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

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.

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 Udwadia 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.

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(IB) 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.

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, 2007 and the profit of the Company for the financial year ended 31st December, 2007.

(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'.

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

Mumbai,

21st April 2008

STEVEN INCHCOOMBE

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:

- Setting-up of IT infrastructure, systems, software, tools to meet new expansion plans and customer requirements at all existing and new locations
- Further enhancements/Migration/Developments of core applications to newer versions/technology
- Evaluation of new Production Tracking Systems for rollout across enterprise
- Further enhancement of Editorial tools and rollout across all divisions
- Evaluations and implementation of new processes/tools for typesetting, image processing, XML, copyediting, workflows etc.
- Further automation by developing/implementing tools for improving productivity, efficiency and quality
- Quality improvement systems and methodologies
- Upgraded IT infrastructure – PCs, Macintosh, Servers, Storages devices and backup systems across all divisions
- Implementation of asset management tool for managing IT hardware and software assets/licenses
- Setting up Data Delivery Systems and automation for compilation and validation of final Electronic Deliverables
- Integration of internal tracking system with customers production and tracking systems
- Electronic QA processes implemented for improving productivity/ accuracy
- Setting up necessary workflows, tools and training manpower for customers validation requirements for different types of products
- Development and implementation of proofing systems for customers/ contributors proofing requirements
- Setting up necessary tools required for graphics process automation
- Implementation of Web conferencing tools for online conferencing, training, support etc., across all divisions

2.	Benefits derived as a result of the above R & D	• Increased productivity with higher quality leading to cost effective service deliveries • Able to meet customers enhanced requirements quickly • Able 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 • Introducing new workflow and systems as per customers' requirements • Delivering products in different eBook formats for existing and new customers • Implementation of best practices, systems and tools across divisions
3.	Future plan of action	• Implementation of Enterprise Production Tracking System across all locations • Development and implementation of next generation of editorial tools • Integrations of various enterprise applications for better visibility • Explore the various tools available in the pre-press and electronic publishing industry to further enhance the productivity as per customer requirement • Specialized software development in publishing related field • Explore new areas of IT-enabled services to publishers
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	• Re-organization and strengthening of technology team for meeting further expansion requirements • Development of new systems and software for STM journal, book and catalogue typesetting, Electronic Publishing, Data conversion and ad composition • Innovative system and software development to meet ever increasing customers' requirements
2.	Benefits derived from the above	• New technology development helping us to be in the forefront of technology innovation • This is helping the Company to get more jobs from existing customers and new customers with diverse requirements
3.	Imported Technology	No technologies were imported

(A) INDUSTRY STRUCTURE AND DEVELOPMENT

Publishing

The welfare of a country depends on the literacy level of its citizens, their education and the development of the country's human resources. Macmillan sees its role as pivotal in the field of education and views it as its prime social cause. Macmillan India's slogan 'Redefining Learning' symbolizes the innovative, customer-focussed and forward-looking spirit of the company. Macmillan India interacts closely with teachers and educationists as 'Partners in Education' since 1892. It is among the oldest publishing companies in the country and has provided high-quality educational books to generations of Indians. It is possible that almost every child in India who has studied in a public school in the last 100 years or so has studied from some Macmillan India book. Macmillan is synonymous with high-quality educational publishing and is the first choice of discerning school teachers and principals.

The Indian publishing community consists of over 5,000 publishers but major and organised players are few and Macmillan ranks as one among the top few and is a selected Superbrand in publishing. Macmillan India has over 3,500 titles in its active list and has played a significant role in the growth and success of Indian writing. The company has relationships with over 15,000 schools all over India and with its 22 offices and showrooms, possibly has the widest all-India network.

Macmillan has the best editorial resources in the country and most of its school books are printed at its Press in Chennai. It focuses on publishing innovative, need-based, stimulating and enlightening books, which are true companions to teachers and students.

Export Division

Macmillan Publishing Solutions (MPS): Macmillan has been and continues to be a pioneer in the area of Information Technology Enabled Services (ITES). In 2007 the company continued to provide high value pre-press services and made significant progress in further diversification of services and customer base and in expansion of resources and infrastructure.

In pre-press services, Macmillan continued to provide a number of services related to production of books, journals and Yellow Page directories. The organization not only grew in skills for delivering a number of higher value services but was also able to extend many of these services to a wider customer base. These services included copy editing, typesetting, art origination, art processing, issue management, project management, editorial proof reading, indexing, data loading on customer CMS, ad-designing for print and internet etc. Macmillan also continued to provide data conversion, digitizing and electronic warehousing services to clients in similar markets.

Other than the continued focus on growing in the areas the Company has always been strong, Macmillan also developed skills and started providing the following services: Indexing and Abstracting, Editing for content aggregation, courseware development, catalogue designing, and high end art work and design services.

2007 was also a significant year in terms of organizational change and various initiatives were taken to ensure that the Company remains a leader as the trends and the landscape of the outsourced publishing services industry changes rapidly. Contemporary people management and new human resource development practices were introduced. Strong emphasis was given to technology development, innovation and implementation in enterprise as well as process management. "Quality" initiatives are being given high importance through systematic implementation programs by a six-sigma black-belt certified professional; a central marketing group has also been put in place to focus on various forms of market research and support. Training, skill development and resource optimization are also being given special attention.

(B) OPPORTUNITIES AND THREATS

While there is ample scope for opportunities in this industry, there are also factors that could impact growth.

Opportunities

Publishing: Publishing programs and sales have progressed very well and give strong confidence for the future. The focus on innovation, design and high quality authorship has led the Company to have possibly the best school list in India. The Company continued its efforts in high quality publishing and production by installing new Japanese printing machinery and German bindery, publication of high quality academic, educational, fiction and non fiction books. With the acquisition of Frank Bros – the top national level local publisher with a 70 year heritage, Macmillan India now is a leader not just in ELT but other curriculum subjects and has the largest range of school books in India.

Exports: Competition is growing and the need to look at value added services is critical. Macmillan has been working on tangible opportunities in each of the areas we function in. For the books market huge scope of growth exists in foraying into the high end editorial, development editing and complex design work, and various initiatives on this front are already in place. One particular initiative to note is the hiring of a senior veteran from the industry for training and development of relevant skills in India. The Ad designing markets are just beginning to realize the potential cost savings that exist in outsourcing and Macmillan is all geared up to take the "first mover" advantage and absorb a lot of the work. On the editorial side we are tapping the Indexing and Abstracting market as well as developing resources for quick turn around editing for aggregators of content in various industry domains.

Threats: As reported in the previous year, the major threats in publishing continue to be the possibilities of imposition of the vernacular over the current leaning towards English education and the constant possibility of copyright violations of our books. The Company is extremely active in taking action against any copyright infringement. In Typesetting and Information Processing the entire operations are computer hardware and software related with the inherent threat of virus attacks and a rapid change in technology which may affect the business. However, all reasonable steps are taken to counter such threats.

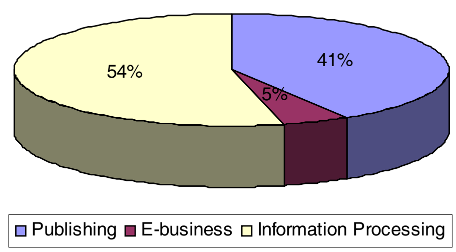
With typesetting getting commoditized and many more suppliers in the market, there is strong pressure on pricing. This necessitates development of services higher up in the value chain, and a strong focus towards optimization of automation. Also it is important that the company diversifies in less crowded areas of content processing and management services and the build up of the ad design business is one such initiative.

(C) SEGMENT-WISE AND PRODUCT-WISE PERFORMANCE

As the Members are aware, the Company has three main lines of business – publishing, Information Processing and ebusiness (web-related learning and IT services).The sales contribution of these activities for the year 2007 is as follows:

Sales of Macmillan India Limited (Rs. lacs)

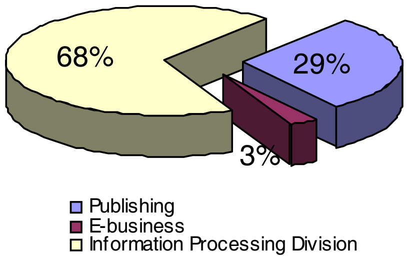
Business Segment	Sales	% of Total Sales
Publishing	6103.14	41%
E-business	694.15	5%
Information Processing	7943.05	54%
Total	**14740.34**	100%



Sales of Macmillan India Limited together with the subsidiaries (Rs. lacs)

Business Segment	Sales	% of Total Sales
Publishing	6349.84	29%
E-business	670.73	3%
Information Processing Division (including Subsidiaries)	14751.84	68%
Total	**21772.41**	100%

MACMILLAN
Macmillan India Ltd.



Product – Books and e-learning

Macmillan is a top brand worldwide and has been a leader in its category for over 150 years. The Company was also recognised as a Business Superbrand. Macmillan has a wide network of booksellers all over the country in addition to its own 22 warehouses in India to cater to the educational needs of the country. The Company has sales personnel all over the country. Apart from taking part in many book fairs, the company conducts exhibitions in schools and colleges and sponsors school level quiz and other competitions. The focus of the company's promotion is to form strong relationships with schools with the aim of improving educational standards.

The turnover trend in the last six years in the publishing business is as under;

Year	Value (Rs. in lacs)
2007	6103.14
2006	4888.80
2005	4832.54
2004	4329.85
2003	3937.66
2002	3935.64

Product – Typesetting & Electronic Information Processing for Exports

Macmillan India is already a global market leader in providing services to publishers of Scientific and Technical journals. The Company has received the Export Award from CAPEXIL for the highest exports in its category for the last 25 years in succession. The company now aims to be among the largest book typesetting and full service providers to publishers globally. The services offered to overseas publishing community include typesetting for books and journals; data coding and conversion services; full service facilities for publishers including copy editing and project management; specialised web-based and IT solutions; cutting edge technology product development for publishers' business transactions; software development and BPO services, Ad Composing and Digital Services.

The turnover trend in the last six years for the Typesetting & Information Processing business is as under:

Year	Value (Rs. in lacs)
2007	7943.05
2006	9331.11
2005	8226.71
2004	7734.85
2003	5876.82
2002	3949.55

Product – E-business

MPS eServices offers high quality Learning Services & Solutions, customized Software Solutions, high end multimedia services and BPO services for global organizations and corporates.

The processes were assessed at CMMI level 3 by KPMG and were also certified for ISO 9001:2000 by Det Norske Veritas (DNV), Norway. The unit also became a Gold partner of Microsoft.

Emacmillan also received high appreciation for quality services from Microsoft, HGV, MISL, UK Data point, Cambridge University Press, Hitachi and others.

Web-based solutions and IT services provider – 'emacmillan' – is scaling up to become a critical supplier of software services to publishers worldwide. The turnover trend for the last six years in this segment of business is as under:

Year	Value (Rs. in lacs)
2007	694.15
2006	475.63
2005	430.65
2004	501.16
2003	355.13
2002	260.86

Subsidiaries

MPS Technologies Limited (MPS)

MPS Technologies Limited showed an improved performance with a Profit after tax of Rs 10.26 Crores on a top line of Rs. 39 Crores. The top line includes revenue from the sale of ScholarlyStats. The increase in profit volume has helped wipe off all accumulated losses aggregating to Rs 7.53 crores resulting in a net accumulated profit of Rs 2.73 crores (after adjustments under AS-15). The net EPS was Rs. 23.87 as against a negative EPS last year.

The company has already moved its existing Fulfilment staff to the new STPI registered facility of 25,000 square feet facility at Gurgaon. MPS was selected by a leading publisher to provide Fulfilment subscription management services.

Charon Tec Limited

In the 3rd year of its acquisition, Charon Tec has shown steady growth and good performance. The unit continues to remain focused on the Academic and Scholarly books markets to provide high quality typesetting, copy editing and project management services to European and US customers. The unit experienced a growth in technology competence this year – significant addition of automation tools, a new production tracking system, and In-Design skills will play a crucial role in the continued development of the Unit and its performance.

ICC India Limited, ICC-Macmillan Inc & Macmillan ICC Publishing Solutions Private Limited.

ICC, in its second year of operations has seen a number of changes in the organization. A restructuring of the sales and account management activities in the US side, strengthening of management and appointment of experts in copy editing and project management activities, are some initiatives. Various customer relationship management activities have been transitioned from the US to India and this has helped in cost reduction as well as in making the sales team more efficient. The other critical time consuming tasks of invoicing and tracking payments has also been transitioned to India. The unit is all ready to springboard into the emerging opportunities of content development, developmental editing and visually intensive composition needed for the School market.

The turnover for the year was Rs. 24.72 Crores with a net loss of Rs. 14 Crores. Substantial investments were made in increasing the capacity based on the market research and study of the US market and preparing for business growth opportunities in 2008.

Frank Brothers & Co. (Publishers) Ltd (FB)

Frank Bros became a subsidiary company from December 2007 and has enhanced Macmillan's product range to place the Company in a leadership position in school publishing. The sales of Frank Bros for December 2007 after it became a subsidiary were Rs. 2.47 Crores with Profit before tax of Rs. 0.20 Crores. Established in the year 1930, Frank Bros is one of the oldest publishing houses in India and is engaged in publishing of quality education books for schools, institutes, government and other educational intermediaries. Frank Brothers is today 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 and tourism. Frank Brothers operates through 10 offices all over India with its Head Office at New Delhi and enjoys an excellent relationship with around 10000 Schools and institutions, and trade links with around 5000 booksellers across India. Their annual turnover for the year ended 31st March 2007 was Rs. 31.50 Crores.

(D) OUTLOOK

The new business initiatives stated in the different segments particularly the acquisition of Frank Bros., the expansion of the book services business, acquisition of subsidiaries to exploit the US market, investment made in new printing machine/technology, strengthening of human resources and the creation of an umbrella branding - Macmillan Publishing Solutions as a one-stop shop for global publishers, promises scope for significant growth subject to any unexpected course of events.

(E) RISKS AND CONCERNS

The major risks and concerns envisaged in publishing and their mitigation continue to be:

- Nationalisation risk: A remote risk in view of the country's progressive and reformist approach to business.
- Piracy risk: Piracy is combated by the timely supply of books and prompt, remedial action wherever the Company comes to know about infringements.
- Changing Syllabus: Government policies very often influence the decisions of schools regarding book prescription. The Company pre-empts this risk by publishing innovative new books based on the new syllabus.
- Natural disasters: This risk is mitigated by ensuring adequate insurance cover.
- Obsolescence risk is mitigated with planned print runs and timely new editions.

The risks and concerns envisaged in Typesetting, Information Processing and Ebusiness and their mitigation continue to be:

- The Currency exchange fluctuation risk: To a certain extent the same is mitigated by foreign exchange cover.
- Industry risk: As the Company is dependent on overseas publishers; any downturn in the customers' business would have an impact on exports. This risk is mitigated by the diversification of business and customer base.
- Customer concentration risk: The Company depends on a relatively small number of key overseas publishers. This risk is being mitigated by rapid growth in the customer base.
- Competition risk: The Company concentrates on high added value processing and development work, which demands a higher level of skill and technology.
- The Company makes efforts to reduce effect of pressure on prices by increasing volume and productivity.
- Tax rate risk due to tax law changes on taxing of export profits. The exports profits had been brought under MAT from 1st April 2007. The tax holiday on exports expires on 1st April 2009.
- Political risk: As our services are exported, any ban on outsourcing services by the country which import our services would affect the export business. However we regard this risk to be low.

(F) 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 Enterprise Resource System (SAP) which has been extended to all the subsidiaries to have adequate internal control.

The Company has an internal Audit Department, commensurate with its size and nature of business, which periodically audits all the offices, stock points and manufacturing facilities. This 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.

The management and the Audit Committee of the Board review the findings and recommendations of the internal audit team and review periodically the adequacy of the internal control, internal audit and the management control systems, so as to be in line with changing requirements.

(G) DISCUSSION OF FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

While the Company's Publishing activity has shown significant growth in sales and profit, its export activity was affected by the short term effect of the loss of ad composing business from a major customer Pindar, strategic investments for the future which had an impact on profitability, strengthening of Indian Rupee resulting in lower realization and profitability, global pricing pressures on Journals services and the capacity build up of the Books' services units. Considering these factors the Company's consolidated group financial performance was reasonable during the year with an EPS of Rs. 8.23. The book value per share for the year 2007 was Rs. 118.34 as against Rs 114.18 for the year 2006. The Company was able to generate all its fund requirements internally for working capital, capital expenditure and acquisitions.

(H) MATERIAL DEVELOPMENTS IN THE HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT INCLUDING THE NUMBER OF PEOPLE EMPLOYED

Industrial relations in all the divisions remained cordial throughout the year. The aim continues to be to train, develop professional excellence and improve competency level of the employees. The Company with its subsidiaries had 3714 employees as of 31st December 2007 and the segmental details are:

(a) 659 personnel including qualified professionals and skilled staff for its publishing division

(b) 111 skilled and trained personnel, most of them software engineers, in its E-business division.

(c) 2719 skilled and trained personnel for its Information Processing business. Most of them are doctorates, hardware engineers, software engineers, post graduates and graduates in various fields.

(d) 225 publishing and book selling personnel in the subsidiary Company Frank Bros.

Cautionary Statement

Certain statements in this analysis concerning the Company's objectives, expectations, estimates, projections and future growth prospects are forward-looking statements which involve a number of risks and uncertainties that could cause actual results to differ materially. The risks and uncertainties relating to these statements include, but are not limited to, fluctuations in earnings, intense competition in publishing and information processing businesses including those factors which may affect our cost advantage, wage increase in India, reduced demand for books and services in our key focus areas, disruptions in telecommunication networks, liability for damages on our service contracts, withdrawal of governmental fiscal incentives, political instability, legal restrictions on acquiring companies or having offices outside India, unauthorised use of our intellectual property and general economic conditions affecting our businesses over which the Company does not have any control.

1. THE COMPANY'S GOVERNANCE PHILOSOPHY

Corporate Governance refers to a combination of laws, regulations, procedures, implicit rules and voluntary practices that enable Companies to perform efficiently and thereby maximise long term value for the Members, while respecting the aspect of multiple stakeholders. The Company has been practicing the principle of good corporate governance since its inception, not on account of regulatory requirements but on account of sound management practices for enhancing customer satisfaction and value for the Members. The Company confirms compliance of all the Secretarial Standards issued by the Institute of Company Secretaries of India to the extent feasible, regarding the meetings of the Board of Directors, General Meetings, Dividend, maintenance of Registers and Records.

The Company's philosophy on Corporate Governance enshrines the goal of achieving the highest levels of transparency, accountability and equity in all spheres of its operations and in all its dealings with the Members, employees, the Government and other parties.

2. BOARD OF DIRECTORS

Composition of the Board

Name of the Director	Category	No. of Directorships and Committee Memberships (including this Company) held in Indian Registered Companies including Private Companies			
		Other Directorships		Committee Memberships	
		As Chairman	As Member	As Chairman	As Member
Mr. Steven Inchcoombe Chairman	Non-Executive	5*	7*	1	1
Mr. D.E. Udwadia Vice-Chairman	Independent Non-Executive	1	21**	Nil	10
Mr. W. Hanson Farries (w.e.f 24.10.2007)	Non-Executive	1	36*	Nil	1
Mr. M.J. Barnard (w.e.f 24.10.2007)	Non-Executive	Nil	4 *	Nil	Nil
Mr. Ardeshir Contractor	Independent Non-Executive	Nil	8*	Nil	3
Mr. Rajiv Beri	Executive	Nil	7	Nil	3
Mr. Rajiv Seth (w.e.f. 23.04.2007)	Executive	Nil	4	Nil	Nil
Mr. R.R. Chari	Independent Non-Executive	Nil	3	2	2
Dr. Annette Thomas (w.e.f. 21.04.2008)	Non-Executive	Nil	7*	Nil	Nil

* including foreign companies

** including private limited companies

3. DIRECTORS' INTEREST IN THE COMPANY

Director	Relation with Other Director	Business Relationship with the Company, if any	Loans & Advances Received from the Company	Remuneration Paid During 2007 (All figures in Rupees)			
				Sitting Fees	Salary, Perks & Commission	Commission (Paid during the year and pertains to previous year)	Total
Mr. Richard Charkin (resigned wef 27.09.2007)	NIL	NIL	NIL	-	-	10,00,000	10,00,000
Mr. D.E. Udwadia	NIL	*	NIL	85,000	-	4,00,000	4,85,000
Mr. A. May-Miller (resigned wef 24-10-2007)	NIL	NIL	NIL	-	-	10,00,000	10,00,000
Mr. S Inchcoombe	NIL	NIL	NIL	-	-	4,00,000	4,00,000
Mr. R R Chari	NIL	NIL	NIL	75,000	-	4,00,000	4,75,000
Mr. A. Contractor	Nil	Nil	Nil	55,000	-	4,00,000	4,55,000
Mr. Rajiv Beri	NIL	NIL	NIL	-	109,85,582	-	109,85,582
Mr. Rajiv Seth (wef 23.04.2007)	NIL	NIL	NIL	-	36,83,221	-	36,83,221
Mr. D. Banerjee (retired wef 31-10-2007)	NIL	NIL	NIL	-	63,87,655	-	63,87,655

* M/s. Udwadia & Udeshi are the legal advisors of the Company where Mr. D.E. Udwadia is a Partner. The Company has paid the firm during the financial year a sum of Rs. 72,030 for professional advice and services requested by the Company and rendered by the firm from time to time during the period on a case by case basis. The Company has received from the firm during the financial year a sum of Rs 300,000 towards licence of its premises to the firm.

Attendance Record of the Directors

Director	No. of Meetings		Attended Last AGM on 4th June 2007 in Chennai
	Held	Attended	
Mr S Inchcoombe	7	4	Yes
Mr R.Charkin (resigned wef 27.09.2007)	7	3	Yes
Mr M J Barnard(wef 24.10.2007)	7	-	Not Applicable
Mr A.May-Miller (resigned wef 24.10.2007)	7	3	Yes
Mr W. Hanson Farries (wef from 24.10.2007)	7	1	Not Applicable
Mr Rajiv Beri	7	7	Yes
Mr A Contractor	7	7	Yes
Mr D.Banerjee (retired wef 31.10.2007)	7	7	Yes
Mr Rajiv Seth (wef 23.04.2007)	7	4	Yes
Mr D E Udwadia	7	6	No
Mr R R Chari	7	5	No*

The Chairman of the Audit Committee could not attend the last AGM due to illness

Dates of Board Meeting

Date of Board Meeting	Place/City	No. of Directors Present
22nd January, 2007	Bangalore	8
28th March, 2007	Mumbai	5
23rd April, 2007	Mumbai	9
4th June, 2007	Chennai	7
28th July, 2007	Mumbai	6
21st August, 2007	Mumbai	4
24th October, 2007	Bangalore	8

4. AUDIT COMMITTEE

The Audit Committee of the Company 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. All the Directors forming part of the committee except Mr S. Inchcoombe and Mr W.H. Farries are Independent Directors. The Audit Committee presently consists of five Directors: Mr. D.E. Udwadia, Mr A.Contractor, Mr S. Inchcoombe, Mr. W.H. Farries and Mr. R.R. Chari as Chairman of the Committee. To ensure more internal controls some of the members of the committee periodically visit some of the offices and stock points.

Dates of Audit Committee Meetings

Date of Audit Committee Meeting	Place/City	No. of Directors Present
22nd January, 2007	Bangalore	3
28th March, 2007	Mumbai	2
23rd April, 2007	Mumbai	3
28th July, 2007	Mumbai	2
24th October, 2007	Bangalore	5

Attendance Record of the Audit Committee Members

Audit Committee Member	No. of Meetings	
	Held	Attended
Mr. R R Chari, Chairman	5	5
Mr. D E Udwadia	5	5
Mr A.Contractor (from 24.10.07)	5	1
Mr S.Inchcoombe (from 24.10.07)	5	1
Mr H. Farries (from 24.10.07)	5	1
Mr R Charkin (resigned wef 27.09.07)	5	2

The Managing Director, the Executive Director, the Financial Controller, the Chief Financial Officer, the Internal Auditor and the Statutory Auditor were also present in the meetings.

5. REMUNERATION COMMITTEE

The Remuneration Committee recommends to the Board of Directors the compensation terms to the Executive Directors and the Company Secretary. The committee consists of Mr. S Inchcoombe as Chairman, Mr. D.E. Udwadia and Mr. R.R. Chari. The committee met once during the year on 23rd April 2007. The Company's remuneration policy is aimed at attracting and retaining high caliber talent, taking into account the talent market, the remuneration trend and the competitive requirement of its business. Commission paid to Executive Directors is based on performance and is disclosed in Note No. 10 relating to Profit and Loss Account for the year. The service period for Mr. Beri is from 01.08.2006 to 31.07.2011 and for Mr. R.Seth from 23.04.2007 to 22.04.2010.

6. SHAREHOLDERS GRIEVANCE COMMITTEE

The Shareholders Grievance Committee consists of Mr. R.R. Chari as Chairman and Mr. R. Beri. Mr. V.K. Venkatakrishnan, the Company Secretary was appointed as

Compliance officer. No member's complaints were received during the year and there are no pending share transfers.

7. CODE OF CONDUCT

The Company has posted the Code of Conduct for Directors and Senior Management on its website.

8. SHAREHOLDER INFORMATION

1. Date, time and location of the last three Annual General Meetings :

Year	Date and Time of Meeting	Venue	Special Resolutions Approved
2004	Thursday, 30th June 2005, at 3.30 p.m.	At Taj Coromandel Hotel, No. 17 Nungambakkam High Road, Chennai - 600 034	1. Introduction of Employee Stock Options Plan (ESOP) covering the employees of the company 2. Introduction of Employee Stock Options Plan (ESOP) covering the employees of the company's subsidiary companies
2005	Friday 23rd June 2006 at 3.30 p.m.	-do-	1. Payment of commission to the Non-Executive Directors of the company 2. Reappointment of Mr R Beri as Managing Director and remuneration payable to him 3. Reappointment of Mr D Banerjee as whole-time Director and remuneration payable to him.
2006	Wednesday, 4th June 2007, at 3.30 p.m.	-do-	NIL

2. Date, time and location of the last Extra-Ordinary General Meeting:

Year	Date and Time of Meeting	Venue	Special Resolutions approved
2005	Friday 7th January 2005 at 11.00 a.m.	21, Patullos Road, Chennai 600 002	To consider and approve the scheme of merger and amalgamation of Brigade Marketing Company Ltd with Macmillan India Limited

All resolutions placed before the Members at the last Annual General Meeting of the Company were passed nem. con. with one dissenting vote. A resolution requiring a postal ballot under Section 192A of the Companies Act, 1956 was placed before the Extraordinary General Meeting on 25th June 2003 for the alteration of the Memorandum of Association and the resolution was carried with an overwhelming majority.

3. Financial Calendar

– Financial reporting for the quarter ending March 31, 2008	21st April 2008
– Financial reporting for the half year ending June 30, 2008	End July 2008
– Financial reporting for the quarter ending September 30, 2008	End October 2008
– Financial reporting for the year ending December 31, 2008	End January 2009
– Annual General Meeting for the year ending December 31, 2008	June 2009

– The Quarterly results are published in *Economic Times*, Chennai edition and in the Tamil daily, *Makkal Kural*.

4. Dividend Payment Date

– Interim Dividend paid for year ended 31st Dec, 2007	25% paid in February 2008

5. Registered Office: 21, Patullos Road, Chennai –600002

6. Web site address: www.macmillanindia.com

7. Listing on Stock Exchange at :

Equity Shares (Listing fees paid upto 31.03.2008)

Madras Stock Exchange Ltd.
Exchange Building, Post Box No. 183
11, Second Line Beach, Chennai 600 001

National Stock Exchange of India Ltd.
Scrip code – (Macmillan), Exchange Plaza,
Bandra Kurla Complex, Bandra (East)
Mumbai 400 051

The Bombay Stock Exchange Ltd
Scrip Code 532440, PJ Towers, Dalal Street
Mumbai 400 001

8. Dematerialisation of shares and liquidity

The shares of the Company are compulsorily traded in dematerialised form and are available for trading under both the Depository Systems in India – NSDL (National Securities Depository Limited) and CDSL (Central Depository Services (India) Limited. As on 31st December 2007, a total of 48, 91,372 shares of the Company, which forms 29.08% of the Share Capital, stood dematerialised.

9. Members Information

Members holding shares in the electronic form should address their correspondence, except those relating to dividend, to their respective Depository Participants.There are no pending cases relating to disputes over title to shares in which the Company has been made a party.

Stock Market Data

Month	National Stock Exchange (NSE)				The Stock Exchange Mumbai (BSE)			
	High Rs	Low Rs	Close Rs	Volume No.	High Rs	Low Rs	Close Rs	Volume No.
Jan 2007	368.00	330.00	345.50	31,064	370.00	331.50	348.35	16,807
Feb 2007	379.00	307.00	327.40	55,098	390.00	302.00	327.00	7,42,499
Mar 2007	335.00	281.50	319.00	44,597	333.00	281.00	316.95	72,461
Apr 2007	333.00	290.00	295.90	20,878	335.00	290.00	292.05	15,209
May 2007	318.00	265.65	295.00	45,816	313.50	275.00	298.00	45,847
June 2007	310.00	270.00	280.00	45,757	326.30	270.00	282.45	52,562
July 2007	319.95	263.00	272.15	115,252	308.85	253.00	269.10	10,97,180
Aug 2007	283.80	241.15	264.80	43,580	299.00	248.00	263.45	34,224
Sep 2007	290.10	258.00	275.55	69,014	292.00	252.05	275.45	699,298
Oct 2007	280.00	234.20	244.35	52,399	284.95	234.00	244.90	73,489
Nov 2007	249.75	206.50	211.45	71,122	248.95	209.00	210.40	80,113
Dec 2007	256.00	205.00	233.55	491,426	259.00	200.15	234.00	812,844

There was no trading of the Company's shares in the Madras Stock Exchange (MSE) during the year.

The Company's shares can be sold through Stock Exchanges only in de-materialised form.

Address for Correspondence

Registrars and Transfer Agents(Share transfer and communication regarding share certificates, dividends and change of address)	Cameo Corporate Services Limited Subramanian Building 1 Club House Road, Chennai – 600 002
Compliance Officer	Mr. V.K. Venkatakrishnan Company Secretary Macmillan India Limited 21, Patullos Road, Chennai – 600 002 Phone : 30915117; Fax No.: 28524124 E-mail : vkv@macmillan.co.in

Per Share Data

Year	31.12.2007	31.12.2006	31.12.2005	31.12.2004	31.12.2003
Net Earnings (Rs Lacs)	1816.46	3502.80	4093.53	4336.67	3105.12
EPS (Rs.)	10.80	20.82	24.33	25.78	18.46
EPS Growth (%)	(48.14)	(14.43)	(5.62)	39.65	30.09
Dividend per Share (Rs.)	2.50	8.00	8.00	8.00	7.00
Dividend Payout (%)	25	80	80	80	70
Book Value per Share (Rs.)	125.79	117.92	106.22	91.63	74.94
Price to Earnings	21.77	16.39	20.53	13.86	15
Price to Book Value	1.87	2.89	4.70	3.90	3.73

Shareholding Pattern

Distribution of Holdings as on 31st December 2007

Category of Shareholdings		No. of Share holders	% of Total	Share Amount (in Rs)	% of Total
From	To				
Upto	5,000	4,693	98.80	105,71,520	6.28
5,001	10,000	29	0.61	20,39,670	1.21
10,001	50,000	17	0.36	28,38,810	1.69
50,001	1,00,000	5	0.11	41,89,780	2.49
1,00,001	5,00,000	1	0.02	10,26,040	0.61
5,00,001	10,00,000	2	0.04	1,58,46,340	9.42
10,00,001	And above	3	0.06	13,17,14,520	78.30
	Total	**4,750**	**100.00**	**16,82,26,680**	**100.00**

Shareholding Pattern as on 31st December 2007

Category	No of Shares	% to Share Capital
Promoters	1,03,39,980	61.46
Resident Individuals	12,40,585	7.37
Corporate Bodies	4,46,746	2.66
Non- Resident Indians	1,25,364	0.75
FIIs & OCBs	23,52,832	13.99
Mutual Funds & Banks	6,48,407	3.85
Trust/Others	16,68,754	9.92
Total	**1,68,22,668**	**100.00**

Plant Locations

Printing Press	146 Muttukadu Road Injambakkam Chennai 600 041
Chennai Typesetting Unit	69 Eldams Road Chennai 600 018
Information Processing Division	HMG Ambassador Residency Road Bangalore 560 025
E business Division	Salarpuria Citadel 3 Hosur Road, Adugodi, Bangalore 560 030
Book Composing Division & Ad-Projects	Midford Cresent 53/1, Richmond Road Bangalore 560 025

Compliance Certificate of the Auditors

The Statutory Auditors have certified that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreements with the Stock Exchanges and the same is annexed to the Report of the Directors and Management Discussion and Analysis.

The Certificate from the Statutory Auditors will also be sent to the Stock Exchanges along with the Annual Return to be filed by the Company.

For and on behalf of the Board

Mumbai
21.04. 2008

Steven Inchcoombe
Chairman

CEO/CFO Certification as required under Clause 49 of the Listing Agreement

I, Rajiv Beri, Managing Director and I, V K Venkatakrishnan, Financial Controller & Company Secretary certify to the Board of Directors of Macmillan India Ltd that:

(a) We have reviewed the financial statements and the cash flow statement for the year ended 31st December, 2007 and that to the best of our knowledge and belief:

(i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading

(ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations

(b) There are , to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct

(c) We accept responsibility for establishing and maintaining internal controls and we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design and operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies

(d) We have indicated to the auditors and the Audit Committee

(1) Significant changes in internal control during the year, wherever applicable;

(2) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements wherever applicable; and

(3) Instances of significant fraud of which we became aware or the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

Rajiv Beri
Managing Director

V K Venkatakrishnan
Financial Controller & Company Secretary

CORPORATE COMPLIANCE CERTIFICATE

To

The Members
MACMILLAN INDIA LIMITED
No. 21, Patullos Road, Chennai 600002

I have examined all Secretarial records and compliance of provisions of the Companies Act, 1956 (the Act) the guidelines and instructions issued by the Securities and Exchange Board of India (SEBI) and the relevant clauses of the Listing Agreement with the Stock Exchanges where the shares of MACMILLAN INDIA LIMITED (the Company) are listed, for the year ended 31st December 2007 and I report that:

1. The Company is maintaining all Statutory records and registers as required to be maintained under various provisions of the Companies Act, 1956 and the rules made thereunder and all the records and entries in the registers are up to date
2. The Company has filed all Statutory Returns on time with the Registrar of Companies as well as with other Statutory Authorities and has furnished the required documents/intimations to the Stock Exchanges regularly and within the scheduled time frame as required under various clauses of the Listing Agreements.
3. The Company has neither made any further issue nor bought back any share during the financial year.
4. The Company has called, convened and conducted the Board Meetings and Annual General Meeting as per the provisions of the Companies Act, 1956.
5. The Company has duly complied with the requirements of Section 217 of the Act.
6. The directors have disclosed their interest in other companies where they are in the Board of Directors pursuant to Section 299 of the Act and rules made hereunder.
7. The Company did not accept any Public Deposits under the Companies (Acceptance of Deposit) Rules 1975 during the year.
8. The company has not borrowed any amount from the Bank(s) and other financial institutions during the financial year.
9. The company has duly complied with the requirements of Section 372A with regard to making loans and investments to other bodies corporate during the financial year.
10. The Company has duly complied with the requirements of the provisions of the Companies Act, 1956 regarding dividend .The Company has deposited the unclaimed/unpaid dividend to Investor Protection and Education Fund pursuant to Section 205C of the Act.
11. The Share Transfer Agent appointed by the Company has system and procedures adequate to ensure daily reconciliation of shares held in physical and electronic segments with the total paid up capital.
12. All the complaints/grievances relating to share transfers/transmissions demat/remat shares issue of duplicate share certificates payment of dividend etc are promptly attended to by the Company and they are resolved within 15 days of their receipt.
13. The Company processes the dematerialisation requests of shares within 15 days from the date of receipt of physical documents from the DPs as per the SEBI guidelines.
14. The company has a system by which a certificate of compliance of different statutes governing the affairs of the Company, signed by the Company Secretary of the Company and placed before every meeting of the Board of Directors of the Company.
15. The Company has duly complied with the requirements of Clause 49 of the Listing Agreement relating to Corporate Governance.

16. The Company has duly and timely submitted share holding pattern, corporate Governance certificate and financial results (audited/unaudited) to Stock Exchanges in compliance with Clause 35, 49 and 41 of the Listing Agreement respectively and complied with furnishing details in electronic mode as per the EDIFAR system introduced by Clause 51 of the Listing Agreement.
17. So far the information provided to me, the Company and all its officers as defined in SEBI (Prohibition of Insider Trading) Regulations 1992 have complied with the restrictions imposed by the said Regulation.
18. The Company has duly complied with the provisions with respect to continual disclosures to the Stock Exchanges under Rule 8(3) of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 and accordingly submitted the said disclosures within the due dates.
19. The Company has timely submitted the following quarterly/half yearly certificates from a Practicing Company Secretary to Stock Exchanges as per the guidelines issued by SEBI and Clause 47 (C) of the listing agreement.

Subject matter of the Certificate	Due Date	Date of Submission
Reconciliation of admitted capital, with the Depositories, with issued and listed Capital of the company	30.04.2007 31.07.2007 31.10.2007 31.01.2008	05.04.2007 09.07.2007 08.10.2007 07.01.2008
Half yearly certificate from a Practising Company Secretary on physical transfer of shares as per clause 47(C) of the listing agreement	30.04.2007 31.10.2007	05.04.2007 08.10.2007

20. The break up of the shares held in physical and demat mode as on 31-12-2007 is as follows:

	No of shares	Percentage
Physical	1,19,31,296	70.92
Demat	48,91,372	29.08
Total	1,68,22,668	100.00

21. The Company has not received any show cause notice for any alleged offence /violation under the Companies Act, 1956 or under the clauses of the Listing Agreement or under SEBI guidelines and no fine, penalty or other punishment has been imposed on the Company in this regard during the year under review.

Place : Chennai
Date : 18th January, 2008

R.Balasubramaniam
Practicing Company Secretary
C P No. 1340

Auditors' Report on Corporate Governance
to the members of Macmillan India Limited

We have examined the compliance of conditions of corporate governance by Macmillan India Limited, ("Company") for the year ended on December 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

We state that to the best of the information and according to the explanations given to us no shareholder's complaints were received during the year.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Fraser & Ross
Chartered Accounants
Bhavani Balasubramanian
Partner
Membership No. 22156

Place: Mumbai
Date: April 21, 2008

Report of the Auditors to the Members of Macmillan India Limited

We have audited the attached Balance Sheet of Macmillan India Limited (the "Company"), as at 31st December 2007, and 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 about 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 2007 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) 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 2007;

  (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.

For Fraser & Ross
Chartered Accountants

Bhavani Balasubramanian
Partner
Membership No. 22156

Place: Mumbai
Date: 21st April 2008

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 explanation 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:
   (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered into the register, maintained under the said section have been so entered.
   (b) There are no transactions, in aggregate, in excess of Rs.5 lacs in respect of any party.
6. The Company has not accepted any deposits from the public during the year and hence provisions of Sections 58 and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public are not applicable.
7. In our opinion, the Company has an adequate internal audit system commensurate with the size 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 printed books, photo composed books and digitised data capture, the products/services of 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, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service Tax, Custom 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, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service Tax, Custom duty, Cess and any other material statutory dues as at 31st December 2007 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. As at the end of the financial year, the Company does not have accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, 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. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
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 Loan 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 fraud on or by the Company was noticed or reported during the year.

For Fraser & Ross
Chartered Accountants
Bhavani Balasubramanian
Partner
Membership No. 22156

Place: Mumbai
Date: 21st April 2008

BALANCE SHEET

AS AT 31ST DECEMBER 2007

	Schedule No.	As at 31.12.2007 Rs in Lacs		As at 31.12.2006 Rs in Lacs	
I. Sources of Funds					
1. Shareholders' Funds					
Share Capital	1	1,682.27		1,682.27	
Reserves & Surplus	2	19,479.57		18,155.16	
			21,161.84		19,837.43
2. Deferred Tax Liability (Net)			109.77		57.72
			21,271.61		19,895.15
II. Application of Funds					
1. Fixed Assets	3				
Gross Block		6,870.69		6,983.91	
Depreciation		3,577.21		3,519.98	
Net Block		3,293.48		3,463.93	
Capital work in progress including capital advances		38.71		-	
			3,332.19		3,463.93
2. Investments	4		7,992.72		6,830.84
3. Current Assets, Loans and Advances					
Inventories	5	3,314.15		2,787.25	
Sundry Debtors	6	3,742.09		4,694.13	
Cash and Bank Balances	7	2,467.28		4,087.57	
Loans and Advances	8	4,174.34		2,376.06	
Total Current Assets		13,697.86		13,945.01	
Less: Current Liabilities	9	2,865.00		2,491.13	
Provisions	10	886.16		1,853.50	
Total Current Liabilities & Provisions		3,751.16		4,344.63	
Net Current Assets			9,946.70		9,600.38
			21,271.61		19,895.15
Notes on Accounts	18				

Per our report of even date
For FRASER & ROSS
Chartered Accountants
BHAVANI BALASUBRAMANIAN
Partner

Place: Mumbai	**RAJIV BERI**	**R R CHARI**	**V K VENKATAKRISHNAN**
Date: 21st April 2008	Managing Director	Director	Secretary

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2007

	Schedule No.	For the year ended 31.12.2007 Rs in Lacs		For the year ended 31.12.2006 Rs in Lacs	
INCOME					
Sales		15,028.48		14,937.97	
Less: Discounts		288.14	14,740.34	242.43	14,695.54
Interest-Gross	11		199.65		227.87
Other Income	12		544.62		285.67
			15,484.61		15,209.08
EXPENDITURE					
Difference in Stocks & Purchases	13	(408.04)		(201.47)	
Raw Materials Consumed	14	1,753.01		1,363.44	
Staff Costs	15	5,919.34		4,956.68	
Other Expenditure	16	5,505.07		5,055.65	
Interest	17	5.86		5.86	
Depreciation		571.91	13,347.15	485.64	11,665.80
Profit before taxation			2,137.46		3,543.28
Provision for taxation					
Current		197.95		15.00	
Deferred		52.05		(49.52)	
Fringe Benefit tax		71.00		75.00	
			321.00		40.48
Profit after taxation			1,816.46		3,502.80
Brought forward from previous year			12,153.16		10,684.92
Profit available for Appropriations			13,969.62		14,187.72
Appropriations					
Dividend on Equity Shares					
First Interim – 25% (35%)			420.57		588.79
Second interim –Nil (45%)			–		757.02
Corporate tax there on			71.48		188.75
Transfer to General Reserve			500.00		500.00
Surplus carried to Balance Sheet			12,977.57		12,153.16
Notes on Accounts	18				
Basic and diluted earnings per share (Face value Rs. 10)			10.80		20.82

Per our report of even date

For FRASER & ROSS

Chartered Accountants

BHAVANI BALASUBRAMANIAN

Partner

Place: Mumbai	**RAJIV BERI**	**R R CHARI**	**V K VENKATAKRISHNAN**
Date: 21st April 2008	Managing Director	Director	Secretary

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31st DECEMBER 2007

Description	For the year ended 31.12.2007 Rs in Lacs		For the year ended 31.12.2006 Rs in Lacs	
A. Cash Flow from Operating Activities:				
Net profit before tax		2,137.46		3,543.28
Adjustments for:				
Depreciation	571.91		485.64	
Interest	5.86		5.86	
Profit on sale of fixed assets -net	(78.82)		(23.43)	
Unrealised exchange gain	1.36		(24.20)	
Interest received	(199.65)		(227.87)	
Profit on sale of investments	(45.81)		(26.70)	
Dividend Received *	(278.53)		(163.19)	
Bad Debts Written off	0.84		58.18	
Provisions for:				
Doubtful Debts	84.52		89.76	
Amounts written back:				
Excess provision for				
Doubtful debts & advances	(15.70)		(7.81)	
Commission to Non-Executive Directors & other expenses	(0.75)		(11.55)	
Unclaimed credit balances	(0.48)		(0.36)	
		44.75		154.33
Operating Profit before working capital changes		2,182.21		3,697.61
Adjustments for:				
Increase in Trade and other receivables	(1,296.70)		(320.35)	
Increase in Inventories	(526.90)		(446.70)	
Increase in Trade and other payables	445.31		353.39	
		(1,378.29)		(413.66)
Cash generated from operations		803.92		3,283.95
Refund of Direct Taxes paid earlier, received/(Direct Taxes Paid)		75.62		(339.71)
Net Cash generated from operating activities		879.54		2,944.24

FOR THE YEAR ENDED 31st DECEMBER 2007

Description	For the year ended 31.12.2007 Rs in Lacs		For the year ended 31.12.2006 Rs in Lacs	
B. Cash flow from Investing activities:				
Purchase of fixed assets	(598.38)		(913.69)	
Purchase of investments	(4,483.07)		-	
Investment in subsidiaries	(3,287.00)		(1,567.74)	
Proceeds from sale of fixed assets	237.03		152.00	
Proceeds from sale of investments	6,946.65		100.00	
Dividend Received	19.88		15.74	
Interest Received	205.43		201.98	
Net cash used in investing activities		(959.46)		(2,011.71)
C. Cash flow from Financing activities:				
Interest paid	(5.86)		(5.86)	
Dividend paid (Inclusive of dividend tax & unclaimed dividends)	(1,534.51)		(1,548.23)	
Net cash used in financing activities		(1,540.37)		(1,554.09)
Net decrease in cash and cash equivalents		(1,620.29)		(621.56)
Cash and cash equivalents at the beginning of the year	4,087.57		4,709.13	
Cash and cash equivalents at the end of the year	2,467.28	(1,620.29)	4,087.57	(621.56)

*** Non cash transaction :**

Includes dividend income on reinvestment in Mutual fund units Rs.197.66 Lacs (Previous Year Rs 147.45 Lacs)

Per our report of even date
For FRASER & ROSS
Chartered Accountants
BHAVANI BALASUBRAMANIAN
Partner
Place: Mumbai
Date: 21st April 2008

RAJIV BERI
Managing Director

R R CHARI
Director

V K VENKATAKRISHNAN
Secretary

	As at 31.12.2007 Rs in Lacs	As at 31.12.2006 Rs in Lacs
SCHEDULE NO.		
1. Share Capital		
Authorised		
200,00,000 (Previous year 200,00,000) Equity Shares of Rs. 10 each	**2,000.00**	2,000.00
Issued		
1,68,22,668 (Previous year 1,68,22,668) Equity Shares of Rs. 10 each	**1,682.27**	1,682.27
Subscribed and Paid up		
1,68,22,668 (Previous year 1,68,22,668) Equity Shares of Rs. 10 each fully paid up (Note No II (1) of Schedule 18)	**1,682.27**	1,682.27
2. Reserves and Surplus		
General Reserve:		
As per last Balance Sheet	**6,002.00**	5,502.00
Add: Transfer from Profit and Loss Account	**500.00**	500.00
	6,502.00	6,002.00
Surplus shown in Profit and Loss Account	**12,977.57**	12,153.16
	19,479.57	18,155.16

3. Fixed Assets (Rs. in lacs)

	COST				DEPRECIATION				NET BOOK VALUE	
Description	As at 1.1.2007	Additions	Deduc-tions	**As at 31.12.2007**	As at 1.1.2007	Deduc-tions	Depn for the Year	**As at 31.12.2007**	**As on 31.12.2007**	As on 31.12.2006
Land*	414.54	-	-	**414.54**	-	-	-	**-**	**414.54**	414.54
Building*	2,247.06	-	7.66	**2,239.40**	799.87	5.67	72.49	**866.69**	**1,372.71**	1,447.19
Plant and Machinery	2,753.42	367.94	576.36	**2,545.00**	1,743.71	444.82	346.99	**1,645.88**	**899.12**	1,009.71
Furnitures and Fixtures	1,201.00	152.74	22.14	**1,331.60**	770.26	20.56	109.58	**859.28**	**472.32**	430.74
Vehicles	367.89	38.99	66.73	**340.15**	206.14	43.63	42.85	**205.36**	**134.79**	161.75
Total	6,983.91	559.67	672.89	**6,870.69**	3,519.98	514.68	571.91	**3,577.21**	**3,293.48**	3,463.93
Previous Year	6,337.07	913.69	266.85	6,983.91	3,150.70	116.36	485.64	3,519.98	3,463.93	3,186.37

* Land and Building includes property at HMG Ambassador at a cost of Rs 400 lacs and Rs 1,213 lacs respectively. The title to this property is jointly held with other co-owners in the name of HMG Ambassador Property Management Private Limited, represented by 1,47,50,000 equity shares of Rs.10/- each representing the value of Land and Buildings with irrevocable right of permanent occupation.

4. Investments – Long-Term

	No of Shares/ Units	Face Value	As at 31.12.2007 Rs in Lacs	No. of Shares/ Units	As at 31.12.2006 Rs in Lacs
Trade					
1. Government of India Securities – Unquoted					
National Savings Certificates		*	**0.01**		0.01
Indira Vikas Patra –At cost		*	**0.02**		0.02
*Lodged as security deposit with Govt. Deparment					
Non-Trade					
2. Investments – Quoted					
(a) In Fully paid up Equity shares					
Wyeth Lederle Limited	300	10	**0.03**	300	0.03
(b) In Units of Mutual Funds* *					
Deutsche Insta Cash Plus	–	–	–	1,641,324.760	168.96
Grindlays Cash Fund-Inst Plan B	–	–	–	2,119,744.418	224.30
HDFC Cash Management Fund	–	–	–	1,591,535.562	169.28
Deutsche FRF-Regular Plan	–	–	–	1,095,164.529	112.75
Deutsche FRF-Regular Plan	–	–	–	1,092,448.556	110.71
Franklin Treasury Mgmt A/c	–	–	–	11,109.468	168.00
HDFC FRI Fund-LTP	–	–	–	1,120,255.405	112.94
HDFC FRI Fund-STP	–	–	–	1,115,425.633	111.85
PRU ICICI FRP	–	–	–	575,771.858	59.08
PRU ICICI FMP – 1 Yr Plus Series 12 – G P	–	–	–	1,747,995.509	207.16
Templeton FRI Fund-STP	–	–	–	1,121,715.446	112.21
HDFC Cash Management Savings Plan	–	–	–	2,005,328.667	213.29
DSP Merrill Lynch Floating Rate Fund	–	–	–	2,167,286.376	217.22
DSP Merrill Lynch Floating Rate Fund	–	–	–	1,576,903.094	158.11
ING Vysya Floating Rate Fund	–	–	–	2,172,411.670	217.29
ING Vysya Floating Rate Fund	–	–	–	1,579,004.262	158.15
PRU ICICI BLENDED PLAN B	–	–	–	2,140,242.523	215.49
PRU ICICI BLENDED PLAN B	–	–	–	2,037,911.352	205.19
UTI Liquid Fund	–	–	–	15,606.137	158.63
HDFC Cash Management Savings Plus	–	–	–	1,319,034.085	132.13

	No of Shares/ Units	Face Value	As at 31.12.2007 Rs in Lacs		No. of Shares/ Units	As at 31.12.2006 Rs in Lacs	
Reliance Liquid Plus Fund	31,219.764	1001.3447		**312.62**	–		–
JM-Arbitrage Advantage Fund	6,733,941.953	10.3951		**700.00**	–		–
**Includes an amount of Rs.3,232.74 lacs redeemed during the year							
(c) Units in Unit Trust of India - At Cost 6.75% Tax Free US 64 Bonds	121,640	100		**121.63**	121,640		121.63
(d) 6.60% Tax Free ARS bonds	109,417	100		**109.42**	109,417		109.42
3. Fully Paid Debentures – Unquoted							
DCM Financial Services Ltd. –19.5% Secured Redeemable Non Convertible Cumulative Debentures-Series B	10,000	1000	**90.00**		10,000	90.00	
Less: Provision for diminution in value			**(90.00)**	**–**		(90.00)	–
4. Fully Paid Equity Shares in Subsidiary Companies – Unquoted							
MPS Technologies Ltd	4,000,000	10		**400.00**	4,000,000		400.00
Charon Tec Ltd	600,000	10		**999.25**	600,000		999.25
ICC Macmillan Inc., USA	10,527	$1		**1,562.74**	10,527		1,562.74
Macmillan ICC Publishing Solutions P Ltd	100,000	100		**100.00**	5,000		5.00
Frank Brothers & Co. (Publishers) Ltd	2,000	1000		**3,287.00**	–		–
5. Fully Paid Preference Shares in Subsidiary Companies – Unquoted							
MPS Technologies Ltd	4,000,000	10		**400.00**	4,000,000		400.00
TOTAL				**7,992.72**			6,830.84
QUOTED INVESTMENTS							
Book Value				**231.08**			231.08
Market Value				**228.70**			234.53
UNQUOTED INVESTMENTS				**7,761.64**			6,599.76

Purchase and Sale of Investments during the year:

	As at 31.12.2007 Rs in Lacs	As at 31.12.2006 Rs in Lacs
HDFC Cash Management Fund-Savings Plus Plan-Dividend	125.00	–
Prudential ICICI Flexible Income Plan Daily Dividend Reinvestment scheme	125.00	–
Standard Chartered Fixed Maturity Plan	200.00	–
Birla FTP Quarterly Series 9	400.00	–
DSP Merrill Lynch Liquid Plus Fund Regular Plan-Weekly Dividend	300.00	–
HSBC Liquid Plus – Daily Dividend Scheme	300.00	–
Birla FTP Quarterly Series 18	163.67	–
DWS Money Plus Fund – Regular Plan Daily Dividend Scheme	300.00	–
ICICI Prudential Flexible Income Plan – Daily Dividend Scheme	314.40	–
Standard Chartered Arbitrage Fund – Plan A	400.00	–
Grindlays Floating Rate Fund - Weekly Dividend Scheme	300.00	–
DWS Credit Opportunities – Cash Fund	205.00	–
Standard Chartered Arbitrage Fund – Plan B	350.00	–

	2007	2007	2006	2006
5. Inventories-At Cost				
Stores and spares at Cost		7.06		8.77
Stock-in-trade:				
Raw materials		286.78		246.17
Finished goods		1,622.11		1,379.91
Incomplete jobs		1,398.20		1,152.40
		3,314.15		2,787.25
6. Sundry Debtors – Unsecured				
Debts outstanding for a period exceeding six months:				
Considered good	1,767.92		1,302.95	
Considered doubtful	164.34	1,932.26	110.19	1,413.14
Other debts: Considered good		1,974.17		3,391.18
		3,906.43		4,804.32
Less: Provision		164.34		110.19
		3,742.09		4,694.13
7. Cash and Bank Balances				
Cash and cheques on hand		2.69		3.14
Bank Balances - (Note No. II (6) of Schedule 18)				
With Scheduled Banks on:				
Current Accounts	978.68		683.52	
Deposits Accounts	1,485.91	2,464.59	3,400.91	4,084.43
		2,467.28		4,087.57

		As at 31.12.2007 Rs in Lacs		As at 31.12.2006 Rs in Lacs
8. Loans and Advances				
(Unsecured and considered good)				
Advance to Subsidiary companies				
MPS Technologies Ltd	146.70		200.50	
Charon Tec Ltd	159.61		147.36	
ICC India P Ltd	626.44		51.55	
Macmillan ICC Publishing Solutions P Ltd	970.33		253.28	
Frank Brothers & Co (Publishers) Ltd	350.00		-	
Advances recoverable in cash or in kind or for value to be received	1,287.71	3,540.79	753.22	1,405.91
Interest accrued on Deposits		66.19		103.38
Advance payment of Income tax [Net of Provision]		567.36		866.77
		4,174.34		2,376.06
9. Current Liabilities				
Sundry Creditors				
Micro, Small and Medium Enterprises #		-		4.46
Others		2,698.14		2,346.16
Lease Advance (secured) (Note No. II (7b) of Schedule 18)		48.80		48.80
Due to Directors		113.61		87.32
Investor Education and Protection Fund shall be credited by the following amount:				
Unpaid Dividend *		4.45		4.39
		2,865.00		2,491.13

With effect from October 02, 2006, SSI is replaced with Micro, Small and Medium Enterprises (refer Note II (7a) of Schedule 18)

* There is no amount falling due as at the Balance sheet date to be credited to the Investor Education and Protection Fund and the above amount represents Dividend Warrants issued but not encashed.

		As at 31.12.2007 Rs in Lacs		As at 31.12.2006 Rs in Lacs
10. Provisions				
Provision for Interim Dividend		420.57		1,345.81
Corporate tax thereon		71.48		188.75
Provision for Return Rights		92.63		92.63
Provision for Leave encashment		301.48		226.31
		886.16		1,853.50

	For the year ended 31.12.2007 Rs in Lacs	For the year ended 31.12.2006 Rs in Lacs
11. Interest Received (Gross)		
On Fixed Deposits with Bankers	**138.57**	185.50
[Tax Deducted at source: 2007 – Rs.(in Lacs) – 39.29; 2006 – Rs (in Lacs) - 48.73]		
On Investments	**61.08**	42.37
[Tax Deducted at source: 2007 – Rs.(in Lacs) – Nil; 2006-Rs(in Lacs) Nil]		
	199.65	227.87
12. Other Income		
Profit on sale of Assets	**78.82**	23.43
Profit on sale of Investments	**45.81**	26.70
Rent received	**16.88**	12.96
(includes recoveries from Managing Director – Nil		
(Previous year – Rs.0.10 Lacs)		
[Tax Deducted at source: 2007 – Rs.(in Lacs) – 4.16; 2006 – Rs (in Lacs) 0.85]		
Lease rent received	**6.14**	6.16
[Tax Deducted at source: 2007 – Rs (in Lacs) – 1.23; 2006 – Rs (in Lacs) 1.38]		
Miscellaneous receipts (Refer Note No. III (8) of Schedule 18)	**92.19**	5.44
Royalty received	**0.48**	0.29
Dividend	**278.53**	163.19
Bad Debts written off in earlier years recovered	**8.84**	27.78
Unclaimed credit balances written back	**0.48**	0.35
Copyright Fees	**-**	0.01
Excess provision written back		
For Commission payable to Non-Executive Directors	**0.75**	11.55
For Doubtful Debts	**15.70**	7.81
	544.62	285.67

		For the year ended 31.12.2007 Rs in Lacs		For the year ended 31.12.2006 Rs in Lacs
13. Difference in Stocks and Purchases				
Opening Stock:				
Finished Goods	1,379.91		1,179.78	
Incomplete jobs	1,152.40		911.19	
Purchases	79.96	2,612.27	239.87	2,330.84
Less: Closing Stock				
Finished goods	1,622.11		1,379.91	
Incomplete jobs	1,398.20	3,020.31	1,152.40	2,532.31
		(408.04)		(201.47)
14. Raw Materials Consumed				
Opening Stock		246.17		244.57
Add: Purchases		1,793.62		1,365.04
		2,039.79		1,609.61
Less:Closing Stock		286.78		246.17
		1,753.01		1,363.44
15. Staff Costs (Note No III (10) of Schedule 18)				
Salaries,Wages and Bonus		3,950.58		3,467.74
Contribution to Provident and Other Funds		314.68		258.53
Workmen and Staff Welfare Expenses		1,561.62		1,211.92
Contribution to Gratuity Fund		92.46		18.49
		5,919.34		4,956.68

		For the year ended 31.12.2007 Rs in Lacs		For the year ended 31.12.2006 Rs in Lacs
16. Other Expenditure				
Outsourced printing charges		761.49		595.12
Consumption of stores		50.78		49.57
Rent Paid		323.51		258.73
Repairs to:				
Buildings	39.45		43.01	
Plant & Machinery (Note No III (9) of Schedule 18)	23.32	62.77	14.82	57.83
Insurance		65.03		66.42
Packing and Forwarding		235.18		246.57
Postage,Telex and Telephones		271.99		222.16
Travelling and Conveyance		713.78		513.25
Royalty		639.06		548.77
Power and Fuel		266.79		316.05
Rates and Taxes		33.70		32.78
Directors Sitting Fees		2.15		1.30
Directors Commission		23.04		36.81
Advertisement		43.07		62.60
Entertainment		19.84		14.52
Provision for Doubtful Debts		84.52		89.76
Bad Debts written off	15.51		153.03	
Less: Transfer from provision for Doubtful Debts	14.67	0.84	94.85	58.18
Commission on sales		693.62		840.99
Foreign Exchange Fluctuation		80.64		73.79
Miscellaneous expenditure		1,133.27		970.45
(Note No III (11) of Schedule 18)				
		5,505.07		5,055.65
17. Interest Paid				
Others		5.86		5.86
		5.86		5.86

18. NOTES ON ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2007

I. Significant Accounting Policies

Background

The Company is in the publishing business for more than 100 years and is also engaged in providing typesetting and data digitization services for overseas publishers. The Company has a printing press in Chennai for its publishing activities and 100% Export Oriented Unit and an E-Business unit in Bangalore, for providing services relating to typesetting of books and journals, composing of Yellow Page Ads and catalogues, data coding, conversion, indexing, editing, copy editing and editorial services to global publishers.

As a part of diversification of the business, the Company has been acquiring entities with similar businesses during the past couple of years. The existing subsidiaries of the Company are Charon Tec Limited, MPS Technologies Limited, ICC Macmillan Inc., USA, ICC India Private Limited and Macmillan ICC Publishing Solutions Private Limited.

During the year, the Company has acquired 80% of Share Capital (2000 shares of Rs.1000 each) of Frank Brothers & Co. (Publishers) Limited for a consideration of Rs.3,287 lacs, which will help them to achieve the leadership position in national curriculum educational market. Consequently, Frank Brothers & Co. (Publishers) Limited has become a subsidiary of the Company.

The significant accounting policies adopted in preparation of these accounts are as follows:

(i) **Basis of preparation of financial statements:** The financial statements are prepared under the historical cost convention on the accrual basis of accounting and in accordance with the standards on accounting notified by the Central Government of India, other pronouncements of the Institute of Chartered Accountants of India, and the provisions of the Companies Act, 1956.

(ii) **Use of Estimates:** The preparation of the financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Future results could differ from these estimates.

(iii) **Fixed Assets:** Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises its purchase price, including import duties and other non-refundable taxes or levies, wherever applicable, and any directly attributable cost of bringing the asset to its working condition for its intended use.

(iv) **Depreciation:** Depreciation has been provided on the Written Down Value method at the rates prescribed under Schedule XIV to the Companies Act, 1956, except software, which is fully expensed off in the year of purchase. Assets costing less than Rs.5000/- added during the year are fully depreciated.

(v) **Investments - Long Term:** Long Term Investments are stated at cost. Provision for diminution is made if such diminution is considered other than temporary in nature.

(vi) **Inventories:** Inventories are valued at the lower of cost and net realisable value. The cost is arrived at as under:

(a) Raw materials and stores and spare parts: At Weighted Average basis.

(b) Incomplete jobs: Comprising of material cost determined at weighted average basis, direct labour and appropriate proportion of overheads.

(c) Finished goods: Saleable titles are valued at purchased or published cost - comprising of material determined at weighted average basis, labour and appropriate proportion of Press overheads.

(vii) **Revenue Recognition:** Sales are recognised on passing of property in goods i.e. delivery as per terms of sale.

In respect of Sales Returns, annual provision is made towards Return Rights on the Gross Sales relating to Publishing business, towards subsequent returns.

Subscriptions received for website are recognised as income when the user ID is activated on the network.

Revenues for website design and development are recognised based on the percentage of completion of the project. Revenues from website hosting are recognised rateably over the year for which the site is hosted and on man-hours basis for BPO operations.

(viii) **Foreign Currency Transaction**

(a) Transaction in foreign currencies is accounted at the exchange rates prevailing on the date of the transaction and the realized exchange loss/ gain are dealt with in the Profit & Loss Account.

(b) Monetary assets and liabilities denominated in foreign currency are restated at the rates of exchange as on the Balance Sheet date and the exchange gain/loss is suitably dealt with in the Profit and Loss Account.

(c) Gains/losses on foreign exchange forward contracts as on Balance Sheet date is recognized in the Profit and Loss Account.

(ix) **Research and Development:** Research and Development expenses are absorbed in the Profit and Loss Account under appropriate heads.

(x) **Employee Benefits**

Defined Contribution Plans: Fixed Contribution to Provident Fund and Employees State Insurance made on monthly basis with relevant authorities are absorbed in the Profit and Loss Account.

Defined Benefit Plans (Long term employee benefits):

Gratuity: The Company accounts its liability for future gratuity benefits based on the actuarial valuation as at the Balance Sheet date, determined using the Projected Unit Credit method. Gratuity benefit is funded with Life Insurance Corporation of India.

Leave Encashment: Liability for Leave encashment payable at the time of retirement/resignation determined as on the Balance Sheet date, based on actuarial valuation using the Projected Unit Credit Method, is provided for.

Short term employee benefits: Short term employee benefits are absorbed as an expense as per the company's scheme based on expected obligation on undiscounted basis.

(xi) **Segment Reporting**

(i) The accounting policies adopted for segment reporting are in line with the accounting policy of the company.

(ii) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated corporate expenses".

(iii) There are no inter-segment revenues and therefore their basis of measurement does not arise.

(xii) **Taxes on Income:** Current tax and Fringe Benefit Tax are determined in accordance with the provisions of Income Tax Act, 1961.

Deferred tax is calculated at the tax rates and laws that have been enacted or substantially enacted as at the Balance Sheet date and is recognised on timing differences that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets, subject to consideration of prudence, are recognised and carried forward only to the extent that they can be realised.

(xiii) **Provisions, Contingent Liabilities and Contingent Assets:** Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

II. Balance Sheet	As at 31.12.2007 Rs. In lacs	As at 31.12.2006 Rs. In lacs
1. Subscribed Share Capital		
Of the 1,68,22,668 equity shares (previous year 1,68,22,668 shares), 1,68,19,852 shares (previous year 1,68,19,852 shares) were allotted as fully paid up pursuant to contracts without payments being received in cash which includes 1,63,52,636 shares (previous year 1,63,52,636 shares) issued as Bonus Shares.		
Of the above 1,03,39,980 shares (previous year 1,03,39,980 shares) are held by HM Publishers Holdings Ltd, U.K. the holding company.		
2. Estimated amount of contracts remaining to be executed on Capital Account and not provided for	**148.47**	-
3. a. The share purchase agreement with Frank Brothers & Co. (Publishers) Limited dated October 18, 2007, stipulates that the remaining 500 shares (committed purchase shares) will be purchased on the mutually committed purchase date, not later than June 30, 2009. The committed purchase price would be Rs.943.98 lakhs if the purchase is made before September 30, 2008 or Rs.1082.75 lakhs if the purchase is made after September 30, 2008.		
b. In the Board Meeting held on 21st April 2008, it has been proposed to purchase the fulfillment services i.e. web access controls and real time integration business being currently carried on by its wholly owned subsidiary, MPS Technologies Limited.		
The transfer of the above business along with related personnel, assets and liabilities would be done on a slump sale basis at the values appearing in the books of accounts of MPS Technologies LImited as on 31st March 2008		
4. Claims against the Company not acknowledged as debts.	**-**	44.35
5. The book debts and inventories of the Company are hypothecated for the overdraft facilities sanctioned by a bank amounting to Rs.50 lacs, which is yet to be availed.		
6. Bank Balance includes:		
(a) With Scheduled Banks on Dividend Account	**4.45**	4.39
(b) Fixed Deposit with Bankers held as margin money for Guarantees issued	**0.90**	0.90
7. (a) Under the Micro, Small and Medium Enterprises Development Act, 2006, which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises (SME). The Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available, no disclosures have been made in the accounts. However, in view of the		

	As at 31.12.2007 Rs. In lacs	As at 31.12.2006 Rs. In lacs
management, the amounts due to the suppliers are paid within the mutually agreed credit period and therefore, there will not be any impact of interest that may be payable in accordance with the provisions of this Act.		
(b) Lease Advance secured by deposit of title deeds relating to Patullos Road, Chennai property under lease.	**48.80**	48.80

III. Profit And Loss Account

	For the year ended 31.12.2007 Rs. In lacs	For the year ended 31.12.2006 Rs. In lacs
8. Miscellaneous Income includes a sum of Rs 88.58 lacs received from a customer towards reimbursement of various expenses.		
9. Repairs to plant and machinery includes stores consumed	**12.86**	13.74
10. (a) Remuneration to the Managing Director and Whole-Time Director shown in the accounts under appropriate headings.		
Salary	**57.81**	39.15
Rent Allowance	**17.48**	11.70
Special Allowance	**0.87**	-
Commission	**92.01**	60.30
Contribution to Provident Fund	**6.94**	4.70
Contribution to Superannuation Fund	**10.39**	6.03
Contribution to Gratuity Fund	**2.56**	0.43
Reimbursement of medical expenses	**0.81**	0.42
Personal Accident Insurance	**0.08**	0.07
Group Medical Policy	**2.39**	1.28
Leave Salary accrual	**10.01**	5.24
Leave Travel concession	**4.92**	5.59
Bonus	**2.18**	-
(b) Estimated Money Value of perquisites calculated as per Rule 3 (a) of the Income Tax Rules, 1972 to the Managing and Whole-time Directors	**2.11**	1.65
TOTAL	**210.56**	136.56

	For the year ended 31.12.2007 Rs. In lacs	For the year ended 31.12.2006 Rs. In lacs
(c) Computation of Net Profit for ascertaining Commission payable to Non-Executive Directors		
Net Profit before taxation	**2,137.46**	3543.28
Add: Directors remuneration	**210.56**	136.56
Directors Sitting fees	**2.15**	1.30
Commission to Non-Executive Directors	**23.04**	36.81
Wealth Tax Paid	**1.62**	1.20
	2,374.83	3719.15
Less: Excess provision for Commission payable to Non-Executive Directors in previous year written back	**0.75**	11.55
Less: Profit on sale of Investments	**45.81**	26.70
Less: Profit on sale of Immovable Property and on sale of assets of a capital nature	**24.11**	-
Profit for calculation of Commission	**2,304.16**	3680.90
1% of Commission thereof to Non-Executive Directors	**23.04**	36.81
11. Miscellaneous expenditure includes		
(a) Remuneration and expenses reimbursed to Auditors.		
(i) Audit Fees	**16.03**	13.67
(ii) Fees for other services:		
Income Tax representations	**-**	1.82
Certification Works	**0.79**	0.84
Transfer pricing	**-**	3.03
(iii) Travelling and out-of-pocket expenses	**0.65**	0.35
12. Quantitative particulars of production, purchases and sales		
(i) Licensed Capacity	**Not applicable**	Not applicable
(ii) Installed Capacity	**Not applicable**	Not applicable
(iii) Actual Production		
Books (*numbers*)	**1,30,98,119**	1,01,83,452
Digitized Data Capture (Pages)/Photo Composed Books	**9,97,408**	9,03,259
Digitized Data Capture (Adverts)	**3,80,068**	9,65,630

	For the year ended 31.12.2007		For the year ended 31.12.2006	
(iv) Opening and Closing Stocks				
	Numbers	Value Rs. In lacs	Numbers	Value Rs. In lacs
Purchases & Stocks				
Purchases – Imported	40,882	79.96	6,000	239.87
Local	-	-	-	-
Opening Stock				
Published Books	1,05,97,084	1362.37	1,00,16,831	1156.66
Trade	17,976	17.54	18,842	23.12
Closing Stock				
Published Books	1,21,58,472	1574.25	1,05,97,084	1,362.37
Trade	47,831	47.86	17,976	17.54
(v) Consumption of Raw Materials				
Paper (Reels in kg.)	33,88,716	1508.06	25,42,080	1,149.46
Others		279.24		446.84
	Value Rs. In lacs	Percentage of Consumption	Value Rs. In lacs	Percentage of Consumption
(vi) Raw Materials, Spare Parts and Components consumed during the year:				
Imported	18.66	1.03	18.24	1.28
Indigenous	1,797.99	98.97	1,408.51	98.72
	Numbers	Value Rs. In lacs	Numbers	Value Rs. In lacs
(vii) Turnover (including presentations and specimens)				
Books	1,15,36,731	6325.45	96,03,199	5,083.76
Digitized Data Capture/Photo Composed Books (pages)	9,97,408	7251.68	9,03,259	7,477.45
Digitized Data Capture (Adverts)	3,80,068	691.37	9,65,630	1,853.65
Subscription from E – Learning		9.57		2.56
Paper Cuttings		37.83		31.30
Trade – Books	11,027	18.43	6,866	15.87
Web Hosting		694.15		473.38
TOTAL		15028.48		14937.97

	For the year ended 31.12.2007 Rs. In lacs	For the year ended 31.12.2006 Rs. In lacs
13. Earnings in foreign exchange		
Export of goods/services calculated on FOB basis	**8,683.79**	9,840.66
14. Value of imports on CIF basis		
Plant and Machinery	**226.02**	230.99
Components and Spare parts	**21.21**	15.39
15. Amount remitted during the year in foreign currency on account of Dividend	**827.20**	827.20
Number of Non-Resident Shareholders	**1**	1
Number of Shares held by them	**1,03,39,980**	1,03,39,980
Year to which it relates	**2006**	2005
16. Expenditure in foreign currency on remittance basis on account of:		
Royalty paid (Net of tax)	**115.44**	114.94
Foreign travel	**98.90**	23.95
Commission/Discount paid	**214.16**	856.20
Subscription	**4.00**	4.48
Commission to overseas Directors	**15.84**	13.27
Overseas office expenses	**229.30**	225.55
Service fees	**7.13**	16.94
Advertisement	**1.95**	4.75
Software expenses	**-**	24.05

17. Disclosures under Accounting Standard 15 (AS 15):	**(Amount Rs. in lacs)**
Defined benefit Plans	
(A) Gratuity	
(I) **Change in Benefit Obligation**	
Liability at the beginning of the year	535.58
Interest Cost	38.36
Current Service Cost	64.75
Benefit Paid	(48.32)
Actuarial (gain)/loss on obligations	15.64
Liability at the end of the year	606.01
(II) **Fair value of Plan Assets**	
Fair value of plan assets at the beginning of the year	527.01
Expected Return on Plan Assets	40.36
Contributions	70.58
Benefit Paid	(48.32)
Actuarial gain/(loss) on Plan Assets	(48.38)
Fair value of plan assets at the end of the year	541.25

		(Amount Rs. in lacs)
(III)	**Actual Return on Plan Assets**	
	Expected Return on Plan Assets	40.36
	Actuarial gain/(loss) on Plan Assets	(48.38)
	Actual Return on Plan Assets	(8.02)
(IV)	**Amount Recognised in the Balance Sheet**	
	Liability at the end of the year	606.01
	Fair Value of Plan Assets at the end of the year	541.25
	Difference (Funded Status)	64.75
	Amount Recognised in the Balance Sheet	64.75
(V)	**Expenses Recognised in the Income Statement**	
	Current Service Cost	64.75
	Interest Cost	38.36
	Expected Return on Plan Assets	(40.36)
	Net Actuarial (Gain)/loss to be recognised	64.02
	Expense Recognised in P & L	126.77
(VI)	**Balance Sheet Reconciliation**	
	Opening Net Liability	8.56
	Expense as above	126.77
	Employers Contribution	(70.58)
	Amount Recognised in Balance Sheet	64.75
(VII)	**Actuarial Assumptions : For the year**	
	Discount Rate Current	8%
	Salary Escalation Current	8%
(B)	**Leave Encashment**	
(I)	**Projected Benefit Obligation as at 1st January 2007**	226.31
	Service Cost	75.17
	Interest Cost	–
	Actuarial Losses/(Gains)	–
	Benefits paid	–
	Projected Benefit Obligation as at 31st December 2007	301.48
(II)	**Amount Recognised in the Balance Sheet**	
	Projected benefit obligation at the end of the year	(301.48)
	Fair Value of Plan Assets at the end of the year	–
	(Liability)/Asset recognised in the Balance Sheet	(301.48)

		(Amount Rs. in lacs)
(III)	**Cost of Defined Plan for the year**	
	Current Service Cost	75.17
	Interest on obligation	–
	Expected Return on Plan Assets	–
	Net Actuarial losses/(gains) recognised in the year	–
	Net cost recognised in the Profit and Loss Account	75.17
(IV)	**Assumption**	
	Rate of Mortality	As per LIC (1994-96) (Ultimate) Mortality Table
	Discount Rate	8.00%
	Future Salary Increase	3.50%

18. Segment Information

Rs in Lacs

	As on 31.12.2007					As on 31.12.2006				
	Publishing	IPD	EBUS	Others	Total	Publishing	IPD	EBUS	Others	Total
1. Segment Revenue										
Net Sales-External	6,103.14	7,943.05	694.15		14,740.34	4,888.80	9,331.11	475.63		14,695.54
2. Segment Result	635.11	1,714.11	37.36		2,386.58	215.15	3,557.17	19.86		3,792.18
Unallocated corporate expenses (Net)				(442.91)	(442.91)				(470.91)	(470.91)
Operating Profit					1,943.67					3,321.27
Interest expense				(5.86)	(5.86)				(5.86)	(5.86)
Interest Income				199.65	199.65				227.87	227.87
Income Taxes				(321.00)	(321.00)				(40.48)	(40.48)
Net Profit	635.11	1,714.11	37.36	(570.12)	1,816.46	215.15	3,557.17	19.86	(289.38)	3,502.80
3. Segment Assets										
Segment Asset	6,616.63	5,822.92	228.25		12,667.80	5,716.02	5,926.42	168.20		11,810.64
Unallocated Corporate Assets				12,354.97	12,354.97				12,429.14	12,429.14
Total Assets					25,022.77					24,239.78
Segment Liabilities	(1,344.73)	(1,637.85)	(45.38)		(3,027.96)	(1,472.45)	(873.37)	(44.20)		(2,390.02)
Unallocated Corporate Liabilities				(832.97)	(832.97)				(2,012.33)	(2,012.33)
Total Liabilities					(3,860.93)					(4,402.35)
4. Capital Expenditure Addition	15.98	504.02	21.60	18.07	559.67	546.48	345.21	4.77	17.23	913.69
5. Depreciation	172.83	365.61	11.14	22.33	571.91	128.20	321.30	10.60	25.54	485.64

6. Secondary Segment Information (Revenue) as per Geographical Market

	As on 31.12.2007 Rs in lacs	As on 31.12.2006 Rs in lacs
India	**6,019.64**	4,854.88
Europe	**7,446.32**	6,509.84
USA	**1,164.60**	3,276.85
Rest of the World	**109.78**	53.97
Total	**14,740.34**	14,695.54
7. Carrying amount of Segment Assets		
India	**23,722.04**	21,963.42
Europe	**1,024.54**	1,162.86
USA	**201.62**	1,100.62
Rest of the World	**74.57**	12.88
Total	**25,022.77**	24,239.78
8. Addition to Fixed Assets & Intangible Assets		
India	**559.67**	913.69
Other Countries	**-**	-
Total	**559.67**	913.69

Notes

1. Business Segments:

   The company has considered business segment as the primary segment for disclosure.

   Publishing business includes printing, publishing, selling of books, on-line learning. Information processing business includes all Information Technology (IT) enabled products such as typesetting and digitised data capture. Ebusiness includes Web site development and BPO activities.

   The above segments have been identified taking into account the organisation structure as well as the differing risks and returns of these segments.

2. Geographical Segments:

   The Company's operations are managed on a worldwide basis from India, although, they operate in four principal geographical areas of the world, namely India, Europe, United States of America and Rest of the world and the revenues are segregated based on the geographical location of the customer.

3. Segmental assets includes all operating assets used by respective segment and consists principally of operating cash, debtors, inventories and fixed assets net of allowances and provisions. Segmental liabilities include all operating liabilities and consists primarily of creditors and accrued liabilities. Segment Assets and Liabilities do not include income tax assets and liabilities.

19. Related Party Disclosure

Information relating to related party transactions for the year ended 31st December 2007.

1. Parties where control exists;

   1.1. Ultimate Holding Company: Georg Von Holtzbrinck Gmbh & Co. K.G

   1.2. Holding Company: HM Publishers Holdings Ltd.

2. Subsidiary Companies: MPS Technologies Ltd.
   Charon Tec Ltd.
   ICC Macmillan Inc., USA.
   ICC India Private Ltd.
   Macmillan ICC Publishing Solutions Private Ltd.
   Frank Brothers & Co. (Publishers) Ltd

3. Fellow Subsidiaries with whom the company had transactions during the year

   Macmillan Publishers Ltd
   Nature America Inc.
   Macmillan Publishing Solutions
   Macmillan Publishers Australia
   Bookworxs Gmbh
   Gill & Macmillan Publishers
   Macmillan Publishers Holdings LLC,
   Macmillan Publishers (China) Ltd,
   Macmillan Language House, Japan
   Macmillan Nigeria Ltd
   HGV Hanseatische Gesellschaft

4. Key Management personnel.

   Mr. Rajiv Beri   Mr. Rajiv Seth   Mr. Debasish Banerjee (upto October 31, 2007)

5. Related party Transactions

   (a) Sales

Fellow Subsidiaries	**For the year ended 31-12-2007 (Rs in Lacs)**	For the year ended 31-12-2006 (Rs in Lacs)
Macmillan Publishers Limited	**1,983.95**	1,658.98
Macmillan Publishers Holdings LLC	**83.40**	96.72
Nature America Inc.	**130.98**	119.38
Macmillan Publishers (China) Ltd	**2.30**	3.28
Macmillan Publishing Solutions	**33.76**	-
Macmillan Language House, Japan	**3.09**	1.59
Macmillan Publishers Australia	**15.66**	-
Macmillan Nigeria Ltd	**45.98**	-
Bookworxs Gmbh	**3.41**	3.43
HGV Hanseatische Gesellschaft	**27.54**	4.85
Gill & Macmillan Publishers	**7.36**	5.55
	2,337.43	1,893.78

	For the year ended 31-12-2007 (Rs in Lacs)	For the year ended 31-12-2006 (Rs in Lacs)
Subsidiaries		
MPS Technologies Ltd	0.43	2.25
ICC Macmillan Inc. USA	22.99	-
	23.42	2.25
(b) Purchases		
Fellow Subsidiary		
Macmillan Publishers Limited	79.96	239.87
Subsidiary		
Charon Tec Ltd	-	10.98
(c) Commission - Fellow Subsidiary		
Macmillan Publishers Ltd	693.62	856.20
(d) Dividend - Holding Company		
HM Publishers Holdings Limited	827.20	827.20
(e) Remuneration To Key Management Personnel	210.56	136.56

(f) Debtors **Fellow Subsidiaries**	As at 31.12.2007 *Rs in lacs*	As at 31.12.2006 *Rs in lacs*
Macmillan Publishers Limited	431.56	432.54
Macmillan Publishers Holdings LLC	8.76	18.37
Nature America Inc.	22.95	42.67
Macmillan Publishers (China) Ltd	0.44	0.36
Macmillan Publishing Solutions	13.51	-
Macmillan Language House, Japan	-	1.59
Macmillan Publishers Australia	1.25	-
Macmillan Nigeria Ltd	45.98	-
Bookworxs Gmbh	0.29	0.29
HGV Hanseatische Gesellschaft	2.31	-
Gill & Macmillan Publishers	3.03	3.81
	530.08	499.63
Subsidiary		
ICC Macmillan Inc., USA	5.86	-

	As at 31.12.2007 Rs in lacs	As at 31.12.2006 Rs in lacs
(g) Creditors		
Fellow Subsidiary		
Macmillan Publishers Limited	915.39	465.13
Subsidiary		
Charon Tec Ltd	6.66	6.89
(h) Advances -Subsidiaries		
MPS Technologies Ltd	146.70	200.50
Charon Tec Ltd	159.61	147.36
ICC India Private Ltd	626.44	51.55
Macmillan ICC Publishing Solutions Pvt Ltd	970.33	253.29
Frank Brothers & Co.(Publishers) Ltd	350.00	-
	2,253.08	652.70

	For the year ended 31-12-2007	For the year ended 31-12-2006
20. Earnings per share		
Face Value per share (in Rupees)	10.00	10.00
Profit after tax (Rs. In lacs) (numerator)	1816.46	3502.80
Weighted number of shares outstanding during the year (denominator)	16,822,668	16,822,668
Basic & Diluted Earnings per share (in Rupees)	10.80	20.82

21. Breakup of Deferred Tax Asset and Deferred Tax Liability arising out of timing differences.

	As at 31-12-2007 (Rs in Lacs)	As at 31-12-2006 (Rs in Lacs)
(a) **Deferred Tax Asset**		
Provision for Return rights	31.48	31.18
Provision for Doubtful Debts	55.86	37.09
Provision for Leave encashment	102.47	76.18
Others	1.70	1.68
Total	191.51	146.13
(b) **Deferred Tax Liability**		
Depreciation	301.28	203.85
Total	301.28	203.85
Net Deferred Tax Liability	109.77	57.72

22. Disclosure requirements under Accounting Standards 29 on "Provisions, Contingent Liabilities and Contingent Assets": (Rs in Lacs)

	Opening Balance	Additions	Release	Closing Balance
Provision for Return Rights	92.63	–	–	92.63

Note: Provision for Return Rights is estimated based on present obligations as a result of past events and the outflow is expected to be settled within next 12 months, which is based on the future recoverability of the dues from the customers.

23. Previous Year's figures have been reclassified wherever necessary.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. 05795 State Code 18

Balance Sheet Date 31 (Date) 12 (Month) 2007 (Year)

II. Capital Raised during the Year (Amount in Rs Thousands)

Public Issue	Rights Issue
NIL	NIL

Bonus Issue	Private Placement
NIL	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs Thousands)

Total Liabilities	Total Assets
2502277	2502277

Sources of Funds

Paid-up Capital	Reserves & Surplus
168227	1947957

Secured Loans	Unsecured Loans
NIL	NIL

Deferred Tax Liability
10977

Application of Funds

Net Fixed Assets	Investments
333219	799272

Deferred Tax Asset	Net Current Assets
NIL	994670

Misc. Expenditure	Accumulated Losses
NIL	NIL

IV. Performance of Company (Amount in Rs Thousands)

Turnover	Total Expenditure
1548461	1334715

	Profit/Loss Before Tax		Profit/Loss After Tax
+ ✔ –	213746	+ ✔ –	181646

(Please tick appropriate box + for Profit, – for Loss)

Earnings per Share in Rs	Dividend Rate %
10.80	25

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code (ITC Code)	490110.01
Product Description	PRINTED BOOKS
Item Code (ITC Code)	NOT APPLICABLE
Product Description	PHOTO COMPOSED BOOKS
Item Code (ITC Code)	NOT APPLICABLE
Product Description	DIGITISED DATA CAPTURE

Signatures to Schedules 1 to 18

Place: Mumbai	**RAJIV BERI**	**R R CHARI**	**V K VENKATAKRISHNAN**
Date: 21st April 2008	Managing Director	Director	Secretary

Statement pursuant to Section 212 of the Companies Act, 1956

Name of the subsidiary company	Financial year ending of the subsidiary	Number of equity shares held	Number of preference shares held	Extent of holding	For financial year of the subsidiary		For the previous financial years since it became a subsidiary	
					Profits/(losses) so far it concerns the members of the holding company and not dealt with in the books of account of the holding company (except to the extent dealt with in col. 7)	Profits/(losses) so far it concerns the members of the holding company and dealt with in the books of account of the holding company	Profits/(losses) so far it concerns the members of the holding company and not dealt with in the books of account of the holding company (except to the extent dealt with in col. 9)	Profits/(losses) so far it concerns the members of the holding company and dealt with in the books of account of the holding company
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
					Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs
MPS Technologies Limited	31.12.2007	4,000,000	4,000,000	100%	954.63	-	(753.58)	-
Macmillan ICC Publishing Solutions Private Limited	31.12.2007	100,000	-	100%	9.16	-	(211.24)	-
Charon Tec Limited	31.12.2007	600,000	-	100%	(41.74)	-	64.81	-
ICC India Private Limited	31.12.2007	10,001	-	100%	(31.04)	-	58.94	-
ICC Macmillan Inc., USA	31.12.2007	10,527	-	100%	(1,448.64)	-	20.08	-
Frank Brothers & Co. (Publishers) Limited	31.12.2007	2,000	-	80%	4.44	-	N.A.	N.A.

Note: The acquisition of the shares of Frank Brothers & Co. (Publishers) Limited was done on 30th November 2007.

For and on behalf of the Board

Place: Mumbai
Date: 21st April 2008

RAJIV BERI
Managing Director

V K VENKATAKRISHNAN
Secretary

Subsidiary Companies' Particulars

Particulars regarding subsidiary companies as at 31st December 2007

(Rs. Lacs)

Name of the Subsidiary Company	Issued and Subscribed Share Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit/ (Loss) before Taxation	Provision for Taxation	Profit/ (Loss) after Taxation	Proposed Dividend
MPS Technologies Limited										
Equity Shares	400.00	201.04	2521.02	1519.98	-	3,919.57	1,068.49	42.51	1,025.98	
Preference Shares	400.00									60.99
Macmillan ICC Publishing Solutions Private Limited	100.00	(202.08)	1,115.27	1,217.35	-	531.29	20.64	11.48	9.16	-
Charon Tec Limited	60.00	209.98	503.45	233.47	-	714.05	(43.49)	(1.75)	(41.74)	-
ICC India Private Limited	10.00	185.27	1,081.54	886.27	-	1,453.44	16.37	47.41	(31.04)	-
ICC Macmillan, Inc., USA	46.62	(1286.18)	780.95	2052.42	31.91	2,480.05	(1,494.81)	(46.17)	(1,448.64)	-
Frank Brothers & Co. (Publishers) Limited	25.00	178.44	2,652.92	2,449.48	-	246.69	20.14	14.59	5.55	-

Note: (i) The accounts of Frank Brothers & Co. (Publishers) Limited has been drawn up for a period of one month, subsequent to acquisition

(ii) In respect of ICC,USA, the US dollar has been converted at the Exchange Rate of Rs.39.40 per US Dollar for Balance Sheet items and at an average rate of Rs.41.15 per US Dollar for Profit and Loss Account items.

For and on behalf of the Board

Place: Mumbai	**RAJIV BERI**	**V K VENKATAKRISHNAN**
Date: 21st April 2008	Managing Director	Secretary

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF MACMILLAN INDIA LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF MACMILLAN INDIA LIMITED AND ITS SUBSIDIARIES

1. We have audited the attached Consolidated Balance Sheet of Macmillan India Limited and its subsidiaries as at 31st December 2007, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended. These financial statements are the responsibility of Macmillan India Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about 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.

3. We did not audit the financial statements of all the subsidiaries, whose financial statements reflect total assets of Rs. 2,497.82 lacs as at 31st December 2007 and total revenues of Rs.9,016.05 lacs for the year then ended. These financial statements have been audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

4. We report that the consolidated financial statements have been prepared by the management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, as notified by Companies (Accounting Standards) Rules, 2006.

5. Based on our audit and consideration of the reports of other auditors on separate financial statements and on the other financial information and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements together with the notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of Consolidated Balance Sheet, of the consolidated state of affairs of Macmillan India Limited and its subsidiaries as at 31st December 2007;

   (b) in the case of Consolidated Profit and Loss Account, of the consolidated results of operations of Macmillan India Limited and its subsidiaries for the year then ended; and

   (c) in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of Macmillan India Limited and its subsidiaries for the year ended on that date.

For Fraser & Ross
Chartered Accountants

Bhavani Balasubramanian
Partner
Membership No. 22156

Place: Mumbai
Date: 21st April 2008

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2007

	Schedule No.		As at 31.12.2007 Rs in Lacs		As at 31.12.2006 Rs in Lacs
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
Share Capital	1	1,682.27		1,682.27	
Reserves & Surplus	2	18,224.99		17,525.45	
			19,907.26		19,207.72
2. Loan Funds	3				
Secured Loans		838.25		387.80	
Unsecured Loans		75.49	913.74	-	387.80
3. Minority interest			40.69		-
			20,861.69		19,595.52
II. APPLICATION OF FUNDS					
1. Fixed Assets	4				
Gross Block		9,368.52		8,870.41	
Depreciation		5,085.14		4,562.02	
Net Block		4,283.38		4,308.39	
Capital work in progress Including capital advances		38.71		-	
			4,322.09		4,308.39
2. Goodwill (refer note I(1) of Schedule 19)			5,219.59		2,001.41
3. Investments	5		1,243.73		3,490.21
4. Deferred tax Assets (Net)			36.83		(82.44)
(Refer Note No. II (18) of Schedule 19)					
5. Current Assets, Loans and Advances					
Inventories	6	4,357.80		2,880.64	
Sundry Debtors	7	6,115.45		6,116.10	
Cash and Bank Balances	8	3,933.28		5,440.59	
Loans and Advances	9	2,448.29		2,343.10	
Total Current Assets		16,854.82		16,780.43	
Less: Current Liabilities	10	5,765.42		4,966.10	
Provisions	11	1,049.95		1,936.38	
Total Current Liabilities & Provisions		6,815.37		6,902.48	
Net Current Assets			10,039.45		9,877.95
			20,861.69		19,595.52
Notes on Accounts	19				

Per our report of even date

For FRASER & ROSS

Chartered Accountants

BHAVANI BALASUBRAMANIAN

Partner

Place: Mumbai	**RAJIV BERI**	**R R CHARI**	**V K VENKATAKRISHNAN**
Date: 21st April 2008	Managing Director	Director	Secretary

MACMILLAN
Macmillan India Ltd.

FOR THE YEAR ENDED 31ST DECEMBER 2007

	Schedule No.		For the year ended 31.12.2007 Rs in Lacs		For the year ended 31.12.2006 Rs in Lacs
INCOME					
Sales		22,060.55		21,218.90	
Less: Discounts		288.14	21,772.41	242.43	20,976.47
Interest- Gross	12		201.44		228.50
Other Income	13		785.68		354.80
			22,759.53		21,559.77
EXPENDITURE					
Difference in Stocks & Purchases	14	(552.52)		(496.62)	
Raw Materials Consumed	15	1,925.70		1,602.57	
Staff Costs	16	9,517.43		7,094.44	
Other Expenditure	17	9,141.27		8,965.54	
Interest	18	49.83		22.26	
Depreciation		969.62	21,051.33	871.67	18,059.86
Profit before taxation			1,708.20		3,499.91
Provision for taxation					
Current		230.79		79.19	
Less: MAT Credit Entitlement		54.00		-	
		176.79		79.19	
Deferred Tax		52.58		(105.03)	
Fringe Benefit Tax		93.06	322.43	87.49	61.65
Profit after taxation			1,385.77		3,438.26
Minority Interest			1.11		-
			1,384.66		3,438.26
Brought forward from previous year			11,533.76		10,130.06
Profit available for Appropriations			12,918.42		13,568.32
Appropriations					
Dividend on Equity Shares					
Interim paid- 25% (35%)			420.57		588.79
2nd Interim proposed - Nil (Prev. Yr-45%)			-		757.02
Corporate tax there on			81.84		188.75
Transfer to General Reserve			500.00		500.00
Surplus carried to Balance Sheet			11,916.01		11,533.76
Notes on Accounts	19				
Basic and diluted earnings per share (Face value Rs. 10)			8.23		20.44

Per our report of even date
For FRASER & ROSS
Chartered Accountants
BHAVANI BALASUBRAMANIAN
Partner

Place: Mumbai	**RAJIV BERI**	**R R CHARI**	**V K VENKATAKRISHNAN**
Date: 21st April 2008	Managing Director	Director	Secretary

FOR THE YEAR ENDED 31ST DECEMBER 2007

Description		For the year ended 31.12.2007 Rs in Lacs		For the year ended 31.12.2006 Rs in Lacs
A. Cash flow from Operating activities:				
Net profit before tax and extraordinary items		1,708.20		3,499.91
Adjustments for:				
Depreciation	969.62		871.68	
Interest and Finance Charges	49.83		22.26	
Profit on sale of fixed assets-net	(359.00)		(23.44)	
Unrealised exchange gain	9.75		37.90	
Interest received	(201.44)		(228.50)	
Profit on sale of investments	(45.81)		(26.70)	
Dividend Received *	(217.54)		(163.19)	
Bad Debts Written off	2.74		17.89	
Provisions for:				
Doubtful Debts	84.52		89.76	
Amounts written back				
Excess provision for:				
Doubtful debts & advances	(15.71)		(7.81)	
Commission to Non-Executive Directors & other expenses	(4.48)		(11.55)	
Unclaimed credit balances	(0.48)		(0.36)	
		272.00		577.94
Operating Profit before working capital changes		1,980.20		4,077.85
Adjustments for:				
Increase in Trade and other receivables	545.74		(1,559.92)	
Increase in Inventories	(722.39)		(508.98)	
Increase in Trade and other payables	(165.46)		2,459.71	
		(342.11)		390.81
Cash generated from operations		1,638.09		4,468.66
Opening loss of a subsidiary consolidated during the year		(253.28)		–
Direct taxes paid		(200.02)		(347.01)
Net Cash from operating activities		1,184.79		4,121.65

FOR THE YEAR ENDED 31ST DECEMBER 2007

Description		For the year ended 31.12.2007 Rs in Lacs		For the year ended 31.12.2006 Rs in Lacs
B. Cash flow from Investing activities:				
Purchase of fixed assets	(1,151.12)		(1,272.78)	
Purchase of investments	(4,483.07)		(158.52)	
Investment in Subsidiaries	(3,287.00)		(1,330.58)	
Proceeds from sale of fixed assets	585.15		155.92	
Proceeds from sale of investments	6,973.01		–	
Dividend Received	19.88		15.74	
Interest Received	188.87		202.58	
Net cash used in investing activities		(1,154.28)		(2,387.64)
C. Cash flow from Financing activities:				
Interest paid	(49.83)		(22.26)	
Repayment of borrowings	(141.97)		384.93	
Dividend paid (Inclusive of dividend tax & unclaimed dividends)	(1,534.51)		(1,548.23)	
Net cash used in financing activities		(1,726.31)		(1,185.56)
Net (decrease)/increase in cash and cash equivalents		(1,695.80)		548.45
Cash and cash equivalents at the beginning of the year	5,440.59		4,910.06	
Opening Cash balances of subsidiaries acquired and consolidated during the year	117.92		–	
Currency Translation Adjustment	70.57		(17.92)	
Cash and cash equivalents at the end of the year	3,933.28		5,440.59	
		(1,695.80)		548.45

*** Non cash transaction:**

Includes dividend income on reinvestment in Mutual fund units Rs 197.66 lacs (Previous Year Rs.147.45 lacs)

Per our report of even date

For FRASER & ROSS

Chartered Accountants

BHAVANI BALASUBRAMANIAN

Partner

Place: Mumbai	**RAJIV BERI**	**R R CHARI**	**V K VENKATAKRISHNAN**
Date: 21st April 2008	Managing Director	Director	Secretary

SCHEDULES TO CONSOLIDATED ACCOUNTS

SCHEDULE NO.	As at 31.12.2007 Rs in Lacs	As at 31.12.2006 Rs in Lacs
1. Share Capital		
Authorised		
200,00,000 Equity Shares of Rs. 10 each	2,000.00	2,000.00
Issued		
1,68,22,668 (Previous year 1,68,22,668) Equity Shares of Rs. 10 each	1,682.27	1,682.27
Subscribed and Paid up		
1,68,22,668 (Previous year 1,68,22,668) Equity Shares of Rs. 10 each	1,682.27	1,682.27
fully paid up (Note No.II (1) of Schedule 19)		
2. Reserves and Surplus		
General Reserve:		
As per last Balance Sheet	5,831.31	5,331.31
Add: Transfer from Profit and Loss Account	500.00	500.00
	6,331.31	5,831.31
Less: Loss relating to a subsidiary for the period ended 31st December 2006	253.28	-
	6,078.03	5,831.31
Surplus shown in Profit and Loss Account	11,916.01	11,533.76
	17,994.04	17,365.07
Capital Reserve	178.30	178.30
Foreign Currency Translation Reserve	52.65	(17.92)
	18,224.99	17,525.45
3. Loan Funds		
Secured Loans		
Working capital loan(from Bank)	826.41	387.60
(Note No. II (2b) of Schedule 19)		
Finance Lease obligations	11.84	0.20
(Secured by hypothecation of assets purchased under Finance Lease)	838.25	387.80
Unsecured Loans		
From Directors	75.49	-
	75.49	-

4 - Fixed Assets (Rs. in lacs)

	COST						DEPRECIATION						NET BOOK VALUE	
Description	**As at 1.1.07**	**Currency Translation Adjustment**	**Additions**	**Added on Consoli-dation**	**Deletions/ Adjust-ments**	**As at 31.12.07**	**As at 1.1.07**	**Currency Trans. Adj.**	**Added on Consoli-dation**	**Deletions/ Adjust-ments**	**Depn for the period**	**As at 31.12.07**	**As at 31.12.07**	As at 31.12.06
Land*	414.54	–	–	–	–	**414.54**	–	–	–	–	–	–	**414.54**	414.54
Building*	2,314.91	(5.90)	3.59	–	7.66	**2,304.94**	818.63	(5.90)	–	5.67	80.66	**887.72**	**1,417.22**	1,496.28
Plant and Machinery **	4,343.28	(38.46)	763.26	77.72	700.71	**4,445.09**	2,654.38	(56.97)	19.77	498.91	692.06	**2,810.33**	**1,634.76**	1,688.90
Furnitures and Fixtures	1,400.91	(19.36)	186.08	200.78	22.10	**1,746.31**	865.67	1.49	109.79	20.56	150.12	**1,106.51**	**639.80**	535.24
Vehicles #	396.77	–	39.03	88.57	66.73	**457.64**	223.34	0.03	54.06	43.63	46.78	**280.58**	**177.06**	173.43
Total	8,870.41	(63.72)	991.96	367.07	797.20	**9,368.52**	4,562.02	(61.35)	183.62	568.77	969.62	**5,085.14**	**4,283.38**	4,308.39
Previous Year	7,253.81	–	1,272.77	670.90	327.07	**8,870.41**	3,439.59	–	429.05	178.29	871.67	**4,562.02**	**4,308.39**	3,814.22

* Land and Building includes property at HMG Ambassador at a cost of Rs 400 lacs and Rs 1,213 lacs respectively. The title to this property is jointly held with other co-owners in the name of HMG Ambassador Property Management Private Limited, represented by 1,47,50,000 equity shares of Rs 10/- each representing the value of Land and Buildings with irrevocable right of permanent occupation.

** Plant & Machinery includes Computers & Networking Equipments costing Rs. 42,265,391 which is located outside India.

Includes assets acquired under Finance Lease:

	Rs.	Rs.
Vehicles -Cost	2,627,108.00	(Nil)
Net book value	1,667,251.00	(Nil)

5. Investments – Long-Term

	No of Shares/Units	Face Value	As at 31.12.2007 Rs in Lacs	No of Shares/Units	As at 31.12.2006 Rs in Lacs
Trade					
1. **Government of India Securities – Unquoted**					
National Savings Certificates		*	**0.01**		0.01
Indira Vikas Patra – At cost		*	**0.02**		0.02
*Lodged as Security deposit with Govt. Department					
Non -Trade					
2. **Investments – Quoted**					
(a) In Fully paid up Equity shares					
Wyeth Lederle Limited	300	10	**0.03**	300	0.03
(b) In Units of Mutual Funds* *					
Deutsche Insta Cash Plus	–	–	–	1,641,324.760	168.96
Grindlays Cash Fund–Inst Plan B	–	–	–	2,119,744.418	224.30
HDFC Cash Management Fund	–	–	–	1,591,535.562	169.28
Deutsche FRF–Regular Plan	–	–	–	1,095,164.529	112.75
Deutsche FRF-Regular Plan	–	–	–	1,092,448.556	110.71
Franklin Treasury Mgmt A/c	–	–	–	11,109.468	168.00
HDFC FRI Fund-LTP	–	–	–	1,120,255.405	112.94
HDFC FRI Fund-STP	–	–	–	1,115,425.633	111.85
PRU ICICI FRP	–	–	–	575,771.858	59.08
PRU ICICI FMP – 1 Yr Plus Series 12 – G P	–	–	–	1,747,995.509	207.16
Templeton FRI Fund-STP	–	–	–	1,121,715.446	112.21
HDFC Cash Management Savings Plan	–	–	–	2,005,328.667	213.29
DSP Merrill Lynch Floating Rate Fund	–	–	–	2,167,286.376	217.22
DSP Merrill Lynch Floating Rate Fund	–	–	–	1,576,903.094	158.11
ING Vysya Floating Rate Fund	–	–	–	2,172,411.670	217.29
ING Vysya Floating Rate Fund	–	–	–	1,579,004.262	158.15
PRU ICICI BLENDED PLAN B	–	–	–	2,140,242.523	215.49
PRU ICICI BLENDED PLAN B	–	–	–	2,037,911.352	205.19
UTI Liquid Fund	–	–	–	15,606.137	158.63
HDFC Cash Management Savings Plus	–	–	–	1,319,034.085	132.13
HSBC Mutual Fund-USA			–		21.36
Reliance Liquid Plus Fund	31,219.764	1001.3447	**312.62**	–	–
JM-Arbitrage Advantage Fund	6,733,941.953	10.3951	**700.00**	–	–

** – Includes an amount of Rs.3,232.74 lacs redeemed during the year

	No of Shares/Units	Face Value		As at 31.12.2007 Rs in Lacs	No of Shares/Units		As at 31.12.2006 Rs in Lacs
(c) Units in Unit Trust of India – At Cost							
6.75% Tax Free US 64 Bonds	121,640	100		**121.63**	121,640		121.63
(d) 6.60% Tax Free ARS bonds	109,417	100		**109.42**	109,417		109.42
3. **Fully Paid Debentures – Unquoted**							
DCM Financial Services Ltd. –19.5%	10,000	1000	**90.00**		10,000	90.00	
Secured Redeemable Non Convertible							
Cumulative Debentures – Series B							
Less: Provision for diminution in value			**(90.00)**	–		(90.00)	–
4. **Fully Paid Equity Shares in**							
Subsidiary Company – Unquoted				–	5,000		5.00
Macmillan ICC Publishing Solutions P Ltd							
TOTAL				**1,243.73**			3,490.21
QUOTED INVESTMENTS:							
Book Value				**231.08**			231.08
Market Value				**228.70**			234.53
UNQUOTED INVESTMENTS:				**1012.65**			3259.13
Purchase and Sale of Investments during the year:							
HDFC Cash Management Fund-Savings Plus Plan-Dividend				**125.00**			–
Prudential ICICI Flexible Income Plan Daily Dividend Reinvestment scheme				**125.00**			–
Standard Chartered Fixed Maturity Plan				**200.00**			–
Birla FTP Quarterly Series 9				**400.00**			–
DSP Merrill Lynch Liquid Plus Fund Regular Plan-Weekly Dividend				**300.00**			–
HSBC Liquid Plus – Daily Dividend Scheme				**300.00**			–
Birla FTP Quarterly Series 18				**163.67**			–
DWS Money Plus Fund - Regular Plan Daily Dividend Scheme				**300.00**			–
ICICI Prudential Flexible Income Plan – Daily Dividend Scheme				**314.40**			–
Standard Chartered Arbitrage Fund – Plan A				**400.00**			–
Grindlays Floating Rate Fund – Weekly Dividend Scheme				**300.00**			–
DWS Credit Opportunities – Cash Fund				**205.00**			–
Standard Chartered Arbitrage Fund – Plan B				**350.00**			–

		As at 31.12.2007 Rs in Lacs		As at 31.12.2006 Rs in Lacs
6. Inventories -At Cost				
Stores and spares at Cost		7.06		8.77
Stock-in-trade:				
Raw materials		501.06		246.17
Finished goods		2,346.69		1,379.91
Inomplete jobs		1,533.59		1,245.79
		4,388.40		2,880.64
Less: Provision for Inventory obsolescence		30.60		-
		4,357.80		2,880.64
7. Sundry Debtors - Unsecured				
Debts outstanding for a period exceeding six months:				
Considered good	2,233.61		1,351.87	
Considered doubtful	272.34		110.19	
		2,505.95		1,462.06
Other debts:				
Considered good		3,881.84		4,764.23
		6,387.79		6,226.29
Less: Provision		272.34		110.19
		6,115.45		6,116.10
8. Cash and Bank Balances				
Cash and cheques on hand		2.69		4.69
Bank Balances - (Note No.II (9) of Schedule 19)				
With Scheduled Banks on:				
Current Accounts	2,004.32		2,024.08	
Deposits Accounts	1,926.27		3,411.82	
		3,930.59		5,435.90
		3,933.28		5,440.59

		As at 31.12.2007 Rs in Lacs	As at 31.12.2006 Rs in Lacs
9.	**Loans and Advances-**		
	(Unsecured and considered good)		
	Advances recoverable in cash or in kind or for value to be received	1,745.93	1,095.61
	Advances to Subsidiary company		
	Macmillan ICC Publishing Solutions P Ltd	-	352.74
	Interest accrued on Deposits	68.16	103.53
	Advance payment of Income tax (Net of Provisions)	580.20	791.22
	MAT Credit Entitlement	54.00	-
		2,448.29	2,343.10
10.	**Current Liabilities**		
	Sundry Creditors		
	Micro, Small and Medium Enterprises #	-	-
	Others	5,674.05	4,825.59
	Lease Advance (secured) (Note No.II(10b) of Schedule 19)	48.80	48.80
	Due to Directors	38.12	87.32
	Investor Education and Protection Fund shall be credited by the following amount:		
	Unpaid Dividend*	4.45	4.39
		5,765.42	4,966.10

With effect from October 02, 2006, SSI is replaced with Micro, Small and Medium Enterprises (refer Note II(10a) of Schedule 19)

* There is no amount falling due as at the Balance sheet date to be credited to the Investor Education and Protection Fund and the above amount represents Dividend Warrants issued but not encashed.

		As at 31.12.2007 Rs in Lacs	As at 31.12.2006 Rs in Lacs
11.	**Provisions**		
	Proposed Interim Dividend	420.57	1,345.81
	Corporate tax thereon	81.84	188.75
	Provision for Return Rights	92.63	92.63
	Provision for Leave encashment	323.40	261.20
	Provision for Gratuity	131.51	47.99
		1,049.95	1,936.38

		For the year ended 31.12.2007 Rs in Lacs		For the year ended 31.12.2006 Rs in Lacs
12. INTEREST RECEIVED(GROSS)				
On Fixed Deposits with Bankers				
[Tax Deducted at source: 2007-Rs.(in Lacs)- 39.47 ; 2006-Rs(in Lacs) 48.79].		139.55		185.71
On Investments				
[Tax Deducted at source: 2007-Rs.(in Lacs)-Nil ; 2006-Rs(in Lacs) Nil].		61.89		42.79
		201.44		228.50
13. OTHER INCOME				
Profit on sale of Investments		45.81		26.70
Profit on sale of Assets		78.12		23.44
Profit on sale of Inhouse Developed Software		280.88		-
Rent received		17.87		13.83
(includes recoveries from Managing Director Nil) (Previous year - Rs.0.10 lakhs) [Tax Deducted at source: 2007-Rs.(in Lacs)- 4.16 ; 2006-Rs(in Lacs) 0.85].				
Lease rent received		6.14		6.16
[Tax Deducted at source: 2007-Rs.(in Lacs) 1.23 ; 2006-Rs(in Lacs) 1.38].				
Miscellaneous receipts(ref. Note II(11) of Schedule 19)		109.36		6.14
Royalty received		0.47		0.29
Dividend		217.53		163.19
Bad Debts written off in earlier years recovered		8.83		27.78
Unclaimed credit balances written back		0.48		67.87
Expenses No Longer Required written back		3.73		-
Excess provision written back:				
For Commission payable to Non-executive Directors		0.75		11.55
For Deferred tax no longer required		-		0.03
For Doubtful Debts		15.71		7.82
		785.68		354.80
14.DIFFERENCE IN STOCKS AND PURCHASES				
Opening Stock:				
Finished Goods		1,379.91		1,179.78
Incomplete jobs		1,245.79		942.29
Added on acquisition during the year		622.10		-
Purchases		79.96		7.01
		3,327.76		2,129.08
Less: Closing Stock				
Finished goods	2,346.69		1,379.91	
Incomplete jobs	1,533.59	3,880.28	1,245.79	2,625.70
		(552.52)		(496.62)

		For the year ended 31.12.2007 Rs in Lacs		For the year ended 31.12.2006 Rs in Lacs
15. RAW MATERIALS CONSUMED				
Opening Stock		246.17		244.57
Added on acquisition during the year		163.27		-
Add: Purchases		2,231.60		1,604.17
		2,641.04		1,848.74
Less:Closing Stock		715.34		246.17
		1,925.70		1,602.57
16. STAFF COSTS				
Salaries,Wages and Bonus		6,826.75		5,216.36
Contribution to Provident and Other Funds		502.63		336.88
Workmen and Staff Welfare Expenses		1,998.07		1,456.79
Contribution to Gratuity Fund		189.98		84.41
		9,517.43		7,094.44
17.OTHER EXPENDITURE				
Outsourced printing charges		2,234.99		3,396.43
Consumption of stores		52.61		49.57
Rent Paid		637.01		406.25
Repairs to:				
Buildings	44.14		49.29	
Plant & Machinery	23.70	67.84	17.26	66.55
Insurance		80.51		105.11
Packing and Forwarding		273.22		270.98
Postage,Telex and Telephones		432.15		322.59
Travelling and Conveyance		1,058.13		722.44
Royalty		656.28		548.77
Power and Fuel		446.66		425.50
Rates and Taxes		42.49		35.50
Directors Sitting Fees		2.15		1.30
Directors Commission		23.04		36.81
Advertisement		66.43		69.34
Entertainment		26.99		41.48
Provision for Doubtful Debts		84.52		89.76
Bad Debts written off	17.41		153.03	
Less: Transfer from provision for Doubtful Debts	14.67	2.74	135.14	17.89
Sales Promotion Expenses		25.85		4.42
Commission on sales		772.44		840.99
Loss on Exchange difference		151.88		74.32
Miscellaneous Expenditure		2,003.34		1,439.54
		9,141.27		8,965.54
18. INTEREST PAID				
On Cash/ Packing Credits from Banks		4.01		-
Others		45.82		22.26
		49.83		22.26

19. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2007.

I. Significant Accounting Policies

Background

Macmillan India Limited ("Company") is in the publishing business for more than 100 years and is also engaged in providing type setting and data digitization services for overseas publishers. The Company has a printing press in Chennai for its publishing activities and 100% Export Oriented Unit and an E-Business unit in Bangalore, for providing services relating to typesetting of books and journals, composing of Yellow Page Ads and catalogues, data coding, conversion, indexing, editing, copy editing and editorial services to global publishers.

As a part of diversification of the business, the Company has been acquiring entities with similar businesses during the past couple of years. The existing subsidiaries of the Company are Charon Tec Limited, MPS Technologies Limited, ICC Macmillan Inc., USA, ICC India Private Limited and Macmillan ICC Publishing Solutions Private Limited.

The subsidiaries, Charon Tec Limited, Macmillan ICC Publishing Solutions Private Limited, ICC India Private Limited and ICC Macmillan Inc., USA, provide services relating to typesetting of books and journals and developing software products. MPS Technologies Limited provide fulfillment services, project management for its overseas customers and electronic book services. Frank Brothers & Co. (Publishers) Limited is engaged in the publishing business.

1. **Basis of consolidation:** The consolidated financial statements comprise financial statements of Macmillan India Limited and its subsidiaries, drawn upto December 31, 2007. These consolidated financial statements have been prepared in accordance with Accounting Standard 21, *"Consolidated Financial Statements"* issued by the Institute of Chartered Accountants of India.

   Subsidiary companies considered in these consolidated financial statements are:

Name of the Company	Country of Incorporation	Ownership Interest (%)
Charon Tec Limited	India	100
MPS Technologies Limited	India	100
Macmillan ICC Publishing Solutions Private Ltd	India	100
ICC Macmillan, Inc., USA	USA	100
ICC India Private Limited (Subsidiary of ICC Macmillan, Inc., USA)	India	100
Frank Brothers & Co. (Publishers) Ltd	India	80

Macmillan India Limited acquired 80% of Share Capital (2000 shares of Rs.1000 each) of Frank Brothers & Co. (Publishers) Limited effective from December 1, 2007 for a consideration of Rs.3,287 lacs, which will help them to achieve the leadership position in national curriculum educational market. Consequently, Frank Brothers & Co. (Publishers) Limited has become a subsidiary of the Company. The results of Frank Brothers & Co. (Publishers) Ltd. are included in the consolidated Profit and Loss account from the date of acquisition.

The audited accounts of the above companies, duly certified by their respective auditors, have been considered in preparing the consolidated financial statements.

Consistency in adoption of accounting policies among all group companies is ensured to the extent feasible. The accounting policies followed for depreciation by the subsidiaries MPS Technologies Limited and ICC Macmillan, USA is not consistent with the policies adopted by the parent company. Had the subsidiaries adopted the policies followed by the parent company, the depreciation charge for the year in the consolidated financial statements (currently amounting to Rs.969.62 lacs) would have been lower by Rs.28.52 lacs and the reserves (currently amounting to Rs.18,224.99 lacs) would have been higher to that extent.

The financial statement of the parent company and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group transactions. In case of foreign subsidiary, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at the rates prevailing at the end of the year. In accordance with the Indian Accounting Standard 11 on accounting for the effects of changes in foreign currency rates, the operations of the foreign subsidiary are classified as "Non-Integral Foreign Operation" and hence exchange gains / (losses) arising on conversion are recognised under Foreign Currency Translation Reserve.

Goodwill arising on consolidation represents the excess of carrying cost of acquisition of subsidiaries over the net worth of the respective subsidiaries. Considering the present intrinsic value of assets of the subsidiaries, the management is of the opinion that there is no impairment in the value of goodwill.

2. (a) **Basis of Accounting:** Financial statements have been prepared on accrual basis under historical cost convention in accordance with Indian Generally Accepted Accounting Principles, for the parent Company and its Indian subsidiaries, Generally Accepted Accounting Principles in America for ICC Macmillan. Inc, USA. There is no material adjustments required to be made in the financial statements of overseas subsidiary to bring them in line with the Indian GAAP.

(b) **Use of Estimates:** The preparation of the financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Future results could differ from these estimates.

(c) **Fixed Assets:** Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises its purchase price, including import duties and other non-refundable taxes or levies, wherever applicable, and any directly attributable cost of bringing the asset to its working condition for its intended use.

(d) **Depreciation:** Depreciation has been provided on the Written Down Value method at the rates prescribed under Schedule XIV to the Companies Act, 1956, except software, which is fully expensed off in the year of purchase. Assets costing less than Rs.5000/- added during the year are fully depreciated.

In the subsidiary company - MPS Technologies Limited, cost of improvements to leasehold premises is being amortised over the period of lease (including renewal options) of the premises. Computer Software is amortized on a straight line basis over an estimated useful life of up to a maximum of 4 years as determined by the management. These rates are higher than those prescribed in Schedule XIV of the Companies Act, 1956.

In the subsidiary Company – ICC Macmillan Inc., USA – assets are depreciated based on their estimated useful life as follows:

Production Equipment, REG Equipment and Overhead Equipment, other than Furniture - 5 years.

Computer Software - 5 years.

Furniture - 7 years.

Leasehold improvements - 3 years.

(e) **Investments - Long Term:** Investments are stated at cost. Provision for diminution is made if such diminution is considered other than temporary in nature.

(f) **Inventories:** Inventories are valued at the lower of cost and net realisable value. The cost is arrived at as under:

(a) **Raw materials and stores and spare parts**: At Weighted Average basis.

(b) **Incomplete jobs**: Comprising of material cost determined on weighted average basis, direct labour and appropriate proportion of overheads.

(c) **Finished goods**: Saleable titles valued at purchased or published cost - comprising of material determined on weighted average basis, labour and appropriate proportion of Press overheads.

(g) **Revenue Recognition:** Sales are recognised on passing of property in goods, i.e. delivery as per terms of sale.

In respect of Sales Returns, annual provision is made towards Return Rights on the Gross Sales towards subsequent returns.

Subscriptions received for web-site are recognised as income when the user ID is activated on the network.

Revenues for web-site design and development are recognised based on the percentage of completion of the project. Revenues from web-site hosting are recognised rateably over the year for which the site is hosted and on man hours basis for BPO operations.

Revenue on fixed price service contracts are recognized as per the terms of the contract over the life of the contract.

On time and material contracts, revenue is recognized based on time spent as per the terms of the specific contracts.

(h) **Foreign Currency Transaction**

Indian Operations:

(a) Transaction in foreign currencies is accounted at the exchange rates prevailing on the date of the transactions and the realized exchange loss/gain are dealt with in the Profit & Loss Account.

(b) Monetary assets and liabilities denominated in foreign currency are restated at the rates of exchange as on the Balance Sheet date and the exchange gain/loss is suitably dealt with in the Profit and Loss Account.

(c) Gains/losses on foreign exchange forward contracts as on Balance Sheet date is recognized in the Profit and Loss Account.

Overseas Operations: In accordance with the Indian Accounting Standard AS-11 on accounting for the effects of changes in foreign currency rates, the subsidiary company located outside India has been classified as "Non-Integral Foreign Operation" as the same does not have any impact on the Cash Flow from Operations of the parent company. All monetary and non-monetary assets and liabilities are translated at the closing rate. Income and expenses are translated at the average rate prevailing during the year and the resulting exchange differences are debited/credited to Foreign Currency Translation Reserve.

The assets and liabilities of the foreign subsidiary are translated at the closing exchange rate of Rs.39.40 per USD and the income and expenses are translated at the average exchange rate of Rs.41.15 per USD.

(i) **Research and Development:** Research and Development expenses are absorbed in the Profit and Loss Account under appropriate heads.

(j) **Retirement Benefits**

Defined Contribution Plans: Fixed Contribution to Provident Fund and Employees State Insurance made on monthly basis with relevant authorities are absorbed in the accounts.

Defined Benefit Plans (Long term employee benefits)

Gratuity: The company accounts its liability for future gratuity benefits based on the actuarial valuation as at the Balance Sheet date, determined using the Projected Unit Credit method. Gratuity benefit is funded with Life Insurance Corporation of India, except one subsidiary, MPS Technologies Limited, which is not funded.

Leave Encashment: Liability for Leave encashment payable at the time of retirement/resignation determined based on actuarial valuation as on the

Balance Sheet date is provided for.

Leave encashment benefits are not provided to the employees of the subsidiaries, ICC India Private Limited, Macmillan ICC Publishing Solutions Private Limited and Charon Tec Limited.

Short term employee benefits: Short term employee benefits are absorbed as an expense as per the company's scheme based on expected obligation on undiscounted basis.

With respect to overseas subsidiary, the Company has provided for employee benefits as per their local regulations.

(k) **Segment Reporting**

(i) The accounting policies adopted for segment reporting are in line with the accounting policy of the Company.

(ii) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated corporate expenses".

(l) **Leases:** Leases are classified as finance or operating leases depending upon the terms of the lease agreements.

Finance Leases: Finance leases, which effectively transfer substantially all the risks and benefits incidental to the ownership of the leased item, are capitalized at the lower of the fair value or present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and the reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

Operating Leases: Leases of assets under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(m) **Taxes on Income:** Current tax is determined in accordance with the provisions of Income Tax Act, 1961, for the parent company and its Indian subsidiaries. Current tax of the overseas subsidiary is determined in accordance with the provisions of their local tax laws.

Deferred tax has been recognised for all timing differences, subject to consideration of prudence in respect of deferred tax assets.

Fringe Benefit tax is provided for parent company and Indian subsidiaries according to the provisions of Indian Income Tax Act, 1961.

(n) **Provisions, Contingent Liabilities and Contingent Assets:** Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

	As at 31.12.2007 Rs. In lacs	As at 31.12.2006 Rs. In lacs

II. Balance Sheet

1. Subscribed Share Capital

   Of the 1,68,22,668 equity shares (previous year 1,68,22,668 shares), 1,68,22,666 shares (previous year 1,68,22,666 shares) were allotted as fully paid up pursuant to contracts without payments being received in cash which includes 1,63,52,636 shares (previous year 1,63,52,636 shares) issued as Bonus Shares.

   Of the above 1,03,39,980 shares (previous year 1,03,39,980 shares)are held by HM Publishers Holdings Ltd, U.K. the holding company.

2. (a) The accumulated losses of two of the subsidiaries as at December 31, 2007 have eroded the entire paid up capital and free reserves of the respective entities. However, the Subsidiary Companies continue as a going concern, considering the continued operational and financial support provided by the holding company for the foreseeable future.

   (b) **Secured Loan:** Working Capital Demand Loan/Cash credits

   (i) amounting to Rs.271.47 lacs availed by ICC Macmillan Inc., USA, are secured by a guarantee given by the Holding Company, HM Publishers Holdings Limited.

   (ii) amounting to Rs.554.94 lacs availed by Frank Brothers & Co. (Publishers) Limited are secured by hypothecation of book debts and stocks of that Company.

3. **Goodwill:** Goodwill arising on consolidation represents the excess of carrying cost of acquisition of subsidiaries over the net worth of the respective subsidiaries.

4. The share purchase agreement with ICC Macmillan Inc., USA stipulates the purchaser to retain an amount of Rs.19.70 lacs (Previous year – Rs.21.80 lacs (equivalent USD 50,000) until April 1, 2009, as security for any breach of warranties and for any claim against the purchaser relating to the industrial dispute or the transfer pricing claim.

5. The share purchase agreement with Frank Brothers & Co. (Publishers) Limited dated October 18, 2007, stipulates that the remaining 500 shares (committed purchase shares) will be purchased on the mutually committed purchase date, not later than June 30, 2009. The committed purchase price would be Rs.943.98 lacs if the purchase is made before September 30, 2008 or Rs.1082.75 lacs if the purchase is made after September 30, 2008.

	As at 31.12.2007 Rs. In lacs	As at 31.12.2006 Rs. In lacs
6. a. Subsequent to year-end, ICC Macmillan USA has entered into an Asset purchase agreement with Compset Inc USA (Seller) dated February 20, 2008. Pursuant to the agreement, ICC Macmillan USA will purchase the assets, properties and rights of the seller for a consideration of Rs.157.60 lakhs (USD 400,000).		
b. In the Board Meeting held on 21st April 2008, it has been proposed to purchase the fulfillment services i.e. - web access controls and real time integration business being currently carried on by its wholly owned subsidiary, MPS Technologies Limited. The transfer of the above business along with related personnel, assets and liabilities would be done on a slump sale basis at the values appearing in the books of accounts of MPS Technologies Limited as on 31st March 2008.		
7. The book debts and inventories of Macmillan India Limited are hypothecated for the overdraft facilities sanctioned by a bank amounting to Rs.50 lacs, which is yet to be availed.		
8. Claims against the Company not acknowledged as debts.	-	73.80
9. Bank Balance includes		
(a) With Scheduled Banks on Dividend Account	4.45	4.39
(b) Fixed Deposit with Bankers held as margin money for Guarantees issued	0.90	0.90
(c) An amount of Rs. 562,000 (Previous year – Rs.132,000) under lien with Excise Authorities.		
10. (a) Under the Micro, Small and Medium Enterprises Development Act, 2006, which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises (SME). The Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available, no disclosures have been made in the accounts. However, in view of the management, the amounts due to the suppliers are paid within the mutually agreed credit period and therefore, there will not be any impact of interest that may be payable in accordance with the provisions of this Act.		
(b) Lease Advance secured by deposit of title deeds relating to Patullos Road, Chennai property under lease.	48.80	48.80

11. Miscellaneous Income includes a sum of Rs.88.58 lacs received from a customer towards reimbursement of various expenses.

12. Contingent Liabilities:

(a) Disputed Income Tax Demands:

Name of the Statute	Nature of dues	Rupees	Period	From where dispute is pending
Income Tax Act 1961	Income Tax Demands	279,700	2002-03	Commissioner of Income Tax (Appeals)
Income Tax Act 1961	Income Tax Demands	26,65,482	2002-03	Commissioner of Income Tax (Appeals) XIV, New Delhi

Amount deposited as at December 31, 2007 is Rs.28,05,332 (Previous Year – Rs.28,05,332)

No provision is considered necessary as the Company is hopeful of successful outcome in the appeal.

(b) During the year 1997-98, in case of one of the subsidiaries, the Company had terminated certain employees from services, due to the closure of one of its departments. These employees of the Company had filed a case in the labour court against retrenchment. An amount of Rs.742,236 (previous year Rs 751,419/-)has been provided for towards the remuneration and compensation payable to such employees, which, in the opinion of the management is adequate.

13. Disclosures under Accounting Standard 15 (AS 15):

	Amount (Rs. in lacs)
Defined benefit Plans:	
(A) Gratuity	
(i) **Change in Benefit Obligation**	
Liability at the beginning of the year	594.63
Interest Cost	42.82
Current Service Cost	88.80
Benefit Paid	(49.53)
Actuarial (gain)/loss on obligations	92.52
Liability at the end of the year	769.24
(ii) **Fair value of Plan Assets**	
Fair value of plan assets at the beginning of the year	527.01
Expected Return on Plan Assets	40.97
Contributions	86.85
Benefit Paid	(48.32)
Actuarial gain/(loss) on Plan Assets	(48.68)
Fair value of plan assets at the end of the year	557.83
(iii) **Actual Return on Plan Assets**	
Expected Return on Plan Assets	40.97
Actuarial gain/(loss) on Plan Assets	(48.68)
Actual Return on Plan Assets	(7.71)
(iv) **Amount Recognised in the Balance Sheet**	
Liability at the end of the year	769.24
Fair Value of Plan Assets at the end of the year	557.83
Difference (Funded Status)	211.41
Amount Recognised in the Balance Sheet	211.41
(v) **Expenses Recognised in the Income Statement**	
Current Service Cost	88.80
Interest Cost	42.82
Expected Return on Plan Assets	(40.97)
Net Actuarial (Gain)/loss to be recognised	141.21
Expense Recognised in P & L	231.86

		Amount Rs. in lacs
(vi)	**Balance Sheet Reconciliation**	
	Opening Net Liability	67.61
	Expense as above	231.86
	Employers Contribution	(88.06)
	Amount Recognised in Balance Sheet	211.41
(vii)	**Actuarial Assumptions for the year**	
	Discount Rate Current	8%
	Salary Escalation Current	8%
(B)	**Leave Encashment**	
(i)	**Projected Benefit Obligation as at 1st January 2007**	237.95
	Service Cost	88.39
	Interest Cost	0.93
	Actuarial Losses / (Gains)	(1.93)
	Benefits paid	(1.94)
	Projected Benefit Obligation as at 31st December 2007	323.40
(ii)	**Amount Recognised in the Balance Sheet**	
	Projected benefit obligation at the end of the year	(323.40)
	Fair Value of Plan Assets at the end of the year	–
	(Liability) / Asset recognised in the Balance Sheet	(323.40)
(III)	**Cost of Defined Plan for the year**	
	Current Service Cost	88.39
	Interest on obligation	0.93
	Expected Return on Plan Assets	-
	Net Actuarial losses / (gains) recognised in the year	(1.93)
	Net cost recognised in the Profit and Loss Account	87.39
(iv)	**Assumption**	
	Rate of Mortality	As per LIC (1994-96) (Ultimate) Mortality Table
	Discount Rate	8.00%
	Future Salary Increase (on an average)	10.00%

The above disclosure excludes the figures of one of the subsidiaries as the relevant information has not been furnished by the actuary.

14. Consolidated Segment Information

Rs in Lacs.

	As on 31.12.2007					As on 31.12.2006				
	Publishing	**IPD**	**EBUS**	**Others**	**Total**	Publishing	IPD	EBUS	Others	Total
1. **Segment Revenue**										
Net Sales-External	6,349.84	14,751.84	670.73		21,772.41	4,888.80	15,614.29	473.38		20,976.47
2. **Segment Result**	639.55	1,384.26	37.36		2,061.17	215.15	3,532.44	17.61		3,765.20
Unallocated corporate expenses				(505.69)	(505.69)				(471.53)	(471.53)
Operating Profit					1,555.48					3,293.67
Interest expense				(49.83)	(49.83)				(22.26)	(22.26)
Interest Income				201.44	201.44				228.50	228.50
Income Taxes				(322.43)	(322.43)				(61.65)	(61.65)
Net Profit	639.55	1,384.26	37.36	(676.50)	1,384.66	215.15	3,532.44	17.61	(326.94)	3,438.26
3. **Segment Assets**										
Segment Asset	8,573.16	8,218.18	222.39		17,013.73	5,716.02	9,524.80	168.20		15,409.02
Unallocated Corporate Assets				10,801.44	10,801.44				11171.43	11171.43
Total Assets					27,815.17					26,580.45
Segment Liabilities	(3,138.51)	(3,843.85)	(45.38)		(7,027.74)	(1,472.45)	(3,843.74)	(44.20)		(5,360.39)
Unallocated Corporate Liabiliites				(880.17)	(880.17)				(2,012.34)	(2,012.34)
Total Liabilities					(7,907.91)					(7,372.73)
4. **Capital Expenditure Addition**	260.33	1,059.03	21.60	18.07	1,359.03	546.48	1,375.19	4.77	17.23	1,943.67
5. **Depreciation**	174.69	761.46	11.14	22.33	969.62	128.20	707.33	10.60	25.54	871.67

	As on 31.12.2007 *Rs in lacs*	As on 31.12.2006 *Rs in lacs*
6. **Secondary Segment Information(Revenue) as per Geographical Market**		
India	**6,322.19**	4,852.63
Europe	**10,865.87**	9,629.04
USA	**4,443.83**	6,376.18
Rest of the World	**140.52**	118.62
Total	**21,772.41**	20,976.47
7. **Carrying amount of Segment Assets**		
India	**24,904.17**	22,804.15
Europe	**1,683.85**	1,548.44
USA	**1,022.40**	2,170.11
Rest of the World	**204.75**	57.75
Total	**27,815.17**	26,580.45
8. **Addition to Fixed Assets & Intangible Assets**		
India	**1,235.84**	1,845.06
Rest of the World	**123.19**	98.61
Total	**1,359.03**	1,943.67

Notes:

1. Business Segments: The company has considered business segment as the primary segment for disclosure.

   Publishing business includes printing, publishing, selling of books, on-line learning. Information processing business includes all Information Technology (IT) enabled products such as typesetting and digitised data capture. Ebusiness includes Web site development and BPO activities.

   The above segments have been identified taking into account the organisation structure as well as the differing risks and returns of these segments.

2. Geographical Segments: The company's operations are managed on a worldwide basis from India, although, they operate in four principal geographical areas of the world, namely India, Europe, United States of America and Rest of the World and the revenues are segregated based on the geographical location of the customer.

3. Segmental assets includes all operating assets used by respective segment and consists principally of operating cash, debtors, inventories and fixed assets net of allowances and provisions. Segmental liabilities include all operating liabilities and consists primarily of creditors and accrued liabilities. Segment Assets and Liabilities do not include income tax assets and liabilities.

15. Secured Loans: Obligations under Finance Lease

	Minimum Lease Payments		Present value of minimum Lease payments	
	31.12.07	31.12.06	**31.12.07**	31.12.06
Within one year	**8.63**	0.20	7.87	0.20
From Second to Fifth year	**4.07**	Nil	3.97	Nil
	12.70	0.20	11.84	0.20
Less: Future finance charges	**0.86**	0.01	Nil	Nil
	11.84	0.19	**11.84**	0.20

16. Related Party Disclosure: Information relating to related party transactions for the period ended 31st December 2007.

1. Parties where control exists;

   1.1 Ultimate Holding Company: George Von Holtzbrinck Gmbh & Co. K.G.

   1.2 Holding Company: HM Publishers Holdings Ltd.

2. Fellow Subsidiaries with whom the company had transactions during the year.

   Macmillan Publishers Ltd

   Macmillan Publishers Holdings LLC,

   Nature America Inc.

   Macmillan Language House, Japan

   Macmillan Publishers (China) Ltd,

   Macmillan Publishers Australia

   Macmillan Publishing Solutions

   Macmillan Nigeria Ltd

   Macmillan South Africa

   Macmillan Publisher Services

   Macmillan New Writing

   Macmillan McGraw Hill

   Bookworxs Gmbh

   HGV Hanseatische Gesellschaft

   Gill & Macmillan Publishers

   Macmillan Distribution Services P Ltd., Australia

   Macmillan Australia

3. Key Management personnel:

Mr. Rajiv Beri   Mr. Rajiv Seth

Mr. Debasish Banerjee (upto October 31, 2007)

Mr. Neeraj Malhotra, Senior Vice President, ICC India Private Limited

4. Related party Transactions

(a) **Sales**

Fellow Subsidiaries	**For the Year ended 31-12-2007 (Rs in Lacs)**	For the Year ended 31-12-2006 (Rs in Lacs)
Macmillan Publishers Limited	**3,931.30**	4,233.98
Macmillan Publishers Holdings LLC	**227.76**	111.60
Nature America Inc.	**616.42**	553.11
Macmillan Publishers (China) Ltd	**2.30**	3.28
Macmillan Language House, Japan	**3.09**	1.59
Macmillan Publishers Australia	**15.66**	-
Macmillan Nigeria Ltd	**45.98**	-
Macmillan South Africa	**0.37**	-
Macmillan Publisher Services	**33.76**	-
Macmillan McGraw Hill	**7.46**	-
Bookworxs Gmbh	**3.41**	3.43
Hgv Hanseatische Gesellschaft	**27.54**	4.85
Gill & Macmillan Publishers	**7.36**	5.55
	4,922.41	4,917.39
(b) Purchases – Fellow Subsidiary		
Macmillan Publishers Limited	**201.80**	2,015.13
	201.80	2015.13
(c) Commission – Fellow Subsidiary		
Macmillan Publishers Limited	**772.44**	840.99
	772.44	840.99
(d) Dividend – Holding Company		
HM Publishers Holdings Limited	**827.20**	827.20
(e) Remuneration to Key Management Personnel	**244.00**	163.21

	As at 31.12.2007 Rs in Lacs	As at 31.12.2006 Rs in Lacs
(f) Debtors – Fellow Subsidiaries		
Macmillan Publishers Limited	**877.07**	681.72
Macmillan Publishers Holdings LLC	**26.87**	35.22
Nature America Inc.	**22.95**	139.75
Macmillan Publishers (China) Ltd	**0.44**	0.36
Macmillan Language House, Japan	-	1.59
Macmillan Publishing Solutions	**13.76**	-
Macmillan Publishers Australia	**1.25**	-
Macmillan Nigeria Ltd	**45.98**	-
Macmillan South Africa	**0.35**	-
Macmillan New Writing	**0.29**	-
Bookworxs Gmbh	**0.29**	0.29
Hgv Hanseatische Gesellschaft	**2.32**	-
Gill & Macmillan Publishers	**3.03**	3.81
	994.60	862.74
(g) Creditors – Fellow Subsidiaries		
Macmillan Publishers Limited	**1,055.89**	1,964.98
Macmillan Distribution Services P Ltd, Australia	-	12.73
Macmillan, Australia	**1.46**	-
	1,057.35	1,977.71
(h) Advances	–	352.74
Subsidiaries	–	352.74

	For the Year ended 31-12-2007	For the Year ended 31-12-2006
17. Earnings per share		
Face Value per share (Rs.)	**10.00**	10.00
Profit after tax (Rs. In lacs)	**1,384.66**	3,438.26
Weighted number of shares outstanding during the year	**1,68,22,668**	1,68,22,668
Basic & Diluted Earnings per share (in Rupees)	**8.23**	20.44

18. Breakup of Deferred Tax Asset and Deferred Tax Liability arising out of timing differences.

	As at 31.12.2007 Rs in Lacs	As at 31.12.2006 Rs in Lacs
(a) Deferred Tax Asset		
Provision for Return rights	**31.48**	31.18
Provision for Doubtful Debts	**55.86**	37.09
Provision for Gratuity and Leave Encashment	**125.15**	–
Carry forward business losses	**158.84**	–
Others	**3.17**	–
Total	**374.50**	68.27
(b) Deferred Tax Liability		
Depreciation	**337.67**	71.49
Others	**–**	79.22
Total	**337.67**	150.71
Net (Deferred Tax Asset)/Deferred Tax Liability	**(36.83)**	82.44

The deferred tax asset on carry forward business losses represent losses of one of the subsidiaries which has been recognised, as in the opinion of the management, there is virtual certainty that sufficient future taxable income will be available to realize the deferred tax asset.

19. Disclosure requirements under Accounting Standards 29 on "Provisions, Contingent Liabilities and Contingent Assets:"

(Rs in Lacs)

	Opening Balance	Added	Released	Closing Balance
Provision for Return Rights	92.63	–	–	92.63

Note: Provision for Return Rights is estimated based on present obligations as a result of past events and the outflow is expected to be settled within next 12 months, which is based on the future recoverability of the dues from the customers.

20. Previous year figures are not comparable as figures for the current year includes new subsidiaries added during the year. Previous year figures have been regrouped / reclassified wherever necessary.