



## DIRECTORS' REPORT

The Members,

The Directors have pleasure in presenting the Seventy-fourth Annual Report of the Company alongwith the Audited Accounts for the year ended 31<sup>st</sup> March, 2008.

## FINANCIAL RESULTS

(Rupees in Lacs)

	Financial Year	
	2007-08	2006-07
Gross Profit before depreciation	841.82	518.79
Less: Depreciation	105.12	106.55
Operating Profit	736.70	412.24
Add: Gain on Transfer of Discontinued Operations	0	142.66
Profit Before Tax	736.70	554.90
Less: Extra Ordinary Expenditure	-	-
Provision for Taxation (Including Fringe Benefit Tax)	78.86	9.88
Tax provision of earlier year	0	26.44
Deferred tax	117.00	90.91
Profit after Tax	540.84	427.67
Add: Balance brought forward	2195.75	2130.28
Less: Amount transferred to Capital Reserve	0	246.09
Balance available for Appropriation	2736.59	2311.85
<b>LESS: APPROPRIATION</b>		
Interim Dividend	75.09	0
Proposed Dividend	75.08	90.10
Tax on distributed profit	25.52	15.31
Transferred to General Reserve	40.56	10.69
Balance Carried to Balance Sheet	2520.34	2195.75

## DIVIDEND

The Board of Directors of the Company, at their meeting held on 23<sup>rd</sup> October, 2007 declared and paid an interim dividend of Re.1/- (10%) per then Equity Share of Rs.10/- each, for the half year ended 30<sup>th</sup> September, 2007 to those Equity Shareholders of the Company whose names appeared in the Register of Members of the Company as on 2<sup>nd</sup> November, 2007 being the record date fixed for the said purpose.

Your Directors are pleased to recommend a final dividend of Re.0.20ps. (10%) per Equity Share of Rs.2/- each making total dividend of 20% for the year under review. Total Dividend for the year, including the proposed final dividend, amounts to Rs.175.69 Lacs including the Dividend Distribution Tax.

## BUSINESS OPERATIONS

The business segments of the Company consist of Real Estate, Business Centre and Trading.

### Real Estate

Indian Economy is on sustained growth path registering more than 8% growth, year on year. There is unanimity that Indian economy will continue to grow at fast pace which shall require matching infrastructure and real estate development providing good opportunity to entities engaged in this segment to participate in it and reap benefits. U. S. sub prime crisis may have some effect in short term, however in medium to long term it appears that Real Estate segment would continue to perform well.

We anticipate that the effect of this is not likely to be there in major metros and specially South Mumbai, where your Company owns major Land Bank.

We are pleased to inform you that the Company has received permission from the Urban Development Department of



Government of Maharashtra permitting development / redevelopment of Mill Land. Your Company intends to develop present land bank into commercial space aggregating to about 8,00,000 sq. feet of gross leasable area in phased manner.

As already informed, the Company had last year acquired about 37 acres of land at Khopoli. Company's wholly owned subsidiary Modern India Property Developers Limited [MIPDL] had made an application to the State and Central Government to develop IT/ITES SEZ on the abovementioned land. MIPDL has received recommendation of Maharashtra Government and formal approval from Board of Approval, Ministry of Commerce and Industry, New Delhi and has filed application for notification of the SEZ. Notification of SEZ is expected in due course of time.

Main constituents for development of SEZ have been made and construction activities expected to begin from 3<sup>rd</sup> quarter of 2008.

The rental market in South Mumbai continues to be buoyant and your Company's property has been mostly occupied during the current year.

**Business Centre:**

Central Bombay Infotec Park Joint Venture arm of Modern India Limited is running Business Centre named Modern Centre and the same continues to be fully occupied. The revenue from this segment has been Rs.668.83 lacs as compared to Rs.599.90 lacs in the previous year. During financial year 2008-09, renewal of business centre agreements have been concluded at the current market rates and accordingly revenue from Business Centre activities would go up proportionately.

**Trading:**

Trading activities consist of fabric, yarn, software/ CAM machine, sponge iron, G.I sheets and pipes. The export market for steel was not favorable; hence, activities were confined to the local market. Turnover, in this segment, has grown from Rs. 5049.93 lacs to Rs. 15,131.07 lacs registering a 200% growth.

**SUBSIDIARY COMPANIES**

**MODERN INTERNATIONAL (ASIA) LIMITED, HONG KONG (MIAL)**

MIAL was set up to outsource products from China and other S. E. Asian Countries and is a B2B segment of the Company where MIAL services local as well as international companies sourcing raw material/semi finished/finished products and customized products as per requirements. Five years ago, MIAL started with Textiles, Yarn and Fabric but now expanded range of commodities including Tyres, Steel, Chemicals, Paper, and Luggage sourcing not only from China but also from Indonesia, Thailand and Korea. The Company has achieved a turnover of USD 14.36 millions as against USD 8.68 millions in the previous year registering 65% increase. The profit made is USD 21,764 against USD 102,043 in the corresponding period of previous year. It has been significantly lower due to USD 176,874 loss in the value of securities.

**MODERN INDIA PROPERTY DEVELOPERS LIMITED (MIPDL) (formerly Webhosting & Solutions (India) Limited):**

MIPDL is developing Electronic Hardware, Software including IT / ITeS Special Economic Zone at Khopoli, Dist. Raigad in Maharashtra. Company has received recommendation from Government of Maharashtra and formal approval from Board of Approval, Ministry of Commerce and Industry, New Delhi and has filed application for notification of the SEZ. Various agencies for the project such as Master Planner, Advisor to SEZ, Architects, Environment Consultants, Structural Engineers and MEP Consultants have been appointed. The Project Report is being prepared by IL&FS IDC Ltd. The total outlay is expected to be Rs. 850.00 Crores. Plans are being firmed up to complete the project in three years.

**INDIAN INSTITUTE OF JEWELLERY LIMITED (IJL)**

IJL set up a premier autonomous jewellery institute, Indian Institute of Jewellery (IJ), in the Asia Pacific region, which offers international standard education in Jewellery Manufacturing, Designing, and Gemology, etc. IJ is a leading professional institute, recognized and accepted by the jewellery industry for quality training, state of the art infrastructure and industry relevant curriculum.

This year, IJ is completing its 4<sup>th</sup> year. Many new programs are being developed in-house and have already been introduced. Most of these new programs are receiving an overwhelming response from the jewellery trade and fraternity.

During the year, 808 numbers of students were trained in the various programs. The Institute is now concentrating on Sampoorne – Customized Corporate Training Program and also conducting various workshops in 33 cities across the country in collaboration with All India Gems & Jewellery Trade Federation to train jewellers.

The Institute is making further investments in setting up a Gem Testing Laboratory to cater to demands of the consumer and industry for verifying the purity of diamonds and gemstones.

**MODERN INDIA REALITY & INFRASTRUCTURE LIMITED (MIRIL)**

With focus on infrastructure and real estate development, this Company is floated to undertake new venture in this, in due course of time.



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### **Joint Venture Companies**

The Company had formed two Joint Venture Companies with Gitanjali Gems Limited named Modali Distributors Private Limited and Modali Jewels Private Limited. Modali Jewels P. Ltd. has set up stores all over India. The Board of Directors felt it prudent to divest stake in favour of the JV Partner and accordingly, investment in Modali Jewels P. Ltd. was disinvested in favour of Gitanjali Gems Ltd.

Modali Distributors Private Limited was renamed as Modali Gems Private Limited (MGPL). MGPL has discontinued marketing of SANGINI brand and is now marketing only ASMI brand of jewellery with the network of 218 retailers and 32 distributors all over India. Since, it was initiated this year, a lot has gone into infrastructure and training cost and due to this Company has incurred a loss of Rs.106.47 lacs.

### **Business Operations**

The Company continued to see strong and profitable growth in the Financial Year 2007-08 in Real Estate, Business Centre and Trading. Going forward, your Company intends to develop its land Bank at Mahalaxmi and construct about 8 lacs Sq. Feet of Gross Leasable Commercial Space.

Demand of commercial space in the vicinity of the land Bank of the Company out strip supply and it is opined by experts that rentals in this region would remain stable in medium to long run.

### **ANNUAL ACCOUNTS OF SUBSIDIARY COMPANIES**

The Ministry of Corporate Affairs has granted exemption from attaching a copy of Balance Sheet, Profit & Loss Account, and Report of the Board of Directors and Report of the Auditors of all the four Subsidiary Companies. However, as per the said permission certain details are published about the Subsidiaries. Moreover, pursuant to the Accounting Standard 21 issued by the Institute of Chartered Accountants of India, the Company includes the financial information of the Subsidiaries in its notes to the Annual Accounts. Any member of the Company, desirous of inspecting the same, may inspect and/or request for copy of these documents or any details relating to these documents.

### **DIRECTORS**

Mr. Rusi N. Sethna and Mrs. Gauri V. Jatia, Directors of the Company, retire by rotation and, being eligible, offer themselves for re-appointment.

### **CORPORATE EVENTS**

The authorized share capital of the Company has been increased from Rs.10.00 crores to Rs.20.00 crores.

The Company sub-divided its equity shares of Rs.10/- each into 5 equity shares of Rs.2/- each. The Record Date was 01.02.2008.

The Shareholders have passed Special Resolution, by means of postal ballot, for further issue of securities u/s 81(1A) of the Companies Act, 1956, on preferential allotment basis to various eligible investors stipulated in the SEBI( DIP) Guidelines.

The Company has made application to The National Stock Exchange of India Limited (NSE) for enlistment of its securities on NSE.

### **CONSOLIDATION OF ACCOUNTS**

In pursuance of the mandatory compliance of the Accounting Standard 21, as issued by the Institute of Chartered Accountants of India, the Company has presented Consolidated Financial Statements, for the year under Report, consolidating its Accounts with the Accounts of its Subsidiary Companies, Modern International (Asia) Limited, Modern India Property Developers Ltd., Modern India Realty & Infrastructures Ltd. and Indian Institute of Jewellery Limited as also accounts of the Joint Venture – Central Bombay Infotec Park to the extent of the investment made by the Company. A separate Report of the Statutory Auditors, on consolidated Financial Statements also forms part of the same.

### **DEFERRED TAX**

The total net deferred tax assets/(liabilities) as on 31.03.2008 is Rs. (99.02 lacs) [Previous Year Rs. 17.98 lacs]. Rs.117.00 lacs [Previous Year Rs. 90.91 lacs] have been debited to Profit & Loss account of the year in respect of the Deferred Tax.

### **AUDITORS' APPOINTMENT**

Members are requested to appoint Auditors and fix their remuneration. The present Auditors, Messrs K.S. Aiyar & Company, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### **AUDITORS' REPORT**

The Auditors' Report is attached with the audited statements. There are no observations made by the Auditors that need to be explained.

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#### **FIXED DEPOSITS**

During the year under Report, the Company has neither accepted nor renewed any Fixed Deposits, under section 58A, read with Companies (Acceptance of Deposits) Rules, 1975.

#### **INSURANCE**

Adequate insurance cover has been taken for the properties of the Company including Stocks, Tools and Machineries, Furniture and Fixtures, Electronic and Electric Equipments, Vehicles and to cover Directors' and Officers' Liability.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied them consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2008 and of its profit for the year ended as on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

#### **CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGOINGS.**

In compliance with the provisions of Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, a statement giving requisite information is given in Annexure 'A' forming part of this Report.

#### **PARTICULARS OF EMPLOYEES**

Information as per Section 217(2A) of the Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975 is given in Annexure 'B' forming part of this Report.

#### **MANAGEMENT DISCUSSION AND ANALYSES**

As per the requirement of Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the Management Discussion and Analyses of the events, which have taken place and the conditions prevailed, during the period under review, are elucidated in ANNEXURE - 1 to this Report.

#### **CORPORATE GOVERNANCE**

In compliance of Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, a Report on Corporate Governance, along with a Certificate of the Auditors on Corporate Governance is annexed to this Report marked ANNEXURE - 2.

#### **ACKNOWLEDGMENT**

Your Directors wish to place on record their sincere thanks to the Valued Customers, Suppliers, Banks, Central Government, State Governments and various Consultants and Business Associates for their continued support, co-operation and guidance, during the year under review. Your Directors also wish to thank the employees and executives at all levels for their valuable contributions.

For and on behalf of the Board of Directors

**Vijay Kumar Jatia**  
Chairman & Managing Director

Mumbai, dated 4<sup>th</sup> June, 2008  
Registered Office:  
Modern Centre,  
Sane Guruji Marg,  
Mahalaxmi,  
MUMBAI 400 011



## ANNEXURE 'A' TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2008

### 1. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT:

As the Company has no manufacturing activities, the provisions of Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 relating to Conservation of Energy, Technology Absorption and R & D do not apply to your company.

### 2. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- (a) - Activities relating to exports : The Company did not undertake any export activities during the period under review.
- Initiatives taken to increase exports : Continuous efforts to identify new markets for existing and new products are being made by the Company.
- Development of new markets for products & services & Export plans : Company is developing new export market for various products in USA, Asian and European countries. The Company does not follow any definite export plan.
- (b) Total Foreign Exchange:
- (i) Earnings : Rs.11,27,309
- (ii) Outgoing : Rs.37,09,572

## ANNEXURE 'B' TO DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 FOR THE YEAR ENDED 31ST MARCH, 2008

Sr. No.	Name/Age(Years)	Qualifications	Experi-ence (years)	Date of Employ-ment	Designation/ Nature of Duties	Gross remunera-tion received (Rs.)	Last Employment held (Previous Designation/ Previous Company)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Vijay Kumar Jatia (50)	B.Com.	28	01.08.2001	Chairman & Managing Director	37,31,533	Pudumjee Pulp & Paper Mills Ltd. – Jt. Managing Director

For and on behalf of the Board of Directors

Mumbai , dated 4<sup>th</sup> June, 2008

**Vijay Kumar Jatia**  
Chairman & Managing Director



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## MANAGEMENT DISCUSSION AND ANALYSES

### i) Industry Structure and Developments

Indian Economy grew by 7.5% to 9% in the last three-four years. The industrial output growth is estimated at 12% during the year 2007-08. Not only industrial, the agricultural sector also grew by 2.5% and service sector by 10.4%. This robust growth has positively influenced all spheres of activities.

The Company is operating in 4 segments which are enjoying fruits of upsurge witnessed in Indian Economy.

#### 1. The Real Market Sector in India

Land Registry records in India are in unorganized state since there is no centralized title registry to verify clear title, although steps are being taken by various State Governments to computerize the records in their respective States.

On the insistence of the Central Government for repealing of Urban Land Ceiling Act in various States, the Government of Maharashtra has repealed ULCRA generating more land for construction. Similarly, the coming into effect of the Maharashtra Rent Control Act in the present amended form, protection is given to the homeowners in case they wish to rent out their houses creating further pavement for increased activities in construction of residential apartments. Foreign Direct Investment (FDI) is being permitted in the real estate sector with certain conditions.

Since real estate sector is getting organized and transparent, investment from domestic and international financial institutions is increasing.

Due to the fear of recession in the US, there has been a temporary lull in the demand in the real estate sector. However, South Mumbai where major property of your Company is situated has not been affected.

The requirement of commercial spaces in South Mumbai, continues to grow where your Company has land bank and, with continuous inflow of multinationals, the demand is likely to be outstripping supply. Although new supply is coming in the area, it is being readily absorbed.

The tax and other benefits applicable to SEZ are resulting in demand for real estate investment.

### ii) Threats :

The sub-prime crisis in the US is expected to have temporary effect on the real estate market in India. At the present moment, it has not affected south Mumbai region.

There have been some disturbances on the SEZ in Nandigram in West Bengal and Goa region. We understand that some litigation has been filed in the courts and the matter is subjudice. This may have an impact on SEZ. However the land pertaining to the subsidiary, Modern India Property Developers Limited, is industrial land, and there being no issue of relief and rehabilitation involved, we do not anticipate any threat to our SEZ Project.

The Company is operating well during the current year and is maintaining a tempo as last year and is expected to continue to grow. The only threat being that the impending fear of recession in the U.S. is slowly creeping in and may affect, albeit temporarily, in India.

#### Education:

Your Company's subsidiary, Indian Institute of Jewellery Limited (IIJL) is doing well and is also setting-up Gem Testing Laboratory which will further add to the revenue of the Company. There is no major threat, except for the normal competition from other institutes.

#### 2. Business Centre

Mahalaxmi is considered as extension of Lower Parel Area. The subject property and future development coming in is located in the western side of the Mahalaxmi area. It is observed that the commercial complexes in Mahalaxmi-Lower Parel region have minimal vacancies and very high absorption rates. Occupancy rate of Business Centre is good and, demand being more than the supply, we do see good prospects for the present as well as for the property under development.

#### 3. Trading

The all-round growth has created spurt in trading activities also and will continue to do so.

### iii) Segmentwise Performance

- 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 "Unallocable Corporate".
- There are no inter-segment revenues and, therefore, the basis of their measurement does not arise.



(Rs. In lacs)

		Textile	Business Centre	Real Estate	Trading	Unallocated/ Corporate	Total
i	Segment Revenue	869.90	668.83	217.75	14261.18	432.93	16450.59
ii	Segment Result	(36.55)	562.12	62.94	195.58	(47.39)	736.70
iii	Segment Capital Employed	(43.39)	(58.15)	1488.05	1731.19	516.43	3634.13

#### INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

MIL's well defined organization structure, documented policy guidelines, predefined authority levels, and an extensive system of internal controls ensure optimal utilization and protection of resources, IT security, accurate reporting of financial transactions and compliance with applicable laws and regulations.

- MIL has adequate systems of internal control in place. This is to ensure that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are authorized, recorded, and reported correctly
- MIL has an exhaustive budgetary control system. Actual performance is reviewed with reference to the budget by the management on an on-going process basis.
- The internal audit function is empowered to examine the adequacy, relevance and effectiveness of control systems, compliance with policies, plans and statutory requirements
- The top management and the Audit Committee of the Board review the findings and recommendations of the internal audit panel.

#### FINANCIAL PERFORMANCE

The Company, in its stand alone position, has made post-tax profits of Rs.491.56 lacs. However, the Company has its other endeavours through its wholly owned subsidiaries (the wos). The financial performances of these subsidiaries are to be assimilated with its holding company. The wos in its initial and construction period had and have been required to make heavy investment in its assets by borrowing funds. The wos have been paying interest on the borrowed funds which is capitalized under project cost. By reason of this, there is heavy interest payment. When clubbed with the financial indicators of the Company, as per requirement of the Accounting Standard, the Company shows a net (loss) of (Rs.255.22 lacs) in the current year (previous year's net profit Rs. 154.52 lacs). However, the sales at Rs. 22,282.55 lacs are 127% higher (previous year Rs. 9820.23 lacs). Other Income is Rs. 402.94 lacs (previous year Rs. 330.38 lacs). The Company recorded Total Revenue at Rs. 22,746.92 lacs (previous year Rs. 10,152.67 lacs).

#### HUMAN RESOURCE /INDUSTRIAL RELATIONS

Your Company firmly believes that success of a company comes from good Human Resources. Employees are considered as important assets and key to its success. HRD has been strengthened for sourcing and developing high caliber employees providing them relevant training for encashment of their competence and facilitating their assessment process through an effective Performance Management System (PMS). Company aims to remain lean and dynamic in a continuing de-layered structure.

The Employee relations continued to be satisfactory.

#### CAUTIONARY STATEMENT

*Statement in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectation may be "forward looking statements" within the meaning of applicable statutory laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions and price conditions in the domestic and overseas markets in which company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.*

**REPORT ON CORPORATE GOVERNANCE**

In compliance with the Corporate Governance requirements as stipulated in Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the Company has been incorporating, a separate section on Corporate Governance in its Annual Report. Over the period, and as a matter of habit, the Company inculcated strong corporate governance philosophy culminating in policies.

Company's policies on the Corporate Governance and due compliance report for the year ended 31<sup>st</sup> March, 2008 are as under:

**I COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company's philosophy on Corporate Governance is aimed at attainment of the highest level of transparency accountability and equity in all facets of its operations and in all interaction with its shareholders, employees, customers and the Government. It includes not only application and adaptation of statutory rules/procedures and guidelines, but also includes application and adoption of good corporate practices followed voluntarily, by the Company so as to keep the Shareholders, Management, Investors and Authorities well informed about the Company. The Company believes that all its operations and actions must serve the underline goal of enhancing overall shareholder value over a sustained period of time and at the same time protecting the interest of stakeholders.

**II. BOARD OF DIRECTORS****Composition of Board**

The current strength of the Board of Directors of the Company is seven. The Board has an optimum mix of executive and non-executive directors. The Chairman and Managing Director is executive director while other directors are non-executive directors. Except two non-executive directors rest are independent. This combination helps the Company take benefit of the experience and expertise of the directors, in their core area of competence. The Managing Director is receiving remuneration as per sanction accorded by the members of the Company. The other directors do not receive any remuneration except sitting fees. There are no nominee directors on the Board of the Company. The Board has an Executive Chairman and the number of independent Directors is more than half of the total strength of the Board.

The Company has complied with the requirements of Clause 49 of the Listing Agreement with regards to the composition of the Board.

**Board Meetings and attendance**

Five Board Meetings on 9<sup>th</sup> May, 2007, 16<sup>th</sup> July, 2007, 23<sup>rd</sup> October, 2007, 17<sup>th</sup> December, 2007 and 15<sup>th</sup> January, 2008 were held during the financial year 2007-2008 and the gap between two Board meetings did not exceed 4 months.

The information pertaining to attendance of each director at the Board Meetings and at the last Annual General Meeting (AGM) and the number of companies and committees where he/she is a director/committee member are as under:

Name	Category	Number of Board of which Member # other than MIL	Number of Committees of which Chairman other than MIL	*Number of Committees of which Member other than MIL	No. of Board Meetings Attended	Last AGM Attendance (Yes/No)
Mr. V.K. Jatia	Promoter Executive	6	-	3	5	Yes
Mr. R.N. Sethna	Independent Non executive	5	2	4	4	Yes
Mr. Anand Didwania	Independent Non executive	-	-	-	5	Yes
Mr. J.F. Pochkhanawalla	Independent Non executive	1	-	1	5	Yes
Mr. R.R. Doshi	Independent Non executive	3	-	3	5	Yes
Mr. P. K. Bubna	Non-Independent Non executive	1	-	-	3	Yes
Mrs. Gauri Jatia	Promoter Non executive	2	-	-	4	Yes

# Excluding private companies and companies registered under Section 25 of the Companies Act, 1956.

Committee includes Audit Committee, Remuneration Committee and Shareholders/Investors Grievance Committee. Directors who could not attend the meeting have obtained leave of absence from the Board/Committee.

**Directors with materially significant related party transaction, pecuniary or business relationship with the company**

There have been no materially significant transactions, pecuniary transactions or relationship between the Company and its directors that may have a potential conflict with the interest of the Company at large. However related party transactions are disclosed in Note No 24 to Schedule 18, attached to the Accounts and form part of this Annual Report.

**Board Procedure**

The Board meets at least once a quarter to review the quarterly performance and the financial results. The Board Meetings are generally scheduled well in advance and the notice of each Board Meeting is given in writing to each Director. All the items in the agenda are accompanied by notes giving comprehensive information on the related subject and in certain matters such as financial/business plans, financial results, detailed presentations are made. The agenda and the relevant notes are sent in advance separately to each Director and only in exceptional cases; the same is tabled at the meeting. The Board is also free to recommend the inclusion of any matter for discussion in consultation with the Chairman.

The information as specified in Annexure I to Clause 49 of the Listing Agreement is regularly made available to the Board.

To enable the Board to discharge its responsibilities effectively, the members of the Board are briefed at every Board Meeting, on the overall performance of the Company, with presentations by functional heads. Senior management is invited to attend the Board Meetings so as to provide additional inputs to the items being discussed by the Board.

The Board's role, functions, responsibility and accountability are clearly defined. In addition to matters statutorily requiring Board's approval, all major decisions involving policy formulation, strategy and business plans, annual operating and capital expenditure budgets, new investments, compliance with statutory/ regulatory requirements, major accounting provisions and write-offs are considered by the Board.

The minutes of the Board Meetings are circulated in advance to all Directors and confirmed at subsequent Meeting.

**III. AUDIT COMMITTEE**

**Terms of reference**

The terms of reference of the Audit Committee are wide enough to cover the matter specified for it in Clause 49 of the Listing Agreement as well as in Section 292A of the Companies Act, 1956. In brief, the Audit Committee of the Company, inter-alia, provides assurance to the Board on the adequacy of the internal control systems, financial disclosures and ensures that generally accepted accounting principles are observed by the Company. The Committee also provides guidance and liaises with the Internal Auditors as well as the Statutory Auditors of the Company.

**Composition, Meeting and Attendance**

The Audit Committee was constituted by the Board at its meeting held on 31<sup>st</sup> January, 2001. The current strength of the Audit Committee of the Board is three members. All the members of the Audit Committee are Non-executive directors. Two-thirds of the members of the Committee are independent directors. The Committee has elected Mr. Anand Didwania, an independent director as its Chairman. All the members of Audit Committee are financially literate and possess accounting and related financial management expertise. The Managing Director of the Company is a permanent Invitee of the Audit Committee. At the invitation of the Company, representatives from various divisions of the Company, internal auditors, statutory auditors and Financial Controller also attend the Audit Committee meetings to respond to queries raised at the Committee meetings. The Company Secretary acts as the Secretary of the Audit Committee.

Four meetings on 9<sup>th</sup> May, 2007, 16<sup>th</sup> July, 2007, 23<sup>rd</sup> October, 2007 and 15<sup>th</sup> January, 2007 were held during the financial year 2007-2008 and the gap between two meetings did not exceed 4 months.

The information pertaining to attendance of each member at the meetings of the Audit Committee is as under:

Composition	Designation	Category of Directorship	Attendance out of 4 Meetings
Mr. Anand Didwania	Chairman	Non-executive Independent Director	4
Mr. R.R. Doshi	Member	Non-executive Independent Director	4
Mr. P. K. Bubna	Member	Non-executive Non-Independent Director	2

#### Internal Auditors

The Company has appointed M/s. M. L. Sharma & Co., a firm of Chartered Accountants as Internal Auditors to review the internal control systems of the Company and to report thereon. The report of the Internal Auditors is reviewed by the Audit Committee.

#### IV. REMUNERATION COMMITTEE:

##### Composition, Meeting and Attendance

The Remuneration Committee was constituted by the Board at its meeting held on 29<sup>th</sup> April, 2002. It comprises of three member directors all of whom are independent and Non-executive directors. The terms of reference to Remuneration Committee include reviewing and recommending the terms of remuneration payable to Executive Director. Mr. Rajas R Doshi has been elected as the Chairman of the Remuneration Committee. The other Members are Mr. Jimmy F. Pochkhanwalla and Mr. Anand Didwania. The Company Secretary acts as the Secretary of the Remuneration Committee.

The Committee did not meet during the financial year 2007-2008.

The Managing Director has been receiving the remuneration as per the recommendation of the Remuneration Committee, the details of which are given in Note No. 14 of Schedule 18 to the Accounts. The non-executive directors do not receive any remuneration except the sitting fees.

The details of payment of sitting fees to non-executive directors are as follows:

Sr.No.	Name of the Director	Sitting Fees
1	Mr. Rusi N. Sethna	30,000
2	Mr. Anand Didwania	45,000
3	Mr. Rajas R. Doshi	55,000
4	Mr. Jimmy F. Pochkhanawalla	25,000
5	Mr. Pradip Kumar Bubna	25,000
6	Mrs. Gauri Jatia	20,000

An Ad-hoc Committee for issue of new share certificates on sub-division of shares from nominal value of Rs.10/- each to nominal value of Rs.2/- each had been formed in the Board Meeting held on 15<sup>th</sup> January, 2008 consisting of Mr. Vijay Kumar Jatia, Mr. Rusi Sethna and Mr. Rajas Doshi. The meeting of the said Ad-hoc Committee took place on 2<sup>nd</sup> February, 2008.

Mrs. Gauri Jatia and Mr. Pradip Kumar Bubna hold 5,62,850 and 13,270 shares, respectively, of the Company. Except Mrs. Gauri Jatia and Mr. Pradip Kumar Bubna other non-executive directors do not hold any shares of the Company.

#### V. SHAREHOLDERS/INVESTORS' GRIEVANCE COMMITTEE

##### Composition, Meeting and Attendance

The Shareholders/Investors' Grievance Committee was constituted by the Board at its meeting held on 31<sup>st</sup> January, 2002. The Committee comprises of three directors; majority of them being independent and Non-executive. Mr. Rajas R. Doshi has been elected as the Chairman of The Shareholders/Investors' Grievances Committee. The Company Secretary acts as Secretary of the Committee.

During the year, the Committee met once, on 23<sup>rd</sup> October, 2007. The information pertaining to attendance of each member at the meeting of the Committee is as under:

Composition	Designation	Category of Directorship	Attendance in Meetings
Mr. Rajas R. Doshi	Chairman	Non-executive Independent Director	1
Mr. Rusi N. Sethna	Member	Non-executive Independent Director	1
Mr. V. K. Jatia	Member	Executive Director	1



During the year, the Company received total 12 complaints and all of them were satisfactorily resolved. The details of the complaints received and solved are given under:

Nature of Request	By R & T Agent						
	SEBI	Stock Exchange	DOCA	Other Sh/hold	Total	Resolved	Pending
Non receipt of share certificate	1	0	0	6	7	7	0
Non-receipt of Annual Report	0	0	0	2	2	2	0
Non-Receipt of Dividend	0	0	0	3	3	3	0
Demat Query	0	0	0	0	0	0	0
Total	0	0	0	12	12	12	0

Mr. Ajit P. Walwaikar, G.M. (Legal) & Company Secretary is the Compliance Officer of the Company w.e.f. 11<sup>th</sup> April, 2008.

#### VI ANNUAL GENERAL MEETINGS:

Details of Last Three Annual General Meetings are given hereunder:

Financial Year	Date of Meeting	Time	Location
2006-2007	16.07.2007	3.00 p.m.	Modern centre, Sane Guruji Marg, Mahalaxmi, Mumbai – 400011
2005-2006	29.07.2006	4.00 p.m.	Modern centre, Sane Guruji Marg, Mahalaxmi, Mumbai – 400011
2004-2005	30.07.2005	4.30 p.m.	101, K. Khadye Marg, Mahalaxmi, Mumbai-400 011

Details of Special Resolutions passed in the last three Annual General Meetings and Extra Ordinary General Meetings:

No.	AGM & FY	U/S.	Particulars
1	71 <sup>st</sup> 2004-2005	-	None
2	72 <sup>nd</sup> 2005-2006	198, 269, 309, 310 & 311 read with Schedule XIII	Increase in the Remuneration of Managing Director, Mr. Vijay Kumar Jatia w.e.f. 01.08.2005. and Re-appointment of Mr. Vijay Kumar Jatia as Managing Director w.e.f. 01.08.2006 for a period of 3 years and approval of remuneration.
3.	73 <sup>rd</sup> 2006-07	-	None
4.	EGM 5 <sup>th</sup> April, 2007.	-	None
5.	EGM 15 <sup>th</sup> Jan, 2008	94,16 and 31	Sub-division of eq. shares of Rs.10/- each into 5 eq. shares of Rs.2/- each and consequential alterations in the MoA & AoA

Details of Resolutions passed through Postal Ballot:

Postal Ballot Date	Reference to Sections and short particulars.	No. of Ballots and votes cast	Invalid Ballots and votes	Valid Ballots and votes	Assent / Votes in favour with %age	Dissent/ Votes against with %age
23.10.2007	16 – Amendment in the MoA & 94 – Increase in Authorised Capital	130 67,60,301	16 1,314	114 67,58,987	112 67,58,912 99.99%	2 75 0.01%

	31 – Amendment in the AoA	130 67,60,301	23 2089	107 67,58,212	105 67,58,137 99.99%	2 75 0.01%
	81(1A)- Preferential Allotment of Securities to eligible investors stated in SEBI DIP Guidelines.	130 67,60,301	23 2089	107 67,58,212	102 67,58,002 99.97%	5 210 0.03%
	FEMA RBI Circular dtd. 1.7.2005 – Investment in securities of the Company by Foreign Institutional Investors (FIIs).	130 67,60,301	23 2089	107 67,58,212	103 67,58,002 99.99%	4 210 0.01%

Mr. P.N. Parikh, a Practising Company Secretary, was appointed as the Scrutinizer and he conducted the postal ballot procedure.

There is no proposal to conduct further postal ballot for any special resolution as on the date of this Report.

#### VII SUBSIDIARY COMPANIES

The Company has four Subsidiary Companies. However, the Company does not have any material non-listed Indian subsidiary whose turnover or net worth (i.e. paid-up capital and free reserves) exceed 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

**Brief of the Company's Wholly Owned Subsidiary Companies (WOS) as on March 31, 2008 are as under :**

Name of the Subsidiary	Date of Incorporation	Country in which Incorporated
<b>Foreign Subsidiary:</b> Modern International (Asia) Limited - Hongkong	January 22, 2001 Date becoming WOS – 02.08.2004	Hong Kong
<b>Indian Subsidiary:</b> 1. Modern India Property Developers Ltd. [Formerly known as Webhosting & Solutions (India) Limited]	September 7, 2000	India
2. Modern India Realty & Infrastructures Ltd.	June 5, 2007	India
3. Indian Institute of Jewellery Limited	December 23, 2005	India

#### Subsidiary Monitoring Framework

All the Subsidiary Companies are Board managed with their Boards having the rights and obligations to manage such companies in the best interest of their stakeholders. As a majority Shareholder, the Company nominates Directors on

the Boards of Subsidiary Companies and monitors the performance of such Companies, inter alia, by the following means:

- a) All minutes of the meetings of subsidiary companies are placed before the Company's Board regularly;
- b) A statement containing all significant transactions and arrangements entered into by the unlisted Subsidiary Companies is placed before the Company's Board.

#### VIII DISCLOSURES

- a) All related party transactions have been entered into in the ordinary course of business and were placed periodically before the Audit Committee in summary form. There were no material individual transactions with related parties which were not in the normal course of business required to be placed before the Audit Committee and that may have potential conflict with the interest of the Company at large. All individual transactions with related parties of others were on an arm's length basis.
- b) All Accounting Standards mandatorily required have been followed in preparation of financial statements and no deviation has been made in following the same.
- c) Risk assessment and its minimization procedures have been laid down by the Company and the same have been informed to the Directors on the Board. These procedures are periodically reviewed to ensure that executive management controls risks through means of a properly defined framework.
- d) No money was raised by the Company through public issue, rights issue, preferential issues, etc. in the previous financial year and hence provisions contained in this behalf in Clause 49 of the Listing Agreement are not applicable for Compliance by the Company
- e)
  - i) All pecuniary relationship or transactions of the non-executive Directors vis-à-vis the Company have been disclosed in item IV of this report
  - ii) The Company has only one Managing Director on the Board whose appointment and remuneration has been fixed by the Board on the recommendation of the Remuneration Committee duly approved by the members. The remuneration paid was as follows:  
 Managing Director's Remuneration (in Rs.)
 

i) Salary	21,00,000
ii) Contribution to Provident Fund	2,52,000
iii) Perquisites	11,91,425
iv) Commission	1,88,108
- f) Management Discussion and Analysis forms part of the Annual Report to the shareholders and it includes discussion on matters as required under the provisions of clause 49 of the Listing Agreement with the Stock Exchange.
- g) There is no material financial and commercial transactions by Senior Management as defined in Clause 49 of the Listing Agreement where they have personal interest that may have a potential conflict with the interests of the Company at large requiring disclosure by them to the Board of Directors of the Company.
- h) No penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority on any matter related to Capital Markets during the last three years.

#### IX DISCLOSURE TO SHAREHOLDERS REGARDING APPOINTMENT OR RE-APPOINTMENT OF THE DIRECTORS

Mr. Rusi N. Sethna and Mrs. Gauri Jatia retire by rotation and being eligible offer themselves for re-appointment.

**Details of directors seeking re-appointment at the ensuing Annual General Meeting fixed on Wednesday, the 16<sup>th</sup> July, 2008.**

Name of Director	Mr. Rusi N. Sethna	Mrs. Gauri V. Jatia
Date of Birth	26.11.1932	03.01.1963
Date of Appointment	30.12.1994	13.08.2003
Expertise in specific functional areas	Solicitor	Management in Resources
Qualifications	B. A. , LL.B.	B.A.
List of other Directorships held excluding foreign companies, Companies under Section 25 of the Companies Act, 1956 & Private companies	The Great Eastern Shipping Co. Ltd. Pudumjee Pulp & Paper Mills Ltd. National Peroxide Ltd. Chalet Hotels Ltd.	Shree Rani Sati Investment & Finance Limited Sarat Leasing & Finance Ltd.

Chairman/Member of the committees of the Board of other Companies in which he/she is a Director	Chairman: Audit Committee - National Peroxide Ltd. Member: Audit Committee- The Great Eastern Shipping Co. Ltd., Member: Remuneration Committee - The Great Eastern Shipping Co. Ltd., Pudumjee Pulp & Paper Mills Ltd. and National Peroxide Ltd.	None
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#### X MEANS OF COMMUNICATION

- a) **Quarterly and Half Yearly Results:** Quarterly and Half Yearly results are published in 'Economic Times' and 'Maharashtra Times'.
- b) **News Release, Presentation, etc:** Official news releases, detailed presentations made to media, analysts, institutional investors, if any, are displayed on the Company's website [www.modernindia.co.in](http://www.modernindia.co.in).
- c) **Web-site:** The Company's website [www.modernindia.co.in](http://www.modernindia.co.in) contains a separate section on "Investor Relations" where shareholders information is available. Full Annual Report is also available on the website in a user friendly and downloadable form.
- d) **Annual Report:** Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to the members and others entitled thereto.
- e) **SEBI EDIFAR :** Annual Report, Quarterly Results, Shareholding Pattern, etc. of the Company are also posted on the SEBI EDIFAR website [www.sebidifar.nic.in](http://www.sebidifar.nic.in).

#### XI CODE OF BUSINESS CONDUCT AND ETHICS FOR DIRECTORS AND SENIOR MANAGEMENT

The Board at its meeting held on 31<sup>st</sup> January, 2006 adopted the Code of Business Conduct and Ethics for Directors and Senior Management ('the Code'). The Code is a comprehensive Code applicable to all Directors, Executive as well as Non-Executive and also to the members of Senior Management. The Code while laying down, in detail, the standards of business conduct, ethics and governance, centers on the following theme –

"The Company's Board of Directors and Senior Management are responsible for and are committed to setting the standards of conduct contained in the Code and for updating these standard, as appropriate, to ensure their continuing relevance, effectiveness and responsiveness to the needs of local and international investors and all other stakeholders as also to reflect corporate, legal and regulatory developments. The Code should be adhered to in letter and in spirit."

A copy of the Code has been put on the Company's website [www.modernindia.co.in](http://www.modernindia.co.in). The Code has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them.

A declaration signed by the Chairman & Managing Director has been given below:

I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Business Conduct and Ethics for Directors and Senior Management in respect of the financial year 2007-08.

Vijay Kumar Jatia

Chairman & Managing Director

#### XII GENERAL SHAREHOLDER INFORMATION

<b>AGM: Date, time and venue</b>	Wednesday, 16 <sup>th</sup> July, 2008 at 11.00 a.m. at the Registered Office of the Company at Modern Centre, Sane Guruji Marg, Mahalaxmi, Mumbai - 400 011.
<b>Financial Calendar (Tentative)</b>	Unaudited Financial Results for quarter ending 30 <sup>th</sup> June, 2008 On or before 31 <sup>st</sup> July, 2008 Unaudited Financial Results for quarter ending 30 <sup>th</sup> September, 2008 On or before 31 <sup>st</sup> October, 2008 Unaudited Financial Results for quarter ending 31 <sup>st</sup> December, 2008 On or before 31 <sup>st</sup> January, 2009



	Results for the year ending 31 <sup>st</sup> March, 2009
	Unaudited Financial Results – on or before 30 <sup>th</sup> April, 2009
	OR
	Audited Financial Results - on or before 30 <sup>th</sup> June, 2009
<b>Date of Book closure</b>	Tuesday, 8 <sup>th</sup> July, 2008 to Wednesday, 16 <sup>th</sup> July, 2008 (Both days inclusive), for payment of dividend and 74 <sup>th</sup> Annual General Meeting.
<b>Dividend Payment Date</b>	On or after 16.07.2008.
<b>Listing on Stock Exchanges</b>	The Bombay Stock Exchange Limited, Mumbai. The Company has paid the Listing Fees for the year 2008-09 to the Exchange.
<b>Stock Code</b>	BSE- 503015
<b>Demat ISIN No for NSDL &amp; CDSL</b>	INE251D01023
<b>Share Transfer Agents</b>	Satellite Corporate Services Pvt. Ltd. B-302, Sony Apartment, Off. Andheri-Kurla Road, Jarimari, Sakinaka, Mumbai 400 072 Tel. No. +91-22-28520461

**Share Transfer System:**

All the applications for transfer of shares in physical form are first processed by the Company's Share Transfer Agents M/s Satellite Corporate Services Pvt. Ltd. Thereafter the same are approved by the Managing Director under powers/ authorities granted to him. Thereafter the duly approved transfers are registered and the relevant certificates are returned to the Transferees within the stipulated period. The dematerialized shares are transferred/ transmitted through NSDL and CDSL, the Depositories.

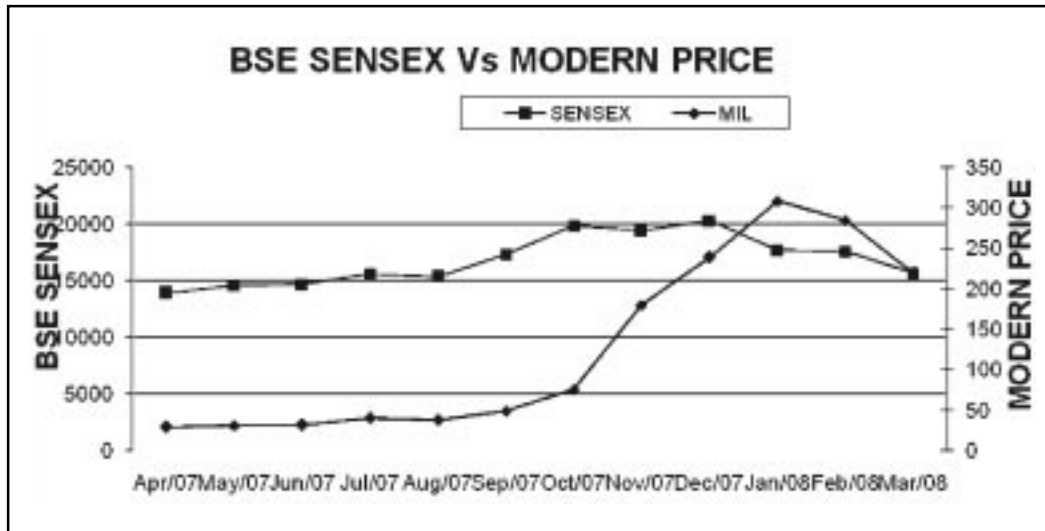
A summary of transfer/transmission of shares of the Company so approved by the Managing Director is placed at every Board Meeting. The Company obtains from a Company Secretary – in - Practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement with Stock Exchange and files a copy of the said certificate with the Stock Exchange.

**Stock Market Data :**

<b>Bombay Stock Exchange (BSE)</b> (in Rs. Per share)				
	Month's High Price		Month's Low Price	
	FV Rs.10/-	FV Rs.2/-	FV Rs10/-	FV Rs.2/-
April , 2007	143.85	28.77	125.50	25.10
May, 2007	156.00	31.20	123.00	24.60
June , 2007	158.40	31.68	111.45	22.29
July, 2007	203.25	40.65	136.50	27.30
August, 2007	189.20	37.84	148.30	29.66
September, 2007	243.30	48.66	174.00	34.80
October, 2007	378.25	75.65	205.00	41.00
November, 2007	898.30	179.66	397.15	79.43
December, 2007	1195.00	239.00	845.35	169.07
January, 2008	1541.90	308.38	219.20	43.84
February, 2008	1421.75	284.35	769.50	153.90
March, 2008	1099.00	219.80	774.50	154.90

Source: BSE website

The Company's equity shares of Rs.10/- each were sub-divided into 5 equity shares of Rs.2/- each with effect from 1<sup>st</sup> February, 2008. As such, the prices have been restated with face value of Rs.10/- and face value of Rs.2/- to make them comparable under two different face values.



The graphical presentation is based on the face value of Rs.2/- per equity share

**Distribution of shareholding as on 31<sup>st</sup> March, 2008**

**Shareholding Pattern by size**

Sr. No.	Shareholding of Nominal Value Rs.	Number of Shareholders	Percentage	Amount in Rs.	Amount in Percentage
1	Up to 2500	3,412	89.93	1927794	2.57
2	2501 to 5000	188	4.95	688364	0.92
3	5001 to 10000	104	2.74	692858	0.92
4	10001 to 20000	45	1.18	618216	0.82
5	20001 to 30000	8	0.21	202900	0.27
6	30001 to 40000	6	0.16	221760	0.30
7	40001 to 50000	1	0.03	49840	0.06
8	50001 to 100000	7	0.19	480720	0.64
9	100001 and above.	23	0.61	70203048	93.50
<b>TOTAL</b>		<b>3794</b>	<b>100.00</b>	<b>75085500</b>	<b>100.00</b>

**Share Ownership Pattern**

Category	No of Shares held	Percentage of Shareholding
A Promoters' holding		
a Indian Promoters	33369621	88.88
b Foreign Promoters	0	0
c Persons acting in concert	0	0
Sub-Total	33369621	88.88

B	Non-Promoters' Holding		
	Institutional Investors		
a	Mutual Funds and UTI	0	0
b	Banks, Financial Institutions, Insurance Companies	806225	2.15
c	FIs	0	0
	Sub-Total	806225	2.15
C	Others		
a	Private Corporate Bodies	655093	1.74
b	Indian Public	2426626	6.47
c	NRIs/OCBs	285185	0.76
D	Any other (Foreign nationals)	0	0
	Sub-Total	0	0
	Grand Total	37542750	100.00

#### Minimum Public Shareholding

The Company had received a letter from The Bombay Stock Exchange Limited inviting attention of the Company to its circular no: SEBI/CFD/DIL/LA/2006/13/4 dated April 13, 2007 to comply with the Clause 40A of the Listing Agreement whereby Listed Company (like ours) is required to maintain minimum Public Shareholding not less than 25% of the total number of issued Shares. The Promoters could dilute their holding to 88.88% till 31<sup>st</sup> March, 2008 and to 87.38% till the date of this Report from the then 89.60% as on 31<sup>st</sup> March, 2007.

The Promoters would continue to dilute their holding up to 75% of the total equity capital.

#### Dematerialization of shares and liquidity:

As on 31.03.2008, 35281955 Equity Shares of the Company had been dematerialized, which represent 93.98% of the Paid up Capital of the Company.

#### Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity.

There are no GDRs/ ADRs / Warrants or any Convertible instruments outstanding as on 31<sup>st</sup> March 2008.

#### Address for correspondence:

##### Registered Office:

Modern Centre, Sane Guruji Marg,  
Mahalaxmi, Mumbai 400011  
Ph. Nos.66624181-86  
Fax Nos.23075787/23004230

##### Share Transfer Agents:

Satellite Corporate Services Pvt. Ltd.  
B-302, Sony Apartment, Jarimari, Sakinaka,  
Mumbai 400 072  
Ph. Nos.28520462

#### Other Information

##### (a) CEO/CFO Certification:

Pursuant to the provisions of Sub-clause V of the revised Clause 49 of the Listing Agreement with the Stock Exchange, the Managing Director (CEO) and the Financial Controller (CFO) have issued a certificate to the Board of Directors, for the year ended 31<sup>st</sup> March, 2008.

##### (b) Risk Management framework:

The Company has laid down the broad framework of risk identification, assessment, mitigation and review.

##### (c) Code of Conduct:

The Company has laid down a code of conduct for all the Board Members and Senior Management Personnel of the Company.

Declaration by the Managing Director under Clause 49 of the Listing Agreement regarding compliance with the Code of Conduct :

*In accordance with Clause 49 I (D) of the Listing Agreement with the Stock Exchange, I hereby confirm that all the Directors on the Board and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct for the year ended 31<sup>st</sup> March, 2008.*

#### XIV COMPLIANCE CERTIFICATE

Compliance Certificate for Corporate Governance from Auditors of the Company is given as Annexure to this Report.

## AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,  
The Shareholders,  
**Modern India Limited.**

We have examined the compliance of conditions of Corporate Governance by **Modern India Limited** for the year ended 31<sup>st</sup> March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

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

For K.S.Aiyar & Co.  
Chartered Accountants

Place: Mumbai  
Date: 4<sup>th</sup> June, 2008

Raghuvir M. Aiyar  
Partner  
(M. No. 38128)



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## AUDITOR'S REPORT

To the Members of  
**Modern India Ltd.**

1. We have audited the attached Balance Sheet of Modern India Ltd, as at 31<sup>st</sup> March, 2008, and also 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.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, 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.
4. Further to our comments in the Annexure referred to in paragraph 3 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 written representations received from the directors, as on 31<sup>st</sup> March, 2008 and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31<sup>st</sup> March, 2008 from being appointed as a director, in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Note No. 12 of Schedule 18 relating to investments in and loan given to subsidiary / joint venture, whose net worth has substantially eroded, 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 31<sup>st</sup> March, 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 the Cash Flow Statement, of the cash flows for the year ended on that date.

For K.S.Aiyar & Co.  
Chartered Accountants

Raghuvir M. Aiyar  
Partner  
(M. No. 38128)

Place: Mumbai  
Date: 4<sup>th</sup> June, 2008

## Annexure to Auditors' Report

(Referred to in paragraph 4 of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) A substantial portion of the fixed assets have been physically verified by the management during the year. In our opinion the frequency of verification is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanation given to us, we are of the opinion that the disposals of the fixed assets made during the year were not substantial so as to affect the going concern status of the company.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) In our opinion and according to the explanations given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and properly dealt with in the books of account.
- (iii) (a) The Company has granted unsecured loans / inter corporate deposits to parties covered in the Register maintained under Section 301 of the Companies Act, 1956, details of which are as under:

Rs. in lakhs

Number of Parties	Amount Involved	Year end balance
One	498.00	168

- (b) According to the information and explanation given to us, we are of the opinion that the rate of interest and other terms and conditions of unsecured loans given by the company are not prima facie prejudicial to the interest of the company.
- (c) According to the information and explanation given to us, parties are repaying the principal amounts as stipulated and have also been regular in the payment of interest where applicable.
- (d) According to the information and explanation given to us, we are of the opinion that there are no overdue amounts more than one lakh rupees in case of principal and interest.
- (e) The Company has taken unsecured loan from parties covered in the Register maintained under Section 301 of the Companies Act, 1956, details of which are as under:

Rs. in lakhs

Number of Parties	Amount Involved	Year end balance
Two	360.25	16.00

- (f) Based on the information and explanation given to us, we are of the opinion that the rate of interest and other terms and conditions of loans taken from such parties are not prima facie prejudicial to the interest of the company.
- (g) According to the information and explanation given to us, repayment of the principal and interest has been regularly made as stipulated.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weaknesses have been noticed in the internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that all the transactions that need to be entered in the register maintained in pursuance of section 301 of the Companies Act, 1956 have been so entered.
- (b) According to the information and explanations given to us, we are of the opinion that these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public to which the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 apply. No order has been passed by the Company Law Board, National Law Tribunal or Reserve Bank of India or any other court or any other tribunal.

- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) Rules made by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 are not applicable to the activities of the company.
- (ix) (a) According to the records of the Company, the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise-duty, cess and other statutory dues applicable to it. Based on our audit procedures and according to the information and explanations given to us, there are no arrears of undisputed statutory dues which remained outstanding as at 31st March, 2008 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and records of the Company, there are no dues of sales tax, income-tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company does not have any accumulated losses at the end of the financial year. The company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution and banks. The company does not have any outstanding debentures.
- (xii) Based on our examination of documents and records, we are of the opinion that the company has maintained adequate records where the company has granted loans and advances on the basis of security by way of pledge of shares and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Order are not applicable to the company.
- (xiv) In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) are not applicable to the Company.
- (xv) The company has given a corporate guarantee for loans taken by foreign subsidiary from the bank. However, the terms and conditions thereof are not prejudicial to the interest of the company.
- (xvi) The term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies during the year covered in the Register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the financial year and therefore the question of creating security in respect thereof does not arise.
- (xx) The Company has not raised money by public issue during the year.
- (xxi) Based on the audit procedures performed and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For K.S.Aiyar & Co.  
Chartered Accountants

Raghuvir M. Aiyar  
Partner  
(M. No. 38128)

Place: Mumbai  
Date: 4<sup>th</sup> June, 2008



## BALANCE SHEET AS AT 31ST MARCH 2008

	SCHEDULES	As at 31st March, 2008 (Rs.)	As at 31st March, 2007 (Rs.)
<b>SOURCES OF FUNDS :</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	75085930	75085930
Reserves & Surplus	2	<u>279543129</u>	<u>246376150</u>
		<b>354629059</b>	<b>321462080</b>
<b>Loan Funds</b>			
Secured Loans	3	633390511	175960706
Unsecured Loans	4	189721944	161756364
<b>Deferred Tax Liability</b>		<b>9901863</b>	<b>(1797783)</b>
	<b>TOTAL</b>	<b><u>1187643377</u></b>	<b><u>657381367</u></b>
<b>APPLICATION OF FUNDS :</b>			
<b>Fixed Assets</b>			
Gross Block	5	259948197	256678008
Less: Depreciation		<u>92219251</u>	<u>82075400</u>
Net Block		167728946	174602608
Capital work-in-progress		<u>795682</u>	<u>                    </u>
		<b>168524628</b>	<b>174602608</b>
<b>Investments</b>	6	<b>88777278</b>	<b>65475854</b>
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	136839136	134035245
Sundry Debtors	8	306159464	10845944
Cash & Bank Balances	9	4868724	2657984
Loans and Advances	10	665146577	319762458
		<u>1113013901</u>	<u>467301631</u>
<b>Less: Current Liabilities &amp; Provisions</b>			
Current Liabilities	11	151721177	30624077
Provisions	12	30951253	23740011
		<u>182672430</u>	<u>54364088</u>
<b>Net Current Assets</b>		<b>930341471</b>	<b>412937543</b>
<b>Miscellaneous expenditure - (Note No. 2)</b> (To the extent not Written off or adjusted)		-	4365362
	<b>TOTAL</b>	<b><u>1187643377</u></b>	<b><u>657381367</u></b>
<b>Notes to the Accounts</b>	18		

As per our report attached  
For **K. S. Aiyar & Company**  
Chartered Accountants

**Raghuvir M. Aiyar**  
Partner

**Ajit P. Walwaikar**  
G.M. (Legal) & Company Secretary

**N. K. Deora**  
Financial Controller

Mumbai : 4<sup>th</sup> June, 2008

For and on behalf of the Board of Directors  
**V. K. Jatia**  
Chairman & Managing Director

**R. Sethna**  
**A. Didwania**  
**R. R. Doshi**  
**J. F. Pochkhanawalla**  
**Gauri Jatia**  
**P. K. Bubna** } Directors

Mumbai : 4<sup>th</sup> June, 2008



## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

	SCHEDULES	Year Ended 31st March, 2008 (Rs.)	Year Ended 31st March, 2007 (Rs.)
<b>INCOME :</b>			
Income from Operations	13	1600523817	569314286
Other Income	14	44534616	37538159
Increase /(Decrease) in Stock	15	2803891	205739
	<b>TOTAL</b>	<b>1647862324</b>	<b>607058184</b>
<b>EXPENDITURE :</b>			
Purchase of Goods for Resale		1487792071	484326630
Real Estate Business Purchases		13510800	-
Administrative & Other Expenses	16	58950887	58707714
Finance Charges	17	3425740	12144412
Depreciation		10512445	10654912
		<b>1574191943</b>	<b>565833668</b>
<b>Profit for the year before Taxation &amp; Exceptional Items</b>		<b>73670381</b>	<b>41224516</b>
<b>Exceptional Item:</b>			
<b>Pre - Tax gain on transfer of Discontinued Operations</b>		-	14265834
<b>Profit before Taxes</b>		<b>73670381</b>	<b>55490350</b>
<b>Provision for Taxation</b>			
Current Income Tax		8229000	6104000
Less: Minimum Alternate Tax Credit Entitlement (Note:1- I)		<u>1237000</u>	<u>6104000</u>
		<b>6992000</b>	-
Wealth Tax		569000	564000
Fringe Benefit Tax		<u>325000</u>	<u>424000</u>
Deferred Tax		<b>11699646</b>	<u>9090818</u>
<b>Profit for the Year after Tax</b>		<b>54084735</b>	<b>45411532</b>
<b>Tax Provision in respect of earlier year(net)</b>		-	<u>2644150</u>
		<b>54084735</b>	<b>42767382</b>
Balance Brought Forward		219574884	213027522
Less: Transferred to Capital Reserve		-	<u>24609466</u>
		<b>219574884</b>	<b>188418056</b>
<b>Amount Available for Appropriations</b>		<b>273659619</b>	<b>231185438</b>
<b>Appropriations:</b>			
(1) Interim Dividend Paid		7508550	-
(2) Final Dividend Proposed		7508550	9010260
(3) Tax on Distributed Profits		2552156	1531294
(4) General Reserve		<u>4056000</u>	<u>1069000</u>
Balance carried to Balance Sheet		<b>252034363</b>	<b>219574884</b>
<b>EARNINGS PER SHARE - Before Exceptional Items (Face Value Rs.2)</b>		<b>1.44</b>	<b>0.76</b>
<b>EARNINGS PER SHARE - BASIC &amp; DILUTED (Face Value Rs.2)</b>		<b>1.44</b>	<b>1.14</b>
<b>Notes to the Accounts</b>	18		

As per our report attached  
**For K. S. Aiyar & Company**  
 Chartered Accountants

**Raghuvir M. Aiyar**  
 Partner

**Ajit P. Walwaikar**  
 G.M. (Legal) & Company Secretary

**N. K. Deora**  
 Financial Controller

**Mumbai : 4<sup>th</sup> June, 2008**

For and on behalf of the Board of Directors  
**V. K. Jatia**  
 Chairman & Managing Director

**R. Sethna**  
**A. Didwania**  
**R. R. Doshi**  
**J. F. Pochkhanawalla**  
**Gauri Jatia**  
**P. K. Bubna**

} Directors

**Mumbai : 4<sup>th</sup> June, 2008**

## SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2008 (Rs.)	As at 31st March, 2007 (Rs.)
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL :</b>		
<b>AUTHORISED :</b>		
9,95,00,000	Equity shares of Rs. 2/- each. (Previous Year 99,00,000/- Equity Shares of Rs. 10/- each)	199000000
	10,000 Preference shares of Rs.100/- each.	99000000
	<u>1000000</u>	<u>1000000</u>
	<u>200000000</u>	<u>100000000</u>
<b>ISSUED :</b>		
3,75,47,000	Equity shares of Rs. 2/- each. (Previous Year 75,09,400 Equity shares of Rs. 10/- each).	75094000
<b>SUBSCRIBED AND PAID UP :</b>		
3,75,42,750	Equity shares of Rs. 2/- each fully paid up. (Previous Year 75,08,550 Equity shares of Rs. 10/- each. fully paid up	75085500
	Add: Forfeited Equity Shares [Amount Paid - up]	430
	<b>TOTAL</b>	<b>75085930</b>
	<u>75085930</u>	<u>75085930</u>
<b>Notes:</b>		
1 During the Year ended 31.03.2008, one Equity Share of Rs. 10/- each was sub-divided into 5 Equity Shares of Rs. 2/- each.		
2 Out of the above Subscribed and Paid up Equity Shares:		
(i) 3,12,500 Equity Shares of Rs. 2/- each have been allotted as fully paid-up for consideration other than cash pursuant to a contract.		
(ii) 14,38,025 Equity Shares of Rs. 2/- each have been allotted as fully paid-up by way of Bonus Shares by capitalization of Securities Premium Account and General Reserve.		
(iii) 17,83,125 Equity Shares of Rs. 2/- each fully paid up have been allotted pursuant to the scheme of Amalgamation of Sundatta Foods & Fibres Limited with the Company.		
<b>SCHEDULE - 2</b>		
<b>RESERVES AND SURPLUS :</b>		
<b>Capital Redemption Reserve</b>		
As per last Balance Sheet	891050	891050
<b>Capital Reserve</b>		
As per last Balance Sheet	24609466	-
Amount Transferred during the year	-	24609466
	24609466	24609466
<b>General Reserve</b>		
As per last Balance Sheet	1620000	551000
Amount Transferred during the year	4056000	1069000
	5676000	1620000
<b>Foreign Currency Translation Reserve</b>		
As per last Balance Sheet	(319250)	745250
Add/(less): Amount debited during the Year	(3348500)	(1064500)
	(3667750)	(319250)
<b>Profit &amp; Loss Account</b>	<u>252034363</u>	<u>219574884</u>
<b>TOTAL</b>	<u>279543129</u>	<u>227095720</u>
<b>SCHEDULE - 3</b>		
<b>SECURED LOANS: (Note No. 4)</b>		
<b>From Banks:</b>		
Term Loan	330447634	106064479
Working Capital Borrowings	298621082	66017968
Car Finance Loans	2316694	3878259
	631385410	195585694
From Others	2005101	-
(Amounts due within one Year Rs. 4,15,06,220/-, Previous Year Rs.6,76,24,980/-)	<u>633390511</u>	<u>175960706</u>



As at  
31st March, 2008 31st March, 2007  
(Rs.) (Rs.) (Rs.)

**SCHEDULE - 4**

**UNSECURED LOANS :**

(1) Deposits	178021944	124856364
(2) Loans from Limited Companies	11700000	36900000
<b>TOTAL</b>	<b>189721944</b>	<b>161756364</b>

**SCHEDULE - 5**  
**FIXED ASSETS**

DESCRIPTION	GROSS BLOCK - AT COST				DEPRECIATION				NET BLOCK	
	As at 01.04.2007	Additions	Deductions	As at 31.03.2008	Upto 31.3.2007	For the Year	Deductions	Upto 31.03.2008	As at 31.03.2008	As at 31.3.2007
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
LAND - FREEHOLD	230114	-	-	230114	-	-	-	-	230114	230114
LAND - LEASEHOLD	7347322	-	-	7347322	-	-	-	-	7347322	7347322
BUILDINGS	181592400	-	-	181592400	43830017	5147623	-	48977640	132614760	137762383
PLANT & MACHINERY	41317279	3285265	-	44602544	25836286	2541561	-	28377847	16224697	15480993
FURNITURE & FITTINGS	20819892	504333	122000	21202225	11414888	1711390	83247	13043031	8159194	9405004
VEHICLES	5371001	-	397409	4973592	994209	1111871	285347	1820733	3152859	4376792
<b>TOTAL</b>	<b>256678008</b>	<b>3789598</b>	<b>519409</b>	<b>259948197</b>	<b>82075400</b>	<b>10512445</b>	<b>368594</b>	<b>92219251</b>	<b>167728946</b>	<b>174602608</b>
PREVIOUS YEAR	237435463	21726628	2484083	256678008	72555496	10654913	1135009	82075400	174602608	

As at  
31st March, 2008 31st March, 2007  
(Rs.) (Rs.) (Rs.)

**SCHEDULE - 6**

**INVESTMENTS : Other Investments**

**A. LONG TERM : At Cost (Unquoted)**

**a. In Subsidiary Companies - Fully Paid Up**

(i) 20 Equity Shares of Rs. 10/- each in Modern India Property Developers Ltd. (Formerly Known as Webhosting & Solutions (India) Ltd. (Previous Year 20 Equity Shares of Rs. 10/- each).	200	200
(ii) 15,000 Non Cumulative Redeemable Preference Shares of Rs. 100/- each in Modern India Property Developers Ltd. (Formerly Known as Webhosting & Solutions (India) Ltd.) (Previous Year 15,000 Non-Cumulative Redeemable Preference Shares of Rs. 100/- each)	1500000	1500000
	1500200	1500200
Less : Provision for Diminution in Value	(1275000)	(1275000)
	225200	225200
(iii) 27,79,000 Equity Shares of Modern International (Asia) Limited of HKD 1 each.(Previous Year 27,79,000 Equity Shares of HKD 1each)	15947100	15947100



MODERN INDIA LTD

	As at 31st March, 2008 (Rs.)	As at 31st March, 2007 (Rs.)
(iv) 30,00,000 Equity Shares of Indian Institute of Jewellery Ltd. of Rs. 10/- each.(Previous Year 25,50,000 Equity Shares of Rs. 10/- each)	30000000	25500000
(v) 50,000 Equity Shares of Modern India Realty & Infrastructure Ltd. of Rs. 10/- each. (Previous Year Nil)	500000	-
<b>b. In Subsidiary Company - Partly Paid Up</b>		
1,48,49,980 Equity Shares of Rs. 10/- each in Modern India Property Developers Ltd, Rs. 2/- Paid up. (Previous Year Nil)	29699960	-
<b>c. Others - Fully Paid Up:</b>		
(i) 3,50,000 Equity Shares of Modern Derivatives & Commodities Private Limited of Rs. 10/- each. (Formerly known as Modern Comdex Private Limited) (Previous Year 3,00,000 Equity Shares of Rs. 10/- each)	3500000	3000000
(ii) 4,25,000 Equity Shares of Modali Gems Private Ltd. of Rs. 10/- each.(Formerly known as Modali Distributors Pvt. Ltd.) (Previous Year 3,25,000 Equity Shares of Rs. 10/- each)	4250000	3250000
(iii) Nil Equity Shares of Modali Jewels Private Ltd. of Rs. 10/- each. (Previous year 3,25,000 Equity Shares of Rs. 10/- each)-Note No. 23D(ii)	-	3250000
<b>TOTAL</b>	<b>84122260</b>	<b>51172300</b>

**B. LONG TERM : At Cost (Quoted)**

IN FULLY PAID EQUITY SHARES (of Rs. 10/- each, unless otherwise specified):

	No. of Shares As at 31.03.2008	No. of Shares As at 31.03.2007	As at 31.03.2008 (Rs.)	As at 31.03.2007 (Rs.)
Asian Hotels Limited	-	750	-	450939
Aventis Pharma Ltd.	-	183	-	315106
Bharati Tele Ltd.	-	1163	-	471739
Birla Corporation Ltd.	-	1955	-	569841
Britannia Industries Ltd.	-	200	-	350712
Gammon India Limited	-	1200	-	637535
Hero Honda Ltd. of Rs. 2/- each.	-	955	-	772294
HDFC Limited	-	300	-	316328
Infosys Limited	-	310	-	418282
MRF Ltd.	-	4	-	12776
Pfizer Ltd.	-	145	-	167899
State Bank of India.	-	562	-	521476
Siyaram Silk Mills Ltd	14582	14582	4155018	4155018
L & T Ltd.	-	449	-	635977
LT Overseas Ltd	-	11482	-	642992
Parsvnath Developers Ltd	-	1300	-	654218
Reliance Petroleum Limited	-	20000	-	1621289
Motor Industries Co Ltd	-	195	-	689614
			<b>4155018</b>	<b>13404035</b>

**Unquoted:**

IN UNITS OF MUTUAL FUNDS- DIVIDEND PLAN: Of Rs. 10/- each

HDFC Long Term Equity Fund	50000 Units	50000 Units	500000	500000
			<b>500000</b>	<b>500000</b>
Total of Long Term investments			<b>88777278</b>	<b>65076335</b>



	<b>As at</b>	<b>As at</b>
<b>31st March, 2008</b>	<b>31st March, 2007</b>	<b>31st March, 2007</b>
<b>(Rs.)</b>	<b>(Rs.)</b>	<b>(Rs.)</b>

**C. CURRENT INVESTMENTS: At Lower of Cost and Fair Value**

(i) **QUOTED :**

IN FULLY PAID EQUITY SHARES OF RS. 10/- EACH:

	<b>No. of Shares</b>	No. of Shares		
	<b>As At</b>	As At		
	<b>31.03.2008</b>	31.03.2007		
Bharati Tele Ltd.	-	37	-	8117
Glaxo Smithkline Pharma Ltd.	-	244	-	196916
Lloyds Steel Ind Ltd.	-	15000	-	194486
<b>Total of Current Investments</b>			-	<u>399519</u>
<b>Total of Investments</b>	<b>TOTAL</b>		<b>88777278</b>	<b>65475854</b>
Aggregate of Quoted Investments			<b>4155018</b>	13803554
Aggregate of Unquoted Investments			<b>84622260</b>	<u>51672300</u>
			<b>88777278</b>	<u>65475854</u>
Market Value of Quoted Investments			<b>1407163</b>	<u>11342673</u>

**SCHEDULE - 7**

**INVENTORIES :**

(As Certified by the management)

Trading Goods - At the lower of Cost and Net Realisable Value	<b>3832313</b>	3300188
<u>Real Estate Business:</u>		
(a) Land and Structures - At Book Value	<b>41522447</b>	41522447
(b) Unsold Flats - At the lower of Cost and Net Realisable Value	<u>91484376</u>	<u>89212610</u>
	<b>133006823</b>	130735057
<b>TOTAL</b>	<u><b>136839136</b></u>	<u>134035245</u>

**SCHEDULE - 8**

**SUNDRY DEBTORS (Unsecured) :**

Debts Outstanding for a period exceeding Six months

Considered Good	-	528110
Considered Doubtful	<u>2065539</u>	<u>2065539</u>
	<b>2065539</b>	2593649
Other Debts		
Considered Good	<b>306159464</b>	<u>10317834</u>
	<b>308225003</b>	12911483
Less: Provision for Doubtful Debts	<u>2065539</u>	<u>2065539</u>
<b>TOTAL</b>	<u><b>306159464</b></u>	<u>10845944</u>



MODERN INDIA LTD

	As at 31st March, 2008 (Rs.)	As at 31st March, 2007 (Rs.)
<b>SCHEDULE - 9</b>		
<b>CASH AND BANK BALANCES :</b>		
Cash on hand	668330	4061
Balances with Scheduled Banks		
In Current Accounts	4200394	2426092
In Deposit Accounts	-	227831
	<u>4200394</u>	<u>2653923</u>
<b>TOTAL</b>	<u><b>4868724</b></u>	<u><b>2657984</b></u>
<b>SCHEDULE - 10</b>		
<b>LOANS AND ADVANCES :</b>		
(Unsecured Considered Good)		
Advances Recoverable in Cash or in kind or for value to be received	113401118	186192433
Loans to Limited Company	16200000	35500000
Loans to Subsidiary Companies - Note No. 15	458176058	62845750
Minimum Alternate Tax Credit Entitlement Note: 1- I)	8435000	7279000
Income Tax payments including Tax Deducted at Source	63528368	22995697
Balance with Central Excise in Current Account	152	152
Sundry Deposits	5405881	4949426
	<u>665146577</u>	<u>319762458</u>
<b>TOTAL</b>	<u><b>665146577</b></u>	<u><b>319762458</b></u>
<b>SCHEDULE - 11</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	138195855	8366808
Advances Received	2326677	20808356
Interest Accrued but not due on Loans	7423688	132596
Investors Education and Protection Fund (Refer Note Below)		
- Unclaimed Dividend	1513205	1204905
Other Liabilities	2261752	111412
	<u>151721177</u>	<u>30624077</u>
<b>TOTAL</b>	<u><b>151721177</b></u>	<u><b>30624077</b></u>
<b>SCHEDULE - 12</b>		
<b>PROVISIONS</b>		
Proposed Dividend	7508550	9010260
Tax on Distributed Profits	1276078	1531294
For Taxation	20456625	11976457
For Retirement Benefits	1710000	1222000
	<u>30951253</u>	<u>23740011</u>
<b>TOTAL</b>	<u><b>30951253</b></u>	<u><b>23740011</b></u>

Note: There is no amount due and outstanding as at Balance Sheet date to be credited to Investors Education and Protection Fund.

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

	(Rs.)	Year Ended 31st March, 2008 (Rs.)	Year Ended 31st March, 2007 (Rs.)
<b>SCHEDULE - 13</b>			
<b>INCOME FROM OPERATIONS</b>			
<b>SALES:</b>			
(i) Traded Goods			
- Export Sales	-		455324315
- Local Sales	<u>1511865605</u>	<u>1511865605</u>	49634944
(ii) Real Estate Business		<u>17820000</u>	-
		<u>1529685605</u>	504959259
Income from Business Centre		<u>57226491</u>	56502283
[Tax Deducted at source Rs. 1,34,96,750/- (Previous Year Rs. NIL)]			
Share of Profit from Joint Venture		<u>9656721</u>	3487357
Income from Real Estate Business [Tax Deducted at Source Rs. 5,36,272/- (Previous Year Rs. 10,07,510/-)]		<u>3955000</u>	4365387
<b>TOTAL</b>		<u><u>1600523817</u></u>	<u><u>569314286</u></u>
<b>SCHEDULE - 14</b>			
<b>OTHER INCOME</b>			
Rent [Tax Deducted at source Rs. 1,09,86,190/- (Previous Year Rs.1,26,60,656/-)]		<u>34181423</u>	35195240
Miscellaneous Income		<u>5519325</u>	2082395
[Tax Deducted at source Rs. 2,849/- (Previous Year Rs.8,396/-)]			
Dividend on Investments (Note No. 11)		<u>145806</u>	429434
Profit on Sale of Current Investments		<u>391537</u>	(158293)
Profit on Sale of Fixed Assets (Net)		<u>43496</u>	(28859)
Profit in Commodities Business		<u>4253029</u>	-
Excess Provision Written Back		-	18242
<b>TOTAL</b>		<u><u>44534616</u></u>	<u><u>37538159</u></u>
<b>SCHEDULE - 15</b>			
<b>INCREASE / (DECREASE) IN STOCK :</b>			
<b>Opening Stock</b>			
Trading Goods		<u>3300188</u>	3094449
<b>Real Estate Business:</b>			
(a) Land and Structures	<u>41522447</u>		41522447
(b) Unsold Flats	<u>89212610</u>		89212610
		<u>130735057</u>	130735057
		<u>134035245</u>	133829506
<b>Closing Stock</b>			
Trading Goods		<u>3832313</u>	3300188
<b>Real Estate Business:</b>			
(a) Land and Structures	<u>41522447</u>		41522447
(b) Unsold Flats	<u>91484376</u>		89212610
		<u>133006823</u>	130735057
		<u>136839136</u>	134035245
Increase / (Decrease) in Stock	<b>TOTAL</b>	<u><u>2803891</u></u>	<u><u>205739</u></u>



MODERN INDIA LTD

	Year Ended 31st March, 2008 (Rs.)	Year Ended 31st March, 2007 (Rs.)
<b>SCHEDULE - 16</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES :</b>		
Power & Fuel	964891	632313
Water Charges	177957	479648
Repairs to:		
Machinery	455710	354046
Buildings	14900	4224538
Others	144876	494309
	<u>615486</u>	<u>5072893</u>
Payment to and Provision for Employees		
Salaries and Wages	10058463	7324256
Contribution to Provident and Other Funds	902522	672962
Gratuities	326269	409000
Voluntary Retirement Compensation - (Note No. 2)	4365362	4365358
Welfare Expenses	630592	401551
	<u>16283208</u>	<u>13173127</u>
Travelling & Conveyance	2639295	4195919
Legal and Professional Charges	4597318	5365087
Donation	195500	51000
Real Estate Business Expenses	4003854	2370116
Directors Sitting Fees	200000	182000
Rent	24858	55821
Rates and Taxes	15292253	12483481
Insurance	6440835	6398963
Provision for Doubtful Debts	-	386387
Loss / (Profit) on Sale of Long Term Investments (Net)	1351814	(97999)
Auditors' Remuneration:		
- Audit Fees	175000	196420
- Tax Audit Fees	25000	28060
- In Other Capacity & out of pocket expenses	145133	116187
	<u>345133</u>	<u>340667</u>
Brokerage	-	1495880
Miscellaneous Expenses	5818485	6122411
<b>TOTAL</b>	<u><u>58950887</u></u>	<u><u>58707714</u></u>
<b>SCHEDULE - 17</b>		
<b>FINANCE CHARGES:</b>		
(i) Interest on Fixed Loans	16998156	7700080
(ii) Other Interest & Financial Expenses	54556985	9017146
	<u>71555141</u>	<u>16717226</u>
Less: Interest - Gross (Note No. 6)		
[Tax Deducted at source Rs. 1,54,18,362/- (Previous Year Rs.8,07,177/-)]	<u>68129401</u>	<u>4572814</u>
<b>TOTAL</b>	<u><u>3425740</u></u>	<u><u>12144412</u></u>

**SCHEDULE 18**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**1 SIGNIFICANT ACCOUNTING POLICIES:**

**(A) BASIS OF PREPARATION OF FINANCIAL STATEMENTS:**

- (i) The Financial Statements are prepared under the Historical Cost Convention on accrual basis.
- (ii) The Financial Statements have been prepared to comply in all material respects with the Mandatory Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of The Companies Act, 1956.

**(B) FIXED ASSETS:**

Fixed Assets are stated at cost of acquisition including expenses relating to acquisition, erection, construction, and interest upto the date of installation / completion of construction of the assets less accumulated depreciation.

**(C) DEPRECIATION:**

- (1) Depreciation is provided at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 as under:

- (i) on Plant and Machinery acquired upto March 31, 1996 on Straight Line Method.
- (ii) on Plant and Machinery acquired on or after April 1, 1996 on Written Down Value Method.
- (iii) on Residential Flats on Straight Line Method.
- (iv) on other assets on Written Down Value Method.

- (2) The value of Leasehold Land is being retained at Cost as the possession is not yet received.

**(D) INVESTMENTS:**

Current Investments are stated at Lower of Cost and Fair Value. Long Term Investments are stated at Cost after deducting provision for diminution in value other than temporary.

**(E) INVENTORIES are valued as under:**

- (i) Trading Goods : At the lower of Cost and Net Realizable Value

Cost is arrived at on FIFO basis and includes costs incurred in bringing the inventories to their present location and condition.

- (ii) Real Estate Business:

- (a) Land and Structures : At Book Value
- (b) Flats Unsold : At the lower of Cost and Net Realizable Value

**(F) INCOME FROM OPERATIONS:**

- (i) Sales of flats are accounted at contracted rate on handing over the possession. Sales of Traded Goods are recognized when goods are supplied and are recorded net of VAT.
- (ii) Income other than Sales is recognized, wherever applicable, in terms of agreements with concerned parties.

**(G) EMPLOYEE RETIREMENT BENEFITS:**

- (i) **Defined Contribution Plan:**

Company's Contribution paid / payable during the year to Provident Fund is charged to Profit & Loss Account as and when incurred.

- (ii) **Defined Benefit Plan:**

Retirement Benefit in the form of Gratuity is considered as Defined Benefit Obligation and is provided on the basis of Actuarial Valuation using the Projected Unit Credit Method as at the date of Balance Sheet.

- (iii) **Other Long Term Benefits:**

Leave Encashment is provided on the basis of Actuarial Valuation using the Projected Unit Credit Method as at the date of the Balance Sheet.

Actuarial Gain / Losses are immediately recognized in the Profit and Loss Account.

**(H) FOREIGN EXCHANGE TRANSACTIONS:**

Transactions in Foreign Currency are recorded at the exchange rate prevailing on the date of the transaction. Exchange differences on monetary items are recognized in the Profit and Loss Account during the year in which they arise. Balances at the year end are accounted for as under.

- (i) Investments in Shares of Foreign Subsidiary Company incorporated outside India are expressed in Indian Currency at the rates of exchange prevailing at the time when the original Investments were made.
- (ii) Exchange difference in respect of Loan to Subsidiary Company incorporated outside India being a Non - Integral Foreign Operation has been accumulated in Foreign Currency Translation Reserve.

**(I) TAXATION:**

- (a) Provision for current Income Tax for the year has been made under Minimum Alternate Tax (MAT) as per Provisions of Section 115JB of the Income Tax Act, 1961. In accordance with the Guidance Note on Accounting for Credit available in respect of MAT under the Income Tax Act, 1961 issued by the Institute of Chartered Accountants of India, the Company has recognized MAT Credit eligible as an asset under the head 'Loans and Advances'. MAT Credit eligible for the year has been credited to the Profit and Loss Account under 'Provisions for Taxation'.
- (b) Provision for Wealth Tax and Fringe Benefits Tax has been made on Tax Payable Method on the basis of estimated Tax Liability as per the applicable provisions of Tax Laws.
- (c) Deferred Tax is recognized subject to the consideration of prudence, on timing differences, being the difference between taxable profits and book profits that originate in one year and are capable of reversal in one or more subsequent years, using the tax rates and laws that have been enacted or substantially enacted as of the Balance Sheet date. Deferred Tax Assets are recognized to the extent there is virtual certainty that these assets can be realized in future.

**(J) MISCELLANEOUS EXPENDITURE:**

Compensation to employees under Voluntary Retirement Scheme is amortized over a period of 5 years

**(K) SEGMENT REPORTING:**

- (a) 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 "Unallocable Corporate".
- (b) There are no inter - segment revenues hence the basis of their measurement does not arise.

**(L) PROVISIONS:**

A Provision is recognized when there is a present obligation as a result of a past event if it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimates can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the year end date. These are reviewed at each year end date and adjusted to reflect the best current estimate.

- 2 Compensation of Rs. 2,18,26,794/- to employees who retired during the year ended March 31, 2004 under Voluntary Retirement Scheme is being amortized over a period of 5 years. Accordingly, 1/5th of this sum being the balance amount has been debited to the Profit and Loss Account of this year.
- 3 Contingent Liabilities not provided for:

	<b>Current Year (Rs.)</b>	<b>Previous Year (Rs.)</b>
(i) Claims against the Company not Acknowledged as debts.	<b>250000</b>	492023
(ii) Uncalled Liability on Partly Paid Shares held as Investments	<b>118799840</b>	-
(iii) Guarantees given by the Company to Indian Overseas Bank, Hong Kong on behalf of wholly Owned Subsidiary M/s. Modern International (Asia) Limited.	<b>296400000</b>	234000000
(iv) Sales Tax Liability in respect of which Appeals are pending.	<b>1648781</b>	1648781
(v) Income Tax matters in respect of which appeals are pending.	<b>1602010</b>	1602010

Contingencies are disclosed after careful evaluation as per Accounting Standard - 29 issued by The Institute of Chartered Accountants of India.

- 4 Working Capital borrowings from Banks are secured by hypothecation of stocks of trading goods, book debts and assignment of Key Man Insurance Policy and are also secured by mortgage of part of Land and Building at Mahalaxmi, Mumbai. Car Finance Loans from Bank are secured by hypothecation of specific vehicles acquired. Term Loans from Banks are secured by assignment of rental receivable and also by way of mortgage of part of Land and Building at Mahalaxmi, Mumbai. Loan from others is secured by hypothecation of specific machinery acquired. Working Capital Borrowings from Banks include Cheques on Hand of Rs. 8,46,424/-.
- 5 There are no Micro and Small Enterprise to whom the Company owes dues, which are outstanding for more than 45 days as at the Balance Sheet date. Further, the Company has not paid any interest to any Micro and Small Enterprise during the accounting year, nor is any interest payable to any Micro and Small Enterprise on the Balance Sheet Date. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.
- 6 Interest consists of interest on loans, deposits, etc.

- 7 The balances of Sundry Debtors, Loans and Advances and Sundry Creditors are subject to confirmations from parties.
- 8 Karnataka Industrial Area Development Board which had originally allotted 20 acres of land at Raipur Industrial Area, Dharwad subsequently restricted the same to 6 acres. Against this, the Company had filed a Writ Petition in Karnataka High Court for the full allotment as per the Original Allotment which has since been dismissed by the order of single judge bench. The Company has filed an appeal to set aside this order which is pending for disposal. In the meanwhile, the Company has entered into a Memorandum of Understanding to do all the required formalities in connection with full allotment of the land and eventual sale of the said land.
- 9 The net difference in Foreign Exchange (i.e. the difference between the rates on dates of transactions and the actual rates at which the transactions were settled ) debited to the Profit and Loss Account is Rs. 900/- ( Previous Year Rs. 7,16,273/-).
- 10 The amount of Rs. 33,48,500/- (Previous Year Rs. 10,64,500/-) debited during the year to Foreign Currency Translation Reserve represents the exchange difference arising during the year on a monetary item consisting of loans given to a non - integral foreign operation.
- 11 Dividend on Investments consists of dividend on (i) Current Investments Rs. 7,564/- and (ii) Long Term Investments Rs. 1,38,242/-.
- 12 The Company's investments include Rs 3,00,00,000/- in Indian Institute of Jewellery Limited(IIJL) - a wholly owned subsidiary of the Company and Rs. 42,50,000/- in Modali Gems Private Limited(MGPL) - Formerly known as Modali Distributors Private Limited - a Joint Venture Company with Gitanjali Gems Limited. The accumulated loss in IIJL is Rs. 2,90,06,007/- and in MGPL the Company's share of loss is Rs. 1,24,48,649/-. On consideration of Long Term Dynamic Business outlook, aggressive marketing plans, initiative for setting up of new educational streams and future expansion / growth plans made by both the entities, these investments are considered as strategic long term investments and no provision is considered necessary for diminution in the value of investments which in the opinion of the management is of temporary nature. The Company has given a Loan of Rs. 1,03,90,000/- to IIJL which is also considered fully recoverable.

**13 Deferred Tax :**

- (a) The break up of Net Deferred Tax Asset / (Liabilities) as on 31st March, 2008 is as under:

<b>Deferred Tax Assets</b>	<b>As at</b>	<b>As at</b>
	<b>31.03.2008</b>	<b>31.03.2007</b>
(i) Expenditure under section 43B of the Income Tax Act, 1961	568105.00	912746
(ii) Unabsorbed Depreciation	-	10868692
(iii) Short Term Capital Loss	-	14663
(iv) Long Term Capital Loss	453200.00	-
(iv) Others	917234.00	891061
<b>Total Deferred Tax Assets</b>	<b>1938539</b>	<b>12687162</b>
<b>Deferred Tax Liabilities</b>		
(i) Difference between book and Tax Depreciation	9389604.00	8438581
(ii) Capital Gains Tax Liability	2450798.00	2450798
<b>Total Deferred Tax Liability</b>	<b>11840402</b>	<b>10889379</b>
<b>Net Deferred Tax Assets / (Liabilities)</b>	<b>(9901863)</b>	<b>1797783</b>

- (b) Rs.1,16,99,646/- (Previous Year Rs. 90,90,818/-) has been debited to Profit and Loss Account of the Year in respect of Deferred Tax.

14 Managing Director's Remuneration:	<b>Current Year</b>	Previous Year
	<b>Rupees</b>	Rupees
(i) Salary	2100000	2100000
(ii) Contribution to Provident Fund	252000	252000
(iii) Commission	188108	-
(iv) Perquisites	1191425	1060430

**Computation of Net Profits as per Section 349 of the Companies Act, 1956 and Commission Payable to the Managing Director.**

<b>Net Profit for the Year before Taxation</b>	<b>73670381</b>	
Add:		
(i) Depreciation Provided in the Books of Account	10512445	
(ii) Loss on Sale of Long Term Investments	1351814	
		11864259
		85534640

Less:

(i) Depreciation Under Section 350 of the Companies Act, 1956	10512445	
(ii) Profit on Sale of Current Investments	391537	10903982
Net Profits as per Section 349 of the Companies Act, 1956		<u>74630658</u>
Maximum Remuneration allowable under Schedule XIII of the Companies Act, 1956 being 5% of Rs.7,46,30,658/-		<u>3731533</u>

Commission @ 1% of Net Profits but limited to Rs. 1,88,108/- in order that the total remuneration of Managing Director does not exceed 5% of Net Profits.

(Figures for the Previous Year are not Applicable since Minimum Remuneration was paid as per Schedule XIV of the Companies Act, 1956).

15 **Defined Benefit Plan :**

As per Actuarial Valuation as on March 31, 2008 and recognized in the Financial Statements in respect of Employee Benefit Schemes:

	<u>Gratuity Non-Funded</u>	<u>Leave Encashment Non-Funded</u>
<b>I. Components of Employer Expenses</b>		
(a) Current Service Cost	231366	206580
(b) Interest Cost	42209	44904
(c) Employee Contributions	-	-
(d) Expected Return on Plan Assets	-	-
(e) Past Service Cost	-	-
(f) Actuarial (Gain) / Loss	(139806)	368924
(g) Total Expense recognized in the Profit & Loss Account	133769	620408
<b>II. Net Liability recognized in the Balance Sheet as at March 31, 2008</b>		
(a) Present Value of Defined Benefit Obligation as on April 1, 2007	556000	666000
(b) Fair Value of Plan Assets as at March 31, 2008	0	0
(c) Net Liability as at March 31, 2008	633000	1077000
<b>III. Change in Defined Benefit Obligation (DBO) during the Year ended March 31, 2008</b>		
(a) Present Value of Defined Benefit Obligation at the beginning of the year	556000	666000
(b) Current Service Cost	231366	206580
(c) Interest Cost	42209	44904
(d) Curtailment Cost / (Credit)	0	0
(e) Actuarial (Gain) / Loss	(139806)	368924
(f) Benefits Paid	(56769)	(209408)
(g) Present Value of Defined Benefit Obligation at the year end	633000	1077000
<b>IV. Change in the Fair Value of Plan Assets during the year ended March 31, 2008</b>		
(a) Plan Assets at the beginning of the year	-	-
(b) Settlements	-	-
(c) Expected Return on Plan Assets	-	-
(d) Actuarial (Gain) / Loss	-	-
(e) Actual Company Contributions	56769	209408
(f) Benefits Paid	(56769)	(209408)
(g) Fair Value of Plan Assets as at March 31, 2008	-	-
<b>V. Actuarial Assumptions:</b>		
(a) Discount Rate(per annum)	8%	8%
(b) Expected Rate of Return on Assets (per annum)	8%	8%
(c) Rate of Increase in Compensation Levels (per annum)	6%	6%
(d) Mortality Table (LIC)	1994-96 (Ult)	1994-96 (Ult)

Other particulars relating to Management Pension, Post Retirement Medical Benefits and Pension Plan are not applicable to the Company.

16 Segment Information for the Year ended 31st March, 2008.

Primary Segment reporting - Business Segments

Particulars	Amount (Rupees)					
	Textiles	Business Centre	Real Estate	Trading	Unallocated / Corporate	Total
<b>A) Segment Revenue:</b>						
External Sales / Income from Operations	86930631	66883212	21775000	1424934974	-	1600523817
	<i>45754867</i>	<i>59989640</i>	<i>4365387</i>	<i>459204392</i>	-	569314286
Other Income	58889	-	-	1182809	43292918	44534616
	<i>2373</i>	-	-	<i>31085</i>	<i>37789852</i>	<i>37823310</i>
<b>Total</b>	<b>86989520</b>	<b>66883212</b>	<b>21775000</b>	<b>1426117783</b>	<b>43292918</b>	<b>1645058433</b>
	<i>45757240</i>	<i>59989640</i>	<i>4365387</i>	<i>459235477</i>	<i>37789852</i>	<i>607137596</i>
<b>B) Segment Results:</b>						
Profit / (Loss) before Depreciation, Taxes and exceptional items	(3654992)	5985090	6383841	19558403	2040484	84182826
	<i>(4662783)</i>	<i>52919149</i>	<i>1876580</i>	<i>13738229</i>	<i>(11991747)</i>	51879428
Depreciation	-	3643129	89706	-	6779610	10512445
	-	<i>3921311</i>	<i>102941</i>	-	<i>6630660</i>	10654912
Profit / (Loss) before Taxes and Exceptional items	(3654992)	56211961	6294135	19558403	(4739126)	73670381
	<i>(4662783)</i>	<i>48997838</i>	<i>1773639</i>	<i>13738229</i>	<i>(18622407)</i>	41224516
<b>C) Other Information:</b>						
Segment Assets	10834532	64324730	237721192	290715816	766719537	1370315807
	<i>12710901</i>	<i>58177817</i>	<i>234257006</i>	<i>78339526</i>	<i>330057988</i>	713543238
Segment Liabilities	15173260	70140030	88916009	117596597	723860852	1015686748
	<i>2247562</i>	<i>30140030</i>	<i>86599524</i>	<i>50763719</i>	<i>222330323</i>	392081158
Capital Expenditure	-	-	-	-	3789598	3789598
	-	-	-	-	<i>21726628</i>	21726628
Depreciation	-	3643129	89706	-	6779610	10512445
	-	<i>3921311</i>	<i>102941</i>	-	<i>6630660</i>	10654912
Non Cash Expenses other than	4365358	-	-	-	-	4365358
Depreciation	<i>4365358</i>	-	-	-	-	<i>4365358</i>

Previous Year's Figures are given in *Italics*

Notes:

- The Company has identified Business Segments as primary segments. The Reportable Business Segments are: a) Textiles - Trading, b) Business Center - comprising of activities connected with running of Business Centre c) Trading - Consists of Trading in Products other than textiles and d) Real Estate - comprising of Property Development and carrying on business or activities in real estate business of all types.
- Items of Revenue, Income and Expenses, Assets and Liabilities (including Borrowings, Provision for Taxation and Deferred Tax) which are not directly attributable / identifiable / allocable to business segments are shown as Unallocated / Corporate.
- Secondary Segment information - Geographical Segments:  
(Secondary segment disclosures are reported on the basis of geographical location of customers).

	Current Year			Previous Year		
	India	Rest of the world	Total	India	Rest of the world	Total
Revenue	1600523817	-	1600523817	114195710	455324315	569314286
Capital Expenditure	3789598	-	3789598	21726628	0	21726628
Carrying Amount of Segment Assets	1317396457	52919350	1370315807	657275388	56267850	713543238

**17 Information in respect of Flats :**

Class of Goods	Unit	Opening Stock	Investment/ Purchase	Sales	Closing Stock
Unsold Flats :	Nos.	7	-	-	7
	Nos.	7	-	-	7
	Rs.	89212610	2271766	-	91484376
	Rs.	89212610	-	-	89212610
Rights in Flats	Nos.	-	4	4	-
	Nos.	-	-	-	-
	Rs.	-	13510800	17820000	-
	Rs.	-	-	-	-
<b>Total Current Year</b>	Rs.	<b>89212610</b>	<b>15782566</b>	<b>17820000</b>	<b>91484376</b>
Previous Year	Rs.	89212610	-	-	89212610

**18 Information in respect of Goods Traded :**

Class of Goods	Unit	Opening Stock	Purchases	Sales	Closing Stock
(a) Cloth	Mtrs.	-	394658	394658	-
	Mtrs.	-	248112	248112	-
	Rs.	-	64655566	66142598	-
	Rs.	-	33162140	34069958	-
(b) Yarn	Kgs.	-	35814	35814	-
	Kgs.	-	21088	21088	-
	Rs.	-	20579659	20785632	-
	Rs.	-	11203870	11684909	-
(c) Software / Revo Milling Machine	Nos.	14	36	29	21
	Nos.	2	26	14	14
	Rs.	618745	3017959	4096626	996227
	Rs.	125081	3337353	3439737	618745
(d) Digital Ultrasonic Cleaner	Nos.	813	-	35	778
	Nos.	835	-	22	813
	Rs.	943893	264917	98736	1098536
	Rs.	868400	335297	19440	943893
(e) Sponge Iron / Sheets / Pipes	M.T.	-	84519.875	84519.875	-
	M.T.	-	11044.109	11044.109	-
	Rs.	-	1331727739	1356949484	-
	Rs.	-	436238874	455324315	-
(f) Diamonds	Ct.	445.59	0.00	-	445.59
	Ct.	445.64	3.61	3.66	445.59
	Rs.	1737550	-	-	1737550
	Rs.	2100968	49096	420900	1737550
(g) Commodities	Kgs.	-	3245	3245	-
	Rs.	-	67546231	63792529	-
<b>Total Current Year</b>	Rs.	<b>3300188</b>	<b>1487792071</b>	<b>1511865605</b>	<b>3832313</b>
Previous Year :	Rs.	3094449	484326630	504959259	3300188

Note: Previous Years Figures are given in *Italics*

19	Value of imports calculated on C. I. F. basis by the Company during the financial Year in respect of :-	<b>Current Year</b>	Previous Year
		<b>Rupees</b>	Rupees
	(i) Trading Goods	<b>2687151</b>	2813936
	(ii) Capital Goods	<b>101072</b>	42927
20	Earnings in Foreign Exchange in respect of :-		
	F. O. B. Value of Exports	-	422224338
	Export Commission	<b>1127309</b>	-
21	Expenditure in Foreign Currency by the Company during the financial Year in respect of :-		
	Other Matters	<b>921349</b>	1687654
22	<b>Earning Per Share:</b>		
	Earning Per Share has been calculated as under:		
	(a) Profit / (Loss) After Taxation and Exceptional Items	<b>54084735</b>	42767382
	(b) Number of Equity Shares Outstanding (Face Value Rs. 2/-)	<b>37542750</b>	37542750
	(c) Earning per Share (Face Value of Rs. 2/- per share) - (a) / (b) (Basic and diluted)	<b>1.44</b>	1.14

The Company has sub divided the Nominal Value of One Equity Shares of Rs. 10/- each into five Equity Shares of the Nominal Value of Rs. 2/- each with effect from 15.01.2008. Accordingly in pursuance of the Accounting Standard (AS-20) on Earnings per Share (EPS), Basic and diluted EPS for the for the Year ended 31.03.08 and 31.03.2007 has been considered on new number of shares of Nominal Value of Rs. 2/- each.

23 **Disclosures as required by the Accounting Standard -18 on "Related Party Disclosure" are given below:**

i) Related Parties and Relationships:

**A) Where Control Exists: Subsidiaries**

- (i) Modern India Property Developers Limited -  
[Formerly known as Webhosting & Solutions (India) Limited.]
- (ii) Modern International (Asia) Ltd.
- (iii) Indian Institute of Jewellery Limited
- (iv) Modern India Realty & Infrastructure Limited.

**B) Significant Influence :**

- (i) Shree Rani Sati Investment & Finance Ltd.
- (ii) F. Pudumjee Investment Co. Ltd.
- (iii) Modern Derivatives & Commodities Private Limited. (Formerly known as Modern Comdex Private Limited).

**C) Key Management Personnel & Relatives :**

- (i) Mr. V. K. Jatia - Chairman & Managing Director.
- (ii) Mrs. Gauri Jatia - Director.
- (iii) Mr. Vedant Jatia - Executive

**D) Joint Venture : Contractual Arrangement**

- (i) Central Bombay Infotec Park.  
Co-Venturers - Eclat Developers Private Limited
- (ii) Modali Jewels Private Limited.(Upto 25.03.2008)  
During the year, the Company has terminated its Joint Venture Agreement with Gitanjali Gems Limited and in pursuance of the same it has sold its entire Shareholding in Modali Jewels Private Limited in March - 2008. The loss of Rs. 20,00,000/- arising as a result of this sale has been debited to the Profit & Loss Account.
- (iii) Modali Gems Private Limited.(Formerly known as Modali Distributors Private Limited).  
Co-Venturers - Gitanjali Gems Limited

Note: In respect of above parties, there is no provision for doubtful debts as on March 31, 2008 and no amount has been written off or written back during the year in respect of debts due from / to them.

**ii) Related Party Transactions:**

Nature of Transactions	Subsidiaries	Significant Influence	Joint Venture	Key Management Personnel	Relatives of Key Management Personnel	Total
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
1 (a) Loans given	<b>458282808</b>	<b>105300000</b>				<b>563582808</b>
	29207000	40315000				69522000
(b) Repayment etc. out of Loans given	<b>62952500</b>	<b>81200000</b>				<b>144152500</b>
	2100000	40315000				42415000
(c) Amount of loans given outstanding at the year end	<b>458176058</b>	<b>16200000</b>				<b>474376058</b>
	62845750	(7900000)				54945750
(d) Loans taken		<b>19550000</b>				<b>19550000</b>
		0				-
(e) Repayment out of Loans taken		<b>21850000</b>				<b>21850000</b>
		0				-
(f) Amount of loans taken outstanding at the year end		<b>5200000</b>				<b>5200000</b>
		7500000				7500000
2 (a) Interest on Inter Corporate Loans given	<b>66728283</b>	<b>1579731</b>				<b>68308014</b>
	1021742	434499				1456241
(b) Amount of interest outstanding at the year end	<b>66728283</b>	<b>1579731</b>				<b>68308014</b>
	1021742	434499				1456241
(c) Interest on Inter Corporate Loans taken		<b>926009</b>				<b>926009</b>
		136587				136587
(d) Amount of interest outstanding at the year end		<b>926009</b>				<b>926009</b>
		121069				121069
3 (a) Subscription / Allotment of Shares	<b>77647260</b>	<b>3500000</b>	<b>4250000</b>			<b>85397260</b>
	42947300	3000000	6500000			52447300
(b) Share Application Money given	-	-	<b>2750000</b>			<b>2750000</b>
	-	-	3300000			3300000
(c) Rent Received	<b>4599420</b>		<b>1740000</b>			<b>6339420</b>
	9198840		1740000			10938840
(d) Sale of Goods			<b>3051059</b>			<b>3051059</b>
			389434			389434
(e) Sale of Fixed Assets			-			-
			1017242			1017242
(f) Tuition Fees Paid	<b>281000</b>					<b>281000</b>
	-					-
4 Guarantees Given	<b>296400000</b>					<b>296400000</b>
	234000000					234000000
5 (a) Deposits Received	-		<b>40000000</b>			<b>40000000</b>
	4599420		-			4599420
(b) Amount Outstanding at the year end			<b>70000000</b>			<b>70000000</b>
			30000000			30000000
6 (a) Share of Profit in the Joint Venture			<b>9656721</b>			<b>9656721</b>
			3487357			3487357
(b) Income from Business Centre			<b>57226491</b>			<b>57226491</b>
			56502283			56502283
(c) Advances Received			-			-



	3600000	3600000
(d) Amount Outstanding at the year end	<b>548941</b>	<b>548941</b>
	3600000	3600000
7 Managerial Remuneration	<b>3731533</b>	<b>3731533</b>
	3412430	3412430
8 Directors Sitting Fees		<b>20000</b> <b>20000</b>
		24000    24000
9 Salaries		-    -
		<b>227360</b> <b>227360</b>

Note: Previous Year's Figures are given in *Italics*

24 Financial Reporting of interest in Joint Venture as required by AS - 27 is given below:

A) Details pertaining to Jointly Controlled Entity:

- i) Names (i) **Central Bombay Infotec Park,**  
(ii) **Modali Gems Private Limited**  
(iii) **Modali Jewels Private Limited - upto 25.03.08**
- ii) Address **Modern Centre, Sane Guruji Marg,**  
**Mahalaxmi, Mumbai - 400 011.**
- iii) Country of Incorporation or residence (i) **India** (ii) **India** (iii) **India**
- iv) Proportion of ownership of the Company (i) **90%** (ii) **50%** (iii) **50%**

B) Aggregate amount of Income, Expenses, Assets and Liabilities related to the interest of the Company in aforesaid Jointly Controlled Entities.

	Current Year Rupees	Previous Year Rupees
i) <b>Income for the year ended 31.03.2008</b>		
a) Service Charges received / Sales	<b>95682137</b>	102833073
b) Other Income	<b>5014007</b>	937002
ii) <b>Expenses for the year ended 31.03.2008</b>		
a) Service Charges paid / Purchases	<b>72529407</b>	86618318
b) Property maintenance charges	<b>5521370</b>	6448697
c) Legal and Professional charges	<b>2411059</b>	2419707
d) Other Expenses	<b>8793447</b>	11145216
e) Depreciation	<b>854648</b>	958297
f) Provision for Taxation	<b>5261620</b>	1894265
iii) <b>Assets as at 31.03.2008</b>		
a) Fixed Assets	<b>5736490</b>	7288309
b) Deposits, Loans & Advances	<b>72509178</b>	31142263
c) Other Current Assets	<b>20538407</b>	34323985
iv) <b>Liabilities as at 31.03.2008</b>		
a) Security Deposits	<b>69611828</b>	27986812
b) Current Liabilities	<b>17645601</b>	37224512
c) Provisions	<b>7319992</b>	4715076

25 Figures of the previous year have been regrouped and rearranged wherever necessary.

**26 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:**

Additional Information as required under part IV of Schedule VI to the Companies Act, 1956 :

Balance Sheet Abstract and Company's General Business Profile:

(Amount in Thousand Rs.)

**I. REGISTRATION DETAILS:**

Registration No.	2031	State Code	11
Balance Sheet Date	31-03-2008		

**II. CAPITAL RAISED DURING THE YEAR:**

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil		

**III. POSITION OF MOBILIZATION AND DEPLOYMENT OF FUNDS:**

Total Liabilities	1370316	Total Assets	1370316
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**Sources of Funds:**

Paid - up Capital	75086	Reserves and Surplus	279543
Secured Loans	633391	Unsecured Loans	189722

**Application of Funds:**

Net Fixed Assets	168525	Investments	88777
Net Current Assets	920440	Misce. Expenditure	0

**IV. PERFORMANCE OF THE COMPANY:**

Turnover ( Gross Revenue)	1647862	Total Expenditure	1574192
Profit / (Loss) Before Tax	73670	Profit / (Loss) After Tax	54085
Earning Per Share (Rs.)	1.44	Dividend Rate (%)	

**V. GENERIC NAMES OF THE PRINCIPAL PRODUCTS / SERVICES OF COMPANY:**

Item Code No. (ITC Code)	N.A.	Product Description	N.A.
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 As per our report attached  
**For K. S. Aiyar & Company**  
 Chartered Accountants

**Raghuvir M. Aiyar**  
 Partner

**Mumbai : 4<sup>th</sup> June, 2008**
**Ajit P. Walwaikar**  
 G.M. (Legal) & Company Secretary

**N. K. Deora**  
 Financial Controller

 For and on behalf of the Board of Directors  
**V. K. Jatia**  
 Chairman & Managing Director

<b>R. Sethna</b> <b>A. Didwania</b> <b>R. R. Doshi</b> <b>J. F. Pochkhanawalla</b> <b>Gauri Jatia</b> <b>P. K. Bubna</b>	}	Directors
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**Mumbai : 4<sup>th</sup> June, 2008**



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008.

	2007-2008	(Rs. in Lacs)	
A. Cash Flow From Operating Activities:		2006-2007	
<b>Net Profit Before Tax and Extraordinary Items</b>	<b>736.70</b>	<u>412.25</u>	
Add / (Less) :			
Depreciation	105.12	106.55	
Income/(Loss) from Financing Activity (Net)	8.14	(3.69)	
Interest Income	(681.29)	(45.73)	
Loss on sale of Fixed Assets	0.43	0.29	
Interest Expenses	715.55	167.17	
Amortisation of Voluntary Retirement Compensation	43.65	43.65	
Provision for Doubtful Debts	-	3.86	272.10
<b>Operating Profit/(Loss) before working Capital Changes</b>	<b>928.31</b>	<u>684.35</u>	
Inventories	(28.04)	8.31	
Trade Receivables	(2953.14)	502.38	
Other Receivables	(3070.43)	(819.18)	
Liabilities	1139.86	(301.41)	(609.90)
<b>Cash Generated from Operations</b>	<b>(3,983.44)</b>	<u>74.45</u>	
Direct Taxes Paid (Net)	(405.33)	(172.14)	
<b>Net Cash Used in Operating Activities</b>	<b>(4,388.77)</b>	<u>(97.69)</u>	
<b>B. Cash Flow from Investing Activities:</b>			
Purchase of Fixed Assets	(45.85)	(167.44)	
Purchase of Investments	(362.00)	(308.16)	
Sale of Fixed Assets	1.08	13.20	
Sale of Investment	119.38	141.10	
Income from Financing Activity	1.46	4.29	
Interest Received	681.29	45.73	(271.28)
<b>Net Cash Used in Investing Activities</b>	<b>395.35</b>	<u>(271.28)</u>	
<b>C. Cash Flow from Financing Activities:</b>			
Proceeds from Bank Borrowings	2,228.22	309.06	
Proceeds from Short Term Borrowings	2,625.75	339.40	
Wealth Tax Paid	(5.62)	(5.68)	
Interest Paid	(642.64)	(167.17)	
Dividend Paid	(190.18)	(102.74)	372.87
<b>Net Cash from Financing Activities</b>	<b>4,015.53</b>	<u>372.87</u>	
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>22.11</b>	<u>3.90</u>	
Opening Balance of Cash and Cash Equivalents	26.58	22.68	
Closing Balance of Cash and Cash Equivalents	48.69	26.58	
<b>Net Increase/(Decrease) as disclosed above</b>	<b>22.11</b>	<u>3.90</u>	

As per our report attached  
**For K. S. Aiyar & Company**  
 Chartered Accountants

**Raghuvir M. Aiyar**  
 Partner

**Ajit P. Walwaikar**  
 G.M. (Legal) & Company Secretary

**N. K. Deora**  
 Financial Controller

Mumbai : 4<sup>th</sup> June, 2008

For and on behalf of the Board of Directors  
**V. K. Jatia**  
 Chairman & Managing Director

**R. Sethna**  
**A. Didwania**  
**R. R. Doshi**  
**J. F. Pochkhanawalla**  
**Gauri Jatia**  
**P. K. Bubna** } Directors

Mumbai : 4<sup>th</sup> June, 2008

STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212(1)(e) OF THE COMPANIES ACT, 1956.

Name of the Subsidiary Company	Financial Year of the Subsidiary Company Ended On	Extent of Holding Company's Interest	The Net aggregate amount of the Subsidiary Companies Profit/(Loss) so far as it concerns the members of Modern India Limited. (Amount in Rupees)				Material changes, if any, between the end of the financial year of the Subsidiary Company and the Holding Company.
			Not dealt with in the Holding Company's Accounts		Dealt with in the Holding Company's Accounts		
			For the Financial year of the Subsidiary	For the previous Financial year since they became Subsidiary	For the Financial year of the Subsidiary	For the previous Financial year since they became Subsidiary	
Modern India Property Developers Limited	31st March, 2008	100%	(18572)	5204	Nil	Nil	N.A.
Indian Institute of Jewellery Limited	31st March, 2008	100%	(10647293)	(18297498)	Nil	Nil	N.A.
Modern International (Asia) Limited.#	31st March, 2008	100%	870282	102043	Nil	Nil	N.A.
Modern India Realty & Infrastructure Limited	31st March, 2008	100%	(211493)	N.A.	Nil	Nil	N.A.
<b>Particulars required under Section 212 of the Companies Act, 1956 in respect of Subsidiaries</b>							
	<b>Modern India Property Developers Limited</b>	<b>Indian Institute of Jewellery Limited</b>	<b>Modern International (Asia) Limited.#</b>		<b>Modern India Realty &amp; Infrastructure Limited</b>		
a) Capital	31200160	30000000	15947100		500000		
b) Reserves	6112	(29006007)	12752742		(211493)		
c) Total Assets	444106403	64852056	154418659		512000		
d) Total Liabilities	444106403	64852056	154418659		512000		
e) Details of Investments	0	0	42055435		0		
f) Turnover	7632	12000054	57782371		0		
g) Profit before Taxation	(18572)	(10587293)	870282		(211493)		
h) Provision for Taxation	0	60000	0		0		
i) Profit after Taxation	(18572)	(10647293)	870282		(211493)		
j) Proposed Dividend	0	0	0		0		

# Figures in US Dollars are converted at year end rate (Rs.39.97) for Assets & Liabilities and at average rate (Rs.40.24) for income & expenses.

**Ajit P. Walwaikar**  
G.M. (Legal) & Company Secretary

**N. K. Deora**  
Financial Controller

For and on behalf of the Board of Directors  
**V. K. Jatia**  
Chairman & Managing Director

**R. Sethna**  
**A. Didwania**  
**R. R. Doshi**  
**J. F. Pochkhanawalla**  
**Gauri Jatia**  
**P. K. Bubna**

Directors

Mumbai : 4<sup>th</sup> June, 2008



MODERN INDIA LTD

(CONSOLIDATED)



## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To,  
The Board of Directors,  
Modern India Ltd.

We have examined the attached Consolidated Balance Sheet of **Modern India Ltd.**, its Subsidiaries and Joint Ventures as at March 31, 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 the management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the Subsidiaries and Joint ventures whose financial statements reflect total assets of Rs. 61,84,06,231/- and Rs. 1,88,76,930/- respectively as at 31st March 2008 and total revenues of Rs. 58,98,58,615/- and Rs. 5,60,92,072/- respectively for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the Subsidiaries and Joint Ventures, is based solely on the reports of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, AS 23 Accounting for Investments in Associates in Consolidated Financial Statements, and AS 27 Financial Reporting of Interest in Joint Ventures issued by the Institute of Chartered Accountants of India, and on the basis of the separate audited financial statement of Modern India Ltd., its Subsidiaries and Joint Ventures included in the consolidated financial statements.

Subject to above and on the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Modern India Ltd., its aforesaid Subsidiaries and Joint Ventures, we are of the opinion that:

- a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Modern India Ltd., its Subsidiaries and Joint Ventures as at 31<sup>st</sup> March, 2008;
- b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Modern India Ltd., its Subsidiaries and Joint Ventures for the year then ended; and
- c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flow of Modern India Ltd., its Subsidiaries and Joint Ventures for the year then ended.

**For K. S. Aiyar & Co.**  
Chartered Accountants

Place: Mumbai  
Date: 4<sup>th</sup> June, 2008

**Raghuvir M. Aiyar**  
Partner  
M. No. 38128

(CONSOLIDATED)



**BALANCE SHEET AS AT 31ST MARCH 2007**

	SCHEDULES	As at 31st March, 2008 Rs.	As at 31st March, 2007 (Rs.)
<b>SOURCES OF FUNDS :</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	75085930	75085930
Reserves & Surplus	2	<u>178866587</u>	<u>227095720</u>
		253952517	302181650
<b>Loan Funds</b>			
Secured Loans	3	656360599	195585694
Unsecured Loans	4	208608772	150073082
<b>Deferred Tax Liability</b>		<u>9901863</u>	<u>(1797783)</u>
<b>TOTAL</b>		<u>1128823751</u>	<u>646042643</u>
<b>APPLICATION OF FUNDS :</b>			
<b>Fixed Assets</b>			
Gross Block	5	295363054	282097106
Less: Depreciation		<u>100495096</u>	<u>91946191</u>
Net Block		194867958	190150915
Capital work-in-progress		<u>11428207</u>	<u>3830556</u>
		206296165	193981471
Pre-Operative Expenses(Pending Allocation)		373669591	1257506
<b>Investments</b>	6	50074176	55869099
<b>Current Assets, Loans &amp; Advances</b>			
Sundry Debtors	8	387632673	32800433
Cash & Bank Balances	9	37018201	29105920
Loans and Advances	10	<u>170266003</u>	<u>256843181</u>
		737840389	453740503
<b>Less: Current Liabilities &amp; Provisions</b>			
Current Liabilities	11	200849264	42848911
Provisions	12	<u>38273827</u>	<u>28398110</u>
		239123091	71247021
<b>Net Current Assets</b>		498717298	382493482
<b>Miscellaneous Expenditure - (Note No. 2)</b>			
(To the extent not Written off or adjusted)		66521	12441085
<b>TOTAL</b>		<u>1128823751</u>	<u>646042643</u>
<b>Notes to the Accounts</b>	18		

As per our report attached  
**For K. S. Aiyar & Company**  
Chartered Accountants

**Raghuvir M. Aiyar**  
Partner

**Ajit P. Walwaikar**  
G.M. (Legal) & Company Secretary

**N. K. Deora**  
Financial Controller

Mumbai : 4<sup>th</sup> June, 2008

For and on behalf of the Board of Directors  
**V. K. Jatia**  
Chairman & Managing Director

**R. Sethna**  
**A. Didwania**  
**R. R. Doshi**  
**J. F. Pochkhanawalla**  
**Gauri Jatia**  
**P. K. Bubna**

} Directors

Mumbai : 4<sup>th</sup> June, 2008

(CONSOLIDATED)



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008**

	SCHEDULES	Year Ended 31st March, 2008 (Rs.)	Year Ended 31st March, 2007 (Rs.)
<b>INCOME :</b>			
Income from Operations	13	2228254794	982023661
Other Income	14	39540849	30810481
Increase /(Decrease) in Stock	15	6143655	205739
<b>TOTAL</b>		<b>2273939298</b>	<b>1013039881</b>
<b>EXPENDITURE :</b>			
Purchase of Goods for Resale		2063758987	859570086
Real Estate Business Purchases		13510800	-
Administrative & Other Expenses	16	108426737	89215311
Finance Charges	17	75923831	20840704
Depreciation		12909616	13357197
		<b>2274529971</b>	<b>982983298</b>
<b>Profit/(Loss) for the year before Taxation &amp; Exceptional Items</b>		<b>(590673)</b>	<b>30056583</b>
<b>Exceptional Item:</b>		<b>24266</b>	<b>24266</b>
<b>Profit before Taxes</b>		<b>(614939)</b>	<b>30032317</b>
<b>Provision for Taxation</b>			
Current Income Tax		13346163	7876637
Less: Minimum Alternate Tax Credit Entitlement (Note:1- I)		1237000	6104000
		<b>12109163</b>	<b>1772637</b>
Wealth Tax		569000	564000
Fringe Benefit Tax		529457	508431
Deferred Tax		11699646	9090818
<b>Profit for the Year after Tax</b>		<b>(25522205)</b>	<b>18096431</b>
<b>Tax Provision in respect of earlier year(net)</b>		<b>-</b>	<b>2644150</b>
		<b>(25522205)</b>	<b>15452281</b>
Balance Brought Forward		200294454	221062193
Less: Transferred to Capital Reserve		-	24609466
		<b>200294454</b>	<b>196452727</b>
<b>Amount Available for Appropriations</b>		<b>174772249</b>	<b>211905008</b>
<b>Appropriations:</b>			
(1) Interim Dividend Paid		7508550	-
(2) Final Dividend Proposed		7508550	9010260
(3) Tax on Distributed Profits		2552156	1531294
(4) General Reserve		4056000	1069000
Balance carried to Balance Sheet		153146993	200294454
<b>EARNINGS PER SHARE - Before Exceptional Items (Face Value Rs.2)</b>		<b>(0.68)</b>	<b>0.41</b>
<b>EARNINGS PER SHARE - BASIC &amp; DILUTED (Face Value Rs.2)</b>		<b>(0.68)</b>	<b>0.41</b>
<b>Notes to the Accounts</b>	18		

As per our report attached  
For **K. S. Aiyar & Company**  
Chartered Accountants

**Raghuvir M. Aiyar**  
Partner

**Ajit P. Walwaikar**  
G.M. (Legal) & Company Secretary

**N. K. Deora**  
Financial Controller

Mumbai : 4<sup>th</sup> June, 2008

For and on behalf of the Board of Directors  
**V. K. Jatia**  
Chairman & Managing Director

**R. Sethna**  
**A. Didwania**  
**R. R. Doshi**  
**J. F. Pochkhanawalla**  
**Gauri Jatia**  
**P. K. Bubna**

} Directors

Mumbai : 4<sup>th</sup> June, 2008

(CONSOLIDATED)



## SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March, 2008 (Rs.)	As at 31st March, 2007 (Rs.)	
<b>SCHEDULE - 1</b>			
<b>SHARE CAPITAL :</b>			
<b>AUTHORISED :</b>			
9,95,00,000	Equity shares of Rs. 2/- each. (Previous Year 99,00,000/- Equity Shares of Rs. 10/- each)	199000000	99000000
	10,000 Preference shares of Rs.100/- each.	<u>1000000</u>	<u>1000000</u>
		<u><b>200000000</b></u>	<u><b>100000000</b></u>
<b>ISSUED :</b>			
3,75,47,000	Equity shares of Rs. 2/- each. (Previous Year 75,09,400 Equity shares of Rs. 10/- each).	<u><b>75094000</b></u>	<u><b>75094000</b></u>
<b>SUBSCRIBED AND PAID UP :</b>			
3,75,42,750	Equity shares of Rs. 2/- each fully paid up. (Previous Year 75,08,550 Equity shares of Rs. 10/- each. fully paid up Add: Forfeited Equity Shares [Amount Paid - up]	<u><b>75085500</b></u>	<u><b>75085500</b></u>
		<u><b>430</b></u>	<u><b>430</b></u>
	<b>TOTAL</b>	<u><b>75085930</b></u>	<u><b>75085930</b></u>
Notes:			
1	During the Year ended 31.03.2008, one Equity Share of Rs. 10/- each was sub-divided into 5 Equity Shares of Rs. 2/- each.		
2	Out of the above Subscribed and Paid up Equity Shares:		
(i)	3,12,500	Equity Shares of Rs. 2/- each have been allotted as fully paid-up for consideration other than cash pursuant to a contract.	
(ii)	14,38,025	Equity Shares of Rs. 2/- each have been allotted as fully paid-up by way of Bonus Shares by capitalization of Securities Premium Account and General Reserve.	
(iii)	17,83,125	Equity Shares of Rs. 2/- each fully paid up have been allotted pursuant to the scheme of Amalgamation of Sundatta Foods & Fibres Limited with the Company.	
<b>SCHEDULE - 2</b>			
<b>RESERVES AND SURPLUS :</b>			
<b>Capital Redemption Reserve</b>			
As per last Balance Sheet		891050	891050
<b>Capital Reserve</b>			
As per last Balance Sheet	24609466	-	24609466
Amount Transferred during the year	-	24609466	24609466
<b>General Reserve</b>			
As per last Balance Sheet	2895000		551000
Amount Transferred during the year	4056000		1069000
		6951000	1620000
<b>Foreign Currency Translation Reserve</b>			
As per last Balance Sheet	(319250)		745250
Add/(less): Amount debited during the Year	(6412672)		(1064500)
		(6731922)	(319250)
<b>Profit &amp; Loss Account</b>			
		153146993	200294454
	<b>TOTAL</b>	<u><b>178866587</b></u>	<u><b>227095720</b></u>
<b>SCHEDULE - 3</b>			
<b>SECURED LOANS: (Note No. 4)</b>			
<b>From Banks:</b>			
Term Loan	330447634		106064479
Working Capital Borrowings	319504847		85642956
Car Finance Loans	4403017		3878259
		654355498	195585694
From Others		2005101	-
(Amounts due within one Year Rs. 4,15,06,220/-, Previous Year Rs.6,76,24,980/-)		<u><b>656360599</b></u>	<u><b>195585694</b></u>

(CONSOLIDATED)



As at  
31st March,  
2008  
(Rs.)

As at  
31st March,  
2007  
(Rs.)

**SCHEDULE - 4**

**UNSECURED LOANS :**

(1) Deposits	196908772	113173082
(2) Loans from Limited Companies	11700000	36900000
<b>TOTAL</b>	<b>208608772</b>	<b>150073082</b>

SCHEDULE - 5										
FIXED ASSETS										
DESCRIPTION	GROSS BLOCK - AT COST				DEPRECIATION				NET BLOCK	
	As at 01.04.2007	Additions	Deductions/ Transfer	As at 31.03.2008	Upto 31.3.2007	For the Year	Deductions	Upto 31.03.2008	As at 31.03.2008	As at 31.3.2007
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
LAND - FREEHOLD	230114	-	-	230114	-	-	-	-	230114	230114
LAND - LEASEHOLD	7347322	-	-	7347322	-	-	-	-	7347322	7347322
BUILDINGS	185941931	308533	612287	185638177	44557898	5389386	334598	49612686	136025491	141384033
PLANT & MACHINERY	53732601	4276207	2041887	55966921	31300067	3863282	2033984	33129365	22837556	22432534
FURNITURE & FITTINGS	28506637	1326105	1971760	27860982	14755634	2509094	1780005	15484723	12376259	13751003
VEHICLES	6338501	3792450	1364909	8766042	1332592	1559461	623730	2268323	6497719	5005909
GOODWILL	-	9553497	9553497	-	-	-	-	9553497	-	-
(On Consolidation)										
<b>TOTAL</b>	<b>282097106</b>	<b>19256792</b>	<b>5990843</b>	<b>295363055</b>	<b>91946191</b>	<b>13321223#</b>	<b>4772317</b>	<b>100495097</b>	<b>194867958</b>	<b>190150915</b>
PREVIOUS YEAR	262596024	21985165	2484083	282097106	79724002	13357198	1135009	91946191	190150915	

# Amount of Rs. 3,11,123/- is allocated under Pre - operative Expenses.

As at  
31st March, 2008  
(Rs.)

As at  
31st March, 2007  
(Rs.)

**SCHEDULE - 6**

**INVESTMENTS : Other Investments**

**A. LONG TERM : At Cost (Unquoted)**

a. Securities held for Trading Listed outside Hongkong	42055435	32065545
c. Others - Fully Paid Up:		
(i) 3,50,000 Equity Shares of Modern Derivatives & Commodities Private Limited of Rs. 10/- each. (Formerly known as Modern Comdex Private Limited)		
(Previous Year 3,00,000 Equity Shares of Rs. 10/- each)	3500000	3000000
Less; Provision for Diminution	136277	3363723
(ii) 4,25,000 Equity Shares of Modali Gems Private Ltd. of Rs. 10/- each.(Formerly known as Modali Distributors Pvt. Ltd.)	-	3250000
(Previous Year 3,25,000 Equity Shares of Rs. 10/- each)		
(iii) Nil Equity Shares of Modali Jewels Private Ltd. of Rs. 10/- each. (Previous year 3,25,000 Equity Shares of Rs. 10/- each)-Note No. 23D(ii)	-	3250000
<b>TOTAL</b>	<b>45419158</b>	<b>41565545</b>

**(CONSOLIDATED)****B. LONG TERM : At Cost (Quoted)**

IN FULLY PAID EQUITY SHARES (of Rs. 10/- each, unless otherwise specified):

	No. of Shares			
	AsAt	As At		
	31.03.2008	31.03.2007		
Asian Hotels Limited.	-	750	-	450939
Aventis Pharma Ltd.	-	183	-	315106
Bharati Tele Ltd.	-	1163	-	471739
Birla Corporation Ltd.	-	1955	-	569841
Britannia Industries Ltd.	-	200	-	350712
Gammon India Limited	-	1200	-	637535
Hero Honda Ltd. of Rs. 2/- each.	-	955	-	772294
HDFC Limited	-	300	-	316328
Infosys Limited	-	310	-	418282
MRF Ltd.	-	4	-	12776
Pfizer Ltd.	-	145	-	167899
State Bank of India.	-	562	-	521476
Siyaram Silk Mills Ltd	14582	14582	4155018	4155018
L & T Ltd.	-	449	-	635977
LT Overseas Ltd	-	11482	-	642992
Parsvnath Developers Ltd	-	1300	-	654218
Reliance Petroleum Limited	-	20000	-	1621289
Motor Industries Co Ltd	-	195	-	689614
			<b>4155018</b>	<b>13404035</b>

**Unquoted:**

IN UNITS OF MUTUAL FUNDS- DIVIDEND PLAN: Of Rs. 10/- each

HDFC Long Term Equity Fund	50000	50000	500000	500000
	Units	Units		
			<b>500000</b>	<b>500000</b>
Total of Long Term investments			<b>50074176</b>	<b>55469580</b>

**C. CURRENT INVESTMENTS: At Lower of Cost and Fair Value****(i) QUOTED :**

IN FULLY PAID EQUITY SHARES OF RS. 10/- EACH:

	No. of Shares			
	AsAt	As At		
	31.03.2008	31.03.2007		
Bharati Tele Ltd.	-	37	-	8117
Glaxo Smithkline Pharma Ltd.	-	244	-	196916
Lloyds Steel Ind Ltd.	-	15000	-	194486
<b>Total of Current Investments</b>			-	<b>399519</b>
<b>Total of Investments</b>	<b>TOTAL</b>		<b>50074176</b>	<b>55869099</b>
Aggregate of Quoted Investments			<b>4155018</b>	13803554
Aggregate of Unquoted Investments			<b>45919158</b>	42065545
			<b>50074176</b>	<b>55869099</b>
Market Value of Quoted Investments			<b>1407163</b>	<b>11342673</b>

(CONSOLIDATED)



MODERN INDIA LTD

	As at 31st March, 2008 (Rs.)	As at 31st March, 2007 (Rs.)
<b>SCHEDULE - 7</b>		
<b>INVENTORIES :</b>		
(As Certified by the management)		
Stores - At the lower of Cost & Net Realizable Value	792425	955724
Trading Goods - At the lower of Cost and Net Realisable Value	9124264	3300188
<b>Real Estate Business:</b>		
(a) Land and Structures - At Book Value	41522447	41522447
(b) Unsold Flats - At the lower of Cost and Net Realisable Value	91484376	89212610
	<u>133006823</u>	<u>130735057</u>
<b>TOTAL</b>	<u><b>142923512</b></u>	<u><b>134990969</b></u>
<b>SCHEDULE - 8</b>		
<b>SUNDRY DEBTORS (Unsecured) :</b>		
Debts Outstanding for a period exceeding Six months		
Considered Good	-	528110
Considered Doubtful	2065539	2065539
	<u>2065539</u>	<u>2593649</u>
Other Debts		
Considered Good	387632673	32272323
	<u>389698212</u>	<u>34865972</u>
Less: Provision for Doubtful Debts	2065539	2065539
<b>TOTAL</b>	<u><b>387632673</b></u>	<u><b>32800433</b></u>
<b>SCHEDULE - 9</b>		
<b>CASH AND BANK BALANCES :</b>		
Cash on hand	1368273	96307
Balances with Scheduled Banks		
In Current Accounts	33899928	28781782
In Deposit Accounts	1750000	227831
	<u>35649928</u>	<u>29009613</u>
<b>TOTAL</b>	<u><b>37018201</b></u>	<u><b>29105920</b></u>

(CONSOLIDATED)



MODERN INDIA LTD

<b>As at 31st March, 2008 (Rs.)</b>	<b>As at 31st March, 2007 (Rs.)</b>
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**SCHEDULE - 10**

**LOANS AND ADVANCES :**

(Unsecured Considered Good)

Advances Recoverable in Cash or in kind or for value to be received	<b>67700587</b>	178650543
Loans to Limited Company	<b>16200000</b>	35500000
Minimum Alternate Tax Credit Entitlement Note: 1- I)	<b>8435000</b>	7279000
Income Tax payments including Tax Deducted at Source	<b>72499519</b>	30330296
Balance with Central Excise in Current Account	<b>152</b>	152
Sundry Deposits	<b>5430745</b>	5083190
<b>TOTAL</b>	<b><u>170266003</u></b>	<b><u>256843181</u></b>

**SCHEDULE - 11**

**CURRENT LIABILITIES**

Sundry Creditors	<b>158350914</b>	16082702
Advances Received	<b>10513251</b>	24230987
Interest Accrued but not due on Loans	<b>7423688</b>	132596
Investors Education and Protection Fund (Refer Note Below)		
- Unclaimed Dividend	<b>1513205</b>	1204905
Other Liabilities	<b>23048206</b>	1197721
<b>TOTAL</b>	<b><u>200849264</u></b>	<b><u>42848911</u></b>

**SCHEDULE - 12**

**PROVISIONS**

Proposed Dividend	<b>7508550</b>	9010260
Tax on Distributed Profits	<b>1276078</b>	1531294
For Taxation	<b>27592439</b>	16564346
For Retirement Benefits	<b>1896760</b>	1292210
<b>TOTAL</b>	<b><u>38273827</u></b>	<b><u>28398110</u></b>

Note: There is no amount due and outstanding as at Balance Sheet date to be credited to Investors Education and Protection Fund.

(CONSOLIDATED)



## SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	Year Ended 31st March, 2008 (Rs.)	Year Ended 31st March, 2007 (Rs.)
<b>SCHEDULE - 13</b>		
<b>INCOME FROM OPERATIONS</b>		
<b>SALES:</b>		
(i) Traded Goods		
- Export Sales	-	848455011
- Local Sales	<u>2113770306</u>	<u>49634944</u>
(ii) Real Estate Business		
Service Charges Received	<u>17820000</u>	<u>-</u>
[Tax Deducted at source Rs. 52,41,375/- (Previous Year Rs. 34,09,107/-)]	<u>2131590306</u>	<u>898089955</u>
Income from Business Centre	<u>72414410</u>	<u>71107501</u>
[Tax Deducted at source Rs. 1,34,96,750/- (Previous Year Rs. NIL)]	<u>8626491</u>	<u>-</u>
Fees from Vocational Training Institute	<u>11668587</u>	<u>8460818</u>
[Tax Deducted at source Rs. 1,00,422/- (Previous Year Rs.7,189/-)]		
Share of Profit from Joint Venture		
Income from Real Estate Business [Tax Deducted at Source Rs. 5,36,272/- (Previous Year Rs. 10,07,510/-)]	<u>3955000</u>	<u>4365387</u>
<b>TOTAL</b>	<u><u>2228254794</u></u>	<u><u>982023661</u></u>
<b>SCHEDULE - 14</b>		
<b>OTHER INCOME</b>		
Rent [Tax Deducted at source Rs. 1,09,86,190/- (Previous Year Rs.1,26,60,656/-)]	<u>28712003</u>	<u>25996400</u>
Miscellaneous Income	<u>6430011</u>	<u>3473286</u>
[Tax Deducted at source Rs. 2,849/- (Previous Year Rs.8,396/-)]		
Dividend on Investments (Note No. 11)	<u>145806</u>	<u>1322553</u>
Profit in Commodities Business	<u>4253029</u>	<u>-</u>
Excess Provision Written Back	<u>-</u>	<u>18242</u>
<b>TOTAL</b>	<u><u>39540849</u></u>	<u><u>30810481</u></u>
<b>SCHEDULE - 15</b>		
<b>INCREASE / (DECREASE) IN STOCK :</b>		
<b>Opening Stock</b>		
Finished / Trading Goods	<u>5252375</u>	<u>3094449</u>
Real Estate Business:		
(a) Land and Structures	<u>41522447</u>	<u>41522447</u>
(b) Unsold Flats	<u>89212610</u>	<u>89212610</u>
	<u>130735057</u>	<u>130735057</u>
	<u>135987432</u>	<u>133829506</u>
<b>Closing Stock</b>		
Trading Goods	<u>9124264</u>	<u>3300188</u>
Real Estate Business:		
(a) Land and Structures	<u>41522447</u>	<u>41522447</u>
(b) Unsold Flats	<u>91484376</u>	<u>89212610</u>
	<u>133006823</u>	<u>130735057</u>
	<u>142131087</u>	<u>134035245</u>
Increase / (Decrease) in Stock	<u><u>6143655</u></u>	<u><u>205739</u></u>

(CONSOLIDATED)



MODERN INDIA LTD

	Year Ended 31st March, 2008 (Rs.)	Year Ended 31st March, 2007 (Rs.)
<b>SCHEDULE - 16</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES :</b>		
Consumables	652953	1570359
Power & Fuel	2039841	1275496
Water Charges	547081	593648
Repairs to:		
Machinery	628545	603742
Buildings	5555284	4340086
Others	225472	751552
	<b>6409301</b>	<b>5695380</b>
Payment to and Provision for Employees		
Salaries and Wages	17629313	11754160
Contribution to Provident and Other Funds	1552352	672962
Gratuities	328724	409000
Voluntary Retirement Compensation - (Note No. 2)	4365362	4365358
Welfare Expenses	741986	526358
	<b>24617737</b>	<b>17727838</b>
Travelling & Conveyance	5603680	7985313
Legal and Professional Charges	9875848	10772044
Donation	337400	51000
Real Estate Business Expenses	4003854	8818813
Directors Sitting Fees	205000	190000
Rent	450510	391012
Rates and Taxes	15318676	12483481
Insurance	6545599	6502189
Provision for Doubtful Debts	-	386387
Provision for Diminution in Value of Investments	136277	
Loss / (Profit) on Sale of Long Term Investments (Net)	7795605	(2069649)
Loss on Sale of Fixed Assets	145009	28859
Auditors' Remuneration:		
- Audit Fees	449608	484399
- Tax Audit Fees	37089	36478
- In Other Capacity & out of pocket expenses	151351	116187
	<b>638048</b>	<b>637064</b>
Brokerage	8836744	5468175
Miscellaneous Expenses	14267574	10707902
<b>TOTAL</b>	<b>108426737</b>	<b>89215311</b>
<b>SCHEDULE - 17</b>		
<b>FINANCE CHARGES:</b>		
(i) Interest on Fixed Loans	16998156	7700080
(ii) Other Interest & Financial Expenses	65911801	18156155
	<b>82909957</b>	<b>25856235</b>
Less: Interest - Gross (Note No. 6)		
[Tax Deducted at source Rs. 1,54,18,362/- (Previous Year Rs.8,07,177/-)]	6986126	5015531
<b>TOTAL</b>	<b>75923831</b>	<b>20840704</b>

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## SCHEDULE 18

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

#### 1 SIGNIFICANT ACCOUNTING POLICIES:

##### (A) BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

- (i) The Financial Statements are prepared under the Historical Cost Convention on accrual basis.
- (ii) The Financial Statements have been prepared to comply in all material respects with the Mandatory Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of The Companies Act, 1956.

##### (B) PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements relate to Modern India Limited ('The Company'), its wholly owned subsidiaries and its interest in joint Venture as on 31.03.2008 which are as under:

Name of the Entity	Financial Year of the Entity Ended On	Extent of Holding	Country of Incorporation
a) Modern India Property Developers Limited	31st March, 2008	Subsidiary	100% India
b) Modern International (Asia) Limited	31st March, 2008	Subsidiary	100% Hong Kong
c) Indian Institute of Jewellery Limited	31st March, 2008	Subsidiary	100% India
d) Modern India Realty & Infrastructure Limited	31st March, 2008	Subsidiary - w.e.f. 02.06.2007	100% India
e) Central Bombay Infotec Park	31st March, 2008	Joint Venture	90% India
f) Modali Gems Private Limited	31st March, 2008	Joint Venture	50% India

- (i) The financial statements of the Company, its Subsidiary Companies and the Joint Ventures have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, incomes and expenses after fully eliminating intra - group balances and intra - group transactions resulting in unrealized profits or losses.
- (ii) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.
- (iii) The subsidiary Companies considered in the financial statements are Modern India Property Developers Limited (MIPDL), Indian Institute of Jewellery Limited and Modern India Realty & Infrastructure Limited incorporated in India and Modern International (Asia) Limited incorporated in Hong Kong with 100% of voting powers held by the Company and Joint Ventures are Central Bombay Infotec Park (CBIP) with 90% interest and Modali Gems Private Limited with 50% interest owned by the Company as on March 31, 2008.
- (iv) Financial statements of Foreign Subsidiary has been converted in Indian Rupees at the following Exchange Rate.
  - (a) Revenues and Expenses: At the average exchange rate during the period.
  - (b) Current Assets and Current Liabilities: At Exchange Rate prevailing at the end of the year.
  - (c) Fixed Assets : At Exchange rate prevailing at the end of the year.

Any Exchange difference arising on consolidation is recognized in the Exchange Fluctuation Reserve Account.

##### (C) OTHER SIGNIFICANT ACCOUNTING POLICIES:

These are set out in the notes to accounts under "Significant Accounting Policies" of the respective financial statements of the Company and the subsidiaries.

##### (D) SEGMENT REPORTING:

- (a) 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 "Unallocable Corporate".
- (b) There are no inter - segment revenues hence the basis of their measurement does not arise.

##### (E) PROVISIONS:

A Provision is recognized when there is a present obligation as a result of a past event if it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimates can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the year end date. These are reviewed at each year end date and adjusted to reflect the best current estimate.

**(CONSOLIDATED)**

2 Compensation of Rs. 2,18,26,794/- to employees who retired during the year ended March 31, 2004 under Voluntary Retirement Scheme is being amortized over a period of 5 years. Accordingly, 1/5th of this sum being the balance amount has been debited to the Profit and Loss Account of this year.

3 Contingent Liabilities not provided for:

	<b>Current Year (Rs.)</b>	Previous Year (Rs.)
(i) Claims against the Company not Acknowledged as debts.	<b>250000</b>	492023
(ii) Uncalled Liability on Partly Paid Shares held as Investments	<b>118799840</b>	-
(iii) Guarantees given by the Company to Indian Overseas Bank, Hong Kong on behalf of wholly Owned Subsidiary M/s. Modern International (Asia) Limited.	<b>296400000</b>	234000000
(iv) Sales Tax Liability in respect of which Appeals are pending.	<b>1648781</b>	1648781
(v) Income Tax matters in respect of which appeals are pending.	<b>1602010</b>	1602010

Contingencies are disclosed after careful evaluation as per Accounting Standard - 29 issued by The Institute of Chartered Accountants of India.

4 Working Capital borrowings from Banks are secured by hypothecation of stocks of trading goods, book debts and assignment of Key Man Insurance Policy and are also secured by mortgage of part of Land and Building at Mahalaxmi, Mumbai. Car Finance Loans from Bank are secured by hypothecation of specific vehicles acquired. Term Loans from Banks are secured by assignment of rental receivable and also by way of mortgage of part of Land and Building at Mahalaxmi, Mumbai. Loan from others is secured by hypothecation of specific machinery acquired.

5 There are no Micro and Small Enterprise to whom the Company owes dues, which are outstanding for more than 45 days as at the Balance Sheet date. Further, the Company has not paid any interest to any Micro and Small Enterprise during the accounting year, nor is any interest payable to any Micro and Small Enterprise on the Balance Sheet Date. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

6 Interest consists of interest on loans, deposits, etc.

7 The balances of Sundry Debtors, Loans and Advances and Sundry Creditors are subject to confirmations from parties.

8 Karnataka Industrial Area Development Board which had earlier allotted 20 acres of land at Raipur Industrial Area, Dharwad has restricted the same to 6 acres. Against this, the Company had filed a Writ Petition in Karnataka High Court for the full allotment as per the Original Allotment which has since been dismissed by order of single judge bench. An appeal has been made in the Karnataka High Court for setting aside the aforesaid order of the single Judge Bench. The Company has entered into a Memorandum of Understanding to do all the required formalities in connection with full allotment of the land and eventual sale of the said land.

9 The net difference in Foreign Exchange (i.e. the difference between the rates on dates of transactions and the actual rates at which the transactions were settled ) debited to the Profit and Loss Account is Rs. 900/- ( Previous Year Rs. 7,16,273/-).

10 Dividend on Investments consists of dividend on (i) Current Investments Rs. 7,564/- and (ii) Long Term Investments Rs. 1,38,242/-.

11 **Deferred Tax :**

(a) The break up of Net Deferred Tax Asset / (Liabilities) as on 31st March, 2008 is as under.

	<b>As At 31.03.2008</b>	As At 31.03.2007
<b>Deferred Tax Assets</b>		
(i) Expenditure under section 43B of the Income Tax Act, 1961	568105.00	912746
(ii) Unabsorbed Depreciation	-	10868692
(iii) Short Term Capital Loss	-	14663
(iv) Long Term Capital Loss	453200.00	-
(iv) Others	917234.00	891061
<b>Total Deferred Tax Assets</b>	<b>1938539</b>	<b>12687162</b>
<b>Deferred Tax Liabilities</b>		
(i) Difference between book and Tax Depreciation	9389604.00	8438581
(ii) Capital Gains Tax Liability	2450798.00	2450798
<b>Total Deferred Tax Liability</b>	<b>11840402</b>	<b>10889379</b>
<b>Net Deferred Tax Assets / (Liabilities)</b>	<b>(9901863)</b>	<b>1797783</b>

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(b) Rs.1,16,99,646/- (Previous Year Rs. 90,90,818/-) has been debited to Profit and Loss Account of the Year in respect of Deferred Tax.

## 12 Managing Director's Remuneration:

	<b>Current Year Rupees</b>	Previous Year Rupees
(i) Salary	2100000	2100000
(ii) Contribution to Provident Fund	252000	252000
(iii) Commission	188108	-
(iv) Perquisites	1191425	1060430

**Computation of Net Profits as per Section 349 of the Companies Act, 1956 and Commission Payable to the Managing Director.**

**Net Profit for the Year before Taxation** **73670381**

Add:

(i) Depreciation Provided in the Books of Account	10512445	
(ii) Loss on Sale of Long Term Investments	1351814	
		<b>11864259</b>
		<b>85534640</b>

Less:

(i) Depreciation Under Section 350 of the Companies Act, 1956	10512445	
(ii) Profit on Sale of Current Investments	391537	<b>10903982</b>
Net Profits as per Section 349 of the Companies Act, 1956		<b>74630658</b>

Maximum Remuneration allowable under Schedule XIII of the Companies Act, 1956 being 5% of Rs.7,46,30,658/-

**3731533**

Commission @ 1% of Net Profits but limited to Rs. 1,88,108/- in order that the total remuneration of Managing Director does not exceed 5% of Net Profits.

(Figures for the Previous Year are not Applicable since Minimum Remuneration was paid as per Schedule XIV of the Companies Act, 1956).

## 13 Employee Defined Plan :

As per Actuarial Valuation as on March 31, 2008 and recognized in the Financial Statements in respect of Employee Benefit Schemes:

	<b>Gratuity Non-Funded</b>	<b>Leave Encashment</b>
<b>I. Components of Employer Expenses</b>		
(a) Current Service Cost	231366	206580
(b) Interest Cost	42209	44904
(c) Employee Contributions	-	-
(d) Expected Return on Plan Assets	-	-
(e) Past Service Cost	-	-
(f) Actuarial (Gain) / Loss	(139806)	368924
(g) Total Expense recognized in the Profit & Loss Account	133769	620408
<b>II. Net Liability recognized in the Balance Sheet as at March 31, 2008</b>		
(a) Present Value of Defined Benefit Obligation as on April 1, 2007	556000	666000
(b) Fair Value of Plan Assets as at March 31, 2008	0	0
(c) Net Liability as at March 31, 2008	633000	1077000
<b>III. Change in Defined Benefit Obligation (DBO) during the Year ended March 31, 2008</b>		
(a) Present Value of Defined Benefit Obligation at the beginning of the year	556000	666000
(b) Current Service Cost	231366	206580

(CONSOLIDATED)



(c) Interest Cost	42209	44904
(d) Curtailment Cost / (Credit)	0	0
(e) Actuarial (Gain) / Loss	(139806)	368924
(f) Benefits Paid	(56769)	(209408)
(g) Present Value of Defined Benefit Obligation at the year end	633000	1077000
<b>IV. Change in the Fair Value of Plan Assets during the year ended March 31, 2008</b>		
(a) Plan Assets at the beginning of the year	-	-
(b) Settlements	-	-
(c) Expected Return on Plan Assets	-	-
(d) Actuarial (Gain) / Loss	-	-
(e) Actual Company Contributions	56769	209408
(f) Benefits Paid	(56769)	(209408)
(g) Fair Value of Plan Assets as at March 31, 2008	-	-
<b>V. Actuarial Assumptions:</b>		
(a) Discount Rate(per annum)	8%	8%
(b) Expected Rate of Return on Assets (per annum)	8%	8%
(c) Rate of Increase in Compensation Levels (per annum)	6%	6%

Other particulars relating to Management Pension, Post Retirement Medical Benefits and Pension Plan are not applicable to the Company.

14 Segment Information for the Year ended 31st March, 2008.

Primary Segment reporting - Business Segments

Particulars	Amount (Rupees)						
	Textiles	Business Centre	Vocational Training	Real Estate	Trading	Unallocated / Corporate	Total
<b>A) Segment Revenue:</b>							
External Sales / Income from Operations	86930631	81040901	11668587	21775000	2026839675	-	2228254794
	438885563	71107501	8460818	4365387	459410131	-	982229400
Other Income	58889	-	50467	-	1182809	38248684	39540849
	3305010	797821	293495	-	31085	28611013	33038424
<b>Total</b>	<b>86989520</b>	<b>81040901</b>	<b>11719054</b>	<b>21775000</b>	<b>2028022484</b>	<b>38248684</b>	<b>2267795643</b>
	442190573	71905322	8754313	4365387	459441216	28611013	1015267824
<b>B) Segment Results:</b>							
Profit / (Loss) before Depreciation, Taxes and exceptional items	(3930379)	73709920	(4966773)	6324827	16960713	(75779365)	12318943
	696703	56756422	(6142619)	1876580	13738217	(23511523)	43413780
Depreciation	-	3643129	1492034	89706	50489	7634258	12909616
	5284	4756893	1861419	102941	-	6630660	13357197
Profit / (Loss) before Taxes and Exceptional items	(3930379)	70066791	(6458807)	6235121	16910224	(83413623)	(590673)
	691419	51999529	(8004038)	1773639	13738217	(30142183)	30056583
<b>C) Other Information:</b>							
Segment Assets	9728182	54668009	21680215	237721192	384793048	659356196	1367946842
	95008078	63938734	43398269	234257006	78339526	204145834	719087447
Segment Liabilities	15173260	70140030	12287056	88916009	209088086	718389884	1113994325
	16850953	31727322	5729060	86599524	47113719	228885219	416905797
Capital Expenditure	-	617909	18225	3577112	95635	14947911	19256792
	-	225230	33307	-	-	21726628	21985165
Depreciation	-	3643129	1492034	89706	50489	7634258	12909616
	5284	4756893	1861419	102941	-	6630660	13357197
Non Cash Expenses other than Depreciation	4365358	-	-	-	-	-	4365358
	4365358	-	-	-	-	-	4365358

**Previous Year's Figures are given in *Italics***

Notes:

- 1) The Company has identified Business Segments as primary segments. The Reportable Business Segments are: a) Textiles - Trading, b) Business Center - comprising of activities connected with running of Business Centre c) Trading - Consists of Trading in Products other than textiles and d) Real Estate - comprising of Property Development and carrying on business or activities in real estate business of all types.
- 2) Items of Revenue, Income and Expenses, Assets and Liabilities (including Borrowings, Provision for Taxation and Deferred Tax) which are not directly attributable / identifiable / allocable to business segments are shown as Unallocated / Corporate.
- 3) Secondary Segment information - Geographical Segments:  
(Secondary segment disclosures are reported on the basis of geographical location of customers).

	Current Year			Previous Year		
	India	Rest of the world	Total	India	Rest of the world	Total
Revenue	2228254794	-	2228254794	114195710	455324315	982229400
Capital Expenditure	19256792	-	19256792	21726628	0	21985165
Carrying Amount of Segment Assets	1315027492	52919350	1367946842	713543238	56267850	719087447

- 15 Value of imports calculated on C. I. F. basis by the Company during the financial Year in respect of :-

	Current Year Rupees	Previous Year Rupees
(i) Trading Goods	2687151	2813936
(ii) Capital Goods	917711	1204857

- 16 Earnings in Foreign Exchange in respect of :-

F. O. B. Value of Exports	-	422224338
Export Commission / Others	1151643	-

- 17 Expenditure in Foreign Currency by the Company during the financial Year in respect of :-

Other Matters	1312950	2491978
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- 18 **Earning Per Share:**

Earning Per Share has been calculated as under:

(a) Profit / (Loss) After Taxation and Exceptional Items	(25522205)	42767382
(b) Number of Equity Shares Outstanding (Face Value Rs. 2/-)	37542750	37542750
(c) Earning per Share (Face Value of Rs. 2/- per share) - (a) / (b) (Basic and diluted)	(0.68)	1.14

The Company has sub divided the Nominal Value of One Equity Shares of Rs. 10/- each into five Equity Shares of the Nominal Value of Rs. 2/- each with effect from 15.01.2008. Accordingly in pursuance of the Accounting Standard (AS-20) on Earnings per Share (EPS), Basic and diluted EPS for the for the Year ended 31.03.08 and 31.03.2007 has been considered on new number of shares of Nominal Value of Rs. 2/- each.

- 19 **Disclosures as required by the Accounting Standard -18 on "Related Party Disclosure" are given below:**

i) Related Parties and Relationships:

**A) Significant Influence :**

- (i) Shree Rani Sati Investment & Finance Ltd.
- (ii) F. Pudumjee Investment Co. Ltd.
- (iii) Modern Derivatives & Commodities Private Limited. (Formerly known as Modern Comdex Private Limited).

**B) Key Management Personnel & Relatives :**

- (i) Mr. V. K. Jatia - Chairman & Managing Director.
- (ii) Mrs. Gauri Jatia - Director.
- (iii) Mr. Vedant Jatia - Executive

Note: In respect of above parties, there is no provision for doubtful debts as on March 31, 2008 and no amount has been written off or written back during the year in respect of debts due from / to them.

(CONSOLIDATED)



ii) Related Party Transactions:

Nature of Transactions	Significant Influence (Rs.)	Key Management Personnel (Rs.)	Relatives of Key Management Personnel (Rs.)	Total (Rs.)
1 (a) Loans given	105300000			105300000
	<i>40315000</i>			<i>40315000</i>
(b) Repayment etc. out of Loans given	81200000			81200000
	<i>40315000</i>			<i>40315000</i>
(c) Amount of loans given outstanding at the year end	16200000			16200000
	<i>(7900000)</i>			<i>(7900000)</i>
(d) Loans taken	19550000			19550000
	0			-
(e) Repayment out of Loans taken	21850000			21850000
	0			-
(f) Amount of loans taken outstanding at the year end	5200000			5200000
	<i>7500000</i>			<i>7500000</i>
2 (a) Interest on Inter Corporate Loans given	1579731			1579731
	<i>434499</i>			<i>434499</i>
(b) Amount of interest outstanding at the year end	1579731			1579731
	<i>434499</i>			<i>434499</i>
(c) Interest on Inter Corporate Loans taken	926009			926009
	<i>136587</i>			<i>136587</i>
(d) Amount of interest outstanding at the year end	926009			926009
	<i>121069</i>			<i>121069</i>
3 (a) Subscription / Allotment of Shares	3500000			3500000
	<i>3000000</i>			<i>3000000</i>
4 Managerial Remuneration		3731533		3731533
		<i>3412430</i>		<i>3412430</i>
5 Directors Sitting Fees			20000	20000
			<i>24000</i>	<i>24000</i>
6 Salaries			-	-
			<i>227360</i>	<i>227360</i>

Note: Previous Year's Figures are given in *Italics*

20 Figures in the bracket represents figures for the previous year.

21 Figures of the previous year have been regrouped and rearranged wherever necessary.

As per our report attached  
**For K. S. Aiyar & Company**  
Chartered Accountants

**Raghuvir M. Aiyar**  
Partner

Mumbai : 4<sup>th</sup> June, 2008

**Ajit P. Walwaikar**  
G.M. (Legal) & Company Secretary

**N. K. Deora**  
Financial Controller

For and on behalf of the Board of Directors  
**V. K. Jatia**  
Chairman & Managing Director

**R. Sethna**  
**A. Didwania**  
**R. R. Doshi**  
**J. F. Pochkhanawalla**  
**Gauri Jatia**  
**P. K. Bubna**

} Directors

Mumbai : 4<sup>th</sup> June, 2008

(CONSOLIDATED)



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008.**

		(Rs. in Lacs)	
	2007-2008	2006-2007	
<b>A. Cash Flow From Operating Activities:</b>			
<b>Net Profit Before Tax and Extraordinary Items</b>	<b>(5.91)</b>		300.32
Add / (Less) :			
Depreciation	129.10		133.57
Investment Income	76.50		(33.92)
Interest Income	(69.86)		(50.16)
Income from Financing Activity	0		-
Interest Expenses	829.10		258.56
Loss on sale of Fixed Assets	1.45		0.29
Non Cash Expenses	72.68		33.24
Provision for Doubtful Debts/Diminution	1.36	1040.33	3.86
<b>Operating Profit/(Loss) before working Capital Changes</b>	<b>1,034.42</b>		645.76
Inventories	(79.33)		(1.25)
Trade Receivables	(3,548.32)		934.02
Other Receivables	1,299.02		(494.89)
Liabilities	1,510.06	(818.57)	(581.49)
<b>Cash Generated from Operations</b>	<b>215.85</b>		502.15
Direct Taxes Paid (Net)	(449.00)		(201.63)
<b>Net Cash Used in Operating Activities</b>	<b>(233.15)</b>		300.52
<b>B. Cash Flow from Investing Activities:</b>			
Purchase of Fixed Assets	(268.54)		(208.33)
Purchase of Investments	(104.90)		(530.41)
Pre - Operative Expenses	(3,721.01)		-
Sale of Fixed Assets	10.74		13.20
Sale of Investment	83.53		141.70
Income from Financing Activity	1.46		33.92
Interest Received	69.86	(3,928.86)	50.16
<b>Net Cash Used in Investing Activities</b>	<b>(3,928.86)</b>		(499.76)
<b>C. Cash Flow from Financing Activities:</b>			
Proceeds from Bank Borrowings	2,249.08		309.06
Proceeds from Short Term Borrowings	2,944.04		216.76
Wealth Tax Paid	(5.62)		(5.68)
Interest Paid	(756.19)		(258.56)
Dividend Paid	(190.18)	4,241.13	(102.74)
<b>Net Cash from Financing Activities</b>	<b>4,241.13</b>		158.84
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>79.12</b>		(40.40)
Opening Balance of Cash and Cash Equivalents	291.06		331.46
Closing Balance of Cash and Cash Equivalents	370.18		291.06
<b>Net Increase/(Decrease) as disclosed above</b>	<b>79.12</b>		(40.40)

As per our report attached  
**For K. S. Aiyar & Company**  
Chartered Accountants

**Raghuvir M. Aiyar**  
Partner

**Ajit P. Walwaikar**  
G.M. (Legal) & Company Secretary

**N. K. Deora**  
Financial Controller

Mumbai : 4<sup>th</sup> June, 2008

For and on behalf of the Board of Directors  
**V. K. Jatia**  
Chairman & Managing Director

**R. Sethna**  
**A. Didwania**  
**R. R. Doshi**  
**J. F. Pochkhanawalla**  
**Gauri Jatia**  
**P. K. Bubna** } Directors

Mumbai : 4<sup>th</sup> June, 2008





# MODERN INDIA LIMITED

Regd. Office : Modern Centre, Sane Guruji Marg, Mahalaxmi, Mumbai 400 011

## PROXY

I/We \_\_\_\_\_  
being a member/members of MODERN INDIA LIMITED hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ or failing him \_\_\_\_\_  
of \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf  
at the SEVENTY-FOURTH ANNUAL GENERAL MEETING of the Company to be held at 11.00 A.M. on Wednesday, the  
16<sup>th</sup> July, 2008 or any adjournment thereof.

Dated \_\_\_\_\_

Folio No. \_\_\_\_\_

DP ID \_\_\_\_\_

CI. ID No. \_\_\_\_\_

No. of Shares \_\_\_\_\_



\_\_\_\_\_  
Signature

Note: Proxies must reach the Company's Registered Office not less than 48 hours before the meeting.



# MODERN INDIA LIMITED

## ATTENDANCE SLIP

To be filled in and handed over at the entrance of the Meeting Hall

Dated \_\_\_\_\_

Folio No. \_\_\_\_\_

DP ID \_\_\_\_\_

CI. ID No. \_\_\_\_\_

No. of Shares \_\_\_\_\_

\_\_\_\_\_  
Name of the attending Member (in BLOCK LETTERS)

\_\_\_\_\_  
Name of the Proxy (in BLOCK LETTERS)  
(To be filled in if the Proxy attends instead of the Member)

I hereby record my presence at the SEVENTY-FOURTH ANNUAL GENERAL MEETING at the Registered Office of the  
Company at Modern Centre, Sane Guruji Marg, Mahalaxmi, Mumbai 400 011 on Wednesday, the 16<sup>th</sup> July, 2008 at  
11.00 a.m.

\_\_\_\_\_  
Member's/Proxy's Signature

\* Applicable to investors holding shares in electronic form.