



MACMILLAN

Macmillan Publishers India Ltd
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2009

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2nd

Annual Report



MACMILLAN PUBLISHERS INDIA LIMITED

SECOND ANNUAL REPORT 2009

BOARD OF DIRECTORS

Mr Julian Drinkall	Chairman
Mr A. Contractor	Director
Mr W. Hanson Farries	Director
Dr Annette Thomas	Director
Mr M.J. Barnard	Retired on 24.02.2009
Mr Rajiv Beri	Managing Director
Mr Debasish Banerjee	Director
Mr V.K. Venkatakrishnan	Director
Mr S. Chandrasekhar	Executive Director & Company Secretary
Auditors	Messrs. Deloitte Haskins & Sells 7th Floor, ASV Towers Old No. 37, New No. 52, Venkatanarayana Road T. Nagar, Chennai 600 017
Bankers	The Hongkong and Shanghai Banking Corporation Limited No. 7, Mahatma Gandhi Road, Bengaluru 560 001 BNP Paribas Landmark Building, 3rd Floor, 21/15 M.G. Road Bengaluru 560 001
Corporate Office	315-316, Raheja Chambers, 12, Museum Road Bengaluru 560 001
Registered Office	21, Patullos Road, Chennai 600 002
Subsidiary Company	Frank Brothers & Co. (Publishers) Limited 4675A, Ansari Road, 21, Daryaganj, New Delhi 110 002
Printing Press	Injambakkam, Chennai 600 041
Editorial	B-41, Sector 4, Noida 201 301 (U.P.)
Regional Offices	Chennai, Delhi, Kolkata, Mumbai
Showrooms	Ahmedabad, Bengaluru, Bhopal, Chandigarh Coimbatore, Cuttack, Ghaziabad, Guwahati, Hubli, Hyderabad, Jaipur, Lucknow, Madurai, Nagpur, Mumbai, Patna, Pune, Raipur, Thiruvananthapuram, Visakhapatnam
Registrars and Share Transfer Agents	Cameo Corporate Services Limited Subramanian Building, 1, Club House Road Chennai 600 002

The Directors are pleased to present the **Second Annual Report** together with the Accounts for the year ended 31st December 2009.

The results of operations for the year ended 31st December 2009 are as under.

Accounts	Rs in lacs	
	Year ended 31.12.2009	Period from 12.05.2008 to 31.12.2008
Profit/(Loss) for the year before depreciation and tax	732.56	(721.18)
Less : Depreciation	195.05	150.59
Less: Provision for current and deferred tax	384.59	(244.52)
Less : Provision for fringe benefit taxes	20.00	20.00
Profit/(Loss) after tax carried forward to Balance Sheet	132.92	(647.25)

Dividend

With a view to conserve resources for working capital, your Directors do not recommend any Dividend for the year 2009.

Progress of the Business

The publishing business for the full year ended December 31, 2009 recorded a turnover of Rs 84.02 Crores.

The overall consolidated sales for the year including the revenues generated by the Company's Subsidiary, Frank Brothers & Co. (Publishers) Ltd was Rs 119.94 Crores.

Previous year: The previous year figures reported is from 12th May 2008 to 31st Dec 2008. Hence the figures are not comparable.

However the Consolidated comparative publishing figures on full basis, including full year 2008 sales prior

to Scheme of Arrangement for the publishing business are as under:

Accounts	Year ended 31.12.2009	Year ended 31.12.2008
	(Rs in Lacs)	(Rs in Lacs)
Sales	11,993.54	10,983.50
Profit before tax	991.39	504.55

Business Outlook

The year 2010 has begun well with first quarter Gross sales of Rs 3,924.71 lacs recording an increase of 4.52% while the subsidiary Frank Bros recorded a growth of 10.67% on sales of Rs 2,898.27 lacs. Investment in 2009 on new projects of Full Marks (support books), CESOL (Cambridge University exams) and Teachers Training program together with the additional manpower investments for projects of CESOL and the UK English Language Teaching (ELT) products have resulted in additional revenue. The project of digital publishing and e-books, initially creating e-book versions of top selling series of the Company and its Subsidiary Frank Bros., and Publishing programs bringing CD supported versions of the existing best sellers and major new series would bode well for the full year performance.

Progress of the Business

During the year 586 new titles were added and the Company has 5712 running titles in its list of publication.

Sales growth during 2009 over last years levels was quite encouraging. The demerger process has also helped in ensuring a single minded focus on maximising growth opportunities and ensuring profitable growth. Though the current global economic situation is not encouraging, it is not expected to affect the future prospects of the business. Further, the acquisition in late 2007 of Frank Brothers has also enhanced the product offerings and customer base placing the Company in a leadership position in educational publishing.

REPORT OF THE BOARD OF DIRECTORS

Subsidiary Company

In late 2007, the Company had acquired 80% of the share capital of Frank Brothers & Co. (Publishers) Limited and the balance 20% share were acquired in July 2009. The acquisition of Frank Bros has placed the Company in a leadership position in the national curriculum educational market. Frank Brothers is one of the most reputed brands in the field of school publishing and has more than 1000 active titles in all subjects catering to the needs of ICSE and CBSE students and professional institutes in the areas of hotel management, tourism, management and other technical subjects.

A Statement u/s 212 of the Companies Act, 1956 and the Annual Report of its Subsidiary is attached and forms part of this Annual Report.

Awards and Recognition

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

- Marketing Management-First Prize-Text Books: Colleges-English category.

Overall Company Aims

The Company's current strategy remains unchanged and its aim is to provide the highest quality educational materials and to maintain and grow undisputed leadership in school publishing.

The Company continues to lay emphasis on digital education and is in process of enhancing its offerings in new areas of the education business such as teacher's training, support books, etc.

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. The Company uses modern printing technology and techniques.

During the year under review, foreign exchange earned through exports was Rs. 196.40 lacs. The outgo of foreign exchange was Rs. 45.37 lacs. Thus the net foreign

exchange earned by the Company was Rs. 151.03 lacs. The details of earnings and outgo are given in the Notes forming part of the Accounts for the year ended 31st December, 2009.

Directors

Under Articles 99 & 100 of the Articles of Association of the Company read with Section 255 of the Companies Act, 1956, Mr. Debasish Banerjee and Mr Hanson Farries retire by rotation and being eligible offer themselves for reappointment.

Audit Committee

The Audit Committee initially consisted of three Directors: Mr J. Drinkall, Mr H. Farries and Mr R. Beri. Mr J. Drinkall is the Chairman of the Committee. The Audit Committee provides assurance to the Board on the adequacy of the internal control systems and financial disclosures. This is done at meetings of the committee wherein the statutory auditor, internal auditor and the senior management personnel are present.

Subsequent to its formation, the Audit Committee inducted Mr V.K. Venkatakrishnan and Mr Debasish Banerjee as its members. As part of its functions, the Audit Committee have reviewed the accounts of the company for the year ended 31st December 2009 and for the half year ended 30th June 2009 as required under the Companies Act, 1956. Also the Audit Committee reviewed the Internal Audit reports and findings and made recommendations to management.

Internal Control Systems

The company has well documented policy guidelines, defined authority levels and exhaustive budgetary control system to ensure adequate internal control levels.

The company has implemented SAP which has substantially streamlined the business process, the internal control system and their adequacy.

During the year the company has appointed Ernst & Young as the internal auditors. The internal Audit function ensures that the system of recording and reporting, internal controls and checks, safeguarding and protection of assets, and remitting statutory dues in time are adequate

and proper. The Internal Auditor reports to the Audit Committee.

Remuneration Committee

The Committee consists of Mr J. Drinkall, Mr D. Banerjee, Mr A. Contractor, Mr V.K. Venkatakrishnan and Dr Annette Thomas as Chairman of the Committee. The Committee reviewed the managerial remuneration paid by the Company.

Auditors

M/s Deloitte Haskins & Sells, Chartered Accountants, Chennai 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 2009 is annexed to this Report.

Directors Responsibility Statement

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956, 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, 2009 and the profit of the Company for the financial year ended 31st December, 2009.
- (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 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, bankers 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
31st March 2010

Rajiv Beri
Managing Director

REPORT OF THE AUDITORS TO THE MEMBERS

REPORT OF THE AUDITORS TO THE MEMBERS OF MACMILLAN PUBLISHERS INDIA LIMITED

We have audited the attached Balance Sheet of Macmillan Publishers India Limited (the "Company"), as at 31st December 2009, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;

- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date;
- (vi) *Attention is invited to Note No. III (9) of Schedule 18 regarding the payment of remuneration to the Managing Director and Whole Time Director, which is subject to approval of the Central Government.*
- (vii) *Subject to the matter referred to in paragraph (vi) above in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:*
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December 2009;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 008072S)

Bhavani Balasubramanian
Partner
Membership No. 22156

Place: Bengaluru
Date: 31st March 2010

REPORT OF THE AUDITORS TO THE MEMBERS

Annexure to the Auditors' Report (Referred to in paragraph 3 of our report of even date)

1. In respect of its fixed assets:

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Most of the fixed assets were physically verified during the year by the management in accordance with a regular programme of verification, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us no material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

2. In respect of its inventories:

- (a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

3. (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

- (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under

Section 301 of the Companies Act, 1956.

4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services and we have not observed any continuing failure to correct major weaknesses in such internal control systems.
5. In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act 1956, to the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that there are no transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public during the year.
7. The internal audit is carried out during the year partly by a consulting company appointed by the management, which is an associate of the statutory auditors of the Holding Company and partly by another external firm of Chartered Accountants, which in our opinion, have been commensurate with the size of the Company and the nature of its business.
8. The Central Government has not prescribed maintenance of Cost Accounting Records under Section 209(1)(d) of the Companies Act, 1956 for the Company.
9. In respect of Statutory dues:
 - (a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service Tax, Customs duty, Cess and any other material statutory dues with the appropriate authorities during the year.
 - (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax,

REPORT OF THE AUDITORS TO THE MEMBERS

Service Tax, Customs duty, Cess and any other material statutory dues as at 31st December 2009 for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues of Sales Tax, Income tax, Customs Duty, Wealth Tax, Service Tax, and Cess, which has not been deposited with the appropriate authorities on account of any dispute.

10. The Company was incorporated on 12th May 2008 and it has not completed five years as at 31st December 2009. Therefore, the provisions of clause 4(x) of the Companies (Auditor's Report) Order, 2003 regarding reporting on accumulated losses and cash losses are not applicable to the Company for the financial year covered by our audit.

11. The Company has not taken any loans from financial institutions, banks and debenture holders.

12. Based on our examination of documents and records, we are of the opinion that the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The Company is not a chit fund or nidhi mutual benefit fund/society.

14. In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities and debentures and other investments.

15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

16. The Company has not raised any term loans during the year.

17. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short-term basis, have, *prima facie*, not been used during the year for long-term investment.

18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.

19. The Company has not issued any debentures.

20. The Company has not raised money through public issues during the year.

21. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

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For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 008072S)

Bhavani Balasubramanian
Partner
Membership No. 22156

Place: Bengaluru
Date: 31st March 2010

BALANCE SHEET**AS AT 31ST DECEMBER 2009**

	Schedule No.	As at 31.12.2009 Rs in '000s	As at 31.12.2008 Rs in '000s
I. Sources of Funds			
1. Shareholders' Funds			
Share Capital	1	168,727	168,727
Reserves & Surplus	2	951,671	938,379
		1,120,398	1,107,106
2. Secured Loans [Note No.II(5) of Schedule 18]		50,000	-
		1,170,398	1,107,106
II. Application of Funds			
1. Fixed Assets	3		
Gross Block		284,008	272,194
Depreciation		178,393	161,329
Net Block		105,615	110,865
Capital work in progress including capital advances		-	4,890
		105,615	115,755
2. Investments	4	425,565	422,848
3. Deferred Tax Assets (Net) [Note No.III(20) of Schedule 18]		3,824	20,783
4. Current Assets, Loans and Advances			
Inventories	5	253,162	203,128
Sundry Debtors	6	323,641	274,494
Cash and Bank Balances	7	120,912	68,884
Loans and Advances	8	210,739	204,595
Total Current Assets		908,454	751,101
Less: Current Liabilities	9	250,450	182,443
Provisions	10	22,610	20,938
Total Current Liabilities & Provisions		273,060	203,381
Net Current Assets		635,394	547,720
		1,170,398	1,107,106
Notes on Accounts	18		

Per our report of even date

For DELOITTE HASKINS & SELLS
Chartered AccountantsV.K. Venkatakrishnan
DirectorBhavani Balasubramanian
Partner
Place: Bengaluru
Date: 31st March 2010Rajiv Beri
Managing DirectorS. Chandrasekhar
Executive Director & Company Secretary

FOR THE YEAR ENDED 31ST DECEMBER 2009

	Schedule No.	For the year ended 31.12.2009 Rs in '000s		For the period 12.5.2008 to 31.12.2008 Rs in '000s	
INCOME					
Sales		881,850		330,107	
Less: Discounts		<u>41,646</u>	840,204	<u>11,602</u>	318,505
Interest Income	11		994		1,959
Other Income	12		<u>25,864</u>		<u>7,753</u>
			867,062		328,217
EXPENDITURE					
Difference in Stocks & Purchases	13	(58,789)		(30,051)	
Raw Materials Consumed	14	231,205		96,490	
Staff Costs	15	222,920		132,731	
Other Expenditure	16	393,755		200,792	
Interest	17	4,715		373	
Depreciation		<u>19,505</u>	813,311	<u>15,059</u>	415,394
Profit/(Loss) before taxation			53,751		(87,177)
Provision for taxation					
Current		21,500		—	
Deferred		16,959		(24,452)	
Fringe Benefit tax		<u>2,000</u>	40,459	<u>2,000</u>	(22,452)
Profit/(Loss) after taxation			13,292		(64,725)
Brought forward from previous year			(64,725)		—
Deficit carried to Balance Sheet			<u>(51,433)</u>		<u>(64,725)</u>
Notes on Accounts	18				
Basic and diluted earnings per share (Face value Rs 10)			0.79		(3.84)

Per our report of even date

For DELOITTE HASKINS & SELLS
Chartered Accountants

Bhavani Balasubramanian
Partner
Place: Bengaluru
Date: 31st March 2010

Rajiv Beri
Managing Director

V.K. Venkatakrishnan
Director

S. Chandrasekhar
Executive Director & Company Secretary