



ANNUAL REPORT 2010 - 2011



INTELLIGENCE SAYS,
AT EVERY MILESTONE
IS ANOTHER STARTING LINE.

Contents

Board of Directors	1
Notice	2-9
Directors' Report	10-16
Management Discussion and Analysis	17-31
Report on Corporate Governance	32-45
Shareholders' Information	46-53
Auditors' Report	54-57
Balance Sheet	58
Profit & Loss Account	59
Schedules	60-88
Balance Sheet Abstract and Company's General Business Profile	89
Financial Information of the Subsidiary Companies	90
Auditors' Report on the Consolidated Financial Statements	91-92
Consolidated Balance Sheet	93-94
Consolidated Profit & Loss Account	95-96
Schedules	97-122
Persons falling under the Group	123

TWENTY SIXTH ANNUAL GENERAL MEETING

Day and Date : Thursday, July 28, 2011

Time : 4.00 P. M.

Venue : Rama Watumull Auditorium
Kishinchand Chellaram College
Dinshaw Wachha Road
Churchgate
Mumbai - 400 020

BOARD OF DIRECTORS

Mr. Nimesh N Kampani - Chairman & Managing Director

Mr. Ashith N Kampani

Mr. E A Kshirsagar

Mr. D E Udwadia

Dr. Pravin P Shah

Mr. Paul Zuckerman

Dr. Vijay Kelkar

GROUP CHIEF OPERATING OFFICER

Ms. Dipti Neelakantan

GROUP HEAD - COMPLIANCE, LEGAL & COMPANY SECRETARY

Mr. P K Choksi

CHIEF FINANCIAL OFFICER

Mr. Manish Sheth

STATUTORY AUDITORS

M/s. Khimji Kunverji & Co.

PRINCIPAL BANKERS

HDFC Bank Limited

REGISTERED OFFICE

141, Maker Chambers III

Nariman Point

Mumbai - 400 021

Tel.: 91-22-6630 3030

Fax: 91-22-2202 8224

Email: shareholdergrievance@jmfinancial.in

Website: www.jmfinancial.in

REGISTRARS & SHARE TRANSFER AGENTS

Sharepro Services (India) Private Limited

13 AB, Samhita Warehousing Complex,

2nd Floor, Sakinaka Telephone Exchange Lane,

Off Andheri-Kurla Road, Sakinaka,

Andheri (E), Mumbai - 400 072

Tel: 91-22-6772 0300/400

Fax: 91-22-2859 1568 / 2850 8927

Email: sharepro@shareproservices.com

Website: www.shareproservices.com

Notice

NOTICE IS HEREBY GIVEN THAT THE TWENTY SIXTH ANNUAL GENERAL MEETING OF THE MEMBERS OF JM FINANCIAL LIMITED (THE COMPANY) WILL BE HELD ON THURSDAY, JULY 28, 2011 AT 4.00 P.M. AT RAMA WATUMULL AUDITORIUM, KISHINCHAND CHELLARAM COLLEGE, DINSHAW WACHHA ROAD, CHURCHGATE, MUMBAI 400 020 TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2011 and the Profit & Loss Account for the year ended on that date together with the reports of the Board of Directors and the Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. D E Udawadia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Paul Zuckerman, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai, as the Statutory Auditors of the Company and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

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

“**RESOLVED THAT** pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), and any statutory modification or re-enactment thereof, and subject to the approval of the Central Government, if required, the consent of the Company be and is hereby accorded to the re-appointment of Mr. Nimesh N Kampani as Managing Director of the Company for a period of 1 (one) year from April 1, 2011, on the terms and conditions including the remuneration as set out in the draft Agreement to be entered into between the Company and Mr. Kampani, placed before the meeting and initialled for the purpose of identification, with authority to the Board of Directors (“the Board”, which term shall be deemed to include a Committee of the Board) to alter and vary the terms and conditions of the said appointment and/or Agreement PROVIDED THAT the total remuneration by way of salary, allowance and bonus / performance incentive shall not exceed the applicable ceiling in terms of Schedule XIII to the Act, as may be amended from time to time or any equivalent statutory re-enactment thereof for the time being in force or such other higher limits as may be approved by the Central Government.”

“**RESOLVED FURTHER THAT** in the event of loss or inadequacy of profits during his tenure as Managing Director, the remuneration as set out in the draft Agreement between Mr. Kampani and the Company, be paid or granted to him as minimum remuneration PROVIDED THAT the total remuneration by way of salary, allowance and bonus/performance incentive shall not exceed the applicable ceiling in terms of Schedule XIII to the Act, as may be amended from time to time or any equivalent

statutory re-enactment thereof for the time being in force or such other higher limits as may be approved by the Central Government.”

“**RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may consider necessary, expedient, usual or proper to give full effect to this resolution.”

By Order of the Board

P K Choksi

Group Head - Compliance, Legal
& Company Secretary

Date: May 25, 2011

Registered Office:

141, Maker Chambers III
Nariman Point
Mumbai - 400 021

NOTES:

A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY IN ORDER TO BE VALID MUST BE DULY FILLED IN ALL RESPECTS AND SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY **NOT LATER THAN 48 HOURS** BEFORE THE COMMENCEMENT OF THE MEETING.

1. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business item no. 6 of the Notice set out above is annexed hereto.
2. Members who hold shares in dematerialised form are requested to get their DP ID and Client ID numbers for easy identification of their attendance at the meeting.
3. Brief profiles of the Directors who are proposed to be re-appointed, are given as Additional Information on Directors, which forms part of the Notice.
4. The Register of Members of the Company will remain closed from Friday, July 22, 2011 to Thursday, July 28, 2011 (both the days inclusive).
5. Members while corresponding with the Company or its Registrars & Share Transfer Agents (RTA) viz., M/s. Sharepro Services (India) Private Limited, are requested to quote their respective Register Folio Numbers or DP ID and Client ID numbers of their beneficiary account(s), as the case may be.
6. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the amount of dividend which remain unclaimed or unpaid for a period of seven years from the date of transfer of such amount to the Unpaid Dividend Account opened in pursuance of sub-section (1) of the said Section, is required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government. Accordingly, the unclaimed dividend in respect of the financial year 2003-04 is due for transfer to the IEPF in October 2011. The Members who have not yet claimed their dividend for the financial year 2003-04 or any subsequent financial years are requested to claim the same from the Company. No claims shall lie against the said Fund or the Company in respect of the amounts remaining unclaimed or unpaid after the said transfer to IEPF.

7. Pursuant to the provisions of Section 205A(5), the Company has transferred ₹ 119,680/- being the unclaimed dividend for the financial year 2002-03 to IEPF on October 27, 2010.
8. Members are entitled to make nomination in respect of the shares held by them in physical form. Members desirous of making nominations may send their request in Form 2B in duplicate (which will be made available on request) to the RTA of the Company.
9. The Company has made necessary arrangements for the Members to hold their shares in dematerialised form. Those Members who are holding shares in physical form are requested to dematerialise their shares by approaching any of the Depository Participants (DPs). In case any Member wishes to dematerialise his/her shares and needs any assistance, he/she may write to the Company Secretary at the Registered Office of the Company.
10. Members are requested to notify any change in their address immediately to their respective DPs or the RTA or to the Company, as the case may be, so as to enable the Company to dispatch the dividend pay orders or the communication relating to the Electronic Clearing Services (ECS)/National Electronics Clearing Services (NECS) at the correct address.
11. Members are also requested to immediately notify their email ids to their respective DPs or the RTA or to the Company, as the case may be, to enable the Company to send all notices and documents through electronic mode in view of the Government's recent green initiative regarding the service of various documents by electronic mode instead of in physical mode.

12. Payment of dividend through ECS/NECS:

All companies are mandatorily required to use ECS/NECS facility wherever available for distributing dividends, wherein the dividend amount would be directly credited to the Members' respective bank accounts.

The Members, holding shares in dematerialised/physical form are advised to intimate the bank details/change in bank details to their respective DPs or the RTA or to the Company, as the case may be. In case of absence of the above details, the Company will send the dividend pay orders/demand drafts to the registered address of the Members.

To enable the Company to print the bank account details on the dividend pay orders as a security measure for the credit to the correct recipient, Members are required to update their bank account details with their respective DPs or RTA or the Company.

ANNEXURE TO NOTICE

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

Item no. 6

The Board of Directors at its meeting held on March 28, 2011, subject to the approval of the Members in general meeting, re-appointed Mr. Nimesh N Kampani as Managing Director of the Company for a period of 1 (one) year with effect from April 1, 2011 at a remuneration and on terms and conditions as approved by the Compensation Committee of the Board and as set out in the draft Agreement to be entered into by the Company with Mr. Kampani.

The material terms and conditions of the draft Agreement to be entered into with Mr. Kampani referred to in the resolution at item no. 6 of the Notice are as under:

1. The Company to employ and Mr. Kampani to serve the Company as its Managing Director for a period of 1 (one) year from April 1, 2011.
2. Mr. Kampani to discharge such functions, exercise such powers and perform such duties as the Board shall from time to time determine and entrust to him. Subject to such restrictions or limitations as the Board may in its discretion determine, Mr. Kampani to have general control of business and management of day to day affairs of the Company.
3. Mr. Kampani to undertake such travel as may be needed in the interest of the Company's business or as directed by the Board from time to time.
4. The Company to pay to Mr. Kampani the following:
 - A. (i) salary of ₹ 250,000/- (Rupees Two Lakh Fifty Thousand only) per month or such higher amount as may be decided by the Board or Compensation Committee of the Board during his tenure as Managing Director;
 - (ii) allowance of ₹ 250,000/- (Rupees Two Lakh Fifty Thousand only) per month or such higher amount as may be decided by the Board or Compensation Committee of the Board during his tenure as Managing Director;
 - (iii) bonus/performance incentive as may be decided by the Board or Compensation Committee of the Board.
 - B. Mr. Kampani to be entitled to the following perquisites:
 - (i) The Company to provide Mr. Kampani fully furnished residential accommodation including its up-keep and maintenance.
 - (ii) The Company to provide Mr. Kampani a motor car along with chauffeur for business and personal use.
 - (iii) The Company to provide gas, electricity and water at Mr. Kampani's residence.
 - (iv) The Company to reimburse the actual medical expenses incurred in India and/or abroad by Mr. Kampani, his spouse and dependent children.
 - (v) The Company to pay for the annual and/or membership fees of not more than two clubs on behalf of Mr. Kampani.
 - (vi) The Company to provide life cover and personal accident insurance for Mr. Kampani in accordance with its Rules, the premium for which not to exceed ₹ 40,000/- (Rupees Forty Thousand only) per annum.
 - (vii) The benefit of the Company's Provident Fund Scheme in accordance with the Rules of the Scheme for the time being in force.
 - (viii) Gratuity as per the Company's Rules.
 - (ix) Encashment of un-availed leave at the end of his tenure as Managing Director as per the Rules of the Company for the time being in force.
 - C. Perquisites/Allowances to be valued as per the Income Tax Rules, wherever applicable, and in the absence of any such rules, to be valued at actual cost.

- D. (i) Mr. Kampani to be entitled to leave on full remuneration as per the rules of the Company for a period of 25 (twenty five) days for every 12 (twelve) months' service and sick leave as per the Rules of the Company for the time being in force.
- (ii) The Company to provide two telephones at the residence of Mr. Kampani and a mobile phone for his business and personal use.
- E. **Computation of ceiling:** The contribution to provident fund, gratuity and encashment of leave shall not be included in the computation of perquisites for the purpose of ceiling to the extent these are not taxable under the Income-tax Act, 1961.
- F. **Minimum Remuneration:** Notwithstanding anything to the contrary contained in the Agreement, if during the tenure of Mr. Kampani as Managing Director, the Company has no profits, or its profits are inadequate, the remuneration payable by the Company to Mr. Kampani shall be subject to the provisions of Schedule XIII to the Act, as may be amended from time to time or any equivalent statutory re-enactment thereof for the time being in force or such other higher limits as may be approved by the Central Government.
5. Mr. Kampani not to disclose confidential information during his tenure as Managing Director and for 1 (one) year thereafter or use such information for his own benefit or for any purpose other than that of the Company.
6. The Company to be entitled to terminate the employment of Mr. Kampani as Managing Director by 30 days' written notice, inter alia, if Mr. Kampani commits a breach of any of the terms of the Agreement.
7. Either party may terminate the Agreement by giving not less than 3 months' notice in writing to the other without assigning any reason.
8. No alteration to the Agreement to be valid and binding unless made in writing and agreed by both parties.

The approval of the Members is being sought for Mr. Kampani's appointment as Managing Director and to the above remuneration proposed to be paid to him pursuant to Sections 198, 269 and 309 and other applicable provisions of the Act, read with Schedule XIII thereto.

A copy of the draft Agreement will be available for inspection at the registered office of the Company between 3.00 p.m. and 5.00 p.m. on any working day (Monday to Friday).

The Board of Directors commends passing of the Special Resolution proposed at item no. 6 of the Notice.

Mr. Nimesh N Kampani is interested in the above resolution since it relates to his own appointment as Managing Director and the remuneration proposed to be paid to him as such. Mr. Ashith N Kampani, brother of Mr. Nimesh N Kampani, may also be deemed to be concerned or interested in the above resolution.

By Order of the Board

P K Choksi

Group Head - Compliance, Legal
& Company Secretary

Date: May 25, 2011

Registered Office:

141, Maker Chambers III
Nariman Point
Mumbai - 400 021

PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT EXECUTED WITH THE STOCK EXCHANGES, FOLLOWING INFORMATION IS FURNISHED IN RESPECT OF DIRECTORS SEEKING RE-APPOINTMENT

Name	Mr. D E Udwadia		
Date of Birth	September 27, 1939		
Date of Appointment	June 1, 2006		
Qualification	M.A., LL.B		
Expertise in specific functional areas	Solicitor & Advocate		
Brief Profile	<p>Mr. D E Udwadia is an Advocate and Solicitor of the Bombay High Court. He is also a Solicitor of the Supreme Court of England, U.K. Mr. Udwadia is the founder partner of M/s. Udwadia & Udeshi, Solicitors & Advocates, since July, 1997. Prior to this, he was a partner of M/s. Crawford Bayley & Co., Solicitors & Advocates, for over 20 years. His firm and he are legal advisors to many Indian companies, multinational companies and foreign banks having presence in India. Mr. Udwadia has spent over 47 years in active law practice and has vast experience and expertise in areas of corporate law, mergers, acquisitions, takeovers, corporate restructuring, foreign collaboration, joint ventures, project and infrastructure finance, telecommunications, international loan and finance-related transactions and instruments, real estate and conveyancing.</p>		
Directorship held in other Public Companies excluding foreign companies	<p>ABB Limited AstraZeneca Pharma India Limited The Bombay Burmah Trading Corporation Limited Development Credit Bank Limited Eureka Forbes Limited ITD Cementation India Limited MPS Limited Mechanalysis (India) Limited Nitesh Estates Limited Wyeth Limited WABCO-TVS (India) Limited JM Financial Consultants Private Limited – Subsidiary of a public company</p>		
Membership of Committees in other Public Companies*	Name of the Company	Audit Committee	Shareholders' Grievance Committee
	ABB Limited	Member	Chairman
	AstraZeneca Pharma India Limited	Member	-
	The Bombay Burmah Trading Corporation Limited	Member	-
	Development Credit Bank Limited	Member	-
	ITD Cementation India Limited	Member	-
	Nitesh Estates Limited	Member	-
	MPS Limited	Member	-
	Wyeth Limited	Member	-
	WABCO-TVS (India) Limited	Member	-
Shareholding in the Company	Mr. Udwadia did not hold any equity shares in the Company as on March 31, 2011.		

Name	Mr. Paul Zuckerman	
Date of Birth	June 22, 1945	
Date of Appointment	October 29, 2007	
Qualification	M.A. in Economics , Ph.D in Agricultural Economics	
Expertise in specific functional areas	Economics & Finance	
Brief Profile	<p>Mr. Paul Zuckerman, holds a Ph.D in Agricultural Economics from Reading University, United Kingdom and a M.A. in Economics from Cambridge University. Mr. Zuckerman is the Chairman & CEO of Zuckerman & Associates Limited and is director of a number of companies around the world. He has been associated with various international organisations, including the World Bank. He was the Vice Chairman, SG Warburg International, prior to its acquisition by UBS and responsible for business in India and Latin America. In his capacity as the Vice Chairman then, he was closely associated with Indian companies and institutions in the early days of globalization.</p>	
Directorship held in other Public Companies excluding foreign companies	<p>Tech Mahindra Limited Great Eastern Energy Corporation Limited</p>	
Membership of Committees in other Public Companies*	Name of the Company	Audit Committee
	Tech Mahindra Limited	Member
	Great Eastern Energy Corporation Limited	Member
Shareholding in the Company	Mr. Zuckerman did not hold any equity shares in the Company as on March 31, 2011.	

Name	Mr. Nimesh N Kampani	
Date of Birth	September 30, 1946	
Date of Appointment	June 12, 1987	
Qualification	B.Com, FCA	
Expertise in specific functional areas	Corporate Finance and Capital Markets	
Brief Profile	<p>Mr. Kampani is the founder and Chairman of JM Financial Group. In his career spanning more than three and a half decades, Mr. Kampani has made pioneering contributions to the development of the Indian capital markets and has advised several corporates on their strategic and financial needs, especially, capital raising and mergers & acquisitions. Some of the significant positions held including in industry bodies by Mr. Kampani are:</p> <ul style="list-style-type: none"> ◆ Member of the National Council of Confederation of Indian Industry (CII) ◆ Member of the CII National Council on Corporate Governance & Regulatory Affairs. 	

- ♦ Member of the CII Task Force on Integrity and Transparency in Governance.
- ♦ Member of the Corporate Bond & Securitization Advisory Committee of Securities and Exchange Board of India (SEBI).
- ♦ Member of the Selection Committee for Identification of Chair Professors in National Institute of Securities Markets established by SEBI.
- ♦ Member of the Governing Council of the Indian Institute of Capital Markets.
- ♦ Member on the Governing Board of the Centre for Policy Research.
- ♦ Member on the Advisory Board of Rieter India Private Limited.
- ♦ Member on the India Advisory Board of Bain & Company, Inc.
- ♦ Member on the Advisory Committee of VentureStudio promoted by Ahmedabad University.

Mr. Kampani has served as a member on several important committees constituted by the Bombay Stock Exchange Limited, National Stock Exchange of India Limited, Federation of Indian Chambers of Commerce and Industry (FICCI), CII and Institute of Chartered Accountants of India. He was a member of the Primary Market Advisory Committee of SEBI and also a member of the High Powered Expert Committee constituted by the Ministry of Finance on making Mumbai an International Finance Centre. He has served as the Chairman of the CII's National Committee on Capital Markets and has also been a member of the Advisory Panel on Financial Regulation and Supervision of the Committee on Financial Sector Assessment constituted by Reserve Bank of India. He was a member on the Bloomberg Asia Pacific Advisory Board.

Directorship held in other Public Companies excluding foreign companies	Apollo Tyres Limited	
	Britannia Industries Limited	
	Deepak Nitrite Limited	
	Kampani Consultants Limited	
	KSB Pumps Limited	
	JM Financial Consultants Private Limited	} Subsidiaries of a public company
	JM Financial Services Private Limited	
	JM Financial Securities Private Limited	

Membership of Committees in other Public Companies*	Name of the Company	Audit Committee	Shareholders' Grievance Committee
	Britannia Industries Limited	Chairman	Member
	KSB Pumps Limited	Chairman	-
	JM Financial Consultants Private Limited	Member	-
	JM Financial Services Private Limited	Chairman	-

Shareholding in the Company Mr. Kampani held 135,357,500 equity shares in the Company as on March 31, 2011.

* Only Audit Committee and Shareholders' Grievance Committee memberships have been considered.

Directors' Report

To the Members,

The Directors of your Company have pleasure in presenting the Twenty Sixth Annual Report together with the audited annual accounts for the financial year ended March 31, 2011.

FINANCIAL RESULTS

(₹ in Crore)

Particulars	For the year ended			
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	Consolidated		Standalone	
Gross income	895.13	628.79	44.12	79.04
Profit before depreciation, interest & tax	492.29	261.70	20.91	38.87
Less: Depreciation	12.44	12.00	0.62	0.66
Interest	241.45	58.78	0.02	0.04
Add/(less): Interest income/(reversal) on income tax refund	(10.53)	10.53	(10.53)	10.53
Profit before tax	227.87	201.45	9.74	48.70
Provision for tax	57.99	49.87	2.00	3.75
Deferred Tax	(4.84)	(2.08)	(2.30)	(2.40)
Tax adjustment of earlier years (net)	(0.37)	(0.42)	#	0.04
Profit after tax but before minority interest and share in associate companies	175.09	154.08	10.04	47.31
Less: Share in profit of minority interest (net)	7.38	4.45	-	-
Add: Share in profit of associates	6.85	2.03	-	-
Net Profit	174.56	151.66	10.04	47.31
Add: Balance profit brought forward from earlier years	1,169.06	1,090.55	1,154.75	1,152.31
Profit available for appropriation	1,343.62	1,242.21	1,164.79	1,199.62
Appropriations				
Proposed dividend				
- Normal	44.99	18.74	44.99	18.74
- Silver jubilee special	-	18.74	-	18.74
Dividend distribution tax	7.45	6.42	1.06	2.39
General reserve	5.06	6.63	1.50	5.00
Statutory reserve	15.75	17.93	-	-
Capital redemption reserve	0.85	4.69	-	-
Surplus carried to balance sheet	1,269.52	1,169.06	1,117.24	1,154.75
	1,343.62	1,242.21	1,164.79	1,199.62

Denotes amount below ₹ 50,000/-

DIVIDEND

Keeping in view the overall performance during the year, your Directors are pleased to recommend the payment of a dividend of ₹ 0.60 per share for the year ended March 31, 2011. The payment of dividend together with distribution tax thereon will absorb ₹ 46.05 Crore. The dividend, if declared at the forthcoming Annual General Meeting, will be dispatched/remitted between July 30, 2011 and August 3, 2011 to those members whose names would appear in the Register of Members at the close of the business hours on July 21, 2011. In respect of shares held in dematerialised form, dividend will be credited to the bank account of the members as per the data furnished by the Depositories as on that date.

FINANCIAL HIGHLIGHTS

On standalone basis, your Company earned gross income of ₹ 44.12 Crore during the year under review as against ₹ 79.04 Crore reported in the previous year. The profit before tax is ₹ 9.74 Crore as against the ₹ 48.70 Crore during the previous year. After providing for tax, the net profit of your Company is ₹ 10.04 Crore as against the net profit of ₹ 47.31 Crore in the previous year. The net worth of your Company at the year end stood at ₹ 1,617.80 Crore which translates to a book value of ₹ 21.57 per share.

On consolidated basis, your Company earned gross income of ₹ 895.13 Crore during the year under review as against ₹ 628.79 Crore in the previous year. The consolidated profit before tax is ₹ 227.87 Crore as against ₹ 201.45 Crore in the previous year. After providing for tax, the consolidated net profit of your Company is ₹ 174.56 Crore as against ₹ 151.66 Crore in the previous year.

EMPLOYEE STOCK OPTION SCHEME

The employee stock option scheme instituted for the benefit of the employees/directors (the Employees) of the Company and its subsidiaries is in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. During the year, your Company also obtained the in principle listing approval for the equity shares to be issued and allotted on exercise of options as and when exercised under the aforesaid scheme.

During the year under review, the Compensation Committee of the Board of your Company granted 3,750,000 options to the eligible Employees. 1,500,000 options granted earlier lapsed due to the resignation of the concerned Employee. Considering the above, the aggregate number of options granted by your Company to the Employees as on March 31, 2011 is 14,887,500. The vesting schedule of these options is in three equal tranches at the end of third, fourth and fifth year from the date of their respective grants and exercisable within a period of 7 years from the date of grant. The first tranche i.e., 1/3rd of the options granted in April 2008 has vested in the Employees on April 15, 2011.

During the current financial year i.e. 2011-12, the Compensation Committee of the Board of your Company has granted 7,500,000 options to the eligible Employees. The vesting schedule of these options is in three equal tranches at the end of first, second and third year from the date of grant viz. April 21, 2011.

The disclosures required to be made under Clause 12.1 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, are given in Annexure I to this Report.

SHARES HELD IN DEMATERIALISED FORM

The Company's shares are compulsorily tradable in electronic form. As on March 31, 2011, 99.06 % of the Company's total paid up share capital covering 742,765,625 equity shares has been dematerialised. Those members holding the shares in physical form are encouraged to avail the facility of dematerialisation and get their shares dematerialised.

SUBSIDIARY COMPANIES

Currently, the Company's subsidiaries are; JM Financial Consultants Private Limited, JM Financial Institutional Securities Private Limited, JM Financial Products Limited, JM Financial Securities Private Limited, JM Financial Services Private Limited, JM Financial Asset Management Private Limited, JM Financial Commtrade Limited, JM Financial Investment Managers Limited, JM Financial Ventures Limited, Infinite India Investment Management Private Limited, JM Financial Insurance Broking Private Limited, Oracle Enterprises Private Limited, JM Financial GILTS Limited, JM Financial Overseas Holdings Private Limited, Persepolis Investments Limited and Persepolis PIPE Investments Limited.

During the year, JM Financial GILTS Limited became a subsidiary of your Company, while JM Financial Holdings (Mauritius) Limited and JMF - BR Investments Holdings (Mauritius) Limited, ceased to be the subsidiaries of your Company.

The Company is not attaching copies of the balance-sheet, profit and loss account, reports of the Board of Directors and the Auditors thereon, in respect of the subsidiaries as required under Section 212(1) of the Companies Act, 1956 ("the Act") to its accounts as per the dispensation available pursuant to the directions issued by the Ministry of Corporate Affairs vide general circular no. 2/2011. However, as required under the aforesaid circular and pursuant to Clause 32 of the Listing Agreement, the consolidated financial statements of the Company duly audited by the statutory auditors forms part of this Annual Report. The Company shall make available, the annual accounts and related information of its subsidiaries, to those shareholders who wish to have the copies of the same. Further, these documents shall be available for inspection by a shareholder at the registered office of the Company as well as of its subsidiaries on any working day, except Saturdays, between 11.00 a.m. and 3.00 p.m.

AWARDS FOR EXCELLENCE IN 2010-2011

The Company's subsidiary, viz. JM Financial Services Private Limited has been awarded the "Best Retail Broking House" and "Fastest Growing Equity Broking House (Large Firms)" at the BSE – Dun & Bradstreet Equity Broking Awards 2010. Further, JM Government Securities Regular Plan, a GILT fund of JM Financial Mutual Fund was ranked as a Five Star Fund in the category of "Open Ended Gilt Funds" for a three year period ended December 31, 2010, at ICRA Mutual Fund Awards 2011. The Banking analysts of one of the Company's subsidiaries viz. JM Financial Institutional Securities Private Limited were winners of the ET Now/Star Mine Analyst Award for the sector.

MANAGEMENT DISCUSSION AND ANALYSIS & CORPORATE GOVERNANCE REPORT

The Management Discussion and Analysis for the financial year 2010-11 and the report on Corporate Governance, as required under Clause 49 of the Listing Agreement executed with the Stock Exchanges, are given in separate sections forming part of the Annual Report.

A certificate from the statutory auditors of the Company, M/s. Khimji Kunverji & Co., confirming compliance with the conditions of Corporate Governance stipulated in Clause 49 is annexed to the report on Corporate Governance.

DIRECTORS

We are proud that Dr. Vijay Kelkar, a Member of the Board of Directors of your Company was conferred the Padma Vibhushan by the President of India, the Highest Padma Award, in January 2011, for his distinguished and exceptional service to the Nation.

In accordance with Article 130 of the Articles of Association of the Company read with the provisions of the Act, Mr. D E Udhwadia and Mr. Paul Zuckerman, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Your Directors have re-appointed Mr. Nimesh N Kampani as Managing Director of the Company for a period of 1 (one) year

commencing from April 1, 2011. The resolution seeking approval of the Members for the re-appointment of Mr. Kampani as Managing Director have been incorporated in the Notice of the Annual General Meeting which forms part of the Annual Report.

A brief resume and other details, as stipulated under the Listing Agreement for each of the Directors seeking re-appointment forms part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In pursuance of Section 217(2AA) of the Act, the Directors 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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit or loss of your Company for that period;
- ♦ they have taken proper and sufficient care for maintaining adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- ♦ they have prepared the annual accounts on a going concern basis.

STATUTORY 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 re-appointment. They have confirmed that their appointment, if made, at the Annual General Meeting, will be within the limits prescribed under sub-section (1B) of Section 224 of the Act, and that they are not beneficially holding any security of the Company as defined under Section 226(3)(e) of the said Act. They have also confirmed that they hold a valid peer review certificate as prescribed under Clause 41(1)(h) of the Listing Agreement. Accordingly, the members' approval is being sought to their re-appointment as Auditors of the Company at the ensuing Annual General Meeting and to authorise the Board of Directors to fix their remuneration for the financial year 2011-12.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, on conservation of energy and technology absorption are not applicable to your Company, since it is not a manufacturing company. During the year under review, your Company has not earned any foreign exchange and the details of the amount spent in foreign exchange is provided in note number 13 and 14 of the Notes on Accounts which forms part of the Annual Report.

PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules, 1975, is set out in Annexure II to this Report. In accordance with Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the Members excluding the aforesaid Annexure II. Any Member interested in obtaining a copy of the said Annexure may write to the Company Secretary at the registered office of the Company. Your Company had 27 employees as on March 31, 2011. Out of the total number of employees, 6 employees employed throughout the year were in receipt of remuneration of more than ₹ 60.00 Lakh per

annum and 9 employees employed for part of the year were in receipt of remuneration of more than ₹ 5.00 Lakh per month. The total employee strength of JM Financial Group was 1,129 as on March 31, 2011.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the support extended by the Securities and Exchange Board of India, Reserve Bank of India, Bombay Stock Exchange Limited, National Stock Exchange of India Limited, Ministry of Corporate Affairs, Registrar of Companies, Forward Markets Commission, Multi Commodity Exchange of India Limited, Depositories and other authorities and look forward to receiving their continued support and encouragement. Your Directors would also like to take this opportunity to express their gratitude to the stakeholders of the Company for their trust and support. The Board also wishes to thank the employees of the Company and its subsidiaries at all levels for the dedicated services rendered by them.

On behalf of the Board of Directors

Place: Mumbai

Date: May 25, 2011

Nimesh N Kampani

Chairman & Managing Director

Annexure I

Details of ESOS as stipulated under Clause 12.1 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

1.	Options granted during the year	:	3,750,000
2.	Pricing formula	:	Premium to Market Price
3.	Options vested	:	Nil
4.	Options exercised	:	Nil
5.	Total number of shares arising as a result of exercise of Options	:	Nil
6.	Options lapsed	:	1,500,000
7.	Variation of terms of Options	:	None
8.	Money realised by exercise of Options	:	NA
9.	Total Options in force as on March 31, 2011	:	14,887,500
10.	Employee wise details of Options granted to	:	
	(i) senior managerial personnel	}	Cheryl Netto - 500,000
			Devan Kampani - 500,000
			Ranganath Char - 500,000
	(ii) any other employee who received a grant in any one year of Option amounting to 5% or more Options granted during that year		Sonia Dasgupta - 500,000
			V P Shetty - 750,000
			Sameer Lumba - 1,000,000
	(iii) identified employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	:	None
11.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard (AS) - 20 'Earnings Per Share'.	:	Same as Basic Earnings Per Share - ₹ 0.13
12.	Difference between the employee compensation cost using intrinsic value method and fair value method.	:	₹ 7.08 Crore

The impact of this difference on profits and on EPS of the Company.

: **Standalone:**

Particulars	As reported	As adjusted
Net profit (₹ in Crore)	10.04	2.96
Basic & Diluted EPS (₹)	0.13	0.04

13. Weighted-average exercise prices and weighted average fair values of Options for Options whose exercise price is either equal or exceeds or is less than the market price of the stock Options.

: Weighted average exercise price- ₹ 54.80
Weighted average value of option- ₹ 19.60

14. A description of the method and significant assumptions used during the year to estimate the fair values of Options, including the following weighted-average information:

: Black-Scholes-Merton model

- i. Risk-free interest rate : 7.61%
- ii. Expected life : 5.5 years
- iii. Expected volatility : 63.20%
- iv. Expected dividend yield : 0.96%
- v. The price of the underlying share in market at the time of Option grant : ₹ 38.15

GLOBAL ECONOMIC RECOVERY CONTINUES...

Global economic recovery continues to gain strength, though new macroeconomic risks are building in the emerging economies, while high unemployment remains a matter of concern in advanced economies. Private demand in advanced economies is increasingly gaining traction vis-à-vis public demand, reducing concerns of double-dip recession on diminishing fiscal policy support, and allowing fiscal stimulus to lead to fiscal consolidation.

On the other hand, food and commodity prices have increased more than expected and pose a threat to sustainable growth. Inflation may remain high for some time, reflecting growing demand and supply shocks. Higher oil prices due to increased demand and supply disruptions post MENA (Middle East and North Africa) region unrest continue to affect the world economy. Weak sovereign balance sheets in advanced economies and lack-lustre growth in real estate markets, high unemployment suggest output will be below potential for a few years going forward. High funding requirements of banks and sovereigns in a few euro area economies combined with low or negative growth and high interest rates continue to present financial risks.

Strong corporate balance sheets in advanced economies and growing demand in developing and emerging economies may provide a surprise upside to growth in the short-term. The 11th March earthquake and tsunami in Japan caused widespread destruction of property and loss to life. There is high uncertainty about the macroeconomic impact of the tragedy. Economic recovery will be sustained in advanced markets through fiscal consolidation, supported by stronger fiscal rules and by keeping monetary policy accommodative. These economies would have to rely on external demand for growth. For economies with current account surplus, removal of monetary accommodation and appreciation of currency are necessary to maintain balance and control inflation. They need to tighten fiscal and monetary policies. Emerging market economies would depend more on local demand and rely less on exports; they have received sizeable capital flow post the crisis and need to keep a close watch on the flows, as any rise in policy rates in the advanced economies may result in these flows exiting the emerging economies.

The International Monetary Fund in its World Economic Outlook expects world economy to grow at 4.4% in 2011 and 4.5% in 2012. This again will be led by emerging and developing economies, seen growing at 6.5%, while advanced economies will grow at only 2.5%, up marginally from 2.25% in 2010. It also states “The recovery is broadly moving at two speeds, with large output gaps in advanced economies and closing or closed gaps in emerging and developing economies, but there are appreciable differences among each set of countries. Economies that are running behind the global recovery typically suffered large financial shocks during the crisis, often related to housing booms and high external indebtedness. Among the advanced economies, those in Asia have experienced a strong rebound. The recovery of euro area economies that suffered housing busts or faced financial market pressures has been weaker than in Germany and some other euro area economies. Among emerging and developing economies, those in Asia are in the lead, followed by those in sub-Saharan Africa, whereas those in Eastern Europe are only just beginning to enjoy significant growth.”

Stock markets all over the world have recovered the sharp losses suffered during the financial crisis. The Dow Jones Industrial Average rose to a high of 12,391 after touching a low of 9,686 during FY 2010-11 and closed at 12,320 on March 31, 2011, up

13.47% YoY. UK's FTSE100 Index rose to a high of 6,091 during FY 2010-11 after touching a low of 4,806 and closed at 5,909 on March 31, 2011, up 4.03% YoY. Japan's Nikkei 225 touched a high of 11,339 in FY 2010-11, but following the massive earthquake and tsunami of March 11, 2011, fell to a low of 8,605, closing at 9,755 as on March 31, 2011, down 12.02% YoY. India's BSE Sensex touched a high of 21,005 and a low of 16,022 during FY 2010-11, closing at 19,445 on March 31, 2011, up 10.9% YoY and Nifty touched a high of 6,338 and a low of 4,786 during FY 2010-11, closing at 5,834 on March 31, 2011, up 11.14% YoY.

INDIAN ECONOMY - ROBUST BROAD-BASED GROWTH PUTS THE ECONOMY BACK ON ITS EARLIER HIGH GROWTH TRAJECTORY

Indian economy recovered quite rapidly from the slowdown caused by the global financial crisis of financial years 2007-09. The estimated level of growth of 8.6% in GDP in FY 2010-11 was comprised of; 5.4% growth in agriculture, which rebounded from a downturn in the previous year; 8.1% industry growth vs 8% growth in FY 2009-10; and lower growth of 9.6% in services vs 10.1% in FY 2009-10.

The Index of Industrial Production data suggests that though there have been a few hiccups in industry and manufacturing, the medium to long-term growth prospects of the Indian economy remain positive. The pace of implementation of new projects seems to have slowed down during FY 2010-11. This is likely to adversely affect industrial production growth. However, announcement of new projects continues unabated. Thus, the slowdown in implementation of new investment projects is more likely to be a logistics issue rather than a business cycle issue. Investment demand is expected to be buoyant as more and more projects are moving into the implementation stage. Projects cumulatively valued at ₹ 800,000 Crore are scheduled for commissioning in FY 2011-12, as compared to ₹ 360,000 Crore in FY 2010-11. The largest contribution to this capital expenditure is likely to come from the electricity sector.

India's external sector continues to show good growth as reflected by acceleration in exports and deceleration in imports facilitating moderation of the current account deficit. India's balance of payments position is likely to show moderation. However, downside risks of global events, particularly movement in prices of commodities like crude oil remain and would have to be factored into macroeconomic policies. The Indian Rupee remained largely stable during the year. India's foreign exchange reserves stood at US\$ 309.7 billion as on April 22, 2011.

INFLATION

Inflation remained at high levels from December 2009 during the fiscal, driven largely by higher food prices; though headline Wholesale Price Index (WPI) inflation has been on a downward trajectory since April 2010, after it peaked at 11%. The elevated levels of inflation were driven mainly by primary articles, particularly food and petroleum products. A series of steps, both structural and macroeconomic, were taken to combat rising inflation. Structural demand supply imbalance in certain sectors and rising global commodity and oil prices have increased upside risks to inflation.

While inflationary pressures have accentuated, downside risks to growth have also emerged. On one-side, with investment showing signs of deceleration, macroeconomic challenges have increased. On the other side, the high inflation now poses risk to the pace of growth. In this scenario, while growth risks remain, persistence of high inflation warrants continuation of anti-inflationary monetary stance to sustain the growth momentum over the medium term.

MONETARY CONDITIONS

RBI injected large primary liquidity, easing liquidity pressures on the Indian economy without reducing its anti-inflationary focus. Recognising the need to firmly anchor inflationary expectations, RBI raised policy rates six times since the beginning of March 2010; effective increase in policy rates has been 300 bps till date from then.

Flow of financing from non-banking sources lagged the incremental flow of bank credit. Money supply (M3) growth, however, was slightly below the projected level on sluggish deposit growth and some moderation in money multiplier resulting from higher growth in currency.

As on March 31, 2011, CRR was at 6%, SLR at 24%, repo rate at 6.75%, reverse repo at 5.75% and bank rate at 6%.

Performance of the Indian Capital Markets

Domestic capital markets performed well in FY 2010-11, primary markets financing remained consistent which included the largest-ever Initial Public Offering (IPO) by Coal India and first ever issue of Indian Depository Receipts (IDRs) by Standard Chartered Plc, while secondary markets recovered from the lows of 2008. Record foreign inflows also helped support the market.

Secondary Markets

While FY 2009-10 was basically a year of recovery from the crisis of FY 2008-09, FY 2010 -11 was one of consolidation of gains. The economic recovery in the emerging economies will continue to be stronger compared to advanced economies. The capital inflows in the emerging economies continued to be robust during FY 2010-11. The Foreign Institutional Investors (FIIs) continued to bet on the emerging markets and particularly India, on the back of its sustainable long term growth story. FIIs invested a record ₹ 146,438 Crore in the Indian markets including debt instruments during FY 2010-11, marginally up from ₹ 142,658 Crore in FY 2009-10, the highest ever inflow in the country in rupee terms in a single financial year.

As on March 31, 2011, Indian benchmark indices, the BSE Sensex and Nifty, closed at 19,445 points (17,528 points as on March 31, 2010) an increase of 10.9% and 5,834 points (5,249 points as on March 31, 2010) an increase of 11.14% respectively over the closing indices of March 31, 2010.

The total market capitalisation of the companies listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) as on March 31, 2011, stood at ₹ 6,839,084 Crore and ₹ 6,702,616 Crore respectively as compared to ₹ 6,165,619 Crore and ₹ 6,009,173 Crore as on March 31, 2010 reflecting the consolidation in the capital markets. The average daily turnover on the cash segment of BSE and NSE dropped to ₹ 4,333 Crore and ₹ 14,029 Crore during FY 2010-11 as compared to ₹ 5,651 Crore and ₹ 16,959 Crore respectively during FY 2009-10. However, there was a substantial improvement in the volumes on the derivatives segment of NSE where the average daily turnover increased to ₹ 115,150 Crore during FY 2010-11 as compared to ₹ 72,392 Crore during FY 2009-10. The trend of volumes seems to have set in towards increased growth in derivatives and cash non delivery (intra day) segment and lower growth in cash delivery segment. This suggests higher risk taking and lower funds commitment despite growing volumes.

Primary Markets

During the year, the primary market remained active on the back of a robust secondary market. Indian corporate sector raised an amount of ₹ 93,469 Crore during FY 2010-11 as compared to ₹ 100,284 Crore in FY 2009-10 through domestic issuances of equity and debt.

The first ever issue of IDRs was made during the year by Standard Chartered Plc. This new product received a very good response from the market.

The breakup of the funds raised by India Inc during FY 2010-11 as compared to FY 2009-10 is as follows:

Fund Raising Environment

Primary market	2010-11		2009-10	
	No.	₹ in Crore	No.	₹ in Crore
IPO	53	35,559	39	24,696
FPO	5	13,095	5	22,040
Rights Issue	23	9,503	29	8,319
QIP	50	25,861	62	42,729
Total Equity Raised	131	84,018	135	97,784
Public issue of Debt	10	9,451	3	2500
Total Amount Raised	141	93,469	138	100,284

Source: SEBI Bulletin

Mutual Funds

During FY 2010-11, there was a net outflow of ₹ 49,406 Crore (₹ 30,191 Crore and ₹19,215 Crore in public sector and private sector mutual funds respectively) as against mobilisation of ₹ 83,080 Crore (₹ 28,152 Crore and ₹ 54,928 Crore by public sector and private sector mutual funds respectively) during FY 2009-10. The cumulative value of assets under management of mutual funds decreased by 3.54% to ₹ 592,250 Crore as on March 31, 2011 as compared to ₹ 613,979 Crore as on March 31, 2010.

Foreign Direct Investment (FDI)

India has been ranked at the second place in global foreign direct investments in 2010 and will continue to remain among the top five attractive destinations for international investors during 2010-12 period, according to United Nations Conference on Trade and Development (UNCTAD) in their report on world investment prospects.

India attracted FDI inflows of US\$ 19.43 billion in FY 2010-11 as compared to US\$ 25.89 billion in FY 2009-10. The services sector (financial and non financial) attracted maximum FDI, followed by telecom industry, automobile, power and housing & real estate.

Private Equity – Gaining Prominence in India

Private Equity (PE) as an alternate source of capital has picked up momentum in India over the last few years. Globally, buy-outs account for majority of the PE investments whereas in India, majority of the investments are in growth stage with minority stake.

In FY 2010-11, as per our estimate, the PE investments increased to ₹ 38,619 Crore from 335 deals as compared to ₹ 22,614 Crore from 230 deals during FY 2009-10. The increased PE activity indicates that the sentiment amongst PE investors in India has recovered from the lows witnessed during the financial slowdown. The PE deal activity is expected to further accelerate as the number of PE funds have large pool of investible funds and are increasingly looking at investment opportunities in India.

Year	Private Equity Investment (₹ in Crore)	Number of Deals	Average Deal Size (₹ in Crore)	Key Sectors where PE investments were made
2009-10	22,614	230	119	Power, Real Estate and IT / ITES
2010-11	38,619	335	141	Infrastructure, Power and Financial Services

In FY 2010-11, Infrastructure, Power and Financial Services sectors witnessed the highest activities in terms of deal value accounting for 15%, 14% and 11% respectively of the total PE investments.

Total PE exits amounted to ₹ 16,203 Crore from 106 deals in FY 2010-11. The exits can primarily be attributed to: a) PE funds having approached the end of their first cycle of investments in India, b) robust capital markets in the first half of FY 2010-11 and c) significant pick up in sponsor-to-sponsor transactions.

From January 2006 till March 2011, India has seen total PE investments of about ₹ 221,581 Crore across 1,455 deals. Given typical investment period as well as fund duration, it is estimated that most of these investments will become potential exit candidates in the near to mid term through IPOs, M&A or secondary sale.

Policy Changes – Capital Markets

Keeping pace with the changing market dynamics and increased investor participation, the market regulator SEBI has been pro-active with its policy changes to protect the interests of investors in securities, to promote the development of and to regulate the securities market. Some of the key regulatory changes that were introduced during the year and the implications thereof are as under:

- Applications Supported by Blocked Amount (ASBA) facility extended to Qualified Institutional Buyers in public issues and investors for all Mutual Funds NFO. Further, syndicate/sub-syndicate members may procure ASBA forms from investors and submit it to Self Certified Syndicate Banks.
- Reduction in time between issue closure and listing from 22 days to 12 days to reduce the interest and the market risk for the investors.
- Introduction of Model Equity Listing Agreement to list the specified securities on Small and Medium Enterprise Exchange.
- The listed companies shall be required to maintain a minimum 25% public shareholding to remain listed on the stock exchanges. It will increase the liquidity of the securities and increase the investor participation.
- In order to provide more avenues for purchasing and redeeming Mutual Fund units, SEBI has permitted their transactions through registered stock brokers of recognised stock exchanges.

Source: Various reports and web sites of RBI, SEBI, IMF, DIPP, Ministry of Commerce & Industry, Bloomberg, CMIE, JM Financial Estimates and other print & electronic media.

OUR BUSINESSES AND OPERATIONAL PERFORMANCE

JM Financial is an integrated financial services group, offering a wide range of services to a significant clientele that includes public and private sector corporations, multinational corporations, financial institutions, institutional investors, high net-worth individuals and retail investors as well as market intermediaries.

The group has interests in investment banking, institutional equity sales, trading, research and broking, private and corporate wealth management, fixed income products structuring, investment, broking and distribution, portfolio management, asset

management, commodity broking, NBFC (Non Banking Finance Company) activities, private equity and asset reconstruction. The values of integrity, teamwork, innovation, client focus, performance, execution and partnership shape the corporate vision and drive our purpose.

JM Financial Limited (“the Company”) is an investment holding company and is engaged in various financial services businesses through its subsidiaries and associate companies forming a well diversified yet integrated financial services group known as ‘JM Financial’.

Our businesses are categorised into four broad segments:

Investment Banking and Securities Business

We provide a wide range of advisory services for capital market transactions including raising of capital, mergers, acquisitions, restructuring, financial advisory, investment advisory, equity and debt products broking and private equity syndication - to a diversified client base of corporates in the domestic and international markets. Our services include ideation, preparation of placement materials, structuring the transactions, negotiation on financial and strategic terms, due-diligence and deal closure. Our research capabilities and in-depth capital market expertise enables us to design and execute customised solutions for our clients.

Some of the key transactions we handled during the year include:

Indian Depository Receipts: We acted as one of the lead managers for the first ever Initial Public Offering of IDRs by Standard Chartered Plc (₹ 2,486 Crore);

Initial/Follow-on public offering (IPO/FPO): Jaypee Infratech Limited (₹ 2,257 Crore), SJVN Limited (₹ 1,063 Crore), Orient Green Power Company Limited (₹ 900 Crore) and PTC India Financial Services Limited (₹ 433 Crore);

Qualified Institutional Placements (QIPs): Canara Bank (₹ 1,993 Crore), Indusind Bank Limited (₹ 1,173 Crore) and Mahindra & Mahindra Financial Services Limited (₹ 426 Crore);

Debt Offering: Shriram Transport Finance Company Limited (₹ 500 Crore), L&T Infrastructure Finance Company Limited (₹ 256 Crore), Infrastructure Development Finance Company Limited - Tranche 2 (₹ 757 Crore) and Infrastructure Development Finance Company Limited - Tranche 3 (₹ 223 Crore);

Mergers & Acquisitions (announced transactions): Merger of Bank of Rajasthan into ICICI Bank, merger of BASF subsidiaries into BASF India, Open Offer to the shareholders of Cairn India Limited by Vedanta group - one of the largest open offers in India, the delisting of Atlas Copco (India) Limited and Sparsh BPO Services Limited;

Private Equity Advisory (announced transactions): KKR for its investment in Dalmia Cement, JSW Infrastructure for its fund raising from Eton Park, Sequoia Capital and Dr. Lal PathLabs for partial sale of Sequoia Capital’s stake in Dr. Lal PathLabs and CRISIL for its partial stake sale in NCDEX.

We have a robust pipeline of mandates and subject to stable market conditions, we remain reasonably confident of completing them in the coming year.

Our institutional equities business offers quality research based broking services to domestic and offshore institutional clients.

Our services revolve around three key tenets:

- High Quality Research
- Intensive Client Servicing
- Efficient Trade Execution

During the year, the Institutional Equities Business focused on increasing corporate access and research coverage. The business picked up further momentum this year as we continue to add new clients. We have a strong research team with 159 companies under coverage across sectors. Our Banking analysts were the winners of the ET Now/Star Mine Analyst Award for the sector.

Last year we hosted a number of investor meets, road shows and conferences. The prominent among them were:

- India Conference in November 2010 which was attended by a total of 82 corporates, 94 funds and 277 investors. We held 322 one on one meetings, 239 group meetings and many investor interactions during this conference.
- Two day investor conference in London in May 2010. The event was attended by 18 Fund Houses and 7 Corporates during the Conference and 2 Corporate Non Deal Roadshows around the conference. Overall, at the event, we organised 70 corporate meetings for 25 investors.

The investment advisory business focuses on investment advisory and management services to corporates, ultra high net-worth individuals, family offices, institutions and banks. With quality experience and expertise in managing wealth, we provide comprehensive financial planning, research-based investment consulting services and execution capabilities. We offer a wide range of products and services to our clients ranging from Equity, Derivatives, Portfolio Management Services to Mutual Funds & Fixed Income Products Distribution. We are among the largest distributors of third party products (Mutual Funds/IPOs). In this business, we are organised in three main divisions: Wealth Management Group, Equity Brokerage Group and Independent Financial Advisory Group, which draw on the research base and expertise of our competent specialists to generate investment ideas and customised investment solutions for the clients.

During the year our investment advisory business has been awarded as “Best Retail Broking House” and “Fastest Growing Equity Broking House” (Large Firms) by BSE and Dun and Bradstreet. The investment advisory and equity broking services expanded its reach to 135 cities during the year. This has helped us in achieving a de-risked business model and a widespread presence in locations that contribute 94% to the trading and investment volumes in Indian markets.

The assets under management of the Wealth Management Group grew to ₹ 24,850 Crore during the year. In the public issues, we mobilised around ₹ 22,780 Crore during the year with a market share of 10.58% in non-institutional category (Retail and HNI) and are among the top three players in this business. We also mobilised about ₹ 2,900 Crore in various company fixed deposits and fixed income products during the year.

In the commodities trading business our focus is to provide research based advice to clients on bullion, base metals, crude and other soft commodities. The business with its strong research base and excellent execution platform with membership of MCX and NCDEX is well positioned to be a preferred broker for corporates and high net-worth individuals. We offer commodity broking platform to our direct clients and clients of our franchisees. During the year, there has been a steady increase in the volume of the business and we continue to concentrate on the emerging prospects of this business by regularly monitoring volume and profitability trends.

Securities funding and fund based activities

Our capital market funding activities cater to IPO Funding, Security Backed Financing - Loan against Shares/Margin Funding (LAS), Mutual Fund Financing, ESOP Financing, Sponsor Financing and Acquisition Financing.

Utilising the strong capital base and favorable market conditions, our NBFC maintained its position and grew its business and revenues during the year. NBFC's funding book has grown from ₹ 1,310 Crore at the start of the year to ₹ 1,987 Crore as on March 31, 2011. Our average funding book size also remained strong during the year.

The IPO funding business performed well on the back of active IPO market (58 IPO/FPO issuances in FY 2010-11 as against 44 issuances in FY 2009-10). IPO/FPO financing of ₹ 13,706 Crore was done during the year.

CRISIL re-affirmed the “P1+” Rating for the short-term debt program of NBFC, which indicates that the degree of safety with regard to timely payment of interest and principal on the instrument is very strong.

The fixed income business remained focused on placement of primary issuance of Non Convertible Debentures (NCDs), Commercial Papers for our corporate clients and principal deals involving rated and listed corporate debt and government securities. It also focused on lending to select corporates against tangible and liquid collateral security.

Trading in corporate bonds and government securities gained momentum during the year.

We are also engaged in asset reconstruction and securitisation business with the prime focus on acquisition of non-performing and distressed assets (NPAs) from banks and financial institutions (FIs). The business strategy is a mix of both portfolio acquisitions as well as single credits.

The Asset Reconstruction Business in its second full year of operations gained considerable momentum. During the year, we made good progress in terms of assets acquired and resolved. We participated in various portfolio auctions conducted by Banks/FIs and also ventured into the retail segment of the distressed debt market with a maiden acquisition in this segment.

During the year, we made multiple acquisitions from 14 banks/FIs with total outstanding dues of ₹ 1,594.31 Crore for a consideration of ₹ 478.32 Crore, thereby taking the total outstanding dues acquired to ₹ 2,854.56 Crore at a consideration of ₹ 628.94 Crore. Resolution strategies were initiated for majority of the assets acquired. Security Receipts worth ₹ 25.72 Crore held by us as well as other investors were redeemed during the year. As of March 31, 2011, the outstanding Security Receipts stood at ₹ 598.76 Crore comprising Corporate, SME and Retail portfolios.

The Union Budget for FY 2011-12 has come in the backdrop of high inflation, weak industrial performance, tight liquidity situation, high interest rates and rising global oil prices. The pressure of these factors is beginning to show on the economy. Most Indian banks generated substantial fresh NPAs during the year. RBI has laid special thrust on the role played by asset reconstruction companies in reduction of the rising NPA levels in the banking system. This presents promising prospects for the asset reconstruction business in the coming years.

Alternative Asset Management

We manage funds of institutional and large non-institutional investors under various schemes for investments under mandated charter such as Private Equity Fund and Real Estate Fund. Our strategy is to focus on asset quality and asset mix to achieve superior returns.

JM Financial India Fund is a private equity fund, focused on providing growth capital to dynamic, fast growing companies in India. The Fund seeks to invest in companies that have high growth potential, are scalable with differentiated business model and are led by exceptional management teams. The Fund has made investments in companies in various business segments and at different stages of lifecycle of these companies and has successfully exited from two companies. During the year, the fund has made two new investments.

We manage JM Financial Property Fund that seeks to invest in commercial, residential, retail and hospitality assets as well as real estate development companies. The Fund has two schemes, viz., JM Financial Property Fund I for domestic investors, and JM Financial Property Fund II for international investors. During the year, JM Financial Property Fund I achieved full drawdown of the capital commitment and we made final capital calls for full drawdown of JM Financial Property Fund II. After the slowdown brought about by the global economic and financial crisis, the real estate sector showed improved sentiments with the residential sector showing maximum recovery. During the year, we have made additional investments from both JM Financial Property Fund I and JM Financial Property Fund II. We have recently launched a new real estate domestic fund for investments in income generating assets, called JM Financial Real Estate Income Fund, which has been registered with SEBI as a Domestic Venture Capital Fund.

The special situations unit is a part of the alternative investments business and seeks to invest in securities which it believes have a potential to earn superior return. Though the investment philosophy is of long term orientation we have the flexibility to exit within

short term in order to take advantage of market inefficiencies. We have developed a risk-balanced investment portfolio with a focus on long term and short term investment horizon depending upon the market conditions. We also undertake investment advisory activities for clients thereby capitalizing on the emerging opportunities in this area and build an alternative source of revenue.

Asset Management

At JM Financial Mutual Fund, we offer a wide range of investment options that cover the entire risk spectrum, catering to the diverse needs of the Institutional and the Individual Investors.

The asset growth in the Mutual Fund industry, has been range bound in the last few years, as it had to deal with fallout from the financial crisis and a spate of regulatory changes. JM Financial Mutual Fund also had to make efforts to become accustomed to these tough situations. As on March 31, 2011, the quarterly average assets under management of JM Financial Mutual Fund stood at ₹ 5,918 Crore. Also, during the year, many of our equity schemes were merged with an objective to attain better economies of scale. The number of investor folios moved down from 5.30 Lakh to 3.94 Lakh reflecting the general industry trend and the impact of the tough market conditions.

FINANCIAL PERFORMANCE

In a very competitive but active market during the year, the Company earned a consolidated gross income of ₹ 895.13 Crore as against ₹ 628.79 Crore in the previous year, registering a growth of 42%. Earnings before interest, depreciation and tax during the year stood at ₹ 492.29 Crore as against ₹ 261.70 Crore, in the previous year, an increase of 88%. The Profit before tax of ₹ 227.87 Crore and Profit after tax of ₹ 174.56 Crore were higher over the previous year numbers by 13% and 15% respectively.

Fees & Commission earned during the year were ₹ 254.23 Crore as against ₹ 225.66 Crore during the previous year, registering a growth of 13% and constituting 28% of the total revenue. Brokerage income earned during the year was ₹ 140.53 Crore as against ₹ 109.91 Crore during the previous year, registering a growth of 28% and constituting 16% of the total revenue. Another significant contributor of gross income was income from securities funding and fund based activities, at ₹ 289.72 Crore as against ₹ 143.87 Crore during the previous year, registering a growth of 101% and constituting 32% of the total revenue. Revenue from treasury operations and investment income was ₹ 210.65 Crore as against ₹ 149.35 Crore during the previous year, resulting in a growth of 41% and representing balance 24% of the total revenue.

The segment wise break-up of revenues is as follows:

(₹ in Crore)

Particulars	For the year ended	
	March 31, 2011	March 31, 2010
Segment Revenue		
Investment banking and securities business	490.27	380.29
Securities funding and fund based activities	342.80	162.93
Alternative asset management	42.69	63.94
Asset management	31.69	35.17
Others	44.16	79.04
Total Segment Revenue	951.61	721.37
Less: Inter - segmental revenue	56.48	92.58
Total Revenue	895.13	628.79

All our major businesses have registered steady growth and posted higher revenues. The investment banking and securities business as well as securities funding business have been significant contributors to our overall growth. Considering the strong capital base and active market, NBFC has been able to maintain its position and grow its business and revenues during the year.

Our profit margin at EBITDA level has grown to 55% from 42% in the previous year. Our profit before tax was 25% and profit after tax was at 20% of gross revenue as against 32% and 24% respectively in the previous year. The consolidated net worth stands at ₹ 1,814 Crore as at March 31, 2011. The aggregate debt component as at that date is ₹ 3,264 Crore, implying a leverage of 1.80x.

The increased borrowing has been largely used in growing our book size for NBFC business. The interest cost has gone up significantly both on account of increased borrowing and higher interest rates because of the regulatory actions of continuous increase in benchmark rates. Our focus has been on growing the book size cautiously with a clear attention to asset quality and protection of net margins. As a result we have had extremely low incidence of doubtful recoveries. We also continue to carry a healthy provision for standard assets.

Our strategy to use borrowing for fund based business growth and to hold high level of liquidity for eventuality has come in good stead at critical times, though it earns us slightly lower but safe and liquid investment related returns on such funds. On consolidated basis, the Company's liquid assets are over ₹ 1,000 Crore.

The situation in Mutual Fund area continues to be challenging. We are watching regulatory developments in this area to recalibrate the strategy for growth. In the interim, the focus has been on consolidating the position and arresting negative contribution from this business.

On standalone basis, the Company earned a gross income of ₹ 44.12 Crore during the year under review as against ₹ 79.04 Crore in the previous year. The profit before tax stood at ₹ 9.74 Crore as against ₹ 48.70 Crore in the previous year and the profit after tax stood at ₹ 10.04 Crore as against ₹ 47.31 Crore in the previous year. The decrease in revenue and profit is mainly on account of lower dividend income during the year under review.

While the environment remains challenging, we remain committed to maintain and build on a strong financial services franchise catering to our large client network. We are committed to providing quality advice and returns to all our stakeholders.

OUTLOOK AND STRATEGY

The robust broad-based growth gives the Indian economy confidence of maintaining high growth trajectory. The estimated growth rate of 8.6 per cent during FY 2010-11 is led by a rebound in agricultural growth and steady industrial and services sector growth. Buoyant overall agricultural performance and continued services sector growth momentum along with financial sector reforms augur well for growth in FY 2011-12. However, risks to growth ahead arise from rising prices of oil and industrial raw materials, decelerating investment demand and high inflation.

Growing Indian economy creates strong opportunities for our businesses to grow. We will continue to seek to take advantage of the opportunities presented by the economy to consolidate our position as one of the premier financial services group in India. Our strategy for achieving this goal is to keep expanding and diversifying our portfolio of financial services and products, provide effective financial solutions, investing in human capital, effective risk management and building a business model that caters to multiple requirements of our clients. We will continue to focus on delivering unique solutions to our clients, expand our product suite in the NBFC business and capitalize on the advisory and funds raising opportunities offered by high growth economy. We will

continue to drive and ensure accountability, transparency, professionalism and risk containment. We would look at opportunities for further fund raising for our fund management business both in Mutual Fund and Alternative Asset Management area.

We target to reach out to the global markets with a greater presence in international locations during the coming years. We have begun this initiative with setting up subsidiary company in Mauritius and have obtained the license for carrying out capital market activities from the Financial Services Commission, Mauritius.

OPPORTUNITIES AND THREATS

Opportunities

- Healthy and sustainable economic growth rate with sound macro-economic fundamentals leading to large investments by both public and private sector companies;
- Size of the Indian capital market and favourable demographics like huge middle class, larger younger population with disposable income and investible surplus, change in attitude from wealth protection to wealth creation and risk taking abilities of the youth, etc.;
- Low penetration of financial services and products in India;
- Globalization - corporates are looking at expanding in overseas/domestic markets through merger & acquisitions;
- Growing mid size segment of corporate activity where the need for customised solution is particularly high;
- Focus of regulators to facilitate financing and capital market activities for the mid size corporates.

Threats

- Impact on economic growth of the rising prices of oil and industrial raw materials, decelerating investment demand, high inflation and political instability;
- Uncertainty of political situation in the country leading to concerns of diffused focus on growth stimulus and infrastructure building;
- Regulatory changes impacting the landscape of business;
- Increased competition from local and global players operating in India;
- Attrition of employees caused by strong demand from ever increasing number of market participants;
- Continuous downward pressure on the fees, commissions and brokerages caused by an overbanked market and willingness of most players to deliver services at very low fees.

RISKS AND CONCERNS

The financial services industry is subject to a continuously evolving legislative and regulatory environment due to increasing globalisation, integration of world markets, newer and more complex products & transactions and an increasingly stringent regulatory framework. Risk management is thus one of the most critical functions for the hindrance free growth of the organisation which helps in delivering superior shareholder value by achieving an appropriate tradeoff between risks and returns.

The risk for the Company arises mainly out of the risks associated with the businesses of various companies within the group. We believe that risk assessment is a first step in a sound risk management procedure. We, at JM Financial, have developed comprehensive risk management policies and processes to deal with the risks that are encountered in conducting business activities in an effective manner.

A team of experienced and competent professionals at business level as well as group level identify and monitor the risks on an ongoing basis and evolve processes/systems to monitor and control the same to contain the risks to minimum levels. Ongoing monitoring by our officials at regular frequency helps in identifying risks early. A risk event update report is periodically placed before the Board of Directors of the Company. The Directors review the risk update reports and the course of action taken or to be taken to manage and mitigate the risks. Additionally, independent Internal Audit firms, not from within the JM Financial Group, are appointed to review and report on the business processes and policies in all operational companies of the group. The report of internal auditors is reviewed and discussed by the Audit Committee of the respective operating companies on quarterly basis to ensure compliance with the set processes and risk free operations.

The risks associated with operations of the Company are given below:



Credit Risk

Credit risk is most simply defined as the potential that a borrower or counterparty will fail to meet its financial obligations in accordance with agreed terms.

We have standardised credit approval process comprising of approval by the senior most team, extensive credit appraisal, proper documentation, periodic reviews, etc., in order to mitigate the credit risk. The loan portfolio is monitored on an ongoing basis post disbursement of funds.

Market Risk

Market risk is the risk that an overall market or asset class will change in value according to economic conditions or other factors that may override any characteristics specific to a particular stock, bond, commodity or currency. The Investments held by the Company are vulnerable to fluctuations in various external factors. The value of the investment in securities may deteriorate due to movement in market factors such as interest rates, exchange rates, credit spreads, asset prices and the dynamic economic environment in the country.

The investment/lending portfolio and collaterals/securities are continuously monitored to minimise the impact of the market risk.

Liquidity Risk

Liquidity and solvency are very critical to our business. Liquidity risk is the current and prospective risk to earnings or capital arising from an organisation's inability to meet its obligations when they fall due without incurring unacceptable losses.

We have good credit rating and appropriate credit lines are available to address liquidity risks. Further, all our businesses are adequately capitalised and we hold sufficient liquid reserves invested in bank fixed deposits and liquid financial instruments to address the liquidity risks.

Operational Risk

Operational risk is the risk of loss arising out of inadequate or flawed systems, controls or human errors.

We manage the operational risks through well defined operational processes, policies and systems which are reviewed on a periodical basis. Regular audits by internal auditors ensure that the operating teams adhere to the defined processes and policies.

Regulatory and Compliance Risk

It is the risk arising from the changes in laws and regulations governing our businesses, difference in interpretation of regulation vis-à-vis the regulators and inadequate monitoring of regulatory compliance.

We have a team of experienced professionals reporting to Group Head – Compliance, Legal & Company Secretary which ensures consistent compliance of applicable laws, rules, regulations and guidelines affecting our businesses. The team also monitors the ever evolving regulations regularly and advises our businesses promptly of the relevant regulations and their amendments.

Reputation Risk

Reputation risk is related to the trustworthiness of the business. It arises from the adverse perception of the Company in the mind of various stakeholders which may even result into loss of business/revenue.

We conduct our business with very high levels of diligence, using best practices and in fair and transparent manner and endeavour to disseminate timely information to the clients, shareholders, investors and regulators.

Competition Risk

Every organization in the world big or small faces a competition risk. In view of the ever changing and liberalising financial framework we face the competition risk from various domestic and multinational financial institutions largely in relation to business and retention of key personnel.

Our team of strong and experienced managers, extensive research, innovative suite of products and services, fair and transparent business practices, strong brand and expanding network help us to deal effectively with the competition in the industry.

Business Continuity Risk

In the event of contingencies such as natural calamity, break down of infrastructure, war or acts of terrorism, we may not be able to conduct our regular business operations and service to our clients. In such cases, we are exposed to the risk of loss of data, clients and/or business that can adversely affect our financial results.

We have the Business Continuity Plan in place to mitigate the impact of any such exigencies.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

We have adequate internal control systems commensurate with the nature of our business and size of operations. We have documented procedures covering various financial and operating functions. These controls have been designed to provide a reasonable assurance with regard to maintaining proper accounting controls, monitoring of operations, protection and conservation of assets, compliances with applicable laws and regulations and for ensuring reliability of financial reporting.

We have appointed independent internal audit firms for the Company and all our operating subsidiary companies to assess and improve the effectiveness of risk management, control and governance process. They are empowered to examine the adequacy and compliance with policies, plans and statutory requirements. The internal audit reports are submitted to the Audit Committee of

the Board of the respective companies. The existing audit procedures are reviewed periodically to enhance their effectiveness, usefulness and timeliness.

The senior management and Audit Committee of Board regularly review the findings and recommendations of the internal auditors so as to continuously monitor and improve internal controls to match the organisation's pace of growth and increasing complexity of operations as well as to meet the changes in statutory and accounting requirements. This system enables us to achieve efficiency and effectiveness of operations, reliability and completeness of financial and management information and compliance with applicable laws and regulations.

CORPORATE SOCIAL RESPONSIBILITY

At JM Financial, we believe in exhibiting socially, environmentally and ethically responsible behaviour in governance of our operations in order to generate value and long term sustainability for ourselves while making positive contribution in the betterment of the society. An essential component of our Corporate Social Responsibility (CSR) is to care for our community. We are deeply committed to investing in initiatives that will improve and foster communities enabling them to sustain themselves. All of our work is driven by this fundamental commitment.

In our endeavour to make a positive contribution towards the lesser privileged communities, we have an organised structure in the form of two philanthropic arms - JM Financial Foundation and Kampani Charitable Trust. These were founded to support an array of socio-economic, educational and health initiatives. The main objective is to contribute in a way which is lasting, is sustainable and scalable.

Our initiative has gained momentum in the last few years. Clarity, accountability and consistency are the cornerstones of our effort. It is of utmost importance that we reach out to such situations where we can really make the difference. The Foundation identifies and works alongside several NGOs to work on a number of outreach programs in various fields such as education, health and disaster relief.

Education has been a primary focus area of our CSR activities. This includes building of classroom blocks, providing classroom furniture or stationery and payment of fees or providing transport or funding Balwadis. We have partnered with various NGOs such as Sunbeam, Nanhi Kali, Powai Senior Citizens' Association, Kherwadi Social Welfare Association, KSB Care and Charitable Trust, The Akanksha Foundation, etc. in various ways to achieve our goal of promoting education.

As part of the healthcare initiatives, a number of focussed initiatives have been implemented. We have supported organizations such as Society for Rehabilitation of Crippled, Research Society for the Care, Treatment & Training of Children, Ratna Nidhi Charitable Trust, Akshay Patra Foundation, Tata Medical Centre, etc. to further our health care initiatives.

JM Financial Foundation has, on a continuous basis, endeavoured to provide aid and relief to victims affected by various natural catastrophes. Apart from the above, we have also supported Pragiti Pratishthan to enable solar lighting to villages without electricity and Foundation for promotion of sports & games for training athletes for the Olympic Games.

The ongoing programmes include Drishti and Sparsh.

Under Project Drishti all glossy magazines are accumulated and sent to the Kamla Mehta School for the blind at regular intervals. The paper from these magazines is used for preparing reading and learning material in Braille.

Sparsh is the employee volunteering initiative at JM Financial. Employees pledge financial aid on a periodic basis towards the lesser privileged, aged members of society through the SPONSOR A GRAN programme of Helpage India. Employees volunteer for the Akanksha Mentoring Programme wherein children from Akanksha Foundation centres are mentored and counseled on career options, self confidence, academic help, etc.

JM Financial Foundation organises a "Walkathon" which is an annual event, supported by our colleagues and clients by both participation in the walk as well as charity contributions. The donations received are used for charitable purposes.

HUMAN RESOURCES

JM Financial is a dynamic group that actively fosters a work environment full of exciting challenges and encourages entrepreneurship. With trust being the pivot of our business, we lay strong emphasis on integrity, teamwork, innovation, performance and partnerships.

We have an interesting mix of professionals from diverse backgrounds. They bring varied talent, knowledge and experience to the firm, helping our businesses to remain competitive and achieve greater success. Their undying spirit of excellence and passion for new ideas is appreciated and nurtured, paving a way for them to excel individually and as teams.

At JM Financial, we offer a well-defined career path in the financial services sector, with ample opportunities to think, explore, learn and grow. Additionally, we give the flexibility to our employees of moving within the Group across various businesses.

Our Human Resources function aims to achieve mutually rewarding association with its human capital and also facilitate maximization of the return on investment. HR plays the role of an effective business partner and understands the firm's strategy and supports all our businesses by delivering HR practices, processes and systems. HR coverage team partners with individual business units to deliver services in employee engagement, resourcing, data analysis, employee relations & guidance, performance management, compensation & benefits and learning & development services.

HR department plays a critical role in managing the firm's most important asset, our people. HR Team's broad range of activities include:

- Talent Management
- Retention programs
- Succession planning
- Workforce diversity
- Progressive compensation and benefits design and implementation
- Employee relations and Employee engagement
- Learning & Development
- Performance Management System
- Rewards & Recognition

Our sustainable and efficient HR policy makes us an innovative and attractive employer. Promoting internal mobility, recruiting talent, encouraging sustained employee development, and offering competitive compensation and engaging work environment are all factors that make JM Financial an innovative and attractive employer. Our people work together across regions and divisions. This lively exchange of information and experience creates new business opportunities that in turn benefit our clients.

Our total employee strength as on March 31, 2011 was 1,129 compared to 1,066 a year before.

SAFE HARBOUR

This report describing our activities, projections and expectations for the future, may contain certain 'forward looking statements' within the meaning of applicable laws and regulations. The actual results of business may differ materially from those expressed or implied due to various risk factors and uncertainties. These risk factors and uncertainties include the effect of domestic as well as global economic and political events, volatility in interest rates and in the securities market, new regulations and government policies that may impact our businesses as well as ability to implement our strategies. We are under no obligation to publicly amend, modify or revise any forward looking statement on the basis of any subsequent developments, information or events and assume no liability for any action taken by anyone on the basis of any information contained herein.

1. OUR PHILOSOPHY

The corporate sector in the last decade has witnessed a paradigm shift not only in terms of size, complexity and sophistication but also in terms of growing expectations from all the stakeholders. The world has moved from “Trust Me” to a “Show me” philosophy.

Good corporate governance is characterised by a firm commitment and adoption of ethical practices by an organization across its entire value chain and in all of its dealings with a wide group of stakeholders encompassing employees, customers, vendors, regulators and shareholders, in both good and tough times. This will be accomplished by directing and controlling, managing activities using good business practices, objectivity, accountability and, of course, integrity. Effective corporate governance relies on certain laws to be passed, and a healthy board culture, as this will make sure policies and processes remain constant.

Our vision is to be the most trusted partner for every stakeholder and we are committed to provide fair, transparent and equitable treatment to all our stakeholders. The path to achieve our vision is guided by our values of integrity, teamwork, partnership, innovation, implementation, performance and client focus. Corporate Governance has always been an integral practice at JM Financial in conducting its business for nearly four decades. We believe that corporate governance is a journey towards sustainable value creation. Demonstrating high level of accountability, maintaining high standards of transparency, timely disclosure and dissemination of price sensitive information, ensuring meticulous compliance with applicable laws and regulations and conducting business in the best ethical manner is our core value system.

OUR PHILOSOPHY AT JM FINANCIAL

High level of accountability

High standards of transparency

Timely disclosure and dissemination of price sensitive information

Compliance with all applicable laws & regulations

Conduct business in an ethical manner

Fair treatment to all stakeholders

Clause 49 of the listing agreement deals with Corporate Governance norms that a listed entity is required to follow. We at JM Financial not only adhere to the prescribed corporate governance standards and practices prescribed in Clause 49 but we constantly strive to adopt the emerging best practices.

2. BOARD OF DIRECTORS (“THE BOARD”)

The Board of JM Financial Limited (“JM Financial/the Company”) plays a pivotal role in ensuring good governance and creating value for its stakeholders. It reviews and approves corporate strategies, business plans and monitors operating performance. It also assesses critical risks concerning the businesses of the Group and guides the activities of the management towards the set goals and seeks accountability with a view to create long term sustainable growth that translates into progress, prosperity and fulfillment of stakeholders’ aspirations.

Based on the size of the Company, complexity and nature of various underlying businesses, the Board consists of persons having professional background, varied experience, knowledge and commitment to discharge their responsibilities and duties. Considering the nature and complexities of business, the size of the Board is optimal.

a. Composition of Board and the attendance of Directors at Board Meetings and last Annual General Meeting

Mr. M R Mondkar who had been a Non executive Director of the Company since November 21, 1996 ceased to be a director w.e.f. April 1, 2010. As on March 31, 2011, the Company’s Board of Directors consisted of seven members. Out of the said seven Directors, six are Non executive Directors, five of whom are Independent Directors.

Mr. Nimesh N Kampani is the Chairman and Managing Director of the Company. Mr. Ashith N Kampani, a brother of Mr. Nimesh N Kampani is a Non-Executive Director. Mr. E A Kshirsagar, Mr. D E Udawadia, Dr. Pravin P Shah, Mr. Paul Zuckerman and Dr. Vijay Kelkar are the Independent Directors on the Board.

All the Independent Directors have confirmed to the Company that they qualify to be independent as per the definition of ‘Independent Director’ stipulated in Clause 49 (I)(A)(iii) of the Listing Agreement. It is the practice of the Company to place such confirmations before the Board meeting on an annual basis.

I. Brief profile of Directors

Mr. Nimesh N Kampani

Mr. Nimesh N Kampani, aged 64 years, is the founder and chairman of JM Financial Group, one of India’s leading financial services groups. He is a commerce graduate from Sydenham College, and a qualified Chartered Accountant.

In his career spanning more than three and a half decades, Mr. Kampani has made pioneering contributions to the development of the Indian capital markets and has advised several corporates on their strategic and financial needs, especially, capital raising and mergers & acquisitions.

Mr. Kampani is currently

- Member of the National Council of Confederation of Indian Industry (CII)
- Member of the CII National Council on Corporate Governance & Regulatory Affairs

- Member of the CII Task Force on Integrity and Transparency in Governance
- Member of the Corporate Bond & Securitization Advisory Committee of Securities and Exchange Board of India (SEBI)
- Member of the Selection Committee for Identification of Chair Professors in National Institute of Securities Markets established by SEBI
- Member of the Governing Council of the Indian Institute of Capital Markets
- Member on the Governing Board of the Centre for Policy Research
- Member on the Advisory Board of Rieter India Pvt. Ltd.
- Member on the India Advisory Board of Bain & Company, Inc.
- Member on the Advisory Committee of VentureStudio promoted by Ahmedabad University

Mr. Kampani has served as a member on several important committees constituted by the Bombay Stock Exchange Limited, National Stock Exchange of India Limited, Federation of Indian Chambers of Commerce and Industry (FICCI), CII and Institute of Chartered Accountants of India. He was a member of the Primary Market Advisory Committee of SEBI and also a member of the High Powered Expert Committee constituted by the Ministry of Finance on making Mumbai an International Finance Centre. He was the Chairman of the CII's National Committee on Capital Markets and was also a member of the Advisory Panel on Financial Regulation and Supervision of the Committee on Financial Sector Assessment constituted by Reserve Bank of India. He was a member on the Bloomberg Asia Pacific Advisory Board.

Mr. Kampani serves as an independent director on the Board of several other leading Indian public companies.

Mr. Ashith N Kampani

Mr. Ashith N Kampani, aged 47 years, has over 30 years of experience in the Indian capital markets. During these 30 years, he has been servicing various segments including Retail, High Net Worth Individuals, Corporates and Institutional Investors globally of Investment Banking and Broking business of the JM Financial Group.

Mr. Ashith N Kampani, who is the younger brother of Mr. Nimesh N Kampani, began his career with the family's stock broking firm in 1982, and then, from 1991 to 2007, he was engaged in various group ventures including his stint with JM Financial's Institutional equity broking joint venture.

Currently he looks after the business development of the Group and also services key strategic relationships which include Governments, Global corporates and Investors. He has also advised select corporates on their growth strategies and fund raising plans.

Mr. Kampani is also a member of the managing committee of the Bombay Chamber of Commerce and Industry and Governors for Universal Business School, India. He has also served as Chairman of Young Bombay Forum, the initiative taken by Bombay Chamber of Commerce and Industry to nurture young leaders in India to become globally competitive and contribute towards Nation – Building.

Mr. E A Kshirsagar

Mr. E A Kshirsagar, aged 69 years, is a fellow member of the Institute of Chartered Accountants (India, and England & Wales).

Mr. Kshirsagar has wide experience in Corporate Strategy & Structure, Valuation, Feasibility Studies, Disinvestments, Mergers & Acquisitions. He was associated with the management consultancy division of A F Ferguson for over three decades and retired in 2004 as a Director-in-Charge.

Mr. Kshirsagar serves on the Board of other leading Indian public companies.

Mr. D E Udwadia

Mr. D E Udwadia, aged 71 years, is an Advocate and Solicitor of the Bombay High Court. He is also a Solicitor of the Supreme Court of England, U.K.

Mr. Udwadia is the founder partner of M/s. Udwadia & Udeshi, Solicitors & Advocates, since July, 1997. Prior to this, he was a partner of M/s. Crawford Bayley & Co., Solicitors & Advocates, for over 20 years. His firm and he are legal advisors to many Indian companies, multinational companies and foreign banks having presence in India.

Mr. Udwadia has spent over 47 years in active law practice and has vast experience and expertise in areas of corporate law, mergers and acquisitions, takeovers, corporate restructuring, foreign collaboration, joint ventures, project and infrastructure finance, telecommunications, international loan and finance-related transactions and instruments, real estate and conveyancing.

Dr. Pravin P Shah

Dr. Pravin P Shah, aged 67 years, is a Ph.D. in Cost Accounting from the University of Mumbai and is also a Chartered Accountant and Cost Accountant.

Dr. Shah is a Partner of M/s. Pravin P Shah & Co., Chartered Accountants, Mumbai, has over 41 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, accounting, auditing, corporate laws and laws relating to foreign exchange. He has contributed several technical papers at conferences and published books and articles in India and the United States of America on the abovementioned subjects.

Dr. Shah is also associated as a director on the Board of a number other Indian public companies.

Mr. Paul Zuckerman

Mr. Paul Zuckerman, aged 66 years, holds a Ph.D in Agricultural Economics from Reading University, United Kingdom and a M.A. in Economics from Cambridge University.

Mr. Zuckerman is the Chairman & CEO of Zuckerman & Associates Limited and is director of a number of companies around the world. He has been associated with various international organisations including World Bank. He was the Vice Chairman, SG Warburg International, prior to its acquisition by UBS and responsible for business in India and Latin America. In his capacity as the Vice Chairman then, he was closely associated with a number of Indian companies and institutions in the early days of globalization.

Dr. Vijay Kelkar

Dr. Vijay Kelkar, aged 69 years, holds a doctorate in development economics from the University of California, Berkeley.

Dr. Kelkar recently completed his term as Chairman, Finance Commission, Government of India, in the rank of a Union Cabinet Minister. He has held several other key posts, among them, Advisor to Minister of Finance, Government of India in the rank of a Minister of State, from August, 2002 to September, 2004; Finance Secretary, Government of India, 1998-1999; Chairman, Tariff Commission, Government of India, 1997-1998; Secretary, Ministry of Petroleum & Natural Gas, Government of India, 1994-1997.

Internationally, Dr. Kelkar was Executive Director at the International Monetary Fund for India, Sri Lanka, Bangladesh and Bhutan from 1999-2002; and Director & Coordinator, International Trade Division of the United Nations Conference on Trade and Development, Geneva, Switzerland, 1991-1994.

Dr. Vijay Kelkar has been elected Chairman of the board of the Forum of Federations, Ottawa, Canada, with effect from January 1, 2010. He is also the Chairman, Board of Trustees of India Development Foundation (IDF), New Delhi.

He is currently the Chairman of National Stock Exchange of India Limited, Mumbai. He was conferred the Padma Vibhushan by the President of India, the Highest Padma Award, in January 2011, for his distinguished and exceptional service to the Nation.

He serves as a director on the Board of several leading public companies.

II. Details of Board meetings

During the financial year 2010-11, seven Board meetings were held on the following dates.

Sr. No.	Date of meeting	Sr. No.	Date of meeting
1.	May 25, 2010	5.	December 15, 2010
2.	July 28, 2010	6.	January 31, 2011
3.	September 9, 2010	7.	March 28, 2011
4.	October 21, 2010		

The details of the attendance of Directors at each of the above meetings and at the last Annual General Meeting (AGM) are given below:

Name of the Director	Category	No. of Board Meetings attended during the FY 2010-11	Whether attended the last AGM
Mr. Nimesh N Kampani	Chairman & Managing Director	7	Yes
Mr. Ashith N Kampani	Non executive Director	6	No
Mr. E A Kshirsagar	Non executive & Independent Director	7	Yes
Mr. D E Udawadia	Non executive & Independent Director	5	Yes
Dr. Pravin P Shah	Non executive & Independent Director	5	Yes
Mr. Paul Zuckerman	Non executive & Independent Director	4	Yes
Dr. Vijay Kelkar	Non executive & Independent Director	4	No

b. Number of directorships and chairmanships/memberships of committees of each Director in other companies:

Name of the Director	No. of directorships in other public companies as on March 31, 2011#	No. of other Committee positions held in other Indian public companies as on March 31, 2011*	
		Chairman	Member
Mr. Nimesh N Kampani	8	3	2
Mr. Ashith N Kampani	-	-	-
Mr. E A Kshirsagar	6	4	4
Mr. D E Udwadia	12	1	9
Dr. Pravin P Shah	8	4	2
Mr. Paul Zuckerman	2	-	2
Dr. Vijay Kelkar	7	-	1

The directorships held by Directors as mentioned above, do not include directorships of foreign companies and Section 25 companies.

* Represents chairmanship/membership only of Audit Committee and Shareholders' Grievance Committee.

None of the above Directors hold directorship in more than 15 public companies or is a member of more than 10 Committees or the Chairman of more than five Committees.

c. Board Meetings and Procedures:

All Directors participate in discussing the strategies, performance, financials and risk management of the Company. The Board of Directors of JM Financial follows a set of appropriate standard procedures in the conduct of Board meetings of the Company, which can be summarised as below:

1. The meetings of the Board of Directors are generally held in Mumbai. The Board meetings of the Company as well as of its subsidiaries are scheduled in advance and the notice of each such meeting is given in writing to their respective Directors.
2. All the departments in the Company communicate with the Company Secretary, in advance with regard to matters requiring the approval of the Board to enable inclusion of the same in the agenda for the Board meetings. The Company Secretary circulates the detailed agenda together with the relevant annexures to each of the Directors in advance.
3. Urgent matters are also considered and approved by passing resolutions through circulation, which are noted at the next meeting of the Board. The Board, if required takes up any other item of business, which does not form part of the agenda, depending upon the urgency and necessity of the matter.
4. The information provided in the agenda facilitates meaningful, interactive and focused discussion at the meeting. Presentations on the various businesses are also made at regular intervals.

5. The information as specified in Annexure IA to Clause 49 of the Listing Agreement is placed before the Board to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the shareholders.

d. Code of Conduct

The Code of Conduct, which has been formulated for the Board Members and Senior Management Personnel of the Company is posted on the website of the Company, viz. www.jmfinancial.in. All the Board Members and Senior Management Personnel have confirmed compliance with the said Code of Conduct. A declaration signed by the Chairman & Managing Director to this effect is given below:

DECLARATION

I confirm that the Company has obtained confirmation from all its Directors and Senior Management Personnel that they have complied with the provisions of the Code of Conduct for the financial year 2010-11.

Place: Mumbai

Date: May 25, 2011

Nimesh N Kampani

Chairman & Managing Director

3. BOARD COMMITTEES

In order to ensure more focused, meaningful and effective discussion of the Company's affairs, the Board has constituted the following committees viz., Audit Committee, Compensation Committee, Shareholders' Grievance Committee, Allotment & Share Transfer Committee and Nomination Committee. The Committees meet regularly to discharge the duties assigned to them by the Board.

a. AUDIT COMMITTEE

The scope, terms of reference and working of the Audit Committee are in conformity to the requirements of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. These broadly include monitoring the financial reporting process with a view to provide accurate, timely and proper disclosures, audit and risk management functions, quality of internal and statutory audit as well as the adequacy of internal control systems. The Audit Committee also reviews the internal audit reports on half yearly basis and gives directions to the management in areas that need to be strengthened. The recommendations of the Audit Committee on any matter relating to financial management including the audit report, is communicated to the Board. The Audit Committee of the Board also reviews the financial statements and material investments made by the unlisted subsidiary companies.

The Audit Committee consists exclusively of Non executive Directors comprising Mr. E A Kshirsagar, Dr. Pravin P Shah, Mr. Ashith N Kampani and Dr. Vijay Kelkar. Mr. Kshirsagar, an Independent Director is the Chairman of the Committee. All members have the requisite qualifications as prescribed under Clause 49 of the Listing Agreement. The Company Secretary acts as the Secretary to the Audit Committee. The Statutory Auditor, Internal Auditor and the Chief Financial Officer of the Company, are invited to the meetings of the Audit Committee.

The minutes of the Audit Committee meetings are placed before the Board. The Chairman of the Audit Committee briefs the Board Members about the major discussions and the decisions taken at Audit Committee meetings.

During the year, the Audit Committee met four times. The dates on which the meetings were held and details of attendance are given below:

Name of the member	May 25, 2010	July 28, 2010	October 20, 2010	January 31, 2011
Mr. E A Kshirsagar	✓	✓	✓	✓
Dr. Pravin Shah	x	✓	x	✓
Mr. Ashith N Kampani	✓	x	✓	✓
Dr. Vijay Kelkar	✓	✓	✓	x

b. COMPENSATION COMMITTEE

The Board has constituted a Compensation Committee comprising of Mr. Nimesh N Kampani, Mr. E A Kshirsagar, Mr. D E Udawadia and Dr. Pravin P Shah. Mr. Kampani acts as the Chairman of the Compensation Committee. All members other than Mr. Kampani are Non executive and Independent Directors.

The terms of reference of the Compensation Committee includes determination of compensation policy on remuneration of the Executive and Non executive Directors of the Company, deciding all the matters relating to the remuneration/compensation of senior employees of the Company and its subsidiaries, formulation and administration of the Employees Stock Option Scheme and such other functions as may be delegated to it by the Board of Directors from time to time.

During the year, the Committee met twice on April 19, 2010 and March 21, 2011. The dates on which the meetings were held and details of attendance of each of the Committee members are given below:

Name of the member	April 19, 2010	March 21, 2011
Mr. Nimesh N Kampani	✓	✓
Mr. E A Kshirsagar	✓	✓
Mr. D E Udawadia	✓	✓
Dr. Pravin P Shah	✓	✓

Remuneration of the Chairman & Managing Director

Mr. Nimesh N Kampani, the Chairman & Managing Director of the Company was paid remuneration during the financial year as per the terms and conditions of the Agreement entered into by the Company with Mr. Kampani and in accordance with the special resolution passed by the shareholders at the Annual General Meeting held on July 25, 2008. The details of the remuneration paid to Mr. Kampani during the financial year 2010-11 is given below:

Salary	₹ 30,00,000/-
Allowances	₹ 30,00,000/-
Perquisites	₹ 53,15,106/-

Additionally, Mr. Kampani was entitled to receive the Company's contribution to provident fund as per the rules of the Company. Mr. Kampani is not entitled to receive any sitting fees for attending meetings of the Board or any Committees of the Board.

The Board of Directors at its meeting held on March 28, 2011, has re-appointed Mr. Nimesh N Kampani as Managing Director of the Company for a period of 1(one) year from April 1, 2011, subject to the approval of the members in the

general meeting. The broad terms of Mr. Kampani's re-appointment as Managing Director including the remuneration proposed to be paid to him are set out in the explanatory statement to the Notice forming part of this Annual Report.

Remuneration Policy for Non executive Directors

The Company follows transparent process for determining the remuneration of Non executive Directors. Their remuneration is governed by the role assumed, number of meetings of the Board and the Committees thereof attended by them, the position held by them as the Chairman of the Committees of the Board and their role as Independent Directors on the Board and Audit Committees of the subsidiary companies. Besides this, the Board also takes into consideration the external competitive environment, track record, individual performance of such directors and performance of the Company as well as the industry standards in determining the remuneration of Non executive Directors.

Remuneration of Non executive Directors

The details of the sitting fees paid by the Company to its Non executive Directors for the financial year 2010-11, number of shares held by them in the Company and also the number of Equity Stock Options held are given below:

Name of the Non executive Director	No. of shares held in the Company	No. of Stock Options held	Sitting fees (₹)		
			Board	Audit Committee	Compensation Committee
Mr. Ashith N Kampani	275	-	1,20,000	60,000	-
Mr. E A Kshirsagar	-	1,50,000	1,40,000	80,000	20,000
Mr. D E Udawadia	-	1,50,000	1,00,000	-	20,000
Dr. Pravin P Shah	-	1,50,000	1,00,000	40,000	20,000
Mr. Paul Zuckerman	-	75,000	80,000	-	-
Dr. Vijay Kelkar	-	-	80,000	60,000	-

During the financial year 2010-11, the Company paid ₹ 1,56,768/- as professional fees to M/s. Udawadia & Udeshi (Regd.), a legal firm, of which Mr. D E Udawadia is a founder partner. The Company also made a payment aggregating ₹ 22,65,975/- as professional fees to Pravin P Shah & Associates, a sole proprietorship firm of which Dr. Pravin P Shah is the sole proprietor. Other than the above, no payments have been made to the Non executive Directors by the Company.

c. SHAREHOLDERS' GRIEVANCE COMMITTEE

The Shareholders' Grievance Committee was constituted to redress the shareholders' grievances/complaints relating to transfer & transmission of shares, non-receipt of annual report, dividend, share certificate, etc. and to provide the responses to the queries, if any, raised by the investors. The Committee also considers the matters which can aid better investor service and relations.

The Shareholders' Grievance Committee comprises Dr. Vijay Kelkar, Mr. Ashith N Kampani and Mr. Nimesh N Kampani. Dr. Vijay Kelkar, Non executive and Independent Director, is the Chairman of the Committee. The Company Secretary of the Company acts as the Compliance Officer and takes the Committee through each of the grievances/complaints, the steps taken and the responses given by the Company to the shareholders/investors.

During the year, the Shareholders' Grievance Committee met three times. The dates on which the meetings were held and details of attendance are given below:

Name of the member	May 25, 2010	October 20, 2010	January 31, 2011
Dr. Vijay Kelkar	*	✓	x
Mr. Ashith N Kampani**	✓	✓	✓
Mr. Nimesh N Kampani	✓	✓	✓

* Dr. Vijay Kelkar was appointed as a member and Chairman of the Committee w.e.f. May 26, 2010.

** Mr. Ashith N Kampani was the Chairman of the Committee upto May 25, 2010.

The particulars of complaints received and resolved by the Company during the financial year 2010-11 are given in the table below. No complaints were pending as on March 31, 2011.

Nature of complaints	Received (Nos.)	Resolved (Nos.)
Non-receipt of share certificates sent for transfer/transmission	3	3
Non-receipt of annual report	3	3
Non-receipt of refund of application money/redemption proceeds of 16% debentures	2	2
Non-receipt of dividend	24	24
Non-receipt of duplicate/split/bonus shares	3	3
Total	35	35

d. ALLOTMENT & SHARE TRANSFER COMMITTEE

The Board of Directors of the Company has established the Allotment & Share Transfer Committee with a view to expedite the process of share transfers. The Committee comprises Mr. Nimesh N Kampani and Mr. Ashith N Kampani. Mr. Nimesh Kampani is the Chairman of the Allotment & Share Transfer Committee. The Company Secretary of the Company acts as the Secretary to the Committee.

The Committee meets as and when the requests are received from investors/shareholders regarding transfer/transmission of shares held in physical mode, in order to expeditiously dispose of the share transfer requests. During the year, the Allotment & Share Transfer Committee met eighteen times where both the members of the Committee were present.

e. NOMINATION COMMITTEE

The Board of Directors of the Company has constituted a Nomination Committee comprising the following Directors:

Name of the member	Category
Mr. Nimesh N Kampani	Chairman & Managing Director
Mr. D E Udwadia	Non executive & Independent Director
Dr. Pravin P Shah	Non executive & Independent Director
Dr. Vijay Kelkar	Non executive & Independent Director

The Nomination Committee was constituted with a view to consider the proposals for searching, evaluating and recommending independent and non executive directors to be appointed by the Company and determining the process for evaluating the skills, knowledge, experience and effectiveness of individual directors as well as the Board as a whole. Since there was no proposal for appointment of a new director, no meeting of the Committee was held during the year.

4. SUBSIDIARY COMPANIES

The Company has the following subsidiary companies (both direct & indirect) as on March 31, 2011.

JM Financial Consultants Private Limited	JM Financial Ventures Limited
JM Financial Institutional Securities Private Limited	Infinite India Investment Management Private Limited
JM Financial Products Limited	JM Financial Insurance Broking Private Limited
JM Financial Securities Private Limited	Oracle Enterprises Private Limited
JM Financial Services Private Limited	JM Financial GILTS Limited
JM Financial Asset Management Private Limited	JM Financial Overseas Holdings Private Limited
JM Financial Commtrade Limited	Persepolis Investments Limited
JM Financial Investment Managers Limited	Persepolis PIPE Investments Limited

Out of the aforesaid subsidiary companies, the following are material non-listed Indian subsidiaries of the Company. The details of the Independent Directors of the Company on the boards of these material non listed Indian subsidiaries as on March 31, 2011 is also given below:

Name of the Subsidiary Company	Nature of Business	Name of the Independent Director
JM Financial Consultants Private Limited	Investment Banking	Mr. D E Udwadia & Dr. Pravin P Shah
JM Financial Products Limited	NBFC	Mr. E A Kshirsagar
JM Financial Services Private Limited	Investment Advisory	Dr. Pravin P Shah

The minutes of the board meetings of all the unlisted Indian subsidiary companies are placed at the Board meeting of the Company. The management also periodically brings to the attention of the Board of Directors, a statement of all significant transactions and arrangements entered, if any, by all the unlisted subsidiary companies.

5. GENERAL BODY MEETINGS

All the resolutions moved at the last AGM were passed by show of hands with requisite majority of Members attending the meeting. The following Special Resolutions were passed at the last three AGMs.

Date of AGM	Venue	Time	Whether Special Resolution passed	Summary
July 25, 2008	Wallchand Hirachand Hall, 4th Floor Indian Merchants' Chamber, Churchgate Mumbai – 400 020	4.00 p.m.	Yes Yes Yes Yes Yes Yes	<ul style="list-style-type: none"> ♦ Appointment of Mr. Nimesh N Kampani as Managing Director of the Company. ♦ Payment of commission to the Non executive Directors of the Company between 1% and 3% of the net profits, per annum. ♦ Subdivision of equity shares of the face value of ₹ 10/- each into 10 equity shares of face value of ₹ 1/- each. ♦ Alteration of Memorandum of Association to reflect increase in authorised share capital. ♦ Alteration in the Articles of Association. ♦ Issue of bonus shares in the ratio of 3:2.
September 10, 2009	Rama Watumull Auditorium Kishinchand Chellaram College Dinshaw Wachha Road, Churchgate Mumbai – 400 020	3.30 p.m.	N.A.	No Special Resolution was passed.
July 28, 2010	Y.B. Chavan Centre, Gen. J.B. Marg, Next to Sachivalaya Gymkhana, Nariman Point, Mumbai 400 021	3.30 p.m.	Yes	<ul style="list-style-type: none"> ♦ Alteration in the Articles of Association for insertion of new article relating to buy back of shares.

No Extraordinary General Meeting was held during the period under reference. Further, no Special Resolution has been passed through postal ballot during the financial year 2010-11 and no Special Resolution is proposed to be passed through postal ballot at the ensuing AGM.

6. MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report for the financial year 2010-11, as per the requirements of Listing Agreement, is given in a separate section forming part of the Annual Report.

7. MEANS OF COMMUNICATION

The Company had 49,781 shareholders as on March 31, 2011. Out of the total number of shareholders, the individual shareholders were 47,960 representing 96.34% of the total number of shareholders.

The un-audited quarterly/half yearly and the annual audited financial results are announced within the prescribed time limit as stipulated in the Listing Agreement, and are then sent to the Stock Exchanges where the securities of the Company are listed immediately after they are approved by the Board and are thereafter published within forty eight hours in leading English and Marathi daily newspapers having wide circulation.

The Annual Report which includes the annual audited financial statements, Directors' Report, Management Discussion and Analysis, Report on Corporate Governance, Shareholders' Information, and Auditors' Report is sent to all the shareholders of the Company prior to the AGM.

The AGM is the key medium for personal interaction with shareholders, where the Board answers the specific queries raised by the shareholders. The Board of Directors recognises its responsibility towards the shareholders and encourages open and active discussion with them. The Company has designated shareholdergrievance@jmfinancial.in as an email id for the purpose of registering complaints by investors and displayed the same on the Company's website.

All price sensitive information and such other matters which in the opinion of the Company are of importance to the shareholders are intimated to the Stock Exchanges. The quarterly/half yearly and the annual financial results of the Company are available on the Company's website: www.jmfinancial.in. It also displays all important official press releases.

Individual reminders are sent each year to those shareholders whose dividends have remained unclaimed, before transferring the monies to the Investors' Education & Protection Fund (IEPF).

The data required to be filed electronically with the Stock Exchanges pursuant to Clause 52 of the Listing Agreement viz. annual results, quarterly results, shareholding pattern, quarterly report on Corporate Governance are being regularly filed by the Company, which the shareholders can view by visiting the website: www.corpfiling.co.in

8. MANDATORY REQUIREMENTS

The Company has complied with all the mandatory requirements as stipulated in Clause 49 of the Listing Agreement.

9. NON-MANDATORY REQUIREMENTS

The quarterly results are published on the Company's website and are also made available to the shareholders on request. As regards the other non-mandatory requirements, the Board has taken cognizance of the same and shall consider adopting the same at an appropriate time.

10. DISCLOSURES

a) Related Party Transactions

The Company has not entered into any transactions of material nature with its promoters, directors, management and their relatives. The disclosure with respect to the related party transactions is set out in the Notes to Accounts. None of these transactions are likely to have a potential conflict with the interest of the Company and are being carried out on arm's length basis at fair market value. The details of all significant transactions with related parties are periodically placed before the Audit Committee.

b) Disclosure of Accounting Treatment

In the preparation of the financial statements, the Company has followed the Accounting Standards notified in the Companies (Accounting Standards) Rules, 2006 (as amended), as applicable.

c) Disclosures on Risk Management

The Company has laid down procedures for risk management, assessment and its minimisation. The Group risk management team periodically places before the Board an update on the risk management.

d) Reconciliation of Share Capital Audit Report

In line with the requirements of SEBI, Reconciliation of Share Capital Audit is carried out on a quarterly basis by a Practicing Company Secretary to confirm that the aggregate number of equity shares of the Company held in National Securities Depository Limited (NSDL), Central Depository Services (India) Limited (CDSL) and in physical form tally with the total number of issued, paid-up, listed and admitted capital of the Company.

e) No penalty or strictures

No penalty or strictures have been imposed on the Company by the stock exchanges, SEBI or any other statutory authority, on any matter related to the capital markets, since the date of listing of equity shares.

f) Prevention of Insider Trading

The Company has framed its own Code for Prevention of Insider Trading which is applicable to the Directors and Designated Employees who could be privy to unpublished price sensitive information of the Company. The Code, inter-alia contains rules for preservation of price sensitive information, pre-clearance of trade, monitoring, implementation of the Code of Conduct for trading in the Company's securities and reporting requirements.

This section *inter alia* provides information to the shareholders pertaining to the Company, its shareholding pattern, share price movements, top 10 shareholders and other information as required under the Listing Agreement.

ANNUAL GENERAL MEETING

Day, Date & Time of AGM	: Thursday, July 28, 2011 at 4.00 p.m.
Venue of AGM	: Rama Watumull Auditorium, Kishinchand Chellaram College, Dinshaw Wachha Road, Churchgate, Mumbai - 400 020.

FINANCIAL CALENDAR

1. Financial Year	: April 1, 2011 to March 31, 2012
2. Financial Calendar	: Board Meeting Schedule (Tentative) for consideration of unaudited/audited financial results:

Quarter ending on

June 30, 2011	On or before August 15, 2011
September 30, 2011	On or before November 15, 2011
December 31, 2011	On or before February 15, 2012
March 31, 2012	On or before May 30, 2012
AGM	July-August 2012

Date of book closure	: July 22, 2011 to July 28, 2011 (both the days inclusive)
Dividend payment date	: Between July 30, 2011 and August 3, 2011
Listing on stock exchanges	: Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001 Tel : 91 22 2272 1233/4 Fax: 91 22 2272 2041 www.bseindia.com BSE code : 523405

National Stock Exchange of India Limited (NSE)

Exchange Plaza

Plot No. C-I, G Block

Bandra Kurla Complex

Bandra East

Mumbai 400 051

Tel : 91 22 26598100 /14

Fax: 91 22 26598120

www.nseindia.com

NSE Symbol: JMFINANCIL

Listing fees : The Company has paid the Annual Listing fees to the BSE and NSE for the financial year 2011-12.

Corporate Identification Number (CIN) : L67120MH1986PLC038784

ISIN : INE780C01023

Registered office/Address for correspondence : 141, Maker Chambers III
Nariman Point
Mumbai – 400 021

Website : www.jmfinancial.in

Registrars and share transfer agents (R&T Agents) : Sharepro Services (India) Private Limited

Registered Office:

13 AB Samhita Warehousing Complex

2nd Floor, Sakinaka Telephone Exchange Lane

Off Andheri-Kurla Road, Sakinaka

Andheri (E), Mumbai - 400 072

Contact Person:

Ms. Indira Karkera/Mr. Gopal Poojari

Tel No. 91 22 6772 0300

Counter Timings:

On Weekdays - 10.00 a.m. to 5.00 p.m.

On Saturdays - 10.00 a.m. to 4.00 p.m.

Investor Relation Office:

912, Raheja Centre

Free Press Journal Road

Nariman Point, Mumbai - 400 021

Tel. No. 91 22 6772 0700

Counter Timings:

On Weekdays - 10.00 a.m. to 5.00 p.m.

On Saturdays - 10.00 a.m. to 4.00 p.m.

Plant locations	: Not Applicable
------------------------	------------------

Share transfer system	: The equity shares lodged for transfer in physical mode are duly transferred and returned to the investors well within the statutory time period, provided the documents lodged for transfer are complete in all respects and also there is no objection/prohibition imposed on the transfer of shares. The Allotment & Share Transfer Committee meets periodically to approve the transfer requests. The particulars of the share transfers are reported to the Board for its noting. As required under Clause 47(c) of the Listing Agreement, a certificate is obtained every six months from a Practicing Company Secretary, confirming that the request for transfer, transmission, sub-division, consolidation, renewal and exchange of equity shares have been effected within one month of their date of lodgment subject to all the documents being in order. The said certificate is forwarded to the Stock Exchanges, within the stipulated time period.
------------------------------	--

Dematerialisation of shares	: All requests for dematerialisation of shares are processed and confirmed to the depositories, viz., NSDL and CDSL, by our R&T Agents within a period of 21 days.
------------------------------------	--

Shares in dematerialised form	: As on March 31, 2011, 742,765,625 equity shares representing 99.06% of the Company's share capital were held in electronic mode. Out of the above shares in electronic mode, 720,009,541 equity shares representing 96.03% have been dematerialised under NSDL, whereas 3.03% shares representing 22,756,084 equity shares have been dematerialised under CDSL.
--------------------------------------	--

Outstanding GDRs /ADRs/warrants or any convertible instruments, conversion and likely impact on equity	: The Company has not issued any of these instruments.
---	--

Compliance Certificate of the Auditors	: Certificate from the Statutory Auditors of the Company, M/s. Khimji Kunverji & Co., confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement, is annexed and forms part of the Report on Corporate Governance.
---	--

STOCK MARKET DATA RELATING TO THE SHARES

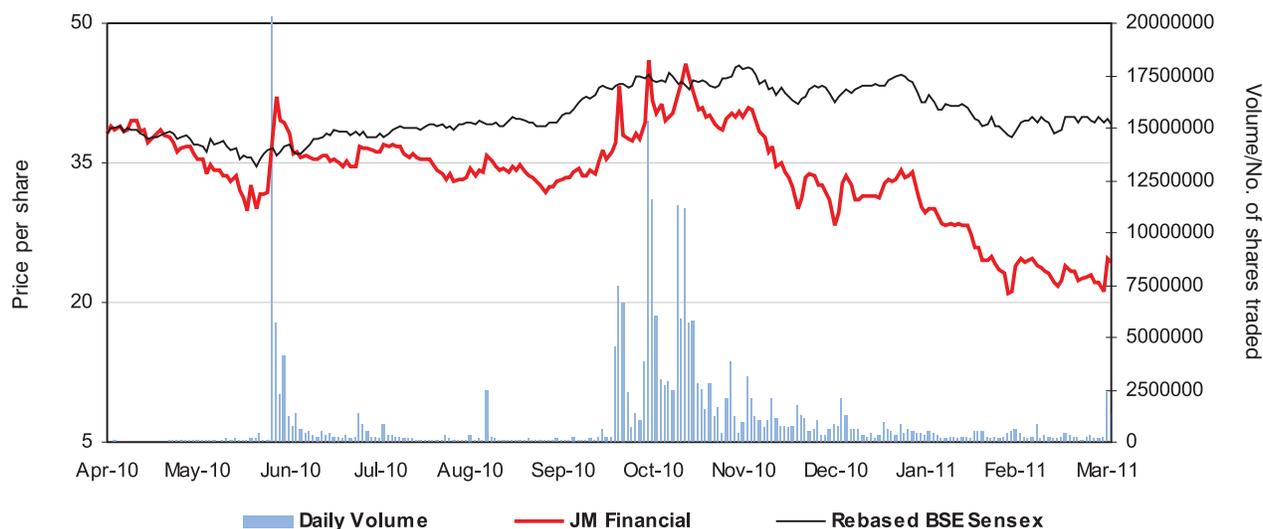
Details of monthly open, high, low and close prices and volume of shares traded on BSE are given below:

Month	Open	High	Low	Close	No. of Shares traded
	₹	₹	₹	₹	
April 2010	38.45	41.25	35.95	36.80	3,697,550
May 2010	36.50	38.15	29.50	38.15	22,760,640
June 2010	40.00	44.80	34.25	36.65	22,795,094
July 2010	36.50	37.95	33.00	33.05	5,290,027
August 2010	33.55	37.40	30.30	31.85	5,027,976
September 2010	32.30	44.80	32.05	37.40	24,695,457
October 2010	37.60	47.65	37.20	38.75	102,696,650
November 2010	39.25	42.00	26.80	33.50	28,850,312
December 2010	33.75	35.20	27.00	33.20	14,421,974
January 2011	33.50	34.60	23.35	25.85	7,823,122
February 2011	26.10	26.50	20.05	22.45	6,743,189
March 2011	22.65	25.95	20.95	24.00	11,220,751

Source: www.bseindia.com

PRICE, VIS-À-VIS, THE BSE SENSITIVE INDEX (SENSEX)

The performance of the price of the Company's equity shares, vis-à-vis, the Sensex is depicted in the chart below:



Source: www.bseindia.com

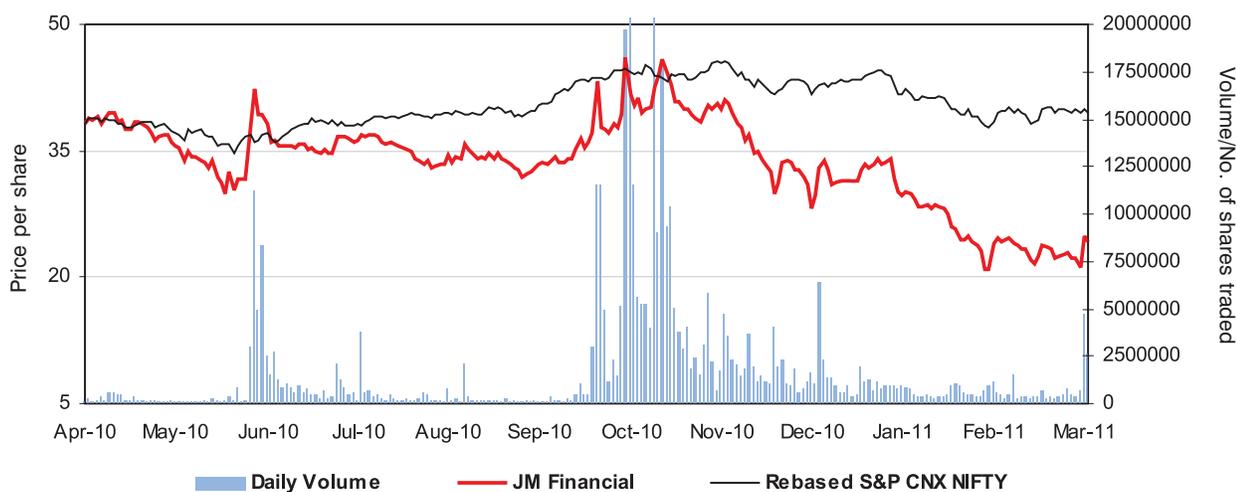
Details of monthly open, high, low and close prices and volume of shares traded on NSE are given below:

Month	Open ₹	High ₹	Low ₹	Close ₹	No. of Shares traded
April 2010	38.00	41.30	35.50	36.85	5,419,860
May 2010	36.75	38.10	28.10	38.10	6,948,916
June 2010	39.90	45.00	34.50	36.60	44,419,560
July 2010	36.00	37.85	32.90	33.05	11,867,207
August 2010	34.75	37.40	31.70	31.90	6,561,433
September 2010	32.30	45.70	32.00	37.20	36,986,390
October 2010	37.60	47.80	36.00	38.80	168,297,510
November 2010	39.45	42.00	26.25	33.55	49,976,613
December 2010	33.90	35.40	27.30	33.30	29,497,490
January 2011	33.50	34.55	24.40	25.85	13,984,029
February 2011	25.85	26.45	19.95	22.40	11,729,294
March 2011	22.60	26.00	20.90	24.05	21,150,562

Source: www.nseindia.com

PRICE, VIS-À-VIS, THE S & P CNX (NIFTY)

The performance of the price of the Company's equity shares, vis-à-vis, the NIFTY is given in the chart below:



Source: www.nseindia.com

INFORMATION ABOUT SHAREHOLDING AS ON MARCH 31, 2011

DISTRIBUTION OF SHAREHOLDING

Number of Shares held	Shareholders		Shares	
	Number	%	Number	%
1 - 5,000	47,748	95.92	31,529,189	4.21
5,001 - 10,000	985	1.98	7,922,769	1.06
10,001 - 20,000	501	1.00	7,519,885	1.00
20,001 - 30,000	211	0.42	5,343,319	0.71
30,001 - 40,000	68	0.14	2,425,929	0.32
40,001 - 50,000	57	0.11	2,645,839	0.35
50,001 - 100,000	98	0.20	7,130,277	0.95
100,001 and above	113	0.23	685,265,293	91.40
	49,781	100.00	749,782,500	100.00

CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2011

Category	No. of Shares	% to total paid-up equity share capital
Promoters		
Bodies corporate	298,113,559	39.76
Persons having control over the Company		
Individuals	135,357,500	18.05
Persons acting in concert		
Individuals	55,657,775	7.43
Bodies Corporate	12,145,000	1.62
Total (A)	501,273,834	66.86
Public*	83,166,244	11.09
Banks	33,825	0.00
Financial Institutions	39,180	0.01
Bodies Corporate	20,656,460	2.76
Others (Trusts)	29,700	0.00
Foreign Holdings:		
Non-Resident Indians	837,386	0.11
Non-Resident Others	89,084,819	11.88
Foreign Institutional Investors (FIIs)	54,661,052	7.29
Total (B)	248,508,666	33.14
Total (A) + (B)	749,782,500	100.00

* Inclusive of shares held in abeyance.

**LIST OF THE TOP 10 SHAREHOLDERS OF THE COMPANY
(EXCLUDING PROMOTER GROUP) AS ON MARCH 31, 2011**

Sr. No	Name of the Shareholder	No. of Shares	% to total paid-up equity share capital
1	BLUE RIDGE LIMITED PARTNERSHIP	51,563,350	6.88
2	BLUE RIDGE OFFSHORE MASTER LIMITED PARTNERSHIP	31,603,325	4.21
3	AZIM HASHAM PREMJI	21,875,000	2.92
4	SWISS FINANCE CORPORATION (MAURITIUS) LIMITED	19,849,174	2.65
5	VALIANT MAURITIUS PARTNERS LIMITED	12,657,624	1.69
6	VALIANT MAURITIUS PARTNERS OFFSHORE LIMITED	8,336,314	1.11
7	MORGAN STANLEY MAURITIUS COMPANY LIMITED	7,670,964	1.02
8	TIGER GLOBAL, L. P.	5,719,350	0.76
9	DEUTSCHE SECURITIES MAURITIUS LIMITED	1,859,057	0.25
10	JUGAL KISHORE MODI	1,383,119	0.18

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of JM Financial Limited

We have examined the compliance of conditions of corporate governance by JM Financial Limited (the Company), for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges.

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

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

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

For and on behalf of

Khimji Kunverji & Co.

Chartered Accountants

Registration No. 105146W

Shivji K Vikamsey

Partner

Membership No. 2242

Place: Mumbai

Date: May 25, 2011

To

The Members of JM Financial Limited

1. We have audited the attached Balance Sheet of **JM Financial Limited** (“the Company”) as at March 31, 2011 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 in terms of sub-section (4A) of Section 227 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 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 said 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 applicable accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - v) On the basis of the written representations received from the directors as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274 (1)(g) of the Act;
 - vi) Without qualifying our report, attention is drawn to note 12 of part II of schedule M, regarding provision/payment for managerial remuneration in excess of the limits prescribed under the Act by ₹ 6,515,106/- , for which application to the Central Government is being made;
 - vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with significant accounting policies and notes thereon 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 the affairs of the Company as at March 31, 2011;
- 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

Registration No. 105146W

Shivji K. Vikamsey

Partner

Membership No. 2242

Place: Mumbai

Date: May 25, 2011

Annexure referred to in paragraph 3 of our report of even date of JM Financial Limited as at March 31, 2011

- (i) (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 interval. 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.
- (ii) The Company does not hold any inventory during the year, hence clause (ii) of the Order is not applicable to the Company.
- (iii) The Company has neither taken nor granted loan to parties in register maintained under Section 301 of the Act, hence clause (iii) of the Order is not applicable to the Company.
- (iv) In our opinion and according to the information and explanation given, there is adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering services. Further, on the basis of examination of the books and records of the Company and according to the information and explanations given, and as per the checking carried out in accordance with the auditing standards generally accepted in India, neither we have observed nor have we been reported for any continuing failure to correct major weaknesses in the internal control system relating to the aforesaid. During the year, the Company has neither purchased any inventory nor sold any goods.
- (v) (a) Based on the audit procedures applied and according to the information and explanations given, the contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under that Section have been so entered.
- (b) According to the information and explanations given to us, where each of such contracts or arrangement is in excess of ₹ 5 Lakh in respect of any party, the contracts or arrangement have been made at prices which are prima facie, reasonable having regard to the prevailing market prices at the relevant time or the prices at which transactions for similar services have been made with other parties or as per information available with the Company.
- (vi) According to information and explanations given, the Company has not accepted any deposits from the public, hence clause (vi) of the Order is not applicable to the Company.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Service tax, Cess and other material statutory dues applicable to it. There were no arrears of such statutory dues as at March 31, 2011 for a period of more than six months from the date they became payable.

We have been informed that statutory dues like Sales tax, Custom duty and Excise Duty are not applicable to the Company.

- (b) According to the information and explanations given, there are no outstanding dues of Provident Fund, Employees' State Insurance, Income tax, Wealth Tax, Service tax and Cess which have not been deposited on account of any dispute except as mentioned below:

Name of statute	Nature of dues	Year to which it pertains	Amount (₹)	Forum where dispute is pending
Income Tax Act 1961	Income tax	FY 2007-08	2,657,415,522/-	CIT (A)

- (x) The Company has neither any accumulated losses at the end of the financial year nor has incurred any cash loss in the current and immediate preceding financial year.
- (xi) The Company has not borrowed funds from financial institutions, banks or debenture holders, hence clause 4(xi) of the Order is not applicable to the Company.
- (xii) 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.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society, hence clause 4(xiii) of the Order is not applicable to the Company.
- (xiv) According to the information and explanations given and in our opinion, the Company is not dealing or trading in shares, securities, debentures, and other investments, hence clause 4(xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given, the Company has not given any guarantee for loans taken by others from bank or financial institution.
- (xvi) According to the information and explanations given to us, the Company has not raised any term loans, hence clause 4(xvi) of the Order is not applicable to the Company.
- (xvii) According to the information and explanations given 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.
- (xviii) The Company has not made any preferential allotment of shares to parties or Companies covered in the register maintained under Section 301 of the Act.
- (xix) According to the information and explanations given, the Company has not issued any debentures, hence clause 4(xix) of the Order is not applicable to the Company.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the auditing standards generally accepted in India, we have neither come across any instances of fraud on or by the Company, noticed or reported during the course of our audit nor have we been informed of such case by the management.

For and on behalf of

Khimji Kunverji & Co.

Chartered Accountants

Registration No. 105146W

Shivji K. Vikamsey

Partner

Membership No. 2242

Place: Mumbai

Date: May 25, 2011

Balance Sheet

As at March 31, 2011

(₹ in '000)

	Schedule	As at 31.03.2011	As at 31.03.2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	A	749,711	749,711
Reserves & surplus	B	15,428,304	15,788,328
Loan funds			
Secured loans	C	875	3,024
Deferred tax liabilities (net)		1,103,532	1,126,646
		17,282,422	17,667,709
APPLICATION OF FUNDS			
Fixed assets			
D			
Gross block		35,600	40,057
Less: Provision for depreciation		14,063	12,770
Net block		21,537	27,287
Capital work in progress		-	1,125
		21,537	28,412
Investments			
	E	15,079,622	15,560,153
Current assets, loans & advances			
Cash and bank balances	F	1,152,199	1,378,022
Loans and advances	G	1,533,757	1,191,592
Other current assets	H	51,591	258,332
		2,737,547	2,827,946
Current liabilities & provisions			
Current liabilities	I	88,151	341,513
Provisions	J	468,133	407,289
		556,284	748,802
Net current assets			
		2,181,263	2,079,144
Funds utilised			
		17,282,422	17,667,709
Significant accounting policies & notes to accounts			
	M		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our attached report of even date

For and on behalf of
Khimji Kunverji & Co.
Chartered Accountants
Registration No. 105146W

Shivji K Vikamsey
Partner
Membership No. 2242

Place: Mumbai
Date: May 25, 2011

For and on behalf of the Board of Directors

Nimesh N Kampani
Chairman & Managing Director

P K Choksi
Company Secretary

E A Kshirsagar
Director

Manish Sheth
Chief Financial Officer

Profit and Loss Account

For the year ended March 31, 2011

(₹ in '000)

	Schedule	For the year ended 31.03.2011	For the year ended 31.03.2010
Income	K	441,167	790,378
Expenditure	L	232,051	401,680
Profit before depreciation & interest		209,116	388,698
Less: Depreciation		6,174	6,593
Interest		250	390
Add/(less): Interest income/(reversal) on income tax refund		(105,335)	105,335
Profit before tax		97,357	487,050
Provision for taxation			
Current tax		20,000	37,500
Deferred tax		(23,113)	(23,990)
Tax adjustment of earlier years (net)		44	423
Profit after tax		100,426	473,117
Add: Balance profit brought forward from earlier years		11,547,457	11,523,127
Profit available for appropriation		11,647,883	11,996,244
Appropriations			
Proposed dividend:			
- Normal		449,922	187,445
- Silver jubilee special		-	187,445
Dividend distribution tax on proposed dividend		10,528	23,897
General reserve		15,000	50,000
Surplus carried to balance sheet		11,172,433	11,547,457
		11,647,883	11,996,244
Earnings per share (EPS)			
(face value of ₹ 1/- each) (refer note II (7) to schedule M)			
Basic & Diluted EPS (in ₹)		0.13	0.63
Significant accounting policies & notes to accounts	M		

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our attached report of even date

For and on behalf of
Khimji Kunverji & Co.
Chartered Accountants
Registration No. 105146W

Shivji K Vikamsey
Partner
Membership No. 2242

Place: Mumbai
Date: May 25, 2011

For and on behalf of the Board of Directors

Nimesh N Kampani
Chairman & Managing Director

P K Choksi
Company Secretary

E A Kshirsagar
Director

Manish Sheth
Chief Financial Officer

SCHEDULE A - SHARE CAPITAL

(₹ in '000)

	As at 31.03.2011	As at 31.03.2010
Authorised:		
1,000,000,000 (1,000,000,000) equity shares of ₹ 1/- each	1,000,000	1,000,000
Issued and Subscribed Capital:		
749,869,500 (749,869,500) equity shares of ₹ 1/- each		
Paid up Capital:		
749,782,500 (749,782,500) equity shares of ₹ 1/- each fully paid-up. (of the above 12,500,000 (12,500,000) equity shares of ₹ 1/- each issued for consideration other than cash and 449,869,500 (449,869,500) shares are allotted as fully paid bonus shares by capitalisation of reserves)	749,783	749,783
Less: Equity shares held under abeyance (refer note II (3) to schedule M)	115	115
Add: 87,000 Forfeited shares (amount originally paid up)	43	43
TOTAL	749,711	749,711

SCHEDULE B - RESERVES AND SURPLUS

(₹ in '000)

	As at 31.03.2011	As at 31.03.2010
Securities premium		
Balance as per last balance sheet	2,610,871	2,610,871
General reserve		
Balance as per last balance sheet	1,630,000	1,580,000
Add: Transferred from profit and loss account	15,000	50,000
	1,645,000	1,630,000
Surplus in profit and loss account	11,172,433	11,547,457
TOTAL	15,428,304	15,788,328

SCHEDULE C - SECURED LOANS

(₹ in '000)

	As at 31.03.2011	As at 31.03.2010
Dues under finance lease (refer note II (8) to schedule M)	875	3,024
TOTAL	875	3,024

SCHEDULE D - FIXED ASSETS

(₹ in '000)

Particulars	Gross block (At cost)			Depreciation/Amortisation			Net block		
	As at 31.03.2010	Additions for the year	Deductions for the year	As at 31.03.2010	Additions for the year	Deductions for the year	Total upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
Owned assets:									
Tangible									
Office premises	10,850	-	-	10,850	178	-	3,318	7,532	7,710
Computers	2,673	1,873	336	4,210	859	96	1,539	2,671	1,897
Office equipment	817	308	29	1,096	180	4	467	629	526
Furniture & fixtures	3,680	306	-	3,986	599	-	1,379	2,607	2,900
Leasehold improvements	3,296	-	-	3,296	731	-	1,848	1,448	2,179
Motor vehicle	4,643	-	-	4,643	929	-	1,858	2,785	3,714
Intangible									
Softwares	5,107	230	31	5,306	1,065	31	2,381	2,925	3,760
Leased assets:									
Motor vehicles	8,991	1,122	7,900	2,213	1,633	4,750	1,273	940	4,601
TOTAL	40,057	3,839	8,296	35,600	6,174	4,881	14,063	21,537	27,287
Previous year	23,362	16,822	127	40,057	6,593	46	12,770	27,287	

SCHEDULE E - INVESTMENTS

(₹ in '000)

	As at 31.03.2011		As at 31.03.2010	
	Quantity	Amount	Quantity	Amount
LONG TERM INVESTMENTS				
Fully paid-up (unless otherwise stated)				
A. TRADE INVESTMENTS				
Unquoted				
Investments in subsidiary companies				
Equity shares of ₹ 10/- each				
(unless otherwise stated)				
1 JM Financial Consultants Private Limited	28,000,000	3,660,824	28,000,000	3,660,824
2 JM Financial Investment Managers Limited	1,800,000	931,617	1,800,000	931,617
3 JM Financial Ventures Limited	8,800,000	3,023,000	8,800,000	3,023,000
4 JM Financial Products Limited	490,050,000	5,094,133	490,050,000	5,094,133
5 JM Financial Asset Management Private Limited	31,462,500	1,313,849	31,462,500	1,313,849
6 JM Financial Holdings (Mauritius) Limited (Shares of US\$ 1 each)	-	-	5,000	226
7 JMF-BR Investments Holdings (Mauritius) Limited (Shares of US\$ 1 each)	-	-	7,495	340
8 Infinite India Investment Management Private Limited (refer note a)	1,600,000	23,800	1,550,000	23,800
Preference shares of ₹ 10/- each				
(unless otherwise stated)				
9 JM Financial Consultants Private Limited (7% Optionally convertible redeemable preference shares)	-	-	850,000	148,750
10 JM Financial Holdings (Mauritius) Limited (Redeemable participating shares of US\$ 1 each)	-	-	5,000	226
Warrants				
11 JM Financial Asset Management Private Limited (refer note b)	5,287,897	-	5,287,897	-
Investments in associates				
Equity shares of ₹ 10/- each				
(unless otherwise stated)				
12 JM Financial Asset Reconstruction Company Private Limited	102,900,000	1,029,000	102,900,000	1,029,000
13 Financial Engineering Solutions Private Limited (net of provision for diminution of ₹ 21,000,000/- [previous year ₹ 15,000,000/-])	2,400,000	3,000	2,400,000	9,000
14 JM Financial Trustee Company Private Limited	25,000	250	25,000	250
		15,079,473		15,235,015

(₹ in '000)

	As at 31.03.2011		As at 31.03.2010	
	Quantity	Amount	Quantity	Amount
B. OTHER INVESTMENTS				
Equity shares of ₹ 10/- each (unless otherwise stated)				
Quoted				
15 Siemens Limited (net of provision for diminution of Nil [previous year ₹ 7,155,000/-])	-	-	30,000	21,748
16 Supreme Infrastructure India Limited	-	-	238,000	19,040
Unquoted				
17 National Stock Exchange of India Limited	-	-	96,667	284,201
Mutual Fund Units of ₹ 10/- each (unless otherwise stated)				
18 JM Equity Fund (refer notes c & d)	16,072	149	16,072	149
TOTAL		15,079,622		15,560,153

Notes

- During the year, the Company has acquired 50,000 (previous year 750,000) equity shares of face value of ₹ 10/- each of Infinite India Investment Management Private Limited (Infinite) from its erstwhile Joint Venture partner SRS Private Investment Management LLC for a consideration of ₹ 10/- (previous year ₹ 150/-). Consequently, Infinite has become a wholly-owned subsidiary of the Company.
- The warrants issued by JM Financial Asset Management Private Limited will entitle the Company, the right to apply for and get allotted one equity share for every warrant held by it, which right can be exercised by the Company within a period of 36 months from the date of allotment of such warrants, viz., January 23, 2009, by paying ₹ 136/- per share.
- Represents initial contribution as a 'Sponsor' towards setting up of JM Financial Mutual Fund, which cannot be sold/transferred.
- Net asset value of the mutual fund units as on March 31, 2011 is ₹ 241,513/- (previous year ₹ 229,194/-) against book value of ₹ 149,470/- (previous year ₹ 149,470/-).
- Market value of the quoted investments as on March 31, 2011 is Nil (previous year ₹ 65,151,700/-) against book value of Nil (previous year ₹ 47,943,474/-).
- During the year, following investments were purchased & sold:

Particulars	Purchased		Sold	
	No. of IDRs	Amount in ₹	No. of IDRs	Amount in ₹
Standard Chartered PLC IDRs	739,063	76,862,552	739,063	83,310,993

SCHEDULE F - CASH AND BANK BALANCES

(₹ in '000)

	As at 31.03.2011	As at 31.03.2010
Cash on hand	27	31
Bank balance with scheduled banks:		
- In current accounts	11,804	8,945
- In fixed deposits	1,140,368	1,369,046
TOTAL	1,152,199	1,378,022

SCHEDULE G - LOANS AND ADVANCES

(₹ in '000)

(Unsecured considered good)

	As at 31.03.2011	As at 31.03.2010
Advances recoverable in cash or in kind or for value to be received	22,768	46,849
Dues from subsidiaries (refer note II (4) to schedule M)	22,214	17,000
Deposits	42,900	94,951
Advance tax and tax deducted at source (net of provisions)	1,445,875	1,032,792
TOTAL	1,533,757	1,191,592

SCHEDULE H - OTHER CURRENT ASSETS

(₹ in '000)

	As at 31.03.2011	As at 31.03.2010
Interest accrued but not due	50,932	27,317
Dividend receivable	659	231,015
TOTAL	51,591	258,332

SCHEDULE I - CURRENT LIABILITIES

(₹ in '000)

	As at	As at
	31.03.2011	31.03.2010
Dues to subsidiaries	209	175
Unclaimed dividend	6,356	4,949
Property deposits	10,000	10,000
Sundry Creditors*	4,032	3,651
Other liabilities	67,554	322,738
TOTAL	88,151	341,513

* Due to Micro, Small and Medium Enterprises (refer note II (5) to schedule M)

Nil

Nil

SCHEDULE J - PROVISIONS

(₹ in '000)

	As at	As at
	31.03.2011	31.03.2010
For gratuity (refer note II (9) to schedule M)	5,595	4,124
For compensated absences	2,088	4,378
For proposed dividend:		
- Normal	449,922	187,445
- Silver jubilee special	-	187,445
For dividend distribution tax on proposed dividend	10,528	23,897
TOTAL	468,133	407,289

SCHEDULE K - INCOME

(₹ in '000)

	For the year ended	For the year ended
	31.03.2011	31.03.2010
Dividend on investments	18,106	379,662
Interest (tax deducted at source ₹ 7,528,028/- (previous year ₹ 16,255,707))	77,299	123,407
Group support fees (net) (tax deducted at source ₹ 30,442,800/- (previous year ₹ 39,214,827))	276,000	273,712
Profit on sale of investments (net)	63,849	-
Lease rent (tax deducted at source ₹ 195,725/- (previous year ₹ 278,387))	1,957	1,923
Other income (refer note II (21) to schedule M)	3,956	11,674
TOTAL	441,167	790,378

SCHEDULE L - EXPENDITURE

(₹ in '000)

	For the year ended	For the year ended
	31.03.2011	31.03.2010
Payment to and provisions for employees:		
- Salaries, bonus and allowances	132,722	328,778
- Contribution to provident fund	4,765	4,278
- Gratuity	3,602	538
- Staff welfare	1,070	211
	142,159	333,805
Rent	31,787	31,607
Rates and taxes	850	1,290
Insurance	2,197	1,829
Legal and professional fees	8,034	3,717
Auditors' remuneration	1,395	1,405
Directors' commission	-	4,500
Communication expenses	921	696
Repairs and maintenance	6,364	1,851
Travelling expenses	1,862	1,744
Membership and subscription	586	2,529
Electricity expenses	311	388
Donation	3,000	3,000
Printing and stationery expenses	3,687	1,319
Advertisement expenses	20,599	4,634
Miscellaneous expenses	8,299	7,366
TOTAL	232,051	401,680

SCHEDULE M

Significant Accounting Policies and Notes to Accounts

I. Significant accounting policies

1. Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on an accrual basis of accounting and are in compliance with the applicable Accounting Standards notified in the Companies (Accounting Standard) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 ("the Act"). Except otherwise mentioned, the accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

2. Use of estimates

The preparation of financial statements is in conformity with Indian Generally Accepted Accounting Principles, which require the management to make estimates and assumptions, that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and differences between actual results and estimates are recognised in the periods in which the results are known/materialised.

3. Revenue recognition

Fees are recognised on accrual basis in accordance with agreements/arrangements.

Dividend income on investments is accounted for when the Company's right to receive dividend is established.

Interest income is recognised on accrual basis.

4. Fixed assets and depreciation

Owned tangible assets

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

Depreciation on tangible fixed assets is provided, on a pro-rata basis for the period of use, on the Straight Line Method (SLM), based on rates as per management's estimate of useful life of the fixed assets, or at the rates prescribed in Schedule XIV to the Act whichever is higher. The estimated useful life is as per the following table:

Assets	Useful Life
Furniture	10 years
Office equipment	5 years
Computers	5 years
Leasehold improvements	10 years or lease period whichever is lower
Office premises	61 years

Assets costing ₹ 5,000/- or less are fully depreciated in the year of acquisition.

Owned intangible assets

Intangible fixed assets are stated at the cost of acquisition or internal generation, less accumulated amortisation and impairment losses. An intangible asset is recognised, 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 depreciable 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 costs where it is reasonably estimated that the software has an enduring useful life. Software is depreciated over management estimate of its useful life not exceeding 5 years.

Leased assets

Assets acquired under finance lease are capitalised at the inception of lease at the fair value of the assets or present value of minimum lease payments whichever is lower. These assets are fully depreciated on a straight line basis over the lease term or its useful life whichever is shorter.

5. Impairment of assets

An asset is considered as impaired when on the balance sheet date there are indications of impairment in 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 level of recoverable amount and the reduction is recognised as an impairment loss in the profit and loss account.

6. Investments

Investments are classified as long term or current. Long term investments are carried at cost; however, provision for diminution in the value of long term investments is made to recognise a decline, other than temporary, in the value of investments. The provision for diminution in the value of the quoted long term investments is made to recognise the decline at lower of cost and market value, determined on the basis of the quoted prices of individual investment. Provision for diminution in the value of unquoted long term investments is made as per the Management's estimate. Current investments are carried at lower of cost or fair value.

7. Foreign currency transactions

Transactions in foreign currency are recorded at the rate of exchange prevailing on the date of transaction. Foreign currency monetary items are reported using closing rate of exchange at the end of the year. The resulting exchange gain/loss is reflected in the profit and loss account. Other non-monetary items like fixed assets, investments in equity shares, are carried in terms of historical cost using the exchange rate at the date of transaction.

8. Employee benefits

Defined contribution plan

The Company makes defined contribution to the provident fund, which is recognised in the profit and loss account on accrual basis.

Defined benefit plan

The Company's liabilities under the Payment of Gratuity Act are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method. Actuarial gains and losses are recognised in the

statement of profit and loss account as income or expense respectively. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields on the date of balance sheet on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Short-term employee benefits

Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related services are rendered.

9. Taxation

Tax expenses comprise current and deferred tax.

A provision for current tax is made on the basis of the estimated taxable income for the current accounting year in accordance with the provisions of Income Tax Act, 1961.

Deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that apply substantively as on the date of balance sheet. Deferred tax assets, arising from timing differences, are recognised only if there is reasonable certainty that these will be realised in future.

Deferred tax assets, in case of unabsorbed losses and unabsorbed depreciation, are recognised only if there is virtual certainty that such deferred tax asset can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

10. Operating leases

Leases, where significant portion of risk and reward of ownership retained by the lessor, are classified as operating leases and lease rentals thereon are charged to the profit and loss account.

11. Employee stock option scheme

The stock options granted are accounted for as per the accounting treatment prescribed by the Securities and Exchange Board of India (SEBI) (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, whereby the intrinsic value of the option is recognised as deferred employee compensation. The deferred employee compensation is charged to the profit and loss account over the period of vesting. The employee stock option outstanding account, net of any unamortised deferred employee compensation, is shown separately as part of Reserves.

12. Provisions, contingent liabilities and contingent assets

Contingent liabilities are possible but not probable obligations as on the balance sheet date, based on the available evidence. Provisions are recognised when there is a present obligation as a result of past event; and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on best estimate required to settle the obligation at the balance sheet date. Contingent assets are not recognised in the financial statements.

II. Notes to Accounts

1. A. Contingent liability

Contingent liability in respect of income tax demand disputed in appeal is ₹ 2,945,333,514/- (previous year ₹ 36,011,675/-). During the year, the Company received a notice of demand from the income tax department pursuant to completion of scrutiny assessment for the Assessment Year 2008-09. The additional tax liability arising out of the aforesaid notice, net of relevant deferred tax liability is ₹ 2,909,321,839/-, inclusive of interest of ₹ 783,418,889/-. The demand of additional tax is mainly on account of income tax department treating the gain on sale of equity shares on termination of joint venture with Morgan Stanley as taxable under the head "Business Income" and not "Capital Gains".

The Company has challenged the assessment order before the appellate authority.

B. Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ 6,542,192/- (previous year ₹ 6,808,521/-).

2. Employee stock option scheme (ESOS)

The Employee Stock Option Scheme ("the Scheme") provides for grant of stock options to the eligible employees and/or directors ("the Employees") of the Company and/or its subsidiaries. The Scheme is in accordance with the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Options are granted at an exercise price, which is either equal to the fair market price of the underlying equity shares or at a premium, as may be determined by the Compensation Committee of the Board.

The Scheme provides for grant of options to the Employees that vests in a graded manner, which are to be exercised within a specified period. During the financial year 2010-11, the Company has granted 3,750,000 options at an exercise price of ₹ 54.80 per option.

The details of outstanding options are as under:

Particulars	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
Options outstanding at the beginning of the year	12,637,500	11,137,500
Add: Options granted during the year	3,750,000	1,500,000
Less: Options exercised during the year	Nil	Nil
Less: Options forfeited/cancelled during the year	Nil	Nil
Less: Options lapsed during the year	1,500,000	Nil
Outstanding at end of year	14,887,500	12,637,500
Exercisable at end of year	Nil	Nil

The Company has used intrinsic value based method of accounting for determining compensation cost for its stock-based compensation scheme. Since the exercise price is higher than fair market price, the compensation cost for the year ended March 31, 2011 is Nil (previous year Nil).

The estimated fair value of each stock option granted in the Scheme is mentioned in the table below. This was calculated by applying Black-Scholes-Merton model as valued by an independent valuer. The model inputs were the share price at respective grant date, exercise price of ₹ 54.80, volatility of 61.52% to 64.30%, dividend yield of 0.96%, expected term of options in the range of 5 years to 6 years, and a risk-free interest rate of 7.48% to 7.74%.

Details of 3,750,000 options granted during the financial year 2010-11, based on the graded vesting and fair value of the options.

% of Options to be vested	No. of Options	Vesting date	Fair value per Option (₹)
33.33%	1,250,000	April 21st, 2013	18.17
33.33%	1,250,000	April 21st, 2014	19.78
33.33%	1,250,000	April 21st, 2015	20.84

Details of 1,500,000 options granted during the previous financial year, based on the graded vesting and fair value of the options.

% of Options to be vested	No. of Options	Vesting date	Fair value per Option (₹)
33.33%	500,000	October 29th, 2012	23.45
33.33%	500,000	October 29th, 2013	24.62
33.33%	500,000	October 29th, 2014	25.87

The options granted during the previous year, have lapsed during the current year.

Based on the valuation report applying Black-Scholes-Merton model, the expense arising from stock option scheme on the basis of fair value method of accounting is ₹ 70,764,833/- (previous year ₹ 61,307,496/-) Accordingly, had the compensation been determined using the fair value method, the Company's net profit and basic and diluted earnings per share as reported would have been reduced after giving effect to the stock-based employee compensation amounts as under:

(₹ in '000)

Particulars	As reported		As adjusted	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Net profit	100,426	473,117	29,661	411,810
Basic and Diluted earnings per share (in ₹)	0.13	0.63	0.04	0.55

3. Share capital

The issued, subscribed and paid-up capital, inter alia, includes an amount in respect of 287,500 shares (previous year 287,500 shares) held in abeyance under Section 206A of the Act.

4. Loans & advances includes

(₹ in '000)

Amount receivable from	Balance as at	Balance as at	Maximum amount outstanding during	Maximum amount outstanding during
	March 31, 2011	March 31, 2010	the year	the previous year
Subsidiaries				
JM Financial Services Private Limited	22,108	-	42,635	29,573
JM Financial Products Limited	45	17,000	21,262	17,000
JM Financial Securities Private Limited	35	-	35	1,296
JM Financial Institutional Securities Private Limited	26	-	8,672	19,358
Total	22,214	17,000	72,604	67,227

5. Under the head “Current Liabilities & Provisions” outstanding amount(s) due to Micro, Small and Medium Enterprises (MSME) as defined under Micro, Small and Medium Enterprises Development Act 2006 is being disclosed as “Nil”, as the Company has not received any reply from its Vendors to the letters written by the Company. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

6. Deferred tax assets/(liabilities) at the year-end comprise timing differences on account of

(₹ in '000)

Particulars	As at	As at
	March 31, 2011	March 31, 2010
Depreciation	(2,427)	(2,617)
Expenses allowable under section 35DD	-	2,130
Expenditure	756	1,937
Investments	(1,101,861)	(1,128,096)
Total	(1,103,532)	(1,126,646)

7. Earnings per share (EPS) is calculated as under

(₹ in '000)

Particulars	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
Net profit as disclosed in profit and loss account	100,426	473,117
Weighted average number of equity shares outstanding during the year (Nos.)	749,782,500	749,782,500
Basic and Diluted earnings per share (in ₹)	0.13	0.63

8. Lease Transaction

Finance lease

The Company has acquired vehicles under the finance lease agreements. The tenure of lease agreements ranges between 36 and 60 months with an option to prepayments/foreclosure.

The minimum lease rentals outstanding with respect to these assets are as under:

(₹ in '000)

Particulars	Total minimum lease payment outstanding as at	Lease finance charges not due	Present value of the minimum lease payment as at	Total minimum lease payment outstanding as at	Lease finance charges not due	Present value of the minimum lease payment as at
	March 31, 2011		March 31, 2011	March 31, 2010		March 31, 2010
Not later than 1 year	449	114	335	2,202	390	1,812
Later than 1 year but not later than 5 years	619	79	540	1,485	273	1,212
Later than 5 years	-	-	-	-	-	-
Total	1,068	193	875	3,687	663	3,024

Operating lease

- a) The Company had taken two premises under operating lease for the period of 22 months and 42 months respectively. The same was non-cancellable for an initial period of 11 months and 24 months respectively. However, both the operating leases have been terminated during the year. The minimum lease rentals outstanding with respect to these assets are as under:

(₹ in '000)

Particulars	Total Lease payments outstanding as at	Total Lease payments outstanding as at
	March 31, 2011	March 31, 2010
Not later than 1 year	-	1,600
Later than 1 year but not later than 5 years	-	250
Later than 5 years	-	-
Expenditure debited to profit & loss account	800	1,253

- b) The Company had taken certain assets (premises and furniture & fixtures) on cancellable operating lease for a period ranging not more than 24 months. Lease payment recognised in the profit & loss account for the year in respect thereof aggregate to ₹ 10,200,577/- (previous year ₹ 7,176,167/-)

9. Employee benefits

A. Defined benefit plans

a) Gratuity

(₹ in '000)

Amount recognised in the balance sheet with respect to gratuity	For the year ended March 31, 2011	For the year ended March 31, 2010
Present value of the defined benefit obligation at the year end	5,595	4,124
Fair value of plan assets	-	-
Net liability	5,595	4,124

(₹ in '000)

Amount recognised in salary, wages and employee benefits in the profit and loss account with respect to gratuity	For the year ended March 31, 2011	For the year ended March 31, 2010
Current service cost	964	1,550
Interest on defined benefit obligations	394	158
Expected return on plan assets	-	-
Net actuarial gain/(loss) recognised during the year	(962)	308
Past service cost	2,856	-
Net gratuity cost	3,252	2,016

(₹ in '000)

Actual return on plan assets	For the year ended March 31, 2011	For the year ended March 31, 2010
Expected return on plan assets	-	-
Actuarial gain/(loss) on plan assets	-	-

(₹ in '000)

Reconciliation of present value of the obligation and the fair value of the plan assets	For the year ended March 31, 2011	For the year ended March 31, 2010
Opening defined benefit obligation	4,124	2,108
Current service cost	964	1,550
Interest cost	394	158
Actuarial (gain)/loss	(962)	308
Past service cost	2,856	-
Liability assumed on acquisition/(settled on divestiture)	(1,781)	-
Benefits paid	-	-
Closing defined benefit obligation	5,595	4,124

(₹ in '000)

Change in fair value of plan assets	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
Opening fair value of the plan assets	-	-
Expected return on plan assets	-	-
Actuarial (gain)/loss	-	-
Assets acquired on amalgamation	-	-
Contributions by the employer	-	-
Benefits paid	-	-
Closing fair value of the plan assets	-	-

(₹ in '000)

Investment details of plan assets	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
Investment details of plan assets	-	-

Principal actuarial assumptions at the balance sheet date	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
Discount rate	8.05%	7.75%
Estimated rate of return on plan assets	-	-
Retirement age	60 years	60 years
Salary escalation	7.00% per annum	6.25% per annum

Valuation assumptions

- The estimates of future salary increases, takes into account inflation, seniority, promotion and other relevant factors in the employment market.
- The above information is certified by the actuary.

b) Compensated absences

As per Company's policy, provision of ₹ 2,088,309/- (previous year ₹ 4,378,437/-) has been made towards compensated absences, calculated on the basis of unutilised leave as on the last day of the financial year.

B. Defined contribution plans

Amount recognised as an expense and included in the "Contribution to provident fund & other funds" ₹ 4,764,500/- (previous year ₹ 4,278,315/-).

10. Disclosure with respect to the Company's interest in joint ventures pursuant to AS 27 on 'Financial Reporting of Interests in Joint Venture'

(₹ in '000)

Sr. Particulars No.	Country of incorporation	Proportion of ownership interest as at	Proportion of ownership interest as at
		March 31, 2011	March 31, 2010*
a. Name of the joint venture company			
Infinite India Investment Management Private Limited	India	-	-
b. Aggregate of the Company's share in the above venture in:			
Net fixed assets		-	-
Investments		-	-
Net current assets		-	-
Deferred tax asset		-	-
Income		-	71,187
Expenses (including depreciation & taxation)		-	60,436

Notes

- The ownership interest for the previous year has been calculated on the basis of the audited accounts of the joint venture entity.
- *Infinite has ceased to be a joint venture on its termination of joint venture agreement with SRS Private Investment Management LLC w.e.f. March 30, 2010.

11. Auditors' remuneration*

(₹ in '000)

Particulars	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
Audit fees	900	900
Certification	45	43
Limited review	450	450
Reimbursement of expenses	-	12
Total	1,395	1,405

*Above fees is exclusive of service tax of ₹ 143,685/- (previous year ₹ 144,664/-).

12. Managerial remuneration

(a) Computation of net profit as per Sections 349 & 350 of the Act

(₹ in '000)

Particulars	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
Profit before tax as per profit and loss account	97,357	487,050
Add: Directors' sitting fees	920	1,310
Directors' commission provided	-	4,500
Managerial remuneration paid	11,675	11,486
	109,952	504,346
Less: Profit on sale of investments (net)	63,849	-
Reversal of provision for diminution in value of investments	1,155	11,100
Profit available for managerial remuneration	44,948	493,246
Managerial remuneration calculated @ 5%	2,247	24,662

(b) Remuneration paid to the Managing Director

(₹ in '000)

Particulars	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
Managerial remuneration calculated @ 5%	2,247	24,662
Limits as per Schedule XIII to the Act	4,800	24,662
Salary	6,000	6,000
Contribution to provident fund	360	360
Perquisites	5,315	5,126
Total	11,675	11,486

Notes

1. An excess amount of remuneration of ₹ 3,599,866/-, payable to the managing director for the financial year 2008-09 will be paid on receipt of the approval from the Government for which the Company has represented to them.
2. The remuneration paid to the Managing Director for the financial year 2010-11 includes ₹ 6,515,106/-, which is in excess of the limits prescribed under the provisions of Section 309 of the Act read with Schedule XIII to the Act. The Company is in the process of filing an application to the Central Government seeking its approval for payment of remuneration to the Managing Director in excess of the limits prescribed as above and for waiving the recovery of the excess remuneration paid to him.

(c) Directors' commission provided

(₹ in '000)

Particulars	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
<i>Directors' commission calculated @ 1%</i>	449	4,932
Directors' commission proposed by the Board and provided for	-	4,500

13. Expenditure/amount spent in foreign currency (on accrual basis)

(₹ in '000)

Particulars	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
Purchase of Investments	#	#
Other expenditure	3,548	1,708
Total	3,548	1,708

Denotes amount below ₹ 500/-

14. Amount remitted in foreign currency on account of dividend

(₹ in '000)

Particulars	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
Dividend amount	12,389	7,513
Number of shareholders	2	3
Number of shares (face value of ₹ 1/- each)	24,778,023	37,564,875

15. a) As the Company is a Core Investment Company, its 'investment activities' is considered as the only segment in context of AS 17 on 'Segment Reporting'.
b) Geographical segment is also not applicable to the Company.
16. Disclosure in respect of related parties is attached as per Annexure 'I'.
17. Statement of cash flow is attached as per Annexure 'II'.
18. Interest expense includes ₹ 221,177/- (previous year ₹ 383,546/-) towards interest on fixed loan and ₹ 28,605/- (previous year ₹ 5,995/-) towards interest other than fixed loan.
19. During the year, the Company earned dividend of ₹14,377,808/- (previous year ₹ 378,030,000/-) from trade investments and dividend of ₹ 3,728,086/- (previous year ₹ 1,631,612/-) from other investments.
20. Group support fees are net of Group support charges of Nil (previous year ₹ 68,285,588/-).
21. Other income includes ₹ 1,155,000/- (previous year ₹ 11,000,000/-) being net reversal of provision for diminution in the value of investments.
22. Other additional disclosures require under paras 3, 4C and 4D of Part II of Schedule VI to the Act are not applicable to the Company.
23. Previous year's figures have been re-grouped and re-arranged wherever necessary.

**Annexure 'I' to note 16 of part II of schedule M
Disclosure in respect of related parties pursuant to AS 18 on 'Related Party Disclosure'**

A. List of related parties

I) Parties where control exists

a) Subsidiaries

JM Financial Consultants Private Limited (IBD)
JM Financial Institutional Securities Private Limited (IED)
JM Financial Investment Managers Limited (Investment Managers)
JM Financial Ventures Limited (SSF)
JM Financial Services Private Limited (Financial Services)
JM Financial Commtrade Limited (Commtrade)
JM Financial Insurance Broking Private Limited (Insurance Broking)
JM Financial Products Limited (NBFC)
JM Financial Securities Private Limited (FID)
JM Financial GILTS Limited (GILTS)
JM Financial Asset Management Private Limited (AMC)
JM Financial Overseas Holdings Private Limited (Overseas)
JM Financial Holdings (Mauritius) Limited (JMFM) (upto June 30, 2010)
JMF-BR Investments Holdings (Mauritius) Limited (JMFBR)
Oracle Enterprises Private Limited (Oracle)
Persepolis Investments Limited (PIL)
Persepolis PIPE Investments Limited (PPIL)
Infinite India Investment Management Private Limited (Infinite)

b) Partnership Firm

Stellar Investments (Stellar)

II) Other parties with whom the Company has entered into transactions during the year

a) Associates

JM Financial Asset Reconstruction Company Private Limited (ARC)
JM Financial Trustee Company Private Limited (Trustee)
Financial Engineering Solutions Private Limited (FES)

b) Key management personnel

Mr. Nimesh N Kampani (NNK)

c) Relative of key management personnel

Mr. Ashith N Kampani (ASNK)

d) Enterprise over which Key management personnel is able to exercise significant influence

J.M. Financial & Investment Consultancy Services Private Limited (JMFICS)

J.M. Assets Management Private Limited (J.M.Assets)

JSB Securities Limited (JSB)

Kampani Consultants Limited (KCL)

Persepolis Investment Company Private Limited (PICPL)

SNK Investments Private Limited (SNK)

FICS Consultancy Services Limited (FICS)

Kampani Properties and Holdings Limited (KPHL)

- B. I)** No amounts in respect of related parties have been written off/back during the year.
- II)** During the year, the amount provided for diminution in the value of investments in respect of one of the related parties is ₹ 6,000,000/- (previous year Nil) As on the balance sheet date, the provision in respect thereof is ₹ 21,000,000/- (previous year ₹15,000,000/-).
- III)** Related party relationships have been identified by the management and relied upon by the auditors.

Annexure 'I' to note 16 of part II of schedule M Related party disclosures

(₹ in '000)

	Subsidiaries		Associates		Key Management Personnel		Relatives of Key Management Personnel		Enterprise over which individual in II(b) above is able to exercise significant influence		Total	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	
		March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011
Investments made in (refer Investment Schedule E)	-	148,750	-	159,500	-	-	-	-	-	-	-	308,250
Investment redeemed (refer Investment Schedule E)	148,750	-	-	-	-	-	-	-	-	-	148,750	-
Investment Sold/Transferred to IBD	353,172	-	-	-	-	-	-	-	-	-	353,172	-
Distribution on winding up of JMFM	13	-	-	-	-	-	-	-	-	-	13	-
Purchase of fixed assets from												
IBD	237	5,623	-	-	-	-	-	-	-	-	237	5,623
Investment Managers	-	32	-	-	-	-	-	-	-	-	-	32
Financial Services	-	425	-	-	-	-	-	-	-	-	-	425
NBFC	-	4,127	-	-	-	-	-	-	-	-	-	4,127
FICS	-	-	-	-	-	-	-	-	-	64	-	64
Sale of fixed assets to												
IBD	38	-	-	-	-	-	-	-	-	-	38	-
IED	26	-	-	-	-	-	-	-	-	-	26	-
Investment Managers	-	53	-	-	-	-	-	-	-	-	-	53
Financial Services	2,847	-	-	-	-	-	-	-	-	-	2,847	-
NBFC	166	-	-	-	-	-	-	-	-	-	166	-
FID	35	-	-	-	-	-	-	-	-	-	35	-
Infinite	-	28	-	-	-	-	-	-	-	-	-	28
Employee related transfers from												
IBD	1,206	31,125	-	-	-	-	-	-	-	-	1,206	31,125
Financial Services	182	695	-	-	-	-	-	-	-	-	182	695
NBFC	270	-	-	-	-	-	-	-	-	-	270	-
Employee related transfers to												
IBD	1,605	-	-	-	-	-	-	-	-	-	1,605	-
IED	-	12	-	-	-	-	-	-	-	-	-	12
Financial Services	3,185	-	-	-	-	-	-	-	-	-	3,185	-
NBFC	22	-	-	-	-	-	-	-	-	-	22	-

Notes

1. Since Infinite (erstwhile joint venture), became a subsidiary in the financial year 2009-10, figures of the previous year have been disclosed under the head Subsidiaries.
2. # Denotes amount below ₹ 500/-

Annexure 'I' to note 16 of part II of schedule M (contd..)

	(₹ in '000)												
	Subsidiaries		Associates		Key Management Personnel		Relatives of Key Management Personnel		Enterprise over which individual in II(b) above is able to exercise significant influence		Total		
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	
Dividend received from													
IBD	14,378	84,000	-	-	-	-	-	-	-	-	-	14,378	84,000
NBFC	-	294,030	-	-	-	-	-	-	-	-	-	-	294,030
Dividend paid to													
JMFICS	-	-	-	-	-	-	-	-	101,703	40,621	-	101,703	40,621
J.M. Assets	-	-	-	-	-	-	-	-	44,901	17,779	-	44,901	17,779
JSB	-	-	-	-	-	-	-	-	2,428	971	-	2,428	971
KCL	-	-	-	-	-	-	-	-	93	37	-	93	37
SNK	-	-	-	-	-	-	-	-	4,255	1,702	-	4,255	1,702
NNK	-	-	-	-	-	27,072	-	-	-	-	-	27,072	-
ASNK	-	-	-	-	-	-	-	#	-	-	-	-	7
Group support fees received from													
IBD	30,000	18,000	-	-	-	-	-	-	-	-	-	30,000	18,000
IED	30,000	78,000	-	-	-	-	-	-	-	-	-	30,000	78,000
Investment Managers	30,000	18,000	-	-	-	-	-	-	-	-	-	30,000	18,000
SSF	18,000	18,000	-	-	-	-	-	-	-	-	-	18,000	18,000
Financial Services	30,000	75,714	-	-	-	-	-	-	-	-	-	30,000	75,714
NBFC	60,000	12,000	-	-	-	-	-	-	-	-	-	60,000	12,000
Infinite	18,000	18,000	-	-	-	-	-	-	-	-	-	18,000	18,000
ARC	-	-	30,000	18,000	-	-	-	-	-	-	-	30,000	18,000
AMC	30,000	18,000	-	-	-	-	-	-	-	-	-	30,000	18,000
Rent income received from													
Financial Services	1,957	1,923	-	-	-	-	-	-	-	-	-	1,957	1,923

Notes

1. Since Infinite (erstwhile joint venture), became a subsidiary in the financial year 2009-10, figures of the previous year have been disclosed under the head Subsidiaries.
2. # Denotes amount below ₹ 500/-

Annexure 'I' to note 16 of part II of schedule M (contd..)

(₹ in '000)

	Subsidiaries		Associates		Key Management Personnel		Relatives of Key Management Personnel		Enterprise over which individual in II(b) above is able to exercise significant influence		Total	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2010	
Rent paid to												
IBD	18,000	18,000	-	-	-	-	-	-	-	-	18,000	18,000
IED	2,712	2,732	-	-	-	-	-	-	-	-	2,712	2,732
Financial Services	38	-	-	-	-	-	-	-	-	38	38	-
JMFICS	-	-	-	-	-	-	-	-	5,881	4,115	5,881	4,115
KPHL	-	-	-	-	-	-	-	-	456	380	456	380
FICS	-	-	-	-	-	-	-	-	564	864	564	864
Interest paid to												
NBFC	123	304	-	-	-	-	-	-	-	-	123	304
Brokerage paid to												
Financial Services	295	-	-	-	-	-	-	-	-	-	295	-
Remuneration paid to												
NNK	-	-	-	-	11,675	11,486	-	-	-	-	11,675	11,486
Board Meeting Fees paid to												
ASNK	-	-	-	-	-	-	120	180	-	-	120	180
Audit Committee Sitting Fees paid to												
ASNK	-	-	-	-	-	-	60	100	-	-	60	100
Conveyance paid to												
ASNK	-	-	-	-	-	-	6	9	-	-	6	9
Expenses reimbursed to												
IBD	1,131	3,892	-	-	-	-	-	-	-	-	1,131	3,892
Financial Services	27	134	-	-	-	-	-	-	-	-	27	134
NBFC	-	134	-	-	-	-	-	-	-	-	-	134
AMC	3	3	-	-	-	-	-	-	-	-	3	3
JMFICS	-	-	-	-	-	-	-	-	218	150	218	150
FICS	-	-	-	-	-	-	-	-	5	6	5	6

Notes

1. Since Infinite (erstwhile joint venture), became a subsidiary in the financial year 2009-10, figures of the previous year have been disclosed under the head Subsidiaries.
2. # Denotes amount below ₹ 500/-

Annexure 'I' to note 16 of part II of schedule M (contd..)

(₹ in '000)

	Subsidiaries		Associates		Key Management Personnel		Relatives of Key Management Personnel		Enterprise over which individual in II(b) above is able to exercise significant influence		Total	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	
Expenses recovered from												
IBD	2,864	2,804	-	-	-	-	-	-	-	-	2,864	2,804
IED	833	148	-	-	-	-	-	-	-	-	833	148
Investment Managers	-	#	-	-	-	-	-	-	-	-	-	#
SSF	-	1	-	-	-	-	-	-	-	-	-	1
Financial Services	635	187	-	-	-	-	-	-	-	-	635	187
NBFC	4,402	41,597	-	-	-	-	-	-	-	-	4,402	41,597
FID	-	59	-	-	-	-	-	-	-	-	-	59
Infinite	-	374	-	-	-	-	-	-	-	-	-	374
ARC	-	-	-	21,356	-	-	-	-	-	-	-	21,356
AMC	-	187	-	-	-	-	-	-	-	-	-	187
Directors' commission paid to												
ASNK	-	-	-	-	-	-	-	-	-	-	-	450
Outstanding Balance												
Investments in	14,047,223	14,196,765	1,032,250	1,038,250	-	-	-	-	-	-	15,079,473	15,235,015
Property deposits received from												
Financial Services	10,000	10,000	-	-	-	-	-	-	-	-	10,000	10,000
Property deposits paid to												
KPHL	-	-	-	-	-	-	-	-	15,000	15,000	-	15,000

Notes

1. Since Infinite (erstwhile joint venture), became a subsidiary in the financial year 2009-10, figures of the previous year have been disclosed under the head Subsidiaries.
2. # Denotes amount below ₹ 500/-

Annexure 'I' to note 16 of part II of schedule M (contd..)

	Subsidiaries		Associates		Key Management Personnel		Relatives of Key Management Personnel		Enterprise over which Individual in II(b) above is able to exercise significant influence		Total	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Receivable from												
IBD	-	84,000	-	-	-	-	-	-	-	-	-	84,000
IED	26	-	-	-	-	-	-	-	-	-	26	-
Financial Services	22,108	-	-	-	-	-	-	-	-	-	22,108	-
NBFC	45	164,015	-	-	-	-	-	-	-	-	45	164,015
FID	35	-	-	-	-	-	-	-	-	-	35	-
ARC	-	-	-	6,949	-	-	-	-	-	-	-	6,949
Payable to												
IBD	206	10	-	-	-	-	-	-	-	-	206	10
Financial Services	-	164	-	-	-	-	-	-	-	-	-	164
NBFC	-	595	-	-	-	-	-	-	-	-	-	595
AMC	3	1	-	-	-	-	-	-	-	-	3	1
FICS	-	-	-	-	-	-	-	-	-	-	-	1
ASNK	-	-	-	-	-	-	-	-	-	-	-	450
NNK	-	-	-	-	3,600	3,600	-	-	-	-	3,600	-

Notes

1. Since Infinite (erstwhile joint venture), became a subsidiary in the financial year 2009-10, figures of the previous year have been disclosed under the head Subsidiaries.
2. # Denotes amount below ₹ 500/-

**Annexure 'II' to note 17 of part II of schedule M
Statement of Cash Flow for the year ended March 31, 2011**

(₹ in '000)

Particulars	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
A Cash Flow from operating activities		
Net profit before tax	97,357	487,050
Adjustment for:		
Depreciation	6,174	6,593
Profit on sale of investments	(63,849)	-
Dividend income	(18,106)	(379,662)
Interest expense	250	390
Reversal of provision for diminution in the value of investments	(1,155)	(11,100)
Provision for gratuity (net)	1,471	2,016
Provision/(reversal) of provision for leave encashment (net)	(2,290)	2,350
Operating profit before working capital changes	19,852	107,637
Adjustment for:		
Trade & other receivables	47,304	(171,028)
Trade payables	(253,363)	308,869
Cash generated from/(used in) operations	(186,207)	245,478
Direct taxes paid	(433,127)	(54,657)
Net cash from/(used in) operating activities	(619,334)	190,821
B Cash flow from investment activities		
Purchase of investments	(76,863)	(308,250)
Sale of investments	622,396	-
Purchase of assets	(2,714)	(17,948)
Sale of assets	3,415	81
Dividend received	248,462	148,647
Net cash from/(used in) investment activities	794,696	(177,470)

Annexure 'II' to note 13 of part II of schedule M (contd..)

(₹ in '000)

Particulars	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
C Cash flow from financing activities		
Secured loan (net)	(2,148)	209
Interest expenses paid	(250)	(390)
Dividend paid including dividend distribution tax	(398,787)	(150,456)
Net cash used in financing activities	(401,185)	(150,637)
Net decrease in cash & cash equivalents	(225,823)	(137,286)
Cash & cash equivalents (opening)	1,378,022	1,515,308
Cash & cash equivalents (closing)	1,152,199	1,378,022

Previous year's figures have been regrouped and rearranged wherever necessary

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

**For and on behalf of
Khimji Kunverji & Co.**
Chartered Accountants
Registration No. 105146W

Shivji K Vikamsey
Partner
Membership No. 2242

Place: Mumbai
Date: May 25, 2011

For and on behalf of the Board of Directors

Nimesh N Kampani
Chairman & Managing Director

E A Kshirsagar
Director

P K Choksi
Company Secretary

Manish Sheth
Chief Financial Officer

**Additional information pursuant to part IV of schedule VI to the Companies Act, 1956.
Balance Sheet Abstract and General Business Profile**

(₹ in '000)

a. Registration details

Registration no.: L67120MH1986PLC038784
Balance sheet date: 31.03.2011

State Code : 11

b. Capital raised during the year

Public issue	-
Rights issue	-
Bonus issue	-
Private placement	-

c. Position of mobilisation and deployment of funds

Total liabilities	17,282,422
Total assets	17,282,422

Sources of Funds

Paid-up Capital	749,711
Reserves and surplus	15,428,304
Deferred tax liabilities	1,103,532
Secured loans	875

Application of Funds

Net fixed assets	21,537
Investments	15,079,622
Net current assets	2,181,263
Miscellaneous expenditure	-
Accumulated losses	-

d. Performance of the Company

Turnover	441,167
Total expenditure	343,810
Profit before tax	97,357
Profit after tax	100,426
Earnings per share (in ₹)	0.13
Dividend per share (in ₹)	0.60

e. Generic Names of Principal Products of the Company

Item code no. (ITC code)	Not applicable
Product description	Not applicable

Financial Information of the subsidiary companies for the year ended March 31, 2011

Name of the Subsidiary	Currency	Paid up Capital	Reserves	Total assets including investments	Investments ^a	Total liabilities ^b	Turnover	Profit/(Loss) before Tax	Provision for taxation	Profit / (Loss) after Tax	Dividend proposed ^c
JM Financial Consultants Private Ltd	₹	280,000	4,825,335	5,677,623	1,334,605	572,288	1,292,177	428,363	73,544	355,731	162,712 ^e
JM Financial Services Private Ltd	₹	500,000	1,442,430	9,471,405	47,474	7,528,975	2,848,969	486,421	150,705	335,716	-
JM Financial Insurance Broking Private Ltd	₹	500	(159)	351	347	10	17	2	-	2	-
JM Financial Investment Managers Ltd	₹	18,000	1,206,036	1,535,686	1,167,111	311,650	174,192	50,286	13,796	36,489	-
JM Financial Comtrade Ltd	₹	75,000	(57,676)	86,875	4,952	69,551	20,893	2,753	530	2,223	-
JM Financial Ventures Ltd	₹	90,000	2,047,810	2,210,355	1,709,387	72,545	172,295	62,811	6,847	55,964	-
Oracle Enterprises Private Ltd	₹	10,100	(3,013)	7,132	-	46	347	306	-	306	-
JM Financial Products Ltd	₹	5,445,000	2,108,481	36,270,769	2,392,304	28,717,288	3,410,592	972,826	240,990	731,836	316,145
JM Financial Securities Private Ltd	₹	50,000	52,330	107,561	2,047	5,231	34,799	17,652	5,463	12,190	-
JM Financial Institutional Securities Private Ltd	₹	143,500	1,570,804	1,859,568	12,066	145,264	650,051	163,831	29,945	133,886	-
JM Financial Asset Management Private Ltd	₹	587,257	535,048	1,211,905	878,026	89,600	316,935	(60,009)	(161)	(59,848)	-
Infinite India Investment Management Private Ltd	₹	16,000	24,450	69,450	180	29,000	91,726	5,222	1,117	3,995	-
JM Financial Gilts Ltd	₹	11,500	(10,626)	885	875	-	2	(10,626)	-	(10,626)	-
JM Financial Overseas Holdings Private Ltd	₹*	223,250	95,115	323,332	223,250	4,967	107,104	102,635	3,003	99,632	-
Persepolis Investments Ltd ^d	US\$	5,000	2,130	7,241	5,000	111	2,350	2,252	66	2,186	-
	₹*	22	(2)	63	-	44	-	(1)	-	(1)	-
	US\$	1	#	1	-	1	-	#	-	#	-
Persepolis PIPE Investments Ltd ^d	₹*	22	(2)	63	-	44	-	(1)	-	(1)	-
	US\$	1	#	1	-	1	-	#	-	#	-

* Exchange rate as on March 31, 2011: 1 US\$ = ₹ 44.65

Denotes amount below US\$ 500/-

Notes

- Investments exclude investment in subsidiaries.
- Total liabilities exclude paid-up capital and reserves & surplus.
- Dividend proposed includes dividend distribution tax.
- Financial information is based on the financial statements as on December 31, 2010.
- Interim dividend aggregating ₹ 10,644,946/- has been declared by the Board of Directors.

To

The Members of JM Financial Limited

1. We have audited the attached Consolidated Balance Sheet of **JM Financial Limited** (hereinafter referred to as “the Company”) and its Subsidiaries, Joint Venture and Associates (collectively referred to as the “JM Financial Group”) as at March 31, 2011 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company’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. 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. We report that the Consolidated Financial Statements (CFS) of the Company and entities covered in JM Financial Group as referred to in note 1 of part II of schedule N have been prepared by the Company 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”, as notified in Companies (Accounting Standards) Rules, 2006 (as amended).
4. Included in this CFS are Assets of ₹ 4,803.95 Crore as at March 31, 2011, Revenues of ₹ 814.22 Crore and Net Cash Inflows of ₹ 527.88 Crore of the subsidiaries, including a partnership firm and Profits of ₹ 0.29 Crore of the associates 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.
5. Without qualifying our report, attention is drawn to note 10 of part II of schedule N, regarding managerial remuneration paid by the Company during the year amounting to ₹ 0.65 Crore and payment/provision for managerial remuneration of an aggregate amount of ₹ 5.58 Crore of a subsidiary of the Company in respect of earlier years, pending approval of the Central Government.

6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on 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 CFS, read together with para 4 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 Group as at March 31, 2011;
- b) in the case of the Consolidated Profit and Loss Account, of the profit of JM Financial Group for the year ended on that date; and
- c) in the case of the Consolidated Cash Flow Statement, of the cash flows of JM Financial Group for the year ended on that date.

For and on behalf of

Khimji Kunverji & Co

Chartered Accountants

Registration No. 105146W

Shivji K Vikamsey

Partner

Membership No. 2242

Place: Mumbai

Date: May 25, 2011

Consolidated Balance Sheet

As at March 31, 2011

(₹ in Crore)

	Schedule	As at 31.03.2011	As at 31.03.2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	A	74.97	74.97
Reserves & surplus	B	1,821.60	1,699.86
Capital reserve on consolidation		82.15	82.05
		1,978.72	1,856.88
Minority interest		140.70	127.09
Loan funds			
Secured loans	C	407.97	0.99
Unsecured loans	D	2,855.53	1,841.01
		3,263.50	1,842.00
Deferred tax liabilities		110.35	112.66
Less: Deferred tax assets		16.41	13.89
Deferred tax liabilities (net)		93.94	98.77
Funds employed		5,476.86	3,924.74
APPLICATION OF FUNDS			
Goodwill on consolidation		164.31	154.85
Fixed assets			
Gross block	E	108.79	102.24
Less: Accumulated depreciation		73.41	63.04
Net block		35.38	39.20
Capital work in progress		0.99	1.16
		36.37	40.36
Investments	F	883.68	995.87
Current assets, loans & advances			
Cash and bank balances	G	1,075.11	485.36
Loans and advances	H	2,451.05	1,792.20
Sundry debtors	I	111.52	114.32
Securities held as stock in trade		1,253.63	746.23
		4,891.31	3,138.11

(₹ in Crore)

	Schedule	As at	As at
		31.03.2011	31.03.2010
continued..			
Current liabilities & provisions			
Current liabilities	J	403.71	322.27
Provisions	K	95.10	82.18
		498.81	404.45
Net current assets		4,392.50	2,733.66
Funds utilised		5,476.86	3,924.74
Significant accounting policies & notes to accounts	N		

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.

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

**For and on behalf of
Khimji Kunverji & Co.**
Chartered Accountants
Registration No. 105146W

For and on behalf of the Board of Directors

Shivji K Vikamsey
Partner
Membership No. 2242

Nimesh N Kampani
Chairman & Managing Director

E A Kshirsagar
Director

Place: Mumbai
Date: May 25, 2011

P K Choksi
Company Secretary

Manish Sheth
Chief Financial Officer

Consolidated Profit and Loss Account

For the year ended March 31, 2011

(₹ in Crore)

	Schedule	For the year ended 31.03.2011	For the year ended 31.03.2010
Income			
Fees and commission		254.23	225.66
Brokerage		140.53	109.91
Securities funding and fund based activities		289.72	143.87
		684.48	479.44
Interest & other income	L	210.65	149.35
Total Income		895.13	628.79
Expenditure	M	402.84	367.09
Profit before depreciation and interest		492.29	261.70
Less: Depreciation		12.44	12.00
Interest		241.45	58.78
Add/(less): Interest income/(reversal) on income tax refund		(10.53)	10.53
Profit before tax		227.87	201.45
Provision for taxation			
Current tax		57.99	49.87
Deferred tax		(4.84)	(2.08)
Tax adjustment of earlier years (net)		(0.37)	(0.42)
Profit after tax		175.09	154.08
Less: Share in profit of minority interest (net)		7.38	4.45
Add: Share in profit of associates		6.85	2.03
Net consolidated profit		174.56	151.66
Add: Balance profit brought forward from earlier years		1,169.06	1,090.55
Profit available for appropriation		1,343.62	1,242.21

(₹ in Crore)

Schedule	For the year ended 31.03.2011	For the year ended 31.03.2010
continued..		
Appropriations		
Proposed dividend:		
- Normal	44.99	18.74
- Silver jubilee special	-	18.74
Dividend distribution tax on proposed dividend:		
- of the Company	1.05	2.40
- of the subsidiaries	6.40	4.02
General reserve	5.06	6.63
Statutory reserve	15.75	17.93
Capital redemption reserve	0.85	4.69
Surplus carried to balance sheet	1,269.52	1,169.06
	1,343.62	1,242.21
Earnings per share (EPS)		
(face value of ₹ 1/- each) (refer note II (7) to schedule N)		
Basic & Diluted EPS (in ₹)	2.33	2.02
Significant accounting policies & notes to accounts	N	

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

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

**For and on behalf of
Khimji Kunverji & Co.**
Chartered Accountants
Registration No. 105146W

Shivji K Vikamsey
Partner
Membership No. 2242

Place: Mumbai
Date: May 25, 2011

For and on behalf of the Board of Directors

Nimesh N Kampani
Chairman & Managing Director

E A Kshirsagar
Director

P K Choksi
Company Secretary

Manish Sheth
Chief Financial Officer

SCHEDULE A - SHARE CAPITAL

(₹ in Crore)

	As at 31.03.2011	As at 31.03.2010
Authorised: 1,000,000,000 (1,000,000,000) equity shares of ₹ 1/- each	100.00	100.00
Issued and Subscribed Capital: 749,869,500 (749,869,500) equity shares of ₹ 1/- each		
Paid up Capital: 749,782,500 (749,782,500) equity shares of ₹ 1/- each fully paid-up. (of the above 12,500,000 (12,500,000) equity shares of ₹ 1/- each issued for consideration other than cash and 449,869,500 shares are allotted as fully paid bonus shares by capitalisation of reserves)	74.98	74.98
Less: Equity shares held under abeyance (refer note II (5) to schedule N)	0.01	0.01
Add: 87,000 Forfeited shares (amount originally paid up)	#	#
TOTAL	74.97	74.97

Denotes amount below ₹ 50,000/-

SCHEDULE B - RESERVES AND SURPLUS

(₹ in Crore)

	As at 31.03.2011	As at 31.03.2010
Securities premium	306.15	306.15
Capital redemption reserve	7.33	6.47
General reserve	181.09	176.03
Statutory reserve	57.93	42.17
Surplus in profit and loss account	1,269.52	1,169.06
Employee stock option outstanding	#	0.01
Currency translation reserve	(0.42)	(0.03)
TOTAL	1,821.60	1,699.86

Denotes amount below ₹ 50,000/-

SCHEDULE C - SECURED LOANS

(₹ in Crore)

	As at 31.03.2011	As at 31.03.2010
Dues under finance lease	1.27	0.99
Bank overdraft	310.29	-
Collateralised borrowing and lending operation (CBLO)	96.41	-
TOTAL	407.97	0.99

SCHEDULE D - UNSECURED LOANS

(₹ in Crore)

	As at 31.03.2011	As at 31.03.2010
Non convertible debentures	-	325.00
Commercial papers	2,816.77	1,435.00
Others	38.76	81.01
TOTAL	2,855.53	1,841.01

SCHEDULE E - FIXED ASSETS

(₹ in Crore)

Particulars	Gross block (At cost)			Depreciation/Amortisation			Net block	
	As at 31.03.2010	Additions for the year	Deductions for the year	As at 31.03.2010	Additions for the year	Deductions for the year	As at 31.03.2011	As at 31.03.2010
Owned assets:								
Tangible								
Office premises	7.79	0.70	-	3.76	0.08	-	4.65	4.03
Leasehold improvements	10.86	0.08	0.26	5.29	2.04	0.21	3.56	5.57
Computers	33.43	2.56	0.23	25.45	3.24	0.16	7.23	7.98
Office equipment	15.58	1.00	0.35	9.99	2.10	0.34	4.48	5.59
Furniture and fixtures	13.34	0.60	0.03	6.65	1.18	0.02	6.10	6.69
Motor vehicles	1.77	-	-	0.24	0.38	-	1.15	1.54
Intangible								
Softwares	13.99	2.93	#	8.06	2.35	#	6.51	5.93
Stock exchange membership	1.43	-	-	1.43	-	-	-	-
Stock exchange non refundable deposit	0.09	-	-	0.09	-	-	-	-
Leased assets:								
Motor vehicles	3.96	1.33	1.78	2.08	1.07	1.34	1.70	1.88
TOTAL	102.24	9.20	2.65	63.04	12.44	2.07	35.38	39.20
Previous year	100.13	12.46	10.35	56.96	12.00	5.92	39.20	

Denotes amount below ₹ 50,000/-

SCHEDULE F - INVESTMENTS

(₹ in Crore)

	As at 31.03.2011		As at 31.03.2010	
	Quantity	Amount	Quantity	Amount
A LONG TERM INVESTMENTS				
I TRADE INVESTMENTS				
1 JM Financial Asset Reconstruction Company Private Limited	102,900,000	102.90	102,900,000	102.90
Add : Share in post acquisition profit		8.73		2.17
		111.63		105.07
2 Financial Engineering Solutions Private Limited (including goodwill on investment ₹ 0.40 Crore)	2,400,000	2.40	2,400,000	2.40
Less : Share in post acquisition loss		(2.10)		(1.96)
		0.30		0.44
3 JM Financial Trustee Company Private Limited	25,000	0.03	25,000	0.03
Add : Share in post acquisition profit		2.45		2.02
		2.48		2.05
II OTHER INVESTMENTS				
1 EQUITY SHARES				
a) Quoted		160.92		149.04
b) Unquoted		84.32		67.13
2 PREFERENCE SHARES		14.63		48.98
3 DEBENTURES/BONDS		115.54		0.02
4 VENTURE CAPITAL FUND UNITS		131.26		110.02
5 EQUITY ORIENTED MUTUAL FUND UNITS		7.59		7.59
		628.67		490.34
Less: Provision for diminution in the value of investments		34.07		34.66
Total (A)		594.60		455.68
B CURRENT INVESTMENTS				
I MUTUAL FUND UNITS		20.66		493.86
II DEBENTURES/BONDS		268.42		46.33
Total (B)		289.08		540.19
TOTAL (A+B)		883.68		995.87

SCHEDULE G - CASH AND BANK BALANCES		
	(₹ in Crore)	
	As at	As at
	31.03.2011	31.03.2010
Cash on hand	0.03	0.02
Bank balance with scheduled banks:		
- In current accounts	33.92	37.29
- In fixed deposits	1,041.16	448.05
TOTAL	1,075.11	485.36

SCHEDULE H - LOANS AND ADVANCES		
	(₹ in Crore)	
	As at	As at
	31.03.2011	31.03.2010
Loans & advances recoverable:		
- Secured	2,026.29	1,325.00
- Unsecured	105.25	146.54
	2,131.54	1,471.54
Less: Provision	6.65	3.95
	2,124.89	1,467.59
Deposits	98.36	133.12
Advance tax & tax deducted at source (net of provision)	213.43	182.62
Others	14.37	8.87
TOTAL	2,451.05	1,792.20

SCHEDULE I - SUNDRY DEBTORS (UNSECURED)		
	(₹ in Crore)	
	As at	As at
	31.03.2011	31.03.2010
Debts outstanding for a period exceeding six months	7.37	3.52
Other debts	108.55	113.25
	115.92	116.77
Less: Provision	4.40	2.45
TOTAL	111.52	114.32

SCHEDULE J - CURRENT LIABILITIES

(₹ in Crore)

	As at 31.03.2011	As at 31.03.2010
Sundry creditors	359.94	306.97
Unclaimed dividend	0.64	0.49
Other liabilities	43.13	14.81
TOTAL	403.71	322.27

SCHEDULE K - PROVISIONS

(₹ in Crore)

	As at 31.03.2011	As at 31.03.2010
For gratuity	7.76	5.51
For compensated absences	4.12	4.08
For standard assets	27.77	26.79
For proposed dividend: by the Company		
- Normal	44.99	18.74
- Silver jubilee special	-	18.74
by the subsidiaries (to minority shareholders)	2.72	1.63
For dividend distribution tax on proposed dividend: of the Company	1.05	2.40
of the subsidiaries	6.69	4.29
TOTAL	95.10	82.18

SCHEDULE L - INTEREST & OTHER INCOME

(₹ in Crore)

	For the year ended 31.03.2011	For the year ended 31.03.2010
Interest	57.62	39.24
Dividend	42.07	18.08
Profit on sale of investments (net of reversal of provision)	47.29	64.22
Income on proprietary trading (net)	52.11	17.03
Miscellaneous income	11.56	10.78
TOTAL	210.65	149.35

SCHEDULE M - EXPENDITURE

(₹ in Crore)

	For the year ended	For the year ended
	31.03.2011	31.03.2010
Payment to and provisions for employees:		
- Salaries and bonus	200.33	204.68
- Contribution to provident fund and other funds	6.85	5.30
- Staff welfare	3.44	2.70
	210.62	212.68
Sub-brokerage, fees and commission	82.99	75.05
Rent	24.47	24.88
Legal and professional fees	15.08	9.39
Provision for bad and doubtful debts/advances	7.57	0.52
Membership and subscription	6.23	4.50
Rates and taxes	5.83	3.32
Communication expenses	5.83	4.98
Information technology expenses	5.57	4.15
Repairs and maintenance	5.46	3.84
Travelling and conveyance expenses	5.09	4.26
Electricity expenses	4.24	4.59
Printing and stationery expenses	3.35	2.22
Advertisement expenses	2.60	0.63
Bank guarantee commission and bank charges	2.21	1.92
Fund expenses	1.92	0.83
Donation	1.64	1.67
Business conference and seminar expenses	1.56	0.25
Insurance expenses	1.08	0.88
Auditors' remuneration	0.80	0.67
Directors' commission	0.26	0.45
Miscellaneous expenses	8.43	5.42
TOTAL	402.84	367.09

SCHEDULE N

Significant Accounting Policies and Notes to Accounts

I. Significant accounting policies

1. Basis of preparation of financial statements

The consolidated financial statements (CFS) comprises the financial statements of JM Financial Limited (“Company”) and its subsidiaries, associates and joint venture companies (herein-after referred to as “Group companies” and together as “Group”). The financial statements of the Group have been prepared under the historical cost convention on an accrual basis in compliance with material aspect of the applicable Accounting Standards notified under Companies (Accounting Standards) Rules 2006, the relevant provisions of the Companies Act, 1956 (“the Act”) and the circulars and guidance issued by the Reserve Bank of India from time to time. Except otherwise mentioned, the accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

2. Use of estimates

The preparation of financial statements is in conformity with Indian Generally Accepted Accounting Principles which require the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates and differences between actual results and estimates are recognised in the periods in which the results are known/materialised.

3. Principles of consolidation

The financial statements of the Company, its subsidiary companies and joint ventures (to the extent of the share of the Company) have been combined on a line-by-line basis by adding together similar items of assets, liabilities, income and expenses, after eliminating intra-group balances and transactions as per AS 21 - “Consolidated Financial Statements”.

Investments in Associate companies have been accounted under the equity method as per AS 23 - “Accounting for Investments in Associates in Consolidated Financial Statements”.

Interests in Joint ventures have been accounted by using the proportionate consolidation method as per AS 27 - “Financial Reporting of Interests in Joint Ventures”.

The net profit of the subsidiaries for the year attributable to the share of minority interest is identified and adjusted against the income in the CFS in order to arrive at the net income attributable to the interest of shareholders of the Company. Similarly the amount attributable to the share of minority interest in net assets of consolidated subsidiaries is identified and presented in the CFS, separate from the liabilities and the equity of the Company.

The excess/deficit of cost to the Company of its investment over its portion of net worth in the consolidated entities at the respective dates on which investment in such entities was made is recognised in the CFS as goodwill/capital reserve on consolidation.

4. Revenue recognition

Revenue is recognised at the point when there is reasonable certainty of its ultimate realisation/collection.

- a) Revenue from Investment Banking business, which mainly includes the lead manager’s fees, selling commission, underwriting commission, fees for mergers, acquisitions and advisory assignments and arrangers’ fees for mobilising funds is recognised 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 recognised 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 for companies and funds for mutual funds from investors is 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 is recognised when the services are determined to be completed.
- e) Dividend income is recognised when the right to receive the dividend is established.
- f) Interest income is recognised on accrual basis.

5. Fixed assets and depreciation

Owned tangible assets

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

Depreciation on tangible fixed assets is provided, on a pro-rata basis for the period of use, on the Straight Line Method (SLM), based on rates as per management's estimate of useful life of the fixed assets, or at the rates prescribed in Schedule XIV to the Companies Act, 1956, whichever is higher, as per the following table:

Assets	Useful Life
Furniture	10 years
Office equipment	5 years
Computers	5 years
Leasehold improvements	10 years or lease period whichever is lower
Office premises	61 years

Assets costing ₹ 5,000/- or less are fully depreciated in the year of acquisition.

Owned intangible assets

Intangible fixed assets are stated at cost of acquisition or internal generation, less accumulated amortisation and impairment losses. An intangible asset is recognised, 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 depreciable amount of the intangible assets is allocated over the best estimate of its useful life on a straight line basis.

The Group capitalises software and related implementation costs where it is reasonably estimated that the software has an enduring useful life. Software is depreciated over management estimate of its useful life not exceeding 5 years.

Leased assets

Assets acquired under finance lease are capitalised at the inception of lease at the fair value of the assets or present value of minimum lease payments whichever is lower. These assets are fully depreciated on a straight line basis over the lease term or its useful life whichever is shorter.

6. Impairment of assets

An asset is considered as impaired when on the balance sheet date there are indications of impairment in 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 assets' net selling price and value in use). The carrying amount is reduced to the level of recoverable amount and the reduction is recognised as an impairment loss in the profit and loss account.

7. Investments

Investments are classified as long term or current. Long term investments are carried at cost, however, provision for diminution in the value of long-term investments is made to recognise a decline, other than temporary, in the value of investments. The provision for diminution in the value of the quoted long-term investments is made to recognise the decline at lower of cost or market value, determined on the basis of the quoted prices of individual investment. Provision for diminution in the value of unquoted long-term investments is made as per the Management's estimate. Current investments are carried at lower of cost or fair value.

8. Securities held as a result of underwriting/stock-in-trade

These securities are valued at lower of cost or market value. Any reduction in the carrying amount of securities and any reversals of such reductions are charged or credited to the profit and loss account.

9. Employee benefits

Defined contribution plan

The Group makes defined contribution to the provident fund, which is recognised in the profit and loss account on an accrual basis.

Defined benefit plan

The Group's liabilities under the Payment of Gratuity Act are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method. Actuarial gains and losses are recognised in the statement of profit and loss account as income or expense respectively. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields on the date of balance sheet on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Short-term employee benefits

Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related services are rendered.

10. Taxation

Tax expense comprises current tax and deferred tax.

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the provisions of Income Tax Act, 1961.

Deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that apply substantively as on the date of balance sheet. 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, in case of unabsorbed losses and unabsorbed depreciation, are recognised only if there is virtual certainty that such deferred tax asset can be realised against future taxable profits.

11. Proprietary trading

In the course of its proprietary trading, the Group enters into transactions in the Cash-Future Arbitrage and the Index Arbitrage.

The Group has adopted the recognition and measurement principles enunciated in AS 30 - "Financial Instruments: Recognition & Measurement" to the extent it is not inconsistent with the "Accounting Standards" notified by the Companies (Accounting Standards) Rules 2006, for the arbitrage transactions of the Group, encompassing purchase of equity shares in the cash market and selling the same in the futures market, selling of equity shares borrowed under Securities Lending and Borrowing Segment and buying the same in futures market and sale/purchase of Nifty futures, sale/purchase of equity futures of Nifty scrips, sale/purchase of Nifty/equity stock options, etc. These are considered to be part of a portfolio of identified financial instruments that are managed as part of that group and are acquired principally for the purpose of selling/repurchasing in the near term, and hence these are treated as financial assets 'held for trading'. Accordingly, if the net difference is a loss (being an unrealised loss), provision is made for the same in the profit & loss account and if the net difference is a gain (being an unrealised gain), credit is not taken for the same on the principle of prudence.

12. Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account.

13. Operating leases

Leases, where significant portion of risk and reward of ownership are retained by the lessor, are classified as operating leases and lease rentals thereon are charged to the profit and loss account.

14. Employee stock option scheme

The stock options granted are accounted for as per the accounting treatment prescribed by the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, whereby the intrinsic value of the option is recognised as deferred employee compensation. The deferred employee compensation is charged to the profit and loss account over the period of vesting. The employee stock option outstanding account, net of any unamortised deferred employee compensation, is shown separately as part of Reserves.

15. Foreign subsidiaries

The operations of foreign subsidiaries are considered as non-integral and have been converted in ₹ at the following exchange rates:

- a) Revenue and expenses: At the average exchange rate during the year.
- b) All assets and liabilities: At the exchange rate prevailing at the end of the year.

The resultant translation exchange difference has been transferred to currency translation reserve.

16. Foreign currency transactions

Transactions in foreign currency are recorded at rates of exchange prevailing on the date of transaction. Foreign currency monetary items are reported using closing rate of exchange at the end of the year. The resulting exchange gain/loss is reflected in the profit and loss account. Other non-monetary items, like fixed assets, investments in equity shares, are carried in terms of historical cost using the exchange rate at the date of transaction.

17. Provisions, contingent liabilities and contingent assets

Contingent liabilities are possible but not probable obligations as on the balance sheet date, based on the available evidence. Provisions are recognised when there is a present obligation as a result of past event; and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on best estimate required to settle the obligation at the balance sheet date. Contingent assets are not recognised in the financial statements.

II. Notes to Accounts

1. Entities included in consolidation

Particulars	Country of incorporation	Proportion of interest as on March 31, 2011	Proportion of interest as on March 31, 2010
		(%)	(%)
Subsidiaries			
JM Financial Consultants Private Limited (IBD)	India	100.00	100.00
JM Financial Institutional Securities Private Limited (IED)	India	100.00	100.00
JM Financial Investment Managers Limited (Investment Manager)	India	100.00	100.00
JM Financial Ventures Limited (SSF)	India	97.78	97.78
Oracle Enterprises Private Limited (Oracle)	India	97.78	97.78
JM Financial Services Private Limited (Financial Services) (refer note a)	India	90.90	100.00
JM Financial Commtrade Limited (Commtrade) (refer note a)	India	90.90	100.00
JM Financial Insurance Broking Private Limited (Insurance Broking) (refer note a)	India	90.90	100.00
JM Financial Products Limited (NBFC)	India	90.00	90.00
JM Financial Securities Private Limited (FID)	India	90.00	90.00
JM Financial GILTS Limited (GILTS)	India	90.00	-
JM Financial Asset Management Private Limited (AMC)	India	53.58	53.60
JM Financial Overseas Holdings Private Limited (JMF Overseas)	Mauritius	100.00	100.00
JM Financial Holding (Mauritius) Limited (JMFM) (refer note b)	Mauritius	-	100.00
JMF-BR Investments Holdings (Mauritius) Limited (JMFBR) (refer note c)	Mauritius	-	100.00
Persepolis Investments Limited (PIL) (refer note d)	Mauritius	-	100.00
Persepolis PIPE Investments Limited (PPIL) (refer note d)	Mauritius	-	100.00
Infinite India Investment Management Private Limited (Infinite) (refer note e)	India	100.00	96.88
Partnership Firm			
M/s Stellar Investments (Stellar)	India	97.80	97.80
Associates			
JM Financial Asset Reconstruction Company Private Limited (ARC)	India	49.00	49.00
Financial Engineering Solutions Private Limited (FES)	India	30.00	30.00
JM Financial Trustee Company Private Limited (Trustee)	India	25.00	25.00

Notes

- a) During the year, Financial Services has ceased to be a subsidiary of IBD and became a subsidiary of NBFC. Shares of Financial Services are now held 91% by NBFC and 9% by IBD. Consequently, Financial Services and its subsidiaries viz., Commtrade and Insurance Broking are owned by the Group to the extent of 90.90%.
- b) JMFM has been wound up during the year.
- c) During the year, the Company has sold all the management shares held by it in JMFBR.
- d) PIL and PPIL, in which the Group held management shares, are in process of being wound up.
- e) During the year, Infinite has become a wholly owned subsidiary of the Company with the acquisition of the remaining 50,000 equity shares representing 3.12% of the total equity share capital of Infinite from SRS Private Investment Management LLC.

2. Contingent liability

Contingent liability in respect of disputed demands of income tax authorities is ₹ 296.41 Crore (previous year ₹ 6.94 Crore). The demand of additional tax by income tax authorities is mainly on account of income tax department treating the gain on sale of equity shares on termination of joint venture with Morgan Stanley as taxable under the head "Business Income" and not "Capital Gains". The Company has challenged the assessment order before the appellate authority.

Disputed demand of service tax authorities is ₹ 11.88 Crore (previous year ₹ 14.03 Crore).

Uncalled liability on account of commitment to subscribe to investment is ₹ 0.80 Crore (previous year ₹ 8.37 Crore).

Bank guarantees given by banks to exchanges is ₹ 28.97 Crore (previous year ₹ 22.98 Crore).

3. Capital commitments

The estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ 1.17 Crore (previous year ₹ 1.25 Crore).

4. Employee stock option scheme (ESOS)

The Employee Stock Option Scheme ("the Scheme") provides for grant of stock options to the eligible employees and/or directors ("the Employees") of the Company and/or its subsidiaries. The Scheme is in accordance with the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Options are granted at an exercise price, which is either equal to the fair market price of the underlying equity shares or at a premium, as may be determined by the Compensation Committee of the Board.

The Scheme provides for grant of options to the Employees that vests in a graded manner, which are to be exercised within a specified period. During the financial year 2010-11, the Company has granted 3,750,000 options at an exercise price of ₹ 54.80 per option.

The details of outstanding options are as under:

Particulars	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
Options outstanding at the beginning of the year	12,637,500	11,137,500
Add: Options granted during the year	3,750,000	1,500,000
Less: Options exercised during the year	Nil	Nil
Less: Options forfeited/cancelled during the year	Nil	Nil
Less: Options lapsed during the year	1,500,000	Nil
Outstanding at the end of the year	14,887,500	12,637,500
Exercisable at the end of the year	Nil	Nil

The Company has used intrinsic value based method of accounting for determining compensation cost for its stock-based compensation scheme. Since the exercise price is higher than fair market price, the compensation cost for the year ended March 31, 2011 is Nil (previous year Nil).

The estimated fair value of each stock option granted in the Scheme is mentioned in the table below. This was calculated by applying Black-Scholes-Merton model as valued by an independent valuer. The model inputs were the share price at respective grant date, exercise price of ₹ 54.80, volatility of 61.52% to 64.30%, dividend yield of 0.96%, expected term of options in the range of 5 years to 6 years, and a risk-free interest rate of 7.48% to 7.74%.

Details of 3,750,000 options granted during the financial year 2010-11, based on the graded vesting and fair value of the options:

% of Options to be vested	No. of Options	Vesting date	Fair value per Option (₹)
33.33%	12,50,000	April 21, 2013	18.17
33.33%	12,50,000	April 21, 2014	19.78
33.33%	12,50,000	April 21, 2015	20.84

Details of 1,500,000 options granted during the previous financial year, based on the graded vesting and fair value of the options:

% of Options to be vested	No. of Options	Vesting date	Fair value per Option (₹)
33.33%	500,000	October 29, 2012	23.45
33.33%	500,000	October 29, 2013	24.62
33.33%	500,000	October 29, 2014	25.87

The options granted during the previous year, have lapsed during the current year.

Based on the valuation report applying Black-Scholes-Merton model, the expense arising from stock option scheme on the basis of fair value method of accounting is ₹ 7.08 crore (previous year ₹ 6.13 crore). Accordingly, had the compensation been

determined using the fair value method, the Group's net profit and basic and diluted earnings per share as reported would have reduced by the stock-based employee compensation amounts as under:

(₹ in Crore)

Particulars	As reported		As adjusted	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Net profit	174.56	151.66	167.48	145.53
Basic and Diluted earnings per share (in ₹)	2.33	2.02	2.23	1.94

Subsidiary companies

a) JM Financial Asset Management Private Limited (AMC)

During the year, the Board of AMC has granted 725,000 Equity Stock Options (previous year Nil) to its employees under an Employee Stock Option Plan (ESOP) to be settled by issue of equity shares over the vesting period in the graded manner. Of the options granted, 155,000 options (previous year 1,475,000 options) lapsed/forfeited during the year. As at March 31, 2011, 30,000 options were exercised. Total options outstanding at the end of the year is 2,065,000 options (previous year 1,525,000 options).

b) JM Financial Institutional Securities Private Limited (IED)

During the year 2007-08, the Board of IED had granted 198,650 Equity Stock Options to its employees under an Employee Stock Option Plan (ESOP) to be settled by issue of equity shares over the vesting period in the graded manner. Of the options granted, 27,400 options lapsed during the previous year. As at March 31, 2011 the option exercised is Nil (previous year Nil). Total options outstanding at the end of the year is 171,250 options (previous year 171,250 options).

5. Share capital

The issued, subscribed and paid-up capital, inter alia, includes an amount in respect of 287,500 shares (previous year 287,500 shares) held in abeyance under Section 206A of the Act.

6. Deferred tax assets/(liabilities) at the year-end comprise timing differences on account of

(₹ in Crore)

Particulars	As at	As at
	March 31, 2011	March 31, 2010
Depreciation	0.11	(0.58)
Expenditure	3.52	3.39
Provision for doubtful debts	12.61	11.00
Unabsorbed short term capital loss	(110.19)	(112.81)
Expenses allowable under section 35D & 35DD	0.01	0.23
TOTAL	(93.94)	(98.77)

7. Earnings per share (EPS) is calculated as under

(₹ in Crore)

Particulars	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
Profit after tax	174.56	151.66
Weighted average number of equity shares outstanding during the year (Nos.)	749,782,500	749,782,500
Basic and Diluted earnings per share (in ₹)	2.33	2.02

8. Lease transactions

A. Finance lease

The Group has acquired vehicles under finance lease agreements. The tenure of lease agreements ranges between 36 and 60 months with an option to prepayments/foreclosure.

The minimum lease rentals outstanding with respect to these assets are as under:

(₹ in Crore)

Particulars	Total minimum lease payment outstanding as at	Interest not due	Present value of the minimum lease payment outstanding as at	Total minimum lease payment outstanding as at	Interest not due	Present value of the minimum lease payment outstanding as at
	March 31, 2011		March 31, 2011	March 31, 2010		March 31, 2010
Not later than 1 year	0.66	0.18	0.48	0.69	0.17	0.53
Later than 1 year but not later than 5 years	0.94	0.15	0.79	0.58	0.12	0.46
Later than 5 years	-	-	-	-	-	-
TOTAL	1.60	0.33	1.27	1.27	0.29	0.99

B. Operating lease

- i. The Group had taken certain assets under operating lease for the periods of 22 months and 42 months respectively. The same was non-cancellable for an initial period of 11 months and 24 months respectively.

The minimum lease rentals outstanding with respect to these assets are as under:

(₹ in Crore)

Particulars	Total Lease payments outstanding as at	Total Lease payments outstanding as at
	March 31, 2011	March 31, 2010
Not later than 1 year	11.21	11.36
Later than 1 year but not later than 5 years	10.09	18.02
Later than 5 years	-	-
Expenditure debited to profit & loss account	12.22	12.78

- ii. Group had taken certain assets (premises and furniture & fixtures) on cancellable operating lease for a period ranging from 11 months to 108 months. Lease payment recognised in the profit & loss account for the year in respect thereof aggregate to ₹ 12.25 Crore (previous year ₹ 12.10 Crore).

9. Disclosure pursuant to reporting under AS 27 on 'Financial Reporting of Interests in Joint Ventures'

(₹ in Crore)

Sr. Particulars No.	Country of incorporation	Proportion of ownership interest as at	Proportion of ownership interest as at
		March 31, 2011	March 31, 2010*
a. Name of the joint venture company			
Infinite India Investment Management Private Limited	India	-	-
b. Aggregate of the Company's share in the above venture in:			
Net fixed assets		-	-
Investments		-	-
Net current assets		-	-
Deferred tax asset		-	-
Income		-	7.12
Expenses (including depreciation & taxation)		-	6.04

Notes

- i. The ownership interest for the previous year has been calculated on the basis of the audited accounts of the joint venture entity.
- ii. *Infinite has ceased to be a joint venture w.e.f. March 30, 2010 upon its termination of joint venture agreement between the Company and SRS Private Investment Management LLC. The income and expenses have been consolidated to the extent of 50%.

10. Managerial remuneration

(₹ in Crore)

Particulars	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
Salary and bonus	6.58	4.70
Contribution to provident fund and other funds	0.13	0.08
Perquisites in cash or in kind	0.99	0.95
TOTAL	7.70	5.73

Notes

i. The above amount of ₹ 7.70 Crore (previous year ₹ 5.73 Crore) does not include directors' commission of Nil (previous year ₹ 0.45 Crore).

ii. An excess amount of remuneration of ₹ 0.36 Crore, payable to the Managing Director for the financial year 2008-09 will be paid on receipt of the approval from the Government for which the Company has represented to them.

The remuneration paid to the Managing Director for the financial year 2010-11 includes ₹ 0.65 Crore, which is in excess of the limits prescribed under the provisions of Section 309 of the Act read with Schedule XIII to the Act. The Company is in the process of filing an application to the Central Government seeking its approval for payment of remuneration to the Managing Director in excess of the limits prescribed as above and for waiving the recovery of the excess remuneration paid to him.

iii. In relation to one of the subsidiaries of the Company, an aggregate amount of remuneration of ₹ 1.08 Crore for the financial year 2008-09, which was in excess of the limits prescribed under the provisions of Section 309 of the Act read with Schedule XIII to the Act, was paid to the erstwhile Managing Director. The subsidiary company has made a representation to the Central Government to approve the payment of such excess amount of remuneration. Pending receipt of the approval from the Government, the erstwhile Managing Director has deposited with the Company the excess amount paid to him.

Further, the subsidiary company has represented the Central Government to consider granting permission for payment of remuneration to erstwhile Whole-time Director for the financial year 2007-08 aggregating ₹ 4.50 Crore, which is in excess of the limit prescribed under Schedule XIII to the Act. The excess amount has not been paid to the erstwhile Whole-time Director and the same will be paid only on receipt of the Central Government's approval.

11. Segmental reporting

I. Business segment

The Group has four reportable segments, namely, Investment banking & securities business, securities funding & fund-based activities, alternative asset management and asset management.

Segment	Principal activities
Investment banking & securities business	Investment banking and securities business includes advisory and execution services of diverse nature to corporates, institutions, governments and government owned corporations, banks and High Networth Individuals (HNIs), to offer wealth advisory services to HNIs and to distribute financial products in an open architecture environment to retail investors through a large network of franchisees and direct sales agents.
Securities funding & fund based activities	Securities funding and fund based activities include providing finance against securities to a diverse range of corporates and non-corporate clients. Further, it also includes trading in corporate bonds and government securities as well as identifying, acquiring and selling down debt assets through a range of structured products.
Alternative asset management	Alternative asset management includes managing funds of institutional and large non-institutional investors raised under various schemes for investments under mandated charter such as private equity, real estate fund and special situations.
Asset management	Assets management includes managing mutual fund assets through several schemes offering a range of investment options to a large number of investors.

The segment wise details is attached as per Annexure 'I'.

II. Geographical segment

The Group does not have any reportable geographical segment.

12. Disclosure in respect of related parties is attached as per Annexure 'II'.
13. Statement of consolidated cash flow is attached as per Annexure 'III'.
14. During the year 2008-09, the Group had made provision for diminution in value of long term investments in view of global financial crises and slowdown in economic growth.

Outstanding provision for diminution in the value of investments stood at ₹ 34.66 Crore in the books as at March 31, 2010.

During the year 2010-11, the Group exited few of its investments which have resulted into reversal of provision over and above the actual loss booked against each provision. Further, the Group has also reviewed outstanding provision for diminution in the value of investments at the year-end. Balance of outstanding provision stood at ₹ 34.07 Crore as at March 31, 2011.

15. Derivative instruments

The Group does not enter into any foreign currency derivative instruments for hedge or speculation.

16. Previous year's figures have been regrouped and rearranged wherever necessary.

**Annexure 'I' to note 11 of part II of schedule N
Disclosure in respect of segment reporting pursuant to AS 17 on 'Segment Reporting'**

(₹ in Crore)

Particulars	As at	As at
	31.03.2011	31.03.2010
Segment revenue		
A Investment banking and securities business	490.27	380.29
B Securities funding and fund based activities	342.80	162.93
C Alternative asset management	42.69	63.94
D Asset management	31.69	35.17
E Others	44.16	79.04
Total segment revenue	951.61	721.37
Less: Inter - segmental revenue	56.48	92.58
Total revenue	895.13	628.79
Segment results (prior to inter segment elimination)		
A Investment banking and securities business	118.40	65.69
B Securities funding and fund based activities	97.98	87.71
C Alternative asset management	12.46	42.15
D Asset management	(6.00)	(5.00)
E Others	5.03	10.90
Total segment results	227.87	201.45
Segment assets (prior to inter segment elimination)		
A Investment banking and securities business	1,408.23	1,098.27
B Securities funding and fund based activities	3,648.14	2,375.47
C Alternative asset management	381.24	371.93
D Asset management	124.17	135.38
E Unallocated	272.99	314.31
Total segment assets	5,834.77	4,295.36
Segment liabilities (prior to inter segment elimination)		
A Investment banking and securities business	815.57	616.00
B Securities funding and fund based activities	2,850.49	1,608.38
C Alternative asset management	41.31	41.64
D Asset management	9.16	14.71
E Unallocated	163.13	185.51
Total segment liabilities	3,879.66	2,466.24

Annexure 'I' to note 11 of part II of schedule N (contd..)

(₹ in Crore)

Particulars	As at	As at
	31.03.2011	31.03.2010
Capital expenditure incurred during the year		
A Investment banking and securities business	6.22	4.91
B Securities funding and fund based activities	1.02	1.48
C Alternative asset management	0.19	1.19
D Asset management	1.33	1.42
E Unallocated	0.27	1.79
Total capital expenditure	9.03	10.79
Depreciation/amortisation for the year		
A Investment banking and securities business	7.61	7.38
B Securities funding and fund based activities	1.00	0.82
C Alternative asset management	0.98	0.79
D Asset management	2.23	2.35
E Unallocated	0.62	0.66
Total depreciation/amortisation	12.44	12.00

**Annexure 'II' to note 12 of part II of schedule N
Disclosure in respect of related parties pursuant to AS 18 on 'Related Party Disclosure'**

I. List of related parties

Parties other than where control exists with whom the Company/subsidiaries have entered into transactions during the year:

A Associates

JM Financial Asset Reconstruction Company Private Limited (ARC)

Financial Engineering Solutions Private Limited (FES)

JM Financial Trustee Company Private Limited (Trustee)

B Key management personnel

Mr. Nimesh N Kampani (NNK)

C Relatives of key management personnel

Ms. Aruna N Kampani (ANK)

Mr. Vishal N Kampani (VNK)

Mr. Ashith N Kampani (ASNK)

D Enterprise over which key management personnel is able to exercise significant influence

J.M. Financial & Investment Consultancy Services Private Limited (JMFICS)

J.M. Assets Management Private Limited (J.M. Assets)

JSB Securities Limited (JSB)

Kampani Consultants Limited (KCL)

Persepolis Investment Company Private Limited (PICPL)

SNK Investments Private Limited (SNK)

FICS Consultancy Services Limited (FICS)

Kampani Properties & Holdings Limited (KPHL)

II. Related party relationships have been identified by the management and relied upon by the auditors.

**Annexure 'II' to note 12 of part II of schedule N (contd..)
Related party disclosures**

(₹ in Crore)

	Associates		Key Management Personnel		Relatives of Key Management Personnel		Enterprise over which Individual in B above is able to exercise significant influence		Total	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Investment in										
ARC	-	15.95	-	-	-	-	-	-	-	15.95
Security deposit given to										
KCL	-	-	-	-	-	-	-	1.20	-	1.20
Security deposit received back from										
JMFICS	-	-	-	-	-	-	1.70	1.20	1.70	1.20
ICDs taken from										
JMFICS	-	-	-	-	-	-	-	18.00	-	18.00
FICS	-	-	-	-	-	-	-	14.00	-	14.00
SNK	-	-	-	-	-	-	-	15.00	-	15.00
PICPL	-	-	-	-	-	-	-	23.00	-	23.00
ICDs repaid to										
JMFICS	-	-	-	-	-	-	-	18.00	-	18.00
FICS	-	-	-	-	-	-	-	14.00	-	14.00
SNK	-	-	-	-	-	-	-	15.00	-	15.00
PICPL	-	-	-	-	-	-	-	23.00	-	23.00
Purchase of fixed assets from										
FES	0.20	0.19	-	-	-	-	-	-	0.20	0.19
FICS	-	-	-	-	-	-	-	0.01	-	0.01
ANK	-	-	-	-	0.66	-	-	-	0.66	-
Sale of fixed assets to										
JMFICS	-	-	-	-	-	-	#	0.16	#	0.16
AMC paid to										
FES	0.27	0.24	-	-	-	-	-	-	0.27	0.24
Interest expense paid to										
JMFICS	-	-	-	-	-	-	-	0.09	-	0.09
FICS	-	-	-	-	-	-	-	0.06	-	0.06
SNK	-	-	-	-	-	-	-	0.08	-	0.08
PICPL	-	-	-	-	-	-	-	0.15	-	0.15
Brokerage received from										
JMFICS	-	-	-	-	-	-	0.17	-	0.17	-
KCL	-	-	-	-	-	-	0.02	#	0.02	#

Denotes amount below ₹ 50,000/-

Annexure 'II' to note 12 of part II of schedule N (contd..)

(₹ in Crore)

	Associates		Key Management Personnel		Relatives of Key Management Personnel		Enterprise over which Individual in B above is able to exercise significant influence		Total	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
PICPL	-	-	-	-	-	-	0.08	-	0.08	-
ANK	-	-	-	-	-	0.09	-	-	-	0.09
JSB	-	-	-	-	-	-	#	-	#	-
FICS	-	-	-	-	-	-	#	-	#	-
Trustee	0.02	-	-	-	-	-	-	-	0.02	-
Rent paid to										
JMFICS	-	-	-	-	-	-	2.43	2.10	2.43	2.10
KPHL	-	-	-	-	-	-	0.05	0.05	0.05	0.05
FICS	-	-	-	-	-	-	0.06	0.09	0.06	0.09
KCL	-	-	-	-	-	-	0.38	0.21	0.38	0.21
ANK	-	-	-	-	0.04	0.05	-	-	0.04	0.05
Group support fees received from										
ARC	3.00	1.80	-	-	-	-	-	-	3.00	1.80
Support service charges paid to										
JMFICS	-	-	-	-	-	-	0.74	0.74	0.74	0.74
Conveyance paid to										
ASNK	-	-	-	-	#	#	-	-	#	#
Dividend paid to										
JMFICS	-	-	-	-	-	-	10.17	4.06	10.17	4.06
J.M. Assets	-	-	-	-	-	-	4.49	1.78	4.49	1.78
JSB	-	-	-	-	-	-	0.24	0.10	0.24	0.10
KCL	-	-	-	-	-	-	0.01	#	0.01	#
SNK	-	-	-	-	-	-	0.43	0.17	0.43	0.17
NNK	-	-	6.77	2.71	-	-	-	-	6.77	2.71
ASNK	-	-	-	-	#	#	-	-	#	#
Advance received from										
NNK	-	-	2.00	1.65	-	-	-	-	2.00	1.65
Advance repaid to										
NNK	-	-	0.09	0.08	-	-	-	-	0.09	0.08
Expenses against advance received from										
NNK	-	-	0.08	1.84	-	-	-	-	0.08	1.84
Recovery of expenses from										
ARC	-	2.14	-	-	-	-	-	-	-	2.14
Trustee	0.89	0.88	-	-	-	-	-	-	0.89	0.88
Reimbursement of expenses to										
JMFICS	-	-	-	-	-	-	0.24	0.62	0.24	0.62
FICS	-	-	-	-	-	-	0.05	0.13	0.05	0.13

Denotes amount below ₹ 50,000/-

Annexure 'II' to note 12 of part II of schedule N (contd..)

(₹ in Crore)

	Associates		Key Management Personnel		Relatives of Key Management Personnel		Enterprise over which Individual in B above is able to exercise significant influence		Total	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Remuneration paid to										
NNK	-	-	1.17	1.15	-	-	-	-	1.17	1.15
VNK	-	-	-	-	4.20	4.07	-	-	4.20	4.07
ASNK	-	-	-	-	2.15	2.62	-	-	2.15	2.62
Directors' commission										
ASNK	-	-	-	-	-	0.05	-	-	-	0.05
Board meeting fees										
ASNK	-	-	-	-	0.01	0.02	-	-	0.01	0.02
Audit committee meeting fees										
ASNK	-	-	-	-	0.01	0.01	-	-	0.01	0.01
Balance outstanding at the year end										
Receivables										
JMFICS	-	-	-	-	-	-	6.80	8.50	6.80	8.50
ARC	-	0.69	-	-	-	-	-	-	-	0.69
Trustee	0.32	0.37	-	-	-	-	-	-	0.32	0.37
KCL	-	-	-	-	-	-	1.20	1.20	1.20	1.20
KPHL	-	-	-	-	-	-	1.50	1.50	1.50	1.50
Payables										
NNK	-	-	2.56	0.73	-	-	-	-	2.56	0.73
ASNK	-	-	-	-	1.55	2.05	-	-	1.55	2.05
VNK	-	-	-	-	7.50	7.65	-	-	7.50	7.65
FES	-	#	-	-	-	-	-	-	-	#
FICS	-	-	-	-	-	-	-	#	-	#

Denotes amount below ₹ 50,000/-

**Annexure 'III' to note 13 of part II of schedule N
Statement of Consolidated Cash Flow for the year ended March 31, 2011**

(₹ in Crore)

Particulars	For the year ended	For the year ended
	March 31, 2011	March 31, 2010
A Cash Flow from operating activities		
Profit before tax	227.87	201.45
Adjustment for:		
Depreciation	12.44	12.00
Profit on sale of investments	(47.29)	(64.22)
Provision for doubtful debts	7.57	0.52
Dividend income	(42.07)	(18.08)
Interest income	(57.62)	(39.24)
Interest expense	241.45	58.78
Loss on sale of fixed assets	0.07	0.21
Operating profit before working capital changes	342.42	151.42
Adjustment for:		
(Increase)/decrease in trade & other receivables	(1,139.02)	(1,607.53)
Increase/(decrease) in trade payables	83.74	152.41
Cash used in operations	(712.86)	(1,303.70)
Direct taxes paid	(98.97)	(72.84)
Net cash used in operating activities	(811.83)	(1,376.54)
B Cash flow from investment activities		
Purchase of investments	(37,597.38)	(21,171.57)
Sale of investments	37,757.67	20,830.08
Purchase of fixed assets	(9.03)	(10.78)
Sale of fixed assets	0.52	4.22
Interest income	57.62	39.24
Dividend income	42.07	18.08
Net cash from/(used in) investment activities	251.47	(290.73)
C Cash flow from financing activities		
Proceeds from borrowings (net)	1,421.50	1,708.05
Interest paid	(241.45)	(58.78)
Dividend paid including dividend distribution tax	(39.88)	(15.05)
Tax paid on dividend by subsidiaries	(4.02)	(4.41)
Net cash from financing activities	1,136.15	1,629.81
Net increase/(decrease) in cash & cash equivalents	575.79	(37.46)
Cash & cash equivalents (opening)	481.09	518.55
Cash & cash equivalents (closing)	1,056.88	481.09

Annexure 'III' to note 13 of part II of schedule N (contd..)

Notes

1. The cash flow statement has been prepared under the 'Indirect Method' set out in AS 3 on "Cash Flow Statement" notified in Companies (Accounting Standards) Rules, 2006. (₹ in Crore)

2. Cash and cash equivalents		
Cash and bank balances	1,075.11	485.36
Less: Interest accrued on bank deposits	(18.23)	(4.27)
Balance as shown in cash flow statement	1,056.88	481.09

3. The interest income reflected above is other than interest income of securities funding and fund based activity.

4. Previous year's figures have been regrouped and rearranged wherever necessary.

As per our attached report of even date

**For and on behalf of
Khimji Kunverji & Co.**
Chartered Accountants
Registration No. 105146W

Shivji K Vikamsey
Partner
Membership No. 2242

Place: Mumbai
Date: May 25, 2011

For and on behalf of the Board of Directors

Nimesh N Kampani
Chairman & Managing Director

E A Kshirsagar
Director

P K Choksi
Company Secretary

Manish Sheth
Chief Financial Officer

Persons falling under the Group of JM Financial Limited

Persons constituting Group coming within the definition of “group” for the purpose of Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, include the following:

- Mr. Nimesh N Kampani
- Ms. Aruna N Kampani
- Mr. Vishal N Kampani
- Ms. Madhu V Kampani
- Ms. Amishi N Kampani
- Mr. Shiv V Kampani
- Ms. Avantika V Kampani
- J.M. Financial & Investment Consultancy Services Private Limited
- J.M. Assets Management Private Limited
- JSB Securities Limited
- FICS Consultancy Services Limited
- Kampani Consultants Limited
- SNK Investments Private Limited
- Persepolis Investment Company Private Limited
- Kampani Properties & Holdings Limited

Names of the subsidiaries and associates are given in the Annexure ‘I’ to note 16 of part II of schedule M. These names of the subsidiaries and associates also fall under the Group of JM Financial Limited.

JM FINANCIAL LIMITED**ATTENDANCE SLIP****Twenty Sixth Annual General Meeting**

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

I hereby record my presence at the TWENTY SIXTH ANNUAL GENERAL MEETING of the Company on Thursday, July 28, 2011 at 4.00 p.m. at Rama Watumull Auditorium, Kishinchand Chellaram College, Dinshaw Wachha Road, Churchgate, Mumbai - 400 020.

Full name of the Member (in BLOCK LETTERS) _____

DP ID: _____

Client ID: _____

Folio No.: _____

No. of Shares held: _____

Full name of Proxy (in BLOCK LETTERS) _____

(To be filled in if the valid proxy has been duly lodged with the Company)

Signature of Member /Proxy _____

CUT HERE

**JM FINANCIAL LIMITED****PROXY FORM**

DP ID: _____

Client ID: _____

Folio No.: _____

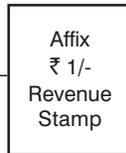
No. of Shares held: _____

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/her _____ of _____ in the district of _____

as my/our proxy to attend and vote for me/us on my/our behalf at the TWENTY SIXTH ANNUAL GENERAL MEETING of the Company to be held on Thursday, July 28, 2011 and at any adjournment thereof.

Signed this ____ day of _____ 2011

Signature of Member(s) _____



Note: This proxy form duly completed, stamped and signed must be deposited at the Registered Office of the Company not later than Forty-eight hours before the meeting.

CUT HERE

**Mandate Form – ECS/NECS**

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

To _____

Please register the following details for receipt of dividend through ECS/NECS:

Name	:	_____	Bank Details	
DP ID/Folio No.	:	_____	Bank Name	:
Client ID	:	_____	Branch name	:
			and address	_____
			Account Type and No.:	SB/CA/CC No.: _____
			9 Digit MICR Code	:

I/We hereby declare that the particulars given above are correct and complete.

Date:

Signature of the Member(s) _____



JM Financial Limited

141, Maker Chambers III, Nariman Point, Mumbai - 400 021, India.