turning over to new horizons

ANNUAL REPORT 2006 - 07

JM FINANCIAL

A new page of performance,
a new episode of growth,
a new chapter of evolution,
a new story of success.

Looking Ahead

Yet another beginning. It's time to turn over to another new chapter. A chapter of achievements, performance and possibilities. From a history studded with milestones that will map our journey towards a future full of promises. A legacy rich with experience that will lead up to a new era of growth. And across this new chapter, JM Financial will set new standards - turning challenges into opportunities, geographies into playgrounds, relationships into rewards and capabilities into growth.

Contents

BOARD OF DIRECTORS

Mr. Nimesh N Kampani	Chairman
Mr. M R Mondkar	
Mr. Ashith N Kampani	
Mr. E A Kshirsagar	
Mr. Dilip Kothari	
Dr. Pravin P Shah	
Mr. Darius E Udwadia	

COMPANY SECRETARY

Mr. P K Choksi

MANAGER & CHIEF FINANCIAL OFFICER

Mr. Manish Sheth

AUDITORS

M/s. Khimji Kunverji & Co.
Chartered Accountants
Suite No. 52, Bombay Mutual Building
Dr. D N Road, Fort
Mumbai - 400 001

BANKERS

HDFC Bank Limited
Tulsiani Chambers, Nariman Point
Mumbai - 400 021

REGISTRARS AND SHARE TRANSFER AGENTS

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

REGISTERED OFFICE

141, Maker Chambers III
Nariman Point
Mumbai - 400 021

CORPORATE OFFICE

522, Tulsiani Chambers
Nariman Point
Mumbai - 400 021

Notice

NOTICE IS HEREBY GIVEN THAT THE TWENTY SECOND ANNUAL GENERAL MEETING OF THE MEMBERS OF JM FINANCIAL LIMITED WILL BE HELD ON THURSDAY, SEPTEMBER 6, 2007 AT 3.30 PM AT KAMALNAYAN BAJAJ HALL, BAJAJ BHAVAN, GROUND FLOOR, NARIMAN POINT, MUMBAI - 400 021, TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31,2007 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. Nimesh N Kampani, who retires by rotation and being eligible, offers himself for reappointment.

4 To appoint a Director in place of Mr. Ashith N Kampani, who retires by rotation and being eligible, offers himself for reappointment.

5. To appoint M/s. Khimji Kunverji & Co., 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, the following resolution as an Ordinary Resolution:

   "**RESOLVED THAT** in partial modification of the resolution passed by the Members at the Extraordinary General Meeting of the Company held on June 1, 2006 appointing Mr. Manish Sheth as the Manager of the Company pursuant to Sections 198, 269 and 387 of the Companies Act, 1956, ("the Act") read with Schedule XIII thereto, consent of the Company be and is hereby accorded to the Board of Directors ("the Board") of the Company or any Committee thereof to increase the ceiling of the remuneration payable to Mr. Manish Sheth from Rs. 60 lakh per annum to Rs. 1.20 crore per annum effective from September 1, 2007 for the unexpired period of his term of appointment subject however to an overall limit specified in Schedule XIII to the Act."

   "**RESOLVED FURTHER THAT** save as aforesaid, all other terms and conditions of the appointment of Mr. Manish Sheth including the term relating to payment of remuneration in the event of loss or inadequacy of profits in any financial year of the Company during the tenure of Mr. Manish Sheth as Manager of the Company, the remuneration and perquisites as approved by the Members at the Extraordinary General Meeting of the Company held on June 1, 2006 shall continue to remain in force in accordance with the terms thereof."

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

   "**RESOLVED THAT** pursuant to Section 314(1) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to Mr. Ashith N Kampani, a Director of the Company and a relative of Mr. Nimesh N Kampani, the Chairman of the Company, holding an office or place of profit under JM Financial Consultants Private Limited, a subsidiary of the Company, effective from June 15, 2007on terms and conditions as contained in the Letter of Appointment dated June 5, 2007 issued to him by JM Financial Consultants Private Limited, and placed before the meeting."

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

"**RESOLVED THAT** in supersession of the Special Resolution passed by the Members at the Annual General Meeting held on September 7, 2006 and in accordance with the provisions of Section 81(1A) and such other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 including any modification(s) or re-enactments thereof for the time being in force ("the Guidelines") and any other regulations/guidelines prescribed by any relevant authority from time to time to the extent applicable and subject to such other approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include any Committee constituted by the Board including the Remuneration/ Compensation Committee), the consent of the Company be and is hereby accorded to the Board to offer, issue and allot at any time to or for the benefit of such person(s) who are in the permanent employment of the Company, whether working in India or outside of India, and all Directors (other than Promoter Directors), of the Company (hereinafter referred to as "the Employees"), as may be decided solely at the discretion of the Board, under a scheme called the "Employees Stock Option Scheme" (hereinafter referred to as "the Scheme") such number of equity shares and/or other equity linked instruments, including options and/or any other instruments or securities of the Company (hereinafter referred to as "the Securities") which Securities, when issued and allotted would give rise to the issuance of equity shares of the face value of Rs. 10/- each not exceeding 1,500,000 (Fifteen Lakh) in number to the Employees, whether directly or through the Employee Welfare Trust to be set up for the purpose, in such manner, at such time or times and at such price or prices, in one or more tranches and on such terms and conditions as may be determined by the Board in accordance with the terms of the Scheme, the Guidelines or other applicable provisions of the law as may be prevailing at that time."

"**RESOLVED FURTHER THAT** the Securities as aforesaid may be issued and allotted directly to the Employees or through the Employee Welfare Trust to be set up for the purpose in accordance with the Scheme framed in that behalf and that such Scheme may also contain provisions for providing financial assistance to the Employees to enable them to acquire, purchase or subscribe to the Securities."

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

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

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

"**RESOLVED FURTHER THAT** the Board be and is hereby authorised to recover from the Employees, the fringe benefit tax and/or any other tax to the extent applicable and legally recoverable from time to time, in respect of options which shall be granted to or vested or exercised by the Employees pursuant to Section 115WKA of the Income Tax Act, 1961 and other applicable provisions of the said Act."

"**RESOLVED FURTHER THAT** the Board be and is hereby authorised to delegate all or any of its powers to any Committee of Directors to give effect to this Resolution."

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

"**RESOLVED THAT** in supersession of the Special Resolution passed by the Members at the Annual General Meeting held on September 7, 2006 and in accordance with the provisions of Section 81(1A) and such other applicable provisions, if any, of the Companies Act, 1956 (the "Act") and the Articles of Association of the Company, and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 including any modification(s) or re-enactment thereof for the time being in force (the "Guidelines") and any other regulations/guidelines prescribed by any relevant authority from time to time to the extent applicable and subject to such other approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall include any Committee constituted by the Board including the Remuneration/Compensation Committee), the consent of the Company be and is hereby accorded to the Board to extend the benefits of the Scheme proposed in the resolution under item number 8 of this Notice to such person(s) who are in the permanent employment of its subsidiary company(ies), whether working in India or outside of India and all Directors (other than Promoter Directors), as may be decided by the Board of such subsidiary company(ies) and/or such other persons (herein after referred to as "the Employees"), as may from time to time be allowed under laws, rules, regulations and guidelines as may be applicable, on such terms and conditions as may be decided by the Board."

"**RESOLVED FURTHER THAT** the Securities, as defined under item number 8 of this Notice, may be issued and allotted directly to the Employees or through the Employee Welfare Trust to be set up for the purpose in accordance with the Scheme framed in that behalf and that such Scheme may also contain provisions for providing financial assistance to the Employees to enable them to acquire, purchase or subscribe to the Securities."

"**RESOLVED FURTHER THAT** the new equity shares that may be issued and allotted in the manner specified under item number 8 of this Notice shall rank pari passu in all respects with the then existing equity shares of the Company."

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

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

"**RESOLVED FURTHER THAT** the Board be and is hereby authorised to recover from the Employees, the fringe benefit tax and/or any other tax to the extent applicable and legally recoverable from time to time, in respect of options which shall be granted to or vested or exercised by the Employees pursuant to Section 115WKA of the Income Tax Act, 1961 and other applicable provisions of the said Act."

"**RESOLVED FURTHER THAT** the Board be and is hereby authorised to delegate all or any of its powers to any Committee of Directors to give effect to this Resolution."

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

"**RESOLVED THAT** in supersession of the Special Resolution passed by the Members at the Annual General Meeting held on September 7, 2006, the maximum number of options to be issued under the Scheme proposed in the resolution under item number 8 of this Notice and/or as provided in the resolution under item number 9 of this Notice, to any one Non-Executive Director (other than the Promoter Directors), as may be decided by the Board, shall not in any case exceed such number of options which would entitle such Director to subscribe to more than 1,500,000 (Fifteen lakh) equity shares of the face value of Rs. 10/- each of the Company in any financial year and the total number of options to be issued to all such Directors will not exceed such number of options which shall entitle them to subscribe to more than 1,500,000 (Fifteen lakh) equity shares of Rs. 10/- each of the Company in the aggregate."

By Order of the Board

P K Choksi
Company Secretary

Date: July 30, 2007

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

NOTES:

a. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE VALID, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

b. The Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business at item numbers 6 to 10 of the Notice set out above are annexed hereto.

c. The Register of Members of the Company will remain closed from Thursday, August 30, 2007 to Thursday, September 6, 2007 (both the days inclusive).

d. Members while corresponding with the Company or its Registrars & Share Transfer Agents viz., Sharepro Services (India) Private Limited, are requested to quote their respective Register Folio Numbers or Client IDs of their beneficiary accounts, as the case may be.

e. ***As you may be aware, the Company has made necessary arrangements for the Members to hold their shares in electronic mode. Those Members who are holding shares in physical form are requested to dematerialise the same by approaching any of the Depository Participants (DPs) registered with SEBI.***

f. **Payment of dividend through Electronic Clearing Services (ECS):**

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

The Members, holding shares in dematerialised form are advised to intimate the bank details/change in bank details to their respective DPs. Those Members who are holding their shares in physical form are advised to send bank details/changes therein to the Registrars & Share Transfer Agents or to the Company. In case of absence of ECS facility, the Company will send the Dividend Warrants/Demand Drafts/Pay Orders to the registered address of the Members.

To print the bank account details on the Dividend Warrants/Demand Drafts/Pay Orders, Members are required to update their bank account details with the DPs, Registrars and Share Transfer Agents and/or the Company.

MANDATE FORM - ELECTRONIC CLEARING SERVICE (ECS)

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

To

______________________________ (Name of the DP/RTA/Company)

______________________________ (Address of the DP/RTA/Company)

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Please register the following details for receipt of Dividend:

Type of Instruction	Remittance of amount through ECS

Name : ______________________________

DP ID : ______________________________

Client ID : ______________________________

Bank Details : Bank Name: ______________________________

Bank Address: ______________________________

Account Type and No.: SB/CA/CC No.: ______________________________

9 Digit MICR Code: ______________________________

Date: **Signature of the Member(s)**

ANNEXURE TO NOTICE

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

Item number 6

The Members of the Company, at its Extraordinary General Meeting held on June 1, 2006, had passed a Special Resolution approving the appointment of Mr. Manish Sheth as the Manager of the Company under the Companies Act, 1956 ("the Act") for a period of five (5) years commencing from April 21, 2006 at such remuneration and on such other terms and conditions as was approved by the Members.

The remuneration of Mr. Sheth comprises salary, allowances, discretionary performance bonus and other perquisites, the aggregate monetary value of which was limited to Rs. 60 lakh (Rupees Sixty lakh) per annum as per the Special Resolution passed as above. Considering the increase in the work and responsibilities as also the level of remuneration paid to the persons occupying similar position in the financial services sector, it is proposed to increase the ceiling of remuneration of Mr. Sheth from Rs. 60 lakh (Rupees Sixty lakh) per annum set earlier to Rs. 1.20 crore (Rupees One crore Twenty lakh) per annum with effect from September 1, 2007. The decision as regards the quantum of salary, allowances, perquisites and discretionary performance bonus would be taken by the Remuneration/Compensation Committee within the proposed overall limit of Rs. 1.20 crore (Rupees One crore Twenty lakh) as above.

The Board of Directors recommend passing of the Special Resolution proposed at item number 6 of the Notice.

This may be treated as an abstract of variation of the terms and conditions pertaining to the appointment of Mr. Manish Sheth as the Manager of the Company pursuant to Section 302 of the Act.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

Item number 7

Section 314(1) of the Companies Act, 1956, ("the Act") inter alia, provides that except with the consent of the Company accorded by a Special Resolution, no Director of a company shall hold any office or place of profit either under a company or under any subsidiary of the company carrying a total monthly remuneration in excess of the limit set out in the aforesaid Section.

Mr. Ashith N Kampani, who is a Director of the Company and a relative of Mr. Nimesh N Kampani, Chairman of the Company holds an office or place of profit (subject to the approval of the Central Government) in JM Financial Consultants Private Limited, a subsidiary of the Company with effect from June 15, 2007. The remuneration payable to Mr. Ashith N Kampani would exceed the limit set out in Section 314(1) of the Companies Act, 1956. The Members may note that JM Financial Consultants Private Limited, the Company's subsidiary, has taken the approval of its Members under Section 314 (1B) of the Companies Act, 1956 for Mr. Ashith N Kampani to hold and continue to hold office or place of profit under the said subsidiary and would also be obtaining the approval of the Central Government for the same.

The Board of Directors recommend passing of the Special Resolution proposed at item number 7 of the Notice.

Mr. Nimesh N Kampani and Mr. Ashith N Kampani may be deemed to be concerned or interested in the special resolution proposed at item number 7 of the Notice.

Item numbers 8 & 9

At the 21st Annual General Meeting of the Company held on September 7, 2006, the Members had accorded their consent under Section 81(1A) of the Companies Act, 1956 to the Board of Directors and/or Remuneration/ Compensation Committee to introduce an 'Employee Stock Option Scheme' ("the Scheme"), representing a reward system based on the performance of the employees for the benefit of permanent employees of the Company, its Directors (other than Promoter Directors), employees/directors (other than Promoter Directors) of its subsidiary company(ies) and such other persons (hereinafter referred to as "the Employees") as may be permitted from time to time, under prevailing laws, rules and regulations and/or amendments thereto. At the said General Meeting, Members approved the issue of such number of equity shares and/or other equity linked instruments, including options and/or any other instruments or securities of the Company (hereinafter referred to as "the Securities") which Securities, when issued and allotted would give rise to the issuance of equity shares of the face value of Rs. 10/- each not exceeding 300,000 (Three Lakh) equity shares in number.

Considering the increase in the strength of the permanent employees of the Company and its subsidiary(ies), it is now proposed to increase the aggregate number of equity shares to be issued under the Scheme from 300,000 (Three Lakh) to 1,500,000 (Fifteen Lakh) equity shares of the Company.

It is also proposed that the aforesaid Securities may be allotted either directly to the Employees and/or through Employee Welfare Trust to be set up for the purpose in accordance with the Scheme framed in that behalf and that such Scheme may also contain provisions for providing financial assistance to the Employees to enable them to acquire, purchase or subscribe to the Securities.

It is further proposed that the members of the Remuneration/Compensation Committee will formulate the Scheme, the broad terms and conditions of which may, inter alia, include:

- Number of options to be granted to an employee/director (other than Promoter Directors) and in the aggregate to the Employees;
- Terms on which the options will vest;
- The conditions under which options vested in the Employees may lapse;
- The exercise period within which the Employees should exercise the option and lapsing of option on failure to exercise the option within the exercise period;
- The specified time period within which the Employees shall exercise the vested options in the event of termination or resignation of any of the Employees;
- The right of an Employee to exercise all the options vested in them at one time or at various points of time within the exercise period;
- The procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issue, bonus issue, split of shares, merger and other corporate actions;
- The grant, vesting and exercise of option in case of Employees who are on long leave;
- Any other related or incidental matters.

The salient features of the Scheme are as under:

(A) The total number of options to be granted

The total number of options that may, in the aggregate, be granted shall not exceed, such number of options, which when issued and allotted would give rise to the issuance of 1,500,000 (Fifteen lakh) equity shares of the face value of Rs. 10/- each of the Company.

(B) Identification of classes of Employees entitled to participate in the Scheme

(i) All the Employees of the Company and/or of its subsidiary company(ies) selected by the members of the Remuneration/Compensation Committee, from time to time, would be entitled to participate in the Scheme.

(ii) The class of the Employees eligible for participating in the stock option shall be determined on the basis of the grade, performance and such other parameters as may be decided by the Remuneration/ Compensation Committee, in its sole discretion, from time to time.

(C) Requirements of Vesting and Period of Vesting

(i) There shall be a minimum period of one year between the grant of the options and vesting of the options.

(ii) The vesting shall happen in one or more tranches as may be decided by the Remuneration/Compensation Committee.

(D) Maximum period within which the options shall be vested

The maximum vesting period shall be six (6) years from the date of grant of the options.

(E) Exercise Price or Pricing Formula

The exercise price for the purposes of the grant of options will be decided by the Remuneration/Compensation Committee at the time of grant of options. The exercise price shall be calculated on the basis of the latest closing market price for the Company's equity shares quoted on the Stock Exchange(s) prior to the date of grant of the options, which for this purpose shall be the date on which the members of the Remuneration/Compensation Committee meets to make its recommendations for grant of options. The members of the Remuneration/ Compensation Committee may prescribe such discount as they may deem fit at which the options are granted.

Provided however that in certain exceptional cases, the Remuneration/Compensation Committee, may at its sole discretion, even grant the options at par or at such premium above the par value as it deems fit.

(F) Exercise Period and the Process of Exercise

The exercise period shall commence from the date of vesting of options and will expire not later than seven (7) years from the date of grant of options or such other period as may be decided by the Remuneration/Compensation Committee, from time to time.

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

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

(G) Appraisal Process for determining the Eligibility of the Employees to the Scheme

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

The major criteria involved in selection of the eligible employees may include various factors, which are as follows:

- Employees in key functional areas
- Managerial cadre
- Past performance evaluation/contribution

- Expected future performance/contribution
- Maximum years of future service
- Current performance

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

(H) Maximum number of options to be issued per Employee and in the aggregate

(i) The aggregate of all the options granted will not exceed such number of options which would entitle such employees/directors (other than Promoter Directors), to acquire equity shares of the Company exceeding 1,500,000 (Fifteen Lakh) in number.

(ii) The maximum number of options to be granted per employee/director (other than Promoter Directors) will not exceed such number of options which shall entitle such employee and/or director (other than Promoter Director) to acquire 1,500,000 (Fifteen Lakh) equity shares of the face value of Rs. 10/- each of the Company.

(iii) The maximum number of options to be granted to each Director (other than Promoter Directors) will not exceed such number of options which shall entitle such Director to acquire 1,500,000 (Fifteen lakh) equity shares in any financial year and the total number of options to be granted to the Directors (other than Promoter Directors) will not exceed such number of options which shall entitle such Directors to acquire 1,500,000 (Fifteen lakh) equity shares in the aggregate. Such ceiling will be within the aggregate ceiling of 1,500,000 (Fifteen lakh) equity shares mentioned in Sub-clause (i) above.

(I) Accounting Policies

The Company will conform to the accounting policies specified in Clause 13.1 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and/or such other regulations/guidelines as may be applicable from time to time

(J) Method for valuation of options

(i) The Company will adopt the Intrinsic Value Method to value its options.

(ii) The difference between the employee compensation cost computed on the intrinsic value method and the employee compensation cost that would have been recognised if the Company had adopted the fair value method will be disclosed in the Directors' Report along with the impact of this difference on the profits and on the earnings per share of the Company.

(K) Lock-In

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

(L) Listing of the Shares

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

(M) The options granted to the Employees will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

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

(O) In the event of resignation or termination of the employee, all options not vested on the day of resignation or termination shall lapse. However, the Employees shall be entitled to retain the options vested in them on the aforesaid date of his resignation or termination except in case of termination of employment by the Company in which case the options vested in them will lapse.

(P) As the Scheme will entail further equity shares to be offered to persons other than existing shareholders of the Company, consent of the Members is sought pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Act, and as per the requirement of Clause 6 of the Guidelines.

(Q) As per the Guidelines, a separate resolution is required to be passed if the benefits of the Scheme are to be extended to the Employees (other than Promoter Directors) of the subsidiary company(ies). The resolution under item number 9 is being proposed accordingly to cover those employees/directors and/or such other persons as may be permitted from time to time, under prevailing laws, rules and regulations and/or amendments thereto, from time to time.

Members' consent is sought by way of the Special Resolutions set out in item numbers 8 and 9 of the Notice to give effect to the above proposal. The Board of Directors recommend passing of the Special Resolutions for the approval of Members.

All the Directors, except Mr. Nimesh N Kampani and Mr. Ashith N Kampani, being the Promoter Directors, may be deemed to be concerned or interested in the Special Resolutions proposed at item numbers 8 and 9 of the accompanying Notice to the extent of the options, if any, which may be offered to them under and in accordance with the Scheme.

Item number 10

Sub-clause I(B) of Clause 49 of the Listing Agreement entered into with Stock Exchange(s)requires that the fees/compensation, if any, paid to Non-Executive Directors, shall be fixed by the Board of Directors of the Company and shall require previous approval of the shareholders of the Company in a General Meeting.

At the Annual General Meeting of the Company held on September 7, 2006, the Members had accorded their consent to extend the benefits of Employee Stock Option Scheme (ESOS) to the Non-executive Directors (other than Promoter Directors) of the Company. Considering the proposed increase in the number of options/ equity shares, it is desirable to obtain fresh approval from the Members. The Board of Directors of the Company recommend passing of the Special Resolution proposed at item number 10 of the Notice.

All the Directors, except Mr. Nimesh N Kampani and Mr. Ashith N Kampani, being the Promoter Directors, may be deemed to be concerned or interested in the Special Resolution proposed at item number 10 of the Notice to the extent of the options, if any, that may be offered to them under the Scheme and in terms of the said Resolution.

By Order of the Board

P K Choksi
Company Secretary

Date: July 30, 2007

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

Directors' Report

To the Members,

The Directors of your Company have great pleasure in presenting the Twenty Second Annual Report together with the Audited Annual Accounts for the Financial Year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Rs. in crore

Particulars	For the year ended			
	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
	Consolidated		Standalone	
Gross Income	444.05	231.10	39.38	16.29
Profit before depreciation, interest, diminution in value of investments and tax	197.91	138.51	35.76	14.42
Depreciation	7.04	3.51	0.03	0.02
Interest	7.84	0.47	-	-
Provision/ (reversal) for/of diminution in value of investments	0.09	(1.33)	-	(1.33)
Profit before Tax	**182.94**	**135.86**	**35.73**	**15.73**
Provision for Tax	59.27	44.03	0.41	0.46
Provision for Fringe Benefit Tax	0.76	0.54	#	-
Profit after Tax but before Minority Interest and share in associate companies	**122.91**	**91.29**	**35.31**	**15.27**
Less: Share of Minority Interest	28.73	21.99	-	-
Share of Profit/(Loss) in associate companies	(3.31)	(2.49)	-	-
Net Profit after Tax and Minority Interest	**90.87**	**66.81**	**35.31**	**15.27**
Profit brought forward from earlier years	108.38	42.35	24.01	7.41
Balance Profit of J. M. Securities Pvt. Ltd on account of Merger	-	11.87	-	11.87
Profit available for Appropriation	**199.25**	**121.03**	**59.32**	**34.56**
APPROPRIATIONS				
Proposed Dividend (subject to dividend tax)	15.00	7.50	15.00	7.50
Dividend Tax	5.40	3.15	2.55	1.05
General Reserve	8.70	2.00	3.80	2.00
Debenture Redemption Reserve	4.85	-	-	-
Balance carried to Balance Sheet	165.30	108.38	37.97	24.01
	165.30	**108.38**	**37.97**	**24.01**

Below Rs. 50,000/-

DIVIDEND

Your Directors are pleased to recommend the payment of dividend of 50% (Rs. 5/- per share) (previous year 25%), subject to dividend tax for the year ended March 31, 2007. The dividend, if declared, at the forthcoming Annual General Meeting, will be paid to those shareholders whose names would appear in the Register of Members on September 6, 2007. The payment of dividend together with tax thereon will absorb Rs. 17.55 crore (previous year – Rs. 8.55 crore).

FINANCIAL PERFORMANCE

Your Company's Gross Income, on a standalone basis, has gone up by 141.74% to Rs. 39.38 crore from Rs. 16.29 crore in the previous year. The higher Gross Income is attributed to the higher dividend income of Rs. 34.77 crore received during the year under review as against Rs. 13.37 crore received in the previous year. The Profit before Tax is up by 127.15% from Rs. 15.73 crore to Rs. 35.73 crore. The Net Profit earned by your Company at Rs. 35.31 crore (previous year Rs. 15.27 crore) registered an increase of 131.24% as compared to the previous year. The earning per share stood at Rs. 12.04 for the year on a weighted average basis.

On a consolidated basis, your Company has done well registering increase in the Gross Income, Profit before and after Tax and minority interest. The Gross Income has risen by 92.13 % to Rs. 444.05 crore as against Rs. 231.10 crore reported in the previous year. While the Profit before Tax has gone up to Rs. 182.94 crore from Rs. 135.86 crore in the previous year (a rise of 34.65%), the Profit after Tax and minority interest and the share in associate companies has risen to Rs. 90.87 crore from Rs. 66.81 crore in the previous year, an increase of 36.01% over the previous year.

TERMINATION OF JOINT VENTURE

During the year, your Company announced the decision of termination of its joint venture with Morgan Stanley. As the Members are aware, JM Financial had entered into the joint venture with Morgan Stanley in the year 1999 in the areas of investment banking and securities businesses. Pursuant to this termination, your Company, which currently owns 51% equity of JM Financial Consultants Private Limited (formerly known as JM Morgan Stanley Private Limited), the investment banking company, will acquire the remaining 49% equity holding of Morgan Stanley for an amount equivalent to US$ 20 million. The Company has also decided to sell its 49% equity holding in Morgan Stanley India Company Private Limited (formerly known as JM Morgan Stanley Securities Private Limited) to Morgan Stanley for an amount equivalent to US$ 445 million.

On completion of the above transaction, your Company will hold 100% equity in JM Financial Consultants Private Limited. The said transaction is subject to all the necessary regulatory and other approvals, as may be required and is expected to close during the first half of Financial Year 2007-08.

Pending completion of the above transaction, as agreed by the parties, the respective names of JM Morgan Stanley entities viz., JM Morgan Stanley Private Limited and its two wholly owned subsidiaries, namely, JM Morgan Stanley Financial Services Private Limited and JM Morgan Stanley Fixed Income Securities Private Limited have been changed to JM Financial Consultants Private Limited, JM Financial Services Private Limited and JM Financial Securities Private Limited respectively.

YOUR COMPANY'S VARIOUS BUSINESS INTERESTS

Your Company has various business interests in the financial services sector through its subsidiaries, joint ventures and associates, which inter alia, include investment banking, institutional equity sales, trading and research, investment advisory, portfolio management, private wealth management, NBFC, commodities broking, private equity, venture capital, asset management, trusteeship activities and principal investments, brief details of which have been given under Management Discussion and Analysis.

ALLOTMENT OF SHARES ON A PREFERENTIAL BASIS

During the year, your Company has allotted 875,000 equity shares for an amount aggregating Rs. 55.91 crore to Mr. Azim Hasham Premji and 1,226,667 equity shares for an amount aggregating Rs. 78.38 crore to Non Resident Investor(s), namely, Blue Ridge Limited Partnership (760,534 equity shares) and Blue Ridge Offshore Master Limited Partnership (466,133 equity shares) on a Preferential Basis.

FIXED DEPOSITS

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of your Company confirms that:·

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

DIRECTORS

In accordance with Article 130 of the Articles of Association of the Company read with the provisions of the Companies Act, 1956, Mr. Nimesh N Kampani and Mr. Ashith N Kampani, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

The required resolutions reappointing the above Directors at the forthcoming Annual General Meeting are included in the Notice convening the Annual General Meeting.

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

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

CORPORATE GOVERNANCE

The report on compliance with the provisions of the Clause 49 of the Listing Agreement executed with the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited is given separately and forms part of the Annual Report for the year 2006-07. A certificate from the Statutory Auditors of the Company, M/s. Khimji Kunverji & Co. confirming the compliance with the conditions of Corporate Governance is annexed and forms part of the Annual Report.

AUDITORS

The retiring Auditors, namely, M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai, hold office until the conclusion of the ensuing Annual General Meeting and are seeking their reappointment. Members are requested to consider their appointment and authorise the Board to fix their remuneration for the year 2007-08.

SUBSIDIARY COMPANIES

The Central Government has granted exemption to the Company under Section 212(8) of the Companies Act, 1956 with regard to attaching of the Balance Sheet, Profit & Loss Account and other documents of the subsidiaries to the Balance Sheet of the Company for the year ended March 31, 2007. However, the accounts of the subsidiaries will be available for inspection by any member of the Company at its registered office and also at the registered office of the respective subsidiaries and a copy of the same will be made available to the members upon receipt of the request from them. A Statement pursuant to Section 212 of the Companies Act, 1956 in respect of these subsidiaries is appended to the Balance Sheet. In accordance with the requirements of Accounting Standard AS-21 prescribed by the Institute of Chartered Accountants of India, the Consolidated Financial Statements of the Company and its subsidiaries are annexed to the Annual Report.

PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is given in the annexure appended hereto and forms part of this Report. In terms of Section 219(1)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the registered office of the Company. The Company had 10 employees as on March 31, 2007. Out of the total number of employees, one employee employed throughout the year was in receipt of remuneration of more than Rs. 24.00 lakh per annum and one employee employed for part of the year was in receipt of remuneration of more than Rs. 2.00 lakh per month.

ACKNOWLEDGEMENTS

Your Directors would like to place on record their appreciation for committed services extended by the employees of the Company and its Associate/Joint Venture/Subsidiary companies. Your Directors also place on record their appreciation for the co-operation and assistance extended by the Securities and Exchange Board of India, Reserve Bank of India, Bombay Stock Exchange Limited, National Stock Exchange of India Limited and all the stakeholders.

On behalf of the Board of Directors

Nimesh N Kampani
Chairman

Date: June 29, 2007

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

Management Discussion and Analysis

Economic Overview

India's drive towards becoming an economic powerhouse continues unabated. The Indian economy registered a 9.2% growth in GDP during the year under review as compared to 9% in the previous financial year. Industrial growth rate was 11.3% for 2006-07 as against 8.2% registered in the previous year. While the core infrastructure sector grew by 8.6%, the agriculture and service sectors grew by 2.7% and 11.2% respectively during the year under review. During the year, exports grew by 23.88% in dollar terms and imports too increased by 29.33%. The foreign exchange reserves stood at a promising US$191.92 billion as of March 31, 2007. The rupee remained strong for the better part of the year and appreciated against the US dollar.

The annual inflation rate in terms of Wholesale Price Index was 5.74% for the week ended March 31, 2007 as against 3.98% a year ago. The rise in the rate was due to an increase of 10.72% in primary articles, 1.04% increase in fuel, power, lights and lubricants and 5.77% increase in manufactured products. The Ministry of Finance (MoF) and the Reserve Bank of India (RBI) have introduced significant measures to curb the rising rate of inflation and then maintain it at an acceptable level.

The service sector, with a growth rate of 11.2% during the Financial Year (FY) 2006-07 continued to be the key driver of the Indian Economy. 'Trade, hotels, transport and communication' and 'financing, insurance, real estate and business services' registered double-digit growth rates, offsetting the deceleration in 'construction'. The sub-sector 'financing, insurance, real estate and business services' has benefited from acceleration of growth in bank deposits, sustained growth in non-food credit and continued buoyancy in business process outsourcing and information technology-enabled services exports.

The Indian capital market witnessed major shifts as compared to the recent past. Higher liquidity coupled with higher earnings led to a steady increase in inflation. No doubt, this prompted the MoF and RBI to take various measures to keep inflation in check. One of these measures was to drain out excess cash, which led to a spiraled growth in interest rates across all segments of the economy. The financial market in India moved from conditions of easy liquidity to occasional spells of tightness. The benchmark Prime Lending Rate (PLR) of public sector banks and private sector banks increased from 10.25 - 11.25% and 11 - 14% to a range of 12 - 12.75% and 12 - 16%, respectively during the year under review.

The corporate sector continued to rely on a variety of non-bank sources of funds such as capital markets, external commercial borrowings and internal funds. Monies raised through domestic equity issuances during FY 2006-07 (Rs. 28,595 crore) were more than double of that raised in FY 2005-06. Mobilisation of funds through commercial paper issuances during FY 2006-07 registered a turnaround, despite some sluggishness in the second half of the year. Resources raised through markets abroad in the form of equity issuances (ADRs/GDRs) and external commercial borrowings also increased substantially during FY 2006-07. Amounts raised through ADRs/GDRs increased to Rs.16,184 crore during the year up from Rs. 7,263 crore a year ago. Net disbursements under external commercial borrowings (ECBs) increased to Rs. 48,328 crore during April-December 2006 period from Rs. 27,228 crore during the same period in the previous year. Lastly, internal sources of funds continued to provide large financing support to the corporate sector during the first three quarters of FY 2006-07. Profit after Tax of select non-financial non-government companies during April-December 2006 was higher by 43% than the profit during the corresponding period of the previous year.

The domestic equity market recorded gains during FY 2006-07, with intermittent corrections during the course of the year. Domestic equity prices fell during May and early June 2006 in line with global equity markets on concerns that monetary tightening might slow down the prospects of global growth. Equity prices recovered thereafter and the Bombay Stock Exchange Limited (BSE) Sensex touched a peak of 14652 on February 8, 2007 before witnessing some correction thereafter. Overall, the BSE Sensex gained 15.9% during the FY 2006-07.

Capital raised through the public issuances increased by 20.2% to Rs. 32,382 crore during FY 2006-07. The average size of issue increased to Rs. 272 crore during FY 2006-07 from Rs. 195 crore during the previous year. All public issues, except one, during FY 2006-07 were by the companies in private sector. Out of 119 issues during the year, 75 issues were initial public offerings (IPOs) constituting 85% of the total amount mobilised.

Mobilisation of funds through private placement increased by 50.8% to Rs. 103,169 crore during April-December 2006 as compared to the funds mobilised in the corresponding period of the previous year. As against the mobilisation of resources by private sector, the resources raised by public sector undertakings increased only by 11.4%. The private sector entities thus succeeded in raising more capital than public sector entities in contrast to the trend in the year 2005-06. Financial intermediaries (both from public sector and private sector) continued to facilitate bulk of resource mobilisation through the private placement market.

The resources raised through global issues viz., ADRs and GDRs by Indian corporates increased by 49.8% to Rs.17,005 crore during FY 2006-07.

During the year under review, net amount mobilised by mutual funds increased substantially by 78.1% to Rs.93,985 crore. Bulk of the net mobilisation of funds (about 69% of the total) was under income/debt-oriented schemes, while growth/equity-oriented schemes accounted for about 30% of the net mobilisation of funds.

Foreign Institutional Investors (FII) investments in the domestic stock markets during the year under review were lower than the previous year. Mutual fund investments in the stock markets were also lower than a year ago. Growth in corporate profitability remained buoyant. Stock market gains were interspersed by some sharp correction during the course of the year. In keeping with the trends in global equity markets, domestic stock markets witnessed corrections during May-June 2006, December 2006 and February/ March 2007. BSE Sensex reached an intra-year low of 8929 as on June 14, 2006, a decline of 29.2% over the prevailing all time high of 12612 reached on May 10, 2006. The stock markets recouped these losses in the subsequent months and the BSE Sensex reached an all-time high of 14652 on February 8, 2007. After that the market witnessed some further corrections. The Sensex closed at 13072 on March 30, 2007 registering an increase of 15.9% during FY 2006-07. During this period, the market capitalisation of the BSE increased by 17.30% from Rs. 3,022,190 crore to Rs. 3,545,041 crore and that of National Stock Exchange of India Limited (NSE) by 19.69% from Rs. 2,813,201 crore to Rs. 3,367,350 crore.

As published by the Securities and Exchange Board of India (SEBI), FIIs made net purchases of securities worth Rs. 25,236 crore during FY 2006-07 as against Rs. 48,542 crore during the previous year on secondary market. Mutual funds also made net investments of Rs. 9,024 crore during FY 2006-07 as compared to Rs. 14,302 crore during the previous year.

FDI inflows at US$ 16.4 billion during April-January 2006-07 were substantially higher than the inflows at US$ 5.8 billion in the corresponding period of the previous year. The FDI flow was mainly into financial services, manufacturing, banking, information technology services and construction. Mauritius, the United States and United Kingdom remained the dominant sources of FDI to India. Outward direct investment from India also exhibited a significant rise to US$ 8.7 billion during April-December 2006 from US$ 1.9 billion a year ago due to large overseas acquisitions by Indian corporates.

Among debt flows, demand for External Commercial Borrowings (ECBs) remained strong in conformity with buoyant domestic investment activity. Net inflow of funds under ECBs during April-December 2006 was more than double of the previous year. Net inflows under various NRI deposits during the same period were also more than double of such deposits a year ago, partly attributable to higher interest rates on various deposit schemes.

Our Businesses

JM Financial Consultants Private Limited (Formerly Known as JM Morgan Stanley Private Limited) **- Investment Banking Business**

Investment Banking business reported a higher Gross Income of Rs. 161.24 crore as against Rs. 144.87 crore, an increase of about 11.30%.

During the year, some of the largest initial public offerings including Cairn India (Rs. 578 crore), Idea Cellular (Rs. 2,444 crore), GMR Infrastructure (Rs. 801 crore), Lanco Infratech (Rs. 1067 crore) and Mindtree Consulting (Rs. 238 crore) were lead managed by the Investment Banking Company. Among other notable transactions during the year, it advised Bajaj Auto Finance Limited in raising Rs. 158 crore through a preferential issue of equity shares and Rs. 672 crore through a rights issue of equity shares and non-convertible debentures with detachable warrants.

Further, it acted as an advisor in landmark deals including corporate restructuring of Reliance Communications, the de-merger of Indiabulls Financial Services and the delisting of Eicher Limited.

Alongwith Morgan Stanley, it was involved in WNS' US$ 255 million ADS offering and advised Mitsui, Japan on sale of its equity stake in Sesa Goa.

As the members are aware, the Company has announced the termination of its joint venture with Morgan Stanley. As a part of the arrangement between the parties, the Company has agreed to purchase 49% equity holding in JM Financial Consultants Private Limited from Morgan Stanley for an amount equivalent to US$ 20 million.

JM Financial Services Private Limited (Formerly Known as JM Morgan Stanley Financial Services Private Limited) **– Investment Advisory and Broking Business**

With the capital market remaining buoyant throughout the year, the Investment Advisory and Broking business did well during the year. The Gross Income rose by 33.24% to Rs. 140.26 crore as against Rs. 105.27 crore in the previous year.

The business of mutual fund distribution soared with greater focus thereby enhancing the AUMs through mobilisations from corporate and high networth clients in both equity and debt funds. The mobilisation in the equity mutual funds was around Rs. 10 billion from 2 lakh applications. The total mutual fund AUMs grew by about 85% to Rs. 78 billion as of March 31, 2007 from Rs. 42 billion at the end of the previous financial year. The Independent Financial Advisory Group distribution network expanded during the year on account of addition of new Independent Financial Advisors and addition of branches in Tier I cities.

The company was ranked at no. 2 from Prime Database for the IPO distribution with mobilisation of Rs. 181.30 billion through 1.1 million applications during the Financial Year 2006-07. The company's market share increased to 15% from 10% in the previous year.

The company's focus on secondary equity as a key driver for growth of business has resulted in rapid growth of volumes and expansion of client base. To increase the geographical reach and to expand its equity brokerage business, the company has increased its branch network. During the year, secondary market volumes increased by about 50% and the company added large number of retail clients. The company has set up a separate desk for arbitrage and option trading activities for providing services to large ticket investors. Its portfolio management business has garnered sizeable assets from high networth clients and mid-sized corporates.

JM Financial Securities Private Limited (Formerly Known as JM Morgan Stanley Fixed Income Securities Private Limited) – **Fixed Income Securities Business**

The Fixed Income Securities business earned a Gross Income of Rs. 2.97 crore as against Rs. 3.51 crore in the previous year.

During the year, the company's focus was on capturing the market share in the client facilitation transactions. It has helped in raising the short-term debt for corporates. It is active in the secondary trading of fixed income securities like Commercial Papers, Certificate of Deposits, etc. It has also raised long-term funds for high rated corporates through the private placement route.

Morgan Stanley India Company Private Limited (Formerly Known as JM Morgan Stanley Securities Private Limited) – Institutional Equity Sales, Trading & Research Business

During the year under review, the Institutional Equity Sales, Trading & Research business in which your Company has equity stake of 49%, performed well due to buoyancy of the capital market for the major part of the year. The company witnessed increase in its business volume during the said year. The company saw its turnover rising from Rs. 179.26 crore to Rs. 247.59 crore during the year.

As the members are aware, the Company has announced the termination of its joint venture with Morgan Stanley. As a part of the arrangement between the parties, the Company has agreed to sell its 49% equity holding in Morgan Stanley India Company Private Limited to Morgan Stanley for an amount equivalent to US$ 445 Million.

The Company has been exploring various options in relation to the Institutional Equity Sales, Trading & Research business including acquisition of an existing entity or establishment of the business or a combination thereof.

JM Financial Products Private Limited – NBFC Business

The NBFC business has done very well showing an all round performance in the turnover and profits during the year. The company's Gross Income during the year was higher at Rs. 29 crore as against Rs. 6.88 crore in the previous year.

The company offers IPO Financing and Margin Funding products under its suite of financial products. During the year, it also commenced investments, on a selective basis, in securitised products by participating in a piece of Credit Enhancement package. Its Margin Funding and IPO Financing businesses continue to grow consistently. The recent policy announcement pertaining to exposure limits and concentration of funding is likely to affect the business of the company going forward. The company has increased its networth to partly meet the challenges posed by the recent amendments in the regulations.

JM Financial Asset Management Private Limited – Mutual Fund Business

JM Financial Mutual Fund launched three new open-ended Equity Oriented Growth Schemes – JM Financial Services Sector Fund, JM Telecom Sector Fund and JM Small & Mid-Cap Fund. All these funds were well received in the market and the AUMs under the equity funds grew close to Rs. 500 crore, an increase of about 340%. The Mutual Fund has increased its focus on the equity oriented schemes and targets to increase its AUMs further. The Fund also launched JM Arbitrage Advantage Fund, an open-ended Equity Oriented Interval Fund and the close-ended Equity Linked Savings Scheme.

On the Debt side, the Mutual Fund launched JM Money Manager Fund, an open-ended liquid fund. Besides these Schemes, JM Fixed Maturity Fund – Series III, JM Fixed Maturity Fund – Series IV and JM Fixed Maturity Fund – Series V, close-ended income schemes offering fixed maturity plans, were also launched during the year.

JM Financial Investment Managers Limited – Private Equity Business and Alternate Investment Management

On the Private Equity business front, JM Financial India Fund was launched and closed at US$ 225 million. The Fund's lead investor, Old Lane Partners LP, which is a US$ 4.5 billion global-proprietary firm, has contributed US$ 50 million.

The Fund is focused on providing growth capital to dynamic, fast-growing, unlisted companies in India. The Fund is a broad based, multi-sector fund that seeks to invest in companies that can leverage the domestic consumption story and the outsourcing opportunity in India. The Fund is focused on investing in Retail, FMCG, Manufacturing, Pharmaceutical, Healthcare, Financial Services, Logistics and BPO sectors. The Fund has already closed three investments during the year.

JM Financial Investment Managers Limited earned a Gross Income of Rs. 9.01 crore as against Rs. 0.49 crore in the previous year.

JM Financial Commtrade Limited – Commodities Broking and Trading Business

During the year, the company continued with its initiative to build a strong commodities research and trading platform. A team of research professionals covers a wide spectrum of commodities including bullion, base metals, crude and soft commodities such as sugar, soy complex, pulses and spices.

The company enhanced its focus on companies having direct balance sheet exposure to exchange traded commodities. However, this initiative suffered a setback due to the sharp fall in volumes at NCDEX. The fall in volume could largely be attributed to the ban on urad, tur and wheat futures by the Commodities Regulator.

Expectations of Banks, Foreign Institutional Investors and Mutual Funds being allowed to trade on the Indian Commodity Exchanges were belied. As a result, commodity trading in India continues to be dominated by retail and high networth investors/traders. The leading corporates are awaiting introduction of options on the commodity exchanges, which would allow them greater flexibility in hedging their commodity exposure on the exchange platform.

During the year, the commodities business earned a Gross Income of Rs. 0.26 crore as against Rs. 0.09 crore earned in the previous year.

Infinite India Investment Management Private Limited – Real Estate Fund Business

JM Financial Group has set up a domestic venture capital fund, viz., JM Financial Property Fund. The said fund has launched its first scheme for domestic investors which has achieved its initial closing in March 2007 with a capital commitment of US$ 45 million and will shortly launch another scheme for offshore investors. The Fund is managed by Infinite India Investment Management Private Limited (Infinite India). Additionally, Infinite India also renders investment advisory services to SRS Private Investment Management LLC (SRS) that manages a US$ 260 million SRS Private Investments Master Fund, LP (SRS Fund) for investments in the Indian realty sector. Infinite India thus manages/advices funds having aggregate capital commitment of over US$ 300 million.

Infinite India has now become an equal joint venture between JM Financial Limited and SRS. Both JM Financial Property Fund and SRS Fund having an aggregate capital commitments of over US$ 300 million, co-invest with each other in investment opportunities identified by Infinite India.

The domestic fund has been registered with the Securities and Exchange Board of India (SEBI) as a venture capital fund under the SEBI (Venture Capital Fund) Regulations, 1996. The Fund intends to invest in commercial, residential, retail and hospitality assets as well as real estate development companies.

Opportunities and Threats

The continued exponential economic growth in the country has created enormous opportunities for financial intermediaries to exploit favorable market conditions and propel their business to greater heights.

India has emerged as one of the fastest growing economies in the globe and has generated a lot of interest among foreign investors both financial and strategic. Global players see India as the future economic powerhouse and they are making huge investments in different businesses within the country. This is evidenced by mega cross border transactions taking place in India either by way of direct buy outs or by way of private strategic equity investments.

Buoyant market conditions and sustained economic growth over the past few years coupled with a very positive outlook in the coming years give the different business segments of JM Financial Group new horizons to capture and venture into additional business streams.

Every surge in business opportunities also brings along with it new entrants into the market. New entrants could be a threat to the various business segments of the Group. However, competition has only helped the Group build a strong business model, employ the best human talent and capitalise on the long years of excellent client relationships and a proven track record.

Post the recent decision of termination of the joint venture with Morgan Stanley in the businesses of Investment Banking, Institutional and Non-institutional Securities Broking and Fixed Income, the Company will own 100% of the Investment Banking, Non-institutional Securities and Fixed Income businesses. As a transition from the joint venture to 100% owned businesses, these businesses may face some challenges in retaining market share, particularly in light of the Company's shareholding in Institutional Securities business having been sold to Morgan Stanley. The Company is keenly focussed on growing the existing businesses with a renewed thrust and in expanding the Institutional Equity business to complete the suite of services.

As part of the transaction for the termination of the joint venture, the Company will be receiving a consideration of US$ 445 million for the sale of its 49% in Institutional Sales, Trading and Research business and paying a consideration of US$ 20 million for buying 49% stake in Investment Banking business. The fund base so created will enable your Company to further build its strengths in various areas of business.

Risks and Concerns

The Company derives its income mainly from dividends and other income categories and hence is not directly exposed to any risks. Risk management teams are in place at the subsidiary and the associate company level to monitor risks. Policies have been put in place for mitigation of risks associated with the businesses. Additionally, a risk management team is in place at the group level which oversees the implementation of the risk mitigation measures at all subsidiaries and associate companies.

The respective Heads of the Risk Management Department in these subsidiaries and associates report to the Firm Management. This ensures independence of the risk management team and effective implementation of risk mitigation measures. During the year, the Board of Directors of the Company has reviewed the risk mitigation measures at the subsidiary and associate company level with Group risk team.

Internal Controls and their Adequacy

The internal controls within the Company are commensurate with the size and nature of its business. The Company mainly derives its income from dividends and other earnings. The Company has an Audit Committee as required under Clause 49 of the Listing Agreement.

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

Financial Performance

On a Standalone basis, the Company earned a Gross Income of Rs. 39.38 crore during the year under review as against Rs. 16.29 crore earned by it in the previous year. This is attributable to the higher dividend income earned by the Company from its investments in subsidiary and joint venture companies. The Profit before depreciation and other provisions is Rs. 35.75 crore as against Rs. 14.42 crore recorded in the previous year, after accounting for expenses of Rs. 3.62 crore (previous year - Rs. 1.87 crore). The Net Profit after tax for the year is Rs. 35.31 crore as against Rs. 15.27 crore in the previous year. The Earnings Per Share calculated on the basis of weighted average number of shares during the year stood at Rs. 12.04 per share and on the number of shares outstanding at the year end at Rs. 11.77 per share as against Rs. 8.60 and Rs. 5.47 per share, respectively, reported in the previous year.

On a consolidated basis, your Company earned Gross Income of Rs. 444.05 crore (previous year - Rs. 231.10 crore), Profit before Tax of Rs. 182.94 crore (previous year - Rs. 135.86 crore) and Profit after Tax before minority interest and share of profit/loss in associate companies of Rs. 122.91 crore (previous year - Rs. 91.29 crore). Profit after Tax and minority interest and the share of profit/loss in associate companies stood at Rs. 90.87 crore (previous year - Rs. 61.81 crore). The Earnings Per Share, on a consolidated basis calculated on the basis of weighted average number of shares, during the year stood at Rs. 30.99 per share (previous year - Rs. 37.65) and on the number of shares outstanding at the year end at Rs. 30.29 per share (previous year - Rs. 23.95).

Segment-wise Performance

On a consolidated basis, the Company has identified two segments viz., Financial Services Activity and Fund Based Activity. The Profit before Tax from the Financial Services Activity was at Rs. 159.47 crore and at Rs. 23.47 crore from the Fund Based Activity.

Human Resources

Our people are our key driving force. To meet the challenges of various businesses managed by different subsidiaries and associate companies, it is imperative to build, develop and retain quality human capital. The Group has an interesting mix of professionals from diverse backgrounds. No doubt, they bring in talent, knowledge, diversity and passion to bear in our every endeavour. The Human Resource department consistently arranges various programmes and interactions which are focused on recognising and honing talent at every level and look for ways to enrich the careers and goals of all employees.

Corporate Social Responsibility

JM Financial has always believed in strengthening and uplifting the communities across the country enabling them to be self-reliant. With continued focus on education and development of children and health for all, the Company, through the Kampani Charitable Trust and other charitable trusts has partnered with many non-profit organisations to work towards this goal.

The annual fund-raising Walkathon, in aid of the underprivileged children was a success and the funds were used to support various non-profit organisations like Nanhi Kali Foundation, Sunbeam Trust and Round Table India among others.

JM Financial Group employees have actively participated in several group activities supporting the cause of education and health of the underprivileged.

Cautionary Statement

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

Report on Corporate Governance

Company's philosophy on Corporate Governance

The Company's philosophy on Corporate Governance is founded upon a rich legacy of fair, ethical and transparent governance practices. While practicing good Corporate Governance, your Company strives to communicate in a truthful manner, all the material developments and its financial performance in a timely and meaningful manner without compromising its legitimate commercial interests. The Board of Directors of your Company has a fiduciary relationship and corresponding duty to all its stakeholders to ensure that their rights are protected. Through the Corporate Governance mechanism in the Company, the Board along with its Committees endeavours to strike the right balance with its various stakeholders. Your Company has been relentless in following the principles of Corporate Social Responsibility. Corporate Social Responsibility ensures the promotion of ethical values and setting up exemplary standards of ethical behaviour in our conduct with our business partners, colleagues, shareholders and general public i.e., abiding by the laws, showing mutual respect and acting with honesty and responsibility.

Board of Directors

The Board of Directors and its Committees provide leadership and guidance to the Company's Senior Executive team and directs, supervises and controls the performance of the Company. The composition of the Board of Directors is governed by the Companies Act, 1956, the Listing Agreement and the Articles of Association of the Company. The Board of Directors has seven members, all of whom are Non–Executive Directors. The Board comprises four Independent Directors, namely, Mr. M R Mondkar, Mr. E A Kshirsagar, Dr. Pravin P Shah and Mr. Darius E Udwadia. The Non-Executive Chairman of the Board is Mr. Nimesh N Kampani.

The Directors of the Company are eminent persons of proven competence and integrity. Besides having experience, leadership qualities and strategic thoughts, the Directors have a significant degree of commitment to the Company and devote adequate time for the Board Meetings. The required information as enumerated in Annexure IA to Clause 49 of the Listing Agreement is made available to the Board of Directors for discussion and consideration at Board Meetings.

Particulars of Directors to be reappointed at the ensuing Annual General Meeting

The brief particulars about the Directors to be reappointed, being the Directors retiring by rotation, at the ensuing Annual General Meeting are given below:

Mr. Nimesh N Kampani

Mr. Nimesh N Kampani is a Commerce Graduate from Sydenham College, and a qualified Chartered Accountant. Mr. Kampani is the founder and Chairman of JM Financial Group, one of India's leading financial services group, which has interests in investment banking, capital markets, asset management, alternative assets and retail brokerage. In his career spanning more than three decades, he has made pioneering contributions to the development of Indian Capital Markets and has advised several corporates on their financial needs, especially capital raising and mergers & acquisitions. He is on the Board of several eminent public limited companies, which includes Apollo Tyres Limited, Britannia Industries Limited, Deepak Nitrite Limited, KSB Pumps Limited and Ranbaxy Laboratories Limited. Mr. Kampani is the Chairman of the CII's National Committee on Capital Markets and a member of the High Powered Expert Committee constituted by the Ministry of Finance on making Mumbai a Regional Finance Centre. Mr. Kampani is a member of the SEBI Primary Market Advisory Committee and the Governing Council of the Indian Institute of Capital Markets. He is also on the Governing Board of the Centre for Policy Research. As of March 31, 2007, number of equity shares held by Mr. Kampani was 5,414,300 in the Company.

Mr. Ashith N Kampani

Mr. Ashith N Kampani holds a Bachelor's degree in Commerce from University of Mumbai. Mr.Kampani in his 25 years of experience in equity brokerage business has serviced all segments viz., Retail, HNI, Corporate and Institutions. Mr. Kampani began his career with the family's stock brokerage firm in 1982 and was associated with it till 1990. Mr. Kampani then worked with JSB Securities Limited/JM Financial Limited between 1991 and 1998 as Head of dealing. From 1999 to 2007, Mr. Kampani worked with Morgan Stanley India Company Private Limited (formerly known as JM Morgan Stanley Securities Private Limited), as Senior Vice President in the Institutional Equities Division, servicing institutional clients in Asia. Mr. Kampani continues to be part of JM Financial Group. As of March 31, 2007, number of equity shares held by Mr. Kampani was 7,611 in the Company.

Your Company had eight Board Meetings during the year under review, which were held on the dates given below:

April 21, 2006	July 27, 2006
April 25, 2006	October 16, 2006
June 1, 2006	January 31, 2007
June 29, 2006	February 22, 2007

The maximum time-gap between any two consecutive meetings did not exceed four months. The Board, on a need based basis, reviews the actions and decisions taken by it and by the Committees established by it. The particulars regarding the composition of Board, attendance of Directors at the Board Meetings during the financial year and at the last Annual General Meeting, the number of other directorships and memberships/chairmanships in public companies are as follows:

Name of the Director	Category	FY 2006 -07 attendance		No. of directorships in Other Companies		No. of Committee memberships held in other Public Companies*	
		Board Meeting	Last AGM	Public	Private	Member	Chairman
Mr. Nimesh N Kampani	Non-Executive Chairman	8	Yes	6	7	4	2
Mr. M R Mondkar	Independent & Non-Executive Director	7	Yes	--	2	--	--
Mr. Ashith N Kampani	Non-Executive Director	7	Yes	--	1	--	--
Mr. E A Kshirsagar	Independent & Non-Executive Director	8	Yes	3	2	4	2
Mr. Dilip Kothari	Non-Executive Director	4	No	1	2	--	--
Dr. Pravin P Shah	Independent & Non-Executive Director	5	Yes	5	8	4	1
Mr. D E Udwadia	Independent & Non-Executive Director	3	Yes	13	8	--	--

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

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

The Board of Directors of your Company considers at length the matters involving strategic planning and policy formulation. The agenda of the Board Meeting is sent to all the Directors in advance and contains the relevant information.

Code of Conduct

The Code of Conduct has been laid out for all the Board Members and designated Senior Executives of the Company. The Code of Conduct contains, inter alia, the policies on confidentiality and insider trading. All the Board Members and the designated Senior Executives have affirmed compliance with the Code of Conduct. A declaration signed by the Manager and Chief Financial Officer (CFO) to this effect is annexed at the end of this report.

Risk Management

Your Company recognises that risk management is a key element of business planning. It has undertaken an exhaustive exercise to identify key risk areas and controls across the entire organisation. This framework facilitates recognition and response to strategic, operational, financial and compliance risks faced by the Company including its subsidiaries and associates, across its operations. The Board and the Audit Committee of the Company are periodically informed about the material risks facing the Company and the steps taken to mitigate those risks.

Board Committees

The Board has constituted various Committees to focus on the critical functions of the Company viz., Audit Committee, Shareholders' Grievance Committee, Remuneration/Compensation Committee, Allotment & Share Transfer Committee and Investment Committee. The Board decides the scope of activities of these Committees. The meetings of these Committees are held on a periodical basis. The composition of these Committees is as under:

Audit Committee	Remuneration Committee	Shareholders' Grievance Committee	Allotment & Share Transfer Committee	Investment Committee
Mr. E A Kshirsagar	Mr. Nimesh N Kampani	Mr. M R Mondkar	Mr. Nimesh N Kampani	Mr. M R Mondkar
Mr. Ashith N Kampani	Mr. E A Kshirsagar	Mr. Ashith N Kampani	Mr. M R Mondkar	Mr. Dilip Kothari
Mr. M R Mondkar	Mr. Darius E Udwadia		Mr. Ashith N Kampani	
Dr. Pravin P Shah	Dr. Pravin P Shah			

Audit Committee

The Audit Committee consists of three Independent Directors and one Non-independent Director. Mr. E A Kshirsagar is the Chairman of the Audit Committee. The Statutory Auditors are invited to the meeting to bring out the issues that they may have with regard to the finance, operations and other allied matters. The Company Secretary acts as the Secretary to the Committee. The Company had five Audit Committee Meetings during the year under review. The particulars about the attendance of each of the members at the Audit Committee are given below:

Name of the Member	No. of Audit Committee Meetings attended
Mr. E A Kshirsagar	5
Mr. M R Mondkar	5
Mr. Ashith N Kampani	4
Dr. Pravin P Shah*	1

* Appointed as a member of the Audit Committee w.e.f. July 27, 2006

The terms of reference for the Audit Committee are as follows:

1. The scope of audit including the observations of the auditors and ensure compliance of internal control systems.
2. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are accurate, sufficient and credible.
3. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of Statutory Auditors.
4. Fixation of remuneration of the Statutory Auditors and approval for payment in relation to any other services rendered by them.
5. Reviewing, the quarterly and annual financial statements before submission to the Board for consideration, with particular reference to:-
   a) Changes, if any, in accounting policies and practices and reasons for the same .
   b) Major accounting entries involving estimates based on the exercise of judgment by management.
   c) Significant adjustments made in the financial statements arising out of audit findings.
   d) Compliance with the Accounting Standards.
   e) Compliance with Listing Agreement and other legal requirements relating to financial statements.
   f) Disclosure of any related party transactions.
   g) Qualifications, if any, in the draft audit report.
   h) The going concern assumption.
6. Reviewing the Company's financial and risk management policies.

The Minutes of the Audit Committee Meetings form part of Board Agenda papers circulated for Board Meetings.

Remuneration/Compensation Committee

Mr. Nimesh N Kampani, Mr. E A Kshirsagar, Mr. Darius E Udwadia and Dr. Pravin P Shah are the members of the Remuneration/Compensation Committee (the "Committee"). All the members of the Committee other than Mr. Nimesh N Kampani are independent directors.

The matters referred to the Committee, inter alia, includes formulation and administration of the Employee Stock Option Scheme (the "Scheme"), the review and grant of options to eligible Employees under the Scheme and to review and recommend the remuneration/compensation of the Senior Employees and/or Executive/Non-Executive Directors and the Manager, from time to time.

The details of the sitting fees and commission paid/payable to the Non-Executive Directors of the Company for the Financial Year 2006-07 are given below:

Name of the Director	Shareholding in the Company as on March 31, 2007	Commission* (In Rupees)	Sitting Fees paid during the year 2006-07 (In Rupees)	
			Board Meeting	Audit Committee Meeting
Mr. Nimesh N Kampani	5,414,300	200,000	40,000	--
Mr. M R Mondkar	Nil	500,000	35,000	15,000
Mr. Ashith N Kampani	7,611	500,000	35,000	12,000
Mr. E A Kshirsagar	Nil	600,000	40,000	15,000
Mr. Dilip Kothari	Nil	400,000	20,000	--
Dr. Pravin P Shah	Nil	400,000	25,000	3,000
Mr. D E Udwadia	Nil	400,000	15,000	--

*** Criteria for paying the commission:**

The elements of the remuneration package of Non-Executive Directors consist of siting fees and commission. The payment of the annual commission to Non-Executive Directors is based, inter alia, on the number of Board and Committee Meetings attended by each of the Directors, the position held by them as the Chairman of the Board and of the Audit Committee and contribution made by them from time to time.

The aggregate amount of commission to the Directors is Rs. 3,000,000 for the Financial Year 2006-07. The commission amount as aforesaid is within 1% of the net profits of the Company.

Shareholders' Grievance Committee

The Committee, considers various issues relating to shareholders/investors including redressal of complaints/grienvances relating to transfer of shares, non-receipt of Balance Sheet, dividend, etc., and takes steps for resolving complaints/queries of the shareholders/investors. The Committee met four times during the year on April 21, 2006; July 27, 2006; October 16, 2006 and January 31, 2007. The details about the attendance of each of the members of the Committee are given below:

Name of the Member	No. of Meetings attended
Mr. M R Mondkar	4
Mr. Ashith N Kampani	4

The particulars of the number of complaints/queries received and resolved by the Company during the Financial Year 2006-07 is given in the table below. No complaints were pending as of March 31, 2007. A break-up of the number of complaints/queries received and its nature is given below:

Nature of Complaints/Queries	No. of Complaints/Queries received and resolved to the satisfaction of shareholders
Request for Information relating to tradable warrants	1
Non-receipt of Debenture Redemption Proceeds	10
Non-receipt of share certificates sent for transfer	14
Complaints relating to issue of duplicate share certificates	10
Non-receipt of confirmation of Change of Address	1
Non-receipt of Annual Reports and/or Dividend	38
Total	**74**

Mr. P K Choksi, Company Secretary is acting as the Compliance Officer to monitor the share transfer process and other related matters.

Subsidiary Companies

The minutes and financial statements of subsidiary companies along with statement of significant transactions and arrangements, if any, are placed before the Board of Directors for their information and noting.

General Body Meetings

All resolutions moved at the last Annual General Meeting were passed by a show of hands with the requisite majority of members attending the meeting. The following are the Special Resolutions passed at the last three years General Meetings of the Company.

Venue, date and time of Annual General Meeting (AGM) / Extraordinary General Meeting (EGM)

AGM/EGM held on	Venue	Time	Whether Special Resolution passed	Summary of matters involved under Special Resolution
August 2, 2004	Kamalnayan Bajaj Hall Bajaj Bhavan Nariman Point Mumbai 400 021	3.30 p.m.	Yes	• Change in Name of the Company.
July 6, 2005	Kamalnayan Bajaj Hall Bajaj Bhavan Nariman Point Mumbai - 400 021	3.30 p.m.	Yes	• Payment of Commission to the Directors of the Company up to 3% of the profits per annum.
November 4, 2005 EGM	Kamalnayan Bajaj Hall Bajaj Bhavan Nariman Point Mumbai - 400 021	11.30 a.m.	Yes	• Alteration of the Articles of Association. • Issue, in aggregate, of up to 4,200,000 equity shares on a preferential basis. • Increase in limit of foreign investment up to 40% of paid up capital of the Company.
February 15, 2006 Court Convened General Meeting	Y B Chavan Centre General Jagannath Bhosale Marg Mumbai - 400 021	3.30 p.m.	Yes	• Scheme of Amalgamation of J. M. Securities Private Limited with JM Financial Limited.
June 1, 2006 EGM	Kamalnayan Bajaj Hall Bajaj Bhavan Nariman Point Mumbai - 400 021	4.00 p.m.	Yes	• Issue of up to 2,101,667 equity shares on a preferential basis. • Appointment of the Manager.
September 7, 2006	Kamalnayan Bajaj Hall Nariman Point Bajaj Bhavan Mumbai - 400 021	4.00 p.m.	Yes	• Payment of Commission to the Directors of the Company between 1% and up to 3% of the profits per annum. • Three Resolutions under Section 81(1A) for issue of shares under Employees Stock Option Scheme.

Postal Ballot

No resolution was required to be passed by means of postal ballot during the year under review.

Management Discussion and Analysis

The Report of Management Discussion and Analysis forms part of this Annual Report. It is prepared in accordance with the requirements laid out in Clause 49 of the Listing Agreement.

Disclosures

- During the year under review besides the transactions mentioned elsewhere in the Annual Report, there were no other related party transactions by the Company with its promoters, directors, management and subsidiaries leading to a potential conflict with the interests of the Company at large.
- The Audit Committee is briefed of the related party transactions undertaken by the Company in the ordinary course of business, material individual transactions and such other material individual transactions with related parties or others.
- The Company has complied with various rules and regulations prescribed by Stock Exchanges, Securities and Exchange Board of India or any other statutory authority relating to the capital markets during the last three years. No penalties or strictures have been imposed by the Regulatory Bodies on the Company.
- The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any Accounting Standards.
- In accordance with Clause 49 (V) of the Listing Agreement pertaining to CEO/CFO certification, Mr. Manish Sheth, Manager & Chief Financial Officer, has furnished certificate to the Board for the Financial Year ended March 31, 2007.
- In line with the requirements of SEBI, Secretarial Audit is carried out on a quarterly basis by a firm of practicing Company Secretaries to confirm that the aggregate number of equity shares of the Company held in National Securities Depository Limited (NSDL) and 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.

Means of Communication

The Quarterly/Half Yearly Annual Results are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement and are published in the newspapers. The said results are also displayed on the website of the Company (www.jmfinancial.in). The information regarding the performance of the Company is shared with the shareholders through the Annual Report. The Company also regularly uploads the information as specified under Clause 51 of the Listing Agreement on the Electronic Data Information Filing and Retrieval System (EDIFAR) launched by SEBI.

General Shareholders' Information

Annual General Meeting:

Date and Time	:	September 6, 2007 at 3.30 pm
Venue	:	Kamalnayan Bajaj Hall, Bajaj Bhavan, Nariman Point, Mumbai 400 021
Financial Year	:	1st April to 31st March.
Dates of Book Closure	:	August 30, 2007 to September 6, 2007 (Both the days inclusive)
Dividend Payment Date	:	September 7, 2007

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 3719 www.bseindia.com National Stock Exchange of India Limited (NSE) Exchange Plaza Plot No.C-1, G Block, Bandra-Kurla Complex Bandra (East), Mumbai - 400 051 Tel.: 91 22 2659 8235 / 36 Fax: 91 22 2659 8237 www.nseindia.com
Listing fees	:	The Company has paid the Annual Listing fees to the BSE and NSE for the Financial Year 2007-08 as per the Listing Agreement.
ISIN Number	:	INE780C01015
BSE Code	:	523405
NSE Symbol	:	JMFINANCIL
Registered Office	:	141, Maker Chambers - III Nariman Point, Mumbai - 400 021
Registrars and Share Transfer Agents	:	Sharepro Services (India) Private Limited
Investor Relation Centre		912, Raheja Centre Free Press Journal Road Nariman Point, Mumbai - 400 021 Contact Person: Mr. D B Anchan Tel.: 91 22 2288 1568/69 91 22 2282 5163 **Counter Timings:** On weekdays 10.00 a.m. to 5.00 p.m. On Saturdays 10.00 a.m. to 4.00 p.m.
Main Office		3rd Floor, Satam Industrial Estate Above Bank of Baroda Cardinal Gracious Road, Chakala Andheri (East), Mumbai - 400 099 Contact Person: Mr. Gopal Poojari/Ms.Indira Karkera Tel No. 91 22 2821 5168/69 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
Address for Correspondence	:	141, Maker Chambers III Nariman Point Mumbai - 400 021

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.

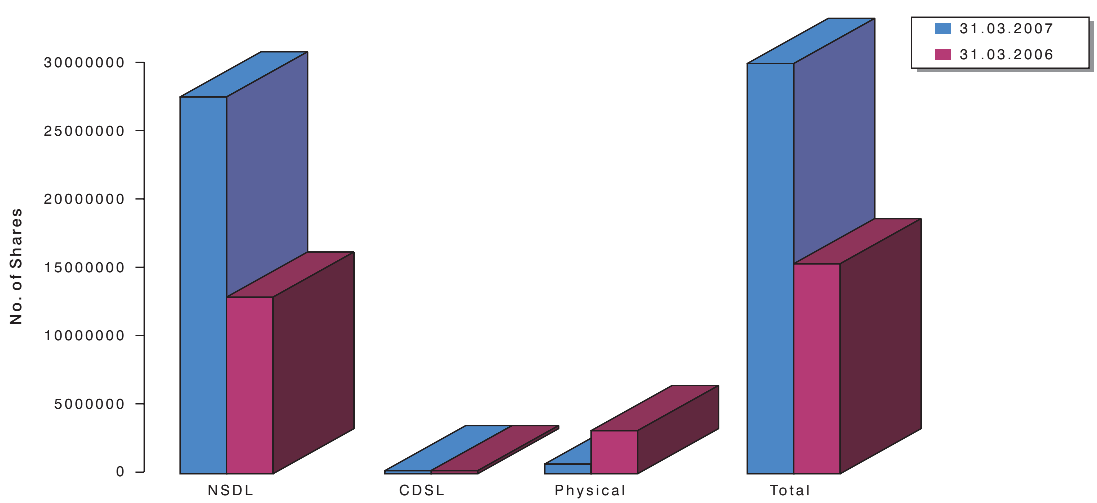
As required under Clause 47(c) of the Listing Agreement entered into by the Company with the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE), a certificate is obtained every six months from a practicing Company Secretary, confirming that the requests for transfer, transmission, sub-division, consolidation, renewal and exchange of equity shares have been effected within one month of their lodgement subject to all the documents being in order. The said certificate is forwarded to BSE and NSE, 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, within 21 days. The particulars of dematerialisation of shares are reported to the Board for its noting.

Shares in Dematerialised Mode: As of March 31, 2007, 29,454,275 equity shares representing 98.18% of the Company's Share Capital were held in electronic mode.

Out of the above shares in electronic mode, 29,283,566 equity shares representing 97.61% have been dematerialised under NSDL whereas 170,709 shares representing 0.57% have been dematerialised under CDSL.

Comparison chart giving the break up of shares held in physical and dematerialised mode as of March 31, 2007 as compared with that of March 31, 2006:



Stock Market data relating to the shares:

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

Month	Open Rs.	High Rs.	Low Rs.	Close Rs.	No. of Shares Traded
April 2006	505.00	650.00	480.00	631.75	493,514
May 2006	622.50	845.00	622.50	710.55	652,949
June 2006	710.00	720.00	437.10	544.05	172,365
July 2006	549.00	717.40	474.60	700.45	193,313
August 2006	707.10	957.00	640.00	743.75	784,044
September 2006	749.70	900.00	725.00	783.75	781,977
October 2006	794.70	817.00	715.00	771.55	258,379
November 2006	779.70	877.00	746.00	760.90	292,603
December 2006	765.00	848.65	722.50	816.90	158,448
January 2007	822.00	895.00	745.00	815.55	152,606
February 2007	759.50	1,146.00	759.50	937.85	585,217
March 2007	935.00	1,040.00	850.00	989.10	241,442

Source: www.bseindia.com

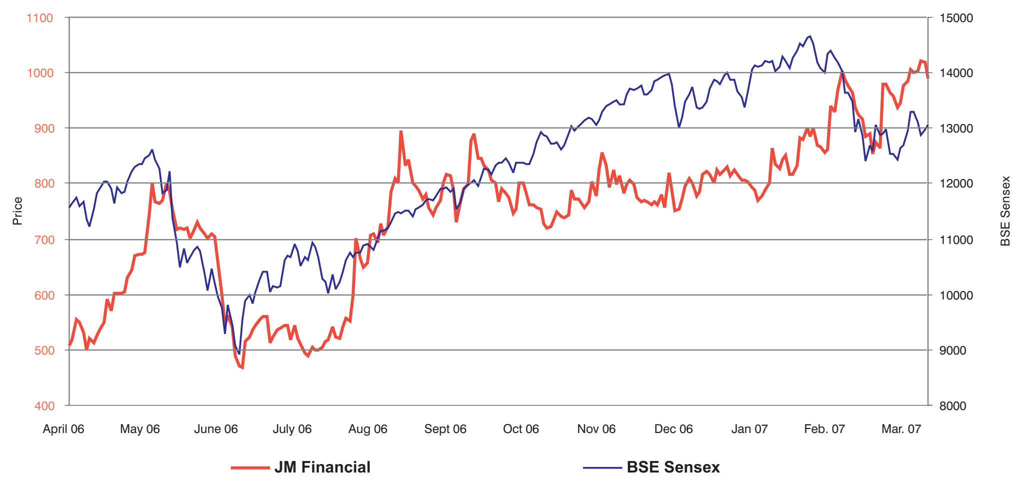
Details about monthly open, high, low and close prices and volume of shares traded on NSE are given below:

Month	Open Rs.	High Rs.	Low Rs.	Close Rs.	No. of Shares Traded
October 2006	793.00	820.00	713.00	771.15	36,311
November 2006	790.95	900.00	742.10	758.80	98,820
December 2006	797.95	848.00	730.00	808.70	61,022
January 2007	780.15	899.90	749.20	819.95	56,492
February 2007	775.00	1,149.00	809.00	936.40	460,268
March 2007	921.00	1,085.00	854.50	1,003.85	205,411

Source: www.nseindia.com

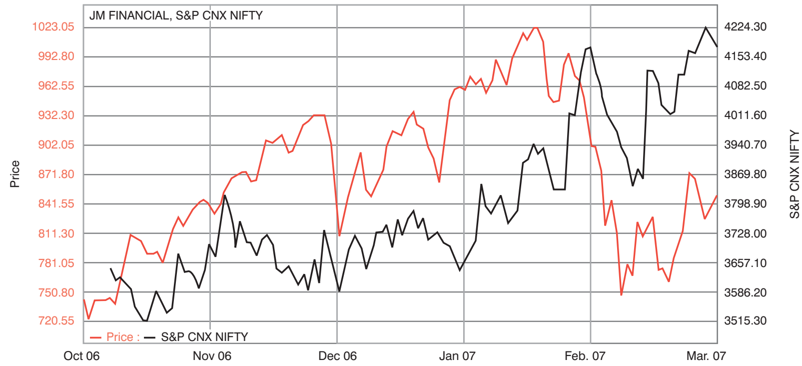
Note: The equity shares of the Company were listed on NSE with effect from October 10, 2006

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



Source: www.bseindia.com

The performance of the Company's equity shares vis-à-vis the S & P CNX NIFTY is given in the chart below:



Source: www.nseindia.com

Information about Shareholding as of March 31, 2007:

I. Distribution of Shareholding:

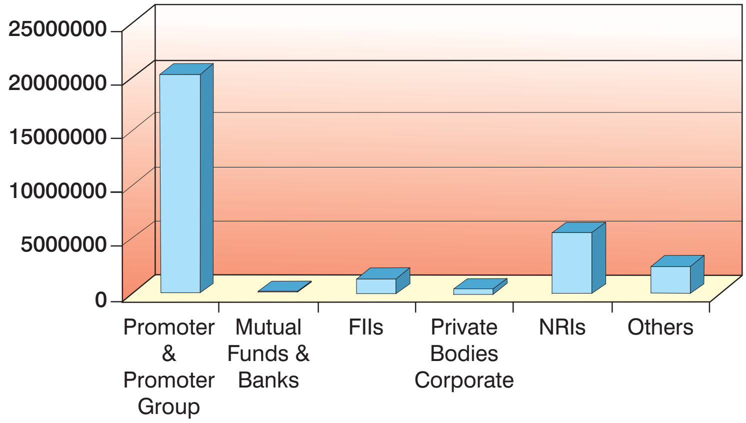
Number of Shares held	Shareholders		Shares	
	Nos.	% age	Nos.	% age
1- 500	5562	90.20	814,037	2.72
501- 1000	332	5.38	263,608	0.88
1001- 2000	119	1.93	177,836	0.59
2001- 3000	41	0.67	103,045	0.34
3001- 4000	21	0.34	75,204	0.25
4001- 5000	17	0.28	78,866	0.26
5001-10000	34	0.55	242,139	0.81
10001 and above	40	0.65	28,245,265	94.15
	6166	**100.00**	**30,000,000**	**100.00**

II. Category of Shareholders:

Category	Number of Shares held	Amount paid up Rs.	% age to the Total Issued Capital
Promoters:			
Bodies Corporate	12,125,964	121,259,640	40.42
Directors and their relatives	8,081,111	80,811,110	26.94
	20,207,075	**202,070,750**	**67.36**
Non Promoters:			
Mutual Funds & Banks	113,293	1,132,930	0.38
Foreign Institutional Investors (FIIs)	1,341,436	13,414,360	4.47
Bodies Corporate	433,504	4,335,040	1.45
Non-Resident Indians	23,767	237,670	0.08
Non-Resident Investors	5,426,667	54,266,670	18.09
Public	2,454,258	24,542,580	8.17
	9,792,925	97,929,250	32.64
Total	***30,000,000**	*** 300,000,000**	**100.00**

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

Distribution of Shareholding as on March 31, 2007



Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity	:	None since the Company has not issued any such instruments.
Compliance Certificate of the Statutory 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 Annual Report.

A declaration signed by the Manager & Chief Financial Officer as obtained is given below:

I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Executives, affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of the financial year 2006-07.

Manish Sheth

Manager & Chief Financial Officer

To the Members,

JM Financial Limited

We have examined the compliance of conditions of corporate governance by JM Financial Limited, for the year ended on March 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

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

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

We state that no investor grievance(s) are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders' Grievance Committee.

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 & on behalf of

Khimji Kunverji & Co

Chartered Accountants

SHIVJI K VIKAMSEY

Partner

Place : Mumbai

Date : June 29, 2007

Auditors' Report

To
The Members of **JM Financial Limited**

1. We have audited the attached Balance Sheet of **JM Financial Limited** as at March 31, 2007 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) (hereinafter referred to as 'the Order') issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, (hereinafter referred to as 'the Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the annexure referred to above, we report that:

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

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

   iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Act;

v. On the basis of the written representations received from the directors as on March 31, 2007 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2007 from being appointed as a director in terms of Section 274 (1) (g) of the Act.

vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;

b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and

c) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

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

SHIVJI K. VIKAMSEY
Partner
Membership No. 2242

Place: Mumbai
Date: June 29, 2007

Annexure referred to in paragraph 3 of our report of even date of JM Financial Limited as at March 31, 2007

i) In view of the nature of activities carried on by the Company, clauses 4(ii)(a) to (c), 4(viii), 4(xi), 4(xiii), 4(xiv) and 4(xvi) of the Order are not applicable to it.

ii) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by management at reasonable intervals. As informed, no material discrepancies were noticed on such verification.

(c) The Company has not disposed off substantial part of its fixed assets during the year.

(iii) (a) In respect of the Unsecured loans granted by the Company to companies, firms or other parties covered in the register maintained under Section 301 of the Act;

1) The Company has given deposits to two parties amounting to Rs.28.45 crore of which Rs. 14.00 crore has been repaid.

2) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of loan are not prima facie prejudicial to the interest of the Company.

3) The party has repaid the principal amounts as stipulated and have also been regular in the payment of interest to the Company.

4) As there is no overdue amount the question of the Company taking reasonable step for recovery of the principal amount and interest does not arise.

(b) The Company has not taken any loans, secured or unsecured, from the companies, firms or other parties covered in the register maintained under section 301 of the Act. Hence clauses (iii) (f) and (g) of the Order are not applicable to the Company.

iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. During the course of audit, no major weakness has been noticed in the internal control system in respect of these areas.

v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act, and exceeding the value of rupees five lakh in respect of any party during the year have been made at price which are reasonable having regard to prevailing market prices at the relevant time.

vi) In our opinion and according to the information and explanations given to us, no deposits from the public within the meaning of Reserve Bank of India Directives and Sections 58A, 58AA or any other relevant provisions of the Act and the rules framed there under, have been accepted by the Company. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

vii) In view of the existing volume of transactions during the year and the internal controls existing, the Company did not deem it necessary to have a formal Internal Audit System during the year.

viii) (a) The Company is generally regular in depositing undisputed Income Tax, Service Tax, Cess and Investors Education and Protection Fund with appropriate authorities and there are no arrears thereof as at March 31, 2007 for a period of more than six months from the date they become payable. We are informed that statutory dues like Provident Fund, Employee's State Insurance, Sales Tax, Wealth Tax, Custom Duty, Excise Duty and other statutory dues are not applicable to the Company.

(b) According to the information & explanations given to us, there are no outstanding dues of Income Tax and Service Tax not deposited on account of any dispute.

ix) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceeding financial year.

x) Based on our audit procedures and as per the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

xi) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xii) According to the information and explanations given to us, the Company has not given guarantee for loans taken by others from banks or financial institutions.

xiii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.

xiv) The Company has not made preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act.

xv) According to the information and explanations given to us, no debentures have been issued during the year.

xvi) The Company has not raised any money through a public issue during the year.

xvii) Based upon the audit procedures performed and information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

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

SHIVJI K. VIKAMSEY
Partner
Membership No. 2242

Place: Mumbai
Date: June 29, 2007

Balance Sheet as at March 31, 2007

	Schedule	As at 31.03.2007 (Rs. in '000)	As at 31.03.2006 (Rs. in '000)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	A	299,774	155,002
Share Capital Suspense (Refer note 3)		-	123,733
Reserves & Surplus	B	3,510,206	2,031,927
DEFERRED TAX LIABILITY		-	1,977
FUNDS EMPLOYED		3,809,980	2,312,639
APPLICATION OF FUNDS			
FIXED ASSETS	C		
Gross block		11,774	10,850
Less: Provision for depreciation		2,690	2,429
Net block		9,084	8,421
INVESTMENTS	D	3,506,540	1,481,633
Current Assets, Loans & Advances	E	490,153	933,877
Less: Current Liabilities & Provisions	F	201,952	111,292
NET CURRENT ASSETS		288,201	822,585
DEFERRED TAX ASSET		6,155	-
FUNDS UTILISED		3,809,980	2,312,639
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	J		

The schedules referred to above form an integral part of the balance sheet.

As per our attached report of even date

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

SHIVJI K VIKAMSEY
Partner
Membership No. 2242

For & on behalf of the Board of Directors

Nimesh N Kampani
Chairman

M R Mondkar
Director

Manish Sheth
Manager & Chief Financial Officer

P K Choksi
Company Secretary

Place: Mumbai
Date: June 29, 2007

Profit & Loss Account for the year ended March 31, 2007

	Schedule	For the year ended 31.03.2007 (Rs. in '000)	For the year ended 31.03.2006 (Rs. in '000)
INCOME			
Financial services activity	G	347,663	134,008
Interest & other income	H	46,145	28,878
Total Income		**393,808**	**162,886**
EXPENDITURE	I	36,248	18,662
Profit before depreciation, diminution in the value of investment & tax		357,560	144,224
Less: Depreciation		261	178
Provision/(reversal) for diminution in the value of investment		-	(13,250)
Profit before Tax		**357,299**	**157,296**
Provision for Taxation			
Current tax		4,000	2,200
Deferred tax		126	2,298
Fringe benefit tax		45	-
Short provision for taxation of earlier years		-	111
Profit after Tax		**353,128**	**152,687**
Add: Balance Profit brought forward from earlier years		240,059	74,141
Balance Profit of J.M. Securities Pvt. Ltd. on account of merger		-	118,750
Profit available for Appropriation		**593,187**	**345,578**
APPROPRIATION			
Proposed Dividend		150,000	75,000
Dividend Tax		25,493	10,519
General Reserve		38,000	20,000
Surplus carried to Balance Sheet		379,694	240,059
		593,187	**345,578**
Earnings Per Share (per equity share of Rs.10/- each) (refer note 9)			
- Basic & Diluted (on weighted average basis) (in Rs.)		12.04	8.60
- Basic & Diluted (on the shares at the year end) (in Rs.)		11.77	5.47
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	J		

The schedules referred to above form an integral part of the balance sheet.
As per our attached report of even date

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

SHIVJI K VIKAMSEY
Partner
Membership No. 2242

Place: Mumbai
Date: June 29, 2007

For & on behalf of the Board of Directors

Nimesh N Kampani
Chairman

M R Mondkar
Director

Manish Sheth
Manager & Chief Financial Officer

P K Choksi
Company Secretary

Schedules

	As at 31.03.2007 (Rs. in '000)	As at 31.03.2006 (Rs. in '000)
SCHEDULE 'A'		
SHARE CAPITAL		
Authorised:		
50,000,000 (50,000,000) equity shares of Rs. 10/- each	**500,000**	**500,000**
Issued, Subscribed and Paid up :		
30,000,000 (15,525,000) equity shares of Rs.10/- each fully paid-up.	300,000	155,250
(Of the above 12,50,000 equity shares of Rs 10/- each issued for consideration other than cash)		
Less : Calls in arrears	(226)	(248)
	299,774	**155,002**
SCHEDULE 'B'		
RESERVES & SURPLUS		
Securities Premium:		
Balance as per last balance sheet	1,759,869	121,948
Add: Additions during the year	1,322,033	1,714,017
Securities Premium balance of J.M. Securities Private Limited on account of merger	-	49,600
	3,081,902	1,885,565
Less: Expenses related to merger / preferential issue (Net of tax)	21,390	4,863
Transferred to share capital suspense on account of merger	-	120,833
	3,060,512	1,759,869
General Reserve:		
Balance as per last balance sheet	32,000	12,000
Add: Transferred from profit and loss account	38,000	20,000
	70,000	32,000
Surplus in Profit and Loss account	379,694	240,059
	3,510,206	**2,031,927**

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SCHEDULE 'C'

FIXED ASSETS

(Rs. in '000)

Particulars	Gross block (At cost)				Depreciation				Net block	
	As at 01.04.2006	Additions during the year	Deductions / Adjustments	As at 31.03.2007	As at 01.04.2006	For the year	Deductions / Adjustments	Total upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
Office premises	10,850	-	-	10,850	2,429	177	-	2,607	8,243	8,421
Computers	-	924	-	924	-	84	-	84	840	-
TOTAL	**10,850**	**924**	**-**	**11,774**	**2,429**	**261**	**-**	**2,691**	**9,083**	**8,421**
Previous year	10,850	-	-	10,850	2,251	178	-	2,429	8,421	

Schedules

SCHEDULE 'D'

INVESTMENTS

Sr. No.	Particulars	As at 31.03.2007		As at 31.03.2006	
		Nos	(Rs. in '000)	Nos	(Rs. in '000)
	LONG TERM INVESTMENTS				
	A. TRADE INVESTMENTS - Unquoted Fully paid-up (unless otherwise stated)				
	<u>Investment in Subsidiaries</u> **Equity shares of Rs. 10/- each** (unless otherwise stated)				
1	JM Financial Commtrade Limited	5,000,000	50,000	2,000,000	20,000
2	JM Financial Investment Managers Limited	300,000	31,617	50,000	6,617
3	JM Financial Products Private Limited	6,000,000	510,148	6,000,000	510,148
4	JM Financial Consultants Private Limited (Formerly known as JM Morgan Stanley Private Limited)	6,134,790	61,460	6,134,790	61,460
5	JM Financial Holdings (Mauritius) Ltd. - (Shares of US $ 1 each)	5,000	226	-	-
6	JMF-BR Investment Holdings (Mauritius) Ltd. - (Shares of US $ 1 each)	7,494	340	-	-
	Preference shares of Rs. 10/- each (unless otherwise stated)				
7	JM Financial Commtrade Limited (9% Cumulative preference shares)	2,500,000	25,000	-	-
8	JM Financial Products Private Limited (9% Non cumulative optionally convertible preference shares)	115,000,000	1,150,000	40,000,000	400,000
9	JM Financial Holdings (Mauritius) Ltd. (Reedemable participating shares of US $ 1 each)	5,000	226	-	-
	<u>Investments in Joint Venture</u> - **Equity shares of Rs. 10/- each**				
10	Morgan Stanley India Company Private Limited (Formerly known as JM Morgan Stanley Securities Private Limited)	4,900,000	126,688	4,900,000	126,688
11	Infinite India Investment Management Private Limited (Refer note a)	10,000	100	-	-

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SCHEDULE 'D'

INVESTMENTS (Contd.)

Sr. No.	Particulars	As at 31.03.2007 Nos	As at 31.03.2007 (Rs. in '000)	As at 31.03.2006 Nos	As at 31.03.2006 (Rs. in '000)
	<u>Investments in Associates</u>				
	Equity Shares of Rs. 10/- each				
12	JM Financial Asset Management Private Limited	22,462,500	413,849	7,487,500	264,099
13	JM Financial Trustee Company Private Limited	25,000	250	25,000	250
14	Financial Engineering Solutions Private Limited	2,400,000	24,000	2,400,000	24,000
15	Kampani Finance Limited	200,000	13,000	-	-
16	JM Financial Asset Management Private Limited (9% Optionally convertible redeemable Preference shares of Rs. 10/-)	2,000,000	20,000	-	-
			2,426,904		1,413,262
	B. OTHER INVESTMENTS				
	Fully paid-up, equity shares of Rs. 10/- each (unless otherwise stated)				
	Quoted				
17	Development Credit Bank Limited	650,000	19,537	-	-
18	Bajaj Auto Finance Limited - warrants (Refer note b)	2,011,558	96,555	-	-
	Unquoted				
19	Uttaranchal Biodiesel Limited	1,000	450	-	-
20	Supreme Infrastructure India Limited	238,000	19,040	-	-
21	Uttaranchal Biodiesel Limited (Cumulative convertible participating Preference shares of Rs.10/- each)	87,889	39,550	-	-
	<u>Venture Capital Fund Units</u>				
22	Urban Infrastructure Opportunities Fund (Refer note c) (Face value Rs.1,00,000 each, partly paid Rs. 50,000 each)	900	45,000	-	-
23	JM Financial India Fund, (Refer note d)	NA	10	-	-
24	JM Financial India Fund III, (Refer note d)	NA	10	-	-
25	JM Financial India Fund - Scheme 'A', units of Rs.100/- each (Refer note c)	1,440,000	144,000	-	-
26	JM Financial Property Fund (Refer note d)	NA	10	-	-
	Mutual Fund Units of Rs 10/- each				
27	JM Equity Fund (Refer note d)	16,072	149	16,072	149
28	JM Arbitrage Advantage Fund	25,000,000	250,000	-	-

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SCHEDULE 'D'

INVESTMENTS (Contd.)

Sr. No.	Particulars	As at 31.03.2007 Nos	As at 31.03.2007 (Rs. in '000)	As at 31.03.2006 Nos	As at 31.03.2006 (Rs. in '000)
29	JM Emerging Leaders Fund	5,719,733	60,000	-	-
30	JM Auto Sector Fund	750,000	7,500	750,000	7,500
31	JM Healthcare Sector Fund	818,431	8,250	818,431	8,250
			3,116,965		1,429,161
	Less: Provision for diminution in the value of Investments-Unquoted		15,000		15,000
	TOTAL (A)		**3,101,965**		**1,414,161**
	CURRENT INVESTMENTS				
	Mutual Fund Units of Rs 10/- each				
32	JM Floaters Fund - Short Term	934,400	9,426	-	-
33	JM High Liquidity Fund Super Institutional Plan	39,053,620	391,180	3,057,117	30,621
34	JM High Liquidity Fund Institutional Plan	396,284	3,969	3,679,172	36,851
	TOTAL (B)		**404,575**		**67,472**
	TOTAL (A + B)		**3,506,540**		**1,481,633**

Notes:

a) Though the Company presently owns the entire equity share capital of Infinite India Investment Management Private Limited (IIMPL) due to the Memorandum of Understanding (MOU) and the Definitive Agreement with SRS Private Investment Management LLC (SRS), under which SRS is taking 50% stake in IIMPL, the same has been classified as a Joint Venture.

b) The Company subscribed to Non Convertible Debentures (NCD's) with detachable warrants of Bajaj Auto Finance Ltd. On allotment the company opted to sell back the NCD portion of the instrument, retaining the detachable warrants.

c) In the current year the Company has committed to invest Rs. 900.00 lakh in Urban Infrastructure Opportunities Fund and Rs. 3,600.00 lakh in JM Financial India Fund - Scheme 'A', (a Private equity fund) in totality. Out of the above, Rs. 450.00 lakh and Rs. 1,440.00 lakh have been invested in Urban Infrastructure Opportunities Fund and JM Financial India Fund-Scheme 'A' respectively. The balance commitment of Rs. 450.00 lakh and Rs. 2,160.00 lakh in Urban Infrastructure Opportunities Fund and JM Financial India Fund respectively will be paid on the basis of draw down notices issued by each of them.

d) Represents initial contribution as a Sponsor towards setting up of JM Financial Sponsored Funds , which cannot be sold off / transferred.

e) During the year 1,155,678,977 units (Previous year 407,945,714 units) amounting to Rs. 115,992.24 lakh (Previous year Rs. 408,53.90 lakh) and 1,091,311,295 units (Previous year 412,414,917 units) amounting to Rs. 109,521.21 (Previous year Rs. 41,454.74 lakh) of various schemes of mutual fund were purchased and redeemed respectively.

f) Net Asset Value of the mutual fund units as on March 31, 2007 is Rs. 3,322.89 lakh (Previous year Rs. 235.89 lakh) against book value of Rs. 3,258.99 lakh (Previous year Rs. 159.00 lakh).

g) Market value of the quoted investments as on March 31, 2007 is Rs. 514.22 lakh (Previous year Nil) against book value of Rs. 1,160.92 lakh (Previous year Nil).

h) Market value of the current investments as on March 31, 2007 is Rs. 4,045.75 lakh (Previous year Rs. 674.73 lakh) against book value of Rs. 4,045.75 lakh (Previous year Rs. 674.75 lakh).

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SCHEDULE 'E'

CURRENT ASSETS, LOANS & ADVANCES

	As at 31.03.2007 (Rs. in '000)	As at 31.03.2006 (Rs. in '000)
(A) CURRENT ASSETS :		
1) CASH & BANK BALANCES		
Cash on hand	4	1
Bank balance with scheduled banks :		
- In current accounts	8,201	6,741
2) OTHER CURRENT ASSETS		
Income accrued but not due	13,155	7,995
TOTAL (A)	**21,360**	**14,737**
(B) LOANS AND ADVANCES		
(Unsecured considered good, unless otherwise stated)		
1) Advances recoverable in cash or in kind or for value to be received*	19,521	1,409
2) Deposits		
- Inter corporate deposit with subsidiaries & associates	369,500	865,000
- Other deposits #	29,983	13,297
3) Advance tax & tax deducted at source (Net of provision)	49,789	39,434
TOTAL (B)	**468,793**	**919,140**
TOTAL (A+B)	**490,153**	**933,877**
*Includes		
1) Amount due from officers	1,035	-
Maximum amount due from officers at any time during the year	2,046	-
2) Amount due from subsidiaries	5,322	-
#Includes office premises deposit placed with a Private Limited Company in which a Director is a Director	17,000	-

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SCHEDULE 'F'

CURRENT LIABILITIES & PROVISIONS

	As at 31.03.2007 (Rs. in '000)	As at 31.03.2006 (Rs. in '000)
(A) CURRENT LIABILITIES		
1) Sundry creditors	-	444
2) Dues to subsidiaries	7,576	1,926
3) Dues to associates	19	-
4) Investor education & protection fund to be credited as and when due		
- Unclaimed dividend	1,558	895
- Unclaimed matured debentures	-	1,528
5) Property deposits	10,000	10,000
6) Other liabilities	7,306	10,980
TOTAL (A)	**26,459**	**25,773**
(B) PROVISIONS		
1) Proposed dividend	150,000	75,000
2) Corporate tax on proposed dividend	25,493	10,519
TOTAL (B)	**175,493**	**85,519**
TOTAL (A+B)	**201,952**	**111,292**

SCHEDULE 'G'

FINANCIAL SERVICES ACTIVITY

	For the year ended 31.03.2007 (Rs. in '000)	For the year ended 31.03.2006 (Rs. in '000)
Profit on sale of long term investments (Net)	-	298
Dividend on long term investments	301,867	122,033
Dividend on current Investments	45,796	11,677
TOTAL	**347,663**	**134,008**

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SCHEDULE 'H'

INTEREST & OTHER INCOME

	For the year ended 31.03.2007 (Rs.in '000)	For the year ended 31.03.2006 (Rs.in '000)
Interest [Net of interest expenses Rs. Nil (Previous year Rs. 59.77 lakh)] [Tax deducted at source Rs. 104.56 lakh (Previous year Rs. 69.86 lakh)]	44,162	27,089
Lease rent (Gross) [Tax deducted at source Rs. 3.08 lakh (Previous year Rs. 2.78 lakh)]	1,373	1,237
Miscellaneous income	610	552
TOTAL	46,145	28,878

SCHEDULE 'I'

EXPENDITURE

		For the year ended 31.03.2007 (Rs.in '000)	For the year ended 31.03.2006 (Rs.in '000)
1) Payment to and provisions for employees:			
Salaries and bonus	9,423		
Contribution to provident fund and other funds	240		
Staff welfare	242		
		9,905	-
2) Rent		2,447	556
3) Rates & Taxes		399	20
4) Insurance		1,418	1,120
5) Auditors' Remuneration			
- For audit fees		400	40
- For certification		92	91
- For limited review		150	50
- For tax audit fees		50	25
- For others		248	1
- For service tax		115	23
6) Legal & Professional fees		6,772	10,730
7) Support service charges		8,649	1,925
8) Directors' commission		3,000	1,500
9) Miscellaneous expenses		2,603	2,581
TOTAL		36,248	18,662

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SCHEDULE 'J'

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared in compliance with all material aspects of the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956 ("hereinafter referred to as Act"). The financial statements are based on historical cost and are prepared on accrual basis, except where impairment is made and revaluation is carried out.

Accounting Policies not specifically referred to otherwise, are consistent with generally accepted accounting principles followed by the Company.

(b) Fixed Assets

Fixed assets are shown at cost, less the accumulated depreciation and impairment loss if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(c) Depreciation

Depreciation on all fixed assets, except office premises, is provided on written down value method at the rates and in the manner specified in Schedule XIV to the Act. Depreciation on office premises is provided on Straight Line Method (SLM) at the rates specified in Schedule XIV of the Act. Depreciation on assets added / disposed off during the year is provided on a pro-rata basis with reference to the month of addition / disposal / discarding.

(d) Impairment of Assets

The carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss, if any, is charged to Profit & Loss account in the year in which the asset is identified as impaired. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the assets no longer exist or have decreased.

(e) Investments

Investments are classified as Current or Long term in accordance with the AS 13 on 'Accounting for Investments'. Long term investments are carried at cost. However, provision for diminution in 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 and current investments are done at lower of the cost and market value, determined on an individual estimate basis and provision for diminution in the value of unquoted long term investments are done as per the Managements' estimate. When investments are made in Non-Convertible Debentures (NCDs) with a view to retain only the detachable warrants of the NCDs, the excess of the face value of the NCDs over the realisation on sale of NCDs is treated as a part of the cost of acquisition to the carrying cost of such investments.

(f) Foreign Currency Transaction

As prescribed in the AS 11 on 'Effects of Changes in Foreign Exchange Rates', foreign currency transactions are recorded at the exchange rates prevailing on the date of transaction. Foreign currency monetary items are recorded using closing rate of exchange at the end of the year. The resulting exchange gain/loss is reflected in the Profit & Loss account. Other items like fixed assets and investments are carried in terms of historical cost using exchange rate at the date of transactions.

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SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(g) **Taxation**

Tax expense comprises of current, deferred and fringe benefit tax.

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

The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax assets arising from timing 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 recognized only if there is virtual certainty that such deferred tax asset can be realised against future taxable profits.

Fringe Benefit Tax is provided in accordance with the provisions of the Income Tax Act, 1961.

(h) **Revenue Recognition**

Dividend income on investments is accounted for when the right to receive the payment is established. Interest income is recognised on accrual basis.

(i) **Contigent Liabilities**

Contigent liabilities are not provided for and are disclosed by way of notes to accounts.

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NOTES TO ACCOUNTS

1 In February, 2007, the Company and Morgan Stanley together announced their decision to terminate the joint venture in the areas of Investment banking and Securities broking businesses, subject to the necessary regulatory and other approvals as may be required, and signing of the definitive agreements. As a part of the termination of joint venture, the Company has agreed to sell its present 49% equity holding in Morgan Stanley India Company Private Limited (formerly known as JM Morgan Stanley Securities Private Limited), the Institutional equity sales and trading company, to Morgan Stanley Group for an agreed consideration equivalent to US$ 445 million. Similarly, the Company has also agreed to buy the remaining 49% equity holding from Morgan Stanley Group in JM Financial Consultants Private Limited (formerly known as JM Morgan Stanley Private Limited), an Investment banking company, for an agreed consideration equivalent to US$ 20 million.

Though the definitive agreements have been signed, some of the regulatory approvals are yet to be received to conclude the transactions. The Company's financial statements for the year ended March 31, 2007 continues to reflect its 49% investment in the Institutional equity sales and trading Company, pending consummation of the transaction. Similarly, the said statements reflect only 51% investment in the Investment banking company, which would eventually become 100%.

2 Contingent liability in respect of income tax disputed in appeal including appeals preferred by the Revenue authority in respect of cases won by the Company, excluding interest thereon, is Rs. 313.55 lakh (Previous year Rs. 313.98 lakh)

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) Rs. 44.77 lakh (Previous year Rs. 44.77 lakh)

3 12,373,333 equity shares of Rs. 10/- each of the Company issued on May 3, 2006 to the shareholders of J. M. Securities Private Limited (JMSPL) in the ratio of 128 (One hundred and twenty eight) fully paid up equity shares of Rs. 10/- each of the company for every 3 (three) fully paid up shares of Rs. 10/- each held in JMSPL pursuant to the scheme of amalgamation under Section 391 to 394 of the Act. Pending allotment on March 31, 2006, an amount cf Rs. 1237.33 lakh has been shown under Share Capital Suspense account.

Schedules

NOTES TO ACCOUNTS (Contd.)

4 **Disclosure in respect of the Company's Joint Ventures in India pursuant to AS 27 on 'Financial Reporting of Interests in Joint Ventures'**

Sr. No.	Particulars	Country of Incorporation	Proportion of Ownership Interest as at 31.03.2007	Proportion of Ownership Interest as at 31.03.2006
a.	**Name of the Venture company**			
	Morgan Stanley India Company Private Limited (Formerly known as JM Morgan Stanley Securities Private Limited)	India	49%	49%
	Infinite India Investment Management Private Limited (Refer note 'a' of Schedule 'D')	India	50%	-
b.	**The aggregate of Company's share in the above ventures in:**		(Rs. in '000)	(Rs. in '000)
	Net fixed assets		43,003	28,782
	Capital work in progress		1,129	-
	Investments		424,903	640,856
	Net current assets		651,921	117,470
	Stock exchange membership		8,306	8,306
	Deferred tax asset		128	1,126
	Income		1,214,044	878,380
	Expenses (Including depreciation & taxation)		760,511	518,482

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

5 The issued, subscribed and paid-up capital and calls in arrears, inter alia, includes an amount in respect of 11,500 shares (Previous year 11,500 shares) held in abeyance under Section 206A of the Act.

6 Under the head "Current Liabilities & Provisions" no separate disclosure is made for outstanding amount(s) due to Small Scale Industrial Undertaking(s) (SSI) and Micro, Small and Medium Enterprises (SME), as there are no such creditors.

7 Deferred Tax Asset/(Liability) at the year end comprise timing difference on account of:

Particulars	Year ended 31.03.2007 (Rs. in '000)	Year ended 31.03.2006 (Rs. in '000)
Depreciation	(2,103)	(1,977)
Expenses allowable under section 35DD	8,258	-
Deferred Tax Asset/ (Liability)	**6,155**	**(1,977)**

Schedules

NOTES TO ACCOUNTS (Contd.)

8 Loans & Advances includes:

Amount Receivable from	Balance as at 31.03.2007 (Rs. in '000)	Balance as at 31.03.2006 (Rs. in '000)	Maximum amount outstanding during the year (Rs. in '000)	Maximum amount outstanding during the previous year (Rs. in '000)
Subsidiaries				
JM Financial Products Private Limited	-	865,000	865,000	1,815,000
JM Financial Investment Managers Limited	20,000	-	160,000	-
JM Financial Consultants Private Limited	124,500	-	124,500	-
JM Financial Services Private Limited	-	-	302,500	-
JM Financial Commtrade Limited	-	-	5,500	-
Others				
Kampani Finance Limited	150,000	-	150,000	-
Kampani Consultants Limited	-	-	-	27,500
Infinite India Investment Management Private Limited	75,000	-	75,000	-
TOTAL	369,500	865,000	1,682,500	1,842,500

9 Earning Per Share is calculated as under:

Particulars	Year ended 31.03.2007 (Rs. in '000)	Year ended 31.03.2006 (Rs. in '000)
(a) Numerator - Net profit as disclosed in profit & loss account	353,128	152,687
Denominator - Weighted average no. of equity shares during the year	29,318,493	17,744,105
Basic & Diluted (in Rs.)	12.04	8.60
(b) Numerator - Net profit as disclosed in profit & loss account	353,128	152,687
Denominator - No. of equity shares outstanding at the year end (including share capital suspense)	30,000,000	27,898,333
Basic & Diluted (in Rs.)	11.77	5.47
(c) Nominal value of equity shares (in Rs.)	10.00	10.00

Schedules

NOTES TO ACCOUNTS (Contd.)

10. The Company had raised Rs. 30,985.65 lakh (Previous year Rs. 17,556 lakh) by way of issue of equity shares on a preferential basis. Utilisation of the same is as under:

Utilisation	Year ended 31.03.2007 (Rs. in '000)	Year ended 31.03.2006 (Rs. in '000)
(a) Shares issue expenses	32,900	2,700
(b) Investments in subsidiaries / associates	1,919,375	906,600
(c) Inter corporate deposit placed with subsidiary / associates	367,000	836,500
(d) Proprietary investments	362,684	-
(e) Security deposit - Leased premises	17,000	-
(f) Unutilised funds deployed in mutual fund	399,606	9,800
TOTAL	3,098,565	1,755,600

11 Managerial Remuneration:

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

Particulars	Year ended 31.03.2007 (Rs. in '000)	Year ended 31.03.2006 (Rs. in '000)
Profit before tax as per profit & loss account	357,299	157,296
Add: Directors' sitting fees	258	198
Managerial remuneration provided	3,000	1,500
	360,557	158,994
Less: Bad debts written off out of the provisions	-	5,284
Profit on sale of investments	-	298
Profit available for Directors' commission	**360,557**	**153,412**
Maximum Directors' commission payable @ 3% (Subject to Central Government approval)	10,817	4,602
Directors' commission proposed by the Board and provided for	3,000	1,500
(b) Remuneration paid to the Manager		
Salary and bonus	3,551	-
Contribution to Provident fund and other funds	67	-
TOTAL	**3,618**	**-**

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NOTES TO ACCOUNTS (Contd.)

12 The Company is mainly engaged in Financial services activity, through subsidiaries, joint venture and associate companies, which in the context of AS 17 on 'Segment Reporting' is considered as the only business segment. The geographical segments are not applicable.

13 Disclosure in respect of related parties pursuant to AS 18 on 'Related Party Disclosures'
As per annexure I

14 Statement of cash flow pursuant to AS 3 on 'Cash Flow Statements'
As per annexure II

15 No further information pursuant to paragraphs 4C & 4D of the Part II of the Schedule VI to the Act, has been given as the same does not apply to the Company.

16 Dividend on long term investments include Rs. 184.04 lakh (Previous year Rs. 184.04 lakh) received from a subsidiary company.

17 The expenditure incurred in foreign currency during the year amounts to Rs. 4.07 lakh (Previous year Rs.50.25 lakh)

18 Previous year figures have been regrouped and rearranged wherever necessary. The figures for the year ended March 31, 2007 are not comparable with the corresponding year ended March 31, 2006 due to the amalgamation of J.M. Securities Private Limited with the Company with effect from November 1, 2005, being the Appointed date.

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Annexure I to point no.13 to **Schedule J**

Related Party Disclosures:

A. List of Related Parties

I. Parties where control exists:

a Subsidiaries

JM Financial Commtrade Limited (JMFCL)
JM Financial Investment Mangers Limited (JMFIML)
JM Financial Products Private Limited (JMFPPL)
JMF-BR Investments Holdings (Mauritius) Ltd (JMFBRIHL)
JM Financial Holdings (Mauritius) Ltd (JMFHML)
JM Financial Consultants Private Limited (JMFCPL)
JM Financial Services Private Limited (JMFSPL)
JM Financial Securities Private Limited (JMFSEPL)

II. Other Parties with whom company has entered into transactions during the year:

a Joint Ventures

Morgan Stanley India Company Private Limited (MSICPL)
Infinite India Investment Managers Private Limited (IIIMPL)

b Associates:

Kampani Finance Limited (KFL)
JM Financial Asset Management Private Limited (JMFAMPL)
Financial Engineering Solutions Private Limited (FESPL)
JM Financial Trustee Company Private Limited (JMFTCPL)

c Key Management Personnel

Mr. Nimesh N Kampani (NNK)

d Relatives of Key Management Personnel

Mr. Ashith N Kampani (ASNK)

e Enterprise over which individual in II (c) above is able to exercise significant influence

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

B. 1. No amounts in respect of related parties have been written back during the year.
2. Amount provided for diminution in the value of investments in respect of related parties is Rs.150 lakh (Previous year Rs.150 lakh)
3. Related party relationships have been identified by the management and relied upon by the auditors.

Annexure I to point no.13 to **Schedule J** (Contd.)

Related Party Disclosures:

(Rs. in '000)

	Subsidiaries		Associates		Joint Ventures		Key Management Personnel		Relatives of Key Management Personnel		Enterprise over which Individual in II below is able to exercise significant influence		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Investments made in (Refer Investment schedule)	830,891	998,225	182,750	246,099	-	-	-	-	-	-	-	-	1,013,641	1,244,324
Investments sold to "JMFICS"	-	-	-	-	-	-	-	-	-	-	-	30,000	-	30,000
Dividend received														
JMFCPL	18,404	18,457	-	-	-	-	-	-	-	-	-	-	18,404	18,457
MSICPL	-	-	-	-	272,930	98,000	-	-	-	-	-	-	272,930	98,000
Rent income														
JMFSPL	1,373	-	-	-	-	-	-	-	-	-	-	-	1,373	-
Interest income														
JMFPPL	26,073	29,642	-	-	-	-	-	-	-	-	-	-	26,073	29,642
JMFCPL	2,831	-	-	-	-	-	-	-	-	-	-	-	2,831	-
JMFCL	236	-	-	-	-	-	-	-	-	-	-	-	236	-
IIIMPL	-	-	-	-	2,101	-	-	-	-	-	-	-	2,101	-
JMFIML	10,751	-	-	-	-	-	-	-	-	-	-	-	10,751	-
KFL	-	-	1,233	-	-	-	-	-	-	-	-	-	1,233	-
JMFSPL	427	-	-	-	-	-	-	-	-	-	-	-	427	-
Board meeting fees														
NNK	-	-	-	-	-	-	40	40	-	-	-	-	40	40
ASNK	-	-	-	-	-	-	-	-	35	40	-	-	35	40
Audit committee fees														
ASNK	-	-	-	-	-	-	-	-	12	15	-	-	12	15
Expenses reimbursed														
JMFCPL	8,723	1,926	-	-	-	-	-	-	-	-	-	-	8,723	1,926
JMFAMPL	-	-	19	-	-	-	-	-	-	-	-	-	19	-
Expenses recovered														
JMFICS	5,322	453	-	-	-	-	-	-	-	-	-	-	5,322	453
IIIMPL	-	-	-	-	6,149	-	-	-	-	-	-	-	6,149	-
JMFCL	5	-	-	-	-	-	-	-	-	-	-	-	5	-

Deposits placed														
JMFCL	18,000	1,000	-	-	-	-	-	-	-	-	-	-	18,000	1,000
JMFPPL	1,985,000	3,299,500	-	-	-	-	-	-	-	-	-	-	1,985,000	3,299,500
JMFCPL	124,500	-	-	-	-	-	-	-	-	-	-	-	124,500	-
JMFIML	160,000	-	-	-	-	-	-	-	-	-	-	-	160,000	-
IIIMPL	-	-	-	-	750,000	-	-	-	-	-	-	-	750,000	-
KFL	-	-	150,000	-	-	-	-	-	-	-	-	-	150,000	-
JMFSPL	302,500	-	-	-	-	-	-	-	-	-	-	27,500	302,500	27,500
Deposits received back														
JMFCL	18,000	1,000	-	-	-	-	-	-	-	-	-	-	18,000	1,000
JMFPPL	2,850,000	2,434,500	-	-	-	-	-	-	-	-	-	-	2,850,000	2,434,500
JMFIML	140,000	-	-	-	-	-	-	-	-	-	-	-	140,000	-
JMFSPL	302,500	-	-	-	-	-	-	-	-	-	-	27,500	302,500	27,500
Directors commission paid to														
NNK	-	-	-	-	-	-	200	400	-	-	-	-	200	400
ASNK	-	-	-	-	-	-	-	-	500	325	-	-	500	325
Outstanding Balance														
Investments in	1,829,115	998,225	471,099	288,349	126,688	126,688	-	-	-	-	-	-	2,426,902	1,413,262
Property deposits received from JMFSPL	10,000	10,000	-	-	-	-	-	-	-	-	-	-	10,000	10,000
Property deposits paid to JMFICS	-	-	-	-	-	-	-	-	-	-	17,000	-	17,000	-
Deposits placed														
JMFCPL	124,500	-	-	-	-	-	-	-	-	-	-	-	124,500	-
JMFIML	20,000	-	-	-	-	-	-	-	-	-	-	-	20,000	-
IIIMPL	-	-	-	-	750,000	-	-	-	-	-	-	-	750,000	-
KFL	-	-	150,000	-	-	-	-	-	-	-	-	-	150,000	-
JMFPPL	-	865,000	-	-	-	-	-	-	-	-	-	-	-	865,000
Interest accrued (Net of TDS)														
IIIMPL	-	-	-	-	1,630	-	-	-	-	-	-	-	1,630	-
JMFIML	8,338	-	-	-	-	-	-	-	-	-	-	-	8,338	-
KFL	-	-	956	-	-	-	-	-	-	-	-	-	956	-
JMFCPL	2,196	-	-	-	-	-	-	-	-	-	-	-	2,196	-
JMFPPL	-	6,943	-	-	-	-	-	-	-	-	-	-	-	6,943
Advance recoverable														
JMFIML	5,322	-	-	-	-	-	-	-	-	-	-	-	5,322	-
IIIMPL	-	-	-	-	6,148	-	-	-	-	-	-	-	6,148	-
Payables														
JMFCPL	7,547	1,926	-	-	-	-	-	-	-	-	-	-	7,547	1,926
JMFAMPL	-	-	19	-	-	-	-	-	-	-	-	-	19	-
JMFPPL	29	-	-	-	-	-	-	-	-	-	-	-	29	-

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Annexure II to point no.14 to **Schedule J**

Statement of Cash Flow for the year ended March 31, 2007

		2006-2007 (Rs. in '000)	2005-2006 (Rs. in '000)
A	Net Profit before tax & extra ordinary items	357,299	157,296
	Adjustment for :		
	Depreciation	261	178
	Provision for diminution/ (write back) of diminution in the value of investments	-	(13,250)
	(Profit)/ Loss on sale of investments	-	(298)
	Sundry liabilities written back	(573)	-
	Operating profit before working capital changes	356,987	143,926
	Adjustment for :		
	Trade & other receivables	455,542	(871,745)
	Trade payables	1,546	(135,891)
	Cash generated from operations	**814,075**	**(863,710)**
	Purchase of mutual fund units	(11,599,224)	(4,088,334)
	Sale of mutual fund units	10,952,121	4,145,228
	Direct taxes paid	(12,516)	(7,848)
	Net Cash from Operating activities	**154,456**	**(814,665)**
B	**Cashflow from Investment activities**		
	Purchase of investments	(2,789,158)	(929,426)
	Sale of investments	1,411,355	30,000
	Purchase of fixed assets	(924)	-
	Net Cash from/(used in) Investment activities	**(1,378,727)**	**(899,426)**
C	**Cashflow from Financing activities**		
	Proceeds from issue of share capital/premium	1,342,965	1,756,132
	Share issue expenses	(31,712)	(4,863)
	Dividend paid including corporate tax	(85,519)	(32,283)
	Net Cash from/(used in) Financing activities	**1,225,734**	**1,718,986**
	Net Increase in cash & cash equivalents	**1,463**	**4,895**
	Cash & cash equivalents (opening)	6,742	1,847
	Cash & cash equivalents (closing)	8,205	6,742

Note: Considering the Company's activities dividend and interest income are considered as part of operating activity of the Company.

The schedules referred to above form an integral part of the balance sheet.

As per our attached report of even date

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

SHIVJI K VIKAMSEY
Partner
Membership No. 2242

Place: Mumbai
Date: June 29, 2007

For & on behalf of the Board of Directors

Nimesh N Kampani
Chairman

M R Mondkar
Director

Manish Sheth
Manager & Chief Financial Officer

P K Choksi
Company Secretary

Additional information pursuant to part IV of schedule VI of the Companies Act, 1956.

Balance Sheet Abstracts and Company's General Business Profile

(Rs. in '000)

a.	**Registration details**	
	Corporate Identification No. (Registration No.): L67120MH1986PLC038784	
	State Code : 11	
	Balance sheet date: 31-03-2007	
b.	**Capital raised during the year**	
	Public issue	-
	Rights issue	-
	Bonus issue	-
	Private placement	1,342,965
c.	**Position of mobilisation and deployment of funds**	
	Total liabilities	3,809,980
	Total assets	3,809,980
	Sources of funds	
	Paid-up capital	299,774
	Reserves and surplus	3,510,206
	Share capital suspense	-
	Secured loans	-
	Unsecured loans	-
	Application of funds	
	Net fixed assets	9,084
	Investments	3,506,540
	Deferred tax assets	6,155
	Net current assets	288,201
	Miscellaneous expenditure	-
	Accumulated losses	-
d.	**Performance of the Company**	
	Turnover (including other income)	393,808
	Total expenditure	36,509
	Profit before tax	357,299
	Profit after tax	353,128
	Earnings per share in Rs.	12.04
	Dividend rate %	50
e.	**Generic names of principal products of the Company**	
	Item code no. (ITC code)	Not applicable
	Product description	Not applicable

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

(Rs. in '000)

Name of the Subsidiary Company	JM Financial Commtrade Limited	JM Financial Investment Managers Limited	JM Financial Products Private Limited	JM Financial Holdings (Mauritius) Ltd	JMF-BR Investment Holdings (Mauritius) Ltd	JM Financial Consultants Private Limited	JM Financial Securities Private Limited*	JM Financial Services Private Limited *
						(Note 1)	(Note 2)	(Note 3)
I. Extent of the interest of the Company in the Subsidiaries at the end of the financial year:								
a) Shares held in the Subsidiaries	5,000,000 equity shares of Rs.10/- each, fully paid up	300,000 equity shares of Rs.10/- each, fully paid up	6,000,000 equity shares of Rs.10/- each, fully paid up	5,000 ordinary equity shares of US$ 1/- each, fully paid up	7,494 ordinary equity shares of US$ 1/- each, fully paid up	6,134,790 equity shares of Rs. 10/- each, full paid up	2,295,000 equity shares of Rs.10/- each, full paid up	2,295,000 equity shares of Rs. 10/- each, fully paid up
	2,500,000 preference shares of Rs.10/- each, fully paid up		11,500,000 preference shares of Rs.10/- each, fully paid up	5,000 preference shares of USD 1/- each, fully paid up				1,785,000 preference shares of Rs. 10/- each, fully paid up
b) Percentage of holding	100%	100%	100%	100%	100%	51%	51%	51%
II. Financial year ended of the Subsidiaries	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007
III. The net aggregate amount of profits less losses so far as it concerns members of the company and is not dealt within the company's accounts.								
a) For the financial year ended March 31, 2007	(41,310)	2,005	167,920	(368)	7	174,455	5,537	119,027
b) For the previous year	(11,261)	1,885	44,526	N.A.	N.A.	239,885	(7,677)	132,409
IV. The net aggregate amount of profits less losses so far as it concerns members of the company and is dealt with in the company's accounts								
a) For the Financial year ended 31 March, 2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) For the previous year	Nil	Nil	Nil	N.A.	N.A.	36,809	Nil	Nil

* Wholly owned subsidiaries of JM Financial Consultants Private Limited, which is a subsidiary of the Company.

Notes:
1. Formerly known as JM Morgan Stanley Private Limited
2. Formerly known as JM Morgan Stanley Fixed Income Securities Private Limited
3. Formerly known as JM Morgan Stanley Financial Services Private Limited

For and on behalf of Board of Directors

Nimesh N Kampani
Chairman

M R Mondkar
Director

Manish Sheth
Manager & Chief Financial Officer

P K Choksi
Company Secretary

Place: Mumbai
Date: June 29, 2007

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

(Rs. in '000)

Name of the Subsidiary Company	Paid up Capital	Reserves	Total assets including Investments	Investments	Total Liabilities*	Revenue	Profit before Tax	Provision for Taxation	Profit /(Loss) after Taxation	Proposed Dividend
JM Financial Commtrade Limited	75,000	(52,571)	45,729	310	23,300	2,556	(40,968)	342	(41,310)	-
JM Financial Investment Managers Limited	3,000	27,961	141,625	2,913	110,664	90,010	18,297	16,292	2,005	-
JM Financial Products Private Limited	175,000	1,733,810	5,368,841	422,260	3,460,031	289,983	245,070	77,150	167,920	-
JM Financial Holdings (Mauritius) Ltd	436	(368)	219	-	151	5	(368)	-	(368)	-
JMF-BR Investment Holdings (Mauritus) Ltd	267,098	7	267,104	266,771	-	1,268	7	-	7	-
JM Financial Consultants Private Limited	120,290	1,839,751	2,515,659	363,545	555,618	1,612,367	502,716	160,648	342,068	-
JM Financial Securities Private Limited **	45,000	(57)	47,714	12,024	2,771	29,736	10,929	72	10,857	-
JM Financial Services Private Limited **	80,000	728,851	3,060,215	38,218	2,251,364	1,402,645	356,489	123,102	233,387	2,900

* Total liabilities exclude Paid-up Capital and Reserves & Surplus.
** Wholly owned subsidiaries of JM Financial Consultants Private Limited, which is a subsidiary of the Company.

Auditors' Report on Consolidated Financial Statements

To
The Board of Directors
JM Financial Limited

1. We have audited the attached Consolidated Balance Sheet of **JM Financial Limited** ("the Company") and its Subsidiaries, Joint Ventures and Associates as at March 31, 2007 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 the 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) 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 issued by the Institute of Chartered Accountants of India.

4. (a) Included in these CFS are assets of Rs. 1467.28 crore as at March 31, 2007, revenues of Rs. 434.14 crore and net cash inflows of Rs. 420.70 crore for the year then ended, which have not been audited by us. These have been audited by other auditors whose reports have been furnished to us, and our opinion so far as it relates to the amounts included in respect of these entities, is based solely on reports of those respective auditors.

   (b) Further the CFS includes assets of Rs. 26.71 crore, revenues of Rs. 0.13 crore and net cash inflow of Rs. 0.03 crore from a Subsidiary and profits of Rs. 5.69 crore from an Associate which are based on unaudited financial statements of the Subsidiary and Associate as referred to in note 2(a) & (b) of part II of Schedule J and our opinion in so far as it relates to those amounts is based solely on such unaudited financial statements.

5. Based on our audit and on consideration of reports of other auditors on separate financial statements/ management's certification 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 consolidated financial statements, 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 the Company and its Subsidiaries, Joint Ventures and Associates as at March 31, 2007;

   b) in the case of the Consolidated Profit and Loss account, of the profit for the year ended on that date; and

   c) in the case of the Consolidated Cash Flow statement, of the cash flows for the year ended on that date.

For and on behalf of
Khimji Kunverji & Co
Chartered Accountants

Shivji K Vikamsey
Partner
Membership No. 2242

Place: Mumbai
Date: June 29, 2007

Consolidated Balance Sheet as at March 31, 2007

	Schedule	As at 31.03.2007 Rs. in crore	As at 31.03.2006 Rs. in crore
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	A	29.98	15.50
Share Capital Suspense (Refer note 4)		-	12.37
Reserves & Surplus	B	545.11	344.58
Capital Reserve on Consolidation (Net)		12.61	12.61
		587.70	385.06
MINORITY INTEREST		138.05	109.32
LOAN FUNDS	C	389.67	268.12
DEFERRED TAX LIABILITY		-	0.30
FUNDS EMPLOYED		1,115.42	762.80
APPLICATION OF FUNDS			
FIXED ASSETS	D		
Gross block		71.05	62.17
Less : Accumulated depreciation		48.44	43.20
Net block		22.61	18.97
Capital work in progress		3.83	0.50
		26.44	19.47
STOCK EXCHANGE DEPOSITS		3.13	3.13
INVESTMENTS	E	241.69	101.26
DEFERRED TAX ASSET		1.45	0.35
Current Assets, Loans & Advances	F	1,420.36	4,363.08
Less: Current Liabilities & Provisions	G	577.65	3,724.49
NET CURRENT ASSETS		842.71	638.59
FUNDS UTILISED		1,115.42	762.80
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	J		

The schedules referred to above form an integral part of the balance sheet.
As per our attached report of even date

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

SHIVJI K VIKAMSEY
Partner
Membership No. 2242

Place: Mumbai
Date: June 29, 2007

For & on behalf of the Board of Directors

Nimesh N Kampani
Chairman

M R Mondkar
Director

Manish Sheth
Manager & Chief Financial Officer

P K Choksi
Company Secretary

Consolidated Profit & Loss Account for the year ended March 31, 2007

	Schedule	For the year ended 31.03.2007 Rs. in crore	For the year ended 31.03.2006 Rs. in crore
INCOME	H		
Financial services activity		372.76	202.54
Fund based activity		26.70	4.40
		399.46	206.94
Interest & other income		44.59	24.16
Total Income		444.05	231.10
EXPENDITURE	I	246.14	92.59
Profit before depreciation, interest, diminution in the value of investment & income tax		197.91	138.51
Less : Depreciation		7.04	3.51
Interest		7.84	0.47
Provision / (reversal) for diminution in the value of investment		0.09	(1.33)
Profit before Tax		**182.94**	**135.86**
Provision for Taxation			
Current Tax		59.79	44.56
Deferred Tax		(0.58)	(0.55)
Fringe Benefit Tax		0.76	0.54
Excess/(Short) provision for taxation of earlier years (Net)		0.06	0.02
Profit after Tax		**122.91**	**91.29**
Less: Share of minority interest (Net)		28.73	21.99
Add: Share of Profit/(Loss) in Associate Companies		(3.31)	(2.49)
Net Consolidated Profit		**90.87**	**66.81**
Add: Balance Profit brought forward from earlier years		108.38	42.35
Add: Profit of J.M. Securities Private Limited on account of merger		-	11.87
Profit available for Appropriation		199.25	121.03
APPROPRIATION			
Proposed Dividend		15.00	7.50
Corporate tax on interim / proposed dividend			
- of the company		2.55	1.05
- of the subsidiaries / joint venture		2.85	2.10
General Reserve		8.70	2.00
Debenture Redemption Reserve		4.85	-
Surplus Carried to Balance Sheet		165.30	108.38
		199.25	**121.03**
Earnings Per Share (per equity share of Rs.10/- each) (Refer note 11)			
- Basic & Diluted (on weighted average no. of shares during the year) (in Rs.)		30.99	37.65
- Basic & Diluted (on the no. of shares outstanding at the year end) (in Rs.)		30.29	23.95
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	J		

The schedules referred to above form an integral part of the balance sheet.

As per our attached report of even date

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

SHIVJI K VIKAMSEY
Partner
Membership No. 2242

Place: Mumbai
Date: June 29, 2007

For & on behalf of the Board of Directors

Nimesh N Kampani
Chairman

M R Mondkar
Director

Manish Sheth
Manager & Chief Financial Officer

P K Choksi
Company Secretary

Schedules

	Consolidated 31.03.2007 Rs. in crore	Consolidated 31.03.2006 Rs. in crore
SCHEDULE 'A'		
SHARE CAPITAL		
Authorised:		
5,00,00,000 (5,00,00,000) equity shares of Rs. 10/- each	50.00	50.00
Issued, Subscribed and Paid up :		
30,000,000 (1,55,25,000) equity shares of Rs.10/- each fully paid-up. (Of the above 12,50,000 equity shares of Rs 10/- each issued for consideration other than cash)	30.00	15.53
Less : Calls in arrears	(0.02)	(0.03)
TOTAL	**29.98**	**15.50**
SCHEDULE 'B'		
RESERVES & SURPLUS		
Securities premium	354.77	224.71
Capital redemption reserve	1.79	1.79
General reserve	18.40	9.70
Debenture redemption reserve	4.85	-
Surplus in profit and loss account	165.30	108.38
Currency translation reserve	#	-
TOTAL	**545.11**	**344.58**
# Below Rs. 50,000/-		
SCHEDULE 'C'		
LOAN FUNDS		
SECURED LOANS		
Vehicle loans	0.03	0.07
TOTAL (A)	**0.03**	**0.07**
UNSECURED LOANS		
Short Term Loans and Advances		
From bank	0.02	18.64
Non convertible debentures	368.00	-
Inter corporate deposits	21.25	249.00
Long Term Liability		
Dues under finance lease	0.37	0.41
TOTAL (B)	**389.64**	**268.05**
TOTAL (A + B)	**389.67**	**268.12**

SCHEDULE 'D'

FIXED ASSETS

Rs. in crore

Particulars	Gross block				Depreciation / Amortisation				Net block	
	As at 01.04.2006	Additions For the year	Deductions/ Adjust-ments	As at 31.03.2007	As at 01.04.2006	Additions For the year	Deductions/ Adjust-ments	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006
Owned assets										
Tangible										
Office premises	1.09	-	-	1.09	0.24	0.02	-	0.26	0.83	0.85
Leasehold improvements	4.70	0.19	0.27	4.62	2.93	0.44	0.18	3.19	1.43	1.77
Computers	21.30	3.78	0.77	24.31	16.61	2.13	0.77	17.97	6.34	4.70
Office equipments	8.22	3.08	0.09	11.21	6.10	1.01	0.09	7.02	4.19	2.12
Furniture and fixtures	5.89	0.97	0.35	6.51	3.09	0.87	0.26	3.70	2.81	2.80
Motor vehicles	0.31	-	-	0.31	0.14	0.06	-	0.20	0.11	0.17
Intangible										
Software	5.21	1.77	-	6.98	3.69	0.66	-	4.35	2.63	1.52
Stock exchange membership	2.04	-	-	2.04	1.43	0.20	-	1.63	0.41	0.61
Stock exchange non refundable deposit	0.24	-	-	0.24	0.16	0.02	-	0.18	0.06	0.07
Other intangible assets	11.15	-	-	11.15	7.82	1.12	-	8.94	2.21	3.33
Leased assets										
Vehicles	2.02	1.28	0.71	2.59	0.99	0.51	0.50	1.00	1.59	1.03
TOTAL	**62.17**	**11.07**	**2.19**	**71.05**	**43.20**	**7.04**	**1.80**	**48.44**	**22.61**	**18.97**
Previous year	58.45	4.73	1.01	62.17	36.67	7.21	0.68	43.20	18.97	

Schedules

SCHEDULE 'E'

INVESTMENTS

Rs. in crore

Sr. No.	Particulars	Qty 31.03.2007	Consolidated as at 31.03.2007	Qty 31.03.2006	Consolidated as at 31.03.2006
	LONG TERM INVESTMENTS				
	Shares/Units of Rs. 10 each (unless otherwise stated)				
	(Fully paid-up, unless otherwise stated)				
	TRADE INVESTMENTS (UNQUOTED)				
1	**JM Financial Asset Management Private Limited** (including goodwill on investment Rs. 17.56 crore)	22,462,500	41.38	7,487,500	26.40
	Less: Share of loss for the previous years		(3.10)		(0.73)
	Less: Share of loss for the current year		(8.81)		(2.37)
			29.47		**23.30**
2	**JM Financial Trustee Co. Private Limited**	25,000	0.03	25,000	0.03
	Add :Share of profit for the previous years		0.60		0.36
	Add : Share of profit for the current year		0.09		0.24
			0.72		**0.63**
3	**Financial Engineering Solutions Private Limited** (including goodwill on investment Rs. 0.40 crore)	2,400,000	2.40	2,400,000	2.40
	Less: Share of (loss) for the previous years		(0.86)		(0.50)
	Less: Share of (loss) for the current year		(0.28)		(0.36)
			1.26		**1.54**
4	**Kampani Finance Limited** (Including goodwill on investment Rs. 0.01 crore)	200,000	1.30	-	-
	Add : Share of profit for the current year / period		5.69		-
			6.99		**-**
	OTHER INVESTMENTS				
	QUOTED				
5	Oseaspre Consultants Limited	4,250	#	4,250	#
6	Technojet Consultants Limited	4,250	#	4,250	#
7	Gujarat Ambuja Cements Limited (Bonus shares) (Face value Rs. 2/-)	5,000	-	5,000	-
8	Tata Investment Corporation Limited (Bonus shares)	3,526	-	3,526	-
9	Essar Steel Limited	60,000	0.26	60,000	0.26

Schedules

SCHEDULE 'E'

INVESTMENTS (Contd.)

Rs. in crore

Sr. No.	Particulars	Qty 31.03.2007	Consolidated as at 31.03.2007	Qty 31.03.2006	Consolidated as at 31.03.2006
10	Tech Mahindra Limited	9,982	0.36	-	-
11	Development Credit Bank Limited	650,000	1.95	-	-
12	Bajaj Auto Finance Limited - warrants	2,011,558	9.66	-	-
13	Firstsource Limited	75,000	0.10	75,000	0.10
	UNQUOTED				
14	Bombay Stock Exchange Limited (Face value Rs. 1/-)	14,900	#	14,900	#
15	Uttranchal Biodiesel Limited	1,000	0.05	-	-
16	Supreme Infrastructure India Limited	238,000	1.90	-	-
	CUMULATIVE PREFERENCE SHARES				
17	0.01% Essar Steel Limited (Redeemable)	40,000	0.17	40,000	0.17
18	9% JM Financial Asset Management Private Limited (Redeemable)	2,000,000	2.00	-	-
19	0.01% Uttranchal Biodiesel Limited (Convertible)	87,889	3.96	-	-
	VENTURE CAPITAL / SECURITISATION				
20	JM Financial India Fund*	NA	#	-	-
21	JM Financial India Fund III*	NA	#	-	-
22	JM Financial Property Fund*	NA	#	-	-
23	Urban Infrastructure Opportunities Fund - Units of Rs.1,00,000 out of which Rs. 50,000 is paid up	900	4.50	-	-
24	JM Financial India Fund - Scheme 'A' - Units of Rs.100/- each	1,440,000	14.40	-	-
25	JM Financial Property Fund - I - Units of Rs. 10000, out of which Rs. 2000 is paid up	75,000	15.00	-	-
26	ICICI Venture India Advantage Fund V - Units of Rs.100/- each	87,500	0.88	-	-
27	ICICI Venture India Advantage Fund IV - Units of Rs.100/- each	27,500	0.28	-	-
28	Small Operators Trust - (2 Fixed deposits having face value of Rs. 1.95 crore each & 1 Fixed deposit having face value of Rs. 1.93 crore)	3	4.41	-	-

Schedules

SCHEDULE 'E'

INVESTMENTS (Contd.)

Rs. in crore

Sr. No.	Particulars	Qty 31.03.2007	Consolidated as at 31.03.2007	Qty 31.03.2006	Consolidated as at 31.03.2006
	MUTUAL FUND UNITS				
29	JM Equity Fund*	16,072	0.01	16,072	0.01
30	JM Auto Sector Fund	1,014,663	1.02	1,014,663	1.02
31	JM Healthcare Sector Fund	1,107,241	1.12	1,107,241	1.12
32	JM Emerging Leader Fund	11,418,144	12.00	-	-
33	JM Arbitage Advantage Fund	25,000,000	25.00	-	-
			137.47		28.15
	Less: Provision for diminution in the value of investments-unquoted		0.72		0.63
	TOTAL (A)		136.75		27.52
	CURRENT INVESTMENT				
	Mutual Fund Units of Rs. 10 each				
34	JM High Liquidity Fund -Daily Dividend	12,091,808	12.17	3,735,141	3.77
35	JM High Liquidity Fund -Weekly Dividend Plan	-	-	13,727,224	13.79
36	JM High Liquidity Fund Institutional Plan	1,931,153	1.93	3,679,172	3.69
37	JM High Liquidity Fund Super Institutional Plan	49,728,667	49.81	4,577,872	4.59
38	JM High Liquidity Fund-Institutional Plan - (Growth)	655,518	0.66	17,427,939	17.84
39	Chola Liquid - Institutional Plus	-	-	3,468,713	4.58
40	Birla Cash - Institutional Premium Plan	-	-	12,681,341	13.23
41	State Bank of India - Institutional Plan	-	-	4,504,836	4.90
42	Principal PNB Institutional Plan	12,824,563	14.21	6,919,471	7.35
43	Prudential ICICI Liquid Plan	20,420,811	21.29	-	-
44	JM Floaters Fund	4,380,472	4.87	-	-
	TOTAL (B)		104.94		73.74
	TOTAL (A + B)		241.69		101.26

* Represents initial contribution as a Sponsor towards setting up of JM Financial Sponsored Fund which cannot be sold off/transferred.

Below Rs. 50,000/-

Schedules

	Consolidated 31.03.2007 Rs. in crore	Consolidated 31.03.2006 Rs. in crore
SCHEDULE 'F'		
CURRENT ASSETS, LOANS & ADVANCES		
CURRENT ASSETS		
Asset for leasing	0.99	-
Sundry debtors	196.56	3,522.58
Cash & bank balances	514.88	92.00
TOTAL (A)	**712.43**	**3,614.58**
LOANS & ADVANCES		
Advances	494.06	307.92
Deposits	95.45	425.33
Advance tax & tax deducted at source (Net of provision)	22.83	12.59
Others	95.59	2.66
TOTAL (B)	**707.93**	**748.50**
TOTAL (A + B)	**1,420.36**	**4,363.08**
SCHEDULE 'G'		
CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry creditors	532.31	3,691.85
Unclaimed dividend	0.16	0.09
Due under finance lease	0.43	-
Other liabilities	24.41	17.92
TOTAL (A)	**557.31**	**3,709.86**
PROVISIONS		
For gratuity	2.74	2.44
For proposed dividend		
- of the Company	15.00	7.50
- of the Subsidiaries	-	2.06
For corporate tax on proposed dividend		
- of the Company	2.55	1.05
- of the Subsidiaries / Joint Venture	0.05	1.58
TOTAL (B)	**20.34**	**14.63**
TOTAL (A + B)	**577.65**	**3,724.49**

Schedules

	Consolidated 31.03.2007 Rs. in crore	Consolidated 31.03.2006 Rs. in crore
SCHEDULE 'H'		
INCOME		
Financial services activity	372.76	202.54
Fund based activity	26.70	4.40
TOTAL (A)	**399.46**	**206.94**
INTEREST & OTHER INCOME		
Dividend	12.24	8.25
Interest	14.22	4.36
Net gain on foreign currency transactions	-	0.28
Profit on sale of investments (Net)	6.52	2.19
Miscellaneous income	11.61	9.08
TOTAL (B)	**44.59**	**24.16**
TOTAL (A + B)	**444.05**	**231.10**
SCHEDULE 'I'		
EXPENDITURE		
Payments to and provisions for employees:		
Salaries and bonus	126.06	46.90
Contribution to provident funds	2.56	0.85
Staff welfare	1.70	0.83
	130.32	48.58
Sub brokerage, fees & commission	50.86	14.30
Rent, rates and taxes	17.36	9.41
Repairs & maintenance / others	5.81	1.67
Legal & professional fees	5.64	2.62
Telephone & mobile expenses	5.39	3.34
Research expenses	5.39	1.73
Travelling expenses	4.56	2.56
Private equity fund set-up expenses	3.99	-
Electricity	2.16	0.66
Loss from proprietary trading (Net)	1.64	0.05
Membership & subscription	1.29	0.38
Provision for doubtful debts	1.00	0.04
Donation	0.62	0.56
Bad debts written off	0.38	0.27
Auditors remuneration	0.54	0.21
Directors' commission	0.30	0.15
Insurance expenses	0.25	0.25
Reimbursement of expenses	(2.39)	2.14
Miscellaneous expenses	11.03	3.67
TOTAL	**246.14**	**92.59**

Schedules

SCHEDULE 'J'

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS

I) SIGNIFICANT ACCOUNTING POLICIES

i. Basis of preparation

The Consolidated Financial Statements (CFS) have been prepared in accordance with the generally accepted accounting principles in India and comply with the Accounting Standard (AS) 21 Consolidated Financial Statements, AS 23 Accounting for Investments in Associates in Consolidated Financial Statements and AS 27 Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India.

ii. Principles of Consolidation

a) The CFS comprises the financial statements of JM Financial Limited (the Reporting Company) and its Subsidiaries, Associates and Joint Venture companies.

b) The financial statements of the Reporting Company, its Subsidiaries and Joint Ventures (to the extent of Reporting Company's share) have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intra group balances and transactions have been eliminated on consolidation except for Joint Venture companies.

c) Minority Interest's share of net profit of Consolidated Subsidiaries for the year is identified and adjusted against the income in the CFS in order to arrive at the net income attributable to the shareholders of the Company. Minority interest's share of net assets of consolidated subsidiaries is identified and presented in the CFS, separate from liabilities and the equity of the Company.

d) The difference between the cost of investment in Subsidiaries, Joint Ventures and Associates, over the net assets at the time of acquisition of shares in the Subsidiaries is recognised / disclosed in the financial statements as Goodwill or Capital Reserve, as the case may be.

iii. Revenue Recognition

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

a) Revenue from Investment Banking services, which mainly includes lead manager's fees, selling commission, underwriting commission, fees for mergers, acquisitions and advisory assignments and arranger's fees for mobilising debt funds are considered as earned and recorded when services for the transactions are determined to be completed or when specific obligations are determined to be fulfilled as set forth under the terms of engagement.

b) Commission income from executing client transactions on the secondary market in "Cash" and "Futures and Options" segments are recorded in the accounts on the trade date.

c) Brokerage earned from primary market operations i.e., procuring subscription from investors for public offerings of companies are recorded on determination of the amount due to the company, once the allotment of securities is completed. Brokerage earned for mobilising bonds, fixed deposits from companies and funds for mutual funds from investors are recorded on monthly, quarterly or annual basis as set forth in terms of the engagement.

Schedules

SIGNIFICANT ACCOUNTING POLICIES (Contd.)

d) Income from structured products including processing fees, IPO financing and margin financing revenues, income from depository participant business and income from portfolio management services are recorded when the services are determined to be completed.

e) Dividend income on investments is accounted for when the right to receive the payment is established

f) Interest income is recognised on accrual basis

iv. **Fixed Assets and Depreciation:**

a) **Owned Tangible Assets:**

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

Depreciation is provided on a pro-rata basis for the period of use. Most of Subsidiaries, Joint Ventures and Associates follows the Straight line method (SLM), based on managements' estimate of useful life of the fixed assets, or at the SLM rates prescribed in Schedule XIV to the Companies Act, 1956, ("the Act") whichever is higher, at the following rates:

Asset	Useful Life
Leasehold improvements	10 years
Telecommunication equipment	5 years
Furniture, fixtures and equipments	5 to 10 years
Microcomputers and application software	5 years
Motor vehicles	5 years

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

Some of the subsidiaries follow the WDV method of depreciation at the rates prescribed in the Schedule XIV to the Act or at a higher rate i.e for Leasehold improvement @ 18.10%.

b) **Owned Intangible Assets**

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

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

c) **Finance Lease**

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

d) **Operating Lease**

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

Schedules

SIGNIFICANT ACCOUNTING POLICIES (Contd.)

e) **Impairment of Assets**

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

v. **Investments**

Investments are classified as current or long term in accordance with AS 13 pertaining to 'Accounting for Investments'. 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 and current investments are done at lower of the cost and market value, determined on an individual estimate basis and provision for diminution in the value of unquoted long term investments are done as per the Managements' estimate.

vi. **Taxation**

Tax expense comprises of current, deferred and fringe benefit tax.

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

The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred tax assets arising from timing differences are recognised to the extent there is reasonable certainty that these would be realized 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.

Fringe benefit tax is provided in accordance with the provisions of the Income Tax Act, 1961.

vii. **Securities held as a result of Underwriting**

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

viii. **Retirement Benefits**

Contributions to the Provident Fund, a defined contribution scheme, are made in accordance with the rules of the fund.

Provision for Gratuity is made on the basis of actuarial valuations carried out by a third party actuary at the year end.

ix. **Foreign Subsidiaries**

Translation of accounts of foreign subsidiaries is done in accordance with AS 11 "The Effect of Changes in Foreign Exchange Rates". The operations of those subsidiaries that are considered as non-integral have been converted in Indian Rupees at the following exchange rates:

a) Revenue and Expenses: At the average exchange rate during the period

b) All Assets and Liabilities: Exchange rate prevailing at the end of the period

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

Schedules

II) NOTES TO ACCOUNTS

1) Companies included in consolidation

Particulars	Country of Incorporation	Proportion of Interest as on 31.03.2007	Proportion of Interest as on 31.03.2006
SUBSIDIARIES			
JM Financial Commtrade Limited (JMFCL)	India	100.00%	100.00%
JM Financial Investment Mangers Limited (JMFIML)	India	100.00%	100.00%
JM Financial Products Private Limited (JMFPPL)	India	100.00%	100.00%
JMF-BR Investments Holdings (Mauritius) Ltd (JMFBRIHML)	Mauritius	100.00%	-
JM Financial Holdings (Mauritius) Ltd (JMFHML)	Mauritius	100.00%	-
JM Financial Consultants Private Limited (JMFCPL) (Formerly known as JM Morgan Stanley Private Limited)	India	51.00%	51.00%
JM Financial Services Private Limited (JMFSPL) (Formerly known as JM Morgan Stanley Financial Services Private Limited)	India	51.00%	51.00%
JM Financial Securities Private Limited (JMFSEPL) (Formerly known as JM Morgan Stanley Fixed Income Securities Private Limited)	India	51.00%	51.00%
JOINT VENTURES			
Morgan Stanley India Company Private Limited (MSICPL) (Formerly known as JM Morgan Stanley Securities Private Limited)	India	49.00%	49.00%
Infinite India Investment Management Private Limited (IIIMPL)*	India	50.00%	-
ASSOCIATES			
Kampani Finance Limited (KFL)	India	50.00%	-
JM Financial Asset Management Private Limited (JMFAMPL)	India	49.92%	49.92%
Financial Engineering Solutions Private Limited (FESPL)	India	30.00%	30.00%
JM Financial Trustee Company Private Limited (JMFTCPL)	India	25.00%	25.00%

* Though the company presently owns entire equity share capital of IIIMPL, due to the Memorandum of Understanding and the definitive agreement with SRS Private Investment Management LLC (SRS), under which SRS is taking 50% stake in IIIMPL, the same has been considered as a Joint Venture and Consolidated in this statement to the extent of 50%.

2) a) The financial statements of **JMFBRIHML** are unaudited. The amount whereof are not material.

b) During the year, the Reporting Company has acquired a stake of 50% in associate company, KFL on October 27, 2006. The financial statement of KFL have been audited for the period ended March 31, 2007. For the purpose of CFS, the results for the period of six months period ended have been derived from twelve months audited figures period ended March 31, 2007, by reducing therefrom management certified accounts for the six months period ended September 30, 2006.

Schedules

II) NOTES TO ACCOUNTS (Contd.)

3) In February, 2007, the Company and Morgan Stanley together announced their decision to terminate from the Joint Venture in the areas of Investment banking and Securities broking businesses, subject to the necessary regulatory and other approvals as may be required, and signing of the definitive agreements. As a part of the termination of Joint Venture, the Company has agreed to sell its present 49% equity holding in Morgan Stanley India Company Private Limited (formerly known as JM Morgan Stanley Securities Private Limited), the Institutional equity sales and trading company, to Morgan Stanley Group for an agreed consideration equivalent to US$ 445 million. Similarly, the Company has also agreed to buy the remaining 49% equity holding from Morgan Stanley Group in JM Financial Consultants Private Limited (formerly known as JM Morgan Stanley Private Limited), an Investment banking company, for an agreed consideration equivalent to US$ 20 million.

   Though the definitive agreements have been signed, some of the regulatory approvals are yet to be received to conclude the transaction. The Company's Financial Statements for the year ended March 31, 2007 continues to reflect its 49% investment in the Institutional equity sales and trading company, pending consummation of the transaction. Similarly, the said statements reflect only 51% investment in the Investment banking company, which would eventually become 100%.

4) 12,373,333 equity shares of Rs. 10/- each of the Company issued on May 3, 2006 to the shareholders of J. M. Securities Private Limited (JMSPL) in the ratio of 128 (One hundred and twenty eight) fully paid up equity shares of Rs. 10/- each of the company for every 3 (Three) fully paid up shares of Rs. 10/- each held in JMSPL pursuant to the Scheme of Amalgamation under Section 391 to 394 of the Companies Act, 1956. Pending allotment on March 31, 2006, an amount of Rs. 12.37 crore has been shown under Share Capital Suspense Account.

5) Estimated amount of contract remaining to be executed on Capital Account and not provided for Rs. 2.1 crore (previous year Rs. 0.97 crore)

6) Contingent Liabilities in respect of:
   Disputed demands of Income tax authorities Rs.10.14 crore (previous year Rs. 5.46 crore)
   Disputed demands of Service tax authorities Rs. 1.47 crore (previous year Rs. 0.79 crore)

7) a. Income from Fund Based Activity consists of gross income of Rs. 70.66 crores (previous year Rs. 29.48 crore) net of operation expenses of Rs. 43.96 crore (previous year Rs. 25.08 crore)

   b. Operation expenses as stated above includes finance charges of Rs. 42.93 crores (previous year Rs. 20.58 crore) and other expenses of Rs. 1.03 crore (previous year Rs. 4.50 crore)

8) Interest expenses is net of interest income of Rs. 0.94 crore.

9) Managerial Remuneration:

Rs. in crore

Particulars	For the year ended 31.03.2007	For the year ended 31.03.2006
Remuneration	1.13	0.88
Contribution to Provident Fund and other funds	0.06	0.05
Bonus	10.55	7.64
Perquisites in cash or in kind	0.49	0.57
Commission	1.21	0.79
TOTAL	13.44	9.93

Schedules

NOTES TO ACCOUNTS (Contd.)

10) Capital Reserve on consolidation is net of Goodwill on consolidation of Rs. 0.11 crore (previous year Rs. 0.11 crore)

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

Particulars	For the year ended 31.03.2007	For the year ended 31.03.2006
Profit after Tax (Rs.)	908,675,776	668,090,196
Weighted average number of equity shares outstanding during the year	29,318,493	17,744,105
Basic / Diluted earning per share (Rs.)	30.99	37.65
Nominal value per share (Rs.)	10	10

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

Particulars	For the year ended 31.03.2007	For the year ended 31.03.2006
Profit after Tax (Rs.)	908,675,776	668,090,196
Number of equity shares outstanding at the end of the year	30,000,000	27,898,333
Basic / Diluted earning per share (Rs.)	30.29	23.95
Nominal value per share (Rs.)	10	10

12) Major components of deferred tax assets and liabilities arising are:

Rs. in crore

Particulars	As at 31.03.2007	As at 31.03.2006
Depreciation	(1.21)	(1.18)
Gratuity	0.93	0.81
Provision for doubtful debts	0.62	0.31
Unabsorbed depreciation	0.26	0.05
Brought forward business losses	0.02	-
Unabsorbed short term capital loss	-	0.02
Written down value of investments	0.01	0.03
Preliminary expenses	-	0.01
Expenses allowable under section 35DD	0.82	-
TOTAL	1.45	0.05

13) Lease Transactions:

I. **Finance Lease**

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

Schedules

NOTES TO ACCOUNTS (Contd.)

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

Rs. in crore

Particulars	Total minimum lease payment outstanding as at 31.03.2007 (31.03.2006)	Interest not due	Present value of the minimum lease payment outstanding as at 31.03.2007 (31.03.2006)
Not later than 1 year	0.68	0.18	0.50
	(0.56)	(0.08)	(0.48)
Later than 1 year and not later than 5 years	0.52	0.10	0.42
	(0.46)	(0.05)	(0.41)
Later than 5 Years	-	-	-
	(-)	(-)	(-)
TOTAL	**1.20**	**0.28**	**0.92**
	(1.02)	**(0.13)**	**(0.89)**

Figures in brackets represent previous year figures

II. Operating Lease

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

Operating lease rentals charged to revenue are:

Rs. in crore

Particulars	For the year ended 31.03.2007	For the year ended 31.03.2006
Office premises	4.43	1.93
Furniture hire charges	0.18	0.17
Residential flat	0.21	0.15
TOTAL	**4.82**	**2.25**

(b) Minimum lease rentals outstanding in respect of non cancellable operating lease are as under:

Rs. in crore

Particulars	As at 31.03.2007	As at 31.03.2006
Not later than 1 year	3.10	0.33
Later than 1 year and not later than 5 years	6.93	0.28
Later than 5 Years	-	-
TOTAL	**10.03**	**0.61**

14. Disclosure in respect of related parties pursuant to AS 18 on 'Related Party Disclosures'

    As per annexure 'I'.

15. Disclosure pursuant to segment reporting AS 17 on 'Segment Reporting'

    As per annexure 'II'.

Schedules

NOTES TO ACCOUNTS (Contd.)

16. Statement of cash flow pursuant to AS 3 on 'Cash Flow Statements'

    As per annexure 'III'.

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

    As per annexure 'IV'.

18. Previous year figures have been regrouped and rearranged wherever necessary. The figures for the current year ended March 31, 2007 are not comparable with the corresponding year ended March 31, 2006 due to the amalgamation of J.M. Securities Private Limited with the Company with effect from November 1, 2005 being the Appointed Date.

Schedules

NOTES TO ACCOUNTS (Contd.)

Annexure 'I' to point no. 14 to Schedule J

Related Party Disclosures:

I. **List of Related Parties:**

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

A. **Associates:**

Kampani Finance Limited (KFL)
JM Financial Asset Management Private Limited (JMFAMPL)
Financial Engineering Solutions Private Limited (FESPL)
JM Financial Trustee Company Private Limited (JMFTCPL)

B. **Key Management Personnel**

Mr. Nimesh N Kampani (NNK)

C. **Relatives of Key Management Personnel**

Mr. Vishal N Kampani (VNK)
Mr. Ashith N Kampani (ASNK)
Mrs. Aruna N Kampani (ANK)

D. **Enterprise over which individual in B above is able to exercise significant influence**

J. M. Financial & Investment Consultancy Services Private Limited (JMFICS)
SNK Investments Private Limited (SNKIPL)
Persopolis Investments Company Private Limited (PICPL)
Kampani Properties & Holdings Limited (KPHL)
Kampani Consultants Limited (KCL)

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

Annexure 'I' to point no. 14 to Schedule J (contd.)
Consolidated Related Party Disclosures:

Rs. 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	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Secuirty deposit given										
JMFICS	-	-	-	-	-	-	9.98	16.82	9.98	16.82
KPHL	-	-	-	-	-	-	1.50	1.50	1.50	1.50
Security deposit received back										
JMFICS	-	-	-	-	-	-	1.70	-	1.70	-
ICD taken										
JMFICS	-	-	-	-	-	-	15.00	-	15.00	-
ICD repaid										
JMFICS	-	-	-	-	-	-	15.00	-	15.00	-
ICD placed										
JMFICS	-	-	-	-	-	-	25.00	151.00	25.00	151.00
KFL	15.00	-	-	-	-	-	-	-	15.00	-
ICD redeemed										
JMFICS	-	-	-	-	-	-	25.00	151.00	25.00	151.00
Interest income on ICD										
JMFICS	-	-	-	-	-	-	0.17	0.42	0.17	0.42
KFL	0.12	-	-	-	-	-	-	-	0.12	-
Interest paid on ICD										
JMFICS	-	-	-	-	-	-	0.02	-	0.02	-

Annexure 'I' to point no. 14 to Schedule J (contd.)
Consolidated Related Party Disclosures:

Rs. 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	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Secondary Brokerage Received										
JMFICS	-	-	-	-	-	-	0.02	0.14	0.02	0.14
KFL	-	-	-	-	-	-	0.02	-	0.02	-
KCL	-	-	-	-	-	-	#	-	#	-
PICPL	-	-	-	-	-	-	#	0.05	#	0.05
VNK	-	-	-	-	#	-	-	-	#	-
ANK	-	-	-	-	#	-	-	-	#	-
SNKIPL	-	-	-	-	-	-	-	0.05	-	0.05
Recoveries of expenses										
JMFAMPL	0.31	#	-	-	-	-	-	-	0.31	#
Reimbursement of expenses										
JMFAMPL	#	-	-	-	-	-	-	-	#	-
Remuneration										
NNK	-	-	8.03	5.33	-	-	-	-	8.03	5.33
VNK	-	-	-	-	3.27	1.24	-	-	3.27	1.24
Board meeting fees										
NNK	-	-	#	-	-	-	-	-	#	-
ASNK	-	-	-	-	#	-	-	-	#	-
Audit committee meeting fees										
ASNK	-	-	-	-	#	-	-	-	#	-
Rent paid										
JMFICS	-	-	-	-	-	-	1.85	1.13	1.85	1.13
KPHL	-	-	-	-	-	-	0.05	-	0.05	-
KCL	-	-	-	-	-	-	0.04	-	0.04	-
ANK	-	-	-	-	0.05	0.05	-	-	0.05	0.05
Service charges										
JMFAMPL	0.02	-	-	-	-	-	-	-	0.02	-
JMFICS	-	-	-	-	-	-	0.05	-	0.05	-

Annexure 'I' to point no. 14 to Schedule J (contd.)
Consolidated Related Party Disclosures:

Rs. 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	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Property deposits paid to										
JMFICS	-	-	-	-	-	-	1.70	-	1.70	-
Support services										
JMFICS	-	-	-	-	-	-	0.74	0.74	0.74	0.74
Demat charges received										
NNK	-	-	#	-	-	-	-	-	#	-
Directors' Commission paid										
NNK	-	-	0.02	0.04	-	-	-	-	0.02	0.04
ASNK	-	-	-	-	0.05	0.03	-	-	0.05	0.03
Balance outstanding at the year end										
Receivables										
JMFAMPL	0.22	#	-	-	-	-	-	-	0.22	#
KFL	15.10	-	-	-	-	-	-	-	15.10	-
JMFICS	-	-	-	-	-	-	1.70	1.68	1.70	1.68
KPHL	-	-	-	-	-	-	-	1.50	-	1.50
Payables										
JMFICS	-	-	-	-	-	-	0.30	0.74	0.30	0.74
NNK	-	-	5.92	-	-	-	-	-	5.92	-
VNK	-	-	-	-	1.44	-	-	-	1.44	-

Below Rs. 50,000/-

Schedules

Annexure 'II' to point no. 15 to Schedule J

Segmentwise Details

Particulars	Consolidated as at 31.03.2007 Rs. in crore	Consolidated as at 31.03.2006 Rs. in crore
Segment Revenue		
A Financial services activity	476.76	255.50
B Fund based activity	26.70	4.58
Total Segment Revenue	**503.46**	**260.08**
Less: Inter-Segmental Revenue	(59.41)	(28.97)
Total Net Revenue	**444.05**	**231.11**
Segment Results		
A Financial services activity	159.47	132.06
B Fund based activity	23.47	3.80
Total Segment Results	**182.94**	**135.86**
Segment Assets		
A Financial services activity	1,156.19	4,159.85
B Fund based activity	536.88	327.44
Total Segment Assets	**1,693.07**	**4,487.29**
Segment Liabilities		
A Financial services activity	621.32	3,760.06
B Fund based activity	346.00	232.85
Total Segment Liabilities	**967.32**	**3,992.91**
Capital Expenditure incurred during the year		
A Financial services activity	14.37	4.61
B Fund based activity	0.03	0.12
Total Capital Expenditure	**14.40**	**4.73**
Depreciation / Amortisation for the year		
A Financial services activity	7.01	3.49
B Fund based activity	0.03	0.02
Total Depreciation / Amortisation	**7.04**	**3.51**

Schedules

Annexure 'III' to point no. 16 to Schedule J

Statement of consolidated cash flow

Rs. in crore

Sr. No.	Particulars	For the year ended 31.03.2007
A	**Net Profit before tax & extra ordinary items**	**182.94**
	Adjustment for:	
	Depreciation	7.04
	Provision for diminution in value of investments	0.09
	Provision for doubtful debts	1.00
	Dividend income	(12.24)
	Interest income	(14.22)
	Interest expenses	7.84
	Bad debts written off	0.38
	(Profit)/ Loss on sale of investments	(6.52)
	(Profit)/ Loss on sale of fixed assets	0.16
	Sundry liabilities written back	(0.08)
	Provision for gratuity (Net)	0.54
	Gratuity paid out of provision	(0.24)
	Operating Profit before working capital changes	**166.69**
	Adjustment for:	
	(Increase)/Decrease in trade & other receivables	3,374.47
	Increase/(Decrease) in Trade payables	(3,158.32)
	Cash generated from operations	**382.84**
	Direct taxes paid	(70.68)
	Net cash from operating activities	**312.16**
B	**Cashflow from Investment activities**	
	Purchase of investments	(165.99)
	Sale of investments	28.69
	Purchase of fixed assets	(14.40)
	Sale of fixed assets	0.23
	Interest income	14.22
	Dividend income	12.24
	Net cash from/(used in) investment activities	**(125.01)**
C	**Cashflow from financing activities**	
	Proceeds/(Redemption) from share capital including security premium	134.29
	Interest paid	(3.50)
	Proceeds from borrowings	3,401.03
	Repayment from borrowings	(3,279.47)
	Share issue expenses	(3.17)

Schedules

Annexure 'III' to point no. 16 to Schedule J (contd.)

Rs. in crore

Sr. No.	Particulars	For the year ended 31.03.2007
	Dividend paid including corporate tax	(8.55)
	Dividend paid to minority shareholders	(2.06)
	Tax paid on dividend by subsidiaries/Joint venture	(4.37)
	Net Cash from / (used in) financing activities	**234.21**
	Net Increase in cash & cash equivalents	**421.36**
	Cash & cash equivalents (Opening)	**92.00**
	Cash & cash equivalents (Closing)	**513.36**

Note:

1 **Cash and cash equivalent**

Cash and bank balances	514.88
Less: Overdrawn bank balances as per books	(1.52)
Balance as shown in cash flow	**513.36**

2 The interest income reflected above are other than of fund bared activity whose interest income of Rs. 26.70 crore (Net of interest expense of Rs. 43.96 crore) included in operating activity.

3 Previous year figures are not given since the CFS was prepared for the first time in the previous year and in absence of figures for corresponding previous year, cash flow for the previous year could not be prepared

As per our attached report of even date

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

Shivji K Vikamsey
Partner
Membership No. 2242

Place: Mumbai
Dated: June 29, 2007

For & on behalf of the Board of Directors

Nimesh N Kampani
Chairman

M R Mondkar
Director

Manish Sheth
Manager & Chief Financial Officer

P K Choksi
Company Secretary

Schedules

Annexure 'IV' to Point no. 17 to **Schedule J**

The Reporting Company's proportionate share in the assets, liabilities, income and expenses of its Joint Venture companies included in these consolidated financial statements are given below:

Rs. in crore

Balance Sheet	Total	
	As at the year ended 31.03.2007	As at the year ended 31.03.2006
SOURCES OF FUNDS		
Shareholders' Funds :		
Capital	4.91	4.90
Reserves and Surplus	97.28	74.75
Loans		
Unsecured Loans	10.75	-
FUND EMPLOYED	112.94	79.65
APPLICATION OF FUNDS		
Fixed Assets:		
Gross block	14.98	12.59
Less: Depreciation	10.68	9.71
Net block	4.30	2.88
Capital work in progress	0.11	-
	4.41	2.88
Deposit placed with Stock Exchange	0.83	0.83
Investments	42.49	64.09
Deferred Tax Assets (Net)	0.01	0.11
Current Assets, Loans and Advances :		
Sundry debtors	35.30	102.55
Cash and bank balances	293.13	5.92
Loans and advances	43.42	16.63
	371.85	125.10
Less : Current Liabilities and Provisions :		
Current liabilities	306.32	104.60
Provisions	0.33	8.76
	306.65	113.36
Net Current Assets	65.20	11.74
FUNDS UTILISED	112.94	79.65
Contingent liability	6.77	2.32
Capital reserve on consolidation	7.08	7.08

Schedules

Annexure 'IV' to Point no. 17 to **Schedule J** (contd.)

The Reporting Company's proportionate share in the assets, liabilities, income and expenses of its Joint Venture companies included in these consolidated financial statements are given below:

Rs. in crore

Profit & Loss Account	Total	
	For the year ended 31.03.2007	For the year ended 31.03.2006
INCOME		
Financial services activities		
Market operations - commission, brokerage and fees	102.96	78.83
Management fees	0.08	-
Interest & other income	18.37	9.01
TOTAL	**121.41**	**87.84**
EXPENDITURE		
Payments to and provisions for employees	32.59	17.81
Operating and administration expenses	20.54	13.65
Interest	0.06	0.09
Depreciation/Amortisation	1.10	1.12
TOTAL	**54.29**	**32.67**
Profit before Tax	**67.12**	**55.17**
Provision for Tax		
- Current tax	21.56	19.11
- Deferred tax	0.10	(0.10)
- Fringe benefit tax	0.18	0.18
	21.84	**19.19**
Profit after Tax	**45.28**	**35.98**
(Short) provision for taxes of earlier years	-	(0.04)
	45.28	35.94
Balance brought forward from previous year	51.58	35.99
Balance available for appropriation	**96.86**	**71.93**
Appropriations:		
Transfer to General Reserve	4.90	3.59
Interim Dividend	19.94	7.35
Proposed Dividend	-	7.35
Tax on Interim Dividend	2.80	2.06
Balance carried to Balance Sheet	**69.22**	**51.58**
	96.86	**71.93**

Persons falling under the Group of JM Financial Limited (Other than Subsidiaries, Associates and Joint Ventures) include

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

Names of the Subsidiaries, Associates and Joint Ventures entities are given in Para II (1) of Schedule 'J'.

JM FINANCIAL LIMITED

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

PROXY FORM

DP ID:.. Folio No.:..

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

I/We...of...

....in the district of

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

appoint ....of..in

the district.......................................or failing him..

of..in the district of ....

as my / our proxy to vote for me / us on my / our behalf at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company to be held on Thursday, September 6, 2007 and at any adjournment thereof.

Affix Re. 1/- Revenue Stamp

Signed this..............................day of ....2007......................................Signature.........................

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

JM FINANCIAL

JM FINANCIAL LIMITED

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

ATTENDANCE SLIP

(To be handed over at the entrance of the Meeting hall)
Twenty Second Annual General Meeting - September 6, 2007

I hereby record my presence at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company on Thursday, September 6, 2007 at 3.30 p.m. at Kamalnayan Bajaj Hall, Bajaj Bhavan, Ground Floor, Nariman Point, Mumbai - 400 021.

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

DP ID:.. Folio No.:..

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

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

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

JM FINANCIAL

JM FINANCIAL LIMITED
141, MAKER CHAMBERS III, NARIMAN POINT, MUMBAI - 400 021