nd October 2008.

Mr Steven Inchcoombe, Dr Annette Thomas and Mr M J Barnard resigned from the Board with effect from 25th February, 2009 . The Board places on record its deep appreciation of the significant contributions rendered by Mr Steven Inchcoombe, Dr Annette Thomas and Mr M J Barnard during their individual tenures with the Board.

Mr Lawrence Jennings was appointed as an Additional Director on the Board with effect from 25th February, 2009 .

Auditors

The Company's Auditors, Messrs. Deloitte Haskins & Sells, 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 2008 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 2008.

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.macmillanpublishingsolutions.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, 2008 and the profit of the Company for the financial year ended 31st December, 2008.

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.

The Directors have prepared the annual accounts on a 'going concern basis'.

Acknowledgements

The Directors wish to place on record their deep appreciation of the support and guidance received from Macmillan, UK and Verlagsgruppe Georg Von Holtzbrinck, Germany. The Company is dependent for its success on the support of its Members, its authors, its customers and above all its management and staff, and the Directors wish to place on record their appreciation of this support during the year.

For and on behalf of the Board

Bengaluru,
25th February 2009

D E UDWADIA
CHAIRMAN

Form B

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

Research & Development:

1. Specific areas in which R & D was carried out by the Company	• The Company continued its effort towards development of the following: • Virtualisation of servers. • Optimisation of bandwidth. • Improved communications via VoIP. • Further enhancements/migration/developments of core applications to newer versions/technology • Implementation of new processes/tools for typesetting, image processing, XML, PDF, copyediting, QA, delivery, workflows, etc. • Quality improvement systems and methodologies • Integration of internal tracking system with customer's production and tracking systems. Extending the tracking and production tools to direct and indirect customers for collaborative working • Evaluation and implementation of business process and ERP tools for the finance, HR and sales functions
2. Benefits derived as a result of the above R & D	• Server consolidation • Better bandwidth management with current levels. • Cost advantage of using VOiP. • Increased productivity with higher quality leading to cost effective service deliveries • Ability to meet customers' enhanced requirements quickly • Ability to meet shorter turnaround times demanded by customers • Automated tools helped to meet extra volume of production and new customer requirements • Maintaining leadership as a technologically advanced supplier • Providing value added services to the customers and bringing in additional projects • Implementation of best practices, systems and tools across divisions
3. Future plan of action	• Streamline servers at all locations for enhancing efficiency and better load balancing. • Accurate bandwidth allocation for critical application thus maintaining maximum uptime. • Developing enterprise information architecture. • Development and implementation of next generation of editorial and proofing tools • Explore the various tools available in the pre-press and electronic publishing industry to further enhance the productivity and customer requirements • Explore new areas of IT-enabled services to publishers • Acquiring or developing next generation production management systems
4. Expenditure on R & D	• Included in the appropriate heads

Technology absorption, adaptation and innovation

1. Efforts in brief made towards technology absorption, adaptation and innovation	• Reorganisation of resources from business units to form a strong core team to meet further expansion requirements with efficiency • Open source deployment to reduce cost (Asset and Helpdesk). • Implementation of the ITIL process framework and IS 27001. • Innovative system and software development to meet ever increasing customer requirements
2. Benefits derived from the above	• Strong core team and improved efficiency • Common application across all business units useful in data compilation and computation – standardized MIS • Process oriented approach strengthening the fundamentals • New technology development helping us to remain right at the forefront of technology innovation. This helps the company get more jobs from existing customers and new customers with diverse requirements
3. Imported Technology	• No technologies were imported