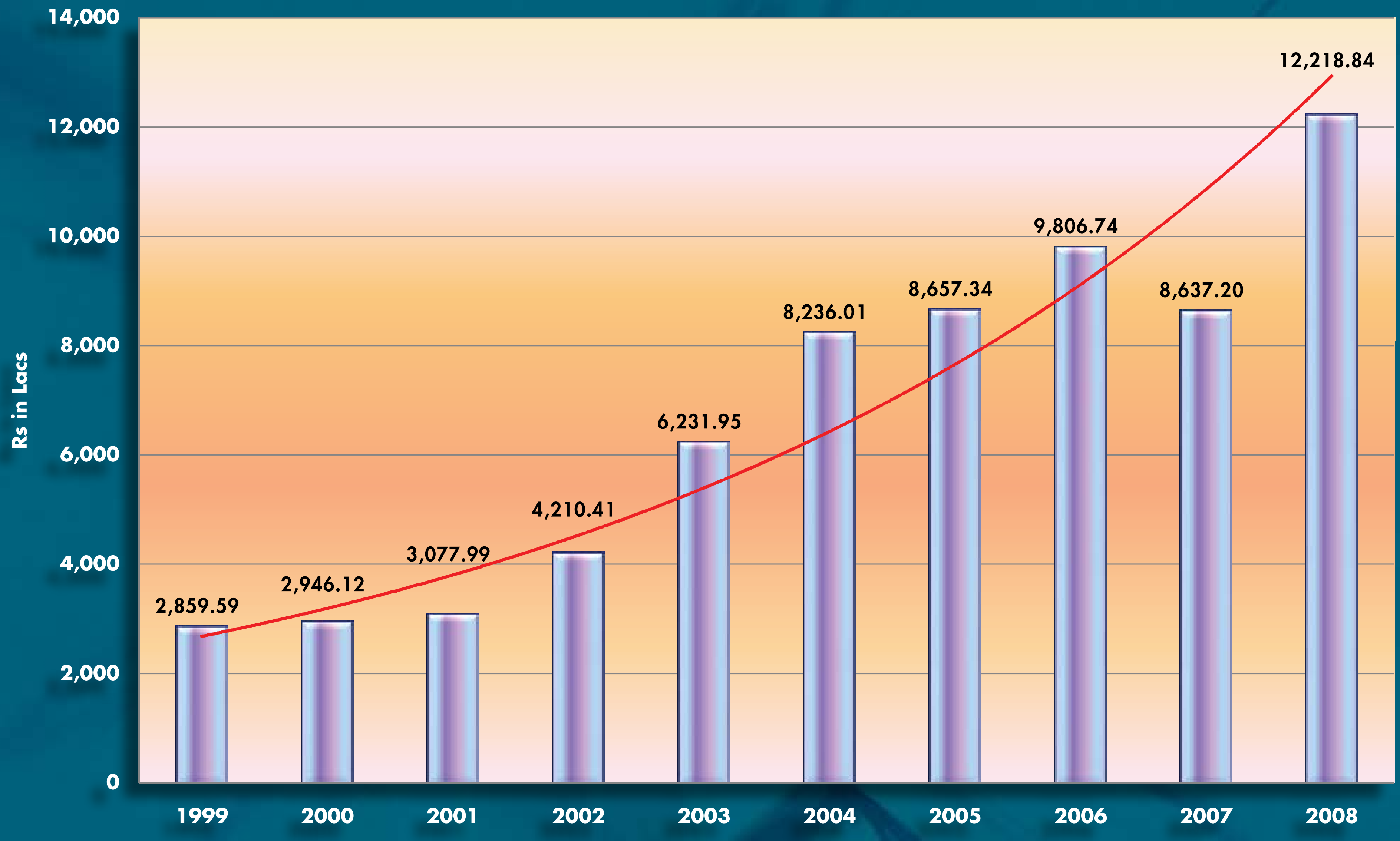
board of directors

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

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

PUBLISHING SERVICES SALES TREND - LAST 10 YEARS



KEY FINANCIALS

YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008
Rs. In Lacs									
INCOME									
Sales									
Publishing Services*	2,946.12	3,077.99	4,210.41	6,231.95	8,236.01	8,657.34	9,806.74	8,637.20	12,218.84
Publishing**	3,274.16	3,840.41	3,935.64	3,937.66	4,329.85	4,832.56	4,888.80	6,103.14	4,030.98
Total Sales	6,220.28	6,918.40	8,146.05	10,169.61	12,565.86	13,489.90	14,695.54	14,740.34	16,249.82
Intrerest	220.20	212.32	200.29	340.25	305.88	292.68	227.87	199.65	44.22
Other Income	144.37	339.80	339.31	238.49	73.76	251.49	285.67	544.62	139.75
Total Income	6,584.85	7,470.52	8,685.65	10,748.35	12,945.50	14,034.07	15,209.08	15,484.61	16,433.79
EXPENDITURE									
Expenditure	3,417.74	4,379.37	5,522.49	6,831.19	7,873.49	9,357.92	11,180.16	12,775.24	13,491.10
Depreciation	373.12	353.32	396.55	431.64	435.34	482.62	485.64	571.91	613.77
Total Expenditure	3,790.86	4,732.69	5,919.04	7,262.83	8,308.83	9,840.54	11,665.80	13,347.15	14,104.87
Profit before Extra-ordinary Items	2,793.99	2,737.83	2,766.61	3,485.52	4,636.67	4,193.53	3,543.28	2,137.46	2,328.92
Less: Provision for Deminution	106.93	23.83							
in value of Investments									
Profit before Taxation	2,687.06	2,714.00	2,766.61	3,485.52	4,636.67	4,193.53	3,543.28	2,137.46	2,328.92
Provision for Taxation	715.00	448.89	379.73	380.40	300.00	100.00	40.48	321.00	512.83
Profit After Taxation	1,972.06	2,265.11	2,386.88	3,105.12	4,336.67	4,093.53	3,502.80	1,816.46	1,816.09

Note:

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

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

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

The profit for the year is as under.

Rs in lacs

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

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

Dividend

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

PROGRESS OF THE BUSINESS

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

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

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

Business Outlook

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

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

Scheme of Arrangement

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

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

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

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

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

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

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

Acquisitions and Subsidiary Companies

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

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

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

Approval under Section 212 (8) of the Companies Act, 1956 was received from the Ministry of Corporate Affairs exempting publication of the accounts of the subsidiary companies and therefore the accounts of MPS Technologies Limited, ICC India Private Limited and ICC Macmillan USA are not attached. However, pursuant to Clause 41 of listing agreement and as prescribed by Accounting Standard 21 issued by the Institute of Chartered Accountants of India, the audited consolidated financial statement incorporating accounts of the subsidiary companies are attached. The Company will however make available the Annual Accounts of the subsidiary companies and the related detailed information to the holding and subsidiary company investors seeking such information at any point of time. The annual accounts of the subsidiary companies will also be available for inspection by any investor in its Registered Office and in the offices of the concerned subsidiary company.

Awards and Recognition

The Company won the Top Export Award for 2007-08 from CAPEXIL for the highest exports in its category of products for the twenty-sixth year in succession.

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

Overall Company Aims

The Company's current strategy remains:

To increase the size, scope and technological advantage of its business as a global, high value-add, IT-enabled service provider for publishing activities and be a leader in this area. The strategic intent is to play a major part in the harnessing of India's skills, abilities and cost-advantages and to contribute to India's domination of IT-enabled services in the coming years.

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

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

During the year under review, foreign exchange earned through exports was Rs. 12,239 lacs as against Rs 8,684 lacs for the year ended 31st December 2007. The outgo of foreign exchange was Rs. 1,696 lacs as against the previous year outgo of Rs. 1,841 lacs. Thus the net foreign exchange earned by the Company was Rs. 10,543 lacs. The details of earnings and outgo are given in the Notes forming part of the Accounts for the year ended 31st December, 2008.

Directors

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

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

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

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

Auditors

The Company's Auditors, Messrs. Deloitte Haskins & Sells, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment

Particulars of Employees

Information as per sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 forming part of the Directors' Report for the year ended 31st December 2008 is annexed to this Report.

Employee Stock Option Scheme

The Members at the Annual General Meeting on 30th June 2005 approved formulation of the "Employee Stock Option Scheme" for the eligible employees including Directors of your Company and its subsidiaries. No stock option was granted until the year ended 31st December 2008.

Clause 49 Requirement

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a compliance report on Corporate Governance together with a certificate from the statutory auditors confirming compliance with the conditions of corporate governance stipulated in the said clause is annexed to this report.

The Board laid down a "Code of Conduct" for all Board members and senior management of the Company and the "Code of Conduct" has been posted in the website of the Company, www.macmillanpublishingsolutions.com

Directors Responsibility Statement

Pursuant to sub-section (2AA) of Section 217 of the Companies (Amendment) Act 2001, the Directors confirm that:

i. In preparation of the annual accounts, the applicable accounting standards have been followed and proper explanations have been provided for material departures, wherever applicable.

ii. The Directors have selected such accounting policies and applied them consistently, and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at 31st December, 2008 and the profit of the Company for the financial year ended 31st December, 2008.

iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Company's Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

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

Acknowledgements

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

For and on behalf of the Board

Bengaluru,
25th February 2009

D E UDWADIA
CHAIRMAN

Form B

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

Research & Development:

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

Technology absorption, adaptation and innovation

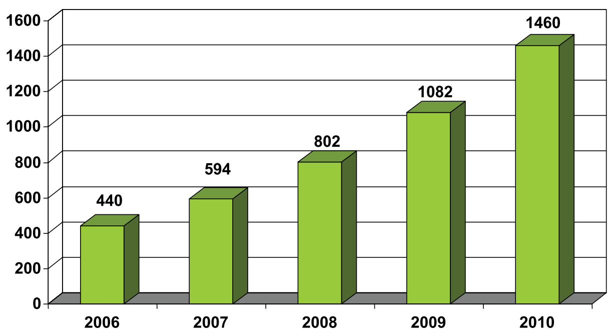
1. Efforts in brief made towards technology absorption, adaptation and innovation	• Reorganisation of resources from business units to form a strong core team to meet further expansion requirements with efficiency • Open source deployment to reduce cost (Asset and Helpdesk). • Implementation of the ITIL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

(A) INDUSTRY STRUCTURE AND BUSINESS DEVELOPMENT

(This section of the report draws upon data from the Value Notes report of May 2007, published by Value Notes Database Private Ltd.)

The company continued to be a pioneer in the area of publishing services. With both organic growth and acquisitions, the company was able to act as a truly one-stop solution provider for its clients from both the traditional publishing sector as well as the non-publishing market. After a period of acquisitions and structural changes, the company will now focus on consolidating its key service offerings and building on its reputation.

The chart below demonstrates the outsourcing trend to India in this industry (all figures are in million US$). This indicates significant opportunities for the Company.



In traditional pre-press services, the company is looking to capitalise on the greater impetus to outsource activities and processes affiliated to existing service areas. Initial efforts will focus on author and prepress input services. By thus increasing service depth in these services for book, journal and directory publishers, Macmillan India will be able to increase business while focusing on its core activities.

In addition to this, the Company is continually seeking to offer value-add services to its clients to help generate revenue in areas that are fast becoming commoditised. Recent and ongoing high value additions to the Company's service portfolio include indexing and abstracting, editing for content aggregation, courseware development, catalogue designing and high-end art services.

The assets purchase of Compset has enabled the company to enter the competitive and fast growing 'el-hi' market, as well as focus on onshore project management. Translation and foreign language services are also rapidly developing to tap the non-English and bilingual markets.

In the digital arena, the Company has continued to be a leading digitisation, archive conversion and ebook provider, keeping pace with the ever changing digital publishing market.

Large opportunities also exist in offering new services to the publishing market. Macmillan India is fast establishing itself as a reputed service provider in the area of fulfilment and subscription management, and has recently started back office telecalling processes for publishers. Various new products for the publishing market, such as an online book hosting platform and usage report software, have been well received in the market. Another highlight in the line of new services is the high end ad and magazine design which started earlier in the year and has already won business from several high profile clients.

There is a large potential new market too in the form of the non-publishing sector. In the short term, the Company is aiming to win business from corporate IT companies and will look to corporate pharma and engineering in the future. In areas such as the Company's eLearning and multimedia offerings, this strategy has already borne fruit with several large non-publishing clients.

In order to take advantage of these opportunities and optimise its performance, the Company has made some major internal changes. The restructuring of the US senior management team, with the appointment of a senior EVP to spearhead the Company's US activities, has boosted sales efforts in this key market. The Company centralised its human resource operations and implemented a sophisticated new system to aid human resource management across the global workforce. A re-skilling centre was developed to help the Company deploy resources as effectively as possible. Strong emphasis was given to technology development, innovation and implementation in enterprise as well as process management.

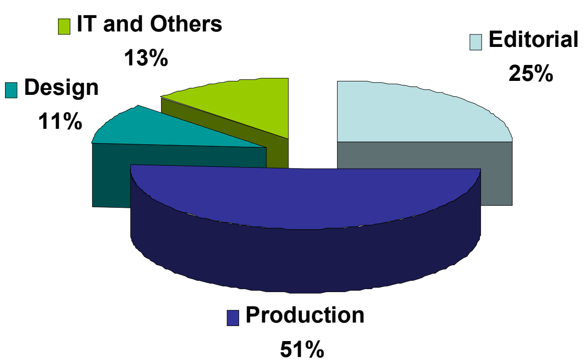
(B) OPPORTUNITIES AND THREATS

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

Opportunities:

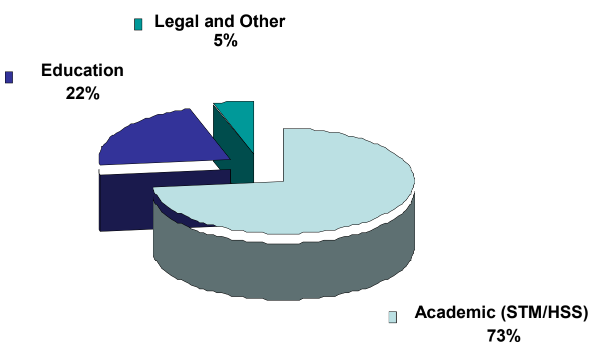
With the global financial crisis and growing recession, the Company's main clients in the US and UK are likely to resort to cost-cutting measures. This should mean that more work and processes are sent offshore, resulting in an increase in business from mid 2009 onwards. The Company will position itself carefully in order to take advantage of this opportunity.

The pie chart below shows the segment-wise break up of business opportunities:



Production services volumes are estimated to rise to $551 million in 2009 and $744 million in 2010. To take advantage of this, the Company will focus on increasing the depth of production related services as well as offering high-end editorial and design services in 2009.

The pie chart below shows the vertical-wise break-up of the market:



With the recent assets purchase of Compset, the Company is well positioned to enter the education market to take advantage of the potential here – an estimated $121 million and $164 million USD in 2009 and 2010 respectively. The Company's traditional strength in the STM Academic market in particular will ensure it retains its lead in this vertical.

The growing acceptability and popularity of ebooks and other digital content products represent a big opportunity for digital and mobile content conversion and distribution, as publishers rush to digitise and disseminate material.

Threats:

The Company's operations are intimately connected with computer hardware and software and a virus attack or rapid change in technology could affect the business. To this end, advanced anti-virus measures have been taken and the Company invests heavily in new technology to stay ahead of the game.

As typesetting and other traditional publishing services become commoditised, profit margins decrease and it will become hard to maintain profitability. The Company is thus using automation to increase efficiency and is diversifying into higher end services.

(C) RISKS AND CONCERNS

The risks and concerns envisaged and their mitigation continue to be:

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 2010.

Disaster and security risk. This is a major concern for all IT/ITES companies. This is being mitigated by identifying and using alternative sites for data storage and protection.

Technological risk . Adoption of newer technologies by clients is expected to force service providers to adopt newer technology involving substantial investments in workflow and manpower management. However adoption of new technology platforms by clients is quite limited which helps to mitigate the risks.

The currency exchange fluctuation risk: To a certain extent this is mitigated by taking adequate foreign exchange cover.

Industry risk: As the Company is dependent on overseas publishers; any downturn in a customer's business could have an impact. This risk is mitigated by the diversification of business and customer base. As mentioned, the global recession should benefit the company because of cost-cutting measures abroad.

Customer concentration risk: The Company depends on a relatively small number of key overseas publishers. This risk is being mitigated by expanding the customer base.

Competition risk: With the increasing availability of equipment, processing knowledge and low cost commoditisation, the barriers to entry into typesetting and other low-end services have eased significantly. This risk is being mitigated through updation of workflow technology and increased automation.

Pricing pressure risk : This is a constant risk due to effect of increased competition. It is the company's endeavour to reduce the impact of pricing pressures by increasing productivity ramping up volumes and moving up the value chain.

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 as low in the era of globalization.

(D) SEGMENT-WISE AND PRODUCT-WISE PERFORMANCE

Consequent to the restructuring scheme as approved by the Honourable Madras High Court, the Company currently operates in a single segment only – outsourced publishing services - though in terms of the Scheme, the results of operations of the domestic publishing business operations were also considered till 11th May, 2008 while drawing up the Annual Accounts of the Company

Information provided in this section pertains to the publishing services business (formerly known as the Information Processing Division) only.

Across 2008, the fulfilment services arm of MPS Technologies and the e-business part of the Company were both fully integrated with the management and administration of the publishing services division. The wholly owned subsidiaries, Macmillan-ICC Publishing Solutions Pvt Ltd and Charon Tec Ltd were also merged with the publishing services business and the company's subsidiary ICC Macmillan Inc, USA also acquired the assets of Compset Inc, USA early in 2008.

As a result of all this, the publishing services business needed to reconstruct its brand identity in the market and so rebranded itself as Macmillan Publishing Solutions (MPS). MPS comprises of business units focused on book and journal production services, digital conversion, subscription management and fulfilment, e-learning and multimedia services and advertisement and creative design services.

Subsidiaries:

MPS Technologies Limited

The fulfilment services arm of MPS Technologies (MPST) has now been fully transitioned to the publishing services business of Macmillan India Ltd. MPST has continued to be a market leader in the provision of publishing technology products. Its launch of two major packages in 2008, a digital content bookstore and a COUNTER report tool for publishers and libraries, was well received by the industry. MPST continues to develop new products and technologies to fight the threat of commoditisation. Its aggressive forays into the European and the US markets have already made significant inroads in both markets. The turnover was Rs 28.30 crores and the net profit after tax was Rs 1.40 crores. For more details on MPST please refer to the website, www.mpstechnologies.com

ICC India Limited and ICC-Macmillan Inc

A number of initiatives were undertaken during the year to transition various sales and account management activities from the US to India which helped in cost reductions as well as in making the sales management function more productive.

ICC-Macmillan Inc posted a significant increase in revenues from Rs 24.72 crores to Rs 35.20 crores with a substantially reduced loss of Rs 8 crores as compared to a net loss of Rs 14 crores for 2007.

Going forward, the US operations are well poised to tap opportunities in the school education market and help in projecting the company as a comprehensive service provider across the full spectrum of publishing related solutions.

(E) OUTLOOK

The Company has successfully established itself as a reliable and efficient service provider for a broad range of publishing industry activities and products. As such, it stands to gain from the current economic downturn in its two key markets, the US and Europe, as existing and new clients look for a trusted offshore partner to help them outsource and thus economise. In addition, its development of new services notably elearning and high end design and new markets such as the non-publishing sector gives it a balanced spread of business activities to weather any adverse effect that the worldwide recession may bring.

(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 appointed Ernst & Young as the Internal Auditors . The Internal Audit function ensures that the system of recording and reporting, internal controls and checks, safeguarding and protection of assets, and remitting statutory dues in time are adequate and proper. The Internal Auditor reports to the Audit Committee.

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

The Company's operations was affected by the trend towards commoditization of core journals and books services markets, strategic investments made for expansion of the Ad-composition and book typesetting businesses as well as Global pricing pressures in Journals business. Considering these factors the Company's consolidated group financial performance was reasonable during the year with an EPS of Rs. 7.42. 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 remained cordial throughout the year. The aim continues to be to train, develop professional excellence and improve competency level of the employees. The Company along with its subsidiaries had approximately 2,633 employees as of 31st December, 2008.

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 services businesses including those factors which may affect our cost advantage, wage increase in India, reduced demand for 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 (resigned wef 25.02.09)	Non-Executive	3*	7*	1	1
Mr. D.E.Udwadia Vice-Chairman	Independent Non-Executive	1	22**	Nil	10
Mr. W. Hanson Farries	Non-Executive	1	38*	Nil	2
Mr. M J Barnard (resigned wef 25.02.09)	Non-Executive	Nil	5*	Nil	Nil
Mr. Ardeshir Contractor	Independent Non-Executive	Nil	8*	1	3
Mr. Rajiv Beri (Managing Director till 21.10.2008 and resigned wef 25.02.09)	Non-Executive	Nil	7	Nil	3
Mr. Rajiv Kumar Seth (Managing Director from 22.10.2008)	Executive	Nil	4	Nil	Nil
Mr. R.R.Chari	Independent Non-Executive	Nil	4	2	2
Dr Annette Thomas (resigned wef 25.02.09)	Non-Executive	Nil	9*	Nil	1
Mr Lawrence Jennings Chairman (appointed wef 25.02.2009)	Non-Executive	2*	1	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 2008 (All figures in Rupees)			
				Sitting Fees	Salary, Perks & Commission	Commission (Paid during the year and pertains to previous year)	Total
Mr. Lawrence Jennings	NIL	NIL	NIL	-	-	-	-
Dr. Annette Thomas	NIL	NIL	NIL	-	-	-	-
Mr. D E Udwadia	NIL	*	NIL	90,000	-	4,00,000	4,90,000
Mr W Hanson Farries	NIL	NIL	NIL	-	-	4,00,000	4,00,000
Mr M J Barnard	NIL	NIL	NIL	-	-	4,00,000	4,00,000
Mr. S C Inchcoombe	NIL	NIL	NIL	-	-	4,00,000	4,00,000
Mr. R R Chari	NIL	NIL	NIL	130,000	-	4,00,000	5,30,000
Mr. A. Contractor	NIL	NIL	NIL	90,000	-	4,00,000	4,90,000
Mr. Rajiv Beri	NIL	NIL	NIL	-	40,26,622	-	40,26,622
Mr. Rajiv Kumar Seth	NIL	NIL	NIL	-	73,00,214	-	73,00,214

• 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. 39,221 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.

Attendance Record of the Directors

Director	No. of Meetings		Attended Last AGM on 20th June,2008 in Chennai
	Held	Attended	
Mr S Inchcoombe	5	4	Yes
Mr W. Hanson Farries	5	4	Yes
Dr Annette Thomas	5	3	Yes
Mr M J Barnard	5	4	Yes
Mr Rajiv Beri	5	5	Yes
Mr A Contractor	5	5	Yes
Mr Rajiv Kumar Seth	5	5	Yes
Mr D E Udwadia	5	3	No
Mr R R Chari	5	5	Yes
Mr Lawrence Jennings (appointed wef 25.02.2009)	5	Not applicable	Not applicable

Dates of Board Meetings

Date of Board Meeting	Place / City	No. of Directors Present
30th January,2008	Mumbai	7
21st April,2008	Mumbai	9
20th June, 2008	Chennai	8
21st July, 2008	Bengaluru	5
22nd October, 2008	Mumbai	9

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 Lawrence Jennings and Mr W.H.Farries are Independent Directors. The Audit Committee presently consists of five Directors: Mr. D. E. Udwadia, Mr A.Contractor, Mr. Lawrence Jennings, Mr. W.H.Farries and Mr. R.R.Chari as Chairman of the Committee. Mr S.Inchcoombe who was a member of the Committee during 2008 resigned his position with effect from 25.02.2009. To ensure more internal controls some of the members of the Committee periodically visit some of the offices.

Dates of Audit Committee Meetings

Date of Audit Committee Meeting	Place / City	No. of Members Present
30th January,2008	Mumbai	4
21st April, 2008	Mumbai	5
21st July,2008	Bengaluru	3
22nd October,2008	Mumbai	5

Attendance Record of the Audit Committee Members

Audit Committee Member	No. of Meetings	
	Held	Attended
Mr. R R Chari, Chairman	4	4
Mr. D E Udwadia	4	3
Mr A.Contractor	4	4
Mr S.Inchcoombe (resigned wef 25.02.09)	4	3
Mr H.Farries	4	3
Mr Lawrence Jennings (appointed wef 25.02.09)	4	Not applicable

The Managing Director, 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 of the Executive Directors. The Committee consists of Mr. Lawrence Jennings as Chairman, Mr.W.H Farries, Mr. D. E. Udwadia, Mr. R.R. Chari and Mr A Contractor. Mr S.Inchcoombe who was the Chairman of the Committee during 2008 resigned from the Committee with effect from 25.02.2009. The Committee met thrice during the year on 30th January 2008, 21st April 2008 and 22nd October 2008. The Company's remuneration policy is aimed at attracting and retaining high calibre 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. R.Seth is from 01.04.2008 to 22.04.2012.

6. SHAREHOLDERS GRIEVANCE COMMITTEE

The Shareholders Grievance Committee consists of Mr. R.R. Chari as Chairman and Mr. Rajiv Kumar Seth. Mr. Rajiv Beri resigned from the Committee with effect from 25.02.2009. Mr. S M Krishnan, the Company Secretary was appointed as Compliance officer. No complaints were received from members 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
2005	Friday 23rd June 2006 at 3.30 p.m.	Taj Coromandel Hotel, No. 17, Nungambakkam High Road, Chennai - 600 034	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
2007	Friday, 20th June 2008, at 3.30 p.m	The Trident No. 1/24, GST Road, Meenambakkam, Chennai 600027	NIL

2. Date, time and location of the last Court Convened Shareholders Meeting:

Year	Date and Time of Meeting	Venue	Special Resolution approved
2008	Friday 2nd August 2008 at 03.00 p.m.	Hotel Palmgrove No. 5, Kodambakkam High Road, Nungambakkam Chennai 600034	To consider and approve the Scheme of Arrangement involving merger of Charon Tec Ltd and Macmillan-ICC Publishing Solutions Pvt Ltd with the Company and demerger of the publishing business of the Company into Macmillan Publishers India Ltd

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, 2009	End April 2009
- Financial reporting for the half year ending June 30, 2009	End July 2009
- Financial reporting for the quarter ending September 30, 2009	End October 2009
- Financial reporting for the year ending December 31, 2009	End January 2010
- Annual General Meeting for the year ending December 31, 2009	June 2010
- The Quarterly results are published in Business Standard, and in the Tamil daily, Makkal Kural.	
4. Registered Office	21, Patullos Road, Chennai –600002
5. Web site address	www.macmillanpublishingsolutions.com
6. Listing on Stock Exchange at: Equity Shares (Listing fees paid upto 31.03.2009)	**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
7. 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 2008, a total of 1,52, 36,169 shares of the Company, which forms 90.57% of the Share Capital, stood dematerialised.
8. 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

National Stock Exchange (NSE)				
Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume (No.)
Jan 2008	289.80	161.10	190.30	745,464
Feb 2008	199.50	154.00	172.45	57,829
Mar 2008	180.00	125.05	136.75	143,364
Apr 2008	188.00	136.20	165.50	52,549
May 2008	183.65	158.05	167.05	42,177
June 2008	167.00	133.00	133.30	24,638
July 2008	150.00	122.00	145.95	43,948
Aug 2008	174.80	136.00	141.35	19,802
Sep 2008	154.00	121.50	125.45	28,646
Oct 2008	134.90	92.25	113.95	57,176
Nov 2008*	135.90	42.40	46.50	240,138
Dec 2008	69.00	45.60	57.60	54,168

The Stock Exchange Mumbai (BSE)				
Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume (No.)
Jan 2008	288.70	163.90	191.00	810,956
Feb 2008	199.00	161.50	173.40	85,581
Mar 2008	187.35	123.10	139.10	139,644
Apr 2008	183.90	135.60	169.20	52,138
May 2008	184.95	157.05	166.85	69,306
June 2008	168.30	131.00	131.40	21,636
July 2008	151.95	120.00	144.75	34,063
Aug 2008	157.00	137.50	141.00	21,442
Sep 2008	154.75	120.00	127.55	50,584
Oct 2008	129.75	95.00	114.70	14,13,968
Nov 2008 *	137.00	43.55	46.25	189,933
Dec 2008	67.00	45.00	57.30	58,342

*Effective 12th Nov 2008, the share price reflected the value of the publishing services business only, after demerger of the domestic publishing business

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	S M Krishnan Associate Vice President & Company Secretary Macmillan India Limited 21, Patullos Road Chennai – 600 002 Phone : 30915122, Fax No : 28524124 E-mail : sm.krishnan@macmillansolutions.com

Per Share Data

Year	31.12.2008	31.12.2007	31.12.2006	31.12.2005	31.12.2004
Net Earnings (Rs Lacs)	1816.09	1816.46	3502.80	4093.53	4336.67
EPS (Rs.)	10.80	10.80	20.82	24.33	25.78
EPS Growth (%)	-	(48.14)	(14.43)	(5.62)	39.65
Dividend per Share (Rs.)	Nil	2.50	8.00	8.00	8.00
Dividend Payout (%)	-	25	80	80	80
Book Value per Share (Rs.) *	61.42	125.79	117.92	106.22	91.63
Price to Earnings	5.31	21.77	16.39	20.53	13.86
Price to Book Value	0.93	1.87	2.89	4.70	3.90

Note : Book Value per share as on 31.12.2008 reflects only the value of publishing services business post demerger of the domestic publishing business

Shareholding Pattern

Distribution of Holdings

Category of Shareholdings		No. of Share holders	% of total	Share Amount (in Rs.)	% of total
From	To				
Upto	5,000	5,814	98.92	1,21,40,860	7.22
5,001	10,000	37	0.63	25,56,690	1.52
10,001	50,000	16	0.27	26,66,520	1.58
50,001	1,00,000	4	0.07	31,55,140	1.87
100,001	500,000	2	0.03	30,08,990	1.79
500,001	10,00,000	3	0.05	2,58,98,680	15.40
10,00,001	And above	2	0.03	11,87,99,800	70.62
	Total	5,878	100.00	16,82,26,680	100.00

Shareholding Pattern as on 31st December 2008

Category	No of Shares	% to Share Capital
Promoters	1,03,39,980	61.46
Resident Individuals	17,49,419	10.40
Corporate Bodies	12,40,399	7.37
Non- Resident Indians	1,33,543	0.80
FIIs & OCBs	10,60,788	6.31
Mutual Funds & Banks	6,48,407	3.85
Trust/Others	16,50,132	9.81
Total	1,68,22,668	100.00

Publishing Services Locations

Chennai Book Composing Unit	14/45, MS Complex, Dr Giriappa Road, T.Nagar, Chennai 600017
Chennai Journals Unit	69 Eldams Road, Chennai 600 018
Bengaluru Journals Unit	HMG Ambassador, Residency Road, Bengaluru 560 025
Fulfillment Services	865, Udyog Vihar, Phase V, Gurgaon – 122016
Digital Services	1 Brigade Towers, Brigade Road, Bengaluru 560 025 Salarpuria Citadel, 3, Hosur Road, Bengaluru 560 030
Noida Book Composing Unit	SDF K Block No.6 & 7 , NSEZ ,Noida Dadri Road, Phase II, Noida – 201305
Bengaluru Book Composing & Ad-Projects Units	Midford Cresent, 53/1, Richmond Road, Bengaluru 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

Bengaluru
25.02. 2009

D E Udwadia
Chairman for the meeting

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

I, Rajiv Kumar Seth, Managing Director and I , Gautam Mukherjee, Chief Financial Officer 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, 2008 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

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

   ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements where ever applicable; and

   iii) 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 Kumar Seth)
Managing Director

(Gautam Mukherjee)
Chief Financial Officer

CORPORATE COMPLIANCE CERTIFICATE

To

The Members
MACMILLAN INDIA LIMITED
No. 21, Patullos Road, Chennai 600 002

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 2008 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 there under 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 not bought back any share during the financial year.

4. The Company has called, convened and conducted the Board Meetings and 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 the 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 is 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 Regulations.

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	30.04.2008 31.07.2008 31.10.2008 31.01.2009	07.04.2008 05.07.2008 07.10.2008 07.01.2009
Half yearly certificate from a Practising Company Secretary on physical transfer of shares as per clause 47(C) of the listing agreement	30.04.2008 31.10.2008	07.04.2008 07.10.2008

20. The break up of the shares held in physical and demat mode as on 31-12-2008 is as follows:

	No of shares	Percentage
Physical	15,86,499	9.43
Demat	1,52,36,169	90.57
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 : 29th January, 2009

R.BALASUBRAMANIAM
Practicing Company Secretary
CP No: 1340

AUDITOR'S 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 31,2008 ,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 Deloitte Haskins & Sells
Chartered Accountants
Bhavani Balasubramanian
Partner
Membership No. 22156

Place: Bengaluru
Date: 25th February 2009

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 2008, the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;

iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

v. On the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December 2008 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. Without qualifying our opinion, we draw attention to:

  a. Note No. II (8) of Schedule 18 regarding the investments made and advances given to the subsidiary, ICC Macmillan Inc, USA. No provision is considered necessary by the management, as they have committed to extend continued financial support.

  b. Note No. II (6b) of Schedule 18 regarding non-provision of service tax, which is being disputed by the Company.

vii. 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 2008;

  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 Deloitte Haskins & Sells
Chartered Accountants
Bhavani Balasubramanian
Partner
Membership No. 22156

Place: Bengaluru
Date: 25th February 2009

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. Although a major part of the fixed assets have been disposed off during the year, in our opinion and according to the information and explanations given to us, the ability of the company to continue as a going concern is not affected.

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 relating to publishing business 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 fixed deposits from the public during the year.

7. The internal audit was carried out by the internal audit department of the Company up to June 2008. A consulting Company, which is an associate of the statutory auditors of the Holding Company, were appointed on 24th November 2008 to carry out the internal audit from 1st December 2008. *Therefore, no internal audit was conducted during the period July to November 2008.*

8. The Central Government has not prescribed maintenance of Cost Accounting Records under Section 209(1)(d) of the Companies Act, 1956 for the Company.

9. In respect of Statutory dues:
   a. According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Investor Education and Protection Fund, Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, VAT, Wealth tax, Service Tax, Custom duty, Cess and any other material statutory dues with the appropriate authorities during the year, though there has been a slight delay in a few cases.

b. There were no undisputed amounts payable in respect of Investor Education and Protection Fund, Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, VAT, Wealth tax, Service Tax, Custom duty, Cess and any other material statutory dues as at 31st December 2008 for a period of more than six months from the date they became payable.

c. According to the information and explanations given to us, the details of Sales Tax, VAT, Income tax, Customs Duty, Wealth Tax, Service Tax, and Cess, which has not been deposited with the appropriate authorities as on 31st December 2008 on account of any dispute are given below:

Name of the Statute	Nature of the dues	Amount (Rs. In lacs)	Period to which the amount relates	Forum where the dispute is pending
Section 66A of the Finance Act, 1994	Service Tax on Commission paid to Macmillan UK	227.77	July 2003 - Dec 2006	CESTAT, Bengaluru
Income Tax Act, 1961	Demand for Income tax upon completion of assessment	24.36	AY 2005-06	Commissioner of Income Tax–Appeals, Chennai
Income Tax Act, 1961	Demand for Income tax upon completion of assessment	1.80	AY 2005-06	Commissioner of Income Tax–Appeals, Chennai

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

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

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

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

15. According to the information and explanations given to us, the Company has given a guarantee for loans taken by Frank Brothers & Co. (Publishers) Limited from banks 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 material fraud on or by the Company was noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants

Bhavani Balasubramanian
Partner
Membership No. 22156

Place: Bengaluru
Date: 25th February 2009

BALANCE SHEET AS AT 31ST DECEMBER 2008

	Schedule No.	As at 31.12.2008 Rs in Lacs		As at 31.12.2007 Rs in Lacs	
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
Share Capital	1	**1,682.27**		1,682.27	
Reserves & Surplus	2	**8,650.99**		19,479.57	
			10,333.26		21,161.84
2. Deferred Tax Liability (Net) (Refer Note III (21) of Schedule 18)			**68.61**		109.77
			10,401.87		21,271.61
II.APPLICATION OF FUNDS					
1. Fixed Assets	3				
Gross Block		**5,749.42**		6,870.69	
Depreciation		**3,042.68**		3,577.21	
Net Block		**2,706.74**		3,293.48	
Capital work in progress including captial advances		**193.63**		38.71	
			2,900.37		3,332.19
2. Investments	4		**2,562.74**		7,992.72
3. Advance subscription towards equity shares - Refer note no.II 1(b) of Schedule 18			**1,767.52**		-
4. Current Assets, Loans and Advances					
Inventories	5	**1,136.06**		3,314.15	
Sundry Debtors	6	**3,272.79**		3,742.09	
Cash and Bank Balances	7	**794.36**		2,467.28	
Loans and Advances	8	**2,037.97**		4,174.34	
Total Current Assets		**7,241.18**		13,697.86	
Less: Current Liabilities	9	**3,770.66**		2,865.00	
Provisions	10	**299.28**		886.16	
Total Current Liabilities & Provisions		**4,069.94**		3,751.16	
Net Current Assets			**3,171.24**		9,946.70
			10,401.87		21,271.61
Notes on Accounts	18				

Per our report of even date
For Deloitte Haskins & Sells
Chartered Accountants

BHAVANI BALASUBRAMANIAN
Partner
Place: Bengaluru
Date: 25th February 2009

RAJIV KUMAR SETH	**RR CHARI**	**S M KRISHNAN**
Managing Director	Director	Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2008

	Schedule No	For the Year ended 31.12.2008 (Rs in Lacs)		For the Year ended 31.12.2007 (Rs in Lacs)	
INCOME					
Sales		**16,449.15**		15,028.48	
Less: Discounts		**199.33**	**16,249.82**	288.14	14,740.34
Interest Income	11		**44.22**		199.65
Other Income	12		**139.75**		544.62
			16,433.79		15,484.61
EXPENDITURE					
Difference in Stocks & Purchases	13	**569.76**		(408.04)	
Raw Materials Consumed	14	**617.20**		1,753.01	
Staff Costs	15	**6,949.83**		5,919.34	
Other Expenditure	16	**5,352.18**		5,505.07	
Interest expense	17	**2.13**		5.86	
Depreciation		**613.77**	**14,104.87**	571.91	13,347.15
Profit before taxation			**2,328.92**		2,137.46
Provision for taxation					
Current		**476.26**		197.95	
Deferred		**(6.99)**		52.05	
Fringe Benefit tax		**43.56**		71.00	
			512.83		321.00
Profit after taxation			**1,816.09**		1,816.46
Brought forward from previous year			**12,977.57**		12,153.16
Add: Balance in profit and loss account of erstwhile Charon Tec Limited as on 1st January 2008			**209.98**		-
Less : Debit balance in profit & loss account of erstwhile Macmillan ICC Publishing Solutions Private Limited as on 1st January 2008 [Refer Note I (A) of Schedule 18]			**(202.09)**		-
Profit available for Appropriations			**14,801.55**		13,969.62
Appropriations:					
Dividend on Equity Shares					
Interim - Nil (25%)			**-**		420.57
Corporate tax there on			**-**		71.48
Transfer to General Reserve			**500.00**		500.00
Surplus carried to Balance Sheet			**14,301.55**		12,977.57
Notes on Accounts	18				
Basic and diluted earnings per share (Face value Rs. 10)			10.80		10.80

Per our report of even date

For Deloitte Haskins & Sells

Chartered Accountants

BHAVANI BALASUBRAMANIAN

Partner

Place: Bengaluru

Date: 25th February 2009

RAJIV KUMAR SETH	**R R CHARI**	**S M KRISHNAN**
Managing Director	Director	Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2008

Description	For the year ended 31.12.2008 Rs in Lacs		For the year ended 31.12.2007 Rs in Lacs	
A. Cash flow from Operating Activities:				
Net profit before tax		**2,328.92**		2,137.46
Adjustments for:				
Depreciation	**613.77**		571.91	
Interest expense	**2.13**		5.86	
Profit on sale of fixed assets -net	**(0.58)**		(78.82)	
Provision for Compensated Absences	**100.84**			
Unrealised exchange loss, net	**296.16**		1.36	
Interest income	**(44.22)**		(199.65)	
Loss/ (Profit) on sale of investments	**17.19**		(45.81)	
Dividend Received	**(31.70)**		(278.53)	
Provisions for:				
Doubtful Debts	**26.61**		84.52	
Bad Debts Written off	**-**		0.84	
Amounts written back:				
Excess provision for				
Doubtful debts & advances			(15.70)	
Commission to Non-Executive Directors & other expenses	**(2.04)**		(0.75)	
Unclaimed credit balances	**(0.25)**		(0.48)	
		977.91		44.75
Operating Profit before working capital changes		**3,306.83**		2,182.21
Adjustments for:				
(Increase) in Trade and other receivables	**(3,405.62)**		(1,302.05)	
Decrease/ (Increase) in Inventories	**535.59**		(526.90)	
Increase in Trade and other payables	**1,480.63**		445.31	
		(1,389.40)		(1,383.64)
Cash generated from operations		**1,917.43**		798.57
Direct taxes including Fringe Benefit Tax paid		**(286.34)**		75.62
Net Cash generated from operating activities		**1,631.09**		874.19

Description	For the year ended 31.12.2008 Rs in Lacs		For the year ended 31.12.2007 Rs in Lacs	
B. Cash flow from Investing activities:				
Purchase of fixed assets	**(788.07)**		(598.38)	
Purchase of investments	**(3,164.75)**		(4,483.07)	
Purchase of division from a subsidiary	**(192.48)**		-	
Investment in subsidiary	**-**		(3,287.00)	
Proceeds from sale of fixed assets	**6.39**		237.03	
Proceeds from sale of investments	**1,386.32**		6,946.65	
Dividend Received	**26.25**		19.88	
Interest Received	**98.35**		205.43	
Net cash used in investing activities		**(2,627.99)**		(959.46)
C. Cash flow from Financing activities:				
Interest paid	**(2.13)**		(5.86)	
Dividend paid (Inclusive of dividend tax & unclaimed dividends)	**(492.72)**		(1,534.51)	
Net cash used in financing activities		**(494.85)**		(1,540.37)
Net decrease in cash and cash equivalents		**(1,491.75)**		(1,625.64)
Cash and cash equivalents at the beginning of the year	**2,461.93**		4,087.57	
Add: Cash balance added on amalgamation	**103.75**		-	
Less: Cash balance transferred on demerger	**(290.25)**		-	
	2,275.43		4,087.57	
Cash and cash equivalents at the end of the year**	**783.68**	**(1,491.75)**	2,461.93	(1,625.64)

*** Non cash transaction :**

Includes dividend income on reinvestment in Mutual fund units Rs.5.45 Lacs (Previous Year Rs.197.66 Lacs)

** - excludes restricted cash and cash equivalents amounting to Rs.10.68 lacs (Previous year Rs.5.35 lacs)

Per our report of even date
For Deloitte Haskins & Sells
Chartered Accountants

BHAVANI BALASUBRAMANIAN
Partner

Place: Bengaluru
Date: 25th February 2009

RAJIV KUMAR SETH	**R R CHARI**	**S M KRISHNAN**
Managing Director	Director	Secretary

SCHEDULES TO ACCOUNTS

		As at 31.12.2008 Rs in Lacs	As at 31.12.2007 Rs in Lacs
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		**6,502.00**	6,002.00
Add: Transfer from Profit & Loss account		**500.00**	500.00
		7,002.00	6,502.00
Add: Surplus shown in Profit & Loss account		**14,301.55**	12,977.57
		21,303.55	19,479.57
Less:			
Adjustment made on account of Amalgamation (Refer Note I (A) of Schedule 18)	**939.25**		
Adjustment made on account of Demerger (Refer Note I(A) of Schedule 18)	**11,713.31**	**12,652.56**	-
		8,650.99	19,479.57

3. Fixed Asset (Rs. in Lacs)

	COST						DEPRECIATION						NET BOOK VALUE	
Description	As at 01.01. 2008	Added on Amal-gama-tion	Addi-tions	Deduc-tions	Trans-ferred on De-merger	As at 31.12. 2008	As at 01.01. 2008	Added on Amal-gama-tion	Deduc-tions	Depn For the Year	Trans-ferred on De-merger	As at 31.12. 2008	As at 31.12. 2008	As at 31.12. 2007
Land *	414.54	-	-	-	9.49	405.05	-	-	-	-	-	-	405.05	414.54
Buildings *#	2,239.40	-	-	-	808.99	1,430.41	866.69	-	-	53.28	354.65	565.32	865.09	1,372.71
Plant & Machinery	2,545.00	525.45	395.17	3.61	1,009.26	2,452.75	1,645.88	259.37	2.17	379.14	564.83	1,717.39	735.36	899.12
Furniture & Fixtures	1,331.60	160.06	169.36	16.31	556.30	1,088.41	859.28	82.57	14.38	101.35	420.53	608.29	480.12	472.32
Vehicles	340.15	11.75	34.19	22.37	204.42	159.30	205.36	6.15	19.93	27.75	129.99	89.34	69.96	134.79
Lease Hold Improve-ment	-	26.99	-	-	-	26.99	-	10.09	-	9.77	-	19.86	7.13	-
Intangibles	-	-	186.51	-	-	186.51	-	-	-	42.48	-	42.48	144.03	-
TOTAL	6,870.69	724.25	785.23	42.29	2,588.46	5,749.42	3,577.21	358.18	36.48	613.77	1,470.00	3,042.68	2,706.74	3,293.48
Previous Year	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
Add: Capital -Work-In Progress													193.63	38.71
Total													2,900.37	3,332.19

* 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.

- The title deeds of the land amounting to Rs.9.49 lacs and building amounting to Rs.808.99 lacs were vested with the Company until 11th May 2008. From 12th May 2008, the date of de-merger, the title deeds have been transferred to Macmillan Publishers India Limited vide the order dated 23rd December 2008, received from Honourable High Court of Madras.

Schedule 4 - Investments - Long - Term

	No of Shares/Units	Face Value	As at 31.12.2008 Rs in Lacs	No of Shares/Units	As at 31.12.2007 Rs in Lacs
Trade					
(1) Government of India Securities - Unquoted					
National Savings Certificates (Note (a))	-		-		0.01
Indira Vikas Patra - At cost (Note (a))	-		-		0.02
Non -Trade					
(2) Investments - Quoted					
a. In Fully paid up Equity shares					
Wyeth Lederle Limited (Note (a))	-		-	300	0.03
b. In Units of Mutual Funds					
Reliance Liquid Plus Fund (Note (c))	-		-	31,219.764	312.62
JM-Arbitrage Advantage Fund (Note (d))	-		-	6,733,941.953	700.00
c. Units in Unit Trust of India - At Cost					
6.75% Tax Free US 64 Bonds (Note (a))	-		-	121,640	121.63
d. 6.60% Tax Free ARS bonds (Note (a))	-		-	109,417	109.42
(3) Fully Paid Debentures - Unquoted					
DCM Financial Services Ltd. -19.5% (Note (a))	-		-	10,000	90.00
Secured Redeemable Non Convertible					
Cumulative Debentures-Series B					
Less: Provision for diminution in value	-		-		(90.00) -
(4) Fully Paid Equity Shares (Trade) in Subsidiary Companies - Unquoted					
MPS Technologies Ltd (Note (f))	**10,000,000**	**10**	**1,000.00**	4,000,000	400.00
Charon Tec Ltd (Note (b))	-	-	-	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 (Note (b))	-		-	5,000	100.00
Frank Brothers & Co. (Publishers) Ltd (Note (a))	-		-	2,000	3,287.00
(5) Fully Paid Preference Shares in Subsidiary Companies - Unquoted					
MPS Technologies Ltd (Note (e))	-		-	4,000,000	400.00
TOTAL			**2,562.74**		7,992.72

Notes:

(a) Transferred to Macmillan Publishers India Limited on demerger (Refer Note I(A) of Schedule 18)

(b) Eliminated on amalgamation of the companies with Macmillan India Limited (Refer Note I(A) of Schedule 18)

(c) 31,763 units were redeemed and 67,523 units were purchased during the period 01.01.08 to 11.05.08. The units as on 11.05.08 amounting to 675 lacs were transferred to Macmillan Publishers India Limited as part of the scheme of arrangement

(d) The units were fully redeemed during the period 01.01.08 to 11.05.2008

(e) The preference shares were redeemed by the wholly owned subsidiary, MPS Technologies Limited during the year

(f) 60,00,000 equity shares of Rs.10 each of MPS Technologies Limited were subscribed by the Company during the year

	As at 31.12.2008 Rs in Lacs	As at 31.12.2007 Rs in Lacs
QUOTED INVESTMENTS:		
Book Value	-	231.08
Market Value	-	228.70
UNQUOTED INVESTMENTS:	**2,562.74**	7,761.64

Purchase and Sale of Investments during the year:

	As at 31.12.2008 Rs in Lacs	As at 31.12.2007 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

	AS AT 31.12.2008 Rs in Lacs		AS AT 31.12.2007 Rs in Lacs	
5. Inventories				
Stores and spares		-		7.06
Stock-in-trade:				
Raw materials		-		286.78
Incomplete jobs		**1,136.06**		1,398.20
Finished goods		-		1,622.11
		1,136.06		3,314.15
6. Sundry Debtors - Unsecured				
Debts outstanding for a period exceeding six months:				
Considered good	**291.18**		1,767.92	
Considered doubtful	**26.61**		164.34	
		317.79		1,932.26
Other debts:				
Considered good		**2,981.61**		1,974.17
		3,299.40		3,906.43
Less: Provision for doubtful debts*		**26.61**		164.34
* Provision for the current year excludes an amount of Rs 164.34 lacs transferred on demerger		**3,272.79**		3,742.09
7. Cash and Bank Balances				
Cash (includes cheques on hand Rs.0.21 Lacs (Previous year NIL)		**2.03**		2.69
Bank Balances:-(Note No.II (5) of Schedule 18)				
With Scheduled Bank on:				
Current Accounts	**712.48**		978.68	
Deposits Accounts	**79.85**		1,485.91	
		792.33		2,464.59
		794.36		2,467.28

	As at 31.12.2008 Rs in Lacs		As at 31.12.2007 Rs in Lacs	
8. Loans and Advances				
(Unsecured and considered good)				
Advance to Subsidiary companies (Refer Note III (19) of Schedule 18)				
MPS Technologies Ltd	**50.00**		146.70	
Charon Tec Ltd	**-**		159.61	
ICC India P Ltd	**-**		626.44	
ICC Macmillan,USA	**629.72**		-	
Macmillan ICC Publishing Solutions P Ltd	**-**		970.33	
Frank Brothers & Co. (Publishers) Ltd.	**-**		350.00	
Advances recoverable in cash or in kind or for value to be received	**988.51**	**1,668.23**	1,287.71	3,540.79
Interest accrued on Deposits		**0.39**		66.19
Advance payment of Income tax (Net of Provision)		**369.35**		567.36
		2,037.97		4,174.34
9. Current Liabilities				
Sundry Creditors				
Micro Enterprises and Small Enterprises (Note No.II (7a) of Schedule 18)		**-**		-
Payable to subsidiary companies:				
MPS Technologies Limited		**151.72**		-
ICC India Private Limited		**8.80**		-
Other than Micro Enterprises and Small Enterprises		**2,228.30**		2,698.14
Other Liabilities		**1,311.20**		-
Lease Advance (secured) (Note No.II(7)(b) of Schedule 18)		**-**		48.80
Due to Directors		**66.86**		113.61
Investor Education and Protection Fund shall be credited by the following amount: Unpaid Dividend *		**3.78**		4.45
		3,770.66		2,865.00
10. Provisions				
Provision for Interim Dividend		**-**		420.57
Corporate tax thereon		**-**		71.48
Provision for Return Rights		**-**		92.63
Provision for Compensated absences		**299.28**		301.48
		299.28		886.16

* 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.

	For the year ended 31.12.2008 Rs in Lacs		For the year ended 31.12.2007 Rs in Lacs	
11. INTEREST INCOME				
On Fixed Deposits with Bankers		**38.92**		138.57
[Tax Deducted at source: 2008-Rs.(in Lacs)- 9.11] 2007-Rs(in Lacs) 39.29].				
On Investments		**5.30**		61.08
		44.22		199.65
12. OTHER INCOME				
Profit on sale of Assets, net		**0.58**		78.82
Profit on sale of Investments		**-**		45.81
Rent received		**91.39**		16.88
[Tax Deducted at source: 2008-Rs.(in Lacs) - ; 23.43 2007-Rs(in Lacs) 1.23].				
Lease rent received		**10.15**		6.14
[Tax Deducted at source: 2008-Rs.(in Lacs) 2.76] 2007-Rs(in Lacs) 1.23]				
Miscellaneous receipts		**3.20**		92.19
Royalty received		**0.05**		0.48
Dividend		**31.70**		278.53
Bad Debts written off in earlier years recovered		**0.39**		8.84
Unclaimed credit balances written back		**0.25**		0.48
Excess provision written back				
For Commission payable to Non-executive Directors		**2.04**		0.75
For Doubtful Debts		**-**		15.70
		139.75		544.62
13. DIFFERENCE IN STOCKS AND PURCHASES				
Opening Stock:				
Addition of Opening Stock of Charon Tec Limited on amalgamation	**14.60**		-	
Incomplete Jobs	**1,398.20**		1,152.40	
Finished Goods	**1,622.11**		1,379.91	
Purchases	**11.91**	**3,046.82**	79.96	2,612.27
Less: Closing Stock				
Finished Goods and Incomplete jobs transferred to Macmillan Publishers India Limited on demerger	**1,341.00**		1,622.11	
Incomplete Jobs	**1,136.06**	**2,477.06**	1,398.20	3,020.31
		569.76		(408.04)

		For the year ended 31.12.2008 Rs in Lacs		For the year ended 31.12.2007 Rs in Lacs
14. RAW MATERIALS CONSUMED				
Opening Stock		**286.78**		246.17
Add: Purchases		**643.45**		1,793.62
		930.23		2,039.79
Less: Closing Stock	**-**		286.78	
Transfer on Demerger	**313.03**	**313.03**	-	286.78
		617.20		1,753.01
15. STAFF COSTS				
(Note No.III (10) of Schedule 18)				
Salaries,Wages and Bonus		**5,602.60**		3,950.58
Contribution to Provident and Other Funds		**332.42**		314.68
Workmen and Staff Welfare Expenses		**960.45**		1,561.62
Contribution to Gratuity Fund		**54.36**		92.46
		6,949.83		5,919.34
16. OTHER EXPENDITURE				
Outside printing charges		**501.18**		761.49
Consumption of stores		**17.37**		50.78
Rent Paid		**652.95**		323.51
Repairs to:				
Buildings	**84.30**		39.45	
Vehicles	**89.86**			
Plant & Machinery (Note No.III (9) of Schedule 18)	**310.10**	**484.26**	23.32	62.77
Insurance		**58.04**		65.03
Packing and Forwarding		**134.91**		235.18
Postage,Telex and Telephones		**270.96**		271.99
Travelling and Conveyance		**608.11**		713.78
Royalty		**354.39**		639.06
Power and Fuel		**364.51**		266.79
Rates and Taxes		**38.12**		33.70
Directors Sitting Fees		**3.10**		2.15
Directors Commission		**24.86**		23.04
Advertisement		**21.11**		43.07
Entertainment		**16.34**		19.84
Provision for Doubtful Debts		**26.61**		84.52
Bad Debts written off	**-**		15.51	
Less: Transfer from provision for Doubtful Debts	**-**	**-**	14.67	0.84
Sales Promotion Expenses		**2.90**		-
Commission on sales		**805.85**		693.62
Loss on sale of Investments		**17.19**		-
Loss on exchange difference, net		**342.13**		80.64
Miscellaneous expenditure (Note No.III (11) of Schedule 18)		**607.29**		1,133.27
		5,352.18		5,505.07
17. INTEREST PAID				
Others		**2.13**		5.86
		2.13		5.86

18. NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2008

I. Significant Accounting Policies:

Background

The Company is engaged in the business of providing typesetting and data digitization services for overseas publishers. The Company has a 100% Export Oriented Unit in Bengaluru, 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.

The Restructuring Committee of the Board of Directors of the Company at their meeting held on 23rd May 2008, approved a Scheme of Arrangement involving the Amalgamation of Charon Tec Limited and Macmillan ICC Publishing Solutions Private Limited with Macmillan India Limited (the Company / MIL) and the de-merger of the Publishing business undertaking into Macmillan Publishers India Limited (MPIL). This Scheme was approved by the members in an extra-ordinary general meeting held on 2nd August 2008 and by the Honourable High Court of Madras vide their order dated 22nd September 2008. The Appointed date of the merger is 31st December 2007 and de-merger is 12th May 2008.

Consequent to the approval of the above scheme, the Company (Transferee) has recorded the assets and liabilities of the merged business vested in it at the respective values appearing in the books of Macmillan ICC Publishing Solutions Private Limited and Charon Tec Limited (Transferors) without revaluation. The excess of value of assets over liabilities after accounting for the cancellation of share capital in the respective transferor Companies held by the Company has been recorded as and credited to general reserve in the books of the Company. Accordingly, the investments in those companies have been adjusted against the net worth and the excess of the cost of the investments over the net assets amounting to Rs.939.25 lacs have been adjusted against the reserves of MIL. This accounting treatment is as per the scheme and not in accordance with the requirements of Accounting Standard No. 14, 'Accounting for Amalgamations' read together with the opinion of the Expert Advisory Committee of the Institute of Chartered Accountants of India, which requires the difference between the Share Capital of the Transferee company and the Share Capital recorded in the books of the Transferor company to be recorded as Capital Reserve.

On de-merger, the undertaking of MIL relating to the publishing business stands transferred to and vested in MPIL with effect from 12th May 2008 on a going concern basis. MIL has deducted the book values of the assets and liabilities pertaining to the de-merged undertaking that are vested in MPIL by adjusting the difference between them against the general reserves of MIL (Refer Schedule 2). The following are the details of assets and liabilities transferred to Macmillan Publishers India Limited:

Particulars	Rs. In Lacs
Assets	
Fixed Assets (Net) (including capital WIP)	1153.58
Investments	4,329.89
Current Assets:	
Inventories	1,657.10
Sundry Debtors	4,763.55
Cash & Bank Balances	290.25
Loans & Advances	1,408.41
Total Assets	**13,602.78**
Liabilities	
Deferred Tax Liability	36.69
Current Liabilities & Provisions	1,852.78
Total Liabilities	**1,889.47**
Excess of assets over liabilities transferred	**11,713.31**
Share Capital	1,682.27
Reserves & Surplus	10,031.04
TOTAL	**11,713.31**

Pursuant to the scheme of merger and de-merger, the existing subsidiaries of the Company are MPS Technologies Limited, ICC Macmillan, Inc., USA and ICC India Private Limited.

During the year, the Company had, vide the approval of the Board of Directors in their meeting held on 21st April 2008, purchased the fulfilment services ie., web access controls and real time integration business, which was carried on by its wholly owned subsidiary, MPS Technologies Limited, with effect from 1st April 2008.

A new branch named MPS North America has been opened in United States of America during the year to focus on the sales and marketing activities in that region. Subsequent to the year-end, a new Company, MPS Mobile Inc., USA, has been incorporated as a 100 % subsidiary of ICC Macmillan Inc., USA to carry out the mobile content delivery business hitherto promoted by the latter.

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 accounting principles generally accepted in India and comply with the accounting standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006, and relevant 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 and Intangibles:
Fixed assets and intangibles (software - purchased as well as developed in-house) are stated at cost less accumulated depreciation. The cost of 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. Internally developed software are stated at direct cost attributable to the asset including other applicable costs.

iv. Depreciation / Amortisation:
Depreciation has been provided on the Written Down Value method at the rates prescribed under Schedule XIV to the Companies Act, 1956, Assets individually costing less than Rs.5000/- added during the year are fully depreciated.

Computer software (purchased and developed in-house) of the Publishing Solutions business is amortized over a period of 2 to 5 years, based on the future economic benefits, as estimated by the management.

The cost of improvements to leasehold premises is being amortized over the primary / extended period of lease.

In the foreign branch of the company, MPS North America, assets are depreciated based on their estimated useful life as follows:

Overhead Equipment, other than Furniture, Production Equipment and REG Equipment - 5 years.
Computer Software - 5 years.
Furniture - 7 years.
Leasehold improvements - 3 years.

v. Impairment of Assets:
The Company determines whether there is any indication of impairment of the carrying amount of its assets. The recoverable amount of such assets are estimated, if any indication exists and impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount.

vi. 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.

vii. 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.

viii. 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 on the Gross Sales based on past experience.

Subscriptions received for website 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.

ix. Foreign Currency Transaction

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.

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.

Overseas Operations

In accordance with Accounting Standard 11 (Revised), 'Accounting for the effects of changes in foreign exchange rates', the branch located outside India has been classified as "Integral foreign Operation". Non-monetary assets are translated at the rates as on the date of the transaction. Monetary assets and liabilities are translated at the closing rate. Income and expenses are translated at the monthly average rate. The resultant exchange differences are dealt with in the profit and loss account.

x. Hedge Accounting

The Company uses forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable transactions.

The use of forward contracts is governed by the Company's policies on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes. Forward contract derivative instruments are initially measured at fair value, and are re-measured at subsequent reporting dates. Considering that these derivative instruments do not qualify for hedge accounting, these changes in fair value are recognized in the profit and loss account as they arise.

xi. Employee Benefits

Defined contribution plans:

a) Provident Fund: Fixed contributions to Provident Fund and Employee State Insurance made on monthly basis with relevant authorities are absored by the Profit and Loss Account.

b) Super annuation Fund: The Company makes contributions to a scheme administered by the Life Insurance Corporation of India (LIC) to discharge its liabilities towards super-annuation to the employees and the same is expensed to profit and loss account. The Company has no other liability other than its annual contributions.

Defined benefit plans (Long term employee benefits):

Gratuity: The Company accounts for its liability for future gratuity benefits based on actuarial valuation, as at the balance sheet date, determined by LIC using the projected unit credit method. The Company makes its contribution to a fund administered by the LIC to discharge gratuity liability to the employees.

Compensated Absences: Liability for compensated absences payable at the time of retirement / resignation is determined on actuarial valuation as at the balance sheet date, using the projected unit credit method, and is provided for.

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

xii. 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.

xiii. Taxes on Income

Current Tax and Fringe Benefit Tax are determined in accordance with the provisions of the Income Tax Act 1961. Minimum Alternate Tax paid in accordance with the tax laws which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the company will pay normal tax after the tax holiday period. Accordingly it is recognized as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the company and the asset can be measured reliably.

Deferred tax is calculated at the rates and laws that have been enacted or substantially enacted as of the balance sheet date and is recognized on timing differences that originate in one period and are expected to reverse after the expiry of exemption period under section 10A of the Income Tax Act, 1961. Deferred tax assets, subject to consideration of prudence are recognised and carried forward only to the extent that they can be realized.

xiv. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

II. Balance Sheet

		As at 31.12.2008 Rs. In lacs	As at 31.12.2007 Rs. In lacs
1.	a. Issued, subscribed and paid-up 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.		
	b. Advance Subscription towards equity shares: Advance Subscription of Rs 1,767.52 lacs (USD 3,600,000) represents the proposed investments made in the equity capital of ICC Macmillan Inc, USA. The shares are yet to be allotted		
2.	Estimated amount of contracts remaining to be executed on Capital Account and not provided for	189.36	148.47
3.	During the year, the Company has adopted the accounting policy of capitalizing software purchases of the Publishing Solutions division to be amortised over the estimated useful life based on the future economic benefits as determined by the management. Accordingly, software expenses of the Publishing Solutions division to the extent of Rs.186.51 lacs have been capitalized. Due to the change in policy, the profits, reserves and the intangible assets for the year is higher by Rs. 144.03 lacs.		
4.	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.		
5.	Bank Balance includes:		
	a) With Scheduled Banks on Dividend Account	3.78	4.45
	b) Fixed deposits with bankers held as margin money for guarantees issued	6.90	0.90
	c) Lien with Excise Authorities	1.30	-

	As at 31.12.2008 Rs. In lacs	As at 31.12.2007 Rs. In lacs

6. Contingent Liability:

a. Disputed Demands:

Name of the Statute	Nature of Dues	Rupees (in lacs)	Period	Forum where dispute is pending
Income Tax Act, 1961	Income Tax Demands	1.80 (Nil)	Asst Year 2005-06	Commissioner of Income Tax (Appeals), Chennai
Income Tax Act, 1961	Income Tax Demands	24.36 (Nil)	Asst Year 2005-06	Commissioner of Income Tax (Appeals), Chennai
Section 66A of Finance Act	Service Tax demands	227.77 (Nil)	July 2003 to Dec 2006	CESTAT, Bengaluru

b. No provision has been considered for service tax amounting to Rs.185.34 lacs on overseas commission paid for the period from January 2007 to December 2008, as the demands raised by the Authorities for the earlier periods is being contested by the management. In the opinion of the management, the demand is not sustainable.

		As at 31.12.2008	As at 31.12.2007
7.	a. Under the Micro and Small Enterprises Development Act, 2006, certain disclosures are required to be made relating to Micro and Small 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 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. (Transferred the title deeds to Macmillan Publishers India Limited on de-merger)	-	48.80
8.	Although the net worth of ICC Macmillan Inc., USA, a subsidiary, has eroded, the Company (MIL) has committed to extend continued financial and operational support based on which the investments amounting to Rs.1,562.74 lacs, advance subscription towards share capital of Rs.1,767.52 lacs, receivables of Rs. 797.14 lacs and loans of Rs. 629.72 lacs are considered good and therefore no provision is considered necessary.		

III Profit And Loss Account

		For the Year ended 31.12.2008 Rs. In lacs	For the Year ended 31.12.2007 Rs. In lacs
9.	Repairs to Plant and Machinery include stores consumed.	3.41	12.86
10.	a) The changes to the terms of appointment of Mr. Rajiv Kumar Seth as the Whole-time Director and the remuneration were approved by the Remuneration Committee at its meeting dated 21st April 2008 and by the shareholders at the Annual General Meeting of the Company held on 20th June 2008. Consequent to the approval for the demerger of the Publishing Division received vide order from the Madras High Court, and a resolution passed by the Board of Directors at their meeting dated 22nd October 2008, Mr. Rajiv Beri ceased to hold the office of Managing Director effective from 22nd October 2008 and was re-designated as 'Non-Executive director'. Mr. Rajiv Kumar Seth, Whole time Director was appointed the Managing Director by a resolution passed by the Board in the above meeting without any changes in his remuneration and other terms of appointment. Accordingly, the below mentioned details include the remuneration of Mr. Rajiv Beri, Managing Director upto 11th May 2008 (from 12th May 2008, he has been appointed as the Managing Director of the fellow subsidiary, MPIL and remuneration is paid by MPIL) and the remuneration of Mr. Rajiv Kumar Seth for the entire year.		
	b) Remuneration to the Managing Director and Whole-Time Director shown in the accounts under appropriate headings.		
	Salary	37.50	57.81
	Rent Allowance	8.35	17.48
	Special Allowance	1.20	0.87
	Commission	42.00	92.01
	Contribution to Provident Fund	4.50	6.94
	Contribution to Superannuation Fund	5.63	10.39
	Contribution to Gratuity Fund	1.80	2.56
	Reimbursement of medical expenses	2.11	0.81
	Personal Accident Insurance	0.04	0.08
	Group Medical Policy	0.47	2.39
	Leave salary accrual	2.31	10.01
	Leave Travel concession	2.38	4.92
	Bonus	4.80	2.18
	c) Estimated Money Value of perquisites calculated as per Rule 3 (a) of the Income Tax Rules, 1972 to the Managing and Whole-time Directors.	0.18	2.11
	TOTAL	**113.27**	**210.56**

	For the Year ended 31.12.2008 Rs. In lacs	For the Year ended 31.12.2007 Rs. In lacs
(d) Computation of Net Profit for ascertaining Commission payable to Non-Executive Directors.		
Net Profit before taxation	2328.92	2,137.46
Add: Directors remuneration	113.27	210.56
Directors Sitting fees	3.10	2.15
Commission to Non-Executive Directors	24.86	23.04
Wealth Tax Paid	1.55	1.62
	2471.70	2,374.83
Less: Excess provision for Commission payable to non-executive directors in previous year written back	2.04	0.75
Less: (Loss) / Profit on sale of Investments	(17.19)	45.81
Less: Profit on sale of Immovable Property and on sale of assets of a capital nature	0.58	24.11
Profit for calculation of Commission	2486.27	2,304.16
1% of Commission thereof to Non-Executive Directors* * Restricted to Rs.24 lacs, in the Board Meeting.	24.86	23.04
Gratuity and compensated absences is based on terms of agreement and not on the basis of actuarial valuation		
11. Miscellaneous expenditure includes:		
(a) Remuneration and expenses reimbursed to Auditors. (including Service Tax)		
(i) Audit Fees*	36.65	16.03
(ii) Fees for other services:		
Income Tax representations	3.79	-
Certification Works	0.76	0.79
Transfer pricing	2.81	-
(iii) Travelling and out-of-pocket expenses	0.97	0.65
* - Includes payments made to auditors of erstwhile subsidiaries, which have merged with the Company pursuant to the Scheme of arrangement.		
12. Quantitative particulars of production and sales		
(i) Licensed Capacity	Not applicable	Not applicable
(ii) Installed Capacity	Not applicable	Not applicable
(iii) Actual Production		
Books (upto 11.05.08)	37,59,403	130,98,119
Digitized Data Capture / Photo Composed Books (pages)	18,33,703	9,97,408
Digitized Data Capture (Adverts)	57,596	3,80,068

IV Opening and closing Stocks

	For The Year Ended 31.12.2008		For The Year Ended 31.12.2007	
	Numbers	Value Rs. In lacs	Numbers	Value Rs. In lacs
Purchases & Stocks				
Purchases – Imported	–	–	40,882	79.96
Opening Stock				
Published Books	1,21,58,472	1,574.25	1,05,97,084	1,362.37
Trade	47,831	47.86	17,976	17.54
Closing Stock*				
Published Books	–	–	1,21,58,472	1,574.25
Trade	–	–	47,831	47.86

* - 91,41,159 Published books and 33,513 Trade books have been transferred to Macmillan Publishers India Limited consequent to the de-merger.

(V) Consumption of Raw materials

Paper (Reels in KG)	12,12,182	558.05	33,88,716	1,508.06
Others		59.15		279.24
	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	**0.20**	**0.03**	**18.66**	**1.03**
Indigenous	637.78	99.97	1,797.99	98.97

(vii) Turnover (including presentations and specimens)	Numbers	Value Rs. In lacs	Numbers	Value Rs. In lacs
Books	67,76,716	4,186.92	1,15,36,731	6,325.45
Digitized Data Capture / Photo Composed Books (pages)	18,33,703	9,989.20	9,97,408	7,251.68
Digitized Data Capture (Adverts)	57,596	189.66	3,80,068	691.37
Subscription from E – Learning		3.95		9.57
Paper Cuttings		17.92		37.83
Trade Books	14,318	21.52	11,027	18.43
Web Hosting		730.25		694.15
Order Processing and Subscription Management		1,309.73		-
TOTAL		**16,449.15**		**15,028.48**

	For the Year ended 31.12.2008 Rs. In lacs	For the Year ended 31.12.2007 Rs. In lacs
13. Earnings in foreign exchange		
Export of goods/services calculated on FOB basis	12,239.23	8,683.79
14. Value of imports on CIF basis		
Plant and Machinery	160.54	226.02
Components and Spare parts	0.07	21.21
15. Amount remitted during the year in foreign currency on account of		
Dividend	258.50	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	2007	2006
16. Expenditure in foreign currency on account of:		
Royalty	25.73	38.93
Foreign travel	93.13	98.90
Commission / Discount paid	805.85	214.16
Subscription	1.37	4.00
Commission to overseas Directors	6.22	15.84
Overseas office expenses	154.96	229.30
Service fees	-	7.13
Advertisement	2.53	1.95
Software expenses	9.88	-
Satellite rental	21.98	-
Training Programme	2.12	-
Purchase of Fixed Assets	160.54	
Outsourcing cost	4.87	-

17. Employee Benefits:

The Company's obligation towards gratuity is defined benefit plan. The details of actuarial valuation are given below:

	For the Year ended 31.12.2008 Rs. In lacs	For the Year ended 31.12.2007 Rs. In lacs
Defined benefit Plans	**Gratuity**	
(I) Change in Benefit Obligation		
Liability at the beginning of the year*	644.18	535.58
Interest Cost	34.36	38.36
Current Service Cost	127.98	64.75
Benefit Paid	(429.12)	(48.32)
Actuarial (gain)/loss on obligations	(71.42)	15.64
Liability at the end of the year	305.98	606.01
(II) Fair value of Plan Assets		
Fair value of plan assets at the beginning of the year	575.32	527.01
Expected Return on Plan Assets	31.48	40.36
Contributions	65.49	70.58
Benefit Paid	(429.12)	(48.32)
Actuarial gain/(loss) on Plan Assets	22.28	(48.38)
Fair value of plan assets at the end of the year	265.45	541.25
(III) Actual Return on Plan Assets		
Expected Return on Plan Assets	31.48	40.36
Actuarial gain/(loss) on Plan Assets	22.28	(48.38)
Actual Return on Plan Assets	53.76	(8.02)
(IV) Amount Recognised in the Balance Sheet		
Liability at the end of the year	305.98	606.01
Fair Value of Plan Assets at the end of the year	265.45	541.25
Difference (Funded Status)	40.53	64.75
Amount Recognised in the Balance Sheet	40.53	64.75
(V) Expenses Recognised in the Income Statement		
Current Service Cost	127.98	64.75
Interest Cost	34.36	38.36
Expected Return on Plan Assets	(31.48)	(40.36)
Net Actuarial (Gain)/loss to be recognised	(93.70)	64.02
Expense Recognised in P & L	37.16	126.77
(VI) Balance Sheet Reconciliation		
Opening Net Liability	68.86	8.56
Expense as above	37.16	126.77
Employers Contribution	(65.49)	(70.58)
Amount Recognised in Balance Sheet	40.53	64.75
(VII) Actuarial Assumptions : For the year		
Discount Rate Current	8%	8%
Salary Escalation Current	6%	8%

* Liability at the beginning of the year includes the opening liability of Charon Tec Limited and Macmillan ICC Publishing Solutions Private Limited transferred on merger.

The above disclosure excludes the figures of the overseas branch, as it is governed by the laws prevailing in the United States of America.

18 Segment Reporting:

Based on a reconsideration of nature of risks,rewards and other relevant factors, the Exports of Information Processing and E-Business which were hitherto considered as individual reportable segments have been combined in to a single reportable segment namely 'Publishing Services'. Consequently, the figures for the previous year has been recasted to make it comparable with the current year.

		Rs in Lacs. As on 31.12.2008				Rs in Lacs. As on 31.12.2007			
		Publishing	Publishing Services	Others	Total	Publishing	Publishing Services	Others	Total
1	**Segment Revenue**								
	Net Sales-External	4,030.98	12,218.84	-	16,249.82	6,103.14	8,637.20		14,740.34
2	**Segment Result**	1,036.31	1,250.52	-	2,286.83	635.11	1,751.47		2,386.58
	Unallocated corporate expenses (Net)				-			(442.91)	(442.91)
	Operating Profit	1,036.31	1,250.52	-	2,286.83	635.11	1,751.47	(442.91)	1,943.67
	Interest expense			(2.13)	(2.13)			(5.86)	(5.86)
	Interest Income			44.22	44.22			199.65	199.65
	Income Taxes			(512.83)	(512.83)			(321.00)	(321.00)
	Net Profit	1,036.31	1,250.52	(470.74)	1,816.09	635.11	1,751.47	(570.12)	1,816.46
3	**Segment Assets**								
	Segment Asset	-	14,102.46		14,102.46	6,616.63	6,051.17		12,667.80
	Unallocated Corporate Assets	-	-	369.35	369.35	-		12,354.97	12,354.97
	Total Assets	-			14,471.81				25,022.77
	Segment Liabilities	-	(4,069.94)		(4,069.94)	(1,344.73)	(1,683.23)		(3,027.96)
	Unallocated Corporate Liabiliites	-	-	(68.61)	(68.61)			(832.97)	(832.97)
	Total Liabilities	-			(4,138.55)				(3,860.93)
4	**Capital Expenditure Addition**	124.32	815.83		940.15	54.69	525.62	18.07	598.38
5	**Depreciation**	59.11	554.66		613.77	172.83	376.75	22.33	571.91
6	**Non-cash expenses other than depreciation**	25.38	75.46		100.84	34.18	134.15	-	168.33

7 Secondary Segment Information (Revenue) as per Geographical Market

	As on 31.12.2008 Rs in lacs	As on 31.12.2007 Rs in lacs
India	4,010.58	6,019.64
Europe	7,875.19	7,446.32
USA	4,212.51	1,164.60
Rest of the World	151.54	109.78
Total	16,249.82	14,740.34
8 Carrying amount of Segment Assets		
India	11,184.83	23,722.04
Europe	1,856.36	1,024.54
USA	1,395.22	201.62
Rest of the World	35.40	74.57
Total	14,471.81	25,022.77
9 Addition to Fixed Assets & Intangible Assets		
India	940.15	598.38
Other Countries	-	-
Total	940.15	598.38

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. Publishing Services business includes all Information Technology (IT) enabled products such as typesetting and digitised data capture, 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 consist 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 (As identified by the management and relied upon by auditors)

1. Parties where control exists;

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

1.2 Holding Company: H M Publishers Holdings Ltd.

2. Subsidiary Companies: MPS Technologies Ltd. ICC Macmillan Inc., USA. ICC India Private Ltd.

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

Nature Publishing Group, UK
Macmillan Publishers Limited
Nature Academic Journals, UK
Macmillan Nigeria Ltd
Palgrave
Palgrave Macmillan
Macmillan Information Systems
Macmillan Publishing Solutions
Nature Publishing Group U.S.A.
Macmillan Education
Nature America Inc.
Pan Macmillan Ltd
Palgrave Macmillan (USA)
Macmillan Publishers Australia
Macmillan English Campus
Macmillan Production (Asia) Ltd
Macmillan South Africa
Macmillan Greece
Macmillan Mexico
Macmillan Oxford
Bookworxs Gmbh
HGV Hanseatische Gesellschaft
Macmillan Publishers Holdings LLC
Bedford Freeman & Worth Publishing Group
Gill & Macmillan Publishers
Macmillan Publishers India Limited

4. Key Management personnel.

Mr. Rajiv Beri (Up to 21st October 2008) Mr. Rajiv Kumar Seth (From 22nd October 2008)

5. Related party Transactions

a. Sales

Fellow Subsidiaries	For the Year ended 31.12.2008 (Rs in Lacs)	For the Year ended 31.12.2007 (Rs in Lacs)
Macmillan Publishers Limited, UK	2,699.77	1,983.95
Macmillan Publishers Holdings LLC	121.96	83.40
Nature America Inc.	231.08	130.98
Macmillan Publishers (China) Ltd	2.02	2.30
Macmillan Publishing Solutions	-	33.76
Macmillan Language House, Japan	-	3.09
Macmillan Publishers Australia	18.37	15.66
Macmillan Nigeria Ltd	-	45.98
Bookworxs Gmbh	3.87	3.41
HGV Hanseatische Gesellschaft	35.40	27.54
Gill & Macmillan Publishers	4.59	7.36
Macmillan Greece	16.52	-
Macmillan Mexico	26.40	-
Macmillan Oxford	20.73	-
	3,180.71	2,337.43
Subsidiaries		
ICC USA	1,555.49	22.99
MPS Technologies Limited	-	0.43
	1,555.49	23.42

	For the Year ended 31.12.2008 (Rs in Lacs)	For the Year ended 31.12.2007 (Rs in Lacs)
b. Purchases		
Fellow Subsidiary		
Macmillan Publishers Limited, UK	-	79.96
a. Commission – Fellow Subsidiary		
Macmillan Publishers Limited, UK	805.85	693.62
b. Dividend – Holding Company		
HM Publishers Holdings Limited	258.50	827.20
c. Remuneration to Key Management Personnel	113.27	210.56
d. Debtors – Fellow Subsidiaries		

	As at 31.12.2008 (Rs in Lacs)	As at 31.12.2007 (Rs in Lacs)
Macmillan Publishers Limited	397.41	431.56
Macmillan Publishers Holdings LLC	22.16	8.76
Nature America Inc.	287.68	22.95
Macmillan Publishers (China) Ltd	-	0.44
Macmillan Publishing Solutions	-	13.51
Macmillan Publishers Australia	5.91	1.25
Macmillan Nigeria Ltd	-	45.98
Bookworxs Gmbh	0.68	0.29
HGV Hanseatische Gesellschaft	15.29	2.31
Gill & Macmillan Publishers	2.44	3.03
Macmillan Mexico	10.26	-
Macmillan Oxford	14.58	-
Macmillan Greece	1.75	-
	758.16	530.08
Debtors – Subsidiary		
ICC Macmillan, USA	797.14	5.86
e. Creditors – Fellow Subsidiary		
Macmillan Publishers Limited, UK	1,222.75	915.39
Charon Tec Ltd*	-	6.66
Macmillan Publishers India Limited	952.53	-
	2,175.28	922.05
f. Advances – Subsidiaries		
MPS Technologies Ltd	50.00	146.70
Charon Tec Ltd*	-	159.61
ICC India Private Ltd	-	626.44
Macmillan ICC Publishing Solutions Pvt Ltd*	-	970.33
Frank Brothers & Co (Publishers) Limited	-	350.00
	50.00	2,253.08
g. Loans to Subsidiaries		
ICC Macmillan Inc. USA	629.72	-
h. Amounts due to Subsidiaries		
ICC India Private Ltd	8.80	-
MPS Technologies Ltd	151.72	-
	160.52	-

** Merged with the Company with effect from 1st January 2008*

		For the year ended 31.12.2008	For the year ended 31.12.2007
20.	**Earnings per share**		
	Face Value per share	10.00	10.00
	Profit after tax (Rs. In lacs) (numerator)	1,816.09	1816.46
	Weighted number of shares outstanding during the year (denominator)	16,822,668	16,822,668
	Basic & Diluted Earnings per share (in Rupees)	10.80	10.80
21.	Breakup of Deferred Tax Asset and Deferred Tax Liability arising out of timing differences.	As at 31.12.2008 Rs in Lacs	As at 31.12.2007 Rs in Lacs
a)	Deferred Tax Asset		
	Provision for Return rights	-	31.48
	Provision for Doubtful Debts	9.04	55.86
	Provision for Leave encashment	101.73	102.47
	Others	13.50	1.70
	Total	124.27	191.51
b)	Deferred Tax Liability		
	Depreciation	192.88	301.28
	Total	192.88	301.28
	Net Deferred Tax Liability	68.61	109.77

22. Provisions, Contingent Liabilities and Contingent Assets: (Rs in Lacs)

	Opening Balance	Additions	Release	Transfer to MPIL on demerger	Closing Balance
Provision for Return Rights	92.63	-	-	92.63	-

23. Pursuant to the announcement by the Institute of Chartered Accountants of India (ICAI) in respect of 'Accounting for Derivatives' though the Company has opted not to follow the recognition and measurement principles relating to derivatives as specified in Accounting Standard – 30, 'Financial Instruments, Recognition and Measurement', issued by the ICAI for the year ended 31st December 2008, keeping in view the principle of prudence as enunciated in AS 1, *Disclosure of Accounting Policies,* the entity has provided for losses in respect of all outstanding derivative contracts at the balance sheet date by marking them to market.

The value of forward contracts entered into to hedge the foreign currency risk of firm commitments / highly probable transactions as at 31st December 2008 is USD 1,200,000, Euro 1,500,000 and GBP 600,000.
Consequently, the Company has recognized mark to market net losses of Rs.262.10 lacs relating to undesignated forward contracts in the profit and loss account and included in 'Loss on exchange difference' account under Schedule 16, 'Other expenditure'.

24. The financial statements of the current year have been prepared after including the operating results of Macmillan ICC Publishing Solutions Private Limited and Charon Tec Limited as per the scheme of amalgamation from 1st January 2008 and after excluding the operating results of the Publishing business from 12th May 2008, consequent to the demerger. Hence the figures for the current year are not comparable with those of the previous year.

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)	2008 (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
1447181	1447181

Sources of Funds

Paid-up Capital	Reserves & Surplus
168227	865099

Secured Loans	Unsecured Loans
NIL	NIL

Deferred Tax Liability
6861

Application of Funds

Net Fixed Assets	Investments
290037	433026

Net Current Assets	Misc. Expenditure
317124	NIL

Accumulated Losses
NIL

IV. Performance of Company (Amount in Rs. Thousands)

Turnover	Total Expenditure
1 6 4 3 3 7 9	1 4 1 0 4 8 7

+	-	Profit/Loss Before Tax	+	-	Profit/Loss After Tax
✓		2 3 2 8 9 2	✓		1 8 1 6 0 9

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

Earnings per Share in Rs.	Dividend Rate%
1 0 . 8 0	N I L

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

Item Code (ITC Code)	4 9 0 1 1 0 . 0 1
Product Description	P R I N T E D B O O K S
Item Code (ITC Code)	N O T A P P L I C A B L E
Product Description	P H O T O C O M P O S E D B O O K S
Item Code (ITC Code)	N O T A P P L I C A B L E
Product Description	D I G I T I Z E D D A T A C A P T U R E

Signatures to Schedules 1 to 18

Bengaluru	**RAJIV KUMAR SETH**	**R R CHARI**	**S M KRISHNAN**
Date: 25th February 2009	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	31.12.2008		-	100%	139.46	-	201.04	-
ICC India Private Limited	31.12.2008	10,001	-	100%	159.89	-	27.90	-
ICC Macmillan Inc, USA	31.12.2008	10,527	-	100%	(882.39)	-	(1,428.56)	-

For and on behalf of the Board

Bengaluru
25th February 2009

RAJIV KUMAR SETH
Managing Director

R R CHARI
Director

S M KRISHNAN
Secretary

Subsidiary Companies' Particulars

Particulars regarding subsidiary companies as at 31st December 2008

(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	1,000.00	340.50	2,288.94	948.44	-	2,843.10	194.82	55.36	139.46	-
ICC India Private Limited	10.00	345.16	488.79	133.63	-	1,077.94	213.33	53.44	159.89	-
ICC Macmillan, USA	1,801.16	(2,458.34)	1,585.46	2,242.64	16.03	3,520.26	(862.80)	19.59	(882.39)	-

Note : In respect of ICC,USA, the US dollar has been converted at the Exchange Rate of Rs. 48.44 per US Dollar for Balance Sheet items and at an average rate of Rs.43.84 per US Dollar for Profit and Loss Account items.

For and on behalf of the Board

Bengaluru
25th February 2009

RAJIV KUMAR SETH
Managing Director

R R CHARI
Director

S M KRISHNAN
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 2008, 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 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 Standard) Rules, 2006.

4. Without qualifying our opinion, we draw attention to Note No. II (10c) of Schedule 19 regarding non-provision of service tax, which is being disputed by the Company.

5. Based on our audit 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 2008;

   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 Deloitte Haskins & Sells
Chartered Accountants

Bhavani Balasubramanian
Partner
Membership No. 22156

Place: Bengaluru
Date: 25th February 2009

BALANCE SHEET AS AT 31ST DECEMBER 2008

	Schedule No.		As at 31.12.2008 Rs in Lacs		As at 31.12.2007 Rs in Lacs
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
Share Capital	1	**1,682.27**		1,682.27	
Reserves & Surplus	2	**6,587.61**		18,224.99	
			8,269.88		19,907.26
2. Loan Funds	3				
Secured Loan		**307.11**		838.25	
Unsecured Loan		**-**	**307.11**	75.49	913.74
3. Deferred Tax Liability (Net) (Refer Note II(15) of Schedule 19)			**136.18**		(36.83)
4. Minority Interest	2		**-**		40.69
			8,713.17		20,824.86
II.APPLICATION OF FUNDS					
1. Fixed Assets	4				
Gross Block		**7,847.85**		9,368.52	
Depreciation		**4,278.24**		5,085.14	
Net Block		**3,569.61**		4,283.38	
Capital work in progress including capital advances		**193.63**		38.71	
			3,763.24		4,322.09
2. Goodwill (refer note I(1) of schedule 19)			**1,336.37**		5,219.59
3. Investments	5		**-**		1,243.73
4. Current Assets, Loans and Advances					
Inventories	6	**1,354.66**		4,357.80	
Sundry Debtors	7	**3,609.12**		6,115.45	
Cash and Bank Balances	8	**2,113.17**		3,933.28	
Loans and Advances	9	**1,639.57**		2,448.29	
Total Current Assets		**8,716.52**		16,854.82	
Less: Current Liabilities	10	**4,773.87**		5,896.93	
Provisions	11	**329.09**		918.44	
Total Current Liabilities & Provisions		**5,102.96**		6,815.37	
Net Current Assets			**3,613.56**		10,039.45
			8,713.17		20,824.86
Notes on Accounts	19				

Per our report of even date
For Deloitte Haskins & Sells
Chartered Accountants

BHAVANI BALASUBRAMANIAN
Partner
Place: Bengaluru
Date: 25.02.2009

RAJIV KUMAR SETH	**R R CHARI**	**S M KRISHNAN**
Managing Director	Director	Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2008

	Schedule No		For the Year ended 31.12.2008 Rs in Lacs		For the Year ended 31.12.2007 Rs in Lacs
INCOME					
Sales		**22,510.79**		22,060.55	
Less: Discounts		**199.33**	**22,311.46**	288.14	21,772.41
Interest- Gross	12		**57.50**		201.44
Other Income	13		**179.27**		785.68
			22,548.23		22,759.53
EXPENDITURE					
Difference in Stocks & Purchases	14	**549.04**		(552.52)	
Raw Materials Consumed	15	**1,004.00**		1,925.70	
Staff Costs	16	**9,723.66**		9,517.43	
Other Expenditure	17	**8,737.15**		9,141.27	
Interest	18	**24.98**		49.83	
Depreciation		**888.84**	**20,927.67**	969.62	21,051.33
Less: Amount capitalised towards Software Development costs (Refer Note No.3 of Schedule 19)			**(363.44)**		-
Profit before taxation			**1,984.00**		1,708.20
Provision for taxation					
Current Tax		**608.85**		230.79	
Deferred Tax		**76.81**		52.58	
MAT Credit Entitlement		**(17.50)**		(54.00)	
Fringe Benefit tax		**63.70**		93.06	
			731.86		322.43
Profit after taxation			**1,252.14**		1,385.77
Minority Interest			**3.81**		1.11
			1,248.33		1,384.66
Brought forward from previous year			**11,916.01**		11,533.76
Profit available for Appropriations			**13,164.34**		12,918.42
Appropriations					
Dividend on Equity Shares					
Interim - Nil (25%)			**-**		420.57
Corporate tax there on			**-**		81.84
Transfer to General Reserve			**500.00**		500.00
Surplus carried to Balance Sheet			**12,664.34**		11,916.01
Notes on Accounts	19				
Basic and diluted earnings per share			**7.42**		8.23
(Face value Rs. 10)					

Per our report of even date
For Deloitte Haskins & Sells
Chartered Accountants

BHAVANI BALASUBRAMANIAN
Partner
Place: Bengaluru
Date: 25.02.2009

RAJIV KUMAR SETH	**R R CHARI**	**S M KRISHNAN**
Managing Director	Director	Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2008

Description	For the Year Ended 31.12.2008 Amt in Rs. lacs		For the Year Ended 31.12.2007 Amt in Rs. lacs	
A. Cash flow from Operating activities :				
Net profit before tax		**1,984.00**		1,708.20
Adjustments for:				
Depreciation	**888.84**		969.62	
Currency Translation adjustment	**(91.96)**		-	
Interest and Finance Charges	**24.98**		49.83	
Expenses capitalised towards software	**(363.44)**		-	
Loss / (Profit) on sale of fixed assets - net	**0.06**		(359.00)	
Unrealised exchange loss / (gain)	**224.74**		9.75	
Compensated Absences	**130.65**		-	
Interest received	**(57.50)**		(201.44)	
Loss / (Profit) on sale of investments	**17.19**		(45.81)	
Dividend Received	**(31.70)**		(217.54)	
Provisions for:				
Doubtful Debts	**40.33**		84.52	
Bad Debts Written off	**79.80**		2.74	
Amounts written back:				
Excess provision for				
Doubtful debts & advances	**-**		(15.71)	
Commission to Non-Executive Directors & other expenses	**(2.04)**		(4.48)	
Unclaimed credit balances	**(32.14)**		(0.48)	
		827.81		272.00
Operating Profit before working capital changes		**2,811.81**		1,980.20
Adjustments for:				
(Increase)/Decrease in Trade and other receivables	**(3,999.53)**		516.17	
(Increase)/Decrease in Inventories	**171.16**		(722.39)	
Increase/(Decrease) in Trade and other payables	**1,566.90**		(165.46)	
		(2,261.47)		(371.68)
Cash generated from operations		**550.34**		1,608.52
Opening loss of a subsidiary consolidated during the year		**-**		(253.28)
Direct taxes including Fringe Benefit Tax paid		**(434.30)**		(200.02)
Net Cash generated from operating activities		**116.04**		1,155.22

Consolidated Cash Flow Statement Cont...

Description	Year Ended 31.12.2008 Amt in Rs. lacs		Year Ended 31.12.2007 Amt in Rs. lacs	
B. Cash flow from Investing activities :				
Purchase of fixed assets	**(1,145.44)**		(1,151.12)	
Purchase of investments *	**(797.77)**		(4,483.07)	
Investment in subsidiaries	**-**		(3,287.00)	
Proceeds from sale of fixed assets	**7.59**		585.15	
Proceeds from sale of investments	**1,003.53**		6,973.01	
Dividend Received	**26.25**		19.88	
Interest Received	**48.14**		188.87	
Net cash used in investing activities		**(857.70)**		(1,154.28)
C. Cash flow from Financing activities :				
Interest paid	**(20.39)**		(49.83)	
Repayment of Long term borrowings	**(26.64)**		(141.97)	
Dividend paid (Inclusive of dividend tax & unclaimed dividends)	**(503.08)**		(1,534.51)	
Net cash used in financing activities		**(550.11)**		(1,726.31)
Net decrease in cash and cash equivalents		**(1,291.77)**		(1,725.37)
Cash and cash equivalents at the beginning of the year #	**3,903.71**		5,440.59	
Opening balance of Cash balances of subsidiaries acquired and consolidated during the year	**-**		117.92	
Currency Translation Adjustment	**9.61**		70.57	
Less: Cash balance of Publishing division adjusted on demerger	**(538.76)**		-	
	3,374.56		5,629.08	
Cash and cash equivalents at the end of the year #	**2,082.79**	**(1,291.77)**	3,903.71	(1725.37)

*** Non cash transaction:**
Includes dividend income on reinvestment in Mutual fund units Rs. 5.45 Lacs (Previous Year Rs.197.66 Lacs)

Excludes restricted cash and cash equivalents amounting to Rs. 30.38 lacs (Rs. 29.57 lacs)

Per our report of even date
For Deloitte Haskins & Sells
Chartered Accountants

BHAVANI BALASUBRAMANIAN
Partner
Bengaluru
Date: 25th February 2009

RAJIV KUMAR SETH
Managing Director

R R CHARI
Director

S M KRISHNAN
Secretary

SCHEDULES TO ACCOUNTS

SCHEDULE NO.		As at 31.12.2008 Rs in Lacs		As at 31.12.2007 Rs in Lacs
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 19)		**1,682.27**		1,682.27
2. A. Reserves and Surplus				
General Reserve:				
As per last Balance Sheet		**6,078.03**		5,831.31
Add: Transfer from Profit and Loss Account		**500.00**		500.00
		6,578.03		6,331.31
Less: Loss of a Subsidiary for the period ended 31st December 2006		**-**		253.28
		6,578.03		6,078.03
Add: Surplus shown in Profit and Loss Account		**12,664.34**		11,916.01
		19,242.37		17,994.04
Capital Reserve		**178.30**		178.30
Foreign Currency Translation Reserve		**30.31**		52.65
		19,450.98		18,224.99
Less:				
Adjustment made on account of Amalgamation (Refer Note I (A) of Schedule 19)	**931.36**		-	
Adjustment made on account of Demerger (Refer Note I (A) of Schedule 19)	**11,713.31**		-	
Transfer of Share capital and Reserves of a subsidiary on account of Demerger	**218.70**	**12,863.37**	-	-
		6,587.61		18,224.99
2. B. Minority Interest				
As per last balance sheet		**40.69**		-
Add: Share capital and reserves transferred during the year		**-**		39.58
Add: Surplus Transferred during the year		**3.81**		1.11
		44.50		40.69
Less: Adjustments made on demerger		**44.50**		-
		-		40.69
3. Loan Funds				
Secured Loans				
Working capital loan(from Bank)		**307.11**		826.41
(Note no. 2b of II of schedule 19)				
Finance Lease obligations		**-**		11.84
(Secured by hypothecation of assets purchased under Finance Lease)		**307.11**		838.25
Unsecured Loans				
From Directors		**-**		75.49
		307.11		913.74

Schedule 4 - FIXED ASSETS (Rs. In Lacs)

Description	COST						DEPRECIATION						NET BOOK VALUE	
	As at 1.1.2008	Currency Translation Adjustment	Additions	Deletions	Transferred on Demerger	As at 31.12.2008	As at 1.1.2008	Currency Translation Adjustment	Deletions / Adjustments	Depreciation for the Year	Transferred on Demerger	As at 31.12.2008	WDV 31.12.2008	WDV 31.12.2007
LAND *#	414.54	-	-	-	9.49	**405.05**	-	-	-	-	-	**-**	**405.05**	414.54
BUILDING *#	2,304.94	1.00	0.07	-	808.99	**1,497.02**	887.72	0.99	-	60.95	354.65	**595.01**	**902.01**	1,417.22
PLANT AND MACHINERY **	4,445.09	61.25	852.32	64.40	1,009.26	**4,285.00**	2,810.33	42.54	61.12	585.43	564.83	**2,812.35**	**1,472.65**	1,634.76
FURNITURES & FIXTURES	1,746.31	-	180.05	16.31	713.05	**1,197.00**	1,106.51	-	14.37	132.42	535.70	**688.86**	**508.14**	639.80
VEHICLES	457.64	-	34.19	22.37	293.02	**176.44**	280.58	-	19.94	32.24	188.66	**104.22**	**72.22**	177.06
INTANGIBLES	-	-	287.34	-	-	**287.34**	-	-	-	77.80	-	**77.80**	**209.54**	-
TOTAL	9,368.52	62.25	1,353.97	103.08	2,833.81	**7,847.85**	5,085.14	43.53	95.43	888.84	1,683.84	**4,278.24**	**3,569.61**	4,283.38
PREVIOUS YEAR	8,870.41	(63.72)	1,359.03	797.20	-	**9,368.52**	4,562.02	(61.35)	385.15	969.62	-	**5,085.14**	**4,283.38**	4,308.39
Add: Capital -Work-In Progress													**193.63**	38.71
Total													**3,763.24**	**4,322.09**

* 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.

- The title deeds of the land amounting to Rs. 9.49 lacs and building amounting to Rs 808.99 lacs were vested with the Company until 11th May 2008. From 12th May 2008, the date of de-merger, the title deeds have been transferred to Macmillan Publishers India Limited vide the order dated 23rd December 2008, received from Honourable High Court of Madras.

** Plant & Machinery - Computers & Networking Equipments as on 31.12.2008 includes assets costing Rs. 319.13 lacs (Rs.422.65 lacs), which is located outside India.

Schedule 5 - Investments -Long -Term

	No of Shares/ Units	Face Value	As at 31.12.2008 Rs in Lacs	No of Shares/Units	As at 31.12.2007 Rs in Lacs	
Trade						
(1) Government Of India Securities - Unquoted						
National Savings Certificates (Note (a))	-		-			0.01
Indira Vikas Patra -At cost (Note (a))	-		-			0.02
Non -Trade						
(2) Investments - Quoted						
a. In Fully paid up Equity shares						
Wyeth Lederle Limited (Note (a))	-		-	300		0.03
b. In Units of Mutual Funds						
Reliance Liquid Plus Fund (Note (b))	-		-	31,219.764		312.62
JM-Arbitrage Advantage Fund (Note (c))	-		-	6,733,941.953		700.00
c. Units in Unit Trust of India - At Cost						
6.75% Tax Free US 64 Bonds (Note (a))	-		-	121,640		121.63
d. 6.60% Tax Free ARS bonds (Note (a))	-		-	109,417		109.42
(3) Fully Paid Debentures - Unquoted						
DCM Financial Services Ltd. -19.5% (Note (a))	-		-	10,000	90.00	
Secured Redeemable Non Convertible						
Cumulative Debentures-Series B						
Less: Provision for diminution in value	-		-		(90.00)	-
TOTAL	-		-			1,243.73

Notes:

(a) Transferred to Macmillan Publishers India Limited on demerger (Refer Note I(A) of Schedule 19)

(b) 31,763 units were redeemed and 67,523 units were purchased during the period 01.01.08 to 11.05.08. The units as on 11.05.08 amounting to Rs. 675 lacs were transferred to Macmillan Publishers India Limited as part of the scheme of arrangement

(c) The units were fully redeemed during the period 01.01.08 to 11.05.08

	No of Shares/ Units	Face Value	As at 31.12.2008 Rs in Lacs	No of Shares/Units	As at 31.12.2007 Rs in Lacs
QUOTED INVESTMENTS:					
Book Value	-		-		231.08
Market Value	-		-		228.70
UNQUOTED INVESTMENTS:	-		-		1,012.65
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 31.12.2008 Rs in Lacs		AS AT 31.12.2007 Rs in Lacs
6. Inventories				
Stores and spares at lower of cost and net realisable value		-		7.06
Stock-in-trade: Raw materials, at cost		-		501.06
Finished goods, at lower of cost and net realisable value		-		2,346.69
Incomplete jobs, at cost		**1,354.66**		1,533.59
		1,354.66		4,388.40
Less: Provision for Inventory obsolescence		-		30.60
		1,354.66		4,357.80
7. Sundry Debtors - Unsecured				
Debts outstanding for a period exceeding six months:				
Considered good	**321.94**		2,233.61	
Considered doubtful	**26.61**		272.34	
		348.55		2,505.95
Other debts:				
Considered good		**3,287.18**		3,881.84
		3,635.73		6,387.79
Less: Provision for doubtful debts*		**26.61**		272.34
**Provision for current year excludes an amount of Rs. 286.06 Lacs transferred on demerger*		**3,609.12**		6,115.45
8. Cash and Bank Balances				
Cash (includes cheques on hand Rs.0.21 Lacs (Previous year Nil)		**11.95**		2.69
Bank Balances:-(Note No. II (8) of Schedule -19)				
With Scheduled Bank on:				
Current Accounts	**2,015.55**		2,004.32	
Deposits Accounts	**85.67**	**2,101.22**	1,926.27	3,930.59
		2,113.17		3,933.28

	As at 31.12.2008 Rs in Lacs	As at 31.12.2007 Rs in Lacs
9. Loans and Advances		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	**1,207.42**	1,745.93
Considered good		
Interest accrued on Deposits	**0.39**	68.16
Advance payment of Income tax (Net of Provision)	**360.26**	580.20
MAT Credit Entitlement	**71.50**	54.00
	1,639.57	2,448.29
10. Current Liabilities		
Sundry Creditors -		
Micro Enterprises and Small Enterprises	**-**	-
Other than Micro Enterprises and Small Enterprises	**3,174.86**	5,805.56
Other Liabilities	**1,528.37**	-
Lease Advance (secured) (Note No.II(9) of Schedule 19)	**-**	48.80
Due to Directors	**66.86**	38.12
Investor Education and Protection Fund shall be credited by the following amount:		
Unpaid Dividend *	**3.78**	4.45
	4,773.87	5,896.93
11. Provisions		
Provision for Interim Dividend	**-**	420.57
Corporate tax thereon	**-**	81.84
Provision for Return Rights	**-**	92.63
Provision for Compensated Absences	**329.09**	323.40
	329.09	918.44

* 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.

		For the year ended 31.12.2008 Rs in Lacs		For the year ended 31.12.2007 Rs in Lacs
12. INTEREST RECEIVED(GROSS)				
On Fixed Deposits with Bankers [Tax Deducted at source: 2008-Rs.(in Lacs)- 9.11- 2007-Rs(in Lacs) 39.47].		**38.99**		139.55
On Investments [Tax Deducted at source: 2008-Rs.(in Lacs)-Nil; - 2007-Rs(in Lacs) Nil].		**18.51**		61.89
		57.50		201.44
13. OTHER INCOME				
Profit on sale of Assets		**-**		359.00
Profit on sale of Investments		**-**		45.81
Rent received [Tax Deducted at source: 2008-Rs.(in Lacs)- 23.43 - 2007-Rs(in Lacs) 4.16].		**92.00**		17.87
Lease rent received [Tax Deducted at source: 2008-Rs.(in Lacs)- 2.76 - 2007-Rs(in Lacs) 1.23].		**10.15**		6.14
Miscellaneous receipts		**10.80**		109.36
Royalty received		**0.05**		0.47
Dividend		**31.70**		217.53
Bad Debts written off in earlier years recovered		**0.39**		8.83
Unclaimed credit balances written back		**32.14**		0.48
Provision for expenses no longer required written back		**-**		3.73
Excess provision written back				
For Commission payable to Non-executive Directors		**2.04**		0.75
For Doubtful Debts		**-**		15.71
		179.27		785.68
14. DIFFERENCE IN STOCKS AND PURCHASES				
Opening Stock:				
Finished Goods		**2,346.69**		1,379.91
Incomplete jobs		**1,533.59**		1,245.79
Added on amalgamation		**-**		622.10
Purchases		**15.68**		79.96
		3,895.96		3,327.76
Less: Closing Stock				
Finished Goods and Incomplete jobs transferred to Macmillan Publishers India Limited on demerger	**1,992.26**		2,346.69	
Incomplete jobs	**1,354.66**	**3,346.92**	1,533.59	3,880.28
		549.04		(552.52)

		For the year ended 31.12.2008 Rs in Lacs		For the year ended 31.12.2007 Rs in Lacs
15. RAW MATERIALS CONSUMED				
Opening Stock		**715.34**		246.17
Added on consolidation				163.27
Add: Purchases		**780.48**		2,231.60
		1,495.82		2,641.04
Less: Closing Stock	**-**		715.34	
Transfer on Demerger	**491.82**	**491.82**	-	715.34
		1,004.00		1,925.70
16. STAFF COSTS				
Salaries,Wages and Bonus		**6,148.18**		6,826.75
Contribution to Provident and Other Funds		**418.90**		502.63
Workmen and Staff Welfare Expenses		**3,102.53**		1,998.07
Contribution to Gratuity Fund		**54.05**		189.98
		9,723.66		9,517.43
17. OTHER EXPENDITURE				
Outside printing charges		**1,259.91**		2,234.99
Consumption of stores		**18.84**		52.61
Rent Paid		**912.16**		637.01
Repairs to:				
Buildings	**90.92**		44.14	
Vehicles	**92.42**		-	
Plant & Machinery	**377.20**	**560.54**	23.70	67.84
Insurance		**140.69**		80.51
Packing and Forwarding		**210.97**		273.22
Postage,Telex and Telephones		**376.53**		432.15
Travelling and Conveyance		**975.22**		1,058.13
Royalty		**418.86**		656.28
Power and Fuel		**423.17**		446.66
Rates and Taxes		**46.44**		42.49
Directors Sitting Fees		**3.10**		2.15
Directors Commission		**19.00**		23.04
Advertisement		**35.39**		66.43
Entertainment		**25.30**		26.99
Provision for Doubtful Debts		**40.33**		84.52
Bad Debts written off	**79.80**		17.41	
Less: Transfer from provision				
for Doubtful Debts	**-**	**79.80**	14.67	2.74
Sales Promotion Expenses		**82.93**		25.85
Commission on sales		**857.12**		772.44
Exchange difference, net		**156.83**		151.88
Loss on sale of asset		**0.06**		-
Loss on sale of Investment		**17.19**		-
Miscellaneous expenditure		**2,076.77**		2,003.34
		8,737.15		9,141.27
18. INTEREST PAID				
On Cash/ Packing Credit		**0.25**		4.01
On Income tax		**4.55**		-
Others		**20.18**		45.82
		24.98		49.83

19. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2008.

I. Significant Accounting Policies:

A. Background

Macmillan India Limited, the parent Company is engaged in the business of providing typesetting and data digitization services for overseas publishers. The Company has a 100% Export Oriented 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.

The Restructuring Committee of the Board of Directors of the Company at their meeting held on 23rd May 2008, approved a Scheme of Arrangement involving the Amalgamation of Charon Tec Limited and Macmillan ICC Publishing Solutions Private Limited with Macmillan India Limited (the Company / MIL) and the de-merger of the Publishing business undertaking into Macmillan Publishers India Limited (MPIL). This Scheme was approved by the members in an extra-ordinary general meeting held on 2nd August 2008 and by the Honourable High Court of Madras vide their order dated 22nd September 2008. The Appointed date of the merger is 31st December 2007 and de-merger is 12th May 2008.

Consequent to the approval of the above scheme, the Company (Transferee) has recorded the assets and liabilities of the merged business vested in it at the respective values appearing in the books of Macmillan ICC Publishing Solutions Private Limited and Charon Tec Limited (Transferors) without revaluation. The excess of value of assets over liabilities after accounting for the cancellation of share capital in the respective transferor Companies held by the Company has been recorded as and credited to general reserve in the books of the Company. Accordingly, the investments in those companies have been adjusted against the net worth and the excess of the cost of the investments over the net assets amounting to Rs.931.36 lacs have been adjusted against the reserves of MIL. This accounting treatment is as per the scheme and not in accordance with the requirements of Accounting Standard No. 14, 'Accounting for Amalgamations' read together with the opinion of the Expert Advisory Committee of the Institute of Chartered Accountants of India, which requires the difference between the Share Capital of the Transferee company and the Share Capital recorded in the books of the Transferor company to be recorded as Capital Reserve.

On de-merger, the undertakings of MIL relating to the publishing business stands transferred to and vested in MPIL with effect from 12th May 2008 on a going concern basis. MIL has deducted the book values of the assets and liabilities pertaining to the de-merged undertaking that are vested in MPIL by adjusting the difference between them against the general reserves of MIL (Refer Schedule 2). The following are the details of assets and liabilities transferred to Macmillan Publishers India Limited:

Particulars	Rs. In Lacs
Assets	
Fixed Assets (Net) (including capital WIP)	1,153.58
Investments	4,329.89
Current Assets:	
Inventories	1,657.10
Sundry Debtors	4,763.55
Cash & Bank Balances	290.25
Loans & Advances	1,408.41
Total Assets	**13,602.78**
Liabilities	
Deferred Tax Liability	36.69
Current Liabilities & Provisions	1,852.78
Total Liabilities	**1,889.47**
Excess of assets over liabilities transferred	**11,713.31**
Share Capital	1,682.27
Reserves & Surplus	10,031.04
TOTAL	**11,713.31**

Of the above assets transferred, the investments amounting to Rs.3409.24 lacs relate to investments in Frank Brothers & Co. (Publishers) Limited, which, pursuant to the de-merger, has become the subsidiary of Macmillan Publishers India Limited.

Pursuant to the scheme of merger and de-merger, the existing subsidiaries of the Company are MPS Technologies Limited, ICC Macmillan, Inc., USA and ICC India Private Limited. The subsidiaries ICC India Private Limited and ICC

Macmillan, USA, provide services relating to typesetting of books and journals and developing software products. MPS Technologies Limited, provides project management for its overseas customers and electronic book services.

A new branch named MPS North America has been opened in United States of America during the year to focus on the sales and marketing activities in that region. Subsequent to the year-end, a new Company, MPS Mobile Inc., USA, has been incorporated as a 100% subsidiary of ICC Macmillan Inc., USA to carry out the mobile content delivery business hitherto promoted by the latter.

1. Basis of consolidation

The consolidated financial statements comprise financial statements of Macmillan India Limited and its subsidiaries, drawn up to December 31, 2008. 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 %
MPS Technologies Limited	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 (up to date of de-merger, 11th May 2008)	India	80%

Consistency in adoption of accounting policies among all group companies is ensured to the extent feasible.

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. The branch located outside India has been classified as "Integral foreign Operation" as the funds for operations are provided by the parent company. Non-monetary assets are stated at the rates as on the date of the transaction. Monetary assets and liabilities are translated at the closing rate. Income and expenses are translated at the average rate prevailing during the year. All exchange differences are dealt with in the profit and loss account.

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. The Goodwill representing the excess of carrying cost of the Company's investment in Charon Tec Limited has been adjusted against the reserves consequent to the amalgamation.

2. The significant accounting policies adopted in the preparation of financial statements are as follows:

a. 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 accounting principles generally accepted in India (Indian GAAP) and comply with the accounting standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006, and relevant provisions of the Companies Act, 1956, for the parent Company and its Indian subsidiaries and 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 the 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 and intangibles (software - purchased as well as developed in-house) are stated at cost less accumulated depreciation. The cost of 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. Internally developed software are stated at direct cost attributable to the asset including other applicable costs.

d. Depreciation / Amortisation:

Depreciation has been provided on the Written Down Value method at the rates prescribed under Schedule XIV to the Companies Act, 1956. Assets individually costing less than Rs.5000/- added during the year are fully depreciated.

Computer software (purchased and developed in-house) of the Publishing Solutions business is treated as Intangible assets and are amortised over an expected useful life of 2 to 5 years, as estimated by the management.

The cost of improvements to leasehold premises is being amortized over the primary / extended period of lease.

In the subsidiary company – ICC Macmillan, USA and the foreign branch of the company, MPS North America, assets are depreciated based on their estimated useful life as follows:
Overhead Equipment, other than Furniture, Production Equipment and REG Equipment - 5 years.
Computer Software - 5 years.
Furniture - 7 years.
Leasehold improvements - 3 years.

e. Impairment of Assets:

The Company determines whether there is any indication of impairment of the carrying amount of its assets. The recoverable amount of such assets are estimated, if any indication exists and impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount.

f. 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.

g. 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.

h. 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 on the Gross Sales based on past experience.

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.

Revenue for Usage Statistic Services is being recognised based on number of page views and number of institutions and as per slab rates specified in the agreement.

Revenue from software development on fixed price contracts is recognized according to the milestone achieved as specified in the contract, and is adjusted on the "proportionate completion" method based on the work completed.

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

i. 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.

Overseas Operations:

In accordance with Accounting Standard 11 (Revised), 'Accounting for the effects of changes in foreign exchange rates', the branch located outside India has been classified as "Integral foreign Operation". Non-monetary assets are translated at the rates as on the date of the transaction. Monetary assets and liabilities are translated at the closing rate. Income and expenses are translated at the monthly average rate. The resultant exchange differences are dealt with in the profit and loss account. Non-monetary assets are translated at the rates as on the date of the transaction. Monetary assets and liabilities are translated at the closing rate. Income and expenses are translated at the monthly average rate. The resultant exchange differences are dealt with in the profit and loss account.

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. All exchange differences are adjusted against the currency translation reserve.
The assets and liabilities of the foreign subsidiary are translated at the closing exchange rate of Rs.48.44 per USD and the income and expenses are translated at the average exchange rate of Rs.43.84 per USD.

j. Hedge Accounting

The Company uses forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable transactions.

The use of forward contracts is governed by the Company's policies on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Forward contract derivative instruments are initially measured at fair value, and are re-measured at subsequent reporting dates. Considering that these derivative instruments do not qualify for hedge accounting, these changes in fair value are recognized in the profit and loss account as they arise.

k. Employee Benefits:

Defined contribution plans:

a. Provident Fund: Fixed contributions to Provident Fund and Employee State Insurance made on monthly basis with relevant authorities are absorbed by the Profit and Loss Account.

b. Super annuation Fund: The Company makes contributions to a scheme administered by the Life Insurance Corporation of India (LIC) to discharge its liabilities towards super-annuation to the employees and the same is expensed to profit and loss account. The Company has no other liability other than its annual contributions.

Defined benefit plans (Long term employee benefits):

Gratuity: The Company accounts for its liability for future gratuity benefits based on actuarial valuation, as at the balance sheet date, determined by LIC using the projected unit credit method. The Company makes its contribution to a fund administered by the LIC to discharge gratuity liability to the employees.

Compensated Absences: Liability for compensated absences payable at the time of retirement / resignation is determined on actuarial valuation as at the balance sheet date, using the projected unit credit method, and is provided for.

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

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

l. 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.

m. Taxes on Income

Current Tax and Fringe Benefit Tax are determined in accordance with the provisions of the Income Tax Act 1961. Minimum Alternate Tax paid in accordance with the tax laws which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the company will pay normal tax after the tax holiday period. Accordingly it is recognized as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the company and the asset can be measured reliably.

In the case of the parent company and its Indian subsidiaries, deferred tax is calculated at the rates and laws that have been enacted or substantially enacted as of the balance sheet date and is recognized on timing differences that originate in one period and are expected to reverse after the expiry of exemption period under section 10A of the Income Tax Act, 1961. In the case of the overseas subsidiary, the deferred tax is calculated based on their local tax laws. Deferred tax assets, subject to consideration of prudence are recognised and carried forward only to the extent that they can be realized.

n. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

II. Balance Sheet

		As at 31.12.2008 Rs. In lacs	As at 31.12.2007 Rs. In lacs
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 one of the subsidiaries as at December 31, 2008 have eroded the entire paid up capital and free reserves of that entity. However, the Subsidiary Company continues 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 amounting to Rs.307.11 lacs availed by ICC Macmillan USA, are secured by a guarantee given by the Holding Company, HM Publishers Holdings Limited.		
3.	During the year, the Company has adopted the accounting policy of recognizing software purchases of the Publishing Solutions business as Intangible Assets to be amortised over the estimated useful life as determined by the management. Accordingly software expenses of the Publishing Solutions divisions to the extent of Rs.186.51 lacs have been capitalised, as against the earlier policy of charging such expenses to the Profit and Loss account in the year of purchase. Had the same policy as the previous year been adopted, the profits, reserves and the intangible assets for the year would have been lower to the extent of INR 144.03 lacs.		
4.	The share purchase agreement with ICC Macmillan, USA stipulates the purchaser to retain an amount of Rs.24.22 lacs (Previous year – Rs.19.70 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. Accordingly, this amount has been disclosed under Schedule 8 - cash and bank balances.		
5.	Pursuant to an agreement dated 20th February 2008, ICC Macmillan USA has purchased the assets, properties and rights of Compset Inc USA for a consideration of Rs.175.36 lacs (USD 400,000).		
6.	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.		

		As at 31.12.2008 Rs. In lacs	As at 31.12.2007 Rs. In lacs
7.	Claims against the Company not acknowledged as debts.	-	44.35
8.	Bank Balance includes		
	(a) With Scheduled Banks on Dividend Account	3.78	4.45
	(b) Fixed Deposit with Bankers held as margin money for Guarantees issued	6.90	0.90
	(c) Lien with Excise Authorities.	5.62	5.62
9.	Lease Advance secured by deposit of title deeds relating to Patullos Road, Chennai property under lease.	-	48.80

10. Contingent Liabilities:

a. Disputed Tax Demands:

Name of the Statute	Nature of dues	Rupees in lacs	Period	From where dispute is pending
Income Tax Act 1961	Income Tax Demands	1.80 (2.80)	2002-03	Commissioner of Income Tax (Appeals)
Income Tax Act 1961	Income Tax Demands	26.65 (26.65)	2002-03	Commissioner of Income Tax (Appeals) XIV, New Delhi
Income Tax Act 1961	Income Tax Demands	24.36 *	2005-06	Commissioner of Income Tax (Appeals) V, Chennai
Section 66A of Finance Act	Service Tax demands	227.77	July 2003 to Dec 2006	CESTAT, Bengaluru

Amount deposited as at December 31, 2008 is Rs.28.05 lacs (Previous Year – Rs.28.05 lacs)
No provision is considered necessary as the Company is hopeful of successful outcome in the appeal.

* Stay petition is filed in lieu of refund due for higher amount (Rs.57.25 lacs) for AY 2004-05. The appeal has been sent to Commissioner of Income tax Appeals V, Chennai 600034.

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.7.42 lacs (previous year Rs.7.42 lacs) has been provided for towards the remuneration and compensation payable to such employees, which, in the opinion of the management is adequate.

c. No provision has been considered for service tax amounting to Rs.185.34 lacs on overseas commission paid for the period from January 2007 to December 2008, as the demands raised by the Authorities for the earlier periods is being contested by the management. In the opinion of the management, the demand is not sustainable.

11. Employee Benefits:

The Company's obligation towards gratuity is defined benefit plan. The details of actuarial valuation are given below:

		For the Year ended 31.12.2008 Rs. In lacs	For the Year ended 31.12.2007 Rs. In lacs
Defined benefit Plans		**Gratuity**	
(I)	**Change in Benefit Obligation**		
	Liability at the beginning of the year	**773.68**	594.63
	Interest Cost	**44.73**	42.82
	Current Service Cost	**148.37**	88.80
	Benefit Paid	**(429.12)**	(49.53)
	Actuarial (gain)/loss on obligations	**(158.48)**	92.52
	Liability at the end of the year	**379.18**	769.24
(II)	**Fair value of Plan Assets**		
	Fair value of plan assets at the beginning of the year	**583.72**	527.01
	Expected Return on Plan Assets	**34.96**	40.97
	Contributions	**135.59**	86.85
	Benefit Paid	**(429.12)**	(48.32)
	Actuarial gain/(loss) on Plan Assets	**19.69**	(48.68)
	Fair value of plan assets at the end of the year	**344.83**	557.83
(III)	**Actual Return on Plan Assets**		
	Expected Return on Plan Assets	**34.96**	40.97
	Actuarial gain/(loss) on Plan Assets	**19.69**	(48.68)
	Actual Return on Plan Assets	**54.65**	(7.71)
(IV)	**Amount Recognised in the Balance Sheet**		
	Liability at the end of the year	**379.18**	769.24
	Fair Value of Plan Assets at the end of the year	**344.83**	557.83
	Difference (Funded Status)	**34.35**	211.41
	Amount Recognised in the Balance Sheet	**34.35**	211.41
(V)	**Expenses Recognised in the Income Statement**		
	Current Service Cost	**148.37**	88.80
	Interest Cost	**44.73**	42.82
	Expected Return on Plan Assets	**(34.96)**	(40.97)
	Net Actuarial (Gain)/loss to be recognised	**(178.17)**	141.21
	Expense Recognised in P & L	**(20.03)**	231.86
(VI)	**Balance Sheet Reconciliation**		
	Opening Net Liability	**189.97**	67.61
	Expense as above	**(20.03)**	231.86
	Employers Contribution	**(135.59)**	(88.06)
	Amount Recognised in Balance Sheet	**34.35**	211.41
(VII)	**Actuarial Assumptions : For the year**		
	Discount Rate Current	**8%**	8%
	Salary Escalation Current	**8%**	8%
	Rate of Mortality	**As per LIC (1994-96) Mortality Table**	

The above disclosure excludes the figures of one of the subsidiaries and the overseas branch, as it is governed by the laws prevailing in the United States of America.

12. Consolidated Segment Information

		Rs in Lacs.							
		As on 31.12.2008				As on 31.12.2007			
		Publishing	Publishing Services	Others	Total	Publishing	Publishing Services	Others	Total
1	Segment Revenue Net Sales-External	5,297.96	17,013.50	-	22,311.46	6,349.84	15,422.57		21,772.41
2	Segment Result	1,197.09	749.84	-	1,946.93	639.55	1,421.62		2,061.17
	Unallocated corporate expenses (Net)			-	-			(505.69)	(505.69)
	Operating Profit	1,197.09	749.84	-	1,946.93	639.55	1,421.62	(505.69)	1,555.48
	Interest expense			(20.43)	(20.43)			(49.83)	(49.83)
	Interest Income			57.50	57.50			201.44	201.44
	Income Taxes			(731.86)	(731.86)			(322.43)	(322.43)
	Net Profit	1,197.09	749.84	(694.79)	1,252.14	639.55	1,421.62	(676.51)	1,384.66
3	Segment Assets								
	Segment Asset	-	13,744.63	-	13,744.63	8,573.16	8,440.57		17,013.73
	Unallocated Corporate Assets	-	-	71.50	71.50	-		10,801.44	10,801.44
	Total Assets				13,816.13				27,815.17
	Segment Liabilities	-	(5,410.07)	-	(5,410.07)	(3,138.51)	(3,889.23)		(7,027.74)
	Unallocated Corporate Liabiliites	-	-	(136.18)	(136.18)			(880.17)	(880.17)
	Total Liabilities				(5,546.25)				(7,907.91)
4	Capital Expenditure Addition	124.32	1,384.57	-	1,508.89	260.33	1,080.63	18.07	1,359.03
5	Depreciation	70.21	818.63		888.84	174.69	772.60	22.33	969.62
6	Non-cash expenses other than depreciation	25.38	105.27		130.65	34.18	134.15	-	168.33

		As on 31.12.2008 Rs in lacs	As on 31.12.2007 Rs in lacs
7	**Secondary Segment Information (Revenue) as per Geographical Market**		
	India	5,277.56	6,322.19
	Europe	8,573.87	10,865.87
	USA	6,782.29	4,443.83
	Rest of the World	1,677.74	140.52
	Total	**22,311.46**	**21,772.41**
8	**Carrying amount of Segment Assets**		
	India	9,936.70	24,904.17
	Europe	1,783.12	1,683.85
	USA	2,002.10	1,022.40
	Rest of the World	94.21	204.75
	Total	**13,816.13**	**27,815.17**
9	**Addition to Fixed Assets & Intangible Assets**		
	India	1,508.89	1,235.84
	Other Countries	-	123.19
	Total	**1,508.89**	**1,359.03**

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. Publishing Services business includes all Information Technology (IT) enabled products such as typesetting and digitised data capture. Website 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 consist primarily of creditors and accrued liabilities. Segment assets and liabilities do not include income tax assets and liabilities.

13. Related Party Disclosure: (As identified by management and relied upon by auditors)

Information relating to related party transactions for the year ended 31st December 2008.

1. Parties where control exists;
   1.1 Ultimate Holding Company : Georg Von Holtzbrinck Gmbh & Co KG
   1.2 Holding Company : H M Publishers Holdings Ltd.
2. Fellow Subsidiaries with whom the company had transactions during the year.

Nature Publishing Group, UK
Macmillan Publishers Limited
Nature Academic Journals
Macmillan Nigeria Ltd
Palgrave
Palgrave Macmillan
Macmillan Information Systems
Macmillan Publishing Solutions
Nature Publishing Group U.S.A.
Macmillan Education
Nature America Inc.
Pan Macmillan Ltd
Palgrave Macmillan (USA)
Macmillan Publishers Australia
Macmillan English Campus
Macmillan Production (Asia) Ltd
Macmillan South Africa
Macmillan Greece
Macmillan Mexico
Macmillan Oxford
Bookworxs Gmbh
HGV Hanseatische Gesellschaft
Macmillan Publishers Holdings LLC
Bedford Freeman & Worth Publishing Group
Gill & Macmillan Publishers
Macmillan Publishers India Ltd

3. Key Management personnel:

Mr.Rajiv Beri (Up to 21st October 2008) Mr. Rajiv Kumar Seth

4. Related party Transactions

	For the Year ended 31.12.2008 (Rs in Lacs)	For the Year ended 31.12.2007 (Rs in Lacs)
a. Sales-Fellow Subsidiaries		
Macmillan Publishers Limited	**3,980.06**	3,931.30
Macmillan Publishers Holdings LLC	**298.16**	227.76
Nature America Inc.	**447.04**	616.42
Macmillan Publishers (China) Ltd	**2.02**	2.30
Macmillan Language House, Japan	**-**	3.09

	For the Year ended 31.12.2008 (Rs in Lacs)	For the Year ended 31.12.2007 (Rs in Lacs)
Macmillan Publishers Australia	**41.62**	15.66
Macmillan Nigeria Ltd	**-**	45.98
Macmillan South Africa	**1.37**	0.37
Macmillan Publisher Services	**-**	33.76
Macmillan McGraw Hill	**-**	7.46
Bookworxs Gmbh	**3.87**	3.41
HGV Hanseatische Gesellschaft	**35.40**	27.54
Gill & Macmillan Publishers	**4.59**	7.36
Macmillan Greece	**16.52**	-
Macmillan Mexico	**26.40**	-
Macmillan Oxford	**20.73**	-
	4,877.78	4,922.41
b. Purchases-Fellow Subsidiary		
Macmillan Publishers Limited	**-**	201.80
c. Commission – Fellow Subsidiary		
Macmillan Publishers Limited	**857.12**	772.44
d. Dividend – Holding Company		
HM Publishers Holdings Limited	**258.50**	827.20
e. Remuneration to Key Management Personnel	**113.27**	244.00

	As at 31.12.2008 (Rs in Lacs)	As at 31.12.2007 (Rs in Lacs)
f. Debtors - Fellow Subsidiaries		
Macmillan Publishers Limited	**398.62**	877.07
Macmillan Publishers Holdings LLC	**33.85**	26.87
Nature America Inc.	**291.78**	22.95
Macmillan Publishers (China) Ltd	**-**	0.44
Macmillan Language House, Japan	**-**	-
Macmillan Publishing Solutions	**-**	13.76
Macmillan Publishers Australia	**8.41**	1.25
Macmillan Nigeria Ltd	**-**	45.98
Macmillan South Africa	**-**	0.35
Macmillan New Writing	**-**	0.29
Bookworxs Gmbh	**0.68**	0.29
HGV Hanseatische Gesellschaft	**15.29**	2.32
Gill & Macmillan Publishers	**2.44**	3.03
Macmillan Greece	**1.75**	-
Macmillan Mexico	**10.26**	-
Macmillan Oxford	**14.58**	-
	777.66	994.60
g. Creditors – Fellow Subsidiaries		
Macmillan Publishers Limited	**1,873.28**	1,055.89
Macmillan, Australia	**1.30**	1.46
Macmillan Publishers India Limited	**952.53**	-
	2,827.11	1,057.35

		For the year ended 31.12.2008	For the year ended 31.12.2007
14.	**Earnings per share**		
	Face Value per share	**10.00**	10.00
	Profit/Loss after tax (Rs. In lacs)	**1,248.33**	1,384.66
	Weighted number of shares outstanding during the year	**16,822,668**	16,822,668
	Basic & Diluted Earnings per share (in Rupees)	**7.42**	8.23

15. Breakup of Deferred Tax Asset and Deferred Tax Liability arising out of timing differences.	As at 31.12.2008 (Rs in Lacs)	As at 31.12.2007 (Rs in Lacs)
a) Deferred Tax Asset		
Provision for Return rights	**-**	31.48
Provision for Doubtful Debts	**9.04**	55.86
Provision for Gratuity and Compensated Absences	**111.85**	125.15
Carry forward business losses	**-**	158.84
Others	**15.56**	3.17
Total	**136.45**	374.50
b) Deferred Tax Liability - Depreciation	**272.63**	337.67
Net Deferred Tax Liability / (Deferred Tax Asset)	**136.18**	(36.83)

16. Provisions, Contingent Liabilities and Contingent Assets: (Rs in Lacs)

	Opening Balance	Additions	Release	Transfer to MPIL on demerger	Closing Balance
Provision for Return Rights	92.63	-	-	92.63	-

17. Pursuant to the announcement by the Institute of Chartered Accountants of India (ICAI) in respect of 'Accounting for Derivatives' though the Company has opted not to follow the recognition and measurement principles relating to derivatives as specified in Accounting Standard – 30, 'Financial Instruments, Recognition and Measurement', issued by the ICAI for the year ended 31st December 2008, keeping in view the principle of prudence as enunciated in AS 1, Disclosure of Accounting Policies, the entity has provided for losses in respect of all outstanding derivative contracts at the balance sheet date by marking them to market.

The value of forward contracts entered into to hedge the foreign currency risk of firm commitments / highly probable transactions as at 31st December 2008 is USD 1,200,000, Euro 1,500,000 and GBP 600,000. Consequently, the Company has recognized mark to market net losses of Rs.262.10 lacs relating to undesignated forward contracts in the profit and loss account and included in 'Loss on exchange difference' account under Schedule 16, 'Other expenditure'.

18. The financial statements of the current year have been prepared after excluding the operating results of the Publishing business from 12th May 2008, consequent to the demerger. The subsidiary Frank Brothers & Co (Publishers) Limited, which forms part of the Publishing business has also been excluded from the financial statements of the current year. Hence the figures for the current year are not comparable with those of the previous year. Previous year figures have been regrouped / reclassified wherever necessary.

MPS Offices gurgaon & bengaluru

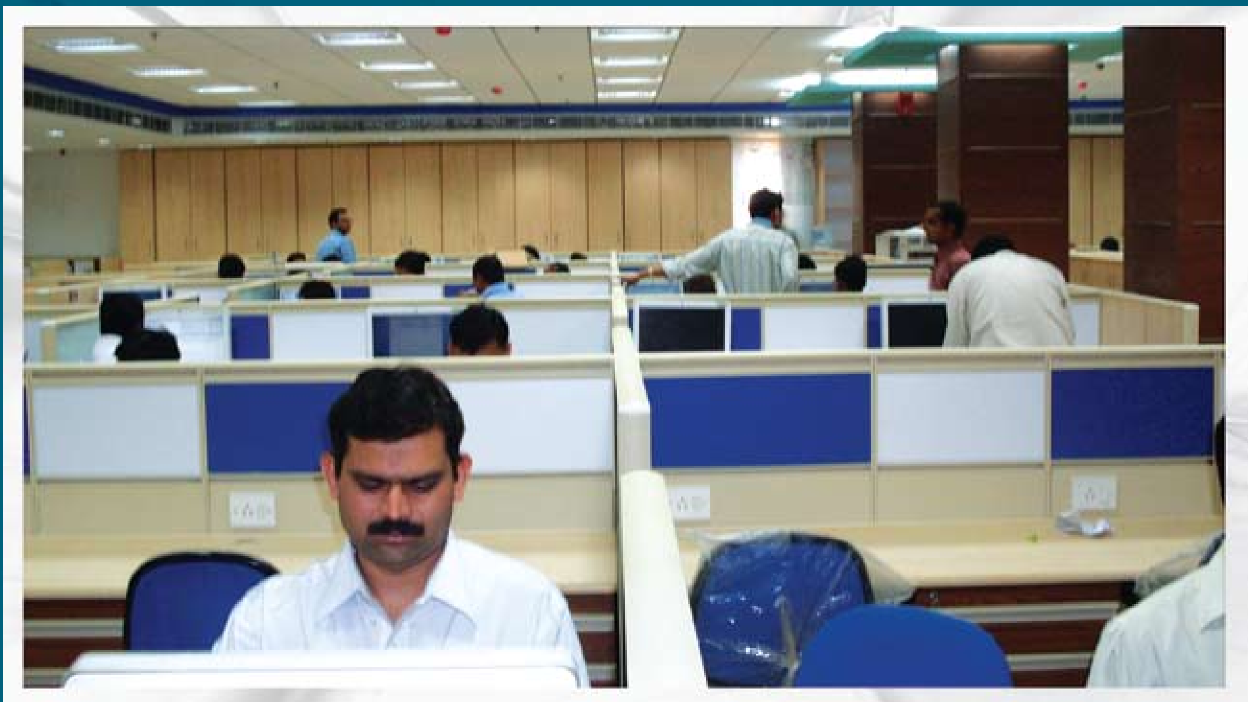
Fulfilment Services, Gurgaon

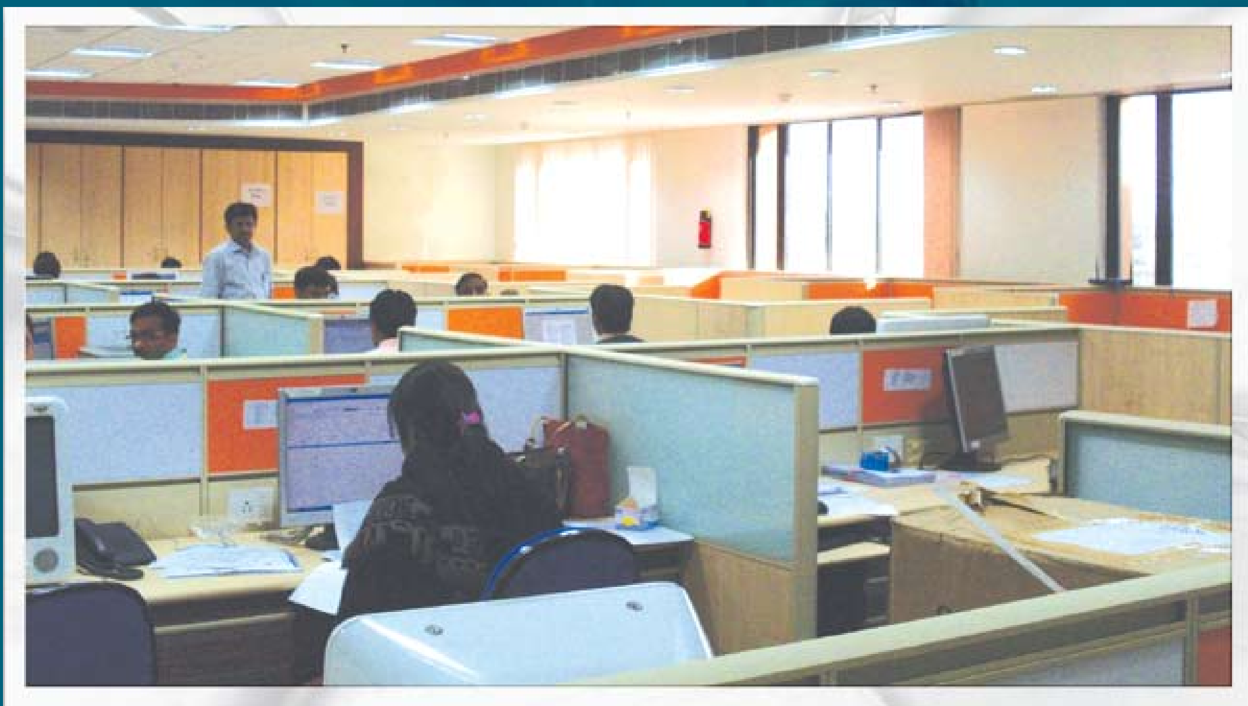
Fulfilment Services, Gurgaon

Digital Services, Bengaluru

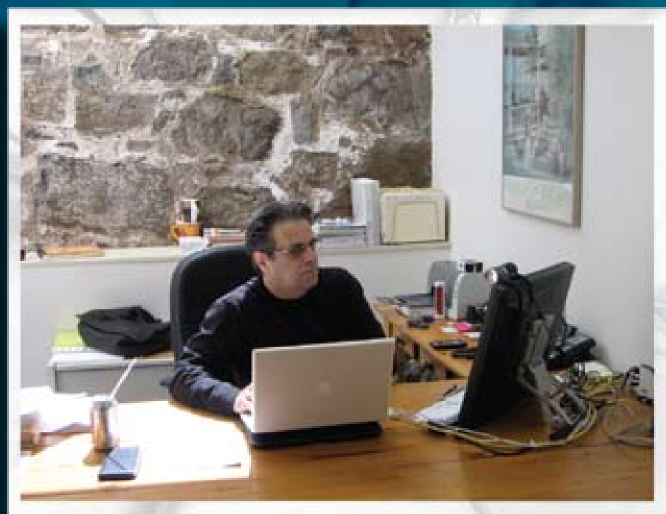
IT Services, Bengaluru

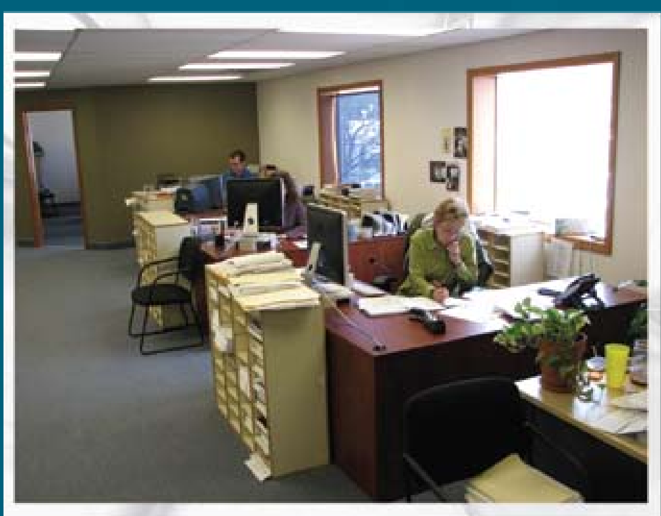
MPS Office noida





USA branch office





MPS OFFICES

Journal Typesetting Unit I
- HMG Ambassador, 137 Residency Road, Bengaluru 560 025

Journal Typesetting Unit II
- 69, Eldams Road, Teynampet, Chennai 600 018

Digital Services Unit
- Floor 8, Brigade Towers, Brigade Road, Bengaluru 560 025

Ad Design Unit
- Midford Crescent, 53/1, Richmond Road, Bengaluru 560 025

Book Typesetting Unit I
- Midford Crescent, 53/1, Richmond Road, Bengaluru 560 025

Book Typesetting Unit II
- SDF K Block, No 6 and 7, NSEZ, Noida Dadri Road, Phase II, Noida 201 305

Copyediting Unit I
- 48, Okhla Industrial Estate, New Delhi 110 020

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

SUBSIDIARY COMPANIES

MPS Technologies Ltd.
- DLF Corporate Park, Block 3A,4th & 5th Floor, Gurgaon 122 022, Haryana
- The Macmillan Building, 4 Crinan Street, London N1 9XW, England

ICC Macmillan Inc
- 810, SE, Sherman Suite B,Portland, OR 97214 ,USA

MPS Mobile Inc
- 810, SE, Sherman Suite B,Portland, OR 97214 ,USA

ICC India Private Ltd
- NSIC-STP & 48, Okhla Industrial Estate, New Delhi 110 020

UK BRANCH OFFICE
- The Macmillan Building, 4, Crinan Street, London N1 9XW, England

USA BRANCH OFFICE
- 810, SE, Sherman Suite B,Portland, OR 97214 ,USA