



*Dynamic growth gets a new definition and a vibrant momentum.*



**JM FINANCIAL LIMITED**  
141, Maker Chambers III  
Nariman Point  
Mumbai - 400 021

Our identity - the Red Triangle epitomises dynamic growth. The three sides of the triangle symbolise core brand values - Integrity, Innovation and Implementation. Depicting movement, motion, pace, agility and dynamism, the Red Triangle positions JM Financial as a distinct, powerful and adaptable financial force.

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#### **BOARD OF DIRECTORS**

Mr. Nimesh N Kampani	Chairman
Mr. M R Mondkar	
Mr. Ashith N Kampani	
Mr. E A Kshirsagar	
Mr. Dilip Kothari	(w.e.f. January 23, 2006)
Dr. Pravin P Shah	(w.e.f. June 1, 2006)
Mr. Darius E Udwadia	(w.e.f. June 1, 2006)

#### **COMPANY SECRETARY**

Mr. P K Choksi

#### **MANAGER & CHIEF FINANCIAL OFFICER**

Mr. Manish Sheth

#### **AUDITORS**

M/s. Khimji Kunverji & Co.  
Chartered Accountants  
Mumbai

#### **BANKERS**

HDFC Bank Limited  
Tulsiani Chambers  
Nariman Point  
Mumbai - 400 021

#### **SOLICITORS**

M/s. Udwadia & Udeshi (Regd)  
Solicitors & Advocates  
Mumbai

#### **REGISTRARS AND SHARE TRANSFER AGENTS**

Sharepro Services (India) Private Limited  
Satam Estate, 3rd Floor  
Above Bank of Baroda  
Chakala, Andheri (East)  
Mumbai - 400 099

#### **REGISTERED OFFICE**

141, Maker Chambers III  
Nariman Point  
Mumbai - 400 021

#### **CORPORATE OFFICE**

522, Tulsiani Chambers  
Nariman Point  
Mumbai - 400 021

**NOTICE**

**NOTICE IS HEREBY GIVEN THAT THE TWENTY FIRST ANNUAL GENERAL MEETING OF THE MEMBERS OF JM FINANCIAL LIMITED WILL BE HELD ON THURSDAY, SEPTEMBER 7, 2006 AT 4.00 P.M. AT KAMALNAYAN BAJAJ HALL, BAJAJ BHAVAN, GROUND FLOOR, NARIMAN POINT, MUMBAI - 400 021 TO TRANSACT THE FOLLOWING BUSINESS:**

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2006, the Profit & Loss Account for the year ended on that date and the reports of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. E A Kshirsagar, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. M R Mondkar, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint M/s. Khimji Kunverji & Co., Chartered Accountants, as Auditors and to authorise the Board to fix their remuneration.

**SPECIAL BUSINESS**

6. To consider and, if thought fit, to pass with or without modification(s), the following as an Ordinary Resolution:
 

“**RESOLVED THAT** Mr. Dilip Kothari, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 read with Article 117 of the Articles of Association of the Company and whose term of office as a Director expires at this Annual General Meeting and in respect of whom a notice in writing under Section 257 of the said Act has been left at the Registered Office of the Company by a Member signifying her intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation in accordance with Section 257 and all other applicable provisions of the Companies Act, 1956.”
7. To consider and, if thought fit, to pass with or without modification(s), the following as an Ordinary Resolution:
 

“**RESOLVED THAT** Dr. Pravin P Shah, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 read with Article 117 of the Articles of Association of the Company and whose term of office as a Director expires at this Annual General Meeting and in respect of whom a notice in writing under Section 257 of the said Act has been left at the Registered Office of the Company by a Member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation in accordance with Section 257 and all other applicable provisions of the Companies Act, 1956.”
8. To consider and, if thought fit, to pass with or without modification(s), the following as an Ordinary Resolution:
 

“**RESOLVED THAT** Mr. Darius E Udawadia, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 read with Article 117 of the Articles of Association of the Company and whose term of office as a Director expires at this Annual General Meeting and in respect of whom a notice in writing under Section 257 of the said Act has been left at the Registered Office of the Company by a Member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation in accordance with Section 257 and all other applicable provisions of the Companies Act, 1956.”
9. To consider and, if thought fit, to pass with or without modification(s), the following as a Special Resolution:
 

“**RESOLVED THAT** in supersession of the Special Resolution passed by the Members at the Twentieth Annual General Meeting held on July 6, 2005, referred to under item number 5 of the Notice dated May 4, 2005, consent of the Company be and is hereby accorded pursuant to the provisions of Section 309(4) and all other applicable provisions, if any, of the Companies Act, 1956 (“the Act”) and Article 120(3)(ii) of the Articles of Association of the Company, to the payment and distribution of such sum by way of commission of up to 1% (one per cent) per annum of the net profits of the Company, calculated in accordance with the provisions of Sections 349 and 350 of the Act, or where the amount of commission payable exceeds 1% (one per cent) per annum then upto 3% (three per cent) per annum of the net profits of the Company, subject to the approval of the Central Government, for each of the five financial years commencing from April 1, 2006 to such Directors of the Company, the quantum, proportion, manner of such payment and distribution to be made as the Board of Directors of the Company may from time to time decide.”
10. To consider and, if thought fit, to pass with or without modification(s), the following as a Special Resolution:
 

“**RESOLVED THAT** in accordance with the provisions of Section 81(1A) and such other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 including any modifications thereof or supplements thereto (the “Guidelines”) and subject to such other approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall be deemed to include any Committee including the Remuneration/Compensation Committee, which the Board may at its discretion authorise to exercise its powers including the powers conferred by this Resolution); the consent of the Company be and is hereby accorded to the Board to offer, issue and allot at any time to or for the benefit of such person(s) who are in the permanent employment of the Company, including all Directors other than Promoter Directors of the Company, whether working in India or out of India, under a scheme called the “Employees Stock Option Scheme” (hereinafter referred to as the “Scheme”)

such number of equity shares and/or other equity linked instruments, including Options and/or any other instruments or securities of the Company (hereinafter referred to as "the Securities") which Securities, when issued and allotted would give rise to the issuance of equity shares of the face value of Rs. 10 each not exceeding 300,000 (Three Lakhs) in number, to such employees, at such time or times and at such price or prices, in one or more tranches and on such terms and conditions as may be determined by the Board in accordance with terms of the Scheme, the Guidelines or other provisions of the law as may be prevailing at that time".

"**RESOLVED FURTHER THAT** the Securities may be allotted directly to such employees in accordance with the Scheme framed in that behalf and that such Scheme may also contain provisions for providing financial assistance to the employees to enable them to acquire, purchase or subscribe to the Securities"

"**RESOLVED FURTHER THAT** the new equity shares to be issued and allotted in the manner aforesaid shall rank pari passu in all respects with the then existing equity shares of the Company."

"**RESOLVED FURTHER THAT** the Board be and is hereby authorised to take necessary steps for listing of the Securities allotted under the Scheme on the Stock Exchange(s) where the Securities of the Company are listed as per the provisions of the Listing Agreement(s) with the concerned Stock Exchange(s) and other applicable guidelines, rules and regulations."

"**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorised on behalf of the Company, to make in conformity with the Guidelines for the time being in force, any modifications, changes, variations, alterations or revisions in the Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time and to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the Members of the Company."

11. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"**RESOLVED THAT** in accordance with the provisions of Section 81 (1A) and such other applicable provisions, if any, of the Companies Act, 1956, ("the Act") and the Articles of Association of the Company, and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 including any modifications thereof or supplements thereto (the "Guidelines") and subject to such other approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall be deemed to include any Committee including the Remuneration/Compensation Committee which the Board may, at its discretion, authorise to exercise its powers, including the powers conferred by this Resolution), the consent of the Company be and is hereby accorded to the Board to extend the benefits of the Scheme proposed in the resolution, under item number 10 of this Notice to such person(s) who are in the permanent employment of its subsidiary companies, including all Directors, other than Promoter Directors of such subsidiary companies, whether working in India or out of India and/or such other persons, as may from time to time be allowed under laws, rules, regulations and guidelines as may be applicable, on such terms and conditions as may be decided by the Board."

"**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorised on behalf of the Company to make in conformity with the Guidelines for the time being in force, any modifications, changes, variations, alterations or revisions in the Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time and to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the Members of the Company."

12. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"**RESOLVED THAT** the maximum number of Options to be issued under the Scheme proposed in the resolution under item number 10 of this Notice and/or as provided in the resolution under item number 11 of this Notice, to any one Non-Executive Director, including Independent Director, shall not in any case exceed such number of Options which would entitle such Director to subscribe to more than 300,000 Equity Shares of the Company in any financial year and the total number of Options to be issued to all such Directors will not exceed such number of Options which shall entitle them to subscribe to more than 300,000 Equity Shares of the Company in the aggregate."

By Order of the Board

**P K Choksi**  
Company Secretary

Date: July 27, 2006

**Registered Office:**  
141, Maker Chambers III  
Nariman Point  
Mumbai - 400 021

21st Annual Report 2005-06

**NOTES**

- a. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE VALID, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- b. The Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business at item numbers 6 to 12 of the Notice set out above are annexed hereto.
- c. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, September 1, 2006 to Thursday, September 7, 2006 (both days inclusive).
- d. Members while corresponding with the Company or its Registrars & Share Transfer Agents viz., Sharepro Services (India) Private Limited are requested to quote their respective Register Folio Numbers or Client IDs of their beneficiary accounts, as the case may be.
- e. **As you may be aware, the Company has made necessary arrangements for the members to hold their shares in electronic mode. Those members who are holding shares in physical form are requested to dematerialise the same by approaching any of the Depository Participants (DPs) registered with SEBI.**
- f. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends upto the financial year ended March 31, 1998, have been transferred to the General Revenue Account of the Central Government. Members who have so far not claimed their dividends for the said periods may claim the same by submitting an application in Form No. II, prescribed under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, to the Registrar of Companies, Maharashtra.
- g. **Payment of dividend through Electronic Clearing Services (ECS):**

As per the Securities and Exchange Board of India (SEBI) Circular No. DCC/FITT/CIR 3/2001, all companies are mandatorily required to use ECS facility wherever available for distributing dividends, wherein the dividend amount would be directly credited to shareholders' bank account.

The members, holding shares in dematerialised form are advised to intimate the bank details/change in bank details to their Depository Participant (DP). Further, members holding shares in physical form are advised to send bank details or changes therein to the Registrars & Share Transfer Agent (RTA) or to the Company.

In case of absence of ECS facility, the Company will send the Dividend Warrants/Demand Drafts/Pay Orders to the registered address of the shareholders. To print the bank account details on the dividend warrants, shareholders are required to update their Bank details with the DP/RTA/Company.



**MANDATE FORM ELECTRONIC CLEARING SERVICE (ECS)**

(To be sent directly to the DP/RTA/Company)

To

..... (Name of the DP/RTA/Company)

..... (Address of the DP/RTA/Company)

Please register the following details for receipt of Dividend:

Type of Instruction	Remittance of amount through ECS
Name	: .....
DP ID	: .....
Client ID/Folio No.:	.....
Bank Details	: Bank Name : .....
	Bank Address: .....
	Account Type and No.: SB/CA/CC No.: .....
	9 Digit MICR Code: .....

**Date:** .....

**Signature of the Shareholder(s)**



## ANNEXURE TO NOTICE

### EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

#### In respect of Item No. 6

Mr. Dilip Kothari was appointed as an Additional Director of the Company by the Board of Directors (the "Board") at their meeting held on January 23, 2006 in accordance with the provisions of Section 260 of the Companies Act, 1956 (the "Act") read with Article 117 of the Articles of Association of the Company. He holds office of a Director up to the date of the forthcoming Annual General Meeting. It is proposed to appoint him as a Director of the Company, liable to retire by rotation, at the forthcoming Annual General Meeting. The Company has received a notice in writing from a Member of the Company signifying her intention to propose Mr. Kothari as a candidate for the office of Director along with a deposit of Rs. 500/-, in accordance with Section 257 of the Act, which will be refunded to the Member, if he is elected as a Director.

Mr. Kothari brings with him over 22 years of experience in global financial services industry, with 10 years in the United States of America and over 12 years in Asia. In the United States of America, he was with Citibank, where he held various senior management positions. His experience in Asia began in 1990 as Head of Credit Policy and Risk Management for Citibank Asia which was followed by a stint at HSBC from 1992 to 1998 as the Head of Consumer Bank, based in Singapore. He was appointed as a Managing Director of Olympus Capital Holdings, one of Asia's leading private equity firms in the year 1998.

The Board is of the view that your Company would immensely benefit from the rich and long experience of Mr. Kothari in the financial services sector and accordingly recommends the passing of an Ordinary Resolution proposed at item number 6 of the accompanying Notice.

Mr. Kothari is deemed to be concerned or interested in the resolution proposed at item number 6 of the accompanying Notice, since it relates to his own appointment.

#### In respect of Item No. 7

Dr. Pravin P Shah was appointed as an Additional Director of the Company by the Board of Directors (the "Board") at their meeting held on June 1, 2006 in accordance with the provisions of Section 260 of the Companies Act, 1956 (the "Act") read with Article 117 of the Articles of Association of the Company. He holds office of a Director up to the date of the forthcoming Annual General Meeting. It is proposed to appoint him as a Director of the Company, liable to retire by rotation, at the forthcoming Annual General Meeting. The Company has received a notice in writing from a Member of the Company signifying his intention to propose Dr. Shah as a candidate for the office of Director along with a deposit of Rs. 500/- in accordance with Section 257 of the Act, which will be refunded to the Member, if he is elected as a Director.

Dr. Shah has over 36 years of experience (including 6 years in the United States of America) in the areas of financial consultancy, corporate structuring/restructuring, management consultancy, taxation, valuation, property matters, accounting, auditing, company laws and foreign exchange laws. He is currently associated with M/s. Pravin P Shah & Co., Chartered Accountants, Mumbai as a Partner. He has done Ph.D. in Cost Accounting from the University of Bombay and is also a member of the ICAI and ICWAI.

The Board is of the view that the Company would immensely benefit from the long years of experience in finance and taxation fields and the qualifications that Dr. Shah possesses and accordingly recommends the passing of an Ordinary Resolution proposed at item number 7 of the accompanying Notice.

Dr. Pravin P Shah is deemed to be concerned or interested in the resolution proposed at item number 7 of the accompanying Notice, since it relates to his own appointment.

#### In respect of Item No. 8

Mr. Darius E Udwardia was appointed as an Additional Director of the Company by the Board of Directors (the "Board") at their meeting held on June 1, 2006 in accordance with the provisions of Section 260 of the Companies Act, 1956 (the "Act") read with Article 117 of the Articles of Association of the Company. He holds office of a Director up to the date of the forthcoming Annual General Meeting. It is proposed to appoint him as a Director of the Company, liable to retire by rotation, at the forthcoming Annual General Meeting. The Company has received a notice in writing from a Member of the Company signifying his intention to propose Mr. Udwardia as a candidate for the office of Director along with a deposit of Rs. 500/- in accordance with Section 257 of the Act, which will be refunded to the Member, if he is elected as a Director.

Mr. Udawadia with his active law practice of over four decades brings with him valuable experience and expertise in the areas of corporate law, mergers, acquisitions & takeovers, corporate restructuring, foreign collaboration, joint ventures, project and infrastructure finance, telecommunication, international loan and finance related transactions and instruments, real estate and conveyancing. He has remained a Solicitor at the Supreme Court of England, U.K. and at the Bombay High Court. He acts as a legal counsel for numerous Indian companies, multinational corporations and foreign banks having presence in India. He is presently associated with M/s. Udawadia & Udeshi, Solicitors & Advocates, Mumbai as a Senior Partner.

The Board is of the view that the Company would immensely benefit from Mr. Udawadia's wide experience in the legal field and accordingly recommends the passing of an Ordinary Resolution proposed at item number 8 of the accompanying Notice.

Mr. Udawadia is deemed to be concerned or interested in the resolution proposed at item number 8 of the accompanying Notice, since it relates to his own appointment.

#### **In respect of Item No. 9**

At the last Annual General Meeting held on July 6, 2005, a Special Resolution, approving the payment of commission to the Non-Executive Directors up to 3% of the net profits of the Company per financial year, was passed. Since the Company now has a Manager under the Companies Act, 1956, the commission that could be paid to the Directors, pursuant to Section 309(4) of the Companies Act, 1956, is up to 1% of the net profits of the Company per financial year. Further, if the commission to be paid to the Directors exceeds 1% of the net profits of the Company per financial year, then approval of the Central Government is required.

In view of the above, it is proposed to pass a resolution which supersedes the resolution passed by the Members at the previous Annual General Meeting.

The Board therefore recommends the passing of the Special Resolution proposed at item number 9 of the accompanying notice.

All the Directors may be deemed to be concerned or interested in the resolution at item number 9 of the Notice to the extent of the commission that may be received by them.

#### **In respect of Item Nos. 10 and 11**

Total commitment, whole hearted support and team work of employees in various businesses have been the main growth drivers for the performance of the Company and its subsidiaries. The management of the Company, therefore, thought fit to encourage its employees to become partners in the long term growth and financial success of the Company through an appropriate mechanism.

It has now been accepted internationally that Stock Option is an effective instrument to align the interests of employees with those of the Company. This also provides an opportunity to employees to participate in the growth of the Company, besides creating long-term wealth in their hands.

"Employee Stock Option Scheme" represents a reward system based on performance of the employees. The Scheme helps the companies attract, retain and motivate the best available talent in the increasingly competitive business environment.

With the above objectives in mind, it is proposed to introduce an Employees Stock Option Scheme (the "Scheme") for the benefit of permanent employees of the Company, its Directors, employees/directors of its subsidiary company(ies), and such other persons as may be permitted from time to time, under prevailing laws, rules and regulations and/or amendments thereto.

The Scheme would be governed by Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (the "Guidelines").

The Scheme will be under the superintendence of and be administered by the Company's Remuneration/Compensation Committee, which is a Committee of the Board of Directors, the majority of whose members are Independent Directors.

The Remuneration/Compensation Committee will formulate the detailed terms and conditions of the Scheme including:

- Number of Options to be granted to any employee and in the aggregate to all the employees.
- Terms on which the Options will vest.
- The conditions under which Options vested in employees may lapse.
- The exercise period within which an employee should exercise the Option and lapsing of Option on failure to exercise the Option within the exercise period.
- The specified time period within which the employee shall exercise the vested Options in the event of termination or resignation of the employee.
- The right of an employee to exercise all the Options vested in him at one time or at various points of time within the exercise period.
- The procedure for making a fair and reasonable adjustment to the number of Options and to the exercise price in case of corporate actions such as rights issue, bonus issue, merger, etc.
- The grant, vesting and exercise of Option in case of employees who are on long leave.
- Any other related or incidental matters.

The salient features of the Scheme are as under:

**(A) The total number of Options to be granted:**

The total number of Options that may, in the aggregate, be granted shall not exceed 300,000 equity shares of the face value of Rs. 10/- each.

**(B) Identification of classes of employees entitled to participate in the Scheme:**

- (a) All eligible employees of the Company or of its subsidiary company(ies) selected by the Remuneration/Compensation Committee, from time to time, would be entitled to participate in the Scheme.
- (b) The class of employees eligible for participating in the Stock Options shall be determined on the basis of the grade, number of years of service, performance and such other parameters as may be decided by the Remuneration/Compensation Committee, in its sole discretion, from time to time.

**(C) Requirements of vesting and period of vesting:**

- (a) There shall be a minimum period of one year between the grant of Options and vesting of Options.
- (b) The vesting shall happen in one or more tranches as may be decided by the Remuneration/Compensation Committee.

**(D) Maximum period (Subject to Clause 9.1 of the Regulations) within which the Options shall be vested:**

The maximum vesting period shall be four years from the date of granting of the Options.

**(E) Exercise price or Pricing formula:**

The exercise price for the purposes of the grant of Options will be decided by the Remuneration/Compensation Committee at the time of grant of Options to the employees/Directors. The exercise price shall be calculated on the basis of the latest closing Market Price for the Company's equity shares quoted on the Stock Exchange(s) prior to the date of grant of the Options, which for this purpose shall be the date on which the Remuneration/Compensation Committee meets to make its recommendations for grant of Options. The Remuneration/Compensation Committee may prescribe a discount not higher than 20% to such price.

**(F) Exercise period and the process of exercise:**

The exercise period may commence from the date of vesting of Options and will expire not later than five years from the date of grant of Options or such other period as may be decided by the Remuneration/Compensation Committee, from time to time.

The Options will be exercisable by the employees by a written application to the Company to exercise the Options, in such manner, and on execution of such documents, as may be prescribed by the Remuneration/Compensation Committee from time to time.

The Options will lapse if not exercised within the specified exercise period. The Options may also lapse under certain circumstances as may be specified by the Remuneration/Compensation Committee, even before the expiry of the specified exercise period.

**(G) Appraisal process for determining the eligibility of employees to the Scheme:**

The appraisal process for determining the eligibility of the employees will be specified by the Remuneration/Compensation Committee.

The major criteria involved in selection of the eligible employees may include various factors including the following:

- Employees in key functional areas
- Managerial cadre
- Length of past service
- Past performance evaluation/contribution
- Expected future performance/contribution
- Minimum years of future service
- Current performance

The criteria mentioned above are only illustrative and not exhaustive. The decision of the Remuneration/Compensation Committee regarding grant of Options would be final.

**(H) Maximum number of Options to be issued per employee and in the aggregate:**

- (a) The aggregate of all such Options granted will not exceed such number of Options which would entitle such employee to acquire equity shares of the Company not exceeding 300,000 equity shares of the face value of Rs. 10/- each.
- (b) The maximum number of Options to be granted per employee will not exceed such number of Options which shall entitle such employee to acquire 300,000 equity shares of the face value of Rs. 10/- each of the Company.
- (c) The maximum number of Options to be granted to the Non-Executive Directors including the Independent Directors will not exceed such number of Options which shall entitle such Directors to acquire 300,000 equity shares in any financial year and the total number of Options to the Non-Executive Directors will not exceed such number of Options which shall entitle such Directors to acquire 300,000 equity shares in the aggregate. Such ceiling will be within the aggregate ceiling of 300,000 equity shares mentioned in Clause (H)(a) above.

**(I) Accounting Policies:**

The Company will confirm to the accounting policies specified in Clause 13.1 of the Guidelines.

**(J) Method for valuation of Options:**

The Company will adopt the Fair Value Method to value its Options.

**(K) Lock-in:**

Once the Options are vested, they can be exercised immediately and the resultant equity shares would not be subject to further lock-in.

**(L) Listing of the Shares:**

Subject to the approval of the Stock Exchange(s), the relevant equity shares on exercise of Options shall be listed on the Stock Exchange(s) on which the equity shares of the Company are listed.

- (M)** The Options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

- (N)** On the death of the Option holder, all the outstanding Options would get automatically vested in his/her nominees or legal heirs. In case of a permanent disability of the Option holder while in employment, all outstanding Options granted to him shall vest in him on that day.

- (O) As the Scheme will entail further equity shares to be offered to persons other than existing shareholders of the Company, consent of the Members is sought pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Act, and as per the requirement of Clause 6 of the Guidelines.
- (P) As per the Guidelines, a separate resolution is required to be passed if the benefits of the Scheme are to be extended to employees of the subsidiary company(ies). The resolution under item number 11 is being proposed accordingly, to cover those employees and/or such other persons as may be permitted from time to time, under prevailing laws, rules and regulations and/or amendments there to, from time to time.

The Members' consent is therefore sought by way of the Special Resolutions set out at item numbers 10 and 11 of the Notice to give effect to the above proposal. The Board of Directors recommend passing of the Special Resolutions for the approval of Members.

All the Directors may be deemed to be concerned or interested in the resolutions proposed at item numbers 10 and 11 of the accompanying Notice to the extent of the Options, if any, which may be offered to them under and in accordance with the Scheme.

#### **In respect of Item Nos. 12**

Sub-clause I(B) of Clause 49 of the Listing Agreement entered into with Stock Exchange(s) requires that the fees/compensation, if any, paid to Non-Executive Directors, shall be fixed by the Board of Directors of the Company and shall require previous approval of the shareholders of the Company in a General Meeting. The shareholders resolution shall specify the limit for the maximum number of Stock Options that can be granted to Non-Executive Directors, including Independent Directors, in any financial year in aggregate.

The Members' consent is therefore sought by way of a Special Resolution set out at item number 12 of the Notice for granting the maximum number of Stock Options to Non-Executive Directors, including Independent Directors during any financial year. The Board of Directors of the Company recommend passing of the Special Resolution proposed at item number 12 of the Notice.

All of the Directors may be deemed to be concerned or interested in the resolution proposed at item number 12 of the accompanying Notice to the extent of the Options, if any, that may be offered to them under the Scheme and in terms of that resolution.

By Order of the Board

**P K Choksi**  
Company Secretary

Date: July 27, 2006

#### **Registered Office:**

141, Maker Chambers III  
Nariman Point  
Mumbai - 400 021

**DIRECTORS' REPORT**

To the Members,

Your Directors are pleased to present their report on the business and operations of the Company for the year ended March 31, 2006.

**FINANCIAL HIGHLIGHTS**

Particulars	(Rs. in Crore)		
	For the year ended		
	March 31, 2006	March 31, 2006	March 31, 2005
	Consolidated	Standalone	
Gross Income	231.11	16.29	13.72
Profit before depreciation, diminution in value of investments and tax	138.51	14.42	13.48
Depreciation	3.51	0.02	0.02
Interest	0.47	-	-
Provision/(Reversal) for diminution in the value of investments	(1.33)	(1.33)	4.00
<b>Profit before Tax</b>	<b>135.86</b>	<b>15.73</b>	<b>9.46</b>
Provision for Taxation:			
Current Tax	44.56	0.22	-
Deferred Tax	(0.55)	0.23	(0.01)
Short Provision for taxation of earlier years	0.03	0.01	-
Fringe Benefit Tax	0.53	-	-
<b>Profit after Tax but before minority interest and share in associate companies</b>	<b>91.29</b>	<b>15.27</b>	<b>9.47</b>
Less: Share of minority interest	21.99	-	-
Share in associate companies	2.49	-	-
<b>Net Profit</b>	<b>66.81</b>	<b>15.27</b>	<b>9.47</b>
Add: Balance in Profit and Loss Account brought forward from earlier years	42.35	7.41	2.17
Profit of J. M. Securities Private Limited now belonging to the Company on account of merger	11.88	11.88	-
<b>Profit available for Appropriation</b>	<b>121.04</b>	<b>34.56</b>	<b>11.64</b>
<b>APPROPRIATIONS</b>			
Proposed Dividend (subject to dividend tax)	7.50	7.50	2.83
Dividend Tax	3.15	1.05	0.40
General Reserve	2.00	2.00	1.00
Balance carried to Balance Sheet	108.39	24.01	7.41
	<b>121.04</b>	<b>34.56</b>	<b>11.64</b>

**DIVIDEND:**

Your Directors are pleased to recommend a dividend of 25% (Rs. 2.50 per share), subject to dividend tax for the year ended March 31, 2006 (previous year 25 %). The said dividend is proposed to be paid on the enhanced capital, after allotment of shares on preferential basis, which will absorb higher amount of cash outflow. The dividend, if declared, at the ensuing Annual General Meeting, will be paid to those shareholders whose names would appear in the Register of Members on September 1, 2006. The payment of dividend together with tax thereon will absorb Rs. 8.55 crore.

**FINANCIAL PERFORMANCE HIGHLIGHTS:**

Your Company has reported, on a standalone basis, higher Gross Income of Rs. 16.29 crore as against Rs. 13.72 crore in the previous year. The Gross Income includes the dividend income of Rs. 13.37 crore, out of which Rs. 11.64 crore was received from the Company's joint venture and subsidiaries. After accounting for the expenditure of Rs. 1.87 crore (previous year Rs. 0.24 crore), your Company's Profit before Tax stood at Rs. 15.73 crore (previous year Rs. 9.46 crore). The Net Profit earned by your Company during the year under review was Rs. 15.27 crore as against Rs. 9.47 crore earned in the previous year, an increase of 61.25%.

On a consolidated basis, the Gross Income was Rs. 231.11 crore, Profit before Tax was Rs. 135.86 crore, Profit after Tax but before minority interest and share in associate companies was Rs. 91.29 crore and Profit after Tax and minority interest and share in associate companies was Rs. 66.81 crore.

**AMALGAMATION:**

As the members are aware, the equity shareholders at the Court Convened Meeting held on February 15, 2006, had approved the Scheme of Amalgamation of J. M. Securities Private Limited with your Company. The said Scheme of Amalgamation was sanctioned by the High Court of Judicature at Bombay vide its Order dated March 31, 2006 and modified Order dated April 25, 2006. While the Appointed Date fixed for the purpose of the said Amalgamation was November 1, 2005, the Effective Date was May 3, 2006, the day on which the copies of the High Court Order were filed with the Registrar of Companies, Maharashtra by J. M. Securities Private Limited and your Company.

Upon the Amalgamation as above, your Company has issued 12,373,333 fully paid-up equity shares of the face value of Rs. 10/- each to the shareholders of J. M. Securities Private Limited, based on the share swap ratio approved by the equity shareholders and sanctioned by the High Court.

**BUSINESS ACTIVITIES OF THE COMPANY:**

Your Company has various business interests through its subsidiaries/joint ventures/associates mainly in the financial services sector, comprising of the following:

1. Investment Banking
2. Institutional Equity Sales, Trading, Distribution, Research & Broking
3. Non-Institutional Equity Sales, Trading, Research & Broking
4. Private Wealth Management
5. Portfolio Management
6. Distribution of Mutual Funds & Public Offerings
7. Depository Services
8. Investment Advisory Services
9. Asset Management
10. Wholesale (Institutional) Debt Trading
11. Trusteeship Services
12. Commodities Broking & Advisory Services
13. Equity Financing & NBFC Activities
14. Private Equity Fund & Venture Capital

**ISSUE OF SHARES ON A PREFERENTIAL BASIS:**

Your Company issued and allotted 4,200,000 equity shares of the face value of Rs. 10/- each at a price of Rs. 418/- per share aggregating Rs. 175.56 crore to the Non-Resident Investors, viz., Blue Ridge and Tiger Global Management, on a preferential basis on December 9, 2005.

Further, as you are aware, by a Special Resolution passed at the Extraordinary General Meeting of the shareholders of the Company held on June 1, 2006, an issue and allotment of up to 2,101,667 equity shares of the face value of Rs. 10/- each at a price of Rs. 639/- per share on a preferential basis to two investors was approved. In terms of this approval, your Company has allotted 875,000 equity shares to Mr. Azim Hasham Premji for an amount aggregating Rs. 55.91 crore. The remaining 1,226,667 equity shares for an amount aggregating Rs. 78.38 crore are proposed to be allotted to Non-Resident Investor(s), namely, Blue Ridge on the satisfactory receipt of all the necessary regulatory approvals including FIPB.

The issued and subscribed capital of your Company, with the above preferential issues, would stand increased to Rs. 30.00 crore.

**FIXED DEPOSITS:**

Your Company has not accepted any deposits from the shareholders/public during the year under review.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

The Board of Directors of your Company confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis.

**DIRECTORS:**

In accordance with Article 130 of the Articles of Association of the Company read with the provisions of the Companies Act, 1956, Mr. E A Kshirsagar and Mr. M R Mondkar, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

Pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 117, Mr. Dilip Kothari was appointed as an Additional Director of the Company with effect from January 23, 2006 and Dr. Pravin P Shah and Mr. Darius E Udwardia were appointed as Additional Directors of the Company with effect from June 1, 2006. They would hold their office as Directors up to the date of the forthcoming Annual General Meeting. The Company has received notices in writing from members proposing their candidature for the office of Director. Accordingly, Ordinary Resolutions appointing them as Directors of the Company would form part of the Notice convening the Annual General Meeting.



**PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND EXPENDITURE:**

The particulars as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 on Conservation of Energy and Technology Absorption are not applicable to your Company. Your Company has neither earned nor spent any amount in foreign exchange during the year under review.

**CORPORATE GOVERNANCE:**

The report on compliance with the provisions of Clause 49 of the Listing Agreement executed with the Bombay Stock Exchange Limited is given separately and forms part of the Annual Report for the year 2005-06. A certificate from the Statutory Auditors of the Company, M/s. Khimji Kunverji & Co., as required pursuant to the provisions of Clause 49 is annexed and forms part of the Annual Report.

**AUDITORS:**

The retiring Auditors, namely, M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai, hold office until the conclusion of the forthcoming Annual General Meeting and are seeking their reappointment. Members are requested to consider their appointment and authorise the Board to fix their remuneration for the year 2006-07.

**SUBSIDIARY COMPANIES:**

The Central Government has granted exemption to the Company under Section 212(8) of the Companies Act, 1956 with regard to attaching of the Balance Sheet, Profit & Loss Account and other documents of the subsidiaries for the year ended March 31, 2006. However, the accounts of the subsidiaries will be made available for inspection by any member of the Company at its registered office and also at the registered office of the subsidiaries and a copy of the same will be made available to the members upon receipt of the request from them. A statement pursuant to Section 212 of the Companies Act, 1956 in respect of these subsidiaries is appended to the Balance Sheet. In accordance with the requirements of Accounting Standard 'AS-21' prescribed by the Institute of Chartered Accountants of India, the Consolidated Financial Statements of the Company and its subsidiaries are annexed to the Balance Sheet.

**PARTICULARS OF EMPLOYEES:**

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is not attached since there were no employees falling under the purview of sub-section 2A of the said section.

**ACKNOWLEDGEMENTS:**

Your Directors would like to place on record their appreciation for the committed services extended by the employees of the Company and its associate/joint venture/subsidiary companies. Your Directors also place on record their appreciation for the co-operation and assistance extended by the Bombay Stock Exchange Limited, Securities and Exchange Board of India, Reserve Bank of India and all the stakeholders from time to time.

On Behalf of the Board of Directors

**Nimesh N Kampani**  
Chairman

Date: June 29, 2006

**Registered Office:**  
141, Maker Chambers III  
Nariman Point  
Mumbai - 400 021

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL YEAR 2005-06 - OVERVIEW

The Indian economy continued on the growth trajectory in 2005-06. With an impressive growth in GDP of 8.5% and 7.5% in 2003-04 and 2004-05 respectively, the Indian economy continued this positive trend during the year posting GDP growth at the rate of 8.1%. It is worth noting that GDP growth of 8% has been achieved only five times in India's recorded history. Some of the key drivers of the growth are strong industrial activity, controlled inflation, focus on trade, infrastructure development and fiscal consolidation. The Services sector witnessed a growth of 10% in 2005-06, with the Financial sector maintaining its momentum growth at the rate of 9.5%. The Industrial sector grew by 9.5%, contributed largely by the impressive performance of the Manufacturing sector which grew by 8.9%. The Agricultural sector saw a growth of 3.6%.

Inflation in India remained under control despite economic upswing and rising inflation in most parts of the world due to increasing crude oil prices. The inflation rates declined from 5.7% in April 2005 to 3.3% in August 2005 and remained at a comfortable level of 4.15% on March 31, 2006 (as against 5.35% on March 31, 2005).

The Indian debt market was dominated by the themes of inflation, crude oil prices and global interest rates during the year. With interest rates hardening, nearly 65% of the amount was raised from the debt market totaling USD 25.6 Bn. In 2005-06, corporates raised USD 13.09 Bn from the domestic debt market, almost twice the USD 6.7 Bn raised globally in the previous year. In the Government Securities market, the primary market yields of the 91-day and 364-day Treasury Bills increased from 5.12% and 5.60% at the end of April 2005 to 6.11% and 6.42%, respectively, at the end of March 2006. The yield on Government Securities with a 10-year residual maturity increased from 7.35% at the end of April 2005 to 7.52% at the end of March 2006. This caused many public sector banks to book losses on their investment portfolios. Fixed Income investors' such as debt mutual funds, moved most of their resources to shorter duration money market instruments, which are less exposed to interest rate risk, than longer tenured bonds. Scheduled Commercial Banks witnessed a 27% increase in credit off-take during the financial year. The credit growth outpaced growth in deposits by a wide margin. This caused interest rates on deposits of over one year maturity of public sector banks to move up from 5.25 - 6.50% in April 2005 to 5.75 - 7.25% in March 2006.

Equity markets in many economies, especially emerging markets, exhibited buoyancy during the financial year 2005-06. During the said year, the Indian equity markets outperformed major international equity markets except Colombia, Russia and Egypt.

The stock markets witnessed bullish conditions during the financial year 2005-06 with the benchmark indices touching all time high levels, driven mainly by support from the Foreign Institutional Investors (FIIs) backed by strong macroeconomic fundamentals of the Indian economy, congenial investment climate, sound business outlook and robust corporate earnings.

Liquidity support from mutual funds, firm trends in the major international equity markets and surge in ADR prices also buoyed up stock markets. Positive measures announced in the Union Budget 2006-07 such as raising FII investment limit in Government Securities and corporate debt, treating open-ended and close-ended equity-oriented schemes on par for dividend distribution tax, rationalisation of excise duties and relaxation in fringe benefit tax also helped to boost the market sentiment. Reflecting all these factors, the BSE Sensex reached a high of 11,280 on March 31, 2006.

Primary markets also reflected the buoyancy in the equity markets with around 138 companies raising capital aggregating Rs. 27,295 crore. Most of the quality issues received strong response from retail and institutional investors and recorded strong post listing performance.

According to the Securities and Exchange Board of India (SEBI) data, FIIs made net investment of Rs. 48,487 crore (USD 10.9 Bn) in the equity market during the financial year 2005-06 (Rs. 40,991 crore - USD 9.1 Bn in the financial year 2004-05). Domestic mutual funds also made net purchases in equities aggregating Rs. 14,308 crore during the financial year 2005-06 as compared with net purchases of only Rs. 448 crore in the financial year 2004-05. FIIs also invested Rs. 7,333 crore in Debt markets during the year 2005-06.

The number of FIIs registered with the SEBI during the financial year 2005-06 increased to 197 as compared to 145 registrations during the financial year 2004-05, signifying continued active interests in India.

Interest in Private Equity investments also continued to remain strong. Private Equity investments in India crossed USD 2.3 Bn inking 147 deals during the year 2005. This was significantly higher than in the year 2004, where the amount invested was USD 1.6 Bn for 68 deals. The exits at rich returns demonstrated by some of the Private Equity funds in India have enticed others to explore investment opportunities in India more closely. Consequently, large capital is being dedicated for such investments.

Retailing and Real Estate were two new segments that attracted a very high level of investor interest during the year. Real Estate prices have continued to soar. Though the Reserve Bank of India (RBI) and the Government have been strict in clearing FDI investments in the sector, FII investment has been allowed in IPO and secondary market. This has resulted in a strong appetite for IPOs of real estate companies in the capital market. The Real Estate sector in India offers attractive opportunities for institutional investments. The growth of the economy and the Indian middle class have contributed to increased demand for commercial space and housing units. It has resulted in increased consumerism which in turn has created higher demand for shopping malls, multiplexes and other commercial ventures. India is emerging as a global services hub, driven by the large availability of a highly educated workforce. The "outsourcing boom" has changed the face of commercial real estate in India, but its greater impact has been the demographic shift characterised by rising disposable incomes and increased consumerism. This in turn, has a significant impact on residential and retail real estate development. It is expected that this will strengthen further leading to strong business opportunities for the Company.

There has been a growth in the Commodities market as well. During the financial year 2005-06, the total volume traded on the 24 recognised commodity exchanges jumped to Rs. 213,500 crore, almost 4 fold increase from Rs. 57,100 crore in 2004-05. At present, futures trading is permitted in more than 100 commodities on the Indian Commodity Exchanges.

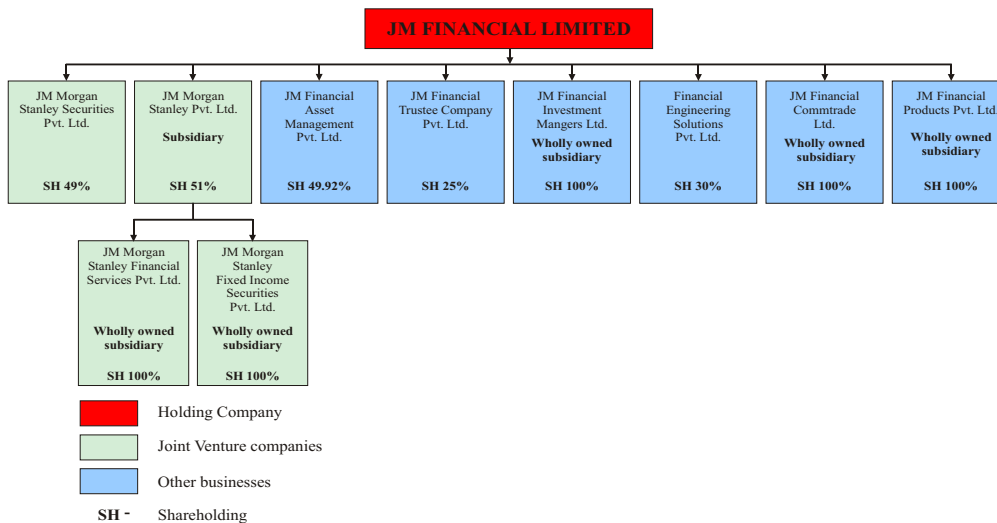
### CONSOLIDATION OF THE COMPANY'S BUSINESSES

JM Financial Limited was incorporated in 1986 and made a public offer in the year 1991. The equity shares of the Company got listed in 1991. After having commenced the stock broking business, the Company obtained memberships of Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. In 1999, it entered into a joint venture for Institutional Equity Sales, Trading & Research business with Morgan Stanley. The Company co-sponsored one of the first Mutual Funds in the private sector in India with a shareholding of 10% in the Asset Management Company, in 1994.

The Company has become the flagship holding company of the JM Financial Group upon the merger of J. M. Securities Private Limited with itself. JM Financial Limited has interests in various businesses such as Investment Banking, Institutional Equity Sales, Trading & Research, Retail Sales & Distribution and Institutional Fixed Income Trading & Broking (through its Joint Venture with Morgan Stanley), Asset Management, Commodities Broking and Equity Financing Services business, Private Equity fund management, Real Estate fund management and principal investments through its subsidiaries and associate companies.

In order to fund the proposed growth plans and to achieve adequate capitalisation, the Company issued and allotted 4,200,000 equity shares of the face value Rs. 10/- each at a price of Rs. 418/- per share to Non Resident investors on a preferential basis, in accordance with SEBI DIP Guidelines in December 2005. Post the merger and preferential allotment, the equity share capital of JM Financial Limited increased from Rs. 11.33 crore to Rs. 27.90 crore.

With the creation of a holding company structure, the Company has accelerated the process of institutionalization across all businesses and has created the structure to standardise the quality of internal processes and controls through centralisation of policies in key business support functions such as IT, HR, Corporate Communications, Finance and Compliance.



## **OUR BUSINESSES**

### **JM Morgan Stanley Private Limited**

The robust Indian economy and the dynamic capital markets helped in ensuring that the year under review was active and fruitful for JM Morgan Stanley Private Limited (JM Morgan Stanley), comprising numerous landmark deals. JM Morgan Stanley lead managed ICICI Banks' USD 1.75 Bn concurrent domestic and international follow-on offering, the first of its kind in the Indian capital market history. Additionally, its joint venture partner, Morgan Stanley acted as the book runner for Ranbaxy's USD 440 MM FCCB offering. On the pure domestic equity front, JM Morgan Stanley managed the USD 500 MM rights offer of Hindalco Industries Limited and the USD 750 MM follow-on offer of Punjab National Bank. Further, it was instrumental in concluding a unique transaction- the USD 126 MM block-trade of GAIL shares executed for IOC. The transaction was concluded overnight on an accelerated book-built basis to global investors. In addition, there were other significant capital market transactions during the year, with which JM Morgan Stanley was associated.

JM Morgan Stanley also acted as an advisor in landmark deals like the Reliance de-merger, the strategic sale of BPL Mobile to the Essar Group and the acquisition of stake in i-Flex Solutions by Oracle.

During the current year, JM Morgan Stanley has been involved in significant transactions such as the IPO of Reliance Petroleum Limited and the block trade of ONGC shares for IOC.

JM Morgan Stanley won prestigious awards, viz., "Best Follow-on of the Year Award" by Finance Asia for ICICI Bank's USD 1.75 Bn concurrent offering and "Best India Deal of the Year Award" by Finance Asia for Reliance Industries' USD 4.8 Bn restructuring.

### **JM Morgan Stanley Securities Private Limited**

The financial year 2005-06 was a good year for JM Morgan Stanley Securities Private Limited (JM Morgan Stanley Securities) during which it was able to consolidate its market share. During the year, JM Morgan Stanley Securities saw its business volumes going up on account of buoyancy in the market. The business of JM Morgan Stanley Securities is on a strong footing with the investment it has made over the past 12 months, especially in its people. While the stock markets are likely to get more volatile in the financial year 2006-07, as the global risk reduction trade unfolds, the long-term outlook remains positive. In the short term, any decline in share prices could affect their business volumes. Meanwhile, margins continue to be under pressure due to increased competition and global trends.

### **JM Morgan Stanley Financial Services Private Limited**

During the year, JM Morgan Stanley Financial Services Private Limited (JM Morgan Stanley Financial Services) focused on increasing its investment advisory business by acquiring corporate and high net-worth clients and expanding the Independent Financial Advisors' network. JM Morgan Stanley Financial Services', mobilisation in equity funds increased by around 150% during the year, as individual and corporate clients increased their exposure in the equities, as a result of bullish market conditions and strong performance of the equity funds.

JM Morgan Stanley Financial Services ranked 3rd in Prime Database ranking for the financial year 2006-07 with mobilisation of Rs. 10,737 crore from 12 lakh applications.

With the prime focus on equity broking as a main driver for its expansion, JM Morgan Stanley Financial Services has delivered a quantum jump, both in its trading volumes and its client base. It is further planning to expand its geographical footprint. JM Morgan Stanley Financial Services has invested in developing a robust technology platform for providing high quality service to its clients and scaling up the business smoothly. With a strong franchise and distribution network, it is fully positioned to capture the growth prospects offered by domestic capital and securities market.

### **JM Morgan Stanley Fixed Income Securities Private Limited**

The heartening news for the Indian Fixed Income markets was the recognition by the Government of India of the need for an enabling environment for the development of debt markets. Large players stayed away from the Corporate Bond segment which resulted from the uncertainties in the Gilt markets. Despite all challenges, JM Morgan Stanley Fixed Income Securities Private Limited continued to perform satisfactorily.

### **JM Financial Asset Management Private Limited**

The Indian Mutual Fund industry also performed well with the Assets Under Management (AUM) rising by 33% at USD 44 Bn in December 2005 as against USD 33 Bn in the corresponding period last year.

JM Financial Mutual Fund has a pan-India presence, through its network of branches and distributors, and a product range that includes schemes along the entire risk-return spectrum in equity as well as debt segments. JM Equity Fund- the flagship equity fund from the JM Financial Mutual Fund stable has been a consistent performer.

JM Financial Mutual Fund has launched two new Open Ended Equity Oriented Growth Funds- JM Emerging Leaders Fund and JM Hi Fi Fund in the year 2005-06. The primary investment objective of the JM Emerging Leaders Fund has been to seek long term capital appreciation from investment in a portfolio of stocks across all market capitalisation range. JM Hi Fi Fund's investment objective has been to generate medium to long term capital growth from a portfolio that is substantially constituted of equity & equity related securities of companies which could benefit from the structural changes brought about by the continuing liberalisation in economic policies and investments by the Government in housing, infrastructure and financial services sectors.

### **JM Financial Investment Managers Limited**

#### **Private Equity Fund**

JM Financial Limited is launching a corporate private equity fund, which shall be called JM Financial India Fund. In line with the expansion plans for the JM Financial Group, the Fund is the Group's first private equity fund. The initial corpus of the Fund will be USD 150-175 MM and the fund will invest in Indian companies. The Fund, which is presently awaiting regulatory approvals, shall raise monies from domestic and overseas investors.

Old Lane Partners, LP, headquartered in the USA, shall be the Lead Investor/Co-sponsor to the Fund. Old Lane manages several Billion Dollars across multiple strategies and asset classes globally. Old Lane was established by a group of senior executives, many of whom having previously worked at Morgan Stanley, including its former President, Mr. Vikram Pandit.

The Fund intends to pursue investments in high growth companies across sectors such as information technology, manufacturing, healthcare, media, hospitality, services and retail. The Fund is expected to take significant minority stakes in listed and unlisted companies that have a high growth potential.

#### **Real Estate Fund**

The yields offered on real estate investments in India are one of the highest in the world. Though the investments are not without risks, there are significant opportunities to capitalise upon by a knowledgeable and professional institutional investor. Keeping this in mind, JM Financial Limited has developed significant institutional knowledge in private equity real estate investing. It is in the process of setting up a Real Estate Private Equity Fund that would be pursuing real estate related acquisition and development opportunities in hotel, residential, retail, office and other real estate related sectors in India. The fund will raise money from both domestic and off-shore investors. The funds will be managed by an Asset Management Company, to be promoted by JM Financial Limited, that will engage in the business of managing real estate funds in India and serve as the investment manager/asset manager for such funds.

### **JM Financial Commtrade Limited**

JM Financial Commtrade Limited (JMFCL) has a team of experienced research analysts, who cover bullions, base metals, crude and soft commodities such as sugar, wheat and soya complex. JMFCL's initial focus during the year was on companies having direct balance sheet exposure to an exchange traded commodity. However, since the bulk of the exchange volumes currently are coming from retail and High Networth Individual (HNI) speculators, it has started approaching HNIs for whom, the price movements on the commodity exchanges prove advantageous. The first brokerage trade for JMFCL was put through on November 23, 2005.

Based on the policy pronouncements made by the Forward Markets Commission (FMC), the commodities market regulator, JMFL expects Banks, Foreign Institutional Investors and Mutual Funds to be allowed to trade on the Indian Commodity Exchanges during the current year. JMFL, with its strong research base and a quality execution platform, is well positioned to be a preferred broker in the institutional segment of the market.

We also expect options trading to be allowed in the commodities markets, once the proposed amendments to Forward Contracts (Regulation) Act, 1952 are approved by both houses of the Parliament. This, along with greater institutional participation, should lead to a quantum growth in the commodity market volumes and business for JMFL.

### **JM Financial Products Private Limited**

JM Financial Products Private Limited (JMFPPL) is engaged in the business of Loan, Investment and Financing activities.

JMFPPL offers IPO Financing and Margin Funding products under its suite of financial products. In case of Margin Financing, it allows borrowers to undertake transactions in the secondary market on stock exchanges through trading members of the exchanges. Under this facility, the borrower is allowed to take an exposure in the Capital market, by paying a margin of about 30% in form of cash and/or securities and seek funding for the balance amount. The Margin Funding product involves financing against shares and is offered to the investor to take leveraged positions. This product is primarily targeted to the High Networth, Investors and short term & medium term positional traders.

### **OUTLOOK**

As the members are aware, J. M. Securities Private Limited, one of the JM Financial group companies merged with the Company. Subsequent to this, the Company has various business interests through its subsidiaries. The Company is on the growth path and has raised funds through preferential issues to, inter alia, meet the requirements of various businesses managed by the underlying companies. The Company is gearing up to meet new challenges and capitalising on the available business opportunities in Financial Services sector on its own and through its subsidiaries.

### **OPPORTUNITIES AND THREATS**

We believe that India offers tremendous opportunities to further build on strong growth and business driven by positive macroeconomic parameters, political stability and continued emphasis on economic/social reforms and focus on infrastructure development.

Continued interest of global players to enter India or to strengthen their existing operations in India is a testament to the Indian growth story. This however, also poses a threat of increased and intense competition for the Company. Increasing size of the business and the strength of the businesses, in terms of human capital, excellent relationships with clients, strong execution capability and processes, gives us the confidence to take on this challenge from increasing competition.

While the Investment Banking, Equity Broking & Advisory, Retail Sales & Distribution and Asset Management businesses continue to grow, JM Financial has identified Commodity Broking, Private Equity fund management, Real Estate fund management and Principal Investments as new business areas to capture growth opportunities. The entry into some businesses at a later stage as compared to competition may prove to be a challenge. However, these businesses have shown good promise since inception during the year.

### **SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE**

The Company on a stand-alone basis is mainly engaged in financial services activities, which is considered to be its only business segment. Geographical segments are not applicable to the Company.

### **RISKS AND CONCERNS**

The Company is not directly exposed to any risks that can be specifically categorised as business operations risk. However, the subsidiaries and other associate companies in which the Company hold investments are engaged in activities that are dependent on market conditions, economic factors and overall business environment. Most of these businesses are in heavily regulated market segments and accordingly are subject to normal regulatory risks.

## INTERNAL CONTROLS AND THEIR ADEQUACY

Currently, the main source of income of the Company is dividend from subsidiary and joint venture companies. The Company has instituted adequate internal control procedures, commensurate with the nature of its business and activities for the smooth and safe conduct of its business.

The Audit Committee of the Company consists of three Non-Executive Directors, two of whom are Independent. The Audit Committee provides direction to the audit and risk management functions of the Company and monitors the quality of external audit. It also monitors the performance and reviews financial statements on a periodic basis. The current internal control and processes are adequate considering that presently there are no direct business activities.

## FINANCIAL PERFORMANCE

The Company has earned a Gross Income of Rs. 16.29 crore during the year under review as against Rs. 13.72 crore earned by it in the previous year. This is attributable to the higher dividend income earned by the Company from its investments in subsidiary and joint venture companies. The Profit before depreciation and other provisions is Rs.14.42 crore as against Rs.13.48 crore recorded in the previous year, after accounting for expenses of Rs. 1.87 crore (previous year's expense was Rs.0.24 crore). The Net Profit reported by the Company for the said year is Rs. 15.27 crore as against Rs. 9.47 crore in the previous year. The Earnings per share calculated on the basis of weighted average number of shares during the year works out to Rs. 8.60 per share and on the number of shares outstanding at the year end works out to Rs. 5.47 per share as against Rs. 8.37 per share reported in the previous year.

On a consolidated basis, your Company reported the Gross Income of Rs. 231.11 crore, Profit before Tax of Rs. 135.86 crore and Profit after Tax but before minority interest and share in associate companies of Rs. 91.29 crore. Further, the Company reported a Profit after Tax and minority interest and the in associate companies of Rs. 66.81 crore. The Earnings per share calculated on the basis of weighted average number of shares during the year works out to Rs. 37.65 per share and on the number shares outstanding at the year end works out to Rs. 23.95 per share on a consolidated basis (after minority interest and share in associate companies).

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## HUMAN RESOURCES

As people are considered to be the most valuable asset JM Financial is committed to build and develop a quality human capital, to meet the challenges of various businesses, which are being managed/overseen by it along with its subsidiaries/associates. At JM Financial, we believe in attracting and retaining the best talent through committed efforts of fair and transparent recruitment process, induction, training, development and 360 degree performance evaluation process. We also believe in appropriately rewarding the best performers. For various businesses, JM Financial together with its subsidiaries/associates had 656 employees, as of March 31, 2006.

## CORPORATE SOCIAL RESPONSIBILITY

JM Financial continues to invest in initiatives that fortify communities around the country making them stronger and self reliant. JM Financial seeks to achieve this by strengthening the fabric of our community by adopting a dual platform of "development of children" and "health for all". Through the "Kampani Charitable Trust" and "JM Morgan Stanley Foundation", the company has partnered many non-profit organisations to work towards this goal.

A fund-raising Walkathon, in aid of the underprivileged children, is being organised annually. The funds raised in Walkathon 2005 were used to support various non-profit organisations like "Nanhi Kali Foundation", "Kamala Mehta Blind School", "Jai Vakeel School", "Sunbeam Trust" among many others.

Moving forward, we plan to undertake several social initiatives which would encourage employee involvement.

## CAUTIONARY STATEMENT

*Estimates and expectations stated in this Management Discussion and Analysis may be "forward-looking statements" within the meaning of the applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to your Company's operations include economic conditions affecting the FII inflow of funds, inflation, state of domestic & international capital markets, changes in the Government regulations, tax laws, other statutes and incidental factors. The Company undertakes no responsibility to update or revise any forward-looking statement.*



## REPORT ON CORPORATE GOVERNANCE

Clause 49 of the Listing Agreement executed with the stock exchange(s), inter alia, lays out several corporate governance related requirements, which listed companies are required to adopt and follow. While most of the practices laid out in Clause 49 require mandatory compliance, others are recommendatory in nature. This report sets out the compliance status of the Company with the requirements of corporate governance, as set out in Clause 49, for the financial year 2005-06. Corporate Governance is considered as an important tool for shareholders' protection and maximisation of their long term values.

Good governance policies and procedures emerge from the values, culture, ethics, integrity, transparency and commitment of the people behind the organisation and the trust and confidence they build by consistently following such core values and principles. JM Financial Limited is committed to good corporate governance practices and believes in creating value and maximising wealth of its shareholders and investors.

### I. COMPANY'S PHILOSOPHY

JM Financial Limited (the "Company") believes that the system of Corporate Governance protects interests of all the stakeholders by inculcating transparent business operations and accountability. The Company's philosophy on Corporate Governance envisages the attainment of the highest level of transparency, accountability, integrity, fairness and equity, in all facets of its activities, processes and its interaction with the shareholders and investors.

The Company considers Corporate Governance as a systematic process, which is directed and controlled to enhance its wealth generating capacity. We believe that the governance process should ensure that the Company is managed in a manner that meets stakeholders' aspirations. The Board of Directors strive to drive the Company in a direction to enable the Company to achieve its objectives and goals as well as increase the long term value for its shareholders.

### II. BOARD OF DIRECTORS

#### (A) Composition of the Board:

- In line with the Corporate Governance requirements, the Company's policy is to maintain the optimum combination of Executive and Non-Executive Directors. The present Board comprises of seven Directors, all of them being Non-Executive Directors. Out of the total number of Directors, four Directors are Independent. The Company has a Non-Executive Chairman and the strength of the number of Independent Directors on the Board is more than one-third of the total number of Directors. The Company considers that the composition of the Board is appropriate given the size of its operations.
- The Directors of the Company, with their multidisciplinary approach, diverse knowledge, experience and expertise, provide valuable contribution in the deliberations and decisions of the Board. A brief profile of all the Directors, nature of their expertise in specific functional areas is provided below:
  - i. **Mr. Nimesh N Kampani**, aged 59, is a graduate in Commerce from the University of Bombay and a Chartered Accountant by qualification. Mr. Kampani is a renowned investment banker and holds directorship in eminent companies such as Apollo Tyres Limited, Britannia Industries Limited, Deepak Nitrate Limited, KSB Pumps Limited and Ranbaxy Laboratories Limited. He is a veteran in the Indian securities industry with experience spanning over more than three decades. Mr. Kampani is the Chairman of the CII National Council Committee on Capital Markets and a member of the High Powered Expert Committee constituted by the Ministry of Finance on making Mumbai a Regional Finance Centre. Mr. Kampani is a member of the SEBI Primary Markets Advisory Committee and the Governing Council of the Indian Institute of Capital Markets. He is also on the Governing Board of the Centre for Policy Research and has been the Chairman, Core Group (Institutional Investors) of CII National Council on Corporate Governance.
  - ii. **Mr. M R Mondkar**, aged 75, holds a Bachelors degree in Science and a degree in Law. Mr. Mondkar has held various prestigious positions including in organisation like ICICI Limited. He was involved in setting up the Merchant Banking Division of ICICI Limited in the year 1972-73 which is now converted into ICICI Securities and Finance Company Limited. Mr. Mondkar is also the Chairman of the Audit Committee of the Company. He is a member of the Listing Committee of the National Stock Exchange of India Limited.
  - iii. **Mr. E A Kshirsagar**, aged 64, is an eminent Chartered Accountant. Mr. Kshirsagar was associated with Management Consultancy Division of AF Ferguson for over three decades. He was Director-in-charge until his retirement in the year 2004. He has specialised in the areas of Corporate Strategy and Structure, Disinvestments-Central/State/Private Sector, feasibility studies for variety of industries and impact of legislations on business. He is on the Board of public companies like Ashok Leyland Limited, Batliboi Limited, HCL Infosystems Limited and Rallis India Limited.



- iv. **Mr. Ashith N Kampani**, aged 42, holds a Bachelors degree in Commerce from University of Bombay. He has a wide experience in equity brokerage business (Retail, HNI, Corporate & Institutions). He began his career with the proprietary firm M/s. Nagindas Chhaganlal in 1982, and was associated with it till 1990. Mr. Kampani was associated as the Head of Dealing with JSB Securities Limited and JM Financial Limited between 1991 and 1998. He is currently associated with JM Morgan Stanley Securities Private Limited as Senior Vice President in the Institutional Equities Division.
  - v. **Mr. Dilip Kothari**, aged 51, holds a Masters degree in Finance from the Kansas State University, USA. Mr. Kothari has over 22 years of experience in global financial services industry, including 10 years in the United States of America and over 12 years in Asia. Mr. Kothari started his career with Citibank where he held various senior management positions in the Consumer Bank based in the United States of America. He moved to Asia in 1990 as Head of Credit Policy and Risk Management for Citibank, Asia which was followed by an assignment at HSBC from 1992 to 1998 as Head of the Consumer Bank based in Singapore. Since 1998, Mr. Kothari was the Managing Director at Olympus Capital Holdings, one of Asia's leading private equity firms. As of January 2006, he became the founding Managing Director and Head of Private Equity business of JM Financial Group.
  - vi. **Dr. Pravin P Shah**, aged 61, holds a Ph.D. in Cost Accounting from the University of Bombay and is also a Chartered Accountant and Cost Accountant. Dr. Shah has over 36 years of experience (including 6 years in the United States of America) in the areas of financial consultancy, corporate structuring/restructuring, taxation, management consultancy, valuation, property matters and accounting. He has contributed several technical papers at conferences and published books/articles in India and the USA on the above specified areas. He is currently associated as Partner with M/s. Pravin P Shah & Co., Chartered Accountants, Mumbai. He is on the Board of eminent companies like Adani Exports Limited, Bhansali Engineering Polymers Limited, Claris Lifesciences Limited, Bombay Rayon Fashions Limited, Benchmark Trustee Company Limited and Jai Corp Limited.
  - vii. **Mr. Darius E Udwadia**, aged 66, an Advocate and Solicitor of the Bombay High Court and a Solicitor of the Supreme Court of England, U.K., has over 40 years of active law practice and has valuable experience and expertise in the areas, namely, corporate law, mergers, acquisitions & takeovers, corporate restructuring, foreign collaboration, joint ventures, project and infrastructure finance, telecommunication, international loan and finance related transactions and instruments, real estate and conveyancing. Mr. Udwadia acts as a Legal Counsel for numerous Indian companies, multinational corporations and foreign banks having presence in India. He is presently associated with M/s. Udwadia & Udeshi, Solicitors & Advocates, Mumbai as Partner and is on the Board of eminent public companies like ABB Limited, ADF Foods Limited, AstraZeneca Pharma India Limited, Bombay Burmah Trading Corp. Limited, Coromandel Fertilisers Limited, Eureka Forbes Limited, ITD Cementation India Limited, Macmillan India Limited, Mechanalysis (India) Limited, Sundaram-Clayton Limited and Wyeth Limited.
- The Board of Directors (the "Board") of the Company meets at regular intervals for planning, assessing and evaluating all important businesses. The Board has constituted, inter alia, an Audit Committee and Shareholders'/ Investors' Grievance Committee.

**(B) Board Meetings and Attendance:**

- The Board of Directors met eight times on the following dates:
 

1. April 20, 2005	5. October 6, 2005
2. May 4, 2005	6. October 24, 2005
3. July 6, 2005	7. December 9, 2005
4. September 16, 2005	8. January 23, 2006
- The above meetings were held at regular intervals and the gap between two Board Meetings did not exceed the period stipulated in Clause 49 of the Listing Agreement. The Board, on a need based basis, reviews the actions and decisions taken by it and by the Audit Committee.
- The Board Meetings are generally held at the Company's Registered Office at 141, Maker Chambers III, Nariman Point, Mumbai - 400 021.

- The names and categories of the Directors on the Board together with their attendance at the Board Meetings, Annual General Meeting (AGM) during the year 2005-06 and the details of directorships and committee memberships held by them are furnished below:

Name of the Directors	Category	No. of Board Meetings attended during the year 2005-06	Whether attended the last AGM held on July 6, 2005	No. of directorships in other companies		No. of Committee memberships held in other public companies*	
				Public	Private	Chairman	Member
Mr. Nimesh N Kampani	Non-Executive Chairman	8	Yes	7**	7	2	4
Mr. MR Mondkar	Independent and Non-Executive Director	6	Yes	-	1	-	-
Mr. Ashith N Kampani	Non-Executive Director	8	Yes	-	1	-	-
Mr. EA Kshirsagar	Independent and Non-Executive Director	8	Yes	4	2	2	5
Mr. Dilip Kothari @	Non-Executive Director	1	Not Applicable	1	-	-	-
Dr. Pravin P Shah #	Independent and Non-Executive Director	Not Applicable	Not Applicable	6	6	1	6
Mr. Darius E Udwadia #	Independent and Non-Executive Director	Not Applicable	Not Applicable	12	7	-	-

\* The Committees considered for the purpose of arriving at the above numbers are Audit and Shareholders' Grievance Committees.

\*\* Resigned from one public company with effect from April 27, 2006.

@ Appointed as an Additional Director with effect from January 23, 2006.

# Appointed as Additional Director with effect from June 1, 2006.

None of the above Directors hold directorships in more than 15 public companies or is a Member of more than 10 Committees and Chairman of more than 5 Committees.

### Particulars of Directors to be appointed/reappointed at the ensuing Annual General Meeting:

The brief details about the Directors appointed/reappointed, being Directors retiring by rotation or otherwise, at the ensuing Annual General Meeting are given below:

Name of the Director	Age & Qualification	Experience	Other directorships (Public Companies)	Shareholding in the Company
Mr. M R Mondkar	75 years B.Sc. LLB	18 years with ICICI Ltd. He was involved in setting up the Merchant Banking Division of ICICI Ltd. and later became the Chief of the Division.	Member of Listing Committee of the National Stock Exchange of India Limited.	Nil
Mr. E A Kshirsagar	64 years FCA (England & Wales) FCA (India), B.Sc.	6 years with KPMG, England. Was associated with A.F. Ferguson for over three decades.	Ashok Leyland Limited, Batliboi Limited, HCL Infosystems Limited and Rallis India Limited.	Nil
Mr. Dilip Kothari	51 years Masters degree in Finance from the Kansas State University, USA	22 years of experience in global financial services industry, including 10 years in the United States of America and over 12 years in Asia.	Nipuna Services Limited and Abterra Limited, Singapore.	Nil
Dr. Pravin P Shah	61 years B.Com. (Hons.), CWA, FCA, Ph.D.	36 years (including 6 years in the United States of America). Was associated with WUI Inc., New York as Director of Internal Consulting from 1975 to 1980 Was associated as Principal with M/s. S.V. Ghatalia & Co., Chartered Accountants.	Adani Exports Limited, Bhansali Engineering Polymers Limited, Claris Lifesciences Limited, Benchmark Trustee Company Limited and Jai Corp Limited.	Nil
Mr. Darius E Udhwadia	66 years LLB, MA	42 years of experience. Solicitor, Supreme Court of England, UK and Advocate & Solicitor of Bombay High Court Was associated as Partner with M/s. Crawford Bayley & Co., Solicitors & Advocates from 1976 to 1997. Presently associated with M/s. Udhwadia & Udeshi, Solicitors & Advocates as Partner.	ABB Limited, ADF Foods Limited, AstraZeneca Pharma India Limited, Bombay Burmah Trading Corp. Limited Coromandel Fertilisers Limited Eureka Forbes Limited, ITD Cementation India Limited, Macmillan India Limited Mechanalysis (India) Limited, Sundaram-Clayton Limited and Wyeth Limited.	Nil

### III. COMMITTEE OF DIRECTORS

#### a. Audit Committee:

##### i) Brief description of terms of reference

The Audit Committee provides direction to the audit and risk management functions of the Company and monitors the quality of external audit. The broad terms of reference of the Audit Committee includes:

- Overseeing the Company's financial reporting process to ensure proper disclosure in the financial statements, reviewing the annual financial statements before submission to the Board, any changes in the accounting policies and practices, qualifications in the draft audit report, if any, review of any significant adjustments arising out of audit, the going concern assumption, deliberations on the accounting policies, stock exchange and legal requirements concerning financial statements, related party transactions that may have potential conflict of interest and review of adequacy of internal control systems.
- Review of the findings and observations of internal investigations, discussion with the Statutory Auditors on any significant findings and follow up on such issues to ascertain any area of concern, reviewing the Company's financial and risk management policies and looking into reasons of substantial defaults, if any, for non-payment to shareholders, creditors, etc.
- Recommendation of the appointment or removal of Statutory Auditors and fixing their remuneration.

##### ii) Composition, Names of Members and Chairman

The Audit Committee, at present, comprises of three Non-Executive Directors, viz., Mr. M R Mondkar, Mr. E A Kshirsagar and Mr. Ashith N Kampani. The members of the Committee are well versed in finance, accounts and legal matters and general business practices. The Company Secretary/Compliance Officer is acting as the Secretary to the Audit Committee.

The Committee met five times during the year on April 20, 2005, May 4, 2005, July 6, 2005, October 24, 2005 and January 23, 2006. The composition and attendance of the members of the Committee is as follows:

Name	Category	No. of Meetings Attended
Mr. M R Mondkar - Chairman	Non-Executive & Independent Director	4
Mr. E A Kshirsagar - Member	Non-Executive & Independent Director	5
Mr. Ashith N Kampani - Member	Non-Executive Director	5

#### b. Shareholders'/Investors' Grievance Committee:

##### Terms of reference

The Committee, inter-alia, reviews all matters connected with the transfer/transmission of shares and approves the issue of duplicate certificates. The Committee also looks into redressing of shareholders' grievances like non-transfer of shares, non-receipt of Annual Report and other allied matters. The Committee met four times during the year on April 20, 2005, July 6, 2005, October 24, 2005 and March 29, 2006.

The Committee consists of:

1. Mr. M R Mondkar	-	Chairman
2. Mr. Ashith N Kampani	-	Member

The Company had received 87 complaints/queries during the financial year 2005-06, and the same have been suitably resolved. No complaints were pending as of March 31, 2006. A break-up of the number of complaints/queries and its nature is given below:

<b>Nature of complaints/queries</b>	<b>No. of complaints/queries received and resolved to the satisfaction of shareholders</b>
Request for information relating to transmission	9
Change of Address	1
Issue of Duplicate Shares	6
Non-receipt of Debenture Redemption money	5
Request for information relating to tradable warrant	9
Request for information relating to dematerialisation	2
SEBI/BSE Complaint	9
Non-receipt of share certificates sent for transfer	21
Non-receipt of Dividend	12
Queries relating to Call Money	3
Enquiry relating to shareholding	10
<b>Total</b>	<b>87</b>

Mr. PK Choksi is acting as the Compliance Officer to monitor the share transfer process and other related matters.

#### **IV. CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT**

The Code of Conduct for Directors and Senior Management of the Company has been adopted by the Board of Directors at their meeting held on December 9, 2005. The purpose of this Code is to serve as a guide to the Directors and Senior Managers of the Company on the principles of integrity, transparency and business ethics and to set up standards for compliance of Corporate Governance.

The Code of Conduct has been circulated among all the Directors and Senior Managers of the Company and they have affirmed compliance with the same. A declaration signed by the Manager & Chief Financial Officer as obtained is given below:

"I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Managers, affirmation that they have complied with the Code of Conduct devised for Directors and Senior Management for the financial year 2005-06.

**Manish Sheth**

*Manager & Chief Financial Officer"*

#### **V. GENERAL BODY MEETINGS**

The last 3 Annual General Meetings were held at Kamalnayan Bajaj Hall, Bajaj Bhavan, Nariman Point, Mumbai - 400 021. The details of the said meetings are mentioned below:

<b>Year</b>	<b>Date</b>	<b>Time</b>	<b>Type of Resolution</b>	<b>Voting Pattern</b>
2002-03	September 10, 2003	3.30 p.m.	-	-
2003-04	August 2, 2004	3.30 p.m.	Special	Show of hands
2004-05	July 6, 2005	3.30 p.m.	Special	Show of hands

In the Annual General Meeting held on July 6, 2005, a Special Resolution was passed by the members for the payment of commission to the Directors of the Company upto 3% per annum for each of the five financial years from 2005-06 to 2010-11, pursuant to Section 309(4) of the Companies Act, 1956.

The details of the Extra-ordinary General Meeting and the Court Convened Meeting of the equity shareholders held during the financial year 2005-06 are as follows:

Date	Venue	Time	Type of Resolution	Voting Pattern
November 4, 2005	Kamalnayan Bajaj Hall, Bajaj Bhavan, Nariman Point, Mumbai - 400 021	11.30 a.m.	Special*	Show of hands
February 15, 2006 (Court Convened Meeting of the equity shareholders)	Y B Chavan Centre General Jagannath Bhosale Marg Mumbai - 400 021	3.30 p.m.	Special**	Poll

\* To alter the capital clause in the Memorandum of Association and Articles of Association of the Company; to approve the Issue of 4,200,000 equity shares to Non-Resident Investors on a preferential basis.

\*\* To approve the arrangement embodied in the Scheme of Amalgamation of J. M. Securities Private Limited with the Company.

## VI. MANAGEMENT DISCUSSION AND ANALYSIS

The report on Management Discussion and Analysis is published on page no. 16 of this Annual Report. It is prepared in accordance with the requirements laid out in Clause 49 of the Listing Agreement.

## VII. DISCLOSURES

- The Related Party disclosures form part of this Annual Report and is given at Item no. 15 in the Notes to Accounts on page no. 53.
- There have been no instances of non-compliance with the Listing Agreement of Stock Exchange or Regulations and/or SEBI Regulations as are applicable to your Company, nor any cases of penalties or strictures imposed by any Stock Exchange or SEBI or any other statutory authority for any violation relating to the Capital Market, during the last three years.
- In line with the requirements of SEBI, Secretarial Audit is carried out on a quarterly basis by a firm of practising Company Secretaries to confirm that the aggregate number of equity shares of the Company held in NSDL and CDSL and in physical form tally with the total number of issued, listed and admitted capital of the Company.
- The details of the Sitting fees and Commission to the Directors during the financial year 2005-06 are given below:

Name of the Director/Member	Shareholding in the Company as of March 31, 2006	Commission* (In Rupees)	Sitting fees paid during the year 2005-06 (In Rupees)	
			Board Meeting	Audit Committee Meeting
Mr. Nimesh N Kampani	1,574,300	400,000	40,000	-
Mr. M R Mondkar	Nil	325,000	30,000	12,000
Mr. Ashith N Kampani	20,600	325,000	40,000	15,000
Mr. E A Kshirsagar	Nil	400,000	40,000	15,000
Mr. Dilip Kothari	Nil	50,000	5,000	-

**\* Criteria for making the payment of Commission:** Considering the growing complexities and increased regulatory requirements, the Non-Executive Directors were required to devote more and more time on the affairs of the Company. It was therefore proposed to pay Commission to the Non-Executive Directors within the limits specified under the Companies Act, 1956. The Board of Directors have decided to pay commission amounting to Rs. 1,500,000 during the financial year 2005-06, which is within the limit specified under the Companies Act, 1956.

Since the above commission is for the financial year 2005-06, the Directors appointed on the Board of the Company after March 31, 2006, viz., Mr. Darius E Udawadia and Dr. Pravin P Shah have not been considered for the purpose of payment of commission. Further, the above distribution was done on the basis of the number of Board and Committee meetings attended by each of the Directors and the position held by them as the Chairman of the Board and of the Audit Committee.

### VIII. MEANS OF COMMUNICATION

The Company's shares are listed on the Bombay Stock Exchange Limited (BSE) and the financial results on quarterly basis are being submitted to BSE and published in the newspapers. The quarterly financial results of the Company for the quarter ended June 2005 and September 2005 were published in The Free Press Journal, Business Standard (English newspaper) and Navshakti (Marathi newspaper-regional language), and for the quarter ended December 2005 and March 2006 were published in Business Standard (English newspaper) and in Sakal (Marathi newspaper-regional language).

As per the requirements of Clause 51 of the Listing Agreement, all the data related to quarterly financial results, shareholding pattern, annual report, etc. are uploaded on the website [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in).

### IX. GENERAL SHAREHOLDERS' INFORMATION

<b>Annual General Meeting</b>	
<b>Date and Time</b>	: September 7, 2006 at 4.00 p.m.
<b>Venue</b>	: Kamalnayan Bajaj Hall, Bajaj Bhavan Nariman Point, Mumbai - 400 021
<b>Financial Year</b>	: 1st April to 31st March
<b>Date of Book Closure</b>	: September 1, 2006 to September 7, 2006 (both days inclusive)
<b>Dividend Payment Date</b>	: September 9, 2006
<b>Listing on Stock Exchanges</b>	: Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001 Tel : 91-22-2272 1233/4 Fax: 91-22-2272 1919 <a href="http://www.bseindia.com">www.bseindia.com</a>
<b>Listing Fees</b>	: The Company has paid the Annual Listing fees to the BSE as per the Listing Agreement
<b>ISIN Number</b>	: INE780C01015
<b>BSE Code</b>	: 523405
<b>Registered Office</b>	: 141, Maker Chambers III Nariman Point Mumbai - 400 021

**Registrars and Share Transfer Agents**

**NARIMAN POINT OFFICE**

: Sharepro Services (India) Private Limited  
Investor Relation Centre  
912, Raheja Centre  
Free Press Journal Road  
Nariman Point, Mumbai - 400 021

Contact Person:  
Mr. Sadashiv Anchan - Tel. No. 91-22-2288 1568  
Counter Timings: 10.00 a.m. to 5.00 p.m.

**ANDHERI OFFICE**

: Sharepro Services (India) Private Limited  
3rd Floor, Satam Industrial Estate  
Above Bank of Baroda  
Cardinal Gracious Road, Chakala  
Andheri (East), Mumbai - 400 099

Contact Person:  
Mr. Raagesh - Tel No. 91-22-2821 5168  
Counter Timings: 10.00 a.m. to 5.00 p.m

**Plant Locations**

: Not Applicable

**Address for correspondence**

: 522, Tulsiani Chambers  
Nariman Point  
Mumbai - 400 021

**Share Transfer System**

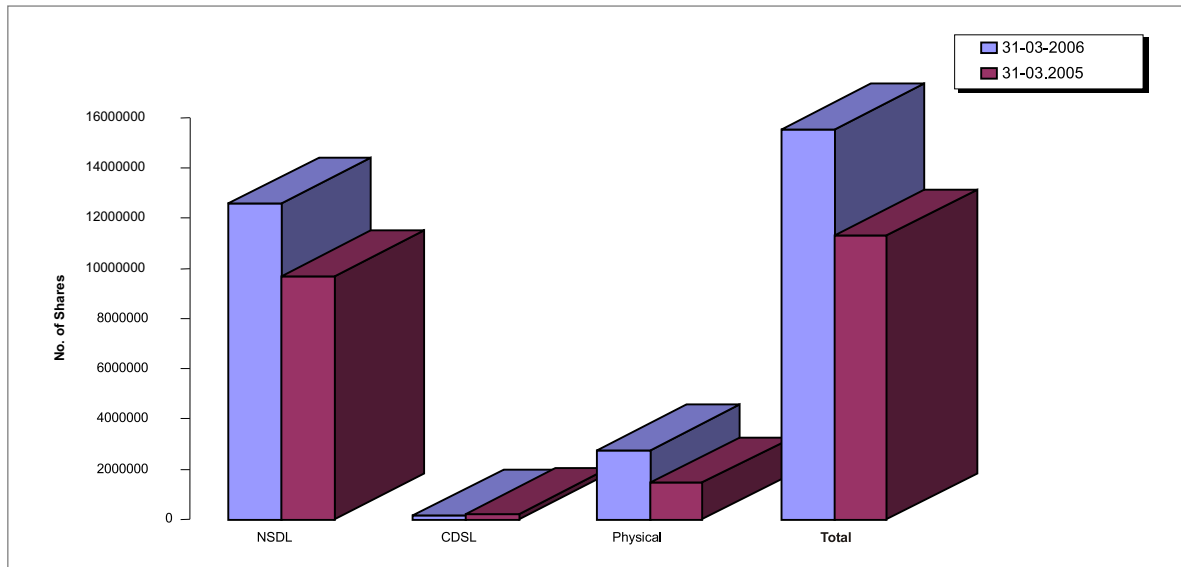
: Shares sent for physical transfer are duly transferred and returned to the investors well within the statutory time period, provided the documents are complete in all respects. The Share Transfer Committee meets regularly to approve transfer proposals. All requests for dematerialisation of shares are processed and confirmed to the Depositories, viz. NSDL and CDSL, within 15 days. The details of the share transfers are reported to the Board of Directors for its noting.

**Dematerialisation of Shares and Liquidity**

: The Company's shares are traded on the BSE. As of March 31, 2006, 127,63,250 shares representing 82.21% of the Company's share capital were held in electronic mode. Out of the above shares in electronic mode, 125,92,831 shares representing 81.11% have been dematerialised under NSDL Depository whereas 1,70,419 shares representing 1.10% have been dematerialised under CDSL Depository.



Comparison chart giving the break-up of shares held in physical and dematerialised mode as on March 31, 2006 as compared with that of March 31, 2005:



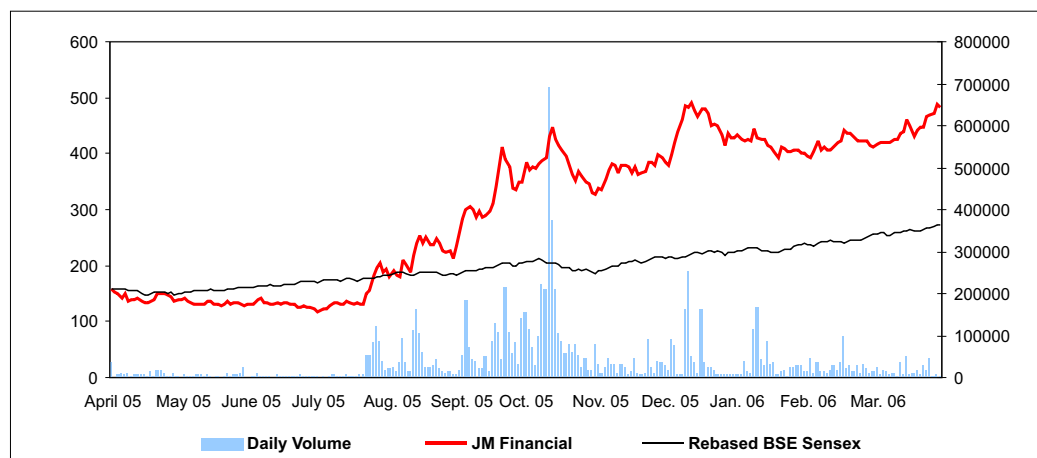
#### Stock Market data relating to shares listed:

Details about monthly opening, high, low and closing prices and volume of shares of your Company traded on BSE are given below:

Month	Open Rs.	High Rs.	Low Rs.	Close Rs.	No. of Shares traded
April 2005	169.00	171.75	120.00	137.10	198,316
May 2005	132.55	151.90	127.50	130.00	120,271
June 2005	129.10	148.50	116.00	121.50	86,761
July 2005	117.05	215.00	117.05	178.85	542,776
August 2005	179.90	284.05	174.90	284.05	938,346
September 2005	300.00	453.85	282.00	376.50	1,795,193
October 2005	395.00	472.90	316.00	339.20	2,590,463
November 2005	349.20	418.00	334.00	383.25	554,025
December 2005	388.70	509.45	378.00	433.45	1,028,878
January 2006	444.00	465.70	390.00	402.20	747,884
February 2006	400.05	454.00	385.00	421.80	511,828
March 2006	420.00	500.00	405.55	482.50	366,905

Source: [www.bseindia.com](http://www.bseindia.com)

The performance of the Company's equity shares vis-à-vis the BSE Sensitive Index (Sensex) is given in the chart below:



#### Information about Shareholding as of March 31, 2006:

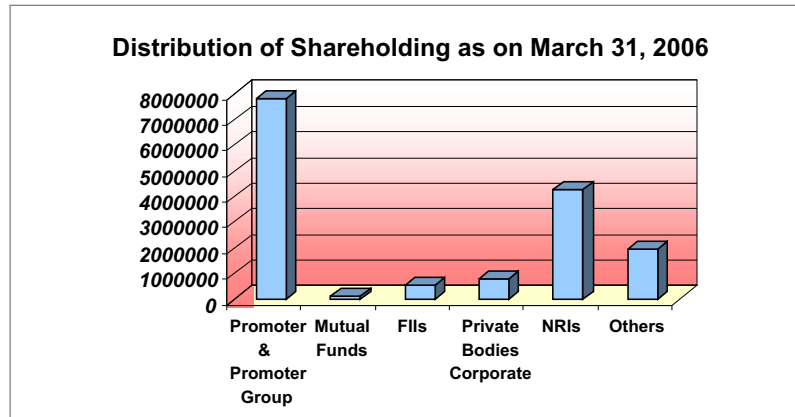
##### I. Distribution of Shareholding:

Number of Shares held	Shareholders		Shares	
	Nos.	%	Nos.	%
1- 500	5,037	89.23	815,113	5.25
501-1000	339	6.00	272,255	1.75
1001-2000	121	2.14	182,277	1.17
2001-3000	27	0.48	69,204	0.45
3001-4000	24	0.43	85,422	0.55
4001-5000	20	0.35	94,905	0.61
5001-10000	28	0.50	218,531	1.41
10001 and above	49	0.87	13,787,293	88.81
	<b>5,645</b>	<b>100.00</b>	<b>15,525,000</b>	<b>100.00</b>

##### II. Categories of Shareholders:

Category	Number of Shares held	Amount (Rs.)	% to the Total Issued Capital
<b>Promoters:</b>			
Bodies Corporate	6,145,231	61,452,310	39.58
Directors and their relatives	1,703,100	17,031,000	10.97
	<b>7,848,331</b>	<b>78,483,310</b>	<b>50.55</b>
<b>Non Promoters:</b>			
Mutual Funds	125,000	1,250,000	0.81
FIs	531,617	5,316,170	3.42
Bodies Corporate	798,041	7,980,410	5.14
Public	1,946,198	19,461,980	12.54
Non-Resident Indians	75,813	758,130	0.49
Non-Resident Investors	4,200,000	42,000,000	27.05
	<b>7,676,669</b>	<b>76,766,690</b>	<b>49.45</b>
<b>Total</b>	<b>15,525,000</b>	<b>*155,250,000</b>	<b>100.00</b>

\* Inclusive of calls-in-arrears and amount in respect of shares held in abeyance under Section 206A of the Companies Act, 1956.



Build up of the equity share capital during the financial year 2005-06 including the shares issued on merger:

Authorised Capital : 500,000,000  
Paid-up Capital : 278,983,330

Particulars	Date	Distinctive Numbers	Total Number of Shares
Paid-up capital at the beginning of the year	April 1, 2005	00000001 - 11325000	11,325,000
Allotment of 4,200,000 equity shares to the Non-Resident Investors under Preferential Issue.	December 9, 2005	11325001 - 15525000	15,525,000
Allotment of 12,373,333 equity shares to the shareholders of J. M. Securities Private Limited pursuant to the Scheme of Amalgamation	May 3, 2006	15525001 - 27898333	27,898,333

**Categories of Shareholders after considering the allotment of shares upon merger:**

Category	Number of Shares held	Amount (Rs.)	% to the total Issued Capital
<b>Promoters:</b>			
Bodies Corporate	12,125,964	121,259,640	43.46
Directors and their relatives	8,094,487	80,944,870	29.01
	<b>20,220,451</b>	<b>202,204,510</b>	<b>72.47</b>
<b>Non Promoters :</b>			
Mutual Funds	112,793	1,127,930	0.40
FIs	950,109	9,501,090	3.40
Bodies Corporate	604,078	6,040,780	2.18
Public	1,733,569	17,335,690	6.22
Non-Resident Indians/Foreign Nationals	77,333	773,330	0.28
Non-Resident Investors	4,200,000	42,000,000	15.05
	<b>7,677,882</b>	<b>76,778,820</b>	<b>27.53</b>
<b>Total</b>	<b>27,898,333</b>	<b>*278,983,330</b>	<b>100.00</b>

\* Inclusive of calls-in-arrears and amount in respect of shares held in abeyance under Section 206A of the Companies Act, 1956.

**Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, conversion date and likely impact on equity**

: Not Applicable since the Company has not issued any such instruments.

**Compliance Certificate of the Auditors**

: Certificate from the Auditors of the Company, M/s. Khimji Kunverji & Co., Chartered Accountants, pursuant to the provisions of Clause 49 of the Listing Agreement is annexed and forms part of the Annual Report.

**ADDITIONAL INFORMATION FOR THE SHAREHOLDERS**

**1. Nomination Facility:**

Shareholders can avail the facility of nomination as provided under Section 109A and 109B of the Companies Act, 1956. Under this facility, every holder of the shares in the Company may at any time nominate a person to whom his/her shares in the Company, shall vest in the event of his/her death. The facility may be availed by submitting the prescribed Form 2B to the Company's Registrars & Share Transfer Agent (R&TA). However, if shares are held in dematerialised form, nomination has to be registered with the concerned Depository Participant (DP) directly, as per the format prescribed by the DP.

The nominee is entitled to all the rights of the deceased shareholder to the exclusion of all other persons. In the event of death of the shareholder, all the rights of the shareholder shall vest in the nominee. In case of joint holding, all the rights shall vest in the nominee only in the event of death of all the joint holders.

**2. Dematerialisation/Rematerialisation of Shares:**

Dematerialisation is a process by which an investor gets physical certificates converted into electronic balances maintained in his account with the DP. The investor submits physical certificates to his DP. The certificates are then forwarded to the Registrar who gives a credit in the client's account after due processing.

Rematerialisation is a process where dematerialisation can be reversed i.e., an investor can get back the physical shares by reconvertng them from electronic to physical mode.

**3. Electronic Clearing Service (ECS) Facility:**

ECS mandate is a facility provided to the investors to receive dividend directly in their bank accounts as an alternative to receiving the same through post. Under this option, investor's bank account is directly credited and an advice of the same is sent to the investor and the concerned bank will indicate the credit entry as "ECS" in the statement of account/pass book. The investor is not required to open a new bank account for the purpose.

Investors holding shares in the physical form may send their mandate details to the R&TA or to the Company. However, if the shares are held in the dematerialised form, ECS mandate has to be sent to the concerned DP directly, in the format prescribed by the DP.

ECS mandate may be withdrawn by the investors by giving a notice to the R&TA /Company or the concerned DP.

#### **4. MCA 21 Portal:**

The Ministry of Company Affairs (MCA) has launched a new website [www.mca.gov.in](http://www.mca.gov.in) for e-Governance. One of the important benefits available to the shareholders is timely redressal of investor grievances as the complaints under the system may be filed online by uploading prescribed e-form on the website. The nature of the complaint may relate to non-receipt of shares, non-receipt of dividend, non-receipt of Annual Report or General Meeting notice or any other miscellaneous complaints.

#### **5. Change of Address:**

Shareholders holding shares in the physical form may send a request duly signed to the R&TA /Company giving details of new address along with the proof such as attested copy of the ration card/PAN card/Passport etc. In case of shares held in dematerialised form, the request may be sent directly to the concerned DP.

#### **6. Change of Name:**

Shareholders holding shares in the physical form may send a request duly signed to the R&TA /Company giving details of new name along with original share certificates and supporting documents like court order, marriage certificate, etc. In case of shares held in dematerialised form, the request may be sent directly to the concerned DP.

#### **7. Transfer of Shares:**

Transferee(s) receiving the delivery of shares bought by them in physical mode should forward the share certificates along with share transfer deed, duly filled in, executed and signed to the R&TA. Shares sent for transfer are duly transferred and returned to the investors well within the statutory time period, provided the documents are complete in all respects and the specimen signature(s) of the transferors are matched with the signatures registered with the Company/R&TA. The Share Transfer Committee meets periodically to approve transfer proposals.

In case of dematerialised shares, the shares are credited to the investor's beneficiary account by the concerned DP.

#### **8. General Rights of the Shareholders:**

- To receive copies of the abridged Annual Report, if any, the Balance Sheet and the Profit & Loss Account.
- To receive the share certificates, on allotment or transfer as the case may be, in due time.
- To receive notices of General Meetings.
- To receive dividends and other corporate benefits like bonus, rights etc., once approved.
- To participate and vote in general meetings either personally or through proxies.
- To inspect statutory registers and documents as permitted under law.
- Other rights as are specified in the Memorandum and Articles of Association of the Company.

### **AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To  
The Members of **JM Financial Limited**

We have examined the compliance of the conditions of Corporate Governance by **JM Financial Limited** for the year ended on March 31, 2006 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Bombay Stock Exchange Limited .

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

In our opinion and to the best of our information and according to the explanations given to us, subject to our following observations, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement:

- (a) The Compliance Officer who became the Company Secretary of the Company during the year acted as the Secretary of the Audit Committee.
- (b) One of the independent members of the Audit Committee could not attend one of the meetings held during the year due to his illness. As a result of this, out of the five Audit Committee Meetings held, the requirement of presence of a minimum of two Independent Directors under Clause 49 II (B) could not be met only at that particular meeting.

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

For and on behalf of  
**KHIMJI KUNVERJI & CO.**  
Chartered Accountants

**Shivji K Vikamsey**  
Partner  
Membership No.2242

Place : Mumbai  
Date : June 29, 2006

## AUDITORS' REPORT

To  
The Members of **JM Financial Limited**

1. We have audited the attached Balance Sheet of **JM Financial Limited** as of March 31, 2006 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 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) (hereinafter referred to as 'the Order') issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, (hereinafter referred to as 'the Act') 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 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 it 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 section 211 (3C) of the Act;
  - v) On the basis of the written representations received from the directors as on March 31, 2006 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2006 from being appointed as a director in terms of section 274 (1)(g) of the Act;
  - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act 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 March 31, 2006;
    - b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
    - c) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For and on behalf of  
**KHIMJI KUNVERJI & CO.**  
Chartered Accountants

**Shivji K Vikamsey**  
Partner  
Membership No.2242

Place : Mumbai  
Date : June 29, 2006

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE OF  
JM FINANCIAL LIMITED AS AT MARCH 31, 2006**

- i) In view of the nature of activities carried on by the Company, clauses 4 (ii) (a) to (c), 4 (viii), 4 (xiii), 4 (xiv) and 4 (xvi) of the Order are not applicable
- ii) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The fixed assets have been physically verified by the management at reasonable intervals. As informed, no material discrepancies were noticed on such verification.
  - (c) The Company has not disposed off substantial part of its fixed assets during the year.
- iii) (a) In respect of the unsecured loans, granted by the company to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
  - 1) The Company has given a deposit to a party amounting Rs. 2.75 crores which has been repaid.
  - 2) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the deposit are not prima facie prejudicial to the interest of the Company.
  - 3) The party has repaid the principal amounts as stipulated and have also been regular in the payment of interest to the Company.
  - 4) As there is no overdue amount the question of the Company taking reasonable steps for recovery of the principal amount and interest does not arise.
  - (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Hence the clauses 4 (iii) (f) and (g) of the Order are not applicable to the Company.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. During the course of audit, no major weakness has been noticed in the internal control system in respect of these areas.
- v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
  - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at price which are reasonable having regard to prevailing market prices at the relevant time
- vi) In our opinion and according to the information and explanations given to us, no deposits from the public within the meaning of Reserve Bank of India Directives and sections 58A, 58AA or any other relevant provisions of the Act and the rules framed there under, have been accepted by the Company.
- vii) In view of the existing internal controls and low volume of transactions during the year, the Company did not deem it necessary to have a formal Internal Audit System during the year.
- viii) (a) The Company is generally regular in depositing undisputed Income Tax, Service Tax, Cess and Investors Education and Protection Fund with appropriate authorities and there are no arrears thereof as at March 31, 2006 for a period of more than six months from the date they become payable. We are informed that statutory dues like Provident Fund, Employee's State Insurance, Sales Tax, Wealth Tax, Custom Duty, Excise Duty and other statutory dues are not applicable to the Company.
  - (b) According to the information and explanations given to us, there is no outstanding dues of Income Tax and Service Tax not deposited on account of any dispute.



- ix) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- x) Based on our audit procedures and as per the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xi) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xii) According to the information and explanations given to us, the Company has not given guarantee for loans taken by others from banks or financial institutions.
- xiii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
- xiv) The Company has not made preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- xv) According to the information and explanations given to us, no debentures have been issued during the year.
- xvi) The Company has not raised any money through a public issue during the year.
- xvii) Based upon the audit procedures performed and 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 and on behalf of  
**KHIMJI KUNVERJI & CO.**  
Chartered Accountants

**Shivji K Vikamsey**  
Partner  
Membership No.: 2242

Place : Mumbai  
Date : June 29, 2006

**BALANCE SHEET AS AT MARCH 31, 2006**

	Schedule	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS</b>			
Share Capital	<b>A</b>	155,002,000	112,886,500
Share Capital Suspense (Refer note 2)		123,733,330	-
Reserves & Surplus	<b>B</b>	<u>2,031,927,495</u>	<u>208,089,482</u>
		2,310,662,825	320,975,982
<b>DEFERRED TAX LIABILITY</b>		1,976,557	-
<b>FUNDS EMPLOYED</b>		<u>2,312,639,382</u>	<u>320,975,982</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	<b>C</b>	10,850,211	10,850,211
Less : Provision for Depreciation		<u>2,428,793</u>	<u>2,251,128</u>
Net Block		8,421,418	8,599,083
<b>INVESTMENTS</b>	<b>D</b>	1,481,633,488	311,251,745
<b>DEFERRED TAX ASSETS</b>		-	321,790
Current Assets, Loans & Advances	<b>E</b>	933,876,621	50,453,525
Less: Current Liabilities & Provisions	<b>F</b>	<u>111,292,145</u>	<u>49,650,161</u>
<b>NET CURRENT ASSETS</b>		822,584,476	803,364
<b>FUNDS UTILISED</b>		<u>2,312,639,382</u>	<u>320,975,982</u>
<b>Significant Accounting Policies &amp; Notes to Accounts</b>	<b>J</b>		

The Schedules referred to above form an integral part of the Accounts.  
As per our attached Report of even date.

For and on behalf of  
**KHIMJI KUNVERJI & CO.**  
Chartered Accountants

**Shivji K Vikamsey**  
Partner  
Membership No. 2242

Place : Mumbai  
Date : June 29, 2006

For and on behalf of the Board of Directors

**Nimesh N Kampani**                      **M R Mondkar**  
Chairman                                      Director

**Manish Sheth**                              **P K Choksi**  
Manager & Chief Financial Officer      Company Secretary

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006**

	Schedule	For the year ended March 31, 2006 Rupees	For the year ended March 31, 2005 Rupees
<b>INCOME</b>			
Financial Services Activity	<b>G</b>	134,007,683	134,080,865
Interest & Other Income	<b>H</b>	28,878,160	3,136,256
Total Income		<u>162,885,843</u>	<u>137,217,121</u>
<b>EXPENDITURE</b>			
Profit before depreciation, diminution in the value of investment & Income Tax	<b>I</b>	18,662,218	2,392,611
Less: Depreciation		144,223,625	134,824,510
Provision/(Reversal) for diminution in the value of investment		177,665	177,665
<b>Profit before Tax</b>		<u>(13,250,000)</u>	<u>40,000,000</u>
<b>Provision for Taxation</b>		157,295,960	94,646,845
Current Tax		2,200,000	25,000
Deferred Tax		2,298,345	(137,445)
Short Provision for taxation of earlier years		110,722	-
<b>Profit after Tax</b>		<u>152,686,893</u>	<u>94,759,290</u>
Add: Balance Profit brought forward from previous year		74,141,102	21,665,140
Balance Profit of J.M. Securities Pvt. Ltd. on account of merger		118,749,541	-
Profit available for Appropriation		<u>345,577,536</u>	<u>116,424,430</u>
<b>APPROPRIATIONS</b>			
Proposed Dividend		75,000,000	28,312,500
Corporate tax on proposed dividend		10,518,750	3,970,828
General Reserve		20,000,000	10,000,000
Surplus carried to Balance Sheet		240,058,786	74,141,102
		<u>345,577,536</u>	<u>116,424,430</u>
<b>Earnings Per Share (per Equity Share of Rs.10/- each) (Refer note 9)</b>			
- Basic & Diluted (on weighted average no. of shares during the year)		8.60	8.37
- Basic & Diluted (on the no. of shares outstanding at the year end)		5.47	8.37
<b>Significant Accounting Policies &amp; Notes to Accounts</b>			
<b>J</b>			

The Schedules referred to above form an integral part of the Accounts.  
As per our attached Report of even date.

For and on behalf of  
**KHIMJI KUNVERJI & CO.**  
Chartered Accountants

**Shivji K Vikamsey**  
Partner  
Membership No. 2242

Place : Mumbai  
Date : June 29, 2006

21st Annual Report 2005-06

For and on behalf of the Board of Directors

**Nimesh N Kampani**  
Chairman

**M R Mondkar**  
Director

**Manish Sheth**  
Manager & Chief Financial Officer

**P K Choksi**  
Company Secretary

**SCHEDULES**
**SCHEDULE 'A'**
**SHARE CAPITAL**
**Authorised:**

50,000,000 (15,000,000) Equity Shares of Rs. 10/- each

**Issued, Subscribed and Paid-up:**

 15,525,000 (11,325,000) Equity Shares of Rs.10/- each fully paid-up  
 (Of the above 1,250,000 Equity Shares of Rs 10/- each issued for consideration other than cash)

Less : Calls in arrears

**As at  
March 31, 2006  
Rupees**
**As at  
March 31, 2005  
Rupees**
500,000,000
150,000,000

155,250,000

113,250,000

248,000

363,500

**155,002,000**
**112,886,500**
**SCHEDULE 'B'**
**RESERVES & SURPLUS**
**Securities Premium**

Balance as per last Balance Sheet

121,948,380

120,544,280

Add: Additions during the year

1,714,016,740

1,404,100

 Securities Premium balance of J.M. Securities Private Limited  
 on account of merger

49,600,000

-

1,885,565,120

121,948,380

Less: Expenses related to Preferential issue

4,863,081

-

Transferred to Share Capital Suspense on account of merger

120,833,330

-

1,759,868,709

121,948,380
**General Reserve**

Balance as per last Balance Sheet

12,000,000

2,000,000

Add: Transferred from Profit and Loss Account

20,000,000

10,000,000

32,000,000

12,000,000
**Surplus in Profit and Loss Account**

240,058,786

74,141,102

**2,031,927,495**
**208,089,482**

**SCHEDULES**

	<b>In Rupees</b>										
	<b>GROSS BLOCK (At Cost)</b>					<b>DEPRECIATION</b>					<b>NET BLOCK</b>
<b>Particulars</b>	As at April 1, 2005	Additions during the year	Deductions / Adjustments	As at March 31, 2006	As at April 1, 2005	For the year	Deductions / Adjustments	Total upto March 31, 2006	As at March 31, 2006	As at March 31, 2005	
Office Premises	10,850,211	-	-	10,850,211	2,251,128	177,665	-	2,428,793	8,421,418	8,599,083	
<b>TOTAL</b>	<u>10,850,211</u>	<u>-</u>	<u>-</u>	<u>10,850,211</u>	<u>2,251,128</u>	<u>177,665</u>	<u>-</u>	<u>2,428,793</u>	<u>8,421,418</u>	<u>8,599,083</u>	
Previous Year	10,850,211	-	-	10,850,211	2,073,463	177,665	-	2,251,128	8,599,083		

**SCHEDULES**
**SCHEDULE 'D'**
**INVESTMENTS**

Sr. No.	Particulars	As at March 31, 2006		As at March 31, 2005	
		Nos.	Rupees	Nos.	Rupees
<b>LONG TERM INVESTMENTS</b>					
<b>UNQUOTED</b>					
Fully paid-up, unless otherwise stated					
<b>TRADE INVESTMENTS</b>					
<b>Investment in Subsidiary Companies - Equity Shares of Rs. 10/- each</b>					
1.	JM Financial Commtrade Ltd.	2,000,000	20,000,000	-	-
2.	JM Financial Investment Managers Ltd.	50,000	6,616,502	-	-
3.	JM Financial Products Pvt. Ltd.	5,100,000	510,147,594	-	-
4.	JM Morgan Stanley Pvt. Ltd.	6,134,790	61,460,499	-	-
<b>Convertible Preference Shares of Rs.10/- each</b>					
5.	JM Financial Products Pvt. Ltd.	40,000,000	400,000,000	-	-
<b>Investment in Joint Venture - Equity Shares of Rs. 10/- each</b>					
6.	JM Morgan Stanley Securities Pvt. Ltd.	4,900,000	126,687,500	4,900,000	126,687,500
<b>Investments in Associates - Equity Shares of Rs. 10/- each</b>					
7.	JM Financial Asset Management Pvt. Ltd.	7,487,500	264,098,750	1,350,000	18,000,000
8.	JM Financial Trustee Co. Pvt. Ltd.	25,000	250,000	25,000	250,000
9.	Financial Engineering Solutions Pvt. Ltd.	2,400,000	24,000,000	2,400,000	24,000,000
10.	JSB Securities Ltd.	-	-	1,500,000	23,000,000
<b>Debentures of Rs.100/- each</b>					
11.	JSB Securities Ltd.	-	-	600,000	60,000,000
			1,413,260,845		251,937,500
<b>OTHER INVESTMENTS</b>					
<b>Equity Shares of Rs.10/- each</b>					
12.	UVI Holidays Ltd.	-	-	175,000	8,750,000
<b>Mutual Fund Units of Rs 10/- each</b>					
13.	JM Equity Fund-Dividend Plan ##	16,072	149,470	16,072	149,470
14.	JM Income Fund-Growth Plan	-	-	83,086	2,194,560
15.	JM Income Fund-Dividend Plan	-	-	170,274	1,746,485
16.	JM Auto Sector Fund-Dividend Option	750,000	7,500,000	750,000	7,500,000
17.	JM Healthcare Sector Fund-Dividend Option	818,431	8,250,000	818,431	8,250,000
18.	JM High Liquidity Fund Institutional Plan-Daily Dividend	3,679,172	36,851,564	4,265,591	42,723,729
19.	JM High Liquidity Fund Super Institutional Plan-Daily Dividend	3,057,117	30,621,609	-	-
20.	HDFC Liquid Fund-Premium Plan-Weekly Dividend	-	-	6,427,530	78,000,000
	<b>TOTAL</b>		<b>1,496,633,488</b>		<b>401,251,745</b>
	Less: Provision for diminution in the value of Investment-Unquoted		15,000,000		90,000,000
	<b>TOTAL</b>		<b>1,481,633,488</b>		<b>311,251,745</b>

**Note 1.** During the year 407,945,714 units amounting to Rs. 4,085,389,768 and 412,414,917 units amounting to Rs. 4,145,473,790 of various schemes of mutual fund were purchased and redeemed, respectively.

**Note 2.** Net Asset Value of the mutual fund units as on March 31, 2006 is Rs. 91,062,360/- against book value of Rs. 83,372,913/-.

## Represents initial contribution as a Co-sponsor towards setting up of JM Financial Mutual Fund, which cannot be sold off/transferred.

**SCHEDULES**
**SCHEDULE 'E'**
**CURRENT ASSETS, LOANS & ADVANCES**
**(A) CURRENT ASSETS :**

		<b>As at March 31, 2006 Rupees</b>	<b>As at March 31, 2005 Rupees</b>
<b>1) Sundry Debtors</b> (Unsecured considered good, unless otherwise stated) Others ( Doubtful Rs.Nil, Previous Year Rs.1,851,213/- fully provided for)	-		-
<b>2) CASH &amp; BANK BALANCES</b>			
Cash on hand	1,159		-
Bank Balance with Scheduled Banks :			
- In Current Accounts	<u>6,740,633</u>	6,741,792	1,846,655
<b>3) Other Current Assets</b>			
Interest Accrued but not due			
On Others (Doubtful Rs.Nil, Previous Year Rs. 932,868/- fully provided for)		7,995,055	1,625
<b>TOTAL (A)</b>		<u>14,736,847</u>	<u>1,848,280</u>

**(B) LOANS AND ADVANCES**

(Unsecured considered good, unless otherwise stated)			
1) Advances recoverable in cash or kind or for value to be received		1,408,701	1,411,700
2) Deposits			
- Inter Corporate Deposit with subsidiaries	865,000,000		-
- Other deposits (Doubtful Rs. Nil, Previous Year Rs. 2,500,000/- fully provided for)	<u>13,297,510</u>		
		878,297,510	13,297,510
3) Advance Tax & Tax Deducted at Source (Net of Provision)		39,433,563	33,896,035
<b>TOTAL (B)</b>		<u>919,139,774</u>	<u>48,605,245</u>
<b>TOTAL (A+B)</b>		<u><b>933,876,621</b></u>	<u><b>50,453,525</b></u>

**SCHEDULE 'F'**
**CURRENT LIABILITIES & PROVISIONS**
**CURRENT LIABILITIES**

1) Sundry Creditors		444,500	829,500
2) Unclaimed Dividend		894,987	672,251
3) Property Deposits		10,000,000	10,000,000
4) Other Liabilities		14,433,908	5,865,082
<b>TOTAL (A)</b>		<u>25,773,395</u>	<u>17,366,833</u>
<b>PROVISIONS</b>			
Proposed Dividend		75,000,000	28,312,500
Corporate Tax on Proposed Dividend		10,518,750	3,970,828
<b>TOTAL (B)</b>		<u>85,518,750</u>	<u>32,283,328</u>
<b>TOTAL (A) + (B)</b>		<u><b>111,292,145</b></u>	<u><b>49,650,161</b></u>

**SCHEDULES**
**INCOME**
**SCHEDULE 'G'**
**FINANCIAL SERVICES ACTIVITY**

Dividend on Long Term Investments (Gross)

133,709,646

134,466,057

Profit/(Loss) on Sale of Long Term Investments (Net)

298,037

(385,192)

**TOTAL**
**134,007,683**
**134,080,865**
**SCHEDULE 'H'**
**INTEREST & OTHER INCOME**

 Interest (Net)  
 [Tax Deducted at Source Rs. 6,986,356/- (Previous Year Rs. 143,353/-)]

27,088,646

2,012,560

 Lease Rent (Gross)  
 [Tax Deducted at Source Rs. 277,602/- (Previous Year Rs. 228,836/-)]

1,237,080

1,101,600

Miscellaneous Income

552,434

22,096

**TOTAL**
**28,878,160**
**3,136,256**



**SCHEDULES**
**SCHEDULE 'I'**
**EXPENDITURE**

	<b>For the year ended March 31, 2006 Rupees</b>	<b>For the year ended March 31, 2005 Rupees</b>
1) Rent	556,148	137,009
2) Rates & Taxes	19,986	34,842
3) Insurance	1,120,440	1,122,229
4) <b>Auditor's Remuneration</b>		
- For Audit Fees	40,000	40,000
- For Certification	90,500	-
- For Limited Review	50,000	30,000
- For Tax Audit fees	25,000	25,000
- For Others	1,000	-
- For Service Tax	22,695	9,470
5) Legal, Professional & Consultation Charges	10,730,331	186,772
6) Support Charges	1,925,575	-
7) Managerial Remuneration	1,500,000	-
8) Miscellaneous Expenses	2,580,543	807,289
<b>TOTAL</b>	<b>18,662,218</b>	<b>2,392,611</b>

## SCHEDULES

### SCHEDULE 'J'

#### NOTES FORMING PART OF THE ACCOUNTS AS ON MARCH 31, 2006.

##### Significant Accounting Policies & Notes to Accounts

#### 1 Significant Accounting Policies

##### (a) Accounting Convention

The financial statements are prepared under the historical cost convention, on an accrual basis and in accordance with the applicable accounting standards.

##### (b) Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

##### (c) Investments

Long term Investments are stated at cost. However, provision for diminution in the value of the quoted long term investments and current investments is done at lower of the cost and market value determined on an individual investment basis and provision for diminution in the value of unquoted long term investments is done as per Management's estimate.

##### (d) Depreciation

Depreciation is being provided on straight line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. Depreciation on assets added/disposed off during the year is being provided on a pro-rata basis with reference to the month of addition/disposal.

##### (e) Foreign Currency Translations

Transactions on account of foreign currency are converted into Indian rupees at the prevailing rates on the date of transaction. Remittances not received or made until the date of Balance Sheet are considered at the exchange rate prevailing on the date of Balance Sheet.

##### (f) Taxation

Provision for the current tax is made on the basis of estimated taxable income for the current accounting year in accordance with Income Tax Act, 1961. The Deferred Tax for timing difference between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred tax assets arising from timing difference are recognised to the extent there is reasonable certainty that these would be realised in future. Deferred tax assets are recognised on unabsorbed losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profit

##### (g) Contingent Liabilities

Contingent liabilities are not provided for and disclosed by way of Notes.

## SCHEDULES

### Notes to Accounts

- 2 (a)** Pursuant to the Scheme of Amalgamation (the Scheme) under Sections 391 to 394 of the Companies Act, 1956 with effect from November 1, 2005 (the Appointed Date), J.M. Securities Private Limited (hereinafter referred to as JMSPL), has been merged with the Company. The Effective date of the Scheme is May 3, 2006 and it is operative from the Appointed Date. JMSPL was an investment company.
- (b)** In terms of the Scheme, all assets and liabilities of JMSPL have been transferred and stood vested with the Company with effect from the Appointed Date at their respective book values on that date. JMSPL carried on all its business and activities for the benefit of and in trust for, the Company from the Appointed Date. Thus, the profit or income accruing or arising to JMSPL, or expenditure or losses arising or incurred by JMSPL from the Appointed Date are treated as the profit or income or expenditure or loss as the case may be, of the Company. The Scheme has been accordingly given effect to in these accounts.
- (c)** The amalgamation has been accounted for under the "Pooling of Interests method" as prescribed by Accounting Standard 14 - Accounting for Amalgamations (AS 14) issued by the Institute of Chartered Accountants of India (ICAI). Accordingly, the assets, liabilities and reserves of JMSPL have been recorded at their book values on the Appointed Date, subject to adjustments specified in the Scheme.
- (d)** In terms of the Scheme, the Company acquired assets having Net Book Value of Rs. 171,249,541/-, as detailed hereunder:

Particulars	Rupees	Rupees
Investments	314,301,226	
Current Assets	<u>1,245,773</u>	
Total Assets		315,546,999
Less:		
Unsecured Loans	142,500,000	
Current Liabilities & Provisions	<u>1,797,458</u>	
Total Liabilities		144,297,458
<b>Net Book Value</b>		<b>171,249,541</b>

- (e)** The difference between the consideration of Rs. 123,733,330/- (being face value of Equity Shares of the Company issued pursuant to amalgamation) and the Net Book Value of the Assets acquired, after adjusting reserves of JMSPL, is transferred from Securities Premium Account, in accordance with the Scheme, as detailed hereunder:

Particulars	Rupees	Rupees
Net Book Value of the Assets acquired		171,249,541
Less: Securities Premium of JMSPL transferred to the Company as Securities Premium	49,600,000	
Less: Profit & Loss Account of JMSPL transferred to the Company as Profit & Loss Account	<u>118,749,541</u>	<u>168,349,541</u>
		2,900,000
Less: Share capital suspense to be issued as equity shares for consideration other than cash		123,733,330
<b>Balance transferred from the Securities Premium Account</b>		<b>(120,833,330)</b>

- (f)** 12,373,333 Equity Shares of Rs.10/- each of the Company issued to the shareholders of JMSPL on May 3, 2006 in the ratio of 128 (One hundred and twenty eight) fully paid up Equity Shares of Rs.10/- each of the Company, for every 3 (three) fully paid up Shares of Rs.10/- each held in JMSPL. Since the allotment was pending as at March 31, 2006, an amount of Rs. 123,733,330/- has been shown under Share Capital Suspense Account.

Name of the Amalgamating Company	No. of Shares of JMSPL	% of JMSPL Shares exchanged	Number of Equity Shares of the Company	% of Company's Equity Shares Exchanged
JMSPL	290,000	100%	12,373,333	44.35%

## SCHEDULES

### Notes to Accounts (Cont...)

- (g) In terms of the Scheme, the Equity Shares issued by the Company shall rank pari-passu in all respects with the existing Equity Shares of the Company. Accordingly, the appropriation for the proposed dividend includes the dividend amount on 12,373,333 Equity Shares allotted to the shareholders of JMSPL for the full year.
- 3 (a)** Contingent liability in respect of income tax disputed in Appeal including Department Appeals in respect of cases won by the Company, excluding interest thereon is Rs.31,397,949 /- [Previous year Rs. 31,416,671/-].
- (b)** Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 4,477,000/- [Previous year Rs. 4,477,000/-].
- 4** Other Liabilities include the following unclaimed amounts which will be transferred to the Investor Education and Protection Fund under Section 205 C of the Companies Act, 1956 at the relevant time.

	Year ended March 31, 2006 Rupees	Year ended March 31, 2005 Rupees
(a) Unclaimed dividend	894,987	672,251
(b) Unclaimed matured debentures	3,702,392	4,007,011
(c) Unclaimed Interest on debentures	470,713	1,308,029
	<b>5,068,092</b>	<b>5,987,291</b>

- 5** Disclosure in respect of Company's Joint Ventures in India pursuant to Accounting Standard 27 "Financial Reporting of Interest in Joint Ventures":

	Country of Incorporation	Proportion of Ownership interest as at March 31, 2006 Rupees	Country of Incorporation	Proportion of Ownership interest as at March 31, 2005 Rupees
(a) Name of the Venture JM Morgan Stanley Securities Pvt. Ltd.	India	49%	India	49%
(b) the aggregate of Company's share in the above Venture in:				
Net Fixed Assets		28,782,311		36,156,708
Investments		640,856,260		482,824,491
Net Current Assets		117,470,244		98,286,493
Stock Exchange Membership		8,305,500		8,305,500
Deferred Tax Asset		1,126,492		89,670
Income		878,380,169		701,448,393
Expenses (including depreciation & taxation)		518,481,625		435,948,552

Note: The ownership interest for the current year as well as for the previous year has been worked out based on the audited accounts of joint venture entity.

## SCHEDULES

### Notes to Accounts (Cont...)

- 6** The issued, subscribed and paid-up capital and calls in arrears, inter alia, includes an amount in respect of 11,500 shares held in abeyance under Section 206A of the Companies Act, 1956.
- 7** Under the head "Current Liabilities & Provisions" no separate disclosure is made for outstanding amount(s) due to Small Scale Industrial Undertaking(s) [SSI], based on the information/documents available with the Company, that there are no such creditors.
- 8** Deferred Tax Assets/ (Liability) at the year end comprise timing difference on account of:

	Year ended March 31, 2006 Rupees	Year ended March 31, 2005 Rupees
Depreciation	(1,976,556)	(2,069,737)
Brought forward depreciation	-	2,391,527
	(1,976,556)	321,790

- 9** Earning Per Share is calculated as under:

	Year ended March 31, 2006 Rupees	Year ended March 31, 2005 Rupees
(a) Numerator - Net profit as disclosed in Profit and Loss Account	152,686,891	94,759,290
Denominator - Weighted average no. of equity shares during the year (including share capital suspense)	17,744,105	11,325,000
Basic & Diluted	8.60	8.37
(b) Numerator - Net profit as disclosed in Profit and Loss Account	152,686,891	94,759,290
Denominator - No. of equity shares outstanding at the year end (including share capital suspense)	27,898,333	11,325,000
Basic & Diluted	5.47	8.37
(c) Nominal value of shares	10.00	10.00

- 10** Proposed Dividend includes dividend on following equity shares of Rs. 10/- each:
- (a) 12,373,333 equity shares allotted on May 3, 2006 on merger of J.M. Securities Pvt. Ltd. (Refer Note No. 2).
- (b) 875,000 equity shares allotted on preferential basis on June 14, 2006.
- (c) 1,226,667 equity shares to be allotted on preferential basis on receipt of requisite approvals, if allotted before the closure of the Register of Members on September 1, 2006.

- 11** Interest income is net of interest expenses of Rs. 5,977,396/-.

- 12** Loans & Advances includes :

Amount Receivable from	Balance as at March 31, 2006 Rupees	Balance as at March 31, 2005 Rupees	Maximum amount due at any time during the year 2005-06	Maximum amount due at any time during the year 2004-05
(a) Subsidiaries: JM Financial Products Pvt. Ltd	865,000,000	-	1,815,000,000	-
(b) Others: Kampani Consultants Ltd	-	-	27,500,000	-

## SCHEDULES

### Notes to Accounts (Cont...)

**13** The Company had raised Rs. 1,755,600,000/- by way of issue of equity shares on a preferential basis. Utilisation of the same is as under:

Utilisation	Rupees
(a) Shares issue expenses	2,700,000
(b) Investments in subsidiaries	906,616,502
(c) Inter Corporate Deposit placed with subsidiary	836,500,000
(d) Unutilised funds deployed in high liquid - debt mutual fund	9,783,498
	1,755,600,000

**14** Managerial Remuneration:

Computation of net profit as per Sections 349 & 350 of the Companies Act, 1956	Year ended March 31, 2006	
Profit before Tax as per Profit & Loss Account		157,295,958
Add: Managerial Remuneration provided	1,500,000	
Add: Directors' Sitting Fees	198,250	1,698,250
		158,994,208
Less: Bad Debts written off out of the provisions	5,284,081	
Less: Profit on sale of Investments	298,037	5,582,118
Profit available for directors' commission		153,412,090
Maximum Managerial remuneration payable @ 3%		4,602,363
Managerial remuneration proposed by the Board and provided for		1,500,000

No Managerial remuneration was paid/provided to Directors in the previous year.

- 15** Disclosure in respect of Related Parties pursuant to Accounting Standard - 18:  
As per annexure attached - 1.
- 16** Statement of Cash Flow pursuant to Accounting Standard - 3:  
As per annexure attached - 2.
- 17** The Company is mainly engaged in Financial Services Activity, which in the context of Accounting Standard 17 is considered as the only business segment. The geographical segments are therefore not applicable.
- 18** No further information pursuant to paragraphs 4C & 4D of the Part II of the Schedule VI to the Companies Act, 1956 has been given as the same does not apply to the Company.
- 19** The Expenditure incurred in Foreign Currency during the year amounts to Rs. 5,024,505/- towards Professional Fees.
- 20** Dividend on Long Term Investments includes Rs. 18,457,186/- (Previous Year-Nil) received from subsidiary.
- 21** Previous year figures have been regrouped and rearranged wherever necessary. In view of the amalgamation of J. M. Securities Private Limited with the Company with effect from November 1, 2005, the figures for the current year are not comparable with those of the previous year.

**RELATED PARTY DISCLOSURES**

Annexure to Point no.1.5 to Schedule J

Particulars	Rupees in lakhs													
	Subsidiaries		Associates		Joint Ventures		Key Management Personnel		Relatives of Key Management Personnel		Enterprise over which Individual in III(C) below is able to exercise significant influence		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Investments made in (Refer Investment Schedule D)														
Investments sold to - JMFCS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debtenture Application	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Money received back - JMFCS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend received														
- JMMSPIL	184.57	-	-	-	-	-	-	-	-	-	-	-	184.57	-
- JMMSSPL	-	-	-	-	-	-	-	-	-	-	-	-	980.00	1,323.00
Interest received - JMFPL	296.42	-	-	-	-	-	-	-	-	-	-	-	296.42	6.92
Expenses reimbursed to - JMMSPIL	19.26	-	-	-	-	-	-	-	-	-	-	-	19.26	-
Expenses recovered from - JMFIML	4.53	-	-	-	-	-	-	-	-	-	-	-	4.53	-
Deposits placed														
- JMFPL	32,995.00	-	-	-	-	-	-	-	-	-	-	-	32,995.00	-
- JMFCL	10.00	-	-	-	-	-	-	-	-	-	-	-	10.00	-
- KCL	-	-	-	-	-	-	-	-	-	-	-	-	-	275.00
Deposits received back														
- JMFPL	24,345.00	-	-	-	-	-	-	-	-	-	-	-	24,345.00	-
- JMFCL	10.00	-	-	-	-	-	-	-	-	-	-	-	10.00	-
- KCL	-	-	-	-	-	-	-	-	-	-	-	-	-	275.00
Outstanding Balances														
Investments in														
Property deposits received from														
- JMMFSPL	9,982.25	-	2,883.49	1,252.50	-	1,266.88	-	-	-	-	-	-	12,865.74	2,519.38
Deposits placed - JMFPL	-	-	-	-	-	-	-	-	-	-	-	-	100.00	100.00
Interest Accrued - JMFPL	8,650.00	-	-	-	-	-	-	-	-	-	-	-	8,650.00	-
Payables - JMMSPIL	69.43	-	-	-	-	-	-	-	-	-	-	-	69.43	-
	19.26	-	-	-	-	-	-	-	-	-	-	-	19.26	-

## **NOTES TO RELATED PARTY DISCLOSURES**

### **A Names of related parties and description of relationship:**

#### **I. Parties where Control exists**

##### **(a) Subsidiaries:**

- JM Financial Products Private Limited (JMFPPPL)
- JM Financial Commtrade Limited (JMFCL)
- JM Financial Investment Managers Limited (JMFIML)
- JM Morgan Stanley Private Limited (JMMSPPL)
- JM Morgan Stanley Fixed Income Securities Private Limited (JMMSFISPL)
- JM Morgan Stanley Financial Services Private Limited (JMMSFSPL)

#### **II. Other Parties with whom the Company has entered into transactions during the year:**

##### **(a) Associates:**

- Financial Engineering Solutions Private Limited
- JM Financial Trustee Company Private Limited
- JM Financial Asset Management Private Limited

##### **(b) Joint Ventures:**

- JM Morgan Stanley Securities Private Limited (JMMSSPL)

##### **(c) Key Management Personnel:**

- Mr. Nimesh N Kampani

##### **(d) Relatives of Key Management Personnel:**

- Mr. Ashith N Kampani

##### **(e) Enterprise over which Individual in II ( c ) above is able to exercise significant influence:**

- J.M. Financial & Investment Consultancy Services Private Limited (JMFICS)
- Kampani Consultants Limited (KCL)

- B** I) The Company had made a provision for diminution in the value of Investments in associate companies at the beginning of the year aggregating Rs. 81,250,000/- out of which:
- Rs.53,000,000/- of loss has been adjusted against the said provision after recovery of sale proceeds Rs. 30,000,000/-;
  - Rs. 13,250,000/- has been written back as diminution and hence provision is no longer required;
  - Rs. 15,000,000/- has been continued as provision for diminution in the value of investment as on March 31, 2006.
- II) Related party relationships have been identified by the management & relied upon by the auditors.



**STATEMENT OF CASH FLOW**
**STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2006**
**Annexure to Point no.16 to Schedule J**
**PARTICULARS**

	<b>For the year ended March 31, 2006</b>	<b>Rupees in Lakhs</b>
		<b>For the year ended March 31, 2005</b>
A Net Profit before tax & extra ordinary items	1,572.96	946.47
<b>Adjustment for:</b>		
Depreciation	1.78	1.78
Provision for diminution/(Write back) of diminution in the value of Investments	(132.50)	400.00
(Profit)/Loss on sale of Investments	(2.98)	3.85
Operating Profit before Working Capital Changes	1,439.26	1,352.10
<b>Adjustment for:</b>		
Trade & Other Receivables	(79.90)	1.41
Trade Payables	(1,357.68)	(13.51)
<b>Cash generated from operations</b>	<b>1.68</b>	<b>1,340.00</b>
Interest paid	-	-
Direct taxes paid	(68.21)	(2.31)
<b>Net Cash from Operating Activities</b>	<b>(66.52)</b>	<b>1,337.69</b>
<b>B Cashflow from Investment Activities</b>		
Purchase of Investments	(50,180.06)	(2,078.68)
Sale of Investments	41,754.90	480.27
Loans & Advances	(8,650.00)	453.00
<b>Net Cash from/(used in) Investment Activities</b>	<b>(17,075.16)</b>	<b>(1,145.41)</b>
<b>C Cashflow from Financing Activities</b>		
Proceeds from issue of Share Capital/Premium	17,561.32	18.08
Share issue expenses	(48.63)	0.00
Proceeds from Borrowings	-	-
Repayment of Borrowings	-	-
Dividend paid including Corporate Tax	(322.83)	(198.85)
<b>Net Cash from/(used in) Financing Activities</b>	<b>17,189.86</b>	<b>(180.77)</b>
Net Increase in cash & cash equivalents	48.18	11.51
Cash & cash equivalents (opening)	18.47	6.96
Cash & cash equivalents of J. M. Securities Pvt. Ltd. on account of merger	0.78	-
Cash & cash equivalents (closing)	67.42	18.47

Note: Considering the Company's activities, Dividend, Interest Income and Lease Rentals are considered as part of operating activity of the Company. The aforesaid numbers have been derived after considering the effect of merger of J. M. Securities Private Limited with the Company.

**As per our attached Report of even date**

For and on behalf of  
**KHIMJI KUNVERJI & CO.**  
 Chartered Accountants

**Shivji K Vikamsey**  
 Partner  
 Membership No. 2242

Place : Mumbai  
 Date : June 29, 2006

21st Annual Report 2005-06

For and on behalf of the Board of Directors

**Nimesh N Kampani**  
 Chairman

**Manish Sheth**  
 Manager & Chief Financial Officer

**M R Mondkar**  
 Director

**P K Choksi**  
 Company Secretary

**ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956**
**Balance Sheet Abstract and General Business Profile**
**(a) Registration Details**

Registration No.: 38784

Balance Sheet Date: 31-03-2006

**State Code : 11**
**(Rupees in '000)**
**(b) Capital Raised during the Year**

Public Issue

-

Rights Issue

-

Bonus Issue

-

Private Placement

1,755,600

**(c) Position of Mobilisation and Deployment of Funds**

Total Liabilities

2,312,639

Total Assets

2,312,639

**Sources of Funds**

Paid-up Capital

155,002

Reserves and Surplus

2,031,927

Share Capital Suspense

123,733

Deferred Tax Liabilities

1,977

Secured Loans

-

Unsecured Loans

-

**Application of Funds**

Net Fixed Assets

8,421

Investments

1,481,633

Deferred Tax Assets

-

Net Current Assets

822,584

Miscellaneous Expenditure

-

Accumulated Losses

-

**(d) Performance of the Company**

Turnover (including Other Income)

162,886

Total Expenditure

18,840

Reversal of Provision for diminution in the value of Investments

13,250

Profit before Tax

157,296

Profit after Tax

152,687

Earnings per share in Rupees

8.60

Dividend Rate %

25%

**(e) Generic Names of Principal Products of the Company**

Item Code No. (ITC Code)

Not applicable

Product Description

Not applicable

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES**

<b>Name of the Subsidiary Company</b>	<b>JM Financial Comtrade Limited</b>	<b>JM Financial Investment Managers Limited</b>	<b>JM Financial Products Private Limited</b>	<b>JM Morgan Stanley Private Limited</b>	<b>JM Morgan Stanley Fixed Income Securities Private Limited*</b>	<b>JM Morgan Stanley Financial Services Private Limited*</b>
1. Financial year ending of the Subsidiary	March 31, 2006	March 31, 2006	March 31, 2006	March 31, 2006	March 31, 2006	March 31, 2006
2. Extent of the interest of the Company in the Subsidiaries at the end of the financial year:	2,000,000 Equity Shares of Rs.10/- each, fully paid up	50,000 Equity Shares of Rs.10/- each, fully paid up	6,000,000 Equity Shares of Rs.10/- each, fully paid up	6,134,790 Equity Shares of Rs.10/- each, fully paid up	2,295,000 Equity Shares of Rs.10/- each, fully paid up	2,295,000 Equity Shares of Rs.10/- each, fully paid up
a) Shares held in the Subsidiaries	100%	100%	100%	51%	51%	51%
b) Percentage of holding						
3. The net aggregate amount of profits/(losses) so far as it concerns members of the Company and is not dealt within the Company's accounts.	(11,260,609)	1,876,330	44,526,298	239,884,930	(7,677,408)	132,408,544
a) For the financial year ended March 31, 2006 (Rupees)	N.A.	N.A.	N.A.	135,395,180	(7,623,513)	53,692,956
b) For the previous year (Rupees)	Nil	Nil	Nil	36,808,740	Nil	Nil
4. The net aggregate amount of profits/(losses) so far as it concerns members of the Company and is dealt with in the Company's accounts.	N.A.	N.A.	N.A.	73,617,480	Nil	Nil
a) For the financial year ended March 31, 2006 (Rupees)						
b) For the previous year (Rupees)						

\* Wholly owned subsidiary of JM Morgan Stanley Private Limited, which is a subsidiary of the Company.

For and on behalf of the Board of Directors

**Nimesh N Kampani**  
Chairman

**M R Mondkar**  
Director

**Manish Sheth**  
Manager & Chief Financial Officer

**P K Choksi**  
Company Secretary



Place : Mumbai  
Date : June 29, 2006

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Name of the Subsidiary	Rupees									
	Paid up Capital	Reserves	Total Assets including Investments	Investments	Total* Liabilities	Turnover	Profit before Tax	Provision for Taxation	Profit/(Loss) after Taxation	Proposed Dividend
JM Financial Commtrade Limited	20,000,000	(11,260,609)	25,662,653	2,955,692	1,6,923,262	857,077	(11,506,398)	(245,789)	(11,260,609)	-
JM Financial Investment Managers Limited	500,000	3,456,010	5,005,269	4,661,739	1,049,258	4,878,963	1,904,847	28,517	1,876,330	-
JM Financial Products Private Limited	100,000,000	890,890,685	4,213,564,848	12,904,961	3,222,674,164	68,828,896	59,515,743	14,989,445	44,526,298	-
JM Morgan Stanley Private Limited	120,290,000	1,497,682,381	1,933,304,975	359,434,526	315,332,594	1,448,662,570	675,832,023	205,469,415	470,362,608	36,087,000
JM Morgan Stanley Fixed Income Securities Private Limited	45,000,000	(10,913,950)	41,384,844	-	7,298,794	35,114,366	(14,822,241)	231,500	(15,053,741)	-
JM Morgan Stanley Financial Services Private Limited	80,000,000	498,856,973	38,314,342,192	10,000	37,735,485,219	1,052,709,900	395,298,495	135,673,899	259,624,596	-

\* Total Liabilities excludes Paid-up Capital and Reserves & Surplus.

**AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

To  
The Board of Directors  
**JM Financial Limited**

1. We have audited the attached Consolidated Balance Sheet of **JM Financial Limited** and its Subsidiaries and Joint Ventures and Associates as at March 31, 2006 and also the Consolidated Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of JM Financial Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. (a) Included in this Consolidated Financial Statements (CFS) are assets of Rs. 46952.46 Million as at March 31, 2006 and Revenues of Rs. 878.33 Million for the year then ended, which have not been audited by us. These have been audited by other auditors whose reports have been furnished to us, and our opinion so far as it relates to the amounts included in respect of these entities, is based solely on reports of those respective auditors.  
  
(b) Further the CFS includes Revenues of Rs.1558.68 Million which are based on unaudited financial statements of subsidiaries as referred to in note 1 of part II of Schedule J and our opinion in so far as it relates to those amounts is based solely on such unaudited financial statements.  
  
(c) The Cash Flow Statements have not been prepared as referred to in note 12 of part II of Schedule J.
4. We report that the consolidated financial statements have been prepared by JM Financial Limited in accordance with the requirements of Accounting Standard (AS) 21 Consolidated Financial Statements, AS 23 Accounting for Investment in Associates in consolidated Financial Statements, and AS 27 Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements/management certification and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements, read together with para 3 above, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the Consolidated Balance Sheet, of the state of affairs of JM Financial Limited and its Subsidiaries and Joint Ventures and Associates as at March 31, 2006; and
  - b) in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date.

For and on behalf of  
**KHIMJI KUNVERJI & CO.**  
Chartered Accountants

**Shivji K Vikamsey**  
Partner  
Membership No.2242

Place : Mumbai  
Date : June 29, 2006

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2006**

			Rupees in Million
	Schedules		As at March 31, 2006
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS</b>			
Share Capital	<b>A</b>	155.00	
Share Capital Suspense (Refer note 2)		123.73	
Reserves & Surplus	<b>B</b>	3,445.77	
Capital Reserve on Consolidation (Net)		<u>126.13</u>	3,850.63
<b>MINORITY INTEREST</b>			
			1,093.15
<b>LOAN FUNDS</b>			
	<b>C</b>		<u>2,681.21</u>
<b>FUNDS EMPLOYED</b>			
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	<b>D</b>	621.71	
Less : Accumulated Depreciation		<u>432.03</u>	
Net Block		189.68	
Capital Work in Progress		<u>5.06</u>	194.74
<b>STOCK EXCHANGE DEPOSITS</b>			
			31.31
<b>INVESTMENTS</b>			
	<b>E</b>		1,012.63
<b>DEFERRED TAX ASSETS (NET)</b>			
			0.46
Current Assets, Loans & Advances	<b>F</b>	44,184.80	
Less: Current Liabilities & Provisions	<b>G</b>	<u>37,798.95</u>	
<b>NET CURRENT ASSETS</b>			
			<u>6,385.85</u>
<b>FUNDS UTILISED</b>			
			<u>7,624.99</u>
<b>Significant Accounting Policies &amp; Notes to Accounts</b>			
	<b>J</b>		

The Schedules referred to above form an integral part of the Accounts.  
As per our attached Report of even date.

For and on behalf of  
**KHIMJI KUNVERJI & CO.**  
Chartered Accountants

**Shivji K Vikamsey**  
Partner  
Membership No. 2242

Place : Mumbai  
Date : June 29, 2006

For and on behalf of the Board of Directors

**Nimesh N Kampani**  
Chairman

**M R Mondkar**  
Director

**Manish Sheth**  
Manager & Chief Financial Officer

**P K Choksi**  
Company Secretary

**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006**

	<b>Schedules</b>	<b>Rupees in Million</b>	
			<b>For the Year ended March 31, 2006</b>
<b>INCOME</b>	<b>H</b>		
Financial Services activity		2,025.42	
Fund based activity		44.00	
		<hr/>	
		2,069.42	
Interest & other income		241.70	
<b>Total Income</b>			2,311.12
<b>EXPENDITURE</b>	<b>I</b>		
Profit before depreciation, interest, diminution in the value of investment & Income Tax			926.02
Less: Depreciation			1,385.10
Interest			35.06
Provision/(Reversal) for diminution in the value of investment			4.74
			<hr/>
			(13.25)
<b>Profit before Tax</b>			1,358.55
<b>Provision for Taxation</b>			
Current Tax		(445.55)	
Deferred Tax		5.53	
Fringe Benefit Tax		(5.39)	
Add/Less: Excess/(Short) Provision for taxation of earlier years (Net)		(0.25)	
			<hr/>
			(445.66)
<b>Profit after Tax</b>			912.89
Less: Minority Interest in the consolidated (profit)/loss of Subsidiaries (Net)			(219.88)
Add/(Less): Share of Profit/(Loss) in Associate Companies			(24.92)
			<hr/>
			668.09
Add: Balance Profit brought forward from earlier years			423.51
Add: Profit of J.M. Securities Private Limited on account of merger			118.75
Profit available for Appropriation			<hr/>
			1,210.35
<b>APPROPRIATIONS</b>			
Proposed Dividend		75.00	
Corporate Tax on Proposed Dividend			
- of the Company		10.52	
- of Subsidiaries/Joint Venture		21.02	
General Reserve		20.00	
			<hr/>
			126.54
Surplus carried to Balance Sheet			1,083.81
			<hr/>
			1,210.35
<b>Earnings Per Share (per Equity Share of Rs.10/- each)</b>			
- Basic & Diluted (on weighted average no. of shares during the year)			37.65
- Basic & Diluted (on the no. of shares outstanding at the year end)			23.95
<b>Significant Accounting Policies &amp; Notes to Accounts</b>	<b>J</b>		

The Schedules referred to above form an integral part of the Accounts.  
As per our attached Report of even date.

For and on behalf of  
**KHIMJI KUNVERJI & CO.**  
Chartered Accountants

**Shivji K Vikamsey**  
Partner  
Membership No. 2242

Place : Mumbai  
Date : June 29, 2006

21st Annual Report 2005-06

For and on behalf of the Board of Directors  
**Nimesh N Kampani**                      **M R Mondkar**  
Chairman                                      Director

**Manish Sheth**                              **P K Choksi**  
Manager & Chief Financial Officer      Company Secretary

**SCHEDULES**

	<b>Rupees in Million</b>		
	<b>JM Financial Ltd. &amp; Subsidiaries</b>	<b>Share in Joint Venture</b>	<b>Consolidated March 31, 2006</b>
<b>SCHEDULE 'A'</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised:</b> 50,000,000 (15,000,000) Equity Shares of Rs. 10/- each	500.00		500.00
<b>Issued, Subscribed and Paid up:</b>			
15,525,000 (11,325,000) Equity Shares of Rs.10/- each fully paid-up (Of the above 1,250,000 Equity Shares of Rs 10/- each issued for consideration other than cash)	155.25		155.25
Less : Calls in arrears	0.25		0.25
	<u>155.00</u>		<u>155.00</u>
<b>SCHEDULE 'B'</b>			
<b>RESERVES &amp; SURPLUS</b>			
Securities Premium	2,247.07	0.00	2,247.07
Capital Redemption Reserve	17.85	0.00	17.85
General Reserve	49.85	47.19	97.04
Surplus in Profit and Loss Account	723.89	359.92	1,083.81
	<u>3,038.66</u>	<u>407.11</u>	<u>3,445.77</u>
<b>SCHEDULE C</b>			
<b>LOAN FUNDS</b>			
<b>SECURED LOANS</b>			
Car Loans	0.66	0.00	0.66
<b>UNSECURED LOANS</b>			
<b>Short Term Loans and Advances</b>			
From Bank	186.42	0.00	186.42
Inter Corporate Deposits	2,490.00	0.00	2,490.00
<b>Long Term Liability</b>			
Dues under Finance Lease	4.13	0.00	4.13
	<u>2,681.21</u>	<u>0.00</u>	<u>2,681.21</u>



**SCHEDULES**
**Rupees  
in Million**
**SCHEDULE 'D'**
**FIXED ASSETS**
**Description of Assets**
**Owned Assets**
**Tangible**

Description of Assets	GROSS BLOCK (AT COST)			DEPRECIATION			NET BLOCK		
	JM Financial Ltd. & Subsidiaries	Share in Joint Venture	Consolidated March 31,2006	JM Financial Ltd. & Subsidiaries	Share in Joint Venture	Consolidated March 31,2006	JM Financial Ltd. & Subsidiaries	Share in Joint Venture	Consolidated March 31,2006
Office Premises	10.85	0.00	10.85	2.43	0.00	2.43	8.42	0.00	8.42
Leasehold Improvements	32.35	14.69	47.04	16.92	12.39	29.31	15.43	2.30	17.73
Computers	187.05	25.97	213.02	147.46	18.68	166.14	39.59	7.29	46.88
Office Equipments	56.06	26.16	82.23	43.05	17.96	61.01	13.02	8.20	21.21
Furniture and Fixtures	52.83	6.09	58.92	27.94	2.99	30.92	24.89	3.10	28.00
Vehicles	3.08	0.00	3.08	1.37	0.00	1.37	1.71	0.00	1.71

**Intangible**

Software	19.90	32.18	52.08	6.20	30.66	36.86	13.69	1.52	15.22
Stock Exchange membership	14.30	6.13	20.43	10.01	4.29	14.30	4.29	1.84	6.13
Stock Exchange Non Refundable Deposit	0.92	1.47	2.39	0.62	1.03	1.65	0.30	0.44	0.74
Other Intangible Assets	100.00	11.52	111.52	70.11	8.06	78.17	29.89	3.45	33.34

**Leased Assets**

Vehicles	18.50	1.67	20.17	8.84	1.03	9.87	9.66	0.64	10.30
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**TOTAL**

<b>495.84</b>	<b>125.87</b>	<b>621.71</b>	<b>334.94</b>	<b>97.09</b>	<b>432.03</b>	<b>160.90</b>	<b>28.78</b>	<b>189.68</b>
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**SCHEDULES**
**Rupees  
in Million**
**SCHEDULE 'F'**
**CURRENT ASSETS, LOANS & ADVANCES**
**CURRENT ASSETS**

Sundry Debtors	34,200.29	1,025.48	35,225.77
Cash & Bank Balances	860.77	59.22	919.99

	<b>35,061.06</b>	<b>1,084.70</b>	<b>36,145.76</b>
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**LOANS & ADVANCES**

Advances	3,078.25	0.93	3,079.18
Deposits	4,132.58	130.75	4,263.33
Advance Tax & Tax Deducted at Source (Net of Provision)	122.44	547.49	669.93
Others	24.65	1.95	26.60

	<b>7,357.92</b>	<b>681.12</b>	<b>8,039.04</b>
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	<b>42,418.98</b>	<b>1,765.82</b>	<b>44,184.80</b>
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**SCHEDULES**

	<b>Rupees in Million</b>		
	<b>JM Financial Ltd. &amp; Subsidiaries</b>	<b>Share in Joint Venture</b>	<b>Consolidated March 31, 2006</b>
<b>SCHEDULE 'G'</b>			
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
<b>CURRENT LIABILITIES</b>			
Sundry Creditors	35,883.33	1,035.16	36,918.49
Unclaimed Dividend	0.89	0.00	0.89
Property Deposits	10.00	0.00	10.00
Other Liabilities	168.35	10.84	179.19
	<b>36,062.57</b>	<b>1,046.00</b>	<b>37,108.57</b>
<b>PROVISIONS</b>			
For Taxation	29.11	514.79	543.90
For Fringe Benefit Tax	0.07	0.10	0.17
For Gratuity	20.78	3.65	24.43
For Proposed Dividend			
- of the Company	75.00	0.00	75.00
- of the Subsidiaries	20.58	0.00	20.58
For Corporate Tax on Proposed Dividend			
- of the Company	10.52	0.00	10.52
- of the Subsidiaries	5.47	10.31	15.78
	<b>161.53</b>	<b>528.85</b>	<b>690.38</b>
<b>TOTAL</b>	<b>36,224.10</b>	<b>1,574.85</b>	<b>37,798.95</b>

**SCHEDULES**
**Rupees  
in Million**
**SCHEDULE 'H'**
**INCOME**

	<b>JM Financial Ltd. &amp; Subsidiaries</b>	<b>Share in Joint Venture</b>	<b>Consolidated March 31, 2006</b>
Financial Services activity	1,237.14	788.28	2,025.42
Fund based activity	44.00	0.00	44.00
<b>Interest &amp; other income</b>			
Dividend	80.03	2.45	82.48
Interest	41.07	2.52	43.59
Net gain on foreign currency transactions	2.90	0.00	2.90
Profit on sale of Investments (Net)	11.77	10.12	21.89
Miscellaneous Income	15.83	75.01	90.84
	<u>151.60</u>	<u>90.10</u>	<u>241.70</u>
	<u>1,432.74</u>	<u>878.38</u>	<u>2,311.12</u>

**SCHEDULES**
**Rupees  
in Million**
**SCHEDULE 'I'**
**EXPENDITURE**

	<b>JM Financial Ltd. &amp; Subsidiaries</b>	<b>Share in Joint Venture</b>	<b>Consolidated March 31, 2006</b>
Payments to and Provisions for Employees	307.91	177.84	485.75
Subbrokerage, Fees & Commission	143.02	0.00	143.02
Rent, Rates & Taxes	39.51	54.56	94.07
Telephone & Mobile Expenses	21.31	12.13	33.44
Legal & Professional Fees	24.74	1.43	26.17
Travelling Expenses	9.87	15.70	25.57
Service Charges (Net)	(12.30)	33.74	21.44
Research	17.33	0.00	17.33
Repairs & Maintenance	12.18	4.54	16.72
Donation	4.00	1.58	5.58
Membership & Subscription	3.77	0.00	3.77
Bad debts written off	2.69	0.00	2.69
Loss on sale of Assets	1.52	0.02	1.54
Managerial Remuneration	1.50	0.00	1.50
Auditors' Remuneration	0.55	0.34	0.89
Loss from Proprietary Trading (Net)	0.52	0.00	0.52
Provision for Doubtful Debts	0.44	0.00	0.44
Business Development Expenses	0.43	0.00	0.43
Preliminary Expenses	0.27	0.00	0.27
Loss on foreign exchange fluctuations (Net)	0.00	0.07	0.07
Miscellaneous expenses	32.18	12.63	44.81
	<u>611.44</u>	<u>314.58</u>	<u>926.02</u>

## SCHEDULES

### SCHEDULE 'J'

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS

##### I) Significant Accounting Policies

###### i. Basis of preparation:

The Consolidated Financial Statements have been prepared in accordance with the generally accepted accounting principles in India and comply with the Accounting Standard (AS21) "Consolidated Financial Statements", Accounting Standard (AS 23) "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard (AS 27) "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India.

###### ii. Principles of Consolidation:

- a) The Consolidated Financial Statements (CFS) relates to JM Financial Limited (The Reporting Parent Company), its Subsidiary Companies, Associates and Joint Venture Companies.
- b) The financial statements of the parent company and its subsidiaries have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra group balances and transactions have been fully eliminated on consolidation except for joint venture.
- c) Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income in the CFS in order to arrive at the net income attributable to the shareholders of the Company. Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the CFS separate from liabilities and the equity of the Company.
- d) The difference between the cost of investment in subsidiaries, joint ventures and associates, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve, as the case may be.

###### iii. Revenue Recognition:

Revenue is recognised when there is a reasonable certainty of its ultimate realisation/collection.

- a) Revenue from Investment Banking Services, which mainly includes lead manager's fees, selling commission, underwriting commission, fees for mergers, acquisitions and advisory assignments and arranger's fees for mobilising debt funds are considered as earned and recorded when services for the transactions are determined to be completed or when specific obligations are determined to be fulfilled as set forth under the terms of engagement.
- b) Commission income from executing client transactions on the secondary market in "Cash" and "Futures and Options" segments are recorded in the accounts on the trade date.
- c) Brokerage earned from primary market operations, i.e., procuring subscription from investors for public offerings of companies are recorded on determination of the amount due to the company, once the allotment of securities is completed. Brokerage earned for mobilising bonds, fixed deposits from companies and funds for mutual funds from investors are recorded on monthly, quarterly or annual basis as set forth in terms of the engagement.
- d) Income from structured products including Processing fees, IPO Financing and Margin Financing revenues, Income from Depository Participant business and Income from Portfolio Management services are recorded when the services are determined to be completed.

## SCHEDULES

### Significant Accounting Policies (Cont...)

#### iv. Fixed Assets and Depreciation:

##### Owned Tangible Assets:

Tangible Fixed Assets are stated at their original cost of acquisition less accumulated depreciation and impairment losses, if any. Cost comprises of all costs incurred to bring the assets to their location and working condition.

Depreciation is provided on pro-rata basis for the period of use, by the Straight line method (SLM), based on management's estimate of useful lives of the fixed assets, or at the SLM rates prescribed in Schedule XIV to the Act, whichever is higher, at the following rates :

Asset	Useful Life
Leasehold Improvements	10 Years
Telecommunication Equipment	5 Years
Furniture, Fixtures and Equipments	5 to 10 Years
Microcomputers and Application Software	5 Years
Motor Vehicles	5 Years

Assets costing Rs. 5,000/- or less are depreciated at 100 %.

##### Owned Intangible Assets:

Intangible Fixed assets are stated at their cost of acquisition or internal generation, less accumulated amortisation and impairment losses, if any. An intangible asset is recognized, where it is probable that the future economic benefits attributable to the assets will flow to the enterprise and where its cost can be reliably measured. The depreciation amount of the intangible assets is allocated over the best estimate of its useful life on a straight line basis.

The company capitalises software and related implementation cost where it is reasonably estimated that the software has an enduring useful life. Software is depreciated over management estimate of its useful life (5 years).

##### Leased Assets:

Assets acquired under finance lease are accounted for at the inception of lease in accordance with Accounting Standard 19 on Leases at the lower of fair value of the assets and present value of minimum lease payments. At the end of lease term, asset will revert back to the lessor, hence they are fully depreciated on a straight line basis over the lease term or its useful life whichever is shorter.

##### Impairment of Assets:

An asset is considered as impaired in accordance with Accounting Standard 28 on Impairment of Assets when at Balance Sheet date there are indications of impairment and the carrying amount of the assets, or where applicable the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognised as an Impairment loss in the Profit and Loss Account.

#### v. Investments:

Investments are classified as Current or Long Term in accordance with Accounting Standard 13 on Accounting for Investments. Long Term Investments are stated at cost. Provision is made to recognise a decline, other than temporary, in the value of Long Term Investments.

#### vi. Securities Held as a result of Underwriting:

These securities are valued at lower of cost or market value.

#### vii. Retirement Benefits:

Contributions to the provident fund, a defined contribution scheme, are made in accordance with the rules of the fund. Provision for Gratuity is made on the basis of actuarial valuations carried out by a third party actuary at the year end.



## SCHEDULES

### Significant Accounting Policies (Cont...)

#### viii. Foreign currency translations:

Foreign currency transactions are recorded at the exchange rates prevailing on the date of transaction. Monetary foreign currency assets and liabilities are translated into Indian Rupees at the exchange rate prevailing at the Balance Sheet date. All exchange differences are dealt with in the Profit and Loss Account, except those relating to the acquisition of fixed assets from countries outside India, which are adjusted to the carrying cost of the related fixed asset.

#### ix. Taxation:

Taxes are accounted for in accordance with Accounting Standard 22 on Accounting for taxes on Income. Taxes comprise both current and deferred tax.

Current tax is measured at the amount expected to be paid/recovered from the taxation authorities, using applicable tax rates and tax laws.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations. The carrying amount of deferred tax assets at each Balance Sheet is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realised.

Deferred tax assets arising from timing differences are recognised to the extent there is reasonable certainty that these would be realised in future.

Deferred tax assets are recognised on unabsorbed losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits.

Fringe Benefit Tax (FBT) payable under the provisions of Section 115WC of the Income Tax Act, 1961 regarded as an additional income tax and considered in determination of the profits for the year. Tax on distributed profits payable in accordance with the provisions of Section 115O of the Income Tax Act, 1961 is in accordance with the Guidance Note on Accounting for Corporate Dividend Tax regarded as a tax on distribution of profits and is not considered in determination of the profits for the year.

#### x. Operating Lease:

Operating lease payments are recognised as expenditure in the Profit and Loss Account on a straight line basis, which is representative of the time pattern user's benefit.

#### xi. Contingent Liabilities:

Contingent Liabilities as defined in Accounting Standard 29 on Provisions, Contingent Liabilities and Contingent Assets are disclosed by way of notes to accounts. Provision is made if it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability.

**SCHEDULES**
**II) NOTES TO ACCOUNTS**

## 1) Companies included in consolidation

	<b>Proportion of Ownership of Interest as on March 31, 2006</b>
<b>SUBSIDIARIES INCORPORATED IN INDIA</b>	
JM Financial Commtrade Limited (JMFCL)	100.00%
JM Financial Investment Managers Limited (JMFIML)	100.00%
JM Financial Products Private Limited (JMFPPPL)	100.00%
JM Morgan Stanley Private Limited (JMMSPL)	51.00%
JM Morgan Stanley Financial Services Private Limited (JMMSFSPL)	51.00%
JM Morgan Stanley Fixed Income Securities Private Limited (JMMSFISPL)	51.00%
<b>JOINT VENTURE INCORPORATED IN INDIA</b>	
JM Morgan Stanley Securities Private Limited (JMMSPL)	49.00%
<b>ASSOCIATES INCORPORATED IN INDIA</b>	
Financial Engineering Solutions Limited (FESL)	30.00%
JM Financial Trustee Company Private Limited (JMFTCPL)	25.00%
JM Financial Asset Management Private Limited (JMFAMPL)	49.92%

The financial statements of JMFPPPL, JMMSPL, JMMSFSPL and JMMSFISPL, which have become subsidiaries with effect from November 1, 2005 have been audited for the financial year ended March 31, 2006. For the purpose of CFS, the results of the aforesaid companies for the five months period from November 1, 2005 to March 31, 2006 have been derived from the Audited Accounts of 12 months year ended March 31, 2006 by reducing there from unaudited figures as certified by respective companies for the seven months period ended October 31, 2005. In case of JMFIML the figures of Profit and Loss for 3 months have been similarly arrived at.

- 2) (a) Pursuant to the Scheme of Amalgamation (the Scheme) under Sections 391 to 394 of the Companies Act, 1956 with effect from November 1, 2005 (the Appointed Date), J.M. Securities Private Limited (hereinafter referred to as JMSPL), has been merged with the Company. The Effective Date of the Scheme is May 3, 2006 and it is operative from the Appointed Date. JMSPL was an investment company.
- (b) In terms of the Scheme, all assets and liabilities of JMSPL have been transferred and stood vested with the Company with effect from the Appointed Date at their respective book values on that date. JMSPL carried on all its business and activities for the benefit of and in trust for, the Company from the Appointed Date. Thus, the profit or income accruing or arising to JMSPL, or expenditure or losses arising or incurred by JMSPL from the Appointed Date are treated as the profit or income or expenditure or loss as the case may be, of the Company. The Scheme has accordingly been given effect to in these accounts.
- (c) The amalgamation has been accounted for under the "Pooling of Interests method" as prescribed by Accounting Standard 14 - Accounting for Amalgamations (AS 14) issued by the Institute of Chartered Accountants of India (ICAI). Accordingly, the assets, liabilities and reserves of JMSPL have been recorded at their book values on the Appointed Date, subject to adjustments specified in the Scheme of Amalgamation.
- (d) In terms of the Scheme, the Company acquired assets having Net Book Value of Rs. 171.25 Million, as detailed hereunder:

		<b>Rupees in Million</b>
<b>Particulars</b>		<b>Amount</b>
Investments	314.30	
Current Assets	1.25	
<b>Total Assets</b>		<b>315.55</b>
<b>Less</b>		
Unsecured Loans	142.50	
Current Liabilities & Provisions	1.80	
<b>Total Liabilities</b>		<b>144.30</b>
<b>Net Book Value</b>		<b>171.25</b>

## SCHEDULES

### NOTES TO ACCOUNTS (Cont...)

- (e) The difference between the consideration of Rs. 123.73 Million (being face value of equity shares of the Company issued pursuant to amalgamation) and the Net Book Value of the assets acquired, after adjusting reserves of JMSPL, is transferred from Securities Premium, in accordance with the Scheme, as detailed hereunder:

		Rupees in Million
Particulars		Amount
Net Book Value of the Assets acquired		171.25
Less: Securities Premium of JMSPL as Securities Premium of the Company	49.60	
Less: Profit & Loss Account of JMSPL as Profit & Loss account of the Company	118.75	168.35
		<b>2.90</b>
Less:- Share Capital suspense to be issued as equity shares		123.73
<b>Balance transferred from the Securities Premium Account</b>		<b>120.83</b>

- (f) 12,373,333 equity shares of Rs.10/- each of the Company issued on May 3, 2006 to the shareholders of JMSPL in the ratio of 128 (One hundred twenty eight) fully paid-up equity shares of Rs.10/- each of the Company for every 3 (three) fully paid up equity shares of Rs.10/- each held in JMSPL on May 3, 2006. Pending allotment on March 31, 2006 an amount of Rs.123,733,330/- has been shown under Share Capital Suspense Account.

Name of the Amalgamating Company	No. of equity shares of JMSPL	% of JMSPL equity shares exchanged	Number of equity shares of the Company	% of Company's equity shares exchanged
JMSPL	290,000	100%	12,373,333	44.35%

- (g) In terms of the Scheme, the equity shares when issued and allotted by the Company shall rank pari-passu in all respects with the existing equity shares of the Company. Accordingly, the appropriation for the proposed dividend includes the dividend amount on 12,373,333 equity shares allotted to the shareholders of JMSPL on May 3, 2006, for the full year.

- 3) Estimated amount of contract remaining to be executed on Capital Account and not provided for Rs. 9.73 Million.

- 4) Contingent Liabilities in respect of :

Rupees in Million

Disputed demands of Income Tax authorities \* 62.50

\* Demand of Rs.96.65 Million has been disputed. The appeals are pending at CIT (Appeals) and Income Tax Appellate Tribunal. The Company is confident of succeeding in appeal and no provision is considered necessary over and above the existing provision of Rs.34.15 Million.

- 5) Capital Reserve on consolidation is net of Goodwill on consolidation of Rs. 1.09 Million.

## SCHEDULES

### NOTES TO ACCOUNTS (Cont...)

- 6) A. Earnings per share as calculated by dividing the profit attributable to the equity shares by the weighted average number of equity shares during the year as under:

Profit after Tax (Rs.)	668,090,196
Weighted average number of equity shares during the year. (Including Share Capital Suspense)	17,744,105
Basic / Diluted Earnings per share (Rs.)	37.65
Nominal value per share (Rs.)	10

- B. Earnings per share as calculated by dividing the profit attributable to the equity shares by the number of equity shares outstanding at the year end is as under:

Profit after Tax (Rs.)	668,090,196
Number of equity shares outstanding at the end of the year. (including Share Capital Suspense)	27,898,333
Basic / Diluted Earnings per share (Rs.)	23.95
Nominal value per share (Rs.)	10

- 7) Major Components of Deferred Tax Assets and Liabilities arising are:

Particulars	Rupees in Million
Depreciation	(11.84)
Unabsorbed Depreciation	0.48
Gratuity	8.13
Provision for Doubtful Debts	3.11
Unabsorbed Loss on Short Term Capital Loss	0.18
Written Down Value of Investments	0.33
Preliminary Expenses	0.07
<b>Total</b>	<b>0.46</b>

Deferred tax assets is net of deferred tax liability of Rs. 3.03 Million.

- 8) Lease Transactions:

I. Finance Lease

The Company on a consolidated basis has acquired vehicles on finance lease. The tenure of lease arrangements ranges between 36 to 48 months with an option to prepayments / foreclosure.

**SCHEDULES**

**NOTES TO ACCOUNTS (Cont...)**

Minimum lease rentals outstanding in respect of these assets are as under:

<b>Particulars</b>	<b>Total minimum lease payment outstanding as at March 31, 2006</b>	<b>Interest not due</b>	<b>Rupees in Million Present value of the minimum lease payment outstanding as at March 31, 2006</b>
Not later than 1 year	5.63	0.79	4.85
Later than 1 year and not later than 5 years	4.63	0.49	4.13
Later than 5 years	-	-	-
<b>Total</b>	<b>10.26</b>	<b>1.28</b>	<b>8.98</b>

II. Operating Lease

Operating lease are executed for a period ranging from 3 to 7.5 years with a renewal clause and also provide for termination at will by lessee giving a prior notice period between 1 to 6 months.

Operating lease rentals charged to revenue are:

<b>Particulars</b>	<b>Rupees in Million</b>
Office Premises	19.27
Furniture Hire Charges	1.68
Residential Flat	1.51
<b>Total</b>	<b>22.46</b>

- 9) Related Party Disclosures  
As per Annexure attached.
- 10) Segmental Reporting  
As per Annexure attached.
- 11) Previous Year's figures  
This being the first year of presenting CFS, the previous year figures has not been given
- 12) This being the first year of presenting CFS and in the absence of previous year's CFS, Cash Flow Statement could not be prepared.

**SCHEDULES**
**Related Party Disclosure**

 Annexure to Point No.9 to Schedule J  
**Rupees  
in Million**

	Key Management Personnel	Relatives of Key Management Personnel	Enterprise over which Individual in 1 below is able to exercise significant influence
<u>Brokerage received</u>			
SNK Investments Pvt. Ltd.			0.48
J. M. Financial & Investment Consultancy Services Pvt. Ltd. (JMFICS)			1.39
Persepolis Investment Co. Pvt. Ltd.			0.47
<u>Security Deposit given</u>			
J. M. Financial & Investment Consultancy Services Pvt Ltd.			168.22
Kampani Properties & Holding Ltd.			15.00
ICDs Placed - JMFICS			1,510.00
ICDs Redeemed - JMFICS			1,510.00
Interest received on ICD - JMFICS			4.22
Remuneration to Key Management Personnel and their relatives	53.28	12.41	-
Rent, Rates & Taxes - JMFICS			11.33
Support Services Expense-JMFICS			7.35
<b>Outstanding Balance</b>			
<u>Security Deposit given</u>			
J. M. Financial & Investment Consultancy Services Pvt. Ltd.			168.22
Kampani Properties & Holdings Ltd.			15.00
Support Services Payable - JMFICS			7.35

**Notes to Related Party Disclosure:**
**A Names of the related parties and description of relationship:**

Parties other than where control exist with whom the company/subsidiaries/joint ventures have entered into transactions during the year:

**1) Key Management Personnel**

Mr. Nimesh N Kampani

**2) Relatives of Key Management Personnel**

Mr. Vishal N Kampani

Mr. Ashith N Kampani

**3) Enterprise over which Individual in 1 above is able to exercise significant influence**

J.M. Financial & Investment Consultancy Services Pvt. Ltd.

SNK Investments Pvt. Ltd.

Persepolis Investments Co. Pvt. Ltd.

Kampani Properties & Holdings Ltd.

**B Related party relationships have been identified by the management and relied upon by the Auditors.**

## SCHEDULES

### SEGMENTWISE DETAILS

Annexure to Point No. 10 to Schedule J

#### PARTICULARS

##### Segment Revenue

- A Financial services activity
- B Fund based activity

##### Total Segment Revenue

Less: Inter-Segmental revenue

##### Total Net Revenue

##### Segment Results

- A Financial services activity
- B Fund based activity

##### Total Segment Results

##### Segment Assets

- A Financial services activity
- B Fund based activity

##### Total Segment Assets

##### Segment Liabilities

- A Financial services activity
- B Fund based activity

##### Total Segment Liabilities

##### Capital Expenditure incurred during the year

- A Financial services activity
- B Fund based activity

##### Total Capital Expenditure

##### Depreciation/Amortisation for the year

- A Financial services activity
- B Fund based activity

##### Total Depreciation/Amortisation

**Rupees  
in Million**

#### Consolidated March 31, 2006

2,555.01

45.79

**2,600.80**

(289.68)

**2,311.12**

1,320.55

38.00

**1,358.55**

42,120.38

3,303.56

**45,423.94**

38,122.49

2,357.67

**40,480.16**

46.11

1.17

**47.28**

34.91

0.15

**35.06**

**GROUP COMPANIES OF JM FINANCIAL LIMITED INCLUDE:**

1. J. M. Financial & Investment Consultancy Services Private Limited
2. J. M. Assets Management Private Limited
3. FICS Consultancy Services Limited
4. Kampani Consultants Limited
5. Kampani Finance Limited
6. SNK Investments Private Limited
7. Persepolis Investment Company Private Limited
8. JSB Securities Limited
9. Kampani Properties & Holdings Limited







**JM FINANCIAL LIMITED**



Registered Office: 141, Maker Chambers III, Nariman Point, Mumbai - 400 021

**PROXY FORM**

DP ID:..... Folio No.: .....

Client ID:..... No. of Shares held:.....

I/We ..... of .....

..... in the district of .....

..... being a Member/Members of the above named Company hereby

appoint ..... of .....

in the district of ..... or failing him .....

of ..... in the district of .....

as my/our proxy to vote for me/us on my/our behalf at the TWENTY FIRST ANNUAL GENERAL MEETING of the Company to be held on Thursday, September 7, 2006 and at any adjournment thereof.

Singed this ..... day of ..... 2006 ..... Signature .....

Affix  
Rs. 1/-  
Revenue  
Stamp

**Note: This proxy form duly completed and signed must be deposited at the Registered Office of the Company not later than forty-eight hours before the Meeting.**

**JM FINANCIAL LIMITED**



Registered Office: 141, Maker Chambers III, Nariman Point, Mumbai - 400 021

**ATTENDANCE SLIP**

**(To be handed over at the entrance of the Meeting hall)**

**Twenty First Annual General Meeting - September 7, 2006**

I hereby record my presence at the TWENTY FIRST ANNUAL GENERAL MEETING of the Company on Thursday, September 7, 2006 at 4.00 p.m. at Kamalnayan Bajaj Hall, Bajaj Bhavan, Ground Floor, Nariman Point, Mumbai - 400 021.

Full name of Member (in BLOCK LETTERS) .....

DP ID:..... Folio No.: .....

Client ID:..... No. of Shares held:.....

Full name of Proxy (in BLOCK LETTERS) .....

Member's/Proxy's Signature .....