
REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2004-05

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance envisages the attainment of the highest level of transparency, accountability and equity, in all facets of its activities, processes and its interaction with shareholders. It is our commitment to continue to provide the best services and also instil pride among our stakeholders.

Your Company considers Corporate Governance as a systematic process which is directed and controlled to enhance its wealth generating capacity. We believe that the governance process should ensure that the Company is managed in a manner that meets stakeholders aspirations. The management strives to drive the Company in a direction whereby it will achieve its predetermined objectives and goals as well as increase the long term value of its shareholders. The management acts in the best interests of the Company and remains accountable to its shareholders and shall continue to do so in future.

II. BOARD OF DIRECTORS

a. Composition of the Board:

The present Board comprises of four Directors, all of them being Non-Executive Directors and hence the Company meets with the requirement of clause 49 of the Listing Agreement. The Company has a Non-Executive Chairman and the number of Independent Directors on the Board is more than one-third of the total number of Directors.

The Directors of the Company, with their multidisciplinary approach, diverse knowledge, experience and expertise, provide valuable contribution in the deliberations and decisions of the Board. Apart from the sitting fees paid for attending the Board/Committee Meetings, the Non-Executive Directors did not have any material pecuniary relationship or transactions with the Company, which may have a bearing on their independent judgement.

b. Board Meetings and Attendance:

During the year under review, the Board of Directors met six times on the following dates:

May 10, 2004,	May 28, 2004,	July 21, 2004,
August 2, 2004,	October 19, 2004,	January 31, 2005.

The interval between two Board Meetings did not exceed 4 months period as stipulated under the above clause 49. The Board, on a need based basis, reviews the actions and decisions taken by it and the Audit Committee.

The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the year and also at the last Annual General Meeting, the number of Directorships and Committee Memberships held by them as at March 31, 2005 are given below:

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Name of the Directors	Category	No. of Board Meetings attended during the year 2004-05	Whether attended the last AGM held on August 2, 2004	No. of Directorships in other companies		No. of Committee Memberships held in other public companies*	
				Public	Private	Chairman	Member
Mr. Nimesh N Kampani	Non Executive Chairman	6	Yes	8	7	3	6
Mr. M R Mondkar	Independent and Non Executive Director	6	Yes	—	1	—	—
Mr. Ashith N Kampani	Independent and Non Executive Director	5	Yes	—	1	—	—
Mr. Anant V Setalvad #	Independent and Non Executive Director	2	No	NA	NA	NA	NA
Mr. E A Kshirsagar	Independent and Non Executive Director	4	Yes	3	1	3	5

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

Tendered resignation on October 29, 2004.

None of the Directors on the Board hold directorship in more than 15 public companies and no Director is a Member of more than 10 Committees and Chairman of more than 5 Committees (as specified in clause 49), across all the public companies of which he is a Director.

Particulars of a Director retiring by rotation at the ensuing Annual General Meeting:

Mr. Nimesh N Kampani, Chairman of the Company, retires by rotation at the ensuing Annual General Meeting and offers himself for reappointment. Mr. Kampani holds a Bachelors degree in Commerce and is also a qualified Chartered Accountant. He is a well known Investment Banker and has over the past 31 years built a strong domestic franchise by establishing the JM Financial Group in India through the promotion of J. M. Financial & Investment Consultancy Services Private Limited in 1973. He has also established the group's presence in the Asset Management Industry through the promotion of JM Financial Mutual Fund. He has been associated with your Company since its incorporation. He has wide and varied experience in investment banking, securities and asset management businesses.

JM Financial Group, headed by Mr. Kampani, set up a joint venture with Morgan Stanley in India in 1999, inter alia, to carry on the business of Investment Banking, Institutional Securities and Retail Sales and Distribution through various entities. Mr. Kampani is currently the Chairman and Managing Director of JM Morgan Stanley Private Limited, the Investment Banking Company and the Chairman of other entities belonging to JM Morgan Stanley Group. Additionally, Mr. Kampani holds Directorship and Committee Chairmanship/Membership of the following public companies:

Name of the Public Companies in which Directorship held	Committee Chairmanship/Membership
Apollo Tyres Limited Britannia Industries Limited	Audit Committee (Chairman) Investors' Grievance Committee (Member)
Deepak Nitrite Limited Escorts Limited Gujarat Ambuja Cements Limited	Audit Committee (Chairman) Remuneration/Compensation Committee (Member)
KSB Pumps Limited Kampani Consultants Limited (Chairman) Ranbaxy Laboratories Limited	Audit Committee (Chairman) Remuneration/Compensation Committee (Member)

III. COMMITTEE OF DIRECTORS

a. Audit Committee:

The Audit Committee, at present, comprises of three Non-Executive cum Independent Directors, viz., Mr. M R Mondkar-Chairman, Mr. E A Kshirsagar and Mr. Ashith N Kampani. The members of the Committee are well versed in finance, accounts, legal matters and general business practices. The Minutes of the Audit Committee Meetings are circulated and noted at the Board Meetings.

The Audit Committee provides direction to the audit and risk management functions of the Company and monitors the quality of external audit. The broad terms of reference of the Audit Committee includes overseeing the Company's financial reporting process to ensure proper disclosure in the financial statements, recommending the appointment or removal of statutory auditors and fixing their remuneration, reviewing the annual financial statements before submission to the Board, any changes in accounting policies and practices, major accounting entries, qualifications in the draft audit report, if any, review of any significant adjustments arising out of audit, the going concern assumption, deliberations on the accounting policies, stock exchange and legal requirements concerning financial statements, related party transactions that may have potential conflict of interest, review of adequacy of internal control systems, review of the findings and observations of internal investigations, discussion with the statutory auditors on any significant findings and follow up on such issues to ascertain any area of concern, reviewing the Company's financial and risk management policies and looking into reasons of substantial defaults, if any, for non-payment to shareholders, creditors, etc.

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The Committee met four times on May 10, 2004, July 21, 2004, October 19, 2004 and January 31, 2005. The number of meetings attended by each member of the Audit Committee is given below:

Sr. No.	Name	Category	Number of Meetings Attended
1.	Mr. M R Mondkar	Non-Executive & Independent Director	4
2.	Mr. Nimesh N Kampani *	Non-Executive Director	2
3.	Mr. E A Kshirsagar #	Non-Executive & Independent Director	2
4.	Mr. Ashith N Kampani	Non-Executive & Independent Director	4

* Ceased to be member of the Committee w.e.f. July 21, 2004

Appointed a member of the Committee w.e.f. July 21, 2004

b. Shareholders'/Investors' Grievance Committee:

The Shareholders'/Investors' Grievance Committee comprises of two Non-Executive Directors - Mr. M R Mondkar - Chairman and Mr. Ashith N Kampani. The Shareholders'/Investors' Grievance Committee looks into the redressal of the complaints of shareholders and investors, if any. The Company had received 87 complaints during the financial year 2004-05 and the same have been suitably dealt with. No complaints were pending as of March 31, 2005.

Mr. P K Choksi was named as the Compliance Officer for monitoring the share transfer process and other related matters.

c. Remuneration Committee:

As there are no Executive Directors, the Board did not consider it necessary to have a Remuneration Committee. The Non-Executive Directors are paid sitting fees for attending each Meeting of the Board and Committees thereof. The sitting fees for attending the Board Meetings were increased from Rs.2000/- to Rs.5000/- and the Audit Committee Meetings were increased from Rs.1000/- to Rs.3000/-, by the Board at its Meeting held on May 10, 2004. The details of the sitting fees paid to the Directors during the financial year 2004-05 are given below:

Name of the Director/Member	Sitting Fees paid during the year 2004-05 (in Rupees)	
	Board Meeting	Audit Committee Meeting
Mr. Nimesh N Kampani	27000	4000
Mr. M R Mondkar	27000	10000
Mr. Ashith N Kampani	22000	10000
Mr. Anant V Setalvad	10000	NA
Mr. E A Kshirsagar	20000	6000

IV. GENERAL BODY MEETINGS

The last three Annual General Meetings were held at Kamalnayan Bajaj Hall, Bajaj Bhavan, Nariman Point, Mumbai. The details of the said meetings including the type of resolutions(s) passed are mentioned below:

Date	Time	Type of Resolution	Voting Pattern
August 30, 2002	3.30 p.m.	—	—
September 10, 2003	3.30 p.m.	—	—
August 2, 2004	3.30 p.m.	Special	Show of hands

During the financial year 2004-05, Special Resolutions were passed by Postal Ballot for alteration of the object clause of the Memorandum of Association and Inter-Corporate Loans and Investments pursuant to Sections 17 and 372A, respectively, of the Companies Act, 1956. The Scrutiniser examined and verified the Postal Ballot forms received from the shareholders and a report to that effect was given to the Chairman, who in turn, declared the result of the Postal Ballot at the Nineteenth Annual General Meeting of the members of the Company held on August 2, 2004.

V. MANAGEMENT DISCUSSION AND ANALYSIS**Industry Structure and Developments:**

The Financial Year 2004-05 was a good year as far as the Indian Capital Market is concerned. Barring the fall of May 17, 2004, the equity markets saw a steady rise throughout the year. The buoyancy in secondary market led to increased activities in the initial public offerings by corporates. The Foreign Institutional Investors (FIIs) continued to pump additional funds in the Indian Equity Markets and their investments hit a record level. The BSE Sensex at the end of the calendar year 2004 touched around 6600 levels. The new Government announced encouraging measures for the capital market such as removal of tax on long term capital gains and reduction of tax rate on the short term capital gains. These steps gave a further boost to the investment activities in the Indian capital market.

Opportunities and Threats:

Being a Securities Company, there are many opportunities in the market place considering the sustained growth in the economy of the country and foreign countries having a positive outlook on India. In the recent past, India has become one of the most attractive markets for investments. This would lead to lots of foreign funds coming to Indian Markets, which would throw up many business opportunities. Since the nature of the Company's business is cyclical, it involves various risks arising out of the volatility. The major threat to the business of the Company is the change and development taking place on fundamental, political and technical fronts. Depending upon the business cycle, your Company's business goes up and down.

Segment-wise or Product-wise performance:

The Company is mainly engaged in securities activities, which is considered to be the only business segment. The geographical segments are not applicable to your Company.

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Outlook:

During the year under review, the Company, consequent upon the change in its name, has also changed its main object clause. The Company continues to hold 49% equity stake in JM Morgan Stanley Securities Private Limited (hereinafter referred to as "JM Morgan Stanley"). Since the stock market was upbeat for most part of the year, JM Morgan Stanley has shown improved performance during the same period. Considering the better performance for the year 2004-05, the Board of JM Morgan Stanley declared an interim dividend of Rs. 20/- per share in March 2005, in addition to the final dividend of Rs. 7/- per share for the year 2003-04. The Company has received the dividend, which is reflected in its income during the year under review. The declaration of an interim dividend was on account of healthy performance of JM Morgan Stanley during the year 2004-05. The quantum of such dividend by JM Morgan Stanley would generally depend on their ongoing performance and may or may not recur.

Risk and Concerns:

The Company is engaged in securities activities which are contingent upon market conditions, economic factors and political stability. The Company is not exposed to any such risks that can be specifically categorised as business operations risk.

Internal Control Systems and their adequacy:

Most of the activities of the Company are outsourced and the existing systems are adequate to take care of adverse eventualities, if any. The main source of income of the Company is through dividend from JM Morgan Stanley. At the moment, there are no other direct business activities and the current internal control and processes are adequate.

Financial Performance:

The Company has earned a Gross Income of Rs.1372.17 lacs during the year under review as against Rs. 428.83 lacs earned in the previous year. The profit before depreciation and provisions is Rs.1348.24 lacs as against Rs. 402.09 lacs recorded in the previous year, after accounting for expenses of Rs. 23.93 lacs (previous year – Rs. 26.74 lacs). The net profit recorded by the Company for the year is Rs.947.59 lacs as against Rs. 260.96 lacs in the previous year. The higher income during the year under review is attributable to the higher dividend income earned by the Company from JM Morgan Stanley.

Human Resources:

Since the activities of the Company are outsourced on a need based basis, the Company did not have any employee during the year under review.

VI. DISCLOSURES

There are no materially significant transactions with related parties i.e., promoters, directors, or their relatives and subsidiaries, which have any conflict of interest vis-à-vis the Company. The Related Party Disclosures form part of the Annual Report and is indicated at item no. 10 in the Notes to Accounts.

There have been no instances of non-compliance with the Stock Exchange Listing Agreement or Regulations and/or SEBI Regulations as are applicable to your Company, nor any cases of penalties or strictures imposed by any Stock Exchange or SEBI or any other statutory authority for any violation relating to the Capital Market, during the last three years.

In line with the requirements of SEBI, Secretarial Audit is carried out on a quarterly basis by a firm of practising Company Secretaries to confirm that the aggregate number of equity shares of the Company held in NSDL and CDSL and in physical form tally with the total number of issued, paid-up, listed and admitted capital of the Company.

VII. MEANS OF COMMUNICATION

The Quarterly and Half Yearly Results of your Company were published in Free Press Journal (English Newspaper) and in Navshakti (Marathi Newspaper-Regional Language), except that the fourth quarter results, were published in Financial Express (English Newspaper).

As per the requirements of clause 51 of the Listing Agreement, all the data related to quarterly financial results, shareholding pattern, annual report, etc. are uploaded on the website, www.sebiedifar.nic.in.

VIII. GENERAL SHAREHOLDERS' INFORMATION

Annual General Meeting:

Date and Time	: July 6, 2005 at 3.30 p.m.
Venue	: Kamalnayan Bajaj Hall, Bajaj Bhavan Nariman Point, Mumbai 400 021
Financial Year	: 1 st April to 31 st March
Date of Book Closure	: June 28, 2005 to July 6, 2005 (both days inclusive)
Dividend Payment Date	: July 9, 2005
Listing on Stock Exchanges	: The Stock Exchange, Mumbai (BSE) Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai - 400 001

The Company has paid the Annual Listing fees to the BSE for the Financial Year 2005-06.

Stock Code:

The Stock Exchange, Mumbai	: 523405
ISIN number for NSDL and CDSL	: INE780C01015

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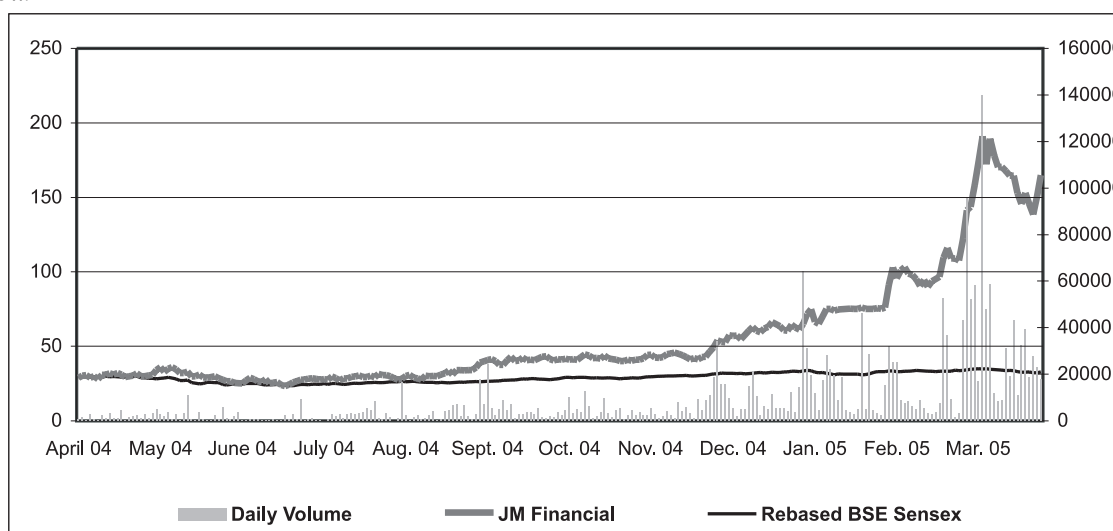
Market Price Information:

Details about monthly opening, high, low and closing prices and volume of shares of your Company traded on The Stock Exchange, Mumbai (BSE) are given below :

Month	Open Rs.	High Rs.	Low Rs.	Close Rs.	No. of Shares Traded
April 2004	28.00	32.20	27.60	30.90	33698
May 2004	30.90	36.90	23.05	26.50	70708
June 2004	25.25	29.90	23.30	28.30	27196
July 2004	27.50	31.95	25.00	30.00	49899
August 2004	30.00	36.00	26.50	34.00	65638
September 2004	34.00	44.40	33.80	41.50	119125
October 2004	41.25	45.00	38.05	41.00	87595
November 2004	41.00	51.30	40.05	49.20	100465
December 2004	46.50	68.00	46.50	65.10	277609
January 2005	66.50	79.90	65.00	75.60	284425
February 2005	75.05	119.90	75.00	109.00	266431
March 2005	109.00	198.00	106.00	165.05	852356

Source: BSE database

The performance of the Company's Equity Shares vis-à-vis the BSE Sensitive Index (Sensex) is given in the chart below.



Registrars and Share Transfer Agents:

MUMBAI OFFICE

M/s. Sharepro Services
Investor Relation Centre
912, Raheja Centre
Free Press Journal Road
Nariman Point, Mumbai - 400 021
Contact Person:
Mr. Sadashiv Anchan - Tel. No. 2288 1568
Counter Timings: 10.00 a.m. to 5.00 p.m.

ANDHERI OFFICE

M/s. Sharepro Services
3rd Floor, Satam Industrial Estate
Above Bank of Baroda
Cardinal Gracious Road, Chakala
Andheri (East), Mumbai - 400 099
Contact Person:
Mr. Raagesh - Tel. No. 2821 5168
Counter Timings: 10.00 a.m. to 5.00 p.m.

Share Transfer System:

The Company's investor related services are handled by M/s. Sharepro Services. Physical shares received for transfer are duly transferred and returned to the investors well within the statutory time period, provided the documents are complete in all respects. The Share Transfer Committee meets regularly to approve the transfer proposals. All requests for dematerialisation of shares are processed and confirmed to the depositories viz., NSDL and CDSL, within 15 days. The details of the share transfers are reported to the Board of Directors for its noting. Total of 388 transfers for 43,550 physical shares were approved during the year 2004-05. The share transfer requests (81 in numbers) received in the last fortnight aggregating 9700 shares, were pending as of the above said date.

Information about shareholding as of March 31, 2005

I. Distribution of Shareholding :

No. of Shares held	Shareholders		Shares	
	Nos.	% age	Nos.	% age
1- 500	5244	89.18	948964	8.38
501-1000	365	6.21	290433	2.56
1001-2000	106	1.80	164011	1.45
2001-3000	48	0.82	120206	1.06
3001-4000	29	0.49	103500	0.91
4001-5000	22	0.37	104925	0.93
5001-10000	28	0.48	196444	1.74
10001 and above	38	0.65	9396517	82.97
	5880	100.00	11325000	100.00

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II. Categories of Shareholders:

Category	No. of Shares held	Amount Rs.	% of Total Issued Capital
Promoters:			
Bodies Corporate	6102395	61023950	53.88
Directors and their relatives	1724750	17247500	15.23
	7827145	78271450	69.11
Non Promoters:			
Bodies Corporate	1443866	14438660	12.75
Public	2019664	20196640	17.83
Non-Resident Indians	34325	343250	0.31
	3497855	34978550	30.89
Total	11325000	*113250000	100.00

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

Dematerialisation of Shares and Liquidity:

As of March 31, 2005, 98,69,699 shares representing 87.15% of the Company's share capital were in electronic mode. The Company's shares are frequently traded on The Stock Exchange, Mumbai(BSE). Out of the above shares in electronic mode, 96,70,726 shares representing 85.39% have been dematerialised under NSDL Depository, whereas 1,98,973 shares representing 1.76% have been dematerialised under CDSL Depository.

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

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

Plant Locations - Not Applicable

Address for correspondence: 141, Maker Chambers III
Nariman Point
Mumbai - 400 021

All material requirements with respect to Corporate Governance as stipulated in the Listing Agreement have been complied with.



JM FINANCIAL LIMITED
(Formerly known as J. M. Share & Stock Brokers Limited)

CERTIFICATE

To the Members of
JM Financial Limited

We have examined the compliance of conditions of Corporate Governance by JM Financial Limited, for the year ended on March 31, 2005 as stipulated in clause 49 of the Listing Agreement of the said Company with The Stock Exchange, Mumbai, in India.

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

In our opinion and to the best of our 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 clause 49 of the Listing Agreement.

We state that there were no investor grievances pending against the Company as on March 31, 2005, as per the records maintained by the Company and presented to the Shareholders'/Investors' Grievance Committee.

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

For & on behalf of

KHIMJI KUNVERJI & CO
Chartered Accountants

SHIVJI K VIKAMSEY

Partner

Membership No. 2242

PLACE : MUMBAI
DATE : MAY 4, 2005