

Trust
is
always
the
answer

The central idea for the annual report hinges on our belief of TRUST. Our relationships are based on this simple foundation. Trust is a true representative of our organisation's core value, thinking, respectability & dependability.

As we progress, we continue to build our organisation on this conviction, based on our positive experiences; something that we endeavour to earn everyday. Because,

‘ Trust is always the answer.’

In the cover, the use of the lines meeting at the top connotes convergence of our expertise to deliver on a common objective. These lines also bring a sense of movement and progress.

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OUR VALUES

JM FINANCIAL

Trust is always the answer

Contents

Notice	01-14
Directors' Report	15-22
Management Discussion and Analysis	23-35
Report on Corporate Governance	36-60
Auditors' Report	61-65
Balance Sheet	66
Profit & Loss Account	67
Schedules	68-93
Balance Sheet Abstracts & Company's General Business Profile	94
Financial Information of the Subsidiary Companies	95
Auditors' Report on the Consolidated Financial Statements	96-97
Consolidated Balance Sheet	98
Consolidated Profit & Loss Account	99-100
Schedules	101-133
Persons falling under the Group	134

BOARD OF DIRECTORS

Mr. Nimesh N Kampani - Chairman & Managing Director
Mr. M R Mondkar
Mr. Ashith N Kampani
Mr. E A Kshirsagar
Mr. Dilip Kothari (Resigned w.e.f. May 28, 2008)
Mr. D E Udwadia
Dr. Pravin P Shah
Mr. Paul Zuckerman (Appointed w.e.f. October 29, 2007)

COMPANY SECRETARY

Mr. P K Choksi

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 & 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

Notice

NOTICE IS HEREBY GIVEN THAT THE TWENTY THIRD ANNUAL GENERAL MEETING OF THE MEMBERS OF JM FINANCIAL LIMITED WILL BE HELD ON FRIDAY, JULY 25, 2008 AT 4.00 PM AT WALCHAND HIRACHAND HALL, 4TH FLOOR, INDIAN MERCHANTS' CHAMBER, CHURCHGATE, MUMBAI - 400 020 TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2008 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. E A Kshirsagar, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. D E Udawadia, 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(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. Paul Zuckerman, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 (“the Act”), read with Article 117 of the Articles of Association of the Company and whose term of office as a Director expires at this Annual General Meeting and in respect of whom a notice in writing under Section 257 of the Act has been left at the registered office of the Company by a Member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation in accordance with Section 257 and other applicable provisions of the Act.”

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

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 316 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), and any statutory modification thereto or re-enactment thereof, and subject to the approval of the Central Government, if any required, the consent of the Company be and is hereby accorded to the appointment of Mr. Nimesh N Kampani as Managing Director of the Company for the period from May 28, 2008 to March 31, 2011, on the terms and conditions, including the remuneration as set out in the draft Agreement to be entered into between the Company and Mr. Kampani, placed before the meeting and initialled by a Director for the purpose of identification, with authority to the Board of Directors (“the Board”, which term shall be deemed to include any Committee of the Board) to alter and vary the terms and conditions of the said appointment and / or agreement, as may be agreed to between the Board and Mr. Kampani, but so that the limits specified in Schedule XIII to the Act or such other higher limits as may be approved by the Central Government are not exceeded.”

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

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

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

“RESOLVED THAT pursuant to Section 309(4) read with Section 309(7) and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), so long as the Company has a Managing or Whole-time Director or Manager, the Company do pay to its Directors (other than the Managing Director) commission not exceeding 1% of the net profits of the Company computed in the manner laid down in Section 198 of the Act for each of the five financial years commencing April 1, 2007, such commission being divisible among the Directors in such proportion as the Board of Directors may from time to time determine.”

“RESOLVED FURTHER THAT if, during the aforesaid five financial years, at any time, the Company does not have a Managing or Whole-time Director or Manager, then the Company do pay to its Directors (other than the Managing Director) commission not exceeding 3% of the net profits of the Company computed in the manner laid down in Section 198 of the Act for each of the five financial years commencing April 1, 2007, such commission being divisible among the Directors in such proportion as the Board of Directors may from time to time determine.”

“RESOLVED FURTHER THAT for the aforesaid five financial years, the Company do pay to its Directors (other than the Managing Director) commission in excess of 1% of the net profits computed as aforesaid where the Company has a Managing or Whole-time Director or Manager and commission in excess of 3% of the net profits computed in the manner aforesaid where the Company does not have a Managing or Whole-time Director or Manager, subject in either case with the prior approval of the Central Government under Section 309 and other applicable provisions of the Act.”

“RESOLVED FURTHER THAT the aforesaid resolutions shall be in supersession of the special resolution passed at the Twenty First Annual General Meeting of the Company held on September 7, 2006 and shall remain in force for a period of five financial years commencing from the financial year 2007-08.”

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

“RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), and pursuant to the provisions of Article 9 of the Articles of Association of the Company, and subject to such approvals, consents, permissions and sanctions, if any, as may be required from any regulatory authority, the consent of the Company be and is hereby accorded to the sub-division of the existing equity shares of the face value of Rs. 10/- (Rupees ten) each in the share capital of the Company into 10 equity shares of the face value of Re. 1/- (Rupee one) each.”

“RESOLVED FURTHER THAT pursuant to the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended from time to time, and the existing Employee Stock Option Scheme as approved by the Members at the Twenty Second Annual General Meeting of the Company held on September 6, 2007, the Board of Directors (“the Board”) and / or the Compensation Committee of the Board (constituted, inter alia, for supervision and administration of the scheme) be and are hereby authorised to make amendments to the above mentioned scheme as they in their absolute discretion deem fit including adjustments to the stock options granted / to be granted to employees / Directors of the Company and / or its subsidiaries under the scheme, with respect to number of options and / or exercise price in appropriate proportion to the aforesaid sub-division of equity shares of the Company.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may consider necessary, expedient, usual or proper to give full effect to this resolution and /or to settle any question or difficulty that may arise with regard to the sub-division of equity shares as aforesaid.”

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

“RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), and pursuant to provisions of Article 4 of the Articles of Association of the Company, the authorised share capital of the Company be and is hereby increased from Rs. 50,00,00,000/- (Rupees fifty crore) divided into 5,00,00,000 (five crore) equity shares of Rs.10/- (Rupees ten) each to Rs. 1,00,00,00,000/- (Rupees one hundred crore) divided into 1,00,00,00,000 (one hundred crore) equity shares of Re. 1/- (Rupee one) each.”

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

“RESOLVED THAT the first sentence in Clause V of the Memorandum of Association of the Company be replaced by the following new sentence:

‘The Authorised Share Capital of the Company is Rs. 1,00,00,00,000/- (Rupees one hundred crore) divided into 1,00,00,00,000 (one hundred crore) equity shares of Re. 1/- (Rupee one) each’.

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

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

“RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), the present Article 3 of the Articles of Association of the Company, be replaced by the following:

3. ‘The Authorised Share Capital of the Company shall be as stated in Clause V of the Memorandum of Association of the Company’.

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

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

“RESOLVED THAT pursuant to Article 177 of the Articles of Association of the Company and subject to the applicable provisions of the Companies Act, 1956 (“the Act”) (including any amendments thereto or re-enactment thereof), guidelines / regulations issued by the Securities and Exchange Board of India from time to time, the Listing Agreement(s) entered into by the Company with the Stock Exchange(s), where shares of the Company are listed and subject to receipt of necessary regulatory approvals, if any required, consent of the Company be and is hereby accorded to the Board of Directors (“the Board”, which term shall be deemed to include any Committee of the Board) of the Company to capitalise Rs. 45,00,00,000 (Rupees forty five crore) out of the Company's securities premium account and transfer to equity share capital account by way of issue and allotment of 45,00,00,000 (forty five crore) equity shares of Re. 1/- (Rupee one) each, as bonus shares credited as fully paid-up, to Members of the Company, whose names appear in the Register of Members or as the beneficial owner(s) of the equity shares of the Company in the records of the Depository(ies) as on the Record Date to be determined by the Board, in the ratio of 3 (three) new fully paid up equity shares of Re. 1/- (Rupee one) each for every 2 (two) fully paid up equity shares of Re. 1/- (Rupee one) each held by them, and that the bonus shares so issued and allotted be treated for all purposes as an increase in the nominal amount of the equity capital of the Company held by each such Member and not as income.”

“RESOLVED FURTHER THAT no bonus shares be issued to the Members in respect of their respective fractional entitlements, if any; all such fractional entitlements shall be consolidated and the Company shall issue and allot the bonus shares in lieu of such consolidated fractional entitlements in the name of any Director(s) or officer(s) of the Company, who shall hold the said shares in trust on behalf of the Members entitled to the fractional entitlements with the express understanding that such Director(s) or officers(s) shall sell the said bonus shares, as soon as practicable, at such price or prices to such person or persons, as the Board or any person or persons authorised by the Board in that behalf deem fit, and pay to the Company, the net sale proceeds (after deducting all expenses, if any, incidental to the same), which proceeds shall be distributed by the Company among the Members in proportion to their respective fractional entitlements.”

“RESOLVED FURTHER THAT the equity shares to be issued and allotted in pursuance of this resolution shall rank pari passu with the then existing equity shares of the Company, in all respects.”

“RESOLVED FURTHER THAT pursuant to the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended from time to time and the existing Employee Stock Option Scheme as approved by the Members at the Twenty Second Annual General Meeting of the Company held on September 6, 2007, the Board of Directors (“the Board”) and / or the Compensation Committee of the Board (constituted, interalia, for supervision and administration of

the scheme) be and are hereby authorised to make amendments to the above mentioned scheme as they in their absolute discretion deem fit including adjustments to the stock options granted to employees / Directors of the Company and its subsidiaries under the scheme, with respect to number of options and / or exercise price for the options granted in appropriate proportion to the ratio of bonus shares to be issued to the Members of the Company.”

“**RESOLVED FURTHER THAT** no allotment letters shall be issued to the allottees of the bonus shares and that the certificate(s) in respect of bonus shares shall be dispatched to the allottees except in respect of those allottees who hold shares in the dematerialised form for whom the credit of bonus shares will be given to their respective beneficiary account(s) within the period prescribed under relevant regulations.”

“**RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may consider necessary, expedient, usual or proper to give full effect to this resolution and / or to settle any question or difficulty that may arise with regard to the issue and allotment of bonus shares.”

By Order of the Board

P K Choksi
Group Head – Compliance & Legal
& Company Secretary

Date: May 28, 2008

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 THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE VALID, MUST BE DULY FILLED IN ALL RESPECTS AND DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- b. The relevant Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business at item nos. 6 to 13 of the Notice set out above are annexed hereto.
- c. The Register of Members of the Company will remain closed from Friday, July 18, 2008 to Friday, July 25, 2008 (both days inclusive).
- d. Members while corresponding with the Company or its Registrars & Share Transfer Agents (RTA) viz., M/s. Sharepro Services (India) Private Limited, are requested to quote their respective Register Folio Numbers or Client IDs of their beneficiary account(s), as the case may be.
- e. Brief profiles of each of the Directors, who are proposed to be appointed, are furnished in the Corporate Governance Report, which forms part of the Annual Report.
- f. The Company has made necessary arrangements for the Members to hold their shares in the electronic mode. Those Members who hold shares in the physical mode are requested to dematerialise the same by approaching any of the Depository Participants (DPs). In case any Member wish to dematerialise the shares held by him / her and need any assistance, he / she may write to the Company Secretary at the registered office of the Company.
- g. **Payment of dividend through Electronic Clearing Service (ECS):**

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

The Members, holding shares in the dematerialised mode are advised to intimate their bank details / change in the bank details to their respective DPs. Those Members who hold their shares in the physical mode are advised to send the bank details / changes therein to the RTA or to the Company. In case of absence of the ECS facility, the Company will send the dividend warrants / demand drafts / pay orders to the registered address of the Members.

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

Annexure to the Notice

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

Item no. 6

Mr. Paul Zuckerman was appointed as an Additional Director of the Company at the meeting of the Board of Directors held on October 29, 2007 in accordance with the provisions of Section 260 of the Companies Act, 1956 ("the Act") read with Article 117 of the Articles of Association of the Company. He holds office of Director up to the date of the forthcoming Annual General Meeting. It is proposed to appoint him as a Director of the Company, liable to retire by rotation, at the forthcoming Annual General Meeting. The Company has received a notice in writing from Mr. S R Nayak, a Member of the Company signifying his intention to propose Mr. Zuckerman as a candidate for the office of Director along with a deposit of Rs. 500/- in accordance with Section 257 of the Act, which will be refunded to the said Member if Mr. Zuckerman is elected as Director.

Mr. Zuckerman has read Economics at Cambridge University before doing his Ph.D. in Agricultural Economics from Reading University, United Kingdom. Mr. Zuckerman was associated with various international organisations such as World Bank in Washington DC, International Institute of Tropical Agriculture, Ibadan, Nigeria. He was actively associated with SG Warburg International, prior to its acquisition by UBS. In his capacity as Vice Chairman with SG Warburg International, Mr. Zuckerman had been associated closely with Indian companies in the early days of globalisation. Mr. Zuckerman's association with JM Financial Group dates back many years, when he was actively engaged in discussions for several business and development opportunities for India in global markets. Apart from being a member of the Board of Directors of several reputed companies, Mr. Zuckerman is currently the Chairman & CEO of Zuckerman & Associates Ltd.

The Board of Directors is of the view that the Company would immensely benefit from Mr. Zuckerman's rich and long experience in the financial services sector and accordingly commends the passing of an ordinary resolution proposed at item no. 6 of the Notice.

Mr. Zuckerman is interested in the resolution proposed at item no.6 of the Notice since it relates to his own appointment.

Item no. 7

The Board of Directors ("the Board") at its meeting held on May 28, 2008, subject to the approval of the Members in a general meeting, unanimously appointed Mr. Nimesh N Kampani as 'Managing Director' of the Company within the meaning of the Companies Act, 1956 ("the Act") for the period from May 28, 2008 to March 31, 2011 at a remuneration and on terms and conditions as decided by the Compensation Committee of the Board and as set out in the draft Agreement to be entered into by the Company with Mr. Kampani.

The material terms and conditions of the draft Agreement to be entered with Mr. Nimesh N Kampani referred to in the resolution at item no.7 of the Notice are as under:

1. Period of appointment: May 28, 2008 to March 31, 2011.
2. Mr. Kampani to perform and exercise such powers as are entrusted to him from time to time by the Board of Directors of the Company.
3. Mr. Kampani to devote his time and attention to the business of the Company.
4. Mr. Kampani to undertake such travel in India or out of India as may be necessary or required in connection with the business and affairs of the Company.
5. Remuneration: Mr. Kampani to be paid the following remuneration:
 - i) Salary: Rs. 2,83,025/- per month or such higher amount as may be decided by the Board or Compensation Committee of the Board from time to time.
 - ii) Allowance of Rs. 2,83,025/- per month or such higher amount as may be decided by the Board or Compensation Committee of the Board from time to time.
 - iii) Bonus / performance incentive: As may be decided by the Board or the Compensation Committee of the Board from time to time.
 - iv) Mr. Kampani shall be entitled to receive the following perquisites:
 - a) The Company's contribution to the provident fund as per the Company's rules;
 - b) Gratuity as per the Company's rules;
 - c) Encashment of accumulated leave at the end of tenure as per the Company's rules;However, the above perquisites to the extent not taxable under Income Tax law, shall not be included for the purpose of computation of overall ceiling of remuneration.
 - v) Mr. Kampani is entitled to receive perquisites from JM Financial Consultants Private Limited, a subsidiary company, in which he is currently Chairman & Managing Director and hence it is not proposed to pay any perquisites to him from the Company other than as mentioned under (iv) above.
 - vi) Ceiling on remuneration: The remuneration payable to Mr. Kampani as provided in the Agreement is subject to the overall ceiling on managerial remuneration as provided under Sections 198 and 309 read with Schedule XIII to the Act.
 - vii) Minimum remuneration: Notwithstanding anything to the contrary contained in the Agreement, if in any financial year during the tenure of Mr. Kampani as Managing Director, the Company has no profits or its profits are inadequate, the remuneration payable by the

Company to Mr. Kampani shall be subject to the provisions of Section II and / or Section III of Part II of Schedule XIII to the Act or any other law or enactment for the time being or from time to time, in force.

- viii) Mr. Kampani to bear applicable income tax on the aforesaid remuneration.
6. Mr. Kampani:
- i) to be entitled to leave on full salary as per the rules of the Company for a period of 25 (twenty five) days for every 12 (twelve) months service and to sick leave as per the rules of the Company for the time being in force. However, he is not entitled to encash any sick leave not actually availed by him.
 - ii) not to be paid any sitting fees for attending meetings of the Board or any Committees of the Board.
7. Mr. Kampani may hold directorship(s) of any other company(ies).
8. Mr. Kampani not to disclose, divulge, make public or use any confidential information or knowledge obtained by him as to the business or affairs of the Company.
9. The Company to be entitled to terminate Mr. Kampani's employment as Managing Director by notice in writing if he:
- a) commits a breach of any of the terms, provisions or covenants contained in the Agreement;
 - b) becomes insolvent or makes any compromise or arrangement with his creditors or ceases to be a Director of the Company;
 - c) is unable to or is prevented by reason of ill health or accident, disability, physical or mental, from performing his duties for a period of 150 (one hundred and fifty) consecutive days in any period of 12 (twelve) consecutive calendar months.
10. Either party to be entitled to terminate the Agreement at any time by giving to the other party not less than 3 (three) months notice in writing in that behalf without assigning any reason PROVIDED that the Company would be entitled to terminate Mr.Kampani's employment at any time by payment to him of 3 (three) months salary and allowance, in lieu of such notice.
11. Upon termination of his employment with the Company, whether due to efflux of time or otherwise, Mr. Kampani to handover his charge to such person as may be nominated by the Board of Directors in that behalf.
12. In the event of death of Mr. Kampani during his tenure as Managing Director, the Company to pay to his legal heirs, salary and allowance payable for the then current month and other dues together with such further sum as the Board or Compensation Committee of the Board, in its sole and uncontrolled discretion, may determine.

The Board considers that the remuneration proposed to be paid to Mr. Kampani upon his appointment as Managing Director is commensurate with his duties and responsibilities as Managing Director. The approval of the Members is being sought for Mr. Kampani's appointment as Managing Director and to the above remuneration proposed to be paid to him pursuant to Sections 198, 269, 309, 316 and other applicable provisions of the Act read with Schedule XIII thereto.

The above terms and conditions may also be deemed to be an abstract of the draft Agreement between the Company and Mr. Kampani in accordance with Section 302 of the Act.

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

The Board commends passing of the special resolution proposed at item no. 7 of the Notice.

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

Item no. 8

At the Twenty First Annual General Meeting held on September 7, 2006 the Members had approved, by a special resolution, the payment of commission to all Non-Executive Directors of the Company up to 1% of the net profits for each of the five financial years commencing April 1, 2006, such commission to be computed under and in accordance with Section 198 read with Section 309 of the Companies Act, 1956 ("the Act"); the amount of commission and manner of its payment to be determined by the Board of Directors ("the Board") from time to time. The Members had also authorised the Board to pay, with the approval of the Central Government, commission in excess of 1% but not exceeding 3% of the net profits of the Company for each of the aforesaid five financial years.

The Board at its meeting held on May 28, 2008 has decided to pay, subject to the approval of the Members in the general meeting:

- (a) commission not exceeding 1% of the net profits of the Company with respect to each of the five financial years commencing April 1, 2007 to all Non-Executive Directors where the Company has a Managing or Whole-time Director or Manager; such commission to be computed on the net profits in the manner laid down in Sections 198 and 309 of the Act, and
- (b) commission not exceeding 3% of the net profits of the Company if the Company does not have a Managing or Whole-time Director or Manager in respect of each of the aforesaid five financial years, such commission to be computed on the net profits in the manner laid down in Sections 198 and 309 of the Act.

In either of the aforesaid cases, the amount of commission and the manner of its payment would be determined by the Board from time to time.

The special resolution also seeks the authority of the Members to the Board to pay, with the approval of the Central Government, commission in excess of 1% or 3% of the net profits, as the case may be, pursuant to Section 309(4) of the Act.

The special resolution at item no.8 of the Notice if passed will be in supersession of the special resolution passed at the aforesaid Twenty-First Annual General Meeting of the Company held on September 7, 2006.

The Board commends the passing of the special resolution proposed at item no.8 of the Notice.

All the Directors of the Company except Mr. Nimesh N Kampani may be deemed to be concerned or interested in the resolution to the extent of the commission that may be paid to them in terms thereof.

Item no. 9

The present face value of the equity shares of the Company is Rs. 10/- (Rupees ten). With a view to enhance the liquidity in the equity shares and widen the shareholders base of the Company, it is proposed to sub-divide each equity share of the face value of Rs. 10/- (Rupees ten) in the existing equity share capital of the Company into 10 equity shares of the face value of Re. 1/- (Rupee one) per share. As per Article 9 of the Articles of Association of the Company, such a proposal requires a resolution to be passed at the general meeting. Hence the resolution at item no. 9.

The Members of the Company at the Twenty Second Annual General Meeting held on September 6, 2007 had approved the Employee Stock Option Scheme. The Compensation Committee of the Directors is authorised to administer and superintend the above mentioned scheme.

In terms of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and under the above mentioned scheme, the Compensation Committee is required to make a fair and reasonable adjustments in a manner as provided in the said guidelines to the number of options or to the exercise price at the time of corporate actions.

If the resolution for sub-division of shares is approved by Members, the Board and / or the Compensation Committee may, if deemed fit, make fair and reasonable adjustments to the number of options and / or exercise price for the options granted.

The Board of Directors commends the passing of the special resolution proposed at item no.9 of the Notice.

Item nos. 10 to 12

As the Members are aware, the present authorised share capital of the Company is Rs.50 crore divided into 5,00,00,000 equity shares of Rs.10/- each. The present issued and paid up equity share capital of the Company is Rs.30 crore.

It is proposed to increase the paid up equity share capital of the Company by capitalising such sum standing to the credit of the Company's securities premium account, as may be required for issue of bonus shares in the ratio of three equity shares for every two equity shares held. The consent of the Members is being sought by the resolution at item no. 13 of the Notice for the proposed bonus issue.

It is therefore proposed to increase the authorised share capital of the Company from Rs.50 crore to Rs. 100 crore. Hence, the resolution at item no. 10.

The resolution at item no.11 of the Notice is for alteration of first sentence of Clause V of the Memorandum of Association of the Company to reflect the sub-division of equity shares and the increase in the authorised share capital. It is a necessary consequence of the resolutions at item nos. 9 and 10 of the Notice.

The resolution at item no.12 is for alteration of Article 3 of the Company's Articles of Association so as to reflect the authorised share capital of the Company and is also a necessary consequence of the resolutions at item nos. 9 and 10 of the Notice. Section 31 of the Companies Act, 1956 requires a special resolution for alteration of the Articles of Association of the Company and hence the resolution at item no. 12.

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

The Board of Directors commends the passing of the resolutions proposed at item nos.10 to 12 of the Notice.

Item no. 13

Consistent with the objective behind the resolution at item no. 9 above, the Board of Directors at its meeting held on May 28, 2008 decided to issue bonus shares subject to the approval of the Members at the general meeting. The ratio of the bonus issue is set out in the text of the resolution at item no. 13. The consent of the Members is being sought for the issue of bonus shares in terms of the special resolution set out at item no. 13 pursuant to Article 177 of the Articles of Association of the Company.

The Members of the Company at the Twenty Second Annual General Meeting held on September 6, 2007 had approved the Employee Stock Option Scheme. The Compensation Committee of the Board of Directors is authorised to administer and superintend the above mentioned scheme.

In terms of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and under the above mentioned scheme, the Compensation Committee is required to make a fair and reasonable adjustments in a manner as provided in the said guidelines to the number of options or to the exercise price at the time of corporate actions.

If issue of bonus shares is approved by Members, the Board and / or the Compensation Committee may, if deemed fit, make fair and reasonable adjustments to the number of options granted.

The bonus shares shall rank pari passu in all respects with the then existing equity shares of the Company.

The Board of Directors commends the passing of the special resolution proposed at item no.13 of the Notice.

The Directors of the Company may be said to be interested in the above resolution to the extent of the bonus shares that may be issued and allotted to them in pursuance of item no. 13 of the Notice.

By Order of the Board

P K Choksi

Group Head – Compliance & Legal
& Company Secretary

Date: May 28, 2008

Registered office:

141, Maker Chambers III
Nariman Point
Mumbai - 400 021

Directors' Report

To the Members,

The Directors of your Company are pleased to present the Twenty Third Annual Report together with the audited annual accounts for the financial year ended March 31, 2008.

Financial results

(Rs. in crore)

Particulars	For the year ended			
	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
	Consolidated		Standalone	
Gross income	742.29	444.05	36.70	39.38
Profit before depreciation, interest & tax	334.81	197.91	28.93	35.76
Less: Depreciation	9.79	7.04	0.10	0.03
Interest	32.83	7.84	0.06	–
Provision on standard assets	12.04	0.09	–	–
Add: Exceptional item	1509.60	–	1723.02	–
Profit before tax	1789.75	182.94	1751.79	35.73
Provision for tax	454.11	59.27	391.55	0.41
Provision for fringe benefit tax	1.42	0.76	0.07	#
Profit after tax but before minority interest and share in associate companies	1334.22	122.91	1360.17	35.31
Less: Share of minority interest	9.84	28.73	–	–
Share of Profit / (Loss) in associate companies	(17.32)	(3.31)	–	–
Net profit	1307.06	90.87	1360.17	35.31
Add: Profit brought forward from earlier years	165.30	108.38	37.97	24.01
Less: Adjustments as per AS 15 and others	0.83	–	–	–
Profit available for appropriation	1471.53	199.25	1398.14	59.32
Appropriations				
Proposed dividend				
Normal	15.00	15.00	15.00	15.00
Special	60.00	–	60.00	–
Dividend tax	12.83	5.40	12.75	2.55
General reserve	150.00	8.70	150.00	3.80
Statutory reserve	13.15	–	–	–
Debenture redemption reserve	(4.85)	4.85	–	–
Balance carried to balance sheet	1225.40	165.30	1160.39	37.97
	1471.53	199.25	1398.14	59.32

Below Rs. 50,000/-

Dividend

Your Directors are pleased to recommend the payment of dividend of 250% (Rs. 25/- per share) for the year ended March 31, 2008 including a special dividend of 200% (Rs. 20/- per share), considering an exceptional income during the year being the profit on sale of 49% equity stake held by your Company in Morgan Stanley India Company Private Limited (formerly known as JM Morgan Stanley Securities Private Limited) to Morgan Stanley. The payment of dividend together with tax thereon will absorb Rs. 87.75 crore. The dividend, if declared at the forthcoming Annual General Meeting, will be paid on July 29, 2008 to those Members whose names appear in the Register of Members on July 18, 2008. With respect to shares that are held in the dematerialised form, it will be paid to those Members whose names are furnished by the depositories as the beneficial owners as on the said date.

Sub-division of shares

The Board of Directors, at its meeting held on May 28, 2008, has decided to sub-divide the existing equity shares of the face value of Rs. 10/- each in the share capital of your Company into 10 equity shares of the face value of Re. 1/- each subject to the approval of the Members at the forthcoming Annual General Meeting.

If the sub-division of equity shares is approved by the Members, the fresh shares of Re. 1/- each will be issued /credited in the respective beneficiary accounts to / of the Members, whose names appear in the Register of Members and / or furnished by the depositories as the beneficial owners on the Record Date to be fixed by the Board of Directors in this regard.

Issue of bonus shares and increase in authorised capital

The Board of Directors, at its meeting held on May 28, 2008, has decided to issue fully paid up bonus shares to the Members of the Company in the ratio of 3 (three) equity shares for every 2 (two) equity shares held by the Members, by capitalising an amount of Rs. 45 crore from the securities premium account of the Company. The issue of the bonus shares will be subject to the approval of the Members at the forthcoming Annual General Meeting.

If the bonus issue is approved by the Members, the bonus shares will be issued / credited in the respective beneficiary accounts to / of the Members, whose names appear in the Register of Members and / or furnished by the depositories as beneficial owners on the Record Date to be fixed by the Board of Directors in this regard.

To facilitate the issue of additional shares resulting from the bonus issue, your Directors propose an increase in the authorised share capital of the Company from Rs. 50 crore to Rs. 100 crore.

Financial highlights

On a consolidated basis and before exceptional item, your Company earned a gross income of Rs. 742.29 crore (previous year - Rs. 444.05 crore) and a profit before tax of Rs. 280.15 crore (previous year – Rs. 182.94 crore) during the year under review.

The profit before tax and minority interest and share of profit / loss in associate companies after considering the exceptional item is Rs. 1,789.75 crore. The profit after tax, minority interest and the share of profit / loss

in associate companies is Rs. 1,307.06 crore. The earnings per share, after considering the exceptional item on the number of shares outstanding at the year end is Rs. 435.69 per share.

On a standalone basis, your Company earned a lower gross income of Rs. 36.70 crore during the year under review as against Rs. 39.38 crore in the previous year. After the inclusion of the gain resulting from the sale of the shares in Morgan Stanley India Company Private Limited to Morgan Stanley, treated as an exceptional income, the profit before tax aggregates to Rs. 1,751.79 crore and the profit after tax stands at Rs. 1,360.17 crore. The earnings per share, on the shares outstanding at the year end, is Rs. 9.59 per share before the exceptional item and Rs. 453.39 per share after the exceptional item. The networth of your Company at the year end stands at Rs. 1,653.44 crore i.e., at Rs. 551.15 per share.

Resolution through the postal ballot

The Members passed an ordinary resolution under Section 293(1)(e) of the Companies Act, 1956 for contributing to charitable and other funds through the postal ballot pursuant to Section 192A of the Companies Act, 1956 read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2001. The result of the said postal ballot was announced on March 14, 2008.

Your Company has complied with the procedures for the postal ballot in terms of the aforesaid rules and amendments thereto.

Employees stock option scheme

The Compensation Committee, at its meeting held on December 27, 2007, granted 4,45,500 equity stock options to the employees / Directors of the Company and its subsidiary(ies). The options granted, as aforesaid, were subsequently cancelled by the Compensation Committee at its meeting held on March 29, 2008 after considering all the relevant factors.

The Compensation Committee, at its meeting held on April 15, 2008 granted 4,45,500 fresh stock options to the employees / Directors of the Company and its subsidiary(ies). These options are granted at an exercise price of Rs. 1,370/- per option, based on the closing price of the shares of your Company on the National Stock Exchange of India Limited on the day of the meeting of the Compensation Committee and shall be vested in the concerned employees / Directors in three tranches at the end of third, fourth and fifth year from the date of grant.

Joint venture

Following the termination of the joint venture between JM Financial and Morgan Stanley, your Company acquired 49% equity stake held by Morgan Stanley in JM Financial Consultants Private Limited, engaged in the investment banking business (along with its wholly-owned subsidiaries engaged in securities business). Consequently, JM Financial Consultants Private Limited has become a wholly-owned subsidiary of your Company. Further, your Company sold its 49% equity holding in the joint venture engaged in the institutional securities business, namely, Morgan Stanley India Company Private Limited (formerly known as JM Morgan Stanley Securities Private Limited) to Morgan Stanley.

In order to have a continued presence in the institutional securities business, your Company, through its wholly-owned subsidiary namely, JM Financial Consultants Private Limited, entered into a joint venture with the ASK Group and acquired 60% equity stake in ASK Securities India Private Limited (now known as JM Financial ASK Securities Private Limited), which is a trading member of the National Stock Exchange of India Limited and Bombay Stock Exchange Limited and has a presence in the institutional securities & research business.

Your Company continues to cater to institutional investors, both domestic and offshore, and continues to provide research-based broking services to its institutional clients through JM Financial ASK Securities Private Limited.

JM Financial Consultants Private Limited has further acquired the balance 40% equity stake in JM Financial ASK Securities Private Limited from ASK Group on May 9, 2008. Consequently, JM Financial ASK Securities Private Limited became a wholly-owned subsidiary of JM Financial Consultants Private Limited. On receipt of the relevant regulatory approvals, the name of 'JM Financial ASK Securities Private Limited' will be changed to 'JM Financial Institutional Securities Private Limited'.

Management discussion and analysis

The Management's Discussion and Analysis Report for the financial year 2007-08, as stipulated under Clause 49 of the Listing Agreement(s) with the Stock Exchange(s), is given in a separate section forming part of the Annual Report.

Your Company's business interests

Your Company, through its subsidiaries, joint venture and associates, forms an integrated financial services group providing a wide range of services to a significant clientele that includes corporates, financial institutions, high net-worth individuals and retail investors. Your Company has business interests in investment banking, institutional and non-institutional securities trading and research, wealth management, mutual fund asset management, alternative asset management and securities financing and investing; all of which have been described in detail in the management discussion and analysis.

Investment in operating subsidiaries

Your Company invested in the capital of the following operating subsidiaries in addition to the acquisition of JM Financial ASK Securities Private Limited as described above:

- Rs. 86.95 crore for acquisition of 8,69,50,000 equity shares of the face value of Rs. 10/- each for cash at par in JM Financial Asset Reconstruction Company Private Limited. The investment as above currently represents 49% of the paid up share capital of Asset Reconstruction Company.
- Rs. 400 crore for acquisition of 3,20,00,000 equity shares of the face value of Rs. 10/- each for cash at a premium of Rs. 115/- per share in JM Financial Products Private Limited. Your Company also converted 1,15,00,000 optionally convertible preference shares into equity shares and received 49,50,00,000 equity shares as bonus shares from JM Financial Products Private Limited.

- Rs. 301 crore for acquisition of 86,00,000 equity shares of the face value of Rs. 10/- each for cash at a premium of Rs. 340/- per share in JM Financial Ventures Limited. Consequently, JM Financial Ventures Limited has become a subsidiary of your Company.
- Rs. 279.49 crore for acquisition of 1,59,71,000 equity shares of the face value of Rs. 10/- each for cash at a premium of Rs. 165/- per share in JM Financial Consultants Private Limited.
- Rs. 90 crore for acquisition of 90,00,000 equity shares of the face value of Rs. 10/- each for cash at a premium of Rs. 90/- per share in JM Financial Asset Management Private Limited.

Sale of shares in operating subsidiaries

During 2007-08, besides the sale of shares in Morgan Stanley India Company Private Limited as described above, your Company sold shares in the following operating subsidiaries:

- Its entire holding of 50,00,000 equity shares and 25,00,000 preference shares in JM Financial Commtrade Limited to JM Financial Services Private Limited, a wholly-owned subsidiary of JM Financial Consultants Private Limited.
- Your Company transferred / sold 5,44,50,000 equity shares representing 10% of the equity share capital of JM Financial Products Private Limited to JM Financial Group Employees' Welfare Trust for allocating the equity shares, based on the share purchase options granted, from time to time, to the employees and Directors of the companies belonging to JM Financial Group.

Fixed deposits

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

Directors' responsibility statement

In pursuance of Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures from the same;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit or loss of your Company for that period;
- they have taken proper and sufficient care for maintaining adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis.

Directors

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

Pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 117, Mr. Paul Zuckerman was appointed as an Additional Director of the Company with effect from October 29, 2007. He holds office as a Director up to the date of the forthcoming Annual General Meeting. Your Company has received a notice in writing from a Member proposing his candidature for the office of Director.

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

Mr. Dilip Kothari resigned from the Directorship of the Company with effect from May 28, 2008. The Board of Directors placed on record its sincere appreciation for the valuable services rendered by Mr. Kothari during his tenure as a Director of the Company.

Your Directors appointed Mr. Nimesh N Kampani as Managing Director of the Company for the period commencing from May 28, 2008 to March 31, 2011, on the terms and conditions, including remuneration as set out in the Notice which forms part of the Annual Report.

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, since it is not a manufacturing company. During the year under review, your Company has not earned any foreign exchange and the details of the amount spent in foreign exchange is provided in note 19 of the Notes to Accounts which forms part of the Annual Report.

Corporate governance

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

Auditors

The retiring auditors, namely, M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai, hold office until the conclusion of the forthcoming Annual General Meeting (AGM) and are seeking their appointment. Members are requested to consider their appointment and authorise the Board of Directors to fix their remuneration for the year 2008-09.

The Statutory Auditors have confirmed that their appointment, if made, at the AGM, will be within the limits prescribed under sub-section (1B) of Section 224 of the Companies Act, 1956 and that they are not beneficially holding any security of the Company as defined under Section 226(3)(e) of the said Act.

Internal auditors

Your Company has appointed an independent audit firm namely, M/s. Aneja Associates, Chartered Accountants, Mumbai, as Internal Auditors for evaluating the adequacy of all internal controls and ensuring adherence to internal processes and procedures as well as to regulatory and other legal requirements.

Transfer of unpaid / unclaimed dividends / interest

The amount of dividends and interest on debentures which remained unpaid / unclaimed for a period of seven years has been transferred by the Company to the Investor Education and Protection Fund pursuant to the provisions of Section 205A(5) of the Companies Act, 1956.

Subsidiary companies

The Ministry of Corporate Affairs has granted exemption to your Company under Section 212(8) of the Companies Act, 1956 with regard to attaching the Balance Sheet, Profit & Loss Account and other documents of the subsidiaries for the year ended March 31, 2008. However, the accounts of the subsidiaries will be made available for inspection to 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 on receipt of a request from them. The financial information of subsidiary companies is disclosed along with the consolidated financial statements. In accordance with the requirements of the Listing Agreement(s) with Stock Exchange(s), the consolidated financial statements of the Company together with 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 and forms part of this Report. Your Company had thirteen employees as on March 31, 2008. Out of the total number of employees, two employees employed throughout the year were 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.

However, in accordance with Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the Members excluding the aforesaid annexure. Any Member interested in obtaining a copy of the said annexure may write to the Company Secretary at the registered office of the Company.

Acknowledgement

Your Directors place on record their appreciation for the co-operation and assistance extended by the Bombay Stock Exchange Limited, National Stock Exchange of India Limited, Securities and Exchange Board of India, Reserve Bank of India and all the stakeholders. Your Directors would also like to place on record their appreciation for committed service extended by the employees of your Company and its associates, joint ventures and subsidiary companies.

On behalf of the Board of Directors

Mumbai
May 28, 2008

Nimesh N Kampani
Chairman & Managing Director

Management Discussion and Analysis

Economic scenario

The Indian economy continued to expand at a robust pace during the year 2007-08 for the fifth consecutive year with real GDP growth rate at 8.7% although a little lower than that of 9.6% in 2006-07, reflecting moderation in growth in all the three sectors, viz., agriculture and allied activities, industry and services. Notwithstanding the moderation, the growth was in line with the average real GDP growth of 8.7% per annum over the five year period (2003-04 to 2007-08). During the year, the index of industrial production (IIP) rose by 8.7% compared to 11.2% during 2006-07. The manufacturing sector recorded a growth of 9.1% compared to 12.2% during 2006-07 whereas the growth in infrastructure sector was placed at 5.6% compared to 8.7% during 2006-07.

The services sector maintained its double-digit growth at 10.6% despite some moderation in pace. It continued to be the major contributor to the GDP growth. The rise in the number of inbound tourists, revenue generated through railway freight traffic, commercial vehicles production, new cellular phone connections, passengers handled by civil aviation at Indian airports was moderate as compared to the previous year.

Inflation based on the wholesale price index (WPI) softened from 6.4% at the beginning of the fiscal year to a low of 3.1% on October 13, 2007 before increasing again to 7.4% by March 29, 2008, mainly reflecting hardening of prices of primary articles, fuels group and some manufactured products.

The US dollar depreciated against major currencies in the international markets during 2007-08, reflecting the effect of the US sub-prime crisis, fed funds rate cuts and lower than expected economic activity. The US dollar touched a historic low against the Euro, British pound sterling and Japanese yen in the last two quarters of 2007-08 depreciating by 15.8 % against the Euro, 1.5 % against British pound sterling and 14.9 % against Japanese yen. Among Asian currencies, the US dollar depreciated by 9.3 % against Chinese yuan, 10.2 % against Thai baht; but appreciated by 5.5 % against the South Korean won and 7.7% against the Indian rupee. Depreciation of the US dollar against the Indian rupee impacted the performance of several export oriented industries including textiles and IT & IT enabled services.

During the year, interest rates softened in the first three quarters of the year but towards February 2008, the markets experienced liquidity tightening, which was seen as the regular “March” effect when banks become largest borrowers themselves on account of the year-end loan disbursement. The

benchmark prime lending rates (BPLRs) of public and private sector banks were placed in the range of 12.25-13.50% and 13.00-16.50%, respectively, in March 2008 as compared to 12.25-12.75% and 12.00-16.50%, respectively, in March 2007.

During the first quarter of the year 2007-08, government bond yields increased in major advanced economies, reflecting higher short-term rates and upward revision in growth expectations. Long-term government bond yields, however, softened in the subsequent part of the year, reflecting lower investor appetite for riskier assets in the wake of deterioration in the housing market, turbulence in the credit market and moderation of the monetary policy in the United States of America (US). The yield on the 10-year government paper declined by 120 basis points in the US, 49 basis points in the United Kingdom, 41 basis points in Japan and 16 basis points in the Euro region.

Brief spells of volatility were also observed in money markets in India on account of changes in capital flows and cash balances of the Central Government with the Reserve Bank of India. During the year, interest rates in the money markets remained generally within the informal corridor set by reverse repo and repo rates.

Corporate India continued its healthy performance, although it witnessed some moderation in growth on a relative basis and an increase on an absolute basis which was backed by strong domestic consumption-led demand caused by increased disposable income. Indian corporates have started reaping the benefits of their investments and capital expenditure incurred by them in last few years by way of capacity expansion, technological upgradation and modernisation in gaining global competitiveness, improved efficiencies and increased economies of scale. The performance of non-government non-financial companies moderated during 2007-08 (up to December 2007) relative to the previous year with sales growth during the first nine months of 2007-08 at 17.4% was lower than 29.1% in the corresponding period of the previous year. Net profits grew at 29.8% as compared to 46.6% a year ago due to a combination of several factors such as high interest rates, rise in input costs and compensation to employees.

Structurally, high growth in India is driven by favourable demographics, strong capex cycle and productivity growth. The strong capex cycle in turn is led by the boom in infrastructure. The XIth Plan projection for infrastructure spends is estimated at about US\$ 500 billion. This should encourage a robust economic growth and drive corporate earnings. The Indian corporate world continued its spree of multibillion dollar acquisitions abroad in its quest to gain global scale and competitiveness. Outward investment from India shot up to US\$ 14.4 billion in 2006-07 from less than US\$ 2 billion in the period 2003-04. The trend continued during 2007-08 as well with acquisitions of the size of US\$ 44.9 billion.

The Union Budget 2008 went a step ahead in providing a thrust to the overall economic growth in the country. Most of the proposals put forth in the Finance Bill were targeted towards reducing inflation, improving consumption-led demand by increasing the disposable income of the masses with complete focus on fiscal prudence. The modification in threshold limits for exemption of personal income tax and reduction in duties for industrial sector are some of the major proposals which will help in providing impetus to the overall economic growth in the country.

Real estate prices continued to remain strong in high demand locations including Mumbai and other cities due to the lack of quality supply. Significant private and public market capital also became available to developers during the year. However, some of the cities with excess supply have witnessed price corrections and reduction in demand.

The Indian capital markets witnessed several regulatory changes. Some of the significant changes are:

- **Introduction of Fast Track Issues (FTIs)** - SEBI has allowed well-established and compliant listed companies satisfying certain specified eligibility criteria to access the Indian primary market via the FTI route in a time effective manner for follow-on public offerings and rights' issues.
- **Amendments to Guidelines for Issue of Indian Depository Receipts (IDRs)** - which, apart from allowing all categories of investors to apply in IDR issues, subject to certain conditions, also eased the norms for the issuer companies intending to bring an IDR issue.
- **Issue of Offshore Derivative Instruments (ODIs)** - Vide a circular issued by SEBI, Foreign Institutional Investors (FIIs) were required to wind up their positions in excess of the prescribed reduced ODIs exposure over 18 months (from October 2007). Further, FIIs and their sub-accounts were directed not to issue / renew ODIs with underlying as derivatives. FIIs with notional value of ODIs outstanding (excluding derivatives) in excess of 40% of their assets under custody in India were directed to issue fresh ODIs only against cancellation / redemption / closing out of the existing ODIs of at least equivalent amount. SEBI also gave a commitment to expedite FII registration process. This rule, coupled with the impact of global financial sector meltdown impacted the volume of FII trades over the subsequent months.
- **Differential Pricing** – This measure permitted companies to make public issues to retail investors at a discounted price, subject to a maximum price differential of 10%.
- **Number of centres for Electronic Clearing Service (ECS) in public / rights issues** – The facility of refund through ECS in public / rights issues was increased to 68 centres, thus resulting in a faster refund procedure.

Global financial markets remained volatile during 2007-08 as the crises of US sub-prime mortgage market and other credit markets exposures deepened and spilled over to markets for other assets. Indian financial markets remained orderly for the most part during the year 2007-08, barring the equity market, which witnessed bouts of volatility, especially beginning second week of January 2008 in tandem with trends in major international equity markets. During the year, the Sensex touched an all time high of 21,206 on January 10, 2008, however it slipped to 15,644 at the end of FY 2007-08, on account of the US sub-prime mortgage crisis, still registering an overall growth of 19.7% over the previous year (FY 2006-07) level of 13,072.

Strong secondary markets helped Indian corporates to raise a record amount of Rs. 1,65,592 crore as capital through domestic and overseas issuances registering a growth of 133% over the previous year. The amount mobilised through domestic issuances grew to a record Rs.1,10,508 crore and that mobilised through overseas issuance grew to Rs. 55,084 crore registering a robust growth of 228% and 47% respectively.

The detailed break-up of funds raised by Indian corporates is given below:

	2007-08		2006-07		Growth in Amount (%)
	No.	Rs. in crore	No.	Rs. in crore	
Domestic Issues					
Initial Public Offer (IPO)	84	41,323	76	23,706	74
Follow on Public Offer (FPO)	6	10,896	9	1,287	747
Qualified Institutional Placement (QIP)	38	25,708	25	4,963	418
Rights Issue	30	32,519	38	3,704	778
Sub Total	158	110,446	148	33,660	-
Overseas Issues					
American Depository Receipts (ADR)	3	21,051	2	8,196	157
Global Depository Receipts (GDR)	29	9,825	21	4,051	143
Foreign Currency Convertible Bond (FCCB)	59	24,208	70	25,120	-4
Sub Total	91	55,084	93	37,367	-
Grand Total	249	165,530	241	71,027	-

Foreign Inflows were strong during the early part of year showing increasing investor appetite in Indian markets. FIIs invested US\$ 12.7 billion in the Indian stock markets during 2007-08 as compared to US\$ 5.7 billion during 2006-07. Between April 1, 2007 and January 8, 2008, FIIs invested US\$ 16.3 billion in the Indian stock markets. However, FIIs made net sales of US\$ 3.6 billion between January 9, 2008 and March 31, 2008. During the period April 2007 to February 2008, the inflows under Foreign Direct Investment (FDI) were US\$ 25.5 billion as compared to US\$ 19.6 billion in the corresponding period of the previous year.

The Mutual Fund industry continues to demonstrate double digit growth on account of increasing disposable income and interest from retail and institutional investors. The net mobilisation of resources by mutual funds increased by 63.6% to Rs.1,53,802 crore over the previous year. About 67.5% of net mobilisation of funds by mutual funds during the year was under income/debt market-oriented schemes, out of which bulk of the resources were mobilised through debt other than assured return schemes. Growth-oriented schemes accounted for 30.5% of net resource mobilisation during 2007-08. Net investments from mutual funds in the equity capital market were Rs. 12,187 crore, representing growth of 44% as compared to that in FY 2006-07 of Rs. 8,479 crore.

Mobilisation of capital through private placement increased by 34.9% to Rs. 1,49,651 crore during 2007-08. Resources mobilised under this route by private and public sector entities increased by 49.4% and 15.5%, respectively. Financial intermediaries (both from public as well as private sectors) accounted for the bulk (68.3%) of the total resource mobilisation from the private placement market (69% during the previous year).

During 2007-08 (April-December), inflows (net) under external commercial borrowings (ECBs) amounted to US\$ 16.3 billion (US\$ 9.8 billion during April-December 2006). Non Resident Indian deposits registered a net inflow of US\$ 0.106 billion during the year 2007-08 (April-February) as compared to net inflows of US\$ 3.9 billion during the corresponding period of the previous year.

However, high inflation and soaring oil prices are major threats which could affect the overall growth of the Indian economy. Apart from high inflation, cyclical challenges also emanate from the global slowdown and political uncertainty.

(Source: RBI reports, Bloomberg, Prime Database & SEBI)

Our businesses

JM Financial is a leading provider of capital market services to Indian and global corporates, institutional and government clients. The corporate structure of the Company is that of a business holding company with businesses housed in several operating subsidiary companies.

The operating businesses of the Company are divided in the following segments:

Investment banking and securities business

We provide advisory and execution services of diverse nature to corporates, institutions, governments and government-owned corporations, banks and High Net-worth Individuals (HNIs).

We offer wealth advisory services to HNIs with a focus on asset allocation and bring the best of the ideas to our clients through an open architecture platform. We also distribute third party financial products to retail investors through a large network of Independent Financial Advisors.

Securities funding and fund based activities

We provide financing against securities to a diverse range of corporate and non-corporate clients. We are also engaged in the business of identifying, acquiring and selling down debt assets through a range of structured products.

Alternative asset management

We manage funds of institutional and large non-institutional investors raised under various schemes for investments under mandated charter such as Private Equity Fund, Real Estate Fund and proposed Special Situations Fund.

Asset management

We manage mutual fund assets raised through several schemes offering a range of investment options to a large number of investors.

Business discussion

The year 2007-08 was a year of significant events in the history of JM Financial.

Following the termination of joint venture between JM Financial and Morgan Stanley, the Company acquired 49% equity stake in investment banking business along with its wholly owned subsidiaries, from Morgan Stanley. The Company also sold its 49% equity stake in institutional equity business to Morgan Stanley. The Company acquired majority control in an institutional equity trading and research platform to address the gap in the suite of capital market services left by the termination of the joint venture with Morgan Stanley. The efforts undertaken to consolidate the asset management and alternative asset management businesses of the Company also began to reflect the results this year. The Company capitalised its various businesses through capital infusion in respective companies including the non banking financial company. This will help these businesses to further consolidate their positions.

The financial performance of the Company is presented in the standalone as well as consolidated statements. Given the corporate structure of a holding company, the consolidated financials represent the complete picture of the businesses of the Company. In the financial performance for the year 2007-08, profit on sale of equity shares in the erstwhile joint venture company, Morgan Stanley India Company Private Limited (formerly known as JM Morgan Stanley Securities Private Limited) to Morgan Stanley is presented as an exceptional income to facilitate an understanding and comparison of operating performance.

Investment banking and securities business

The strong growth in the Indian economy and continued improvement in fundamentals of corporate India resulted in yet another buoyant year for the Indian capital markets and the investment banking and securities business.

The focus of the companies during 2007-08 was on consolidating their leadership position in these businesses as a full fledged Indian investment banking and securities outfit. Investment banking was engaged as the book running lead manager and advisor to most of the large and landmark transactions including IPOs - Reliance Power (Rs. 10,123 crore), Mundra Port (Rs. 1,771 crore) and Future Capital Holdings (Rs. 491 crore); FPO - ICICI Bank (Rs. 10,040 crore); Rights Issue - Tata Steel (Rs. 9,135 crore); QIP - GMR Infrastructure (Rs. 3,966 crore), Suzlon Energy (Rs. 2,183 crore); Preferential Allotment - Jai Corp. (Rs. 585 crore).

On the mergers & acquisitions side, investment banking acted as an advisor in landmark deals including the acquisition of Centurion Bank of Punjab by HDFC Bank (Rs. 11,267 crore), formation of the joint venture between Eicher Motors and Ab Volvo (Rs. 1,082 crore) and the acquisition of 51% stake in Sesa Goa by Vedanta (Rs. 4,087 crore).

The investment banking business won following awards:

- "Best India Deal" in 2007 Finance Asia Achievement Awards for Vodafone's US\$ 12 billion acquisition of Hutch Telecom.
- "Best Secondary Offering" in 2007 Finance Asia Achievement Awards and "Best Follow-on Offering" in The Asset Triple A Regional Awards for the US\$ 4.94 billion ICICI Bank follow-on offering.

Investment banking was also adjudged as one of the Top 50 companies out of 250 companies which participated in the survey viz., “Best Workplace in India Study – 2008” conducted by Great Place to Work Institute in partnership with Economic Times. The five parameters used in the survey are Credibility, Fairness, Respect, Camaraderie and Pride.

The institutional equities business was enhanced on the new joint venture platform with active participation in placement of several IPOs, FPOs, QIPs, preferential allotments and block trades, new clients empanelment and increased activity in secondary market trades as well as expanded research coverage. The core teams in all business functions were expanded in line with the business plans of rapid build up and expansion.

The investment advisory business continued to focus on secondary equity, distribution of financial products and wealth management services (corporate and private). High net-worth online trading commenced during the year. It maintained the CRISIL rating of PI+ for short term debt programme for a significantly increased amount.

The Assets Under Management (AUM) under the investment advisory business grew to Rs. 16,292 crore during the year.

The investment advisory business opened five new branches in Tier I cities taking the total number of branches to 21. It helped in expanding its independent financial advisors group reach. The total mutual fund AUMs mobilised and catered to by us grew to Rs. 17,377 crore for the year. The investment advisory business was ranked No. 2 by Prime Database for IPO distribution with mobilisation of Rs. 14,624 crore through 2.1 lakh applications during the year. This represents a market share of 12.31%.

The fixed income business obtained the rights as a Trading Member (Deposit Based Member) of the Bombay Stock Exchange Limited.

The commodities broking business continued with its initiative to build a strong commodities research and trading platform. The 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. With most corporates expressing constraint due to the possibility of a ban on some essential commodities, the market continues to be dominated by retail and HNI participants.

Securities funding and fund based activities

During 2007-08, this business has grown three fold as compared to last year. The gross income of NBFC during the year was Rs. 94 crore as against Rs. 27 crore in the previous year. Financing was undertaken in 40 IPOs aggregating Rs. 12,650 crore as against Rs. 1,811 crore during the previous year. The average margin funding book during the year was Rs. 784 crore as compared to Rs. 225 crore during the previous year.

We identified single corporate loan securitisation as a key fund based activity involving issuance of a series of pass through certificates. We completed five tranches of such transactions with minimal continuing capital commitment.

Following the capital infusion in this business, it maintained the short-term debt rating of PI+ as assigned by CRISIL even after a substantial enhancement in limits to Rs. 5,500 crore on episodic basis of which the component of steady-state borrowing limit is Rs. 2,400 crore.

Alternative asset management

JM Financial India Fund, a private equity fund, was closed with a corpus of US\$ 225 million in April 2007. 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. During the year, the fund completed five investments, investing about 40% of the AUM in companies engaged in the businesses of high-end fashion retail, auto components, farm equipment, financial services and knowledge process outsourcing (KPO) sectors.

JM Financial Property Fund, a fund registered with SEBI as a venture capital fund is managed by Infinite India Investment Management Private Limited (Infinite), a 50:50 joint venture between JM Financial Limited and SRS Private Investment Management LLC.

Infinite acts as manager / advisor in relation to assets worth US\$ 500 million spread across domestic, foreign and co-investment assets. These funds are deployed in 12 investments in commercial, residential, retail and hospitality assets as well as real estate development companies.

Infinite is active in Mumbai, New Delhi, Chennai, Bangalore, Kolkata, Hyderabad and emerging Tier II cities, where it has made entity level as well as project level investments. In each of its investments, Infinite has either partnered with the leading regional market player or has the strategic advantage of investing in prime assets in the concerned city.

As part of our plan to grow our alternative investments business, the Company invested Rs. 301 crore in a new group described as special situations fund, which will aim to make investments in companies which we believe have superior long term return prospects and ones which would deliver robust growth in short to long term. The funds invested by the Company in this group have since been deployed in various investments.

Asset management

Various initiatives taken by the Company to strengthen the asset management activities reflected in the performance during the year.

JM Financial Mutual Fund was the second largest growing fund house in terms of average assets under management during 2007-08. The average AUM grew from Rs. 3,522 crore as on March 31, 2007 to Rs. 12,945 crore as on March 31, 2008 (a growth of 268%). The Asset Management Company (AMC) posted an accounting loss for the year. We are focused on gaining market share in this nascent business that has a long term growth outlook.

The sales force was strengthened during the year and the AMC increased its investor reach by opening 89 new branches and investor service centres in several cities of the country covering 80 cities. It proposes to increase its geographical reach to 150 branches / service centres in the near term.

AMC's equity funds AUM grew the fastest in the industry during the year 2007-08.

The average equity assets grew from Rs. 215 crore as on March 31, 2007 to Rs. 3,779 crore as on March 31, 2008 (a growth of 1,655%). The percentage increase is robust due to base numbers being very low and hence the same may not be comparable with the increase in percentage numbers in future.

AMC got the following rankings / awards:

- JM Basic Fund, JM Emerging Leaders Fund and JM Financial Services Sector Fund were ranked among the top 51 equity funds out of a total of 24,887 equity funds in the world on a one year basis by Lipper (a Reuters Company) Equity Fund World Ranking.
- As tracked by Lipper Global Fund data, JM Basic Fund secured the 33rd rank in the world on a one-year basis (one-year total return of 111.44% on December 31, 2007) and the 12th rank in the world over a 10-year period (10-year annual compounded return of 37.72% in INR as on December 31, 2007).
- JMEmerging Leaders Fund secured the 51st rank (one year total return of 94.51% as on December 31, 2007).
- 5 Star Award in the aggressive equity category at the ICRA Mutual Funds awards.

Business outlook & strategy

Given the robust growth prospects in India, the financial sector has a crucial role to play in the development of the economy. The Company seeks long-term, stable growth supported by a strong balance sheet, with the goal of achieving sustainable superior returns while accepting prudent operating risks.

Under the axiom of trust, the Company continues to employ various operating and financial strategies which will guide us over the long-term and represent the way in which it conducts its business.

We seek to build our business strengths on the following:

Client focus

We always put the interest of our clients before our own. Our teams understand our clients needs and endeavour to deliver unique solutions for meeting their objective.

Corporate governance and value creation

We strongly believe that highest level of corporate governance and best practices are critical for long-term sustainable growth and for building resilience to competition. We will continue to drive and ensure accountability, transparency, professionalism and risk containment.

Brand building

JM Financial is one of the leading domestic financial services group in India. Efforts are on to strengthen further the strong brand that the group has built in over three and a half decades. Towards this objective, during 2007-08, we adopted a new look and design for our corporate logo which emphasises the strength and dependability of our service, solid corporate culture and unfailing commitments.

Opportunities and threats

Sustainable positive growth outlook of the Indian economy presents the biggest opportunity for all our business segments. We are very focussed on capturing all opportunities before us, be it in the agency business or in fund-based activities. Our decision to add to and strengthen our asset management businesses and fund-based businesses during the last two years is clearly bearing fruits of this focus. In the investment

banking and securities business, we have demonstrated our strength and conviction yet again by retaining leadership position even as we moved very quickly to fill out the gap in the institutional securities business by a joint venture soon after the sale of our stake in joint venture company to Morgan Stanley.

We face high market competition in all our businesses from Indian as well as multinational companies. New entrants in the markets are a threat to various businesses in the group. People cost benchmarked to global scale coupled with volatile market conditions pose the risk of unpredictable profitability. The continuously increasing demand for experienced professionals in financial services industry and the related attrition presents a threat of business coverage and execution for our businesses. We have successfully built a strong team of professionals in all our businesses; meeting not only their financial, but also high level professional aspirations. We have demonstrated over the years our superior ability to build, retain and expand the team of professionals in our businesses.

Risks and concerns

Risk is an integral part of the business and we aim at delivering superior value by achieving an appropriate balance between risks and returns. Major risks for the Company emanate from the businesses in which its subsidiaries / associates / group companies are engaged. Being engaged in the business in a highly regulated industry, we are presented with risk containment measures in the very regulations that present a regulatory risk to us.

We have classified the risks affecting our businesses as follows:

Risk Type	Risk Descriptions
Business risk	Impact of markets on our revenues and investments, sustainability of the business across cycles and ability to raise funds at short notice.
Settlement risk	Risk that a client will fail to deliver as per the terms of a contract with us or another party at the time of settlement.
Credit risk	Risk due to uncertainty of a counterparty's ability to meet its financial obligations to us.
Operational risk	Risk of loss arising out of inadequate or flawed systems, controls or human error.
Regulatory and Compliance/Legal risk	Risk to business arising out of changes in regulation, difference in interpretation of regulations by regulator and inadequate addressal of compliance and legal issues during the course of business or execution of a transaction.
Business continuity risk	Inability to conduct business and service clients in the event of a contingency such as a natural calamity, breakdown of infrastructure, etc.
People risk	Risk arising out of loss of key personnel.

We monitor all the events, processes and developments on a regular basis to ensure timely measures for risk containment.

Internal control systems and their adequacy

Each business in our portfolio has laid out detailed operating procedures and documented the critical procedures. In all the operating systems, we ensure maker-checker control. We place very high emphasis on conflict management and the senior most management engages in conflict resolution process predominantly through the sponsorship process.

We have engaged independent Chartered Accountants' firm as well as internal staff, to carry out regular internal audit for the operations in all businesses. The Audit Committee comprises of Non-Executive Directors, majority of whom are independent, and is chaired by Mr. E A Kshirsagar, an eminent Chartered Accountant with extensive experience in management advisory as well as financial and accounting aspects for corporate activities.

The Audit Committee of the Directors regularly reviews internal audit reports, significant findings in audit as well as internal audit, adequacy of internal controls, compliance with accounting standards and other aspects relating to financial statements and operations of the businesses. Significant issues are brought to the attention of the Board of Directors by the Audit Committee.

While the Group's senior management across businesses is actively engaged in risk assessment and containment, the Group Risk Management (GRM) team identifies, analyses and monitors significant risks affecting each business on a regular basis. GRM interacts on an ongoing basis, with the management and operating teams in all businesses to monitor the new developments, processes and operating practices. The report of GRM is reviewed every month by the senior management and is also circulated as part of the agenda for every meeting of the Board of Directors of the Company.

The objectives of the risk management are as follows:

- To develop a risk culture that encourages employees to identify the risks, associated opportunities and respond to them with appropriate actions.
- To recognise, review, prioritise and manage existing as well as new risks in a planned and coordinated manner.
- To increase the effectiveness of internal and external reporting structure.
- Active involvement of all employees in the risk management process within their own areas of responsibility.

Financial overview

The Company witnessed a healthy performance during 2007-08. The consolidated total income rose by 67% to Rs. 742.29 crore from Rs. 444.05 crore recorded in the previous year. Further, the Company's profit before tax and exceptional income also grew by 53.13% from Rs. 182.94 crore to Rs. 280.15 crore. The net profit of the Company after considering an exceptional item of Rs. 1,509.60 crore and tax is Rs. 1,307.06 crore on a consolidated basis. The earnings per share after considering the exceptional item on the number of shares outstanding at the year end is Rs. 435.69 per share.

On a standalone basis, the Company's gross income has decreased marginally to Rs. 36.70 crore from Rs. 39.38 crore in the previous year. The profit before tax and exceptional item is Rs. 28.77 crore. After accounting for the exceptional income of Rs. 1,735.86 crore, which is due to the sale of 49% equity stake that was held in the erstwhile joint venture company to Morgan Stanley, the profit before tax is Rs 1,751.79 crore. The profit after tax and exceptional item is Rs. 1,360.17 crore. The earnings per share on the shares outstanding at the year end is Rs. 9.59 per share before exceptional item and Rs. 453.39 per share after exceptional item.

Owing to the good performance of the Company, the Board of Directors has recommended a dividend of 250% (including a special dividend of 200%). The Board of Directors has also decided to split the equity share from the face value of Rs. 10/- each to ten equity shares of Re. 1/- each and to issue bonus shares in the ratio of three shares for every two shares held.

Corporate social responsibility

JM Financial believes that conducting its business in a socially responsible way is good business. The Group strongly believes in giving back to the society.

Corporate Social Responsibility (CSR) at JM Financial forms part of a larger social commitment and is a way of life. It support many causes which are in the good interest of the public, chief among them being education, health and relief to the poor.

Among the regular events that contribute resources for its CSR objectives are our annual fund raising event JM Financial Walkathon, which is a six-km walk along the sea in front of Marine Drive in Mumbai, and the annual contribution out of the profits of the companies in the group.

JM Financial encourages employee participation in CSR activities and provides them a platform to remain connected with the community. Some of the projects initiated include:

Drishti: Drishti is an ongoing initiative at JM Financial where employees collect old glossy magazines and brochures and donate these periodically to schools for the visually challenged. These schools use the glossy paper for preparing reading and learning material in Braille which is best imprinted on thick glossy material. JM Financial has been supporting Kamla Mehta Blind School, National Association for the Blind and Happy Home & Blind School through this initiative. As part of Project Drishti, the organisation has also held eye donation awareness camps for employees.

Sparsh: Through Sparsh, the employees of JM Financial directly touch the lives of the lesser privileged and are involved with the community. The Group has tied up with Akanksha and HelpAge India where employees volunteer both in individual capacity and in groups to assist these NGOs in their various programmes. This includes employees volunteering to teach students in the Akanksha schools and supporting the elderly through Help Age India.

Human resources

We firmly believe that the ultimate identity and success of our Group is reflected by the excellent quality of service standards consistently delivered by our people and their dedicated commitment towards attaining our vision. The Group crossed the landmark 1,000 employee number in February 2008.

The Human Resources (HR) function in the Group plays the role of a business partner to all businesses. The function is actively engaged in the business strategy and plans, thus being in readiness for developing and delivering HR practices, processes and systems for continuously evolving and expanding businesses. Human Resources emphasises on consistent, fair and ethical dealings with all employees irrespective of level, sex or age. Our 'people first' approach is focussed on a number of business-enhancing initiatives with the objective of making it one of the 'Best Places to Work'.

Our human resources management systems and processes are designed to create a responsive, customer-centric, market-focussed, employee friendly culture and enhance organisational vitality. The emphasis is always on defining performance parameters more accurately and monitoring the same through continuous performance monitoring systems. We follow a 360-degree performance evaluation process across all businesses in the Group.

We follow various practices to provide a healthy and beneficial work environment:

- Competency mapping at the time of joining to ensure that the right person is given the right job profile, thus enhancing productivity.
- Inculcating and maintaining a unique company culture. An entrepreneurial mindset by delegating responsibility and allowing employees to take full control and ownership of projects assigned.
- Recognition and rewards for performance.
- Training and development programmes.
- Performance appraisal process.
- HR quarterly magazine.
- Employee welfare and benefit schemes

It is our belief that the competence and commitment of our people are the key drivers of competitive advantage. The collaborative spirit of partnership across all sections of employees has resulted in significant enhancement of quality, productivity and profitability.

Forward - Looking statements

This report describing the Company's activities, projections about the future, estimates, assumptions with regard to global economic conditions and government policies, etc., may contain forward-looking statements based upon the information available with the Company. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

Report on Corporate Governance

Corporate Governance has evolved over the years as a fundamental component of business process for every corporate entity. Far from the amorphous existence corporate governance once entailed, it has evolved into a firm set of guidelines that are aimed at ensuring that companies maintain a firm commitment to values and an ethical business conduct, irrespective of its business segment, geography or culture.

Clause 49 of the Listing Agreement executed with the Stock Exchange(s), inter alia, lays out several corporate governance related requirements, which listed companies are required to adopt and follow. While most of the practices laid out in Clause 49 require mandatory compliance, others are recommendatory in nature. This Report sets out to define the governance practice followed by the Company.

I. Our philosophy

The Company places utmost emphasis on achieving the highest level of transparency, accountability and fairness in all facets of its operations and dealings with all its stakeholders. The Company has been relentless in practising the following core governance principles:

- To demonstrate the highest level of accountability by the employees in relation to their respective areas of work.
- To maintain the highest standard of transparency in its interactions and dealings with all its constituents.
- To ensure timely disclosure and dissemination of price sensitive information and matters of interest to its stakeholders.
- To ensure compliance with all applicable laws and regulations.
- To conduct its business in an ethical manner.

II. Board of Directors (“the Board”)**Mr. Nimesh N Kampani**

Mr. Nimesh N Kampani, aged 62 years, B.Com, FCA (Fellow Member of the Institute of Chartered Accountants of India) is the founder and Chairman of the JM Financial Group, one of India's leading financial services organisation. The Group, founded in 1973, has interests in investment banking, institutional securities, asset management, fixed income securities & related financing activities and retail brokerage. In his career spanning more than three and a half decades, he has made pioneering contributions towards the development of the Indian capital markets and has advised several corporates on their strategic and financial needs, especially capital raising and mergers & acquisitions.

Mr. Kampani has over the years, served as a member of several important committees constituted by the Securities and Exchange Board of India, Confederation of Indian Industry, Federation of Indian Chambers of Commerce and Industry, Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Institute of Chartered Accountants of India. He has also served as a member of the High Power Expert Committee constituted by the Ministry of Finance on making Mumbai an International Finance Centre. The list of various organisations and committees, where he is a member is given below:

- National Council of Confederation of Indian Industry (CII).
- Federation of Indian Chambers of Commerce & Industry (FICCI).
- CII's National Committee on Capital Markets - Chairman.
- Primary Market Advisory Committee of the Securities and Exchange Board of India.
- Governing Council of the Indian Institute of Capital Markets.
- Advisory Panel on Financial Regulation and Supervision of the Committee on Financial Sector Assessment constituted by Reserve Bank of India.
- Bloomberg Asia Pacific Advisory Board.
- Advisory Board of Rieter India Private Limited.

Mr. Kampani is also on the Board of the following public companies:

- Apollo Tyres Limited
- Britannia Industries Limited
- Deepak Nitrite Limited
- KSB Pumps Limited
- Ranbaxy Laboratories Limited
- Kampani Consultants Limited

Mr. Kampani is also a member of the following committees of the Board of other public companies:

Name of the Company	Audit	Shareholders' Grievance
Britannia Industries Limited	Chairman	Member
KSB Pumps Limited	Chairman	-
Ranbaxy Laboratories Limited	Member	-

As on March 31, 2008, Mr. Kampani holds 5,414,300 equity shares of the Company.

Mr. M R Mondkar

Mr. M R Mondkar, aged 77 years, a graduate in Science and Law has held various prestigious positions in organisations like ICICI Limited and J. M. Financial & Investment Consultancy Services Private Limited (JM FICS). He was involved in setting up the merchant banking division of ICICI Limited in 1972-73. He was also involved in setting up of Housing Development Finance Corporation Limited (HDFC) on behalf of ICICI Limited which was then the promoter of HDFC. He was associated with JM FICS as President from 1992 to 1996. He is a Member of the Listing Committee of the National Stock Exchange of India Limited.

As on March 31, 2008, Mr. Mondkar does not hold any equity shares of the Company.

Mr. Ashith N Kampani

Mr. Ashith N Kampani, aged 44 years, a Commerce Graduate from the University of Mumbai has 27 years of experience in equity broking and has serviced all segments - retail, high net-worth individuals, corporates and institutions. He began his career with the family's stock brokerage firm in 1982 and then worked with JSB Securities Limited / JM Financial Limited between 1991 and 1998 as Head of Dealing. From 1999 to 2007, he was with JM Morgan Stanley Securities Private Limited (now known as Morgan Stanley India Company Private Limited). He was a Senior Vice President in the institutional equities division of said company in 2007, servicing institutional clients in Asia. Mr. Kampani currently is part of JM Financial Group and leads the efforts in relation to the Corporate - Investors interactions.

As on March 31, 2008, Mr. Kampani holds 4,611 equity shares of the Company.

Mr. E A Kshirsagar

Mr. E A Kshirsagar, aged 66 years, a Chartered Accountant, is a specialist in corporate strategy and structure, disinvestments - central / state / private sector, feasibility studies for a variety of industries and the impact of legislations on business. He was associated with the management consultancy division of AF Ferguson for over three decades, retiring in 2004 as Director-in-Charge. He is a Fellow Member of the English and Indian Institutes of Chartered Accountants. Mr. Kshirsagar is the Chairman of the Audit Committee of the Company.

Mr. Kshirsagar is also on the Board of the following public companies:

- Batliboi Limited
- HCL Infosystems Limited
- Merck Limited
- Rallis India Limited

Mr. Kshirsagar is also a member of the following committees of the Board of other public companies:

Name of the Company	Audit	Shareholders' Grievance
Batliboi Limited	Member	–
HCL Infosystems Limited	Member	Member
Merck Limited	Member	–
Rallis India Limited	Chairman	Chairman

Mr. Kshirsagar retires by rotation at the ensuing Annual General Meeting, and being eligible, offer himself for reappointment.

As on March 31, 2008, Mr. Kshirsagar does not hold any equity shares of the Company.

Mr. Dilip Kothari

Mr. Dilip Kothari, aged 54 years, holds a Master's degree in Finance from the Kansas State University, USA. Mr. Kothari is the founding Managing Director and Head of the private equity business of JM Financial Group since January 2006. He has over 23 years of experience in the global financial services industry, having spent 10 years in the United States of America and over 12 years in Asia. Prior to JM Financial, Mr. Kothari was Managing Director, Olympus Capital Holdings. Before that he was Head of consumer banking, HSBC, Singapore, and Head of credit policy and risk management, Citibank, Asia. He started his career with Citibank, where he held various senior management positions in the consumer banking division, based in the United States of America.

Mr. Kothari is also on the Board of the following public companies:

- Spandana Sphoorty Financial Limited
- JM Financial Investment Managers Limited

As on March 31, 2008, Mr. Kothari does not hold any equity shares of the Company.

Mr. D E Udadia

Mr. D E Udadia, aged 69 years, is an Advocate and Solicitor of the Bombay High Court and a Solicitor of the Supreme Court of England, UK. Mr. Udadia, Partner, Udadia & Udeshi, Solicitors & Advocates, acts as a Legal Counsel for numerous Indian companies, multinational corporations and foreign banks in India. He has spent over 44 years in active law practice and has vast experience and expertise in areas like corporate law, mergers, acquisitions and takeovers, corporate restructuring, foreign collaboration, joint ventures, project and infrastructure finance, telecommunications, international loan and finance related transactions and instruments, real estate and conveyancing.

Mr. Udadia is also on the Board of the following public companies:

- ABB Limited
- ADF Foods Limited
- Avesthagen Limited
- AstraZeneca Pharma India Limited
- Bombay Trading Corp. Co. Limited
- Coromandel Fertilisers Limited
- Development Credit Bank Limited
- Eureka Forbes Limited
- ITD Cementation India Limited
- Macmillan India Limited
- Mechanalysis (India) Limited
- Sundaram-Clayton Limited
- Wyeth Limited
- WABCO-TVS (India) Limited

Mr. Udadia retires by rotation at the ensuing Annual General Meeting, and being eligible, offer himself for reappointment.

As on March 31, 2008, Mr. Udadia does not hold any equity shares of the Company.

Dr. Pravin P Shah

Dr. Pravin P Shah, aged 64 years, a Ph.D. in Cost Accounting from the University of Mumbai and a Chartered Accountant and Cost Accountant is a Partner, M/s. Pravin P Shah & Co., Chartered Accountants, Mumbai. He has over 38 years of experience (including 6 years in the United States of America) in the areas of financial consultancy, corporate structuring / restructuring, taxation, management consultancy, valuation, property matters and accounting. He has contributed several technical papers at conferences and published books and articles in India and in USA on the above mentioned subjects.

Dr. Shah is also on the Board of following public companies:

- Adani Enterprises Limited
- Bhansali Engineering Polymers Limited
- Claris Lifesciences Limited
- Bombay Rayon Fashions Limited
- Jai Corp Limited

Dr. Shah is also a member of the following committees of the Board of other public companies:

Name of the Company	Audit
Adani Enterprises Limited	Member
Bhansali Engineering Polymers Limited	Member
Claris Lifesciences Limited	Member
Bombay Rayon Fashions Limited	Chairman

As on March 31, 2008, Dr. Shah does not hold any equity shares of the Company.

Mr. Paul Zuckerman

Mr. Paul Zuckerman, aged 63 years, holds a Ph.D in Agricultural Economics from Reading University, United Kingdom. Mr. Zuckerman, Chairman & CEO of Zuckerman & Associates Ltd., has been associated with various international organisations, including World Bank and International Institute of Tropical Agriculture, Ibadan, Nigeria. He was Vice Chairman, SG Warburg International, prior to its acquisition by UBS. In this capacity, he was closely associated with Indian companies in the early days of globalisation.

Mr. Zuckerman is also on the Board of the following Indian public companies:

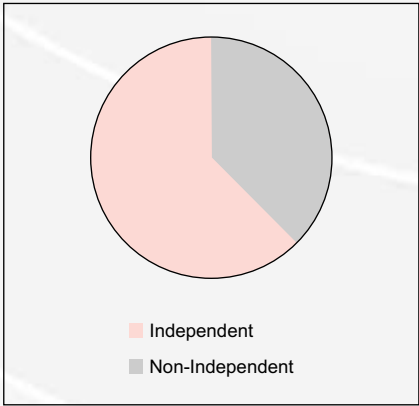
- Tech Mahindra Limited
- Great Eastern Energy Corporation Limited

Mr. Zuckerman was appointed as an Additional Director of the Company at the meeting of the Board of Directors held on October 29, 2007, pursuant to Section 260 of the Companies Act, 1956 read with Article 117 of the Articles of Association. He is an Independent Director. His appointment as a Director of the Company liable to retire by rotation, would be considered at the forthcoming Annual General Meeting.

As on March 31, 2008, Mr. Zuckerman does not hold any equity shares of the Company.

(a) Composition of the Board of Directors

The composition of the Board is governed by the Companies Act, 1956, the Listing Agreement and Articles of Association of the Company. The Board consists of eight members, all of which are Non-Executive Directors as on March 31, 2008. The Board comprises of five Independent Directors, namely, Mr. M R Mondkar, Mr. E A Kshirsagar, Mr. D E Udwadia, Dr. Pravin P Shah and Mr. Paul Zuckerman. Mr. Nimesh N Kampani is the Chairman of the Company as on March 31, 2008. The percentage of Independent Directors has increased to 71% with effect from May 28, 2008 on account of the resignation of Mr. Dilip Kothari.



Category	Percentage
Independent	71%
Non-Independent	29%

(b) Board agenda

All the departments in the Company communicate with the Company Secretary well in advance with regard to matters requiring the approval of the Board / Committees of the Board to enable inclusion of the same in the agenda for the Board / Committee Meetings. The Members of the Board are also free to recommend inclusion of any matters in the agenda for discussion.

The following information as enumerated in Annexure IA to Clause 49 of the Listing Agreement is made available to the Board for discussion and consideration at Board Meetings:

- Annual operating plans and budgets, capital budgets and updates, if any.
- Quarterly results of operating divisions or business segments.
- Minutes of meetings of audit, compensation, shareholders' grievance and investment committees as well as circular resolutions passed.
- Information on recruitment of senior managerial persons in the Company.
- Materially important litigations, show cause, demand, prosecution and penalty notices, if any.
- Fatal or serious accidents or occurrences of events such as fire, if any.
- Material default in financial obligations to and by the Company, if any.
- Issues that involves possible public or service liability claims of a substantial nature, if any.
- Details of any joint venture, acquisition of companies or businesses or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant employee related problems, if any and their proposed solutions.
- Sale of material nature of investments, subsidiaries and assets, which are not in the normal course of business.
- Details of foreign exchange exposure, if any.
- Non-compliance, if any, of regulatory, statutory or listing requirements as well as investor services such as non-payment of dividend and delays in share transfers, if any.

Besides the above information, the following information related to the subsidiary companies engaged in various operating businesses, is also placed before the Board to provide the Directors an update on all businesses and functions across the Group:

- Business reviews for the period between two Board Meetings.
- Minutes of the meetings of the Board of Directors of the operating subsidiaries.
- Details of any major events having an impact on the business operation, compliance matters and employee related matters.
- Steps taken to ensure business continuity planning and ongoing initiatives.

- Presentation by teams of the respective businesses under their management.
- Presentation by corporate support teams such as Human Resources, Legal and Compliance, etc. detailing their functions, relationships with business, initiatives to make business execution more efficient.

The meetings of the Board of Directors are normally held at the registered office of the Company in Mumbai. Meetings are generally scheduled well in advance and the notice of each Board Meeting is given in writing to each Director. In special and exceptional circumstances, additional or supplementary items on the agenda are allowed to be considered with the permission of the Chair. The Company Secretary, in consultation with the business teams and the Chairman, prepares the detailed agenda for the meetings. All material information is incorporated in the agenda papers to facilitate meaningful and focussed discussions at the meetings. The board papers, agenda and other explanatory notes are circulated to the Directors in advance. The Board has unfettered and complete access to information and to employees within the Company. The senior management is invited to attend the Board Meetings to provide additional inputs in relation to the matters being discussed by the Board.

The composition of Board, attendance of Directors at the Board Meetings during the financial year 2007-08 and at the last Annual General Meeting (AGM), the number of other directorships and memberships/chairmanships in public companies as on March 31, 2008 are as follows:

Name of the Director	Category	FY 2007-08 Attendance at		No. of Directorships in other companies ⁺	Committee positions [#]	
		Board Meetings	Last AGM		Member	Chairman
		Mr. Nimesh N Kampani**	Chairman & Non-Executive Director	8	Yes	6
Mr. M R Mondkar	Independent & Non-Executive Director	7	Yes	-	-	-
Mr. Ashith N Kampani	Non-Executive Director	7	Yes	-	-	-
Mr. E A Kshirsagar	Independent & Non-Executive Director	6	Yes	4	4	2
Mr. Dilip Kothari [®]	Non-Executive Director	6	No	2	-	-
Mr. D E Udawadia	Independent & Non-Executive Director	7	Yes	14	-	-
Dr. Pravin P Shah	Independent & Non-Executive Director	5	Yes	5	3	1
Mr. Paul Zuckerman [§]	Independent & Non-Executive Director	1	-	2	-	-

Notes:

** Appointed as Managing Director with effect from May 28, 2008.

@ Ceased to be a Director with effect from May 28, 2008.

\$ Mr. Paul Zuckerman was appointed as Additional Director of the Company at the Board Meeting held on October 29, 2007.

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

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

None of the above Directors hold directorships in more than 15 public companies nor is a Member of more than 10 Committees and Chairman of more than five Committees.

(c) Minutes

The minutes of each Board / Committee Meetings are recorded in the Minutes Book.

(d) Compliance

The Company Secretary, while preparing the agenda, notes on agenda and minutes of the meetings, is required to ensure adherence to all the applicable laws and regulations including the Companies Act, 1956 read with the Rules made there under and to the extent feasible, the Secretarial Standards recommended by the Institute of Company Secretaries of India, New Delhi.

Certificate of the Chief Financial Officer and the Company Secretary confirming compliance with applicable laws and regulations is placed before the Board on a quarterly basis.

The Company Secretary also places before the Board an action report on the implementation of decisions of the Board in the form of matters arising from the previous meeting(s) for the follow up information of the Directors.

(e) Number of Board Meetings

The Company strives to hold at least seven Board Meetings in each year, of which four meetings, one in each quarter, include the agenda for review of the financial results. The maximum time-gap between any two consecutive meetings does not exceed four months. Urgent matters are also considered and approved by passing resolutions through circulation. The average duration of the Board Meetings held is approximately four hours.

The Company held eight Board Meetings during the financial year 2007-08, on the dates given below:

April 2, 2007	June 29, 2007
July 4, 2007	July 30, 2007
October 29, 2007	December 11, 2007
January 29, 2008	March 5, 2008

III. Audit Committee

The Audit Committee monitors and supervises the Company's financial reporting process with a view to provide accurate, timely and proper disclosures. The Committee also monitors the integrity and quality of the financial reporting. The Committee, on one hand, acts as a link between the Statutory and the Internal Auditors and the Board of Directors of the Company on the other.

(a) Composition of the Committee

The composition of the Audit Committee meets the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The Audit Committee consists of following Members:

Name	Category	Member / Chairman
Mr. E A Kshirsagar	Independent Director	Chairman
Mr. MR Mondkar	Independent Director	Member
Mr. Ashith N Kampani	Non-Independent Director	Member
Dr. Pravin P Shah	Independent Director	Member

The Statutory and Internal Auditors are invited to the meeting of the Audit Committee to point out any observations they may have with regard to finance, accounting, operations and other allied matters. The Company Secretary acts as the Secretary to the Committee.

(b) Meetings of the Audit Committee

During the financial year 2007-08, four meetings of the Audit Committee were held on June 28, 2007, July 30, 2007, October 29, 2007 and January 29, 2008.

Details of the attendance of each Member of the Committee are given below:

Name of Members	Attendance
Mr. E A Kshirsagar	3
Mr. MR Mondkar	4
Mr. Ashith N Kampani	4
Dr. Pravin P Shah	3

(c) Role of the Audit Committee

1. Overseeing the financial reporting process and disclosure of the financial information to ensure that the financial statements are accurate, complete and credible.
2. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the Statutory Auditors, Internal Auditors and fixation of their remuneration.

3. Reviewing with the management, the annual/quarterly financial statements before submission to the Board for approval, with particular reference to:
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgement by the management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of related party transactions.
 - Qualifications, if any, in draft audit report.
4. Reviewing with the management, the adequacy of internal control systems.
5. Discussion with Statutory Auditors and Internal Auditors on any significant findings and follow up thereon with the management.
6. Carrying out such other functions as may be specifically referred to the Committee by the Board of Directors of the Company.
7. Reviewing the financial statements, and in particular, the investments made by the unlisted subsidiaries of the Company.
8. Review of uses / application of funds raised, if any, through an issue (public issue, rights issue, preferential issue, etc.).
9. Review of the Company's financial and risk management policies.

(d) Powers of the Audit Committee

The powers of the Audit Committee as enumerated in the Listing Agreement are as follows:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if considered necessary.

(e) Review of information by Audit Committee

1. Management discussion and analysis of the financial condition and results of operations.
2. Statement of significant related party transactions.
3. Letters of internal control issued by the Statutory Auditors.
4. Internal audit reports.

Minutes of the Audit Committee Meetings form part of the agenda of Board Meetings. Additionally, the Chairman of the Audit Committee briefs the Board of Directors about the significant discussions at Audit Committee Meetings.

IV. Remuneration/Compensation Committee

(a) Composition of the Committee

The Remuneration/Compensation Committee ('the Committee') comprises of the following Members:

Name of Members	Category	Member / Chairman
Mr. Nimesh N Kampani	Non-Executive Director	Chairman
Mr. E A Kshirsagar	Independent Director	Member
Mr. D E Udawadia	Independent Director	Member
Dr. Pravin P Shah	Independent Director	Member

(b) Meetings of the Compensation Committee

During the financial year 2007-08, two meetings of the Committee were held on December 27, 2007 and March 29, 2008.

Details of the attendance of each Member of the Committee are given below:

Name of Members	No. of meetings attended
Mr. Nimesh N Kampani	2
Mr. E A Kshirsagar	2
Mr. D E Udawadia	2
Dr. Pravin P Shah	2

(c) Compensation policy

The Company follows the policy of rewarding performance, based on review of the Company, department and individual performance annually.

(d) Details of remuneration of Directors

The details of the sitting fees and commission paid / payable to the Non-Executive Directors of the Company for the financial year 2007-08 are given below:

Name of the Director	Commission payable (Rs.)	Sitting fees (Rs.)		
		Board	Audit Committee	Compensation Committee
Mr. Nimesh N Kampani	-	40,000	-	6,000
Mr. M R Mondkar	6,00,000	35,000	12,000	-
Mr. Ashith N Kampani	5,00,000	35,000	12,000	-
Mr. E A Kshirsagar	9,00,000	30,000	9,000	6,000
Mr. Dilip Kothari	4,00,000	30,000	-	-
Mr. D E Udawadia	9,00,000	35,000	-	6,000
Dr. Pravin P Shah	9,00,000	25,000	9,000	6,000
Mr. Paul Zuckerman	3,00,000	5,000	-	-

Criteria for making the payment of Commission

In the backdrop of growing complexities and increasing regulatory requirements, Non-Executive Directors have contributed significantly to the meetings and given constructive and useful feedback pertaining to the business and operations of the Company. Taking into consideration their contribution, an aggregate amount of Rs. 45 lakh is proposed to be paid as commission to the Directors for the financial year 2007-08 as per individual allocation decided by the Board of Directors. Since the commission amount as above exceeds the limits prescribed under the Companies Act, 1956, it is subject to the approval of the Members at the general meeting and the Central Government.

The remuneration of Non-Executive Directors is decided keeping in mind the role assumed, number of meetings of the Board and the Committees thereof attended by each of them; the position held by them as the Chairman of the Audit Committee and their role as Independent Directors on the Board and the Member / Chairman of the Audit Committee of the subsidiary companies.

During the year, the Company paid Rs. 88.48 lakh as professional fees to M/s. Udawadia & Udeshi, a firm, in which Mr. D E Udawadia, a Director of the Company, is a partner. The Company also paid an aggregate amount of Rs. 48.25 lakh as professional fees to M/s. Pravin P Shah & Co. and M/s Pravin P Shah & Associates, partnership and sole proprietorship firm, in which Dr. Pravin P Shah, a Director of the Company, is a partner and the sole proprietor, respectively. However, these payments do not affect their independence as Directors of the Company. There were no other pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company.

V. Shareholders' Grievance Committee

(a) Composition of the Committee

The Shareholders' Grievance Committee comprises of Mr. M R Mondkar and Mr. Ashith N Kampani.

(b) Terms of reference

The terms of reference of the Shareholders' Grievance Committee is to redress shareholders' complaints including grievances relating to transfer & transmission of shares, non-receipt of balance sheet, dividend, etc. The Committee takes steps for resolving complaints / queries of the shareholders. The Committee also recommends measures for overall improvement in the quality of investor services.

(c) Number of meetings

The Committee met four times during the year on April 2, 2007, July 4, 2007, October 16, 2007 and January 29, 2008. Details of the attendance of each Member of the Committee are given below:

Name of Members	No. of meetings attended
Mr. M R Mondkar	4
Mr. Ashith N Kampani	4

Particulars of the number of complaints / queries received and resolved by the Company during the financial year 2007-08 are given in the table below. No complaints are pending as on March 31, 2008.

The break-up of the number of complaints / queries received and their nature is given below:

Nature of complaints / queries	Received (Nos.)	Resolved (Nos.)
Request for information relating to tradable warrants	10	10
Non-receipt of 14% & 16% debentures redemption money	10	10
Request for information on buyback	1	1
Non-receipt of share certificates sent for transfer / transmission	15	15
Non-receipt of duplicate shares	6	6
Change of address	5	5
Non-receipt of annual reports	7	7
Non-receipt of dividend	23	23
Total	77	77

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

VI. General Body Meetings

All resolutions moved at the last Annual General Meeting (AGM) were passed by show of hands with the requisite majority of Members attending the meeting. The following are the Special Resolutions passed at the general meetings of the Company held in last three years.

Venue and Time of general meetings

AGM / EGM held on	Venue	Time	Whether special resolution passed	Summary
July 6, 2005	Kamalnayan Bajaj Hall Bajaj Bhavan Nariman Point Mumbai - 400 021	3.30 p.m.	Yes	Payment of commission to the Directors up to 3% of the net profits of the Company.
November 4, 2005 Extraordinary General Meeting (EGM)	Kamalnayan Bajaj Hall Bajaj Bhavan Nariman Point Mumbai - 400 021	11.30 a.m.	Yes	<ul style="list-style-type: none"> ● Alteration of Articles of Association to reflect increase in authorised capital of the Company. ● Issue of up to 2,100,000 equity shares on preferential basis to Blue Ridge Limited Partnership and Blue Ridge Offshore Master Limited Partnership.

AGM/EGM held on	Venue	Time	Whether special resolution passed	Summary
				<ul style="list-style-type: none"> ● Issue of up to 2,100,000 equity shares on preferential basis to Tiger Global, L.P., Tiger Global, Ltd. and Tiger Global II, L.P. ● Increase in limit of foreign investment by foreign institutional investors from 24% 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 Extraordinary General Meeting (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 preferential basis to Blue Ridge Limited Partnership, Blue Ridge Offshore Master Limited Partnership and Mr. Azim Hasham Premji.
September 7, 2006	Kamalnayan Bajaj Hall Bajaj Bhavan Nariman Point Mumbai - 400 021	4.00 p.m.	Yes	<ul style="list-style-type: none"> ● Payment of commission to the Directors between 1% and up to 3% of the net profits of the Company. ● Three resolutions under Section 81(1A) of the Companies Act, 1956 for seeking necessary approvals offering shares under Employee Stock Option Scheme.
September 6, 2007	Kamalnayan Bajaj Hall Bajaj Bhavan Nariman Point Mumbai - 400 021	3.30 p.m.	Yes	<ul style="list-style-type: none"> ● For holding an office or place of profit by Mr. Ashith N Kampani, a relative of Mr. Nimesh N Kampani pursuant to Section 314(1) of the Companies Act, 1956. ● Three resolutions under Section 81(1A) of the Companies Act, 1956 offering equity stock options under Employee Stock Option Scheme.

VII. Postal ballot

Resolution passed through postal ballot

An ordinary resolution was passed on March 14, 2008 through postal ballot, pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001, for contributing to charitable and / or other funds in excess of the limits prescribed under Section 293(1)(e) of the Companies Act, 1956.

(a) Scrutiniser

The Board appointed Mr. B V Dholakia, Practising Company Secretary, as the Scrutiniser to conduct postal ballot voting process. Mr. Dholakia conducted the process and submitted his report to the Chairman.

(b) Procedure followed

- (i) The postal ballot notice and other related documents were dispatched to Members under certificate of posting.
- (ii) A calendar of events along with Board Resolution was submitted with the Registrar of Companies, Maharashtra, Mumbai.
- (iii) The result of the postal ballot was announced by the Chairman at the registered office of the Company, is posted on the website and will also be announced in the forthcoming AGM.

(c) Details of voting pattern

After scrutinising all the ballot forms received, the Scrutiniser reported that the Members representing 99.99% of the total voting strength voted in favour of the resolution, based on which the result was declared by the Chairman of the Company on March 14, 2008 and the resolution was carried with overwhelming majority.

Analysis of votes cast

Particulars	Number of votes	Percentage
Assent	2,35,48,844	99.99
Dissent	0	0
Invalid votes	2,600	0.01
Total	2,35,51,444	100.00

No special resolution is proposed to be passed prior to the forthcoming AGM through postal ballot.

VIII. 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 one English daily newspaper circulating in the whole or substantially the whole of India and in one newspaper published in Marathi language being the language of the region, where the registered office of the Company is

situated. These 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 Members through the Annual Report. The Company has regularly uploaded the information as specified under Clause 51 of the Listing Agreement on the Electronic Data Information Filing and Retrieval System (EDIFAR) launched by SEBI.

IX. Subsidiary companies

The minutes of the Board Meetings of unlisted subsidiary companies forms part of the agenda of the quarterly Board Meetings of the Company. The Board also periodically reviews the statement of significant transactions and arrangements entered into by the unlisted subsidiary companies.

The Company has appointed the following Independent Directors on the Board of its material unlisted Indian subsidiary companies:

Name of the Company	Name of the Director
JM Financial Consultants Private Limited	Mr. D E Udawadia Dr. Pravin P Shah
JM Financial Products Private Limited	Mr. M R Mondkar
JM Financial Services Private Limited	Dr. Pravin P Shah

X. Compliance with other mandatory requirements

1. Management Discussion and Analysis:

The Management Discussion and Analysis forms part of this Annual Report and includes discussions on various matters specified under Clause 49(IV)(F) of the Listing Agreement.

2. Disclosures:

a. Related party transactions:

The Company has entered into related party transactions as set out in the Notes to Accounts. None of these significant transactions are likely to have a potential conflict with the interests of the Company. The details of all significant transactions with related parties are periodically placed before the Audit Committee.

b. Disclosure of accounting treatment:

In the preparation of the financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

c. Disclosures on risk management:

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

3. Secretarial Audit Report:

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

4. No penalty or strictures:

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

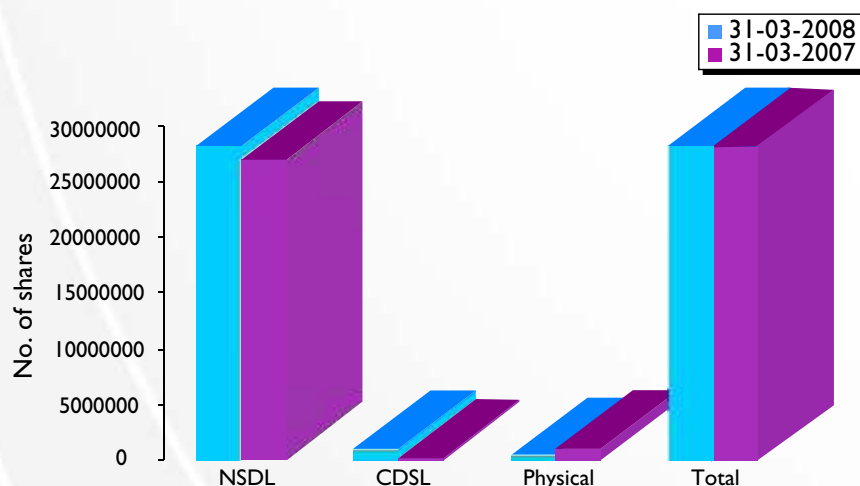
XI. General Shareholders' Information**Annual General Meeting**

Date and time	: July 25, 2008
Venue	: Walchand Hirachand Hall, 4th Floor, Indian Merchants' Chamber, Churchgate, Mumbai - 400 020
Financial year	: April 1, 2007 to March 31, 2008
Dates of book closure	: July 18, 2008 to July 25, 2008 (Both days inclusive)
Dividend payment date	: July 29, 2008
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 1919 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 8100 / 8114 Fax: 91 22 2659 8120 www.nseindia.com
Listing Fees	: The Company has paid the Annual Listing fees to the BSE and NSE for the financial year 2008-09 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
Website	: www.jmfinancial.in

- Registrars & share transfer agents : Sharepro Services (India) Private Limited
- Investor relation centres
- Nariman Point office : 912, Raheja Centre, Free Press Journal Road
Nariman Point, Mumbai - 400 021
Contact Person: Mr. Ravi Bhandari
Tel. No. 91 22 6772 0700
Counter Timings:
On weekdays - 10.00 a.m. to 5.00 p.m.
On Saturdays - 10.00 a.m. to 4.00 p.m.
- Main office : 3rd Floor, Satam Industrial Estate, Above Bank of Baroda
Cardinal Gracious Road, Chakala
Andheri (East), Mumbai - 400 099
Contact Person: Ms.Indira Karkera/Mr. Gopal Poojari
Tel No. 91 22 6772 0300
Counter Timings:
On weekdays - 10.00 a.m. to 5.00 p.m.
On Saturdays - 10.00 a.m. to 4.00 p.m.
- 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 Agreements entered into by the Company with BSE and NSE, a certificate is obtained every six months from a Practising Company Secretary, confirming that the request for transfer, transmission, sub-division, consolidation and exchange of equity shares have been effected within one month of their lodgment 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, namely, NSDL and CDSL, within 21 days. The particulars of the dematerialisation are reported to the Board for its noting.
- Shares in dematerialised mode : As on March 31, 2008, 2,95,29,025 equity shares representing 98.43% of the Company's share capital are held in electronic mode.

Out of the above shares in electronic mode, 2,94,01,236 equity shares representing 98% have been dematerialised under NSDL, whereas 1,27,789 shares representing 0.43% have been dematerialised under CDSL.

Comparison chart giving the break up of shares held in physical and dematerialised mode as on March 31, 2008 as compared to that of March 31, 2007 is given below:



Stock market data relating to the shares

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

Month	Open Rs.	High Rs.	Low Rs.	Close Rs.	No. of Shares Traded
April 2007	1007.40	1080.00	932.00	1036.60	10,260
May 2007	1036.50	1188.80	965.00	1102.70	74,464
June 2007	1110.00	1140.00	975.00	1060.35	6,71,572
July 2007	1100.00	1350.00	1018.00	1309.65	3,34,670
August 2007	1252.10	1399.00	1216.80	1380.00	67,896
September 2007	1381.00	1744.90	1360.00	1658.65	94,378
October 2007	1700.00	1865.00	1525.00	1813.30	1,98,844
November 2007	1848.95	2699.00	1700.00	2377.05	2,44,788
December 2007	2450.55	2919.00	2257.00	2882.00	1,36,568
January 2008	3000.00	3979.80	2369.75	3023.30	1,85,707
February 2008	3025.00	3159.00	2205.05	2221.15	1,03,390
March 2008	2110.00	2210.00	1182.85	1315.10	1,16,926

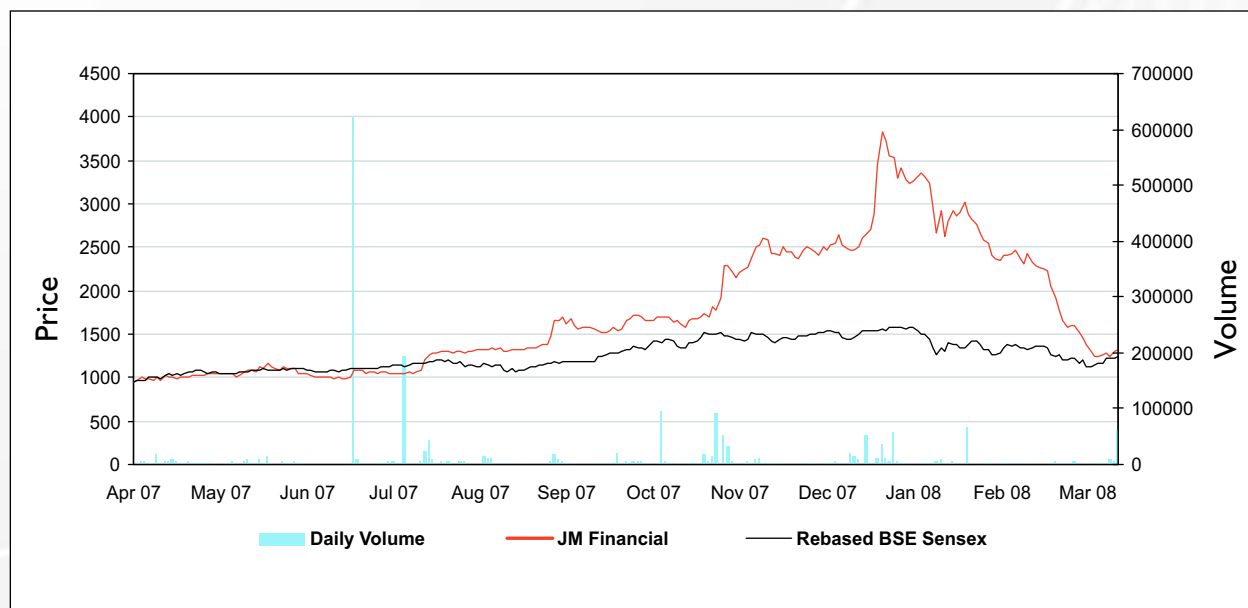
(Source : www.bseindia.com)

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

Month	Open Rs.	High Rs.	Low Rs.	Close Rs.	No. of Shares Traded
April 2007	999.95	1055.00	932.00	1042.55	1,07,144
May 2007	1050.00	1198.90	984.10	1100.00	82,582
June 2007	1106.15	1129.00	956.00	1071.20	54,782
July 2007	1080.00	1353.00	975.00	1310.65	1,60,239
August 2007	1276.15	1314.90	1222.00	1380.15	1,04,953
September 2007	1375.10	1780.00	1375.00	1659.60	77,277
October 2007	1720.00	1900.00	1557.65	1820.95	1,34,610
November 2007	1890.00	2698.50	1701.00	2388.25	1,42,904
December 2007	2400.25	2910.00	2365.55	2898.40	1,52,164
January 2008	3000.00	3974.10	2400.00	3045.85	2,40,113
February 2008	3155.55	3157.00	2203.10	2234.55	46,571
March 2008	2124.60	2220.00	1173.85	1321.70	1,15,177

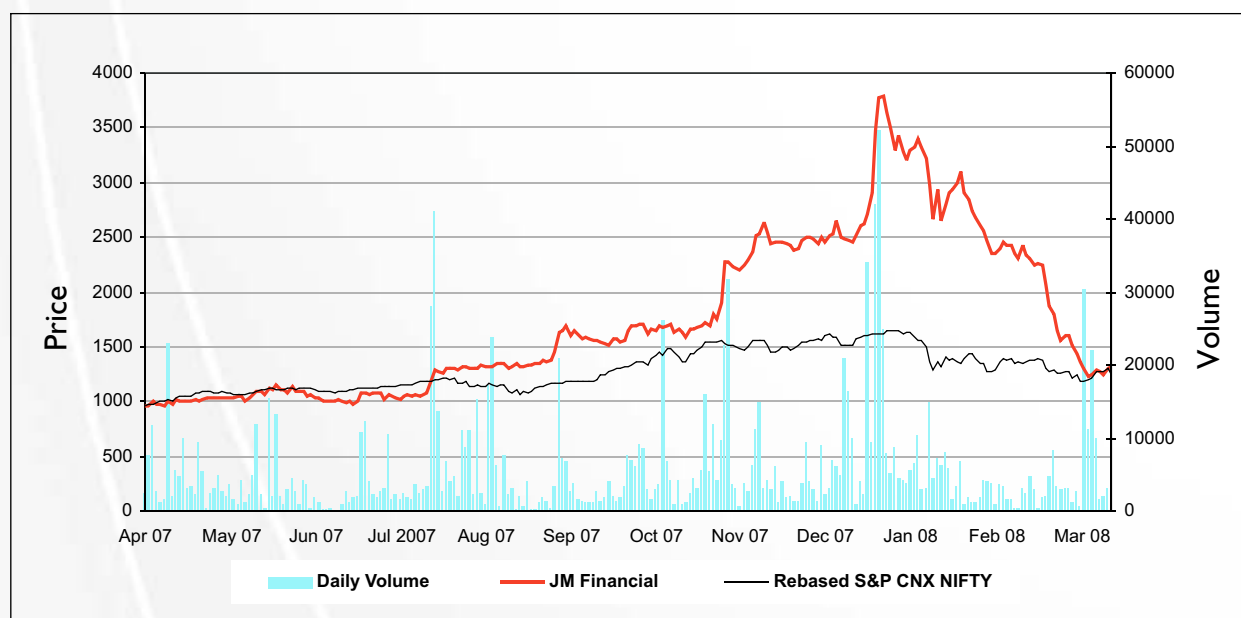
(Source : www.nseindia.com)

The performance of the price 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 price 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 on March 31, 2008

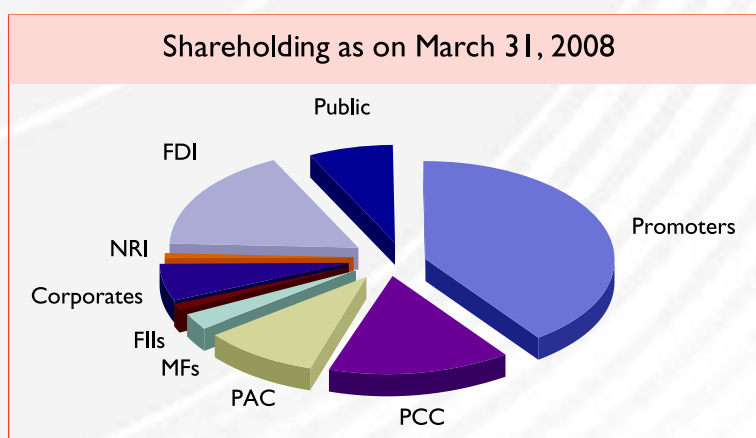
I. Distribution of shareholding:

Number of Shares held	Shareholders		Shares	
	Numbers	Percentage	Numbers	Percentage
1 - 500	6,914	93.75	678,701	2.26
501 - 1000	229	3.10	178,349	0.59
1001 - 2000	96	1.30	146,492	0.49
2001 - 3000	37	0.50	92,751	0.31
3001 - 4000	15	0.20	54,241	0.18
4001 - 5000	16	0.22	73,963	0.25
5001 - 10000	21	0.29	149,914	0.50
10001 & above	47	0.64	28,625,589	95.42
Total	7,375	100.00	30,000,000	100.00

II. Categories of shareholders:

Category	Number of Shares held	Amount paid up (Rs.)	Percentage to the Total
Promoters:			
Bodies corporate	11,826,164	118,261,640	39.42
Individual(s)	-	-	-
Person having control over the Company (PCC):			
Bodies corporate	-	-	-
Individual(s)	5,414,300	54,143,000	18.05
Persons acting in concert (PAC):			
Bodies corporate	299,800	2,998,000	1.00
Individuals	2,663,311	26,633,110	8.87
Total (A)	20,203,575	202,035,750	67.35
Non-Promoters:			
Mutual Funds & Banks (MFs)	665,009	6,650,090	2.22
Foreign Institutional Investors (FIIs)	1,446,931	14,469,310	4.82
Bodies corporate (Corporates)	282,729	2,827,290	0.94
Non-Resident Indians (NRI)	37,529	375,290	0.13
Foreign Direct Investors (FDI) (Limited partnerships & limited liability partnerships)	5,171,262	51,712,620	17.23
Public	2,192,965	21,929,650*	7.31
Total (B)	9,796,425	97,964,250*	32.65
Total (A + B)	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.



III. List of the top 10 shareholders of the Company:

Sr. No.	Name of the Shareholder	Number of Shares	Percentage to total shares
1	J. M. Financial & Investment Consultancy Services Private Limited	8,124,264	27.08
2	Nimesh Nagindas Kampani	5,414,300	18.05
3	J. M. Assets Management Private Limited	3,507,700	11.69
4	Blue Ridge L. P. / Offshore Master L. P.	3,326,667	11.09
5	Aruna Nimesh Kampani	1,920,050	6.40
6	Tiger Global, Ltd./ L. P. / II, L. P.	1,844,595	6.15
7	Azim Hasham Premji	875,000	2.92
8	Morgan Stanley Mauritius Company Limited	720,098	2.40
9	Citigroup Markets Mauritius Private Limited	661,792	2.21
10	Vishal Nimesh Kampani	345,000	1.15

Outstanding GDRs / ADRs / warrants or convertible instruments, conversion date and likely impact on equity : None. The Company has not issued any such instruments.

Compliance certificate of the auditors : Certificate from the Statutory Auditors of the Company, M/s. Khimji Kunverji & Co., confirming compliance with the conditions of corporate governance as stipulated under Clause 49 of the Listing Agreement, is annexed and forms part of this Annual Report.

XII. Code of Conduct

The Code of Conduct has been formulated for the Board of Directors and senior employees of the Company. The Code of Conduct contains, inter alia, the policies on confidentiality, conflict of interest, insider trading and securities investment process and restrictions thereon. All the Board Members and the designated senior management personnel have confirmed compliance with the Code of Conduct. A declaration signed by the Chairman & Managing Director to this effect is annexed hereto.

DECLARATION

I hereby confirm that:

The Company has obtained from all the Board Members and the designated senior management personnel, confirmation that they have complied with the Code of Conduct for Directors and senior management in respect of the financial year 2007-08.

Place: Mumbai

Date: May 28, 2008

Nimesh N Kampani

Chairman & Managing Director

Auditors' Certificate on Corporate Governance

To the Members,

JM Financial Limited

We have examined the compliance of conditions of corporate governance by JM Financial Limited (the Company), for the year ended on March 31, 2008, as stipulated in clause 49 of the Listing Agreement of the 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 and on behalf of

Khimji Kunverji & Co

Chartered Accountants

Shivji K Vikamsey

Partner

Membership No. 2242

Place : Mumbai

Date : May 28, 2008

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, 2008 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) (hereinafter referred to as 'the Order') issued by the Central Government in terms of 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, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of Section 274 (1)(g) of the Act.
- vi. Without qualifying our report, we draw attention to note no.14 of schedule K, regarding provision for Directors' commission of Rs. 45 lakh made in the accounts, which is in excess of the limits prescribed by the Act but payment whereof is not made pending approval of shareholders and Central Government.
- vii. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the 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, 2008;
 - 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: May 28, 2008

Annexure referred to in paragraph 3 of our report of even date of JM FINANCIAL LIMITED as at March 31, 2008

- i) In view of the nature of activities carried on by the Company, clauses 4 (ii)(a) to (c), 4(viii), 4(xiii), 4(xiv) and 4(xvi) of the Order are not applicable 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 in the earlier year to companies, firms or other parties covered in the register maintained under section 301 of the Act, amounting to Rs. 1,445 lakh, the Company has recovered the same during the year.
 - (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the loan were not prima facie prejudicial to the interest of the Company.
 - (c) The parties have repaid the principal amounts as stipulated and have also been regular in the payment of interest to the Company.
 - (d) 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.
 - (e) 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 4(iii) (f) and (g) of the Order are not applicable to the Company.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. During the course of audit, no major weakness has been noticed in the internal control system in respect of these areas.
- v)
 - (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the 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 lacs 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 our opinion, the internal audit function carried out by a firm of Chartered Accountants appointed during the year is commensurate with the size of the Company and the nature of its business
- viii) (a) The Company is regular in depositing undisputed Provident Fund, Employee's State Insurance, Income Tax, Service Tax, Cess and Investors Education and Protection Fund with appropriate authorities and there are no arrears thereof as at March 31, 2008 for a period of more than six months from the date they become payable. We are informed that statutory dues like 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 is no outstanding due of Provident Fund, Employee's State Insurance, Income Tax and Service Tax not deposited on account of any dispute.
- ix) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- x) Based on our audit procedures and as per the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions or banks.
- 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 on 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: May 28, 2008

Balance sheet as at March 31, 2008

(Rs. in lakh)

	Schedule	As at 31.03.2008	As at 31.03.2007
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	A	2,998.26	2,997.74
Reserves & surplus	B	162,346.19	35,102.06
Unsecured loans	C	14.91	–
Deferred tax liability (Net)		11,494.73	–
Funds employed		176,854.09	38,099.80
APPLICATION OF FUNDS			
Fixed assets			
Gross block	D	190.35	117.74
Less : provision for depreciation		37.18	26.90
Net block		153.17	90.84
Capital work-in-progress		3.52	–
		156.69	90.84
Investments	E	152,142.88	35,065.40
Current assets, loans & advances	F	34,005.65	4,901.53
Less: Current liabilities & provisions	G	9,451.13	2,019.52
Net current assets		24,554.52	2,882.01
Deferred tax asset		–	61.55
Funds utilised		176,854.09	38,099.80
Significant accounting policies & notes on accounts	K		

The schedules referred to above form an integral part of the financial statements.

As per our attached report of even date

For and on behalf of
Khimji Kunverji & Co.

Chartered Accountants

Shivji K Vikamsey
Partner
Membership No. 2242

Place: Mumbai
Date: May 28, 2008

For and on behalf of the Board of Directors

Nimesh N Kampani
Chairman & Managing Director

E A Kshirsagar
Director

Manish Sheth
Chief Financial Officer

P K Choksi
Company Secretary

Profit & loss account for the year ended March 31, 2008

(Rs. in lakh)

	Schedule	For the year ended 31.03.2008	For the year ended 31.03.2007
Income	H	3,669.59	3,938.08
Expenditure	I	776.63	362.48
Profit before depreciation & interest		2,892.96	3,575.60
Less: Depreciation		10.28	2.61
Interest		5.47	-
Profit before exceptional items & tax		2,877.21	3,572.99
Add: Exceptional items (Net)	J	172,301.85	-
Profit before tax		175,179.06	3,572.99
Provision for taxation			
Current tax		27,600.00	40.00
Deferred tax		11,556.28	1.26
Fringe benefit tax		6.50	0.45
Tax adjustment of earlier years		(0.58)	-
Profit after tax		136,016.86	3,531.28
Add: Balance profit brought forward from earlier years		3,796.94	2,400.59
Profit available for appropriation		139,813.80	5,931.87
Appropriations			
Proposed dividend			
- Normal		1,500.00	1,500.00
- Special		6,000.00	-
Dividend tax		1,274.63	254.93
General reserve		15,000.00	380.00
Surplus carried to balance sheet		116,039.17	3,796.94
		139,813.80	5,931.87
Earnings per share (EPS) (Face value of Rs.10/- each) (Refer note 9)			
Basic & Diluted EPS (in Rs.)			
- Before exceptional items		9.59	12.04
- After exceptional items		453.39	12.04
Significant accounting policies & notes on accounts	K		

The schedules referred to above form an integral part of the financial statements

As per our attached report of even date

**For and on behalf of
Khimji Kunverji & Co.**
Chartered Accountants

Shivji K Vikamsey
Partner
Membership No. 2242

Place: Mumbai
Date: May 28, 2008

For and on behalf of the Board of Directors

Nimesh N Kampani
Chairman & Managing Director

Manish Sheth
Chief Financial Officer

E A Kshirsagar
Director

P K Choksi
Company Secretary

Schedules

(Rs. in lakh)

	As at 31.03.2008	As at 31.03.2007
SCHEDULE `A'		
SHARE CAPITAL		
Authorised: 5,00,00,000 (5,00,00,000) equity shares of Rs. 10/- each	5,000.00	5,000.00
Issued, Subscribed and Paid up : 3,00,00,000 (3,00,00,000) 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)	3,000.00	3,000.00
Less : Calls in arrears	1.74	2.26
	2,998.26	2,997.74
SCHEDULE `B'		
RESERVES & SURPLUS		
Securities Premium Balance as per last balance sheet Add: Additions during the year	30,605.12 1.90	17,598.69 13,220.33
Less:- Expenses related to merger / preferential issue (Net of tax)	30,607.02 -	30,819.02 213.90
	30,607.02	30,605.12
General Reserve Balance as per last balance sheet Add: Transferred from profit and loss account	700.00 15,000.00	320.00 380.00
	15,700.00	700.00
Surplus in Profit and Loss account	116,039.17	3,796.94
	162,346.19	35,102.06
SCHEDULE `C'		
UNSECURED LOANS		
Dues under finance lease	14.91	-
	14.91	-

SCHEDULE 'D'
FIXED ASSETS

(Rs . in lakh)

Particulars	Gross block (at cost)			Depreciation				Net block		
	As at 31.03.2007	Additions during the year	Deductions/ Adjustments	As at 31.03.2008	As at 31.03.2007	For the year	Deductions/ Adjustments	Total upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
Owned Assets:										
Office Premises	108.50	-	-	108.50	26.06	1.78	-	27.84	80.66	82.44
Computers	9.24	20.47	-	29.71	0.84	4.05	-	4.89	24.82	8.40
Office Equipments	-	4.97	-	4.97	-	0.11	-	0.11	4.86	-
Furniture & Fixtures	-	15.32	-	15.32	-	0.43	-	0.43	14.89	-
Leasehold Improvements	-	4.22	-	4.22	-	0.09	-	0.09	4.13	-
Leased Assets:										
Vehicles	-	27.63	-	27.63	-	3.82	-	3.82	23.81	-
TOTAL	117.74	72.61	-	190.35	26.90	10.28	-	37.18	153.17	90.84
Previous year	108.50	9.24	-	117.74	24.29	2.61	-	26.90	90.84	

Schedules

SCHEDULE 'E'
INVESTMENTS

(Rs. in lakh)

Sr. No.	Particulars	As at 31.03.2008		As at 31.03.2007	
		Quantity	Amount	Quantity	Amount
	I. LONG TERM INVESTMENTS				
	UNQUOTED (unless otherwise stated) Fully paid-up (unless otherwise stated)				
	A. TRADE INVESTMENTS				
	Investments in subsidiary companies				
	Equity shares of Rs. 10/- each (unless otherwise stated)				
1	JM Financial Consultants Private Limited	28,000,000	36,608.24	6,134,790	614.60
2	JM Financial Investment Managers Limited	300,000	316.17	300,000	316.17
3	JM Financial Commtrade Limited (Refer note a)	-	-	5,000,000	500.00
4	JM Financial Ventures Limited (Formerly Kampani Finance Limited)	8,800,000	30,230.00	200,000	130.00
5	JM Financial Products Private Limited	490,050,000	50,941.33	6,000,000	5,101.48
6	JM Financial Asset Management Private Limited	31,462,500	13,138.49	22,462,500	4,138.49
7	JM Financial Holdings (Mauritius) Ltd (Shares of USD 1 each)	5,000	2.26	5,000	2.26
8	JMF-BR Investments Holdings (Mauritius) Ltd (Shares of USD 1 each)	7,495	3.40	7,495	3.40
	Preference shares of Rs.10/- each (unless otherwise stated)				
9	JM Financial Commtrade Limited (Refer note a) (9% Cumulative preference shares)	-	-	2,500,000	250.00
10	JM Financial Products Private Limited (9% Non cumulative optionally convertible preference shares)	-	-	11,500,000	11,500.00
11	JM Financial Asset Management Private Limited (9% Optionally convertible redeemable preference shares)	2,000,000	200.00	2,000,000	200.00

Schedules

SCHEDULE 'E'

INVESTMENTS (contd.)

(Rs. in lakh)

Sr. No.	Particulars	As at 31.03.2008		As at 31.03.2007	
		Quantity	Amount	Quantity	Amount
12	JM Financial Holdings (Mauritius) Ltd (Reedemable participating shares of USD 1 each)	5,000	2.26	5,000	2.26
	Investments in joint ventures Equity shares of Rs. 10/- each				
13	Infinite India Investment Management Private Limited	800,000	238.00	10,000	1.00
14	Morgan Stanley India Company Private Limited	-	-	4,900,000	1,266.88
	Investments in associates Equity shares of Rs. 10/- each				
15	JM Financial Asset Reconstruction Company Private Limited (Refer note b)	86,950,000	8,695.00	-	-
16	Financial Engineering Solutions Private Limited	2,400,000	240.00	2,400,000	240.00
17	JM Financial Trustee Company Private Limited	25,000	2.50	25,000	2.50
			140,617.65		24,269.02
	B. OTHER INVESTMENTS Equity shares of Rs. 10/- each (unless otherwise stated)				
	Quoted				
18	Development Credit Bank Limited	-	-	650,000	195.37
19	Siemens Limited	30,000	289.03	-	-
20	Bajaj Auto Finance Limited - (Warrants)	-	-	2,011,558	965.55
21	Supreme Infrastructure India Limited	238,000	190.40	238,000	190.40
	Unquoted				
22	National Stock Exchange of India Limited	96,667	2,842.01	-	-
23	Uttaranchal Biodiesel Limited	-	-	1,000	4.50
24	Uttaranchal Biodiesel Limited (Cumulative convertible participating preference share)	-	-	87,889	395.50

Schedules

SCHEDULE 'E'

INVESTMENTS (contd.)

(Rs. in lakh)

Sr. No.	Particulars	As at 31.03.2008		As at 31.03.2007	
		Quantity	Amount	Quantity	Amount
	Venture Capital Fund Units				
25	Urban Infrastructure Opportunities Fund (Face value Rs.1,00,000/- each, partly paid Rs. 50,000/- each)	–	–	900	450.00
26	JM Financial India Fund - Scheme 'A', Class D units of Rs.100/- each	1,869,787	1,869.79	1,440,000	1,440.00
27	JM Financial India Fund - Scheme 'C', Class D units of Rs.100/- each	470,213	470.21	–	–
28	JM Financial Property Fund Class 'C' units , partly paid up (Face value Rs.10,000/- each, partly paid Rs. 8,000/- each)	75,000	6,000.00	–	-
29	JM Financial India Fund - Scheme 'A', Class C unit of Re. 1 each	500,000	5.00	–	–
30	JM Financial India Fund - Scheme 'B', Class C unit of Re. 1 each	500,000	5.00	–	–
31	JM Financial India Fund III - Scheme 'C', Class C units of Re.1 each	100,000	1.00	–	–
32	JM Financial India Fund III - Scheme 'D', Class C units of Re.1 each	100,000	1.00	–	–
33	JM Financial India Fund (Refer note c)	NA	0.10	NA	0.10
34	JM Financial India Fund III (Refer note c)	NA	0.10	NA	0.10
35	JM Financial Property Fund (Refer note c)	NA	0.10	NA	0.10
	Mutual Fund Units of Rs 10/- each				
36	JM Equity Fund (Refer note c)	16,072	1.49	16,072	1.49
37	JM Arbitrage Advantage Fund	–	–	25,000,000	2,500.00
38	JM Emerging Leaders Fund	–	–	5,719,733	600.00
39	JM Auto Sector Fund	–	–	750,000	75.00
40	JM Healthcare Sector Fund	–	–	818,431	82.50
			152,292.88		31,169.63
	Less: Provision for diminution in the value of investments-unquoted		150.00		150.00
	TOTAL (A)		152,142.88		31,019.63

Schedules

SCHEDULE 'E'

INVESTMENTS (contd.)

(Rs. in lakh)

Sr. No.	Particulars	As at 31.03.2008		As at 31.03.2007	
		Quantity	Amount	Quantity	Amount
	II. CURRENT INVESTMENTS				
	Mutual Fund Units of Rs 10/- each				
41	JM Floaters Fund - Short Term	-	-	934,400	94.27
42	JM High Liquidity Fund Super Institutional Plan	-	-	39,053,620	3,911.81
43	JM High Liquidity Fund Institutional Plan	-	-	396,284	39.69
	TOTAL (B)		-		4,045.77
	TOTAL (A + B)		152,142.88		35,065.40

Notes:

- The entire Investment in equity and preference share capital in JM Financial Commtrade Limited has been sold to JM Financial Services Private Limited, (a subsidiary) and its nominees.
- JM Financial Asset Reconstruction Company Private Limited, a subsidiary, has been classified as an Associate of the Company since the Company's shareholding in the said Company has reduced to 49 % subsequent to the balance sheet date.
- Represents initial contribution as a 'Sponsor' towards setting up of JM Financial Sponsored Funds, which cannot be sold off/ transferred.
- During the year 4,72,88,63,302 units (previous year 1,15,56,78,977 units) amounting to Rs. 5,26,738.66 lakh (previous year Rs. 1,15,992.24 lakh) and 4,80,15,35,769 units (previous year 1,09,13,11,295 units) amounting to Rs. 5,34,823.68 lakh (previous year Rs. 1,09,521.21 lakh) of various schemes of mutual funds were purchased and redeemed respectively.
- Net asset value of the mutual fund units as on March 31, 2008 is Rs. 2.87 lakh (previous year Rs. 3,322.89 lakh) against book value of Rs. 1.49 lakh (previous year Rs. 3,258.99 lakh).
- Market value of the quoted investments as on March 31, 2008 is Rs.377.14 lakh (previous year Rs. 514.22 lakh) against book value of Rs. 479.43 lakh (previous year Rs. 1,160.92 lakh).
- Market / Fair value of the current investments as on March 31, 2008 is Rs. Nil (previous year Rs. 4,045.75 lakh) against book value of Rs. Nil (previous year Rs. 4,045.75 lakh).

Schedules

SCHEDULE 'F'

CURRENT ASSETS, LOANS & ADVANCES

(Rs. in lakh)

	As at 31.03.2008	As at 31.03.2007
CURRENT ASSETS		
Cash & bank balances		
Cash on hand	0.07	0.04
Bank balance with scheduled banks		
- In current accounts	47.71	82.01
- In fixed deposits	23,865.00	-
Other current assets		
Income accrued but not due	129.20	131.55
TOTAL (A)	24,041.98	213.60
LOANS AND ADVANCES (Unsecured considered good)		
Advances recoverable in cash or kind or for value to be received *	110.81	141.99
Due from subsidiaries	252.51	53.22
Deposits		
- Inter corporate deposit with subsidiaries & associates	-	3,695.00
- Other deposits #	548.98	299.83
Advance tax & tax deducted at source (net of provisions)	9,051.37	497.89
TOTAL (B)	9,963.67	4,687.93
TOTAL (A+B)	34,005.65	4,901.53
* Includes		
Amount due from officers	-	10.35
Maximum amount due from officers at any time during the year	10.91	20.46
# Includes office premises deposit placed with a private limited company in which a Director is a Director	170.00	170.00

Schedules

SCHEDULE 'G'

CURRENT LIABILITIES & PROVISIONS

(Rs. in lakh)

	As at 31.03.2008	As at 31.03.2007
CURRENT LIABILITIES		
Dues to subsidiaries	98.12	75.76
Dues to associates	–	0.19
Unclaimed dividend (Investor education & protection fund to be credited as and when due)	22.67	15.58
Property deposits	100.00	100.00
Other liabilities	449.23	73.06
TOTAL (A)	670.02	264.59
PROVISIONS		
For gratuity	6.48	–
For proposed dividend		
- Normal	1,500.00	1,500.00
- Special	6,000.00	–
For corporate tax on proposed dividend	1,274.63	254.93
TOTAL (B)	8,781.11	1,754.93
TOTAL (A+B)	9,451.13	2,019.52

Schedules

SCHEDULE 'H'

INCOME

(Rs. in lakh)

	For the year ended 31.03.2008	For the year ended 31.03.2007
Profit on sale of investments		
- On long term investments (Net)	1,044.63	-
- On current investments	3.72	-
Dividend		
- On long term investments	247.91	3,018.67
- On current investments	1,569.78	457.96
Interest [Tax deducted at source Rs. 106.21 lakh (previous year Rs. 104.56 lakh)]	483.73	441.62
Lease rent [Tax deducted at source Rs. 2.87 lakh (previous year Rs. 3.08 lakh)]	13.73	13.73
Keyman insurance policy maturity proceeds	289.05	-
Miscellaneous income	17.04	6.10
TOTAL	3,669.59	3,938.08

Schedules

SCHEDULE 'I'

EXPENDITURE

(Rs. in lakh)

	For the year ended 31.03.2008	For the year ended 31.03.2007
Payment to and provisions for employees		
- Salaries and Bonus	233.79	94.23
- Contribution to provident fund and other funds	8.08	2.40
- Staff Welfare	12.11	2.42
	253.98	99.05
Rent	26.84	24.47
Rates & taxes	5.27	3.99
Insurance	4.43	14.18
Auditor's remuneration		
- For audit fees	4.00	4.00
- For certification	0.50	0.92
- For limited review	1.50	1.50
- For tax audit	0.75	0.50
- For other matters	-	2.45
- For reimbursement of service tax and out of pocket expenses	0.60	1.18
Legal and professional fees	50.49	67.72
Support service charges	282.15	86.49
Directors' commission	45.00	30.00
Miscellaneous expenses	101.12	26.03
TOTAL	776.63	362.48
SCHEDULE 'J'		
EXCEPTIONAL ITEMS		
Profit on sale of investments (Net) (Refer notes I & 2)	173,370.96	-
Payment to and provisions for employees (Special bonus)	(69.11)	-
Donation	(1,000.00)	-
TOTAL	172,301.85	-

Schedules**SCHEDULE 'K'****Significant accounting policies and notes on accounts****I. Significant accounting policies****(a) Basis of preparation of financial statements**

The financial statements are in accordance 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 'the Act'). The financial statements are prepared under historical cost convention on accrual basis, except where an impairment is made and where a revaluation is carried out.

Accounting policies, not specifically referred to otherwise, are consistent with the generally accepted accounting standards.

(b) Fixed assets

Fixed assets are stated at cost, less 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 for office premises and leased assets, is provided under written-down value method and in the manner specified in Schedule XIV to the Act. Depreciation on office premises is provided under straight-line method, whereas depreciation on leased assets is provided as mentioned in para (k) hereunder. Depreciation on assets added / disposed off during the year is provided on a pro-rata basis with reference to the month of addition / disposal.

(d) Impairment of assets

The carrying amount of assets is 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. The impairment loss is charged to profit and 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 long-term or current in accordance with AS 13 on '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 is made to account the value at lower of cost and market value, determined on the basis of the quoted prices of individual investment. Provision for diminution in the value of unquoted long-term investments is made as per the Management's estimate.

Schedules**Significant accounting policies (contd.)****(f) Foreign currency transactions**

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

(g) Taxation

Tax expenses comprise current, deferred and fringe benefit tax.

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

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

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

(h) Revenue recognition

Dividend income on investments is accounted for when the Company's right to receive dividend is established. Interest income is recognised on an accrual basis.

(i) Contingent liabilities

Contingent liabilities not provided for are disclosed by way of notes on accounts.

(j) Retirement and other benefits to employees**(i) Defined contribution plan**

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

(ii) Defined benefit plan

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

Schedules**Significant accounting policies (contd.)****(k) Leased assets**

Assets acquired under finance lease are accounted for, at the inception of lease in accordance with AS 19 on 'Accounting for Leases', at the lower of fair value of the assets or present value of minimum lease payments. These assets are depreciated on a straight-line basis over the term of the lease or over the useful life of the asset, whichever is shorter.

(l) Earnings per share

The Company reports basic and diluted earnings per share in accordance with AS 20 on 'Earnings Per Share'. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and potentially dilutive equity shares outstanding at the year end.

(m) Employee stock option scheme

The Employee Stock Option Scheme (the 'Scheme') provides for grant of stock options of the Company to employees and directors of the Company and its subsidiaries. The accounting for the Scheme is done in accordance with the Securities and Exchange Board of India (SEBI) (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999. The Company follows the intrinsic value method to account for its stock-based employee compensation plans as per the Guidance Note on 'Accounting for Employee Share-based Payments', issued by the ICAI. If options are granted at an exercise price, which is less than the fair market price of the underlying equity shares, the excess of such fair market price over the exercise price of the options as at the grant date is recognised as a deferred compensation cost.

II. Notes on accounts

1. During the year, the Company sold its 49% equity stake in Morgan Stanley India Company Private Limited to Morgan Stanley, following the termination of joint venture with Morgan Stanley, upon receipt of the necessary regulatory approvals. As a result, profit on sale of investments (net of expenses) amounting to Rs. 1,73,586.11 lakh has been accounted in the current financial year.
2. During the year, the Company sold 5,44,50,000 equity shares, representing 10% of the equity share capital, in JM Financial Products Private Limited, to 'JM Financial Group Employees' Welfare Trust', a trust set-up for the benefit of the employees of 'JM Financial Group'. These shares were sold at the face value of Rs. 10/- each resulting in a loss of Rs. 215.15 lakh, which has been adjusted against the profit on sale of investments (refer to note 1), to arrive at the net profit on sale of investments.
3. The Compensation Committee (the Committee) of Directors of the Company, at its meeting held on December 27, 2007 had granted 4,45,500 stock options exercisable for equivalent number of equity shares of the face value of Rs. 10/- each to the employees / directors of the Company and its subsidiaries.

The Committee, at its meeting held on March 29, 2008 had cancelled all the stock options granted as above.

Schedules

Notes on accounts (contd.)

- 4 I Contingent Liability:
- a) Contingent liability in respect of income tax disputed in appeal including departmental appeals in respect of cases won by the Company, excluding interest thereon, is Rs. 331.71 lakh (previous year Rs. 313.55 lakh)
- II Commitments:
- a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs. 48.29 lakh (previous year Rs. 44.77 lakh)
- b) Uncalled amount on investments in JM Financial Property Fund, Class C units is Rs. 1,500 lakh (previous year nil)
- 5 Disclosure with respect to the Company's interest in joint ventures pursuant to AS 27 on 'Financial Reporting of Interests in Joint Venture'.

(Rs. in lakh)

Sr. No.	Particulars	Country of incorporation	Proportion of ownership interest as at March 31, 2008	Country of incorporation	Proportion of ownership interest as at March 31, 2007
a.	Name of the joint venture company				
	Morgan Stanley India Company Private Limited (Formerly JM Morgan Stanley Securities Private Limited) (refer to note I)	India	–	India	49%
	Infinite India Investment Management Private Limited	India	50%	India	50%
b.	Aggregate of the Company's share in the above ventures in:				
	Net fixed assets		20.05		430.03
	Capital work in progress		–		11.29
	Investments		8.13		4,249.03
	Net current assets		83.19		6,519.21
	Stock exchange memberships		–		83.06
	Deferred tax asset		1.84		1.28
	Income #		9,076.16		12,140.44
	Expenses (Including depreciation & taxation) #		5,954.66		7,605.11

Note:

The ownership interest for the current year and for the previous year has been calculated on the basis of the audited accounts of the joint venture entities.

includes unaudited figures for the first six months ended September 30, 2007 of Morgan Stanley India Company Private Limited.

Schedules

Notes on accounts (contd.)

- 6 The issued, subscribed and paid-up capital and calls in arrears, inter alia, includes an amount in respect of 11,500 equity shares (previous year 11,500 equity shares) held in abeyance under Section 206A of the Act.
- 7 Under the head "Current Liabilities & Provisions" no separate disclosure is made for outstanding amount(s) due to Micro & Small and Medium Enterprises [SME]. The Company is in the process of compiling the information with regard to Micro & SME parties.
- 8 Deferred tax assets/ (liability) at the year end comprise timing differences on account of:

(Rs. in lakh)

Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
Depreciation	(23.38)	(21.03)
Expenses allowable under section 35DD	68.88	82.58
Expenditure	3.07	-
Investments	(11,543.30)	-
Total	(11,494.73)	61.55

- 9 Earnings per share (EPS) is calculated as under:

(Rs. in lakh)

Sr.No.	Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
A.	Before exceptional items		
	Net profit as disclosed in profit and loss account	2,877.21	3,531.28
	Weighted average no. of equity shares during the year	3,00,00,000	2,93,18,493
	Basic & Diluted (EPS) (Rs.)	9.59	12.04
B.	After exceptional items		
	Net profit as disclosed in profit and loss account	1,36,016.86	3,531.28
	Weighted average no. of equity Shares during the year	3,00,00,000	2,93,18,493
	Basic & Diluted (EPS) (Rs.)	453.39	12.04

Schedules

Notes on accounts (contd.)

10 Retirement benefits

I. Defined benefit plans

(Rs. in lakh)

Amount recognised in the balance sheet with respect to gratuity	For the year ended March 31, 2008
Present value of the defined benefit obligation at the year end	6.48
Fair value of plan assets	–
Net liability / (asset)	6.48

(Rs. in lakh)

Amount recognised in salary, wages and employee benefits in the profit and loss account with respect to gratuity	For the year ended March 31, 2008
Current service cost	2.95
Interest on defined benefit obligations	0.24
Expected return on plan assets	–
Net actuarial (gain) / loss recognised during the period	0.10
Net gratuity cost	3.29

(Rs. in lakh)

Actual return on plan assets	For the year ended March 31, 2008
Expected return on plan assets	–
Actuarial gain / (loss) on plan assets	–

(Rs. in lakh)

Reconciliation of present value of the obligation and the fair value of the plan assets:	For the year ended March 31, 2008
Opening defined benefit obligation #	3.19
Current service cost	2.95
Interest cost	0.24
Actuarial (gain) / loss	0.10
Liability assumed on amalgamation	–
Benefits paid	–
Closing defined benefit obligation	6.48

Debited in the current year's profit and loss account as the liability is being calculated for the first time since no employee had completed five years of service in the Company.

Schedules

Notes on accounts (contd.)

(Rs. in lakh)

Change in fair value of plan assets	For the year ended March 31, 2008
Opening fair value of the plan assets	–
Expected return on plan assets	–
Actuarial (gain) / loss	–
Assets acquired on amalgamation	–
Contributions by the employer	–
Benefits paid	–
Closing fair value of the plan assets	–

(Rs. in lakh)

Investment details of plan assets	For the year ended March 31, 2008
Investment details of plan assets	–

Principal actuarial assumptions at the balance sheet date	For the year ended March 31, 2008
Discount rate	7.50%
Estimated rate of return on plan assets	–

Valuation assumptions:

For the purpose of arriving at the liability, the following assumptions have been considered:

- Rate of discounting: 7.5% per annum
- The estimates of future salary increases, considered in actuarial valuation, taking account of inflation, seniority, promotion and other relevant factors in the employment market.
- The above information is certified by the actuary. This being the first year of implementation, figures for the previous year have not been given.

II. Defined contribution plans

- Amount recognised as an expense and included in the Schedule I – ‘Contribution to provident fund & other funds’ Rs.8.08 lakh (previous year Rs. 2.40 lakh)

II Lease transaction:

Finance lease

During the year, the Company has taken certain vehicles under the finance lease agreement. The tenure of lease agreements is for 36 months with an option to prepayment / foreclosure. The minimum lease rentals outstanding with respect to these assets are as under:

Schedules

Notes on accounts (contd.)

Finance lease (contd.)

(Rs. in lakh)

Particulars	Total minimum lease payment outstanding as at March 31, 2008	Lease finance charges not due	Present value of the minimum lease payment as at March 31, 2008
Not later than 1 year	11.77 (-)	3.17 (-)	8.60 (-)
Later than 1 year but not later than 5 years	17.20 (-)	2.29 (-)	14.91 (-)
Total	28.97 (-)	5.46 (-)	23.51 (-)

(Figures in brackets are for the previous year)

12 Loans & Advances includes:

(Rs. in lakh)

Amount receivable from	Balance as at March 31, 2008	Balance as at March 31, 2007	Maximum amount outstanding during the year	Maximum amount outstanding during the previous year
Subsidiaries				
JM Financial Consultants Private Limited	-	1,245.00	1,245.00	1,245.00
JM Financial Services Private Limited	115.47	-	115.47	3,025.00
JM Financial Investment Managers Limited	8.90	253.22	253.22	1,600.00
JM Financial Commtrade Limited	37.59	-	37.59	55.00
JM Financial Ventures Limited	0.46	1,500.00	1,500.00	1,500.00
JM Financial Products Private Limited	7.72	-	26.58	8,650.00
JM Financial Securities Private Limited	2.47	-	2.47	-
JM Financial ASK Securities Private Limited	8.12	-	8.12	-
JM Financial Asset Management Private Limited	19.51	-	19.51	-
Others				
Infinite India Investment Management Private Limited	4.52	750.00	750.00	750.00
JM Financial Asset Reconstruction Company Private Limited	47.75	-	47.75	-
Total	252.51	3,748.22	4,005.71	16,825.00

Schedules

Notes on accounts (contd.)

- 13 The Company had raised Rs. 30,985 lakh in earlier years by way of issue of equity shares on a preferential basis. The proceeds of the issue have been fully utilised, as per the details given below, towards the purpose for which the amount was raised.

Utilisation

(Rs. in lakh)

Particulars	As at March 31, 2008	As at March 31, 2007
Shares issue expenses	329	329
Investments in subsidiaries	24,799	19,193
Inter corporate deposit placed with subsidiaries / associates	–	3,670
Other proprietary investments	5,687	3,627
Security deposit – leased premises	170	170
Unutilised funds deployed in mutual funds	–	3,996
Total	30,985	30,985

- 14 Managerial remuneration:

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

(Rs. in lakh)

Particulars	Year ended March 31, 2008	Year ended March 31, 2007
Profit before tax as per profit and loss account	1,75,179.06	3,572.99
Add: Directors' sitting fees	2.89	2.58
Managerial remuneration paid / provided	65.22	66.19
	1,75,247.17	3,641.76
Less: Profit on sale of investments (Net)	1,74,419.31	–
Profit available for Directors' commission	827.86	3,641.76
Directors' commission calculated @ 3%	24.84	109.25
Directors' commission proposed by the Board and provided for	45.00	30.00

- (b) Remuneration paid to the Manager

(Rs. in lakh)

Particulars	Year ended March 31, 2008	Year ended March 31, 2007
Salary and bonus	19.07	35.51
Contribution to provident fund and other funds	1.15	0.67
Total	20.22	36.19

Schedules

Notes on accounts (contd.)

Provision for payment of Directors' commission of Rs. 45.00 lakh has been made in the annual accounts. This amount which is in excess of the limits prescribed under the Act, and hence is subject to the approval of the shareholders and the central government. The Company has not paid the commission amount to the Directors and the same will be paid only on receipt of the above-mentioned approvals.

- 15 The Company, through its subsidiary, joint venture and associate companies, is mainly engaged in the financial services activity, which in the context of AS 17 on 'Segment Reporting' is considered as the only segment.
- 16 Disclosure in respect of related parties pursuant to AS - 18 on 'Related Party Disclosure'
As per annexure I
- 17 Statement of cash flow pursuant to AS 3 on 'Cash Flow Statements'
As per annexure II
- 18 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.
- 19 Expenditure / amount spent in foreign currency (On accrual basis):

(Rs. in lakh)

Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
Purchase of investment	7,942.00	-
Board meeting fees	0.05	-
Other expenditures	-	4.07
Total	7,942.05	4.07

Amount remitted in foreign currency on account of dividend :

(Rs. in lakh)

Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
Dividend amount	94.92	52.50
Number of shareholders	3	3
Number of shares	18,98,446	21,00,000

- 20 Interest expense includes Rs.2.08 lakh (previous year nil) towards interest on fixed loan and Rs. 2.98 lakh (previous year nil) towards interest on loan other than fixed loan.
- 21 Previous year figures have been regrouped and rearranged wherever necessary.

Schedules**Notes on accounts (contd.)**

Annexure I to point no. I 6 of schedule K

Disclosure in respect of related parties pursuant to AS 18 on 'Related Party Disclosure':

A. List of related parties**I) Parties where control exists :****a) Subsidiaries**

- JM Financial Consultants Private Limited (IB)
- JM Financial Services Private Limited (Financial Services)
- JM Financial Investment Managers Limited (Investment Managers)
- JM Financial Commtrade Limited (Commtrade)
- JM Financial Ventures Limited (SSF)
- JM Financial Products Private Limited (NBFC)
- JM Financial Securities Private Limited (FID)
- JM Financial ASK Securities Private Limited (IED)
- JM Financial Asset Management Private Limited (AMC)
- JM Financial Holdings (Mauritius) Ltd (JMFM)
- JMF-BR Investments Holdings (Mauritius) Ltd (JMFBR)

II) Other Parties with whom the Company has entered into transactions during the year:**a) Joint ventures**

- Infinite India Investment Management Private Limited (Infinite)

b) Associates:

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

c) Key management personnel:

- Mr. Nimesh N Kampani (NNK)

d) Relative of key management personnel:

- Mr. Ashith N Kampani (ASNK)

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

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

B. I) No amounts in respect of related parties have been written back during the year.

II) Amount provided for diminution in the value of investments in respect of related parties is Rs.150 lakh (previous year Rs.150 lakh)

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

Schedules
Notes on accounts (contd.)

Annexure I to point no.16 to schedule K (contd.)
Related party disclosure:

	(Rs. in lakh)													
	Subsidiaries		Associates		Joint Ventures		Key management personnel		Relatives of key management personnel		Enterprise over which key management personnel is able to exercise significant influence		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	
Investments made in (Refer schedule E)	79,100.00	8,308.91	8,695.00	1,827.50	237.00	-	-	-	-	-	-	88,032.00	10,136.41	
Dividend received	-	184.04	-	-	-	-	-	-	-	-	-	-	184.04	
Dividend paid	-	-	-	-	-	-	-	-	-	406.21	203.11	406.21	203.11	
Investment sold to	750.00	-	-	-	-	-	-	-	-	-	-	750.00	-	
Financial Services	1,494.55	-	-	-	-	-	-	-	-	-	-	1,494.55	-	
IB	1,865.55	-	-	-	-	-	-	-	-	-	-	1,865.55	-	
SSF	13.73	13.73	-	-	-	-	-	-	-	-	-	-	-	
Rent income received	-	-	-	-	-	-	-	-	-	-	-	-	-	
Financial Services	-	-	-	-	-	-	-	-	-	-	-	-	-	
Rent expenses paid	-	-	-	-	-	-	-	-	-	48.89	17.59	48.89	17.59	
JMFCS	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest income received	-	260.73	-	-	-	-	-	-	-	-	-	-	260.73	
NBFC	1.02	28.31	-	-	-	-	-	-	-	-	-	1.02	28.31	
IB	8.74	2.36	-	-	-	-	-	-	-	-	-	8.74	2.36	
Commtrade	-	-	-	-	19.70	21.01	-	-	-	-	-	19.70	21.01	
Infinite	3.10	107.51	-	-	-	-	-	-	-	-	-	3.10	107.51	
Investment Managers	75.21	12.33	-	-	-	-	-	-	-	-	-	75.21	12.33	
SSF	-	4.27	-	-	-	-	-	-	-	-	-	-	4.27	
Financial Services	-	-	-	-	-	-	-	-	-	-	-	-	-	
Board meeting sitting fees paid	-	-	-	-	-	-	-	0.43	0.40	-	-	-	-	
NNK	-	-	-	-	-	-	-	-	-	-	-	-	-	
ASNK	-	-	-	-	-	-	-	-	0.35	0.35	-	-	0.40	
Audit committee sitting fees paid	-	-	-	-	-	-	-	-	-	-	-	-	-	
ASNK	-	-	-	-	-	-	-	-	0.12	0.12	-	-	0.12	
Expenses reimbursed:	424.77	87.23	-	-	-	-	-	-	-	-	-	-	-	
IB	0.05	0.19	-	-	-	-	-	-	-	-	-	-	-	
AMC	0.01	-	-	-	-	-	-	-	-	-	-	-	-	
Commtrade	0.04	-	-	-	-	-	-	-	-	-	-	-	-	
Investment Managers	25.05	-	-	-	-	-	-	-	-	-	-	-	-	
NBFC	4.82	-	-	-	-	-	-	-	-	-	-	-	-	
FID	0.01	-	-	-	-	-	-	-	-	-	-	-	-	
Financial Services	-	-	-	-	-	-	-	-	-	-	-	-	-	

Schedules
Notes on accounts (contd.)

Annexure I to point no.16 of schedule K (contd.)
Related party disclosure:

	(Rs. in lakh)													
	Subsidiaries		Associates		Joint Ventures		Key management personnel		Relatives of key management personnel		Enterprise over which key management personnel is able to exercise significant influence		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2007-08	2006-07	2007-08	2006-07	2007-08
Professional fees:														
IB	2,000.00	-	-	-	-	-	-	-	-	-	-	-	-	2,000.00
Expenses recovered:														
Investment Managers	37.04	53.22	-	-	-	61.49	-	-	-	-	-	-	-	37.04
Infinite	-	-	-	-	-	-	-	-	-	-	-	-	-	28.78
Commtrade	37.60	0.05	-	-	-	-	-	-	-	-	-	-	-	37.60
IB	39.76	-	-	-	-	-	-	-	-	-	-	-	-	39.76
FID	3.24	-	-	-	-	-	-	-	-	-	-	-	-	3.24
ARC	-	-	-	-	-	-	-	-	-	-	-	-	-	47.93
IED	8.04	-	47.93	-	-	-	-	-	-	-	-	-	-	8.04
AMC	19.96	-	-	-	-	-	-	-	-	-	-	-	-	19.96
NBFC	31.53	-	-	-	-	-	-	-	-	-	-	-	-	31.53
Financial Services	24.56	-	-	-	-	-	-	-	-	-	-	-	-	24.56
Trustee	-	-	0.67	-	-	-	-	-	-	-	-	-	-	0.67
SSF	1.85	-	-	-	-	-	-	-	-	-	-	-	-	1.85
Deposits placed														
Commtrade	1,130.00	180.00	-	-	-	-	-	-	-	-	-	-	-	1,130.00
NBFC	-	19,850.00	-	-	-	-	-	-	-	-	-	-	-	19,850.00
IB	-	1,245.00	-	-	-	-	-	-	-	-	-	-	-	1,245.00
Investment Managers	-	1,600.00	-	-	-	-	-	-	-	-	-	-	-	1,600.00
Infinite	-	-	-	-	100.00	750.00	-	-	-	-	-	-	-	100.00
SSF	-	1,500.00	-	-	-	-	-	-	-	-	-	-	-	1,500.00
Financial Services	-	3,025.00	-	-	-	-	-	-	-	-	-	-	-	3,025.00
Deposits received back														
Commtrade	1,130.00	180.00	-	-	-	-	-	-	-	-	-	-	-	1,130.00
NBFC	-	28,500.00	-	-	-	-	-	-	-	-	-	-	-	28,500.00
Investment Managers	200.00	1,400.00	-	-	-	-	-	-	-	-	-	-	-	200.00
Financial Services	-	3,025.00	-	-	-	-	-	-	-	-	-	-	-	3,025.00
Infinite	-	-	-	-	850.00	-	-	-	-	-	-	-	-	850.00
SSF	1,500.00	-	-	-	-	-	-	-	-	-	-	-	-	1,500.00
IB	1,245.00	-	-	-	-	-	-	-	-	-	-	-	-	1,245.00
Directors' commission														
NNK	-	-	-	-	-	-	-	2.00	-	-	-	-	-	-
ASNK	-	-	-	-	-	-	-	-	5.00	-	-	-	-	5.00

Schedules
Notes on accounts (contd.)

Annexure I to point no.16 of schedule K (contd.)

Related party disclosure:

	(Rs. in lakh)													
	Subsidiaries		Associates		Joint Ventures		Key management personnel		Relatives of key management personnel		Enterprise over which key management personnel is able to exercise significant influence		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	
Outstanding Balance														
Investments in	131,442.13	18,291.15	8,937.50	4,710.99	238.00	1,266.88	-	-	-	-	-	140,617.63	24,269.02	
Property deposits received from	-	100.00	-	-	-	-	-	-	-	-	-	-	100.00	
Financial Services	-	-	-	-	-	-	-	-	-	-	-	-	-	
Property deposits paid														
JMFICS	-	-	-	-	-	-	-	-	-	170.00	170.00	-	170.00	
Deposits placed	-	1,245.00	-	-	-	-	-	-	-	-	-	-	1,245.00	
IB	-	200.00	-	-	-	-	-	-	-	-	-	-	200.00	
Investment Managers	-	-	-	-	-	-	-	-	-	-	-	-	-	
Infinite	-	-	-	-	-	750.00	-	-	-	-	-	-	750.00	
SSF	-	1,500.00	-	-	-	-	-	-	-	-	-	-	1,500.00	
Interest accrued (Net of TDS)														
Infinite	-	-	-	-	-	16.30	-	-	-	-	-	-	16.30	
Investment Managers	-	83.38	-	-	-	-	-	-	-	-	-	-	83.38	
SSF	-	9.56	-	-	-	-	-	-	-	-	-	-	9.56	
IB	-	21.96	-	-	-	-	-	-	-	-	-	-	21.96	
Expenses recoverable														
Investment Managers	8.90	53.22	-	-	-	-	-	-	-	-	-	-	8.90	
Infinite	-	-	-	-	-	-	-	-	-	-	-	-	53.22	
IED	8.12	-	-	-	4.52	61.48	-	-	-	-	-	-	8.12	
AMC	19.51	-	-	-	-	-	-	-	-	-	-	-	19.51	
ARC	-	-	47.75	-	-	-	-	-	-	-	-	-	47.75	
Commtrade	37.59	-	-	-	-	-	-	-	-	-	-	-	37.59	
NBFC	7.72	-	-	-	-	-	-	-	-	-	-	-	7.72	
FID	2.47	-	-	-	-	-	-	-	-	-	-	-	2.47	
Financial Services	16.03	-	-	-	-	-	-	-	-	-	-	-	16.03	
Trustee	-	-	0.67	-	-	-	-	-	-	-	-	-	0.67	
SSF	0.46	-	-	-	-	-	-	-	-	-	-	-	0.46	
Payables														
IB	98.12	75.47	-	-	-	-	-	-	-	-	-	-	98.12	
AMC	-	0.19	-	-	-	-	-	-	-	-	-	-	0.19	
NBFC	21.38	0.29	-	-	-	-	-	-	-	-	-	-	21.38	

Schedules

Notes on accounts (contd.)

Annexure II to point no.17 of schedule K

Statement of cash flow for the year ended March 31, 2008

(Rs. in lakh)

Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
A Cash flow from operating activities		
Net Profit / (Loss) before tax	175,179.06	3,572.99
Adjustment for		
Depreciation	10.28	2.61
(Profit)/ Loss on sale of investments	(174,419.30)	-
Dividend income	(1,817.68)	(3,476.62)
Sundry liabilities written back	(17.01)	(5.73)
Interest expense	2.99	-
Provision for gratuity	6.48	-
Operating profit before working capital changes	(1,055.18)	93.24
Adjustment for		
Trade & other receivables	(414.91)	(1,899.58)
Trade payables	422.43	15.46
Cash generated from / (used in) operations	(1,047.66)	(1,790.87)
Direct taxes paid	(36,159.40)	(125.17)
Net cash from / (used in) operating activities	(37,207.06)	(1,916.04)
B Cash flow from investment activities		
Purchase of mutual fund units	(526,738.66)	(115,992.24)
Sale of mutual fund units	534,823.68	109,521.21
Purchase of investments	(139,442.18)	(27,891.58)
Sale of Investments	188,698.98	14,113.55
Purchase of assets	(76.13)	(9.24)
Income from dividend	1,817.68	3,476.62
Net cash from / (used in) investment activities	59,083.37	(16,781.68)
C Cash flow from financing activities		
Proceeds from issue of share capital / premium	2.43	13,429.65
Share issue expenses	-	(317.12)

Schedules

Notes on accounts (contd.)

Annexure II to point no.17 of schedule K (contd.)

(Rs. in lakh)

Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
Placement of inter corporate deposit	(1,230.00)	(29,650.00)
Repayment of inter corporate deposit placed	4,925.00	36,105.00
Unsecured loans	14.91	-
Proceeds from borrowings	7,942.00	-
Repayment of borrowings	(7,942.00)	-
Interest paid on borrowings	(2.99)	-
Dividend paid including corporate tax	(1,754.93)	(855.19)
Net cash from financing activities	1,954.42	18,712.34
Net increase in cash & cash equivalents	23,830.73	14.63
Cash & cash equivalents (opening)	82.05	67.42
Cash & cash equivalents (closing)	23,912.78	82.05

As per our attached report of even date

**For and on behalf of
Khimji Kunverji & Co.**
Chartered Accountants

Shivji K Vikamsey
Partner
Membership No. 2242

Place: Mumbai
Date: May 28, 2008

For and on behalf of the Board of Directors

Nimesh N Kampani
Chairman & Managing Director

Manish Sheth
Chief Financial Officer

E A Kshirsagar
Director

P K Choksi
Company Secretary

Additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and General Business Profile

(Rs. in thousand)

a. Registration details	
Registration no.: L67120MH1986PLC038784	State code : 11
Balance sheet date: 31-03-2008	
b. Capital raised during the year	
Public issue	–
Rights issue	–
Bonus issue	–
Private placement	–
c. Position of mobilisation and deployment of funds	
Total liabilities	1,76,85,409
Total assets	1,76,85,409
Sources of funds	
Paid-up capital	2,99,826
Reserves and surplus	1,62,34,619
Deferred tax liabilities	11,49,473
Secured loans	–
Unsecured loans	1,491
Application of funds	
Net fixed assets	15,317
Capital work-in-progress	352
Investments	1,52,14,288
Deferred tax assets	–
Net current assets	24,55,452
Miscellaneous expenditure	–
Accumulated losses	–
d. Performance of the Company	
Turnover (Including other income)	3,66,959
Total expenditure	79,238
Profit before exceptional items & tax	2,87,721
Exceptional items (Net)	1,72,30,185
Profit before tax	1,75,17,906
Profit after tax	136,01,686
Earnings per share (Before exceptional items) in Rs.	9.59
Earnings per share (After exceptional items) in Rs.	453.39
Dividend rate %	250
e. Generic names of principal products of the company	
Item code no. (ITC code)	Not applicable
Product description	Not applicable

Financial information of the subsidiary companies for the year ended March 31, 2008 (Rs. / USD in lakh)

Name of the Subsidiary	Currency	Paid up capital	Reserves	Total assets including investments	Investments	Total liabilities ^a	Turnover	Profit before tax	Provision for taxation	Profit/ (Loss) after tax	Dividend proposed / paid
JM Financial Consultants Private Limited	INR	2,800.00	45,438.00	56,024.59	38,447.89	7,856.27	22,294.39	877.70	128.55	749.15	-
JM Financial Services Private Limited ^b	INR	1,550.00	20,969.50	1,00,681.37	11,616.37	78,214.44	27,516.84	3,867.39	1,315.47	2,551.92	50.00
JM Financial Investment Managers Limited	INR	30.00	981.10	2,115.39	680.90	1,109.72	3,342.98	1,077.85	376.36	701.49	-
JM Financial Commtrade Limited ^c	INR	750.00	(481.25)	446.87	44.59	178.13	287.41	51.85	4.16	47.69	-
JM Financial Ventures Limited	INR	900.00	30,155.60	34,296.86	32,854.79	3,241.26	359.77	(383.63)	28.00	(411.63)	-
JM Financial Products Private Limited	INR	54,450.00	9,202.84	1,24,975.75	3,293.57	61,325.50	9,382.89	7,741.45	2,849.23	4,892.22	-
JM Financial Securities Limited ^d	INR	500.00	248.59	793.20	396.12	44.61	485.91	270.63	20.71	249.92	-
JM Financial ASK Securities Private Limited ^e	INR	685.00	36.48	3,412.80	100.66	2,686.13	4,075.47	133.24	22.85	110.39	863.10
JM Financial Asset Management Private Limited	INR	5,600.00	1,153.78	7,789.87	3,322.28	1,036.09	3,447.24	(4,771.64)	35.24	(4,806.88)	-
JM Financial Holdings (Mauritius) Ltd	INR* USD	4.00 0.10	(2.70) (0.07)	1.30 0.03	- -	- -	2.05 0.05	0.67 0.02	- -	0.67 0.02	- -
JMF-BR Investment Holdings (Mauritius) Ltd	INR* USD	2,449.16 61.27	0.05 #	2,451.09 61.32	2,446.16 61.20	1.88 0.05	1.89 0.05	(0.02) #	- -	(0.02) #	- -

Below Rs. / USD 50,000/-

* Exchange rate as on March 31, 2008: 1 USD = Rs. 39.97

Notes:

- Total liabilities excludes paid-up capital and reserves & surplus.
- Wholly owned subsidiary of JM Financial Consultants Private Limited, which is a subsidiary of the Company.
- Wholly owned subsidiary of JM Financial Services Private Limited, which is a subsidiary of the Company.
- Wholly owned subsidiary of JM Financial Products Private Limited, which is a subsidiary of the Company.
- Subsidiary of JM Financial Consultants Private Limited, which is a subsidiary of the Company.

Auditors' Report on Consolidated Financial Statements

1. We have audited the attached consolidated balance sheet of JM Financial Limited (the Company) and its subsidiaries, joint ventures and associates (collectively referred to as 'JM Financial Group'), as at March 31, 2008 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 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 this CFS are assets of Rs. 1519.17 crore as at March 31, 2008, revenues of Rs. 688.18 crore and net cash inflows of Rs. 126.13 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. 0.03 crore, revenues of Rs. 86.13 crore and net cash inflow of Rs. 0.02 crore of a subsidiary and loss of Rs. 15.51 crore of associates which are based on unaudited financial statements of the subsidiaries, joint ventures & associates as referred to in notes I (a), (b), (c), (d), (e), (f) & (g) of Part II of Schedule K and our opinion in so far as it relates to those amounts is based solely on such unaudited financial statements.

5. Without qualifying our report, we draw attention to note no.7 of schedule K, regarding provision for managerial remuneration of Rs. 6.51 crore (previous year Rs. 5.14 crore) made in the accounts, which is in excess of the limits prescribed by the Companies Act, 1956 but payment whereof is not made pending approval of shareholders/Central Government, as applicable.
6. 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 JM Financial Group as at March 31, 2008;
 - (b) in the case of the consolidated profit and loss account, of the profit for the year of the JM Financial Group ended on that date; and
 - (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended of the JM Financial Group on that date.

For and on behalf of
Khimji Kunverji & Co
Chartered Accountants

Shivji K Vikamsey
Partner
Membership No. 2242

Place: Mumbai
Date: May 28, 2008

Consolidated balance sheet as at March 31, 2008

(Rs . in crore)

	Schedule	As at 31.03.2008	As at 31.03.2007
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	A	29.98	29.98
Reserves & surplus	B	1,759.95	545.11
Capital reserve on consolidation		80.34	12.72
		1,870.27	587.81
Minority interest		100.70	138.05
Loan funds	C	1,022.74	389.67
Deferred tax liability		115.00	–
Funds employed		3,108.71	1,115.53
APPLICATION OF FUNDS			
Goodwill on consolidation		107.65	0.11
Fixed assets			
Gross block	D	91.32	71.05
Less : Accumulated depreciation		55.35	48.44
Net block		35.97	22.61
Capital work in progress		3.08	3.83
		39.05	26.44
Investments	E	889.76	241.78
Current assets, loans & advances	F	2,660.38	1,423.49
Less: Current liabilities & provisions	G	589.45	577.73
Net current assets		2,070.93	845.76
Deferred tax assets		1.32	1.45
Funds utilised		3,108.71	1,115.53
Significant accounting policies & notes on accounts	K		

The schedules referred to above form an integral part of the financial statements.

As per our attached report of even date

For and on behalf of
Khimji Kunverji & Co.
Chartered Accountants

For and on behalf of the Board of Directors

Shivji K Vikamsey
Partner
Membership No. 2242

Nimesh N Kampani
Chairman & Managing Director

E A Kshirsagar
Director

Place: Mumbai
Date: May 28, 2008

Manish Sheth
Chief Financial Officer

P K Choksi
Company Secretary

Consolidated profit & loss account for the year ended March 31, 2008

(Rs . in crore)

	Schedule	For the year ended 31.03.2008	For the year ended 31.03.2007
Income			
Fees, brokerage & commission		540.48	372.76
Securities funding and fund based activities		86.24	26.70
		626.72	399.46
Interest & other income	H	115.57	44.59
Total income		742.29	444.05
Expenditure	I	407.48	246.14
Profit before depreciation & interest		334.81	197.91
Less: Depreciation		9.79	7.04
Interest		32.83	7.84
Profit before provision on standard assets		292.19	183.02
Provision on standard assets		12.04	0.09
Profit before exceptional items & tax		280.15	182.94
Add: Exceptional items (Net)	J	1,509.60	-
Profit before tax		1,789.75	182.94
Provision for taxation			
Current tax		338.73	59.79
Deferred tax		115.32	(0.58)
Fringe benefit tax		1.42	0.76
Tax adjustment of earlier years (Net)		0.06	0.06
Profit after tax		1,334.22	122.91
Less: Share of minority interest (Net)		9.84	28.73
Add: Share of profit / (loss) in associate companies		(17.32)	(3.31)
Net consolidated profit		1,307.06	90.87
Add: Balance profit brought forward from earlier year		165.30	108.38
Less: Adjustment as per AS 15 and others		0.83	-
Profit available for appropriation		1,471.53	199.25

Consolidated profit & loss account for the year ended March 31, 2008 (contd.)

(Rs. in crore)

	Schedule	For the year ended 31.03.2008	For the year ended 31.03.2007
Appropriations			
<u>Proposed dividend</u>			
- Normal		15.00	15.00
- Special		60.00	-
<u>Corporate tax on proposed dividend</u>			
- of the company		12.75	2.55
- of the subsidiaries		0.08	2.85
General reserve		150.00	8.70
Statutory reserve		13.15	-
Debenture redemption reserve		(4.85)	4.85
Surplus carried to balance sheet		1,225.40	165.30
		1,471.53	199.25
Earnings per share (EPS) (Face value of Rs.10/- each) (Refer note 8)			
Basic & Diluted EPS			
- Before exceptional items		50.04	30.99
- After exceptional items		435.69	30.99
Significant accounting policies & notes on accounts	K		

The schedules referred to above form an integral part of the financial statements.

As per our attached report of even date

For and on behalf of
Khimji Kunverji & Co.
Chartered Accountants

Shivji K Vikamsey
Partner
Membership No. 2242

Place: Mumbai
Date: May 28, 2008

For and on behalf of the Board of Directors

Nimesh N Kampani
Chairman & Managing Director

Manish Sheth
Chief Financial Officer

E A Kshirsagar
Director

P K Choksi
Company Secretary

Schedules (Consolidated)

(Rs. in crore)

	As at 31.03.2008	As at 31.03.2007
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 : 3,00,00,000 (3,00,00,000) 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	30.00
Less : Calls in arrears	(0.02)	(0.02)
TOTAL	29.98	29.98
SCHEDULE `B` RESERVES & SURPLUS		
Securities premium	351.22	354.77
Capital redemption reserve	1.79	1.79
General reserve	168.40	18.40
Debenture redemption reserve	-	4.85
Statutory reserve	13.15	-
Surplus in profit and loss account	1,225.40	165.30
Currency translation reserve	(0.01)	#
TOTAL	1,759.95	545.11
# Below Rs. 50,000/-		
SCHEDULE `C` LOAN FUNDS		
Secured loans		
Vehicle loans	-	0.03
TOTAL (A)	-	0.03
Unsecured loans		
Short term		
Non convertible debentures	380.00	368.00
Commercial paper	640.00	-
Others	2.15	21.27
Long term		
Dues under finance lease	0.59	0.37
TOTAL (B)	1,022.74	389.64
TOTAL (A + B)	1,022.74	389.67

Schedules (Consolidated)

SCHEDULE 'D'
FIXED ASSETS

Particulars	Gross block						Depreciation / Amortisation				Net block	
	As at 31.03.2007	Addition/ deletion due to increase/ decrease in stake in associated cos.	Additions for the year	Deductions for the year	As at 31.03.2008	As at 31.03.2007	Addition/ deletion due to increase/ decrease in stake in associated cos.	Additions for the year	Deductions for the year	As at 31.03.2008	As at 31.03.2007	
Owned assets												
Tangible												
Office premises	1.09	6.61	-	-	7.69	0.26	3.03	0.29	-	3.58	4.11	
Leasehold improvements	4.63	(0.68)	2.08	0.09	5.94	3.19	(1.14)	0.54	0.04	2.56	3.38	
Computers	24.31	(0.69)	5.39	0.39	28.62	17.97	0.39	2.66	0.33	20.68	7.94	
Office equipments	11.21	(1.61)	2.21	0.02	11.80	7.03	(1.96)	1.28	0.01	6.35	5.45	
Furniture and fixtures	6.51	3.70	1.14	0.57	10.78	3.70	0.92	0.89	0.41	5.09	5.70	
Motor vehicles	0.31	-	0.40	0.34	0.37	0.20	-	0.03	0.15	0.08	0.29	
Intangible												
Software	6.98	(1.27)	3.32	-	9.03	4.34	(1.10)	1.57	-	4.81	4.23	
Stock exchange membership	2.04	(0.61)	-	-	1.43	1.63	(0.52)	0.17	-	1.29	0.14	
Stock exchange non refundable deposit	0.24	(0.15)	-	-	0.09	0.19	(0.12)	0.02	-	0.08	0.01	
Other intangible assets	11.15	(1.15)	-	-	10.00	8.93	(0.98)	1.06	-	9.01	0.99	
Leased Assets												
Vehicles	2.59	0.73	2.96	0.72	5.57	1.00	0.12	1.28	0.58	1.82	3.75	
TOTAL	71.05	4.88	17.52	2.13	91.32	48.44	(1.36)	9.79	1.52	55.35	35.97	
Previous year	62.17	-	11.07	2.19	71.05	43.20	-	7.04	1.80	48.44	22.61	

Schedules (Consolidated)

SCHEDULE 'E'

INVESTMENTS

(Rs. in crore)

Sr. No.	Particulars	As at 31.03.2008		As at 31.03.2007	
		Quantity	Amount	Quantity	Amount
I	Long term investments				
A	Trade investments				
1	JM Financial Trustee Company Private Limited	25,000	0.03	25,000	0.03
	Add: Share of profit for the previous years		0.68		0.60
	Add: Share of profit for the current year		0.22		0.08
			0.93		0.71
2	Financial Engineering Solutions Private Limited (Incl. goodwill on investment Rs. 0.40 crore)	24,00,000	2.40	24,00,000	2.40
	Add: Share of (loss) for the previous years		(1.14)		(0.86)
	Add: Share of (loss) for the current year		(0.33)		(0.28)
			0.93		1.26
3	JM Financial Asset Reconstruction Company Private Limited	8,69,50,000	86.95	-	-
	Add: Share of (loss) for the current period		(1.81)		
			85.14		-
4	JM Financial Asset Management Private Limited (Incl. goodwill on investment Rs. 17.56 crore)	-	-	2,24,62,500	41.38
	Add: Share of (loss) for the previous years		-		(3.10)
	Add: Share of (loss) for the current year (Became a subsidiary during the year)		-		(8.81)
			-		29.47
5	JM Financial Ventures Limited (Formerly Kampani Finance Limited) (Incl. goodwill on investment Rs. 0.01 crore)	-	-	200,000	1.30
	Add : Share of profit for the current period (Became a subsidiary during the year)		-		5.69
			-		6.99

Schedules (Consolidated)

SCHEDULE 'E' (contd.)

INVESTMENTS

(Rs. in crore)

Sr. No.	Particulars	As at 31.03.2008		As at 31.03.2007	
		Quantity	Amount	Quantity	Amount
B	Other investments				
I	Equity shares				
	a) Quoted		307.68		12.34
	b) Unquoted		63.33		1.95
2	Preference shares		15.53		6.13
3	Venture capital units* / Securitized assets		106.66		39.4
4	Equity oriented mutual fund schemes		7.59		39.15
			587.79		137.46
	Less: Provision for diminution in the value of investments-unquoted		1.50		0.62
			586.29		136.84
II	Current investment - Mutual fund units		303.47		104.94
	TOTAL		889.76		241.78

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

Schedules (Consolidated)

(Rs. in crore)

	As at 31.03.2008	As at 31.03.2007
SCHEDULE 'F'		
CURRENT ASSETS, LOANS & ADVANCES		
CURRENT ASSETS		
Stock in trade	4.87	0.99
<u>Sundry debtors (Unsecured considered good)</u>		
- Outstanding for a period exceeding six months	1.27	0.75
- Others	289.79	195.81
<u>Cash & bank balances</u>		
Cash on hand	0.04	0.02
Bank balance with schedule banks:		
- In current accounts	68.73	83.15
- In fixed deposits	833.62	431.71
TOTAL (A)	1,198.32	712.43
LOANS & ADVANCES		
<u>Loans & advances recoverable</u>		
- Secured	1,180.45	470.46
- Unsecured considered good	96.63	23.60
Deposits	56.38	98.58
Advance tax & tax deducted at source (Net of provisions)	127.11	22.83
Others	1.49	95.59
TOTAL (B)	1,462.06	711.06
TOTAL (A + B)	2,660.38	1,423.49

Schedules (Consolidated)

(Rs. in crore)

	As at 31.03.2008	As at 31.03.2007
SCHEDULE 'G'		
CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry creditors	400.35	532.31
Unclaimed dividend	0.23	0.16
Due under finance lease	0.76	0.43
Other liabilities	81.50	24.41
TOTAL (A)	482.84	557.31
PROVISIONS		
For gratuity	4.01	2.74
For leave encashment	2.64	-
For provision on standard assets	12.13	0.09
For proposed dividend		
- Normal	15.00	15.00
- Special	60.00	-
For corporate tax on proposed dividend		
- of the company	12.75	2.55
- of the subsidiary	0.08	0.05
TOTAL (B)	106.61	20.42
TOTAL (A + B)	589.45	577.73

(Rs. in crore)

	For the year ended 31.03.2008	For the year ended 31.03.2007
SCHEDULE 'H'		
INTEREST & OTHER INCOME		
Dividend	34.45	12.24
Interest	51.38	14.22
Profit on sale of investments (Net)	12.34	6.52
Gain on proprietary trading (Net)	7.01	-
Miscellaneous income	10.39	11.61
TOTAL	115.57	44.59

Schedules (Consolidated)

(Rs. in crore)

	For the year ended 31.03.2008	For the year ended 31.03.2007
SCHEDULE 'I'		
EXPENDITURE		
Payments to and provisions for employees:		
- Salaries and bonus	219.77	126.06
- Contribution to provident fund and other funds	4.48	2.56
- Staff welfare	2.86	1.70
	227.11	130.32
Subbrokerage, fees and commission	97.34	50.86
Rent, rates and taxes	21.27	17.36
Fund expenses	16.27	3.99
Legal and professional fees	9.38	5.64
Telephone and mobile expenses	5.59	5.39
Repairs and maintenance	5.46	5.81
Travelling expenses	5.43	4.56
Membership and subscription	3.87	1.29
Electricity	3.37	2.16
Provision for doubtful debts	1.01	1.00
Insurance expenses	0.56	0.25
Donation	0.41	0.62
Bad debts written off	0.41	0.38
Auditors remuneration	0.51	0.54
Loss on foreign exchange fluctuations	0.12	-
Loss on sale of assets	0.10	-
Research expenses	-	5.39
Loss from proprietary trading	-	1.64
Directors' commission	0.45	0.30
Miscellaneous expenses	12.39	11.03
	411.05	248.53
Less: Recovery of expenses	3.57	2.39
TOTAL	407.48	246.15
SCHEDULE 'J'		
EXCEPTIONAL ITEMS		
Profit on sale of investments (Net) (Refer note 2)	1,629.89	-
Payment to and provisions for employees (Special bonus)	(110.29)	-
Donation	(10.00)	-
TOTAL	1,509.60	-

Schedules (Consolidated)**SCHEDULE 'K'****Significant accounting policies and notes on accounts****I) Significant accounting policies****i. Basis of preparation:**

The consolidated financial statements (CFS) are in accordance with the generally accepted accounting principles in India and comply with the Accounting Standards (AS) 21 on 'Consolidated Financial Statements', AS 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' and AS 27 on 'Financial Reporting of Interests in Joint Ventures' issued by the Institute of Chartered Accountants of India (ICAI).

ii. Principles of consolidation:

- a) The CFS comprises of 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 the share of the Reporting Company) have been combined on a line-by-line basis by adding together similar items of assets, liabilities, income and expenses. Intra group balances and transactions have been eliminated on consolidation except for joint venture companies.
- c) The net profit of the subsidiaries for the year attributable to the share of minority interest is identified and adjusted against the income in the CFS in order to arrive at the net income attributable to the interest of shareholders of the Company. Similarly the amount attributable to the share of minority interest in net assets of consolidated subsidiaries is identified and presented in the CFS, separate from the liabilities and the equity of the Company.
- d) The difference between the cost of investment in subsidiaries, joint ventures and associates, over the amount of net assets at the time of acquisition of the shares in the subsidiaries, joint ventures and associates is recognised / disclosed in the financial statements as goodwill or capital reserve, as the case may be.

iii. Revenue recognition:

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

- a) Revenue from Investment Banking business, which mainly includes the lead manager's fees, selling commission, underwriting commission, fees for mergers, acquisitions and

Schedules (Consolidated)

Significant accounting policies (contd.)

advisory assignments and arranger's fees for mobilising debt funds is recognised when services for the transactions are determined to be completed or when specific obligations are determined to be fulfilled as set forth under the terms of engagement.

- b) Commission income from executing client transactions on the secondary market in 'Cash' and 'Futures and Options' segments is recognised 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 for companies and funds for mutual funds from investors is recorded on monthly, quarterly or annual basis as set forth in terms of the engagement.
- d) Income from structured products including processing fees, IPO financing and margin financing revenues, income from depository participant business and income from portfolio management services is recognised when the services are determined to be completed.
- e) Dividend income is recognised when the Company's right to receive the dividend is established.
- f) Interest income is recognised on accrual basis.

iv. Use of estimates:

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based on management's evaluation of relevant facts and circumstances as of the date of the financial statements. Any difference between actual numbers and such estimates are recorded in the financial statements for future periods.

v. 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 all costs incurred to bring the assets to their location and working condition.

Schedules (Consolidated)**Significant accounting policies (contd.)**

Depreciation is provided on a pro-rata basis for the period of use. Most of the subsidiaries, joint ventures and associates follow the straight-line method (SLM), based on the management's estimate of useful lives of the fixed assets, or at the SLM rates prescribed in Schedule XIV to the Act, whichever is higher, as mentioned hereunder:

Asset	Estimated 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 or at a higher rate i.e. for leasehold improvement at the rate of 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. The software is depreciated over its useful life (5 years) as per managements' estimate.

c) Finance lease:

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

Income from the leased assets is accounted for in the year in which the lease rentals fall due, by applying the interest rate implicit in the lease to the net investment in the lease during the period.

Schedules (Consolidated)

Significant accounting policies (contd.)

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.

e) Impairment of assets:

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

vi. Investments:

Investments are classified as long-term or current in accordance with 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 the investments. The provision for diminution in the value of the quoted long-term investments and the current investments is made to account the value at lower of the cost and market value, determined on the basis of the quoted prices of individual investment. Provision for diminution in the value of unquoted long-term investments is made as per the management's estimate.

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

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

viii. Taxation:

Tax expense comprises 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 provisions of Income Tax Act, 1961.

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

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

Schedules (Consolidated)**Significant accounting policies (contd.)****ix. Retirement benefits:**

a) Defined contribution plan

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

b) Defined benefit plan

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

c) Short-term leave encashment

The Company provides for short-term accumulated compensated absences as at balance sheet date using the full-cost method to the extent that the leave will be utilised. The leave encashment on separation is paid on the basic salary.

x. Foreign subsidiaries

The translation of accounts of foreign subsidiaries is done in accordance with AS 11 on "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: The exchange rate prevailing at the end of the period.

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

xi. Foreign currency transactions

As prescribed in 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 the closing rate of exchange at the

Schedules (Consolidated)**Significant accounting policies (contd.)**

end of the year. The resulting exchange gain / loss is reflected in the profit & loss account. Other items, such as fixed assets and investments, are carried in terms of historical cost using the exchange rate at the date of transactions.

xii. Earnings per share

The Company reports basic and diluted earnings per share in accordance with AS 20 on 'Earnings Per Share'. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and potentially dilutive equity shares outstanding at the year end.

xiii. Provisions, contingent liabilities and contingent assets

The Company creates provisions when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provisions are reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

xiv. Employee stock option scheme

The Employee Stock Option Scheme (the 'Scheme') provides for grant of stock options of the Company and of group companies to employees and Directors of the Company and its subsidiaries. The accounting for the Scheme is done in accordance with the Securities and Exchange Board of India (SEBI) (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999. The Company follows the intrinsic value method to account for its stock-based employee compensation plans as per the Guidance note on

Schedules (Consolidated)**Significant accounting policies (contd.)**

'Accounting for Employee Share-based Payments', issued by the ICAI. If options are granted at an exercise price, which is less than the fair market price of the underlying equity shares, the excess of such fair market price over the exercise price of the options as at the grant date is recognised as a deferred compensation cost.

xv. Equity index & stock futures

- (a) Equity index / stock futures are marked to market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities respectively in the mark to market margin – equity index / stock futures account represents the net amount paid or received on the basis of movement in the prices of index / stock futures till the balance sheet date.
- (b) As on the balance sheet date profit / loss on open positions in equity index / stock futures is accounted as follows:
 - Credit balance in the mark to market margin – equity index / stock futures account, being the anticipated profit, is ignored and no credit for the same is taken in the profit and loss account
 - Debit balance in the mark to market margin – equity index / stock futures account, being anticipated loss, is adjusted in the profit and loss account.
- (c) On the final settlement or squaring up of contracts for equity index / stock futures, the profit or loss is calculated as the difference between the settlement / squaring up price and the contract price. Accordingly, the debit or credit balance pertaining to the settled / squared up contract in mark to market margin – equity index / stock futures account after adjustment for the provision of anticipated losses is recognised in the profit and loss account.

When more than one contract in respect of the relevant series of equity index / stock futures contract to which the squared up contract pertains is outstanding at the time of squaring up, the price of the contract so squared up is determined using the weighted average cost method for calculating the profit / loss on squaring up.

xvi. Borrowing costs

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

Schedules (Consolidated)

II) Notes on accounts

I) Companies included in consolidation

Particulars	Country of incorporation	Proportion of interest as on 31.03.2008 (%)	Proportion of interest as on 31.03.2007 (%)
Subsidiaries			
JM Financial Consultants Private Limited (IB) (Refer to note a)	India	100.00	51.00
JM Financial Services Private Limited (Financial Services) (Refer to note a)	India	100.00	51.00
JM Financial Investment Managers Limited (Investment Managers)	India	100.00	100.00
JM Financial Commtrade Limited (Commtrade)	India	100.00	100.00
JM Financial Ventures Limited (SSF) (Refer to note b) (Formerly Kampani Finance Limited)	India	97.78	50.00
JM Financial Products Private Limited (NBFC) (Refer to note c)	India	90.00	100.00
JM Financial Securities Private Limited (FID) (Refer to note a)	India	90.00	51.00
JM Financial ASK Securities Private Limited. (IED) (Refer to note d)	India	60.00	-
JM Financial Asset Management Private Limited (AMC) (Refer to note e)	India	58.26	49.92
JM Financial Holding (Mauritius) Ltd (JMFM)	Mauritius	100.00	100.00
JMF-BR Investments Holdings (Mauritius) Ltd (JMFBR) (Refer to note f)	Mauritius	100.00	100.00
Joint ventures			
Infinite India Investment Management Private Limited (Infinite)	India	50.00	50.00
Morgan Stanley India Company Private Limited (MS) (Refer to note a)	India	-	49.00
Associates			
JM Financial Asset Reconstruction Company Private Limited (ARC) (Refer to note g)	India	67.43	-
Financial Engineering Solutions Private Limited (FES)	India	30.00	30.00
JM Financial Trustee Company Private Limited (Trustee)	India	25.00	25.00

Schedules (Consolidated)**Notes on accounts (contd.)**

- Notes: a) Following the termination of joint venture with Morgan Stanley on October 5, 2007, the financials derived from management certified accounts of MS have been considered in the CFS of the Company only till September 30, 2007. Similarly, consequent upon the acquisition of the remaining 49% equity stake of Morgan Stanley by the Company in IB, the Company has consolidated 100% of the financials of IB with effect from October 1, 2007 along with the two wholly owned subsidiaries of IB viz., Financial Services and FID, in which the Company, prior to the acquisition of the said 49% stake, held 51%. Further from February 28, 2008, FID has become a subsidiary of the NBFC and hence the financials of FID is accounted from February 28, 2008, in accordance with note (c).
- b) On October 31, 2007, the Company has invested Rs.301 crore in JM Financial Ventures Limited (SSF), engaged in Special Situations Investments. Consequently, SSF has become a subsidiary company of the Company, which now owns 97.78% of SSF from 50% in the previous year. The financial statements of SSF have been audited for the year ended March 31, 2008. For the purpose of the CFS, the financials of SSF for the period of five months period ended March 31, 2008 have been derived from the twelve months audited figures for the year ended March 31, 2008, by reducing there from the figures based on management certified accounts for the seven months period ended October 31, 2007.
- c) JM Financial Limited (the Company) transferred / sold 5,44,50,000 equity shares, representing 10% of the equity capital, in the NBFC to 'JM Financial Group Employees Welfare Trust'(the Trust) for the benefit of the employees of JM Financial Group on December 31, 2007. Accordingly, the financials of the NBFC though consolidated fully, but 10% of it being shown as minority interest with effect from the said date. For the purpose of the CFS, the results for the three months period ended March 31, 2008 have been derived from twelve months audited figures for the year ended March 31, 2008 by reducing there from the figures based on management certified accounts for the nine months period ended December 31, 2007.
- d) On October 25, 2007, IB has acquired 60% equity stake in IED, a company engaged in Institutional broking activity. The financial statements of IED have been audited for the period ended March 31, 2008. For the purpose of the CFS, the financials of IED for the six months period ended March 31, 2008 have been derived from the twelve months audited figures ended March 31, 2008, by reducing there from the figures based on audited accounts for the six months period ended September 30, 2007.
- e) On October 31, 2007, the Company has invested Rs. 90 crore in JM Financial Asset Management Private Limited (AMC). Consequently, AMC has become a subsidiary company of the Company, which now owns 58.26% in AMC from 49.92% in the previous year. The financial statements of AMC have been audited for the year ended March 31, 2008. For the purpose of the CFS, the financials of AMC for the five months period ended March 31, 2008

Schedules (Consolidated)

Notes on accounts (contd.)

have been derived from the twelve months audited figures for the year ended March 31, 2008, by reducing there from the figures based on management certified accounts for the seven months period ended October 31, 2007.

- f) As JMFBR follows the accounting year from January to December and gets accounts audited on a December year end basis, separate financial statements for the year ended March 31 2008 are unaudited, the amounts whereof are not material.
 - g) Though the Company owns 67.43% share capital of ARC as on March 31, 2008, its holding has reduced to 49% in accordance with the agreement between the Company, ARC and other investors and hence the ARC has been considered as an 'Associate'; and consolidated accordingly in the CFS to the extent of 49%.
- 2) Following the termination of the joint venture with Morgan Stanley, profit on sale of investments (net of carrying value of net assets and expenses) amounting to Rs.1,637.94 crore has been accounted in the financial year 2007-08. Further, a loss of Rs. 8.05 crore (net of the carrying value of net assets) on sale of 5,44,50,000 equity shares representing 10% of the equity share capital in the NBFC, has been adjusted to arrive at the net profit on sale of investments.
- 3) Employee stock option scheme (ESOS)

The Compensation Committee, (the Committee) of Directors of the Company, at its meeting held on December 27, 2007 had granted 4,45,500 stock options exercisable into equivalent number of equity shares of the face value of Rs. 10/- each to the employees / Directors of the Company and its subsidiaries.

The Committee, at its meeting held on March 29, 2008 had cancelled all the stock options granted as above.

Subsidiary companies

- (a) JM Financial Asset Management Private Limited (AMC)

The shareholders of AMC have on December 24, 2007 granted 30,00,000 equity stock options to its employees under an Employee Stock Option Scheme (ESOS) to be settled by the issue of equity shares.

- (b) JM Financial ASK Securities Private Limited (IED)

The shareholders of IED have on January 7, 2008 granted 1,98,650 equity stock options to its employees under an Employee Stock Option Scheme (ESOS) to be settled by the issue of equity shares.

Schedules (Consolidated)**Notes on accounts (contd.)**

- 4) The estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 2.50 crore (previous year Rs. 2.10 crore)
- 5) Contingent liability in respect of:
 Disputed demands of income tax authorities is Rs. 3.61 crore (previous year Rs. 10.14 crore)
 Disputed demands of service tax authorities is Rs. 1.47 crore (previous year Rs. 1.47 crore)
 Uncalled liability on account of commitment to subscribe in investments is Rs. 16.29 crore (previous year Rs. 61.35 crore)
 Guarantees given on behalf of the subsidiary against pledge of fixed deposits is Rs. 2.30 crore (previous year Rs. 2.30 crore)
- 6) Income from securities and fund-based activities includes gross income of Rs. 187.36 crore (previous year Rs. 70.66 crore) net of operation expenses of Rs. 101.97 crore (previous year Rs. 43.96 crore).

Operation expenses as stated above includes finance charges of Rs. 96.79 crore (previous year Rs. 42.93 crore) and other expenses of Rs. 5.18 crore (previous year Rs. 1.03 crore)

- 7) Managerial remuneration: (Rs. in crore)

Particulars	For the year ended 31.03.2008	For the year ended 31.03.2007
Remuneration	2.24	1.13
Contribution to provident fund and other funds	0.15	0.06
Bonus	5.73	10.55
Perquisites in cash or in kind	1.46	0.49
Commission	0.45	1.21
TOTAL	9.58	13.44

The above amount comprises managerial remuneration of the Company and its subsidiary companies. Provision for payment of Directors' Commission of Rs. 0.45 crore has been made in the annual accounts of the Company. This amount is in excess of the limits prescribed under the Companies Act, 1956 and hence is subject to the approval of the shareholders and central government. The Company has not paid the commission amount to the Directors and the same will be paid only on receipt of the said approvals.

The above remuneration also includes Rs 6.06 crore (previous year Rs. 5.14 crore) which pertains to subsidiaries which is in excess of the limits prescribed under the Companies Act, 1956 and payment whereof is subject to the approval of central government.

Schedules (Consolidated)**Notes on accounts (contd.)**

8) Earnings per share is calculated as under:

(Rs. in crore)

Sr. No.	Particulars	For the year ended 31.03.2008	For the year ended 31.03.2007
A.	Before exceptional item:		
	Profit after tax	150.11	90.87
	Weighted average no. of equity shares outstanding during the year	3,00,00,000	2,93,18,493
	Basic / Diluted earnings per share (Rs.)	50.04	30.99
B.	After exceptional item:		
	Profit after tax	1,307.06	90.87
	Weighted average no. of equity shares outstanding during the year	3,00,00,000	2,93,18,493
	Basic / Diluted earnings per share (Rs.)	435.69	30.99

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

(Rs. in crore)

Particulars	As at 31.03.2008	As at 31.03.2007
Depreciation	(1.35)	(1.21)
Gratuity	1.76	0.93
Provision for doubtful debts	0.66	0.62
Unabsorbed depreciation	-	0.26
Brought forward business losses	-	0.02
Unabsorbed short-term capital loss	(115.43)	-
Written down value of investments	-	0.01
Preliminary expenses	(0.01)	-
Expenses allowable under section 35DD	0.69	0.82
TOTAL	(113.68)	1.45

Schedules (Consolidated)**Notes on accounts (contd.)**

10) 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 60 months with an option to prepayments / foreclosure.

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

(Rs. in crore)

Particulars	Total minimum lease payment outstanding as at 31.03.2008 (31.03.2007)	Interest not due	Present value of the minimum lease payment outstanding as at 31.03.2008 (31.03.2007)
Not later than 1 year	1.29 (0.68)	0.36 (0.18)	0.93 (0.50)
Later than 1 year but not later than 5 years	1.22 (0.52)	0.28 (0.10)	0.94 (0.42)
Later than 5 years	- (-)	- (-)	- (-)
TOTAL	2.51 (1.20)	0.64 (0.28)	1.87 (0.92)

Figures in brackets represent figures of the previous year

II. Operating lease

- (a) Operating lease is executed for a period ranging from 36 to 90 months with a renewal clause and also provided 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 31.03.2008	For the year ended 31.03.2007
Office premises	8.21	4.43
Furniture hire charges	0.15	0.18
Car rentals	0.07	-
Residential flat	0.54	0.21
TOTAL	8.97	4.82

Schedules (Consolidated)

Notes on accounts (contd.)

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

(Rs. in crore)

Particulars	Total lease payments outstanding as at 31.03.2008	Total lease payments outstanding as at 31.03.2007
Not later than 1 year	6.35	3.10
Later than 1 year but not later than 5 years	4.67	6.93
Later than 5 years	-	-
TOTAL	11.02	10.03

- 11) Retirement benefits

I. Defined benefit plans

(Rs. in crore)

Amount recognised in the balance sheet in respect of gratuity	For the year ended March 31, 2008
Present value of the defined benefit obligation at the year end	4.15
Fair value of plan assets	-
Net liability / (asset)	4.15

(Rs. in crore)

Amounts recognised in salary, wages and employee benefits in the profit and loss account in respect of gratuity	For the year ended March 31, 2008
Current service cost	1.27
Interest on defined benefit obligations	0.23
Expected return on plan assets	-
Net actuarial (gain) / loss recognised during the period	0.11
Net gratuity cost	1.61

(Rs. in crore)

Actual return on plan assets	For the year ended March 31, 2008
Expected return on plan assets	-
Actuarial gain / (loss) on plan assets	-

Schedules (Consolidated)**Notes on accounts (contd.)**

(Rs. in crore)

Table showing change in benefit obligations	For the year ended March 31, 2008
Opening defined benefit obligation	2.99
Current service cost	1.26
Interest cost	0.20
Actuarial (gain)/ loss	0.14
Liability assumed on amalgamation	-
Benefits paid	(0.44)
Closing defined benefit obligation	4.15

(Rs. in crore)

Change in fair value of plan assets	For the year ended March 31, 2008
Opening fair value of the plan assets	-
Expected return on plan assets	-
Actuarial (gain)/ loss	-
Assets acquired on amalgamation	-
Contributions by the employer	-
Benefits paid	-
Closing fair value of the plan assets	-

(Rs. in crore)

Investment details of plan assets	For the year ended March 31, 2008
Investment details of plan assets	-

Principal actuarial assumptions at the balance sheet date	For the year ended March 31, 2008
Discount rate	7.50%
Estimated rate of return on plan assets	6.00%

Valuation assumptions:

For the purpose of arriving at the liability, the following assumptions have been considered:

- Rate of discounting: 7.5% per annum

Schedules (Consolidated)

Notes on accounts (contd.)

- The estimates of future salary increases, considered in actuarial valuation, taking account of inflation, seniority, promotion and other relevant factors in the employment market. The actuary certifies the above information.
- This being the first year of implementation, figures from the previous year have not been given.

II. Defined contribution plan

- Amount recognised as an expense and included in the Schedule I – ‘Contribution to provident fund & other funds’ Rs. 4.48 crore (previous year Rs. 2.56 crore)

12) Derivative instruments:

The Company does not enter into any derivative instruments for hedge or speculation. The year end foreign currency exposures have not been hedged by a derivative instrument.

13) Disclosure in respect of securitised assets :

Profit on the sale of securitised assets consists of gross income of Rs. 1.69 crore (previous year nil) net of professional fees of Rs.0.24 crore (previous year nil) and other expenses of Rs.0.05 crore (previous year nil).

There is no outstanding value of any services provided by way of credit enhancement, liquid support, post-securitisation asset servicing, etc.

14) During the year, on a conservative basis, a subsidiary has made a provision on standard assets amounting to Rs. 12.04 crore (previous year Rs.0.09 crore). ‘Standard Assets’ refers to an asset which does not indicate any problems and which does not carry more than normal business risk.

15) Disclosure in respect of related parties pursuant to AS 18 on ‘Related Party Disclosures’
As per annexure ‘I’.

16) Segmental reporting

I) Business segment:

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

Segment	Principal activities
Investment banking & securities business	Investment banking and securities business includes advisory and execution services of diverse nature to corporates, institutes, governments and

Schedules (Consolidated)**Notes on accounts (contd.)**

	government owned corporations, banks and high net-worth individuals (HNIs); to offer wealth advisory services to HNIs; and to distribute financial products in an open architecture environment to retail investors through a large network of franchisees and direct sales agents
Asset management	Asset management includes managing mutual fund assets through several schemes offering a range of investment options to a large number of investors.
Alternative asset management	Alternative asset management includes managing funds of institutional and large non-institutional investors raised under various schemes for investments under mandated charter such as private equity, real estate fund, special situations.
Securities funding & fund-based activities	Securities funding and fund-based activities includes providing finance against securities to a diverse range of corporate and non-corporate clients. Further, it also includes identifying, acquiring and selling down debt assets through a range of structured products.
Unallocated	Unallocated includes all transactions not covered under any of the above four segments.

The segment wise details are as per annexure 'II'.

II. Geographical segment:

The Company does not have any reportable geographical segment.

- 17) Statement of cash flow pursuant to AS 3 on 'Cash Flow Statements'
As per annexure 'III'.
- 18) Disclosure pursuant to reporting under AS 27 on 'Financial Reporting of Interests in Joint Ventures'
As per annexure 'IV'.
- 19) Figures from the previous year have been regrouped and rearranged wherever necessary.

Schedules (Consolidated)

Annexure I to point I 5 of schedule K

Related party disclosure:

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:

JM Financial Asset Reconstruction Company Private Limited (ARC)

JM Financial Trustee Company Private Limited (Trustee)

B Key management personnel

Mr. Nimesh N Kampani (NNK)

C Relatives of key management personnel

Mrs. Aruna N Kampani (ANK)

Mr. Vishal N Kampani (VNK)

Mr. Ashith N Kampani (ASNK)

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

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

SNK Investments Private Limited (SNK)

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 auditors

Schedules (Consolidated)

Annexure I to point 15 of schedule K (contd.)

Related party disclosure:

(Rs. in crore)

	Associates		Key management personnel		Relatives of key management personnel		Enterprise over which key management personnel is able to exercise significant influence		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Security deposit given										
JMFICS	-	-	-	-	-	-	-	9.98	-	9.98
KPHL	-	-	-	-	-	-	-	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	-	-	-	-	-	-	95.45	25.00	95.45	25.00
SSF*	-	15.00	-	-	-	-	-	-	-	15.00
ICD redeemed										
JMFICS	-	-	-	-	-	-	121.50	25.00	121.50	25.00
SSF*	15.00	-	-	-	-	-	-	-	15.00	-
Interest income on ICD										
JMFICS	-	-	-	-	-	-	1.64	0.17	1.64	0.17
SSF*	-	0.12	-	-	-	-	-	-	-	0.12
Interest expense on ICD										
JMFICS	-	-	-	-	-	-	-	0.02	-	0.02
Secondary brokerage received										
JMFICS	-	-	-	-	-	-	0.13	0.02	0.13	0.02
SSF*	-	0.02	-	-	-	-	-	-	-	0.02
KCL	-	-	-	-	-	-	-	#	-	#
PICPL	-	-	-	-	-	-	-	#	-	#
VNK	-	-	-	-	#	-	-	-	-	#
ANK	-	-	-	-	#	-	-	-	-	#
SNK	-	-	-	-	-	-	#	-	#	-
Recovery of expenses										
JMFICS	-	-	-	-	-	-	0.03	-	0.03	-
Trustee	0.91	-	-	-	-	-	-	-	-	-
ARC	1.61	-	-	-	-	-	-	-	0.91	-
AMC*	-	0.31	-	-	-	-	-	-	1.61	-
Reimbursement of expenses										
JMFICS	-	-	-	-	-	-	#	-	#	-
AMC*	-	-	-	-	-	-	-	-	-	#

Schedules (Consolidated)

Annexure I to point 15 of schedule K (contd.)

Related party disclosure:

(Rs. in crore)

	Associates		Key management personnel		Relatives of key management personnel		Enterprise over which key management personnel is able to exercise significant influence		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Managerial Remuneration										
NNK	-	-	1.54	8.03	-	-	-	-	1.54	8.03
VNK	-	-	5.43	-	3.27	-	-	-	5.43	3.27
Directors commission										
NNK	-	-	-	0.02	-	-	-	-	-	0.02
ASNK	-	-	-	-	0.05	-	-	-	0.05	0.05
Board meeting fees										
NNK	-	-	#	#	-	-	-	-	#	#
ASNK	-	-	-	-	#	#	-	-	#	#
Audit committee meeting fees										
ASNK	-	-	-	-	#	#	-	-	#	#
Rent paid										
JMFICS	-	-	-	-	-	-	2.88	1.85	2.88	1.85
KHPL	-	-	-	-	-	-	0.05	0.05	0.05	0.05
KCL	-	-	-	-	-	-	0.04	0.04	0.04	0.04
ANK	-	-	-	-	-	-	0.05	0.05	0.05	0.05
Service charges										
JMFICS	-	-	-	-	-	-	0.05	0.05	0.05	0.05
AMC*	-	0.02	-	-	-	-	-	-	-	0.02
Property deposits paid										
JMFICS	-	-	-	-	-	-	-	1.70	-	1.70
Support service charges paid										
JMFICS	-	-	-	-	-	-	0.74	0.74	0.74	0.74
Demat charges received										
NNK	-	-	-	#	-	-	-	-	#	#
Balance outstanding at the year end										
Receivables										
JMFICS	-	-	-	-	-	-	11.68	1.70	11.68	1.70
AMC*	-	0.22	-	-	-	-	-	-	-	0.22
SSF*	-	15.10	-	-	-	-	-	-	-	15.10
ARC	1.58	-	-	-	-	-	-	-	1.58	-
Trustee	0.20	-	-	-	-	-	-	-	0.20	-
VNK	-	-	0.01	-	-	-	-	-	0.01	-
Payables										
JMFICS	-	-	-	-	-	-	0.43	0.30	0.43	0.30
NNK	-	-	#	5.92	-	-	-	-	#	5.92
VNK	-	-	4.50	-	1.44	-	-	-	4.50	1.44

*Earlier an associate company, became subsidiary during the year

Below Rs.50,000/-

Schedules (Consolidated)**Annexure II to point I6 of schedule K****Segmentwise details**

(Rs. in crore)

Particulars	As at 31.03.2008	As at 31.03.2007
Segment revenue		
A Investment banking and securities business	615.34	425.88
B Asset management	22.74	-
C Alternative asset management	40.16	9.08
D Securities funding and fund based activities	86.83	26.70
E Unallocated	43.72	41.81
Total segment revenue	808.79	503.47
Less: Inter-segmental revenue	66.50	59.42
Total revenue before exceptional item	742.29	444.05
Add: Profits on sale of investments (Net)	1,629.89	-
Total revenue	2,372.18	444.05
Segment results		
A Investment banking and securities business	187.09	151.39
B Asset management	(17.45)	-
C Alternative asset management	4.77	0.04
D Securities funding and fund based activities	70.24	23.47
E Unallocated	35.50	8.04
Total segment results before exceptional item	280.15	182.94
Add: Exceptional items (Net)	1,509.60	-
Total segment results	1,789.75	182.94
Segment assets		
A Investment banking and securities business	1,400.78	911.88
B Asset management	80.30	14.19
C Alternative asset management	444.01	55.90
D Securities funding and fund based activities	1,327.56	536.88
E Unallocated	397.88	174.21
Total segment assets	3,650.52	1,693.05

Schedules (Consolidated)

Annexure II to point I6 of schedule K (contd.)

(Rs. in crore)

Particulars	As at 31.03.2008	As at 31.03.2007
Segment liabilities		
A Investment banking and securities business	887.46	557.84
B Asset management	10.90	3.13
C Alternative asset management	40.86	18.34
D Securities funding and fund based activities	613.89	346.00
E Unallocated	234.09	42.00
Total segment liabilities	1,787.20	967.31
Capital expenditure incurred during the year		
A Investment banking and securities business	10.79	13.87
B Asset management	1.33	–
C Alternative asset management	3.66	0.40
D Securities funding and fund based activities	0.24	0.03
E Unallocated	0.76	0.10
Total capital expenditure	16.77	14.40
Depreciation / amortisation for the year		
A Investment banking and securities business	7.83	6.94
B Asset management	1.28	–
C Alternative asset management	0.54	0.05
D Securities funding and fund based activities	0.04	0.03
E Unallocated	0.10	0.03
Total depreciation / amortisation	9.79	7.04

Schedules (Consolidated)

Statement of consolidated cash flow for the year ended March 31, 2008

Annexure III to point no.17 of schedule K

(Rs. in crore)

Particulars	For the year ended 31.03.2008	For the year ended 31.03.2007
A Cashflow from operating activities		
Net profit before tax	1,789.75	182.94
Adjustment for :		
Depreciation	9.79	7.04
Provision on standard assets	12.04	0.09
(Profit) / Loss on sale of investments	(1,642.23)	(6.52)
Provision for doubtful debts	1.01	1.00
Dividend income	(34.45)	(12.24)
Interest income	(51.38)	(14.22)
Interest expenses	32.83	7.84
Bad debts written off	0.41	0.38
(Profit)/ Loss on sale of fixed assets	0.10	0.16
Sundry liabilities written back	-	(0.08)
Provision for gratuity	3.24	0.30
Operating profit before working capital changes	121.11	166.69
Adjustment for :		
(Increase) / Decrease in trade & other receivables	(746.51)	3,374.47
Increase / (Decrease) in trade payables	(72.96)	(3,158.32)
Cash generated from / (used in) operations	(698.36)	382.84
Direct taxes paid	(84.50)	(70.68)
Net cash from / (used in) operating activities	(782.86)	312.16
B Cashflow from investment activities		
Purchase of investments	(20,795.73)	(165.99)
Sale of investments	21,772.53	28.69
Direct taxes paid	(360.00)	-
Purchase of fixed assets	(23.77)	(14.40)
Sale of fixed assets	1.26	0.23
Capital reserve adjustment on acquisition & sale (net)	67.42	-
Goodwill on acquisition	(107.54)	-
Adjustment of minorities interest due to increase in stake in subsidiaries	(47.20)	-
Interest income	51.38	14.22
Dividend income	34.45	12.24
Net cash from / (used in) investment activities	592.80	(125.01)

Schedules (Consolidated)

Annexure III to point no.17 of schedule K (contd.)

Particulars	For the year ended 31.03.2008	For the year ended 31.03.2007
C Cashflow from financing activities		
Proceeds / (Redemption) from share capital including securities premium	–	134.29
Proceeds from borrowings	18,507.63	3,401.03
Repayment of from borrowings	(17,874.57)	(3,279.47)
Share Issue expenses	(3.55)	(3.17)
Interest paid	(32.83)	(3.50)
Dividend paid including corporate tax	(15.00)	(8.55)
Dividend paid to minority shareholders	(2.55)	(2.06)
Tax paid on dividend by subsidiaries / joint venture	(0.05)	(4.37)
Net cash from financing activities	579.08	234.21
Net increase in cash & cash equivalents	389.02	421.36
Cash & cash equivalents (opening)	513.36	92.00
Cash & cash equivalents (closing) (refer note no. 3)	902.38	513.36

Notes:

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

Cash and bank balances	902.40	514.88
Less: Overdrawn bank balances as per books	(0.02)	(1.52)
Balance as shown in cash flow statement	902.38	513.36
- The interest income reflected above is other than interest income of securities funding and fund based activity whose interest income of Rs. 86.24 crore (net of interest expenses of Rs. 101.97 crore) (previous year Rs. 26.70 crore and Rs. 43.96 crore respectively) being treated as income from operating activities.

As per our attached report of even date

**For and on behalf of
Khimji Kunverji & Co.**
Chartered Accountants

Shivji K Vikamsey
Partner
Membership No. 2242

Place: Mumbai
Date: May 28, 2008

For and on behalf of the Board of Directors

Nimesh N Kampani
Chairman & Managing Director

Manish Sheth
Chief Financial Officer

E A Kshirsagar
Director

P K Choksi
Company Secretary

Schedules (Consolidated)**Annexure IV to point no.18 of schedule K**

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	As at 31.03.2008	As at 31.03.2007
SOURCES OF FUNDS		
Shareholders' funds :		
Share capital	0.80	4.91
Reserves and surplus	1.59	97.28
Loan funds :		
Unsecured loans	2.17	10.75
Funds employed	4.56	112.94
APPLICATION OF FUNDS		
Fixed assets :		
Gross block	0.26	14.98
Less : Depreciation	0.06	10.68
Net block	0.20	4.30
Capital work in progress	-	0.11
	0.20	4.41
Investments	0.08	42.49
Deferred tax assets (net)	0.02	0.01
Current assets, loans and advances :		
Sundry debtors	1.10	35.30
Cash and bank balances	0.01	293.13
Loans and advances	0.98	44.25
	2.09	372.68
Less : Current liabilities and provisions :		
Current liabilities	1.16	306.32
Provisions	0.09	0.33
	1.25	306.65
Net current assets	0.84	66.03
Profit & loss account (Debit balance)	3.43	-
Funds utilised	4.56	112.94
Contingent liability	-	6.77
Capital reserve on consolidation	1.00	7.08

Schedules (Consolidated)

Annexure IV to point no. 18 of schedule K (contd.)

(Rs. in crore)

Profit and loss account	As at 31.03.2008	As at 31.03.2007
INCOME		
Commission, brokerage and fees income	66.27	102.96
Management fees	4.60	0.08
Interest & other income	19.89	18.37
TOTAL	90.77	121.41
EXPENDITURE		
Payments to and provisions for employees	29.32	32.59
Operating and administration expenses	12.70	20.55
Interest	0.27	0.06
Depreciation / amortisation	0.65	1.10
TOTAL	42.95	54.30
Profit before tax	47.82	67.11
Provision for tax		
- Current tax	16.51	21.56
- Deferred tax	(0.02)	0.10
- Fringe benefit tax	0.11	0.18
	16.60	21.84
Profit after tax	31.21	45.27

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

- 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
- JSB Securities Limited
- FICS Consultancy Services Limited
- Kampani Consultants Limited
- SNK Investments Private Limited
- Persepolis Investment Company Private Limited
- Kampani Properties & Holdings Limited

Names of the subsidiaries, associates, and joint ventures entities are given in para II (I) of Schedule 'K'



Our core team



Our thought leadership



*Reaching out :
Walkathon 2008; inauguration of a school for destitutes; medical camps for the elderly.*



Celebrating our people

JM FINANCIAL LIMITED

ATTENDANCE SLIP

Twenty Third Annual General Meeting
(To be handed over at the entrance of the Meeting hall)

I hereby record my presence at the TWENTY THIRD ANNUAL GENERAL MEETING of the Company on Friday, July 25, 2008 at 4.00 p.m. at Walchand Hirachand Hall, 4th Floor, Indian Merchants' Chamber, Churchgate, Mumbai - 400 020.

Full name of Member (in BLOCK LETTERS) _____

Folio No.: _____ Client ID: _____ DP ID: _____

No. of Shares held: _____

Full name of Proxy (in BLOCK LETTERS) _____

Member's / Proxy's Signature _____

..... CUT HERE

JM FINANCIAL LIMITED

PROXY FORM

Folio No.: _____ Client ID: _____ DP ID: _____ No. of Shares held: _____

I/We _____ of _____ in the district of _____

being a Member / Members of the above named Company hereby appoint _____

of _____ in the district of _____ or failing him / her _____

_____ of _____ in the district of _____ as my / our proxy

to vote for me / us on my / our behalf at the TWENTY THIRD ANNUAL GENERAL MEETING of the Company to be held on Friday, July 25, 2008 and at any adjournment thereof.

Affix
Re. 1/-
Revenue
Stamp

Signed this ____ day of _____ 2008

Signature across Revenue Stamp

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

..... CUT HERE

JM FINANCIAL LIMITED

MANDATE FORM - ELECTRONIC CLEARING SERVICE (ECS)

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

To

_____ (Name & Address of the DP / RTA / Company)

Please register the following details for receipt of dividend:

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

Date:

Signature of the Member(s)

Members are requested to send their question(s), if any, to the Company Secretary /Chief Financial Officer at the registered office of the Company, so that the answers / details can be kept ready.

JM FINANCIAL
Trust is always the answer

Corporate Investment Advisory Group • Private Wealth Group • Independent Financial Advisory Group • Equity Brokerage Group