

REPORT ON CORPORATE GOVERNANCE

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

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

I. COMPANY'S PHILOSOPHY

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

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

II. BOARD OF DIRECTORS

(A) Composition of the Board:

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

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

(B) Board Meetings and Attendance:

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

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

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

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

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

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

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

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

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

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

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

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

III. COMMITTEE OF DIRECTORS

a. Audit Committee:

i) Brief description of terms of reference

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

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

ii) Composition, Names of Members and Chairman

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

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

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

b. Shareholders'/Investors' Grievance Committee:

Terms of reference

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

The Committee consists of:

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

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

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

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

IV. CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT

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

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

"I hereby confirm that:

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

Manish Sheth

Manager & Chief Financial Officer"

V. GENERAL BODY MEETINGS

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

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

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

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

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

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

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

VI. MANAGEMENT DISCUSSION AND ANALYSIS

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

VII. DISCLOSURES

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

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

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

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

VIII. MEANS OF COMMUNICATION

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

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

IX. GENERAL SHAREHOLDERS' INFORMATION

Annual General Meeting	
Date and Time	: September 7, 2006 at 4.00 p.m.
Venue	: Kamalnayan Bajaj Hall, Bajaj Bhavan Nariman Point, Mumbai - 400 021
Financial Year	: 1st April to 31st March
Date of Book Closure	: September 1, 2006 to September 7, 2006 (both days inclusive)
Dividend Payment Date	: September 9, 2006
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
Listing Fees	: The Company has paid the Annual Listing fees to the BSE as per the Listing Agreement
ISIN Number	: INE780C01015
BSE Code	: 523405
Registered Office	: 141, Maker Chambers III Nariman Point Mumbai - 400 021

Registrars and Share Transfer Agents

NARIMAN POINT OFFICE

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

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

ANDHERI OFFICE

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

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

Plant Locations

: Not Applicable

Address for correspondence

: 522, Tulsiani Chambers
Nariman Point
Mumbai - 400 021

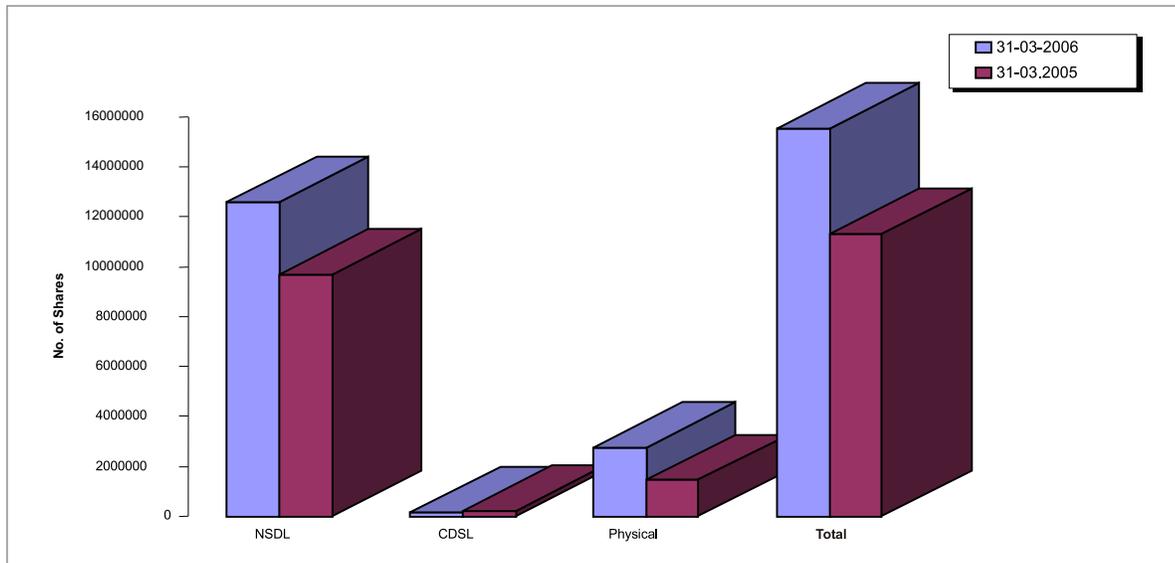
Share Transfer System

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

Dematerialisation of Shares and Liquidity

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

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



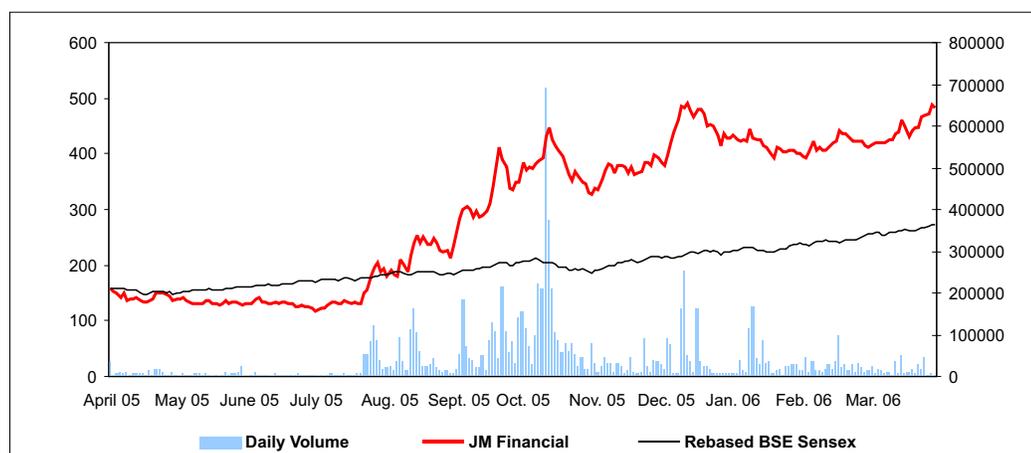
Stock Market data relating to shares listed:

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

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

Source: www.bseindia.com

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



Information about Shareholding as of March 31, 2006:

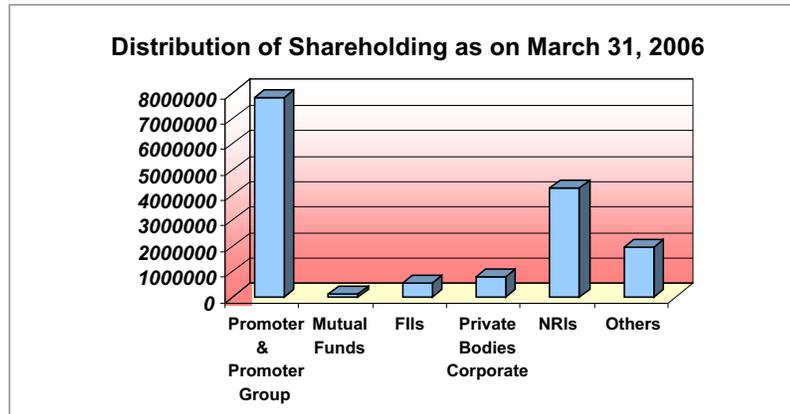
I. Distribution of Shareholding:

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

II. Categories of Shareholders:

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

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



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

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

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

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

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

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

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

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

Compliance Certificate of the Auditors

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

ADDITIONAL INFORMATION FOR THE SHAREHOLDERS

1. Nomination Facility:

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

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

2. Dematerialisation/Rematerialisation of Shares:

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

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

3. Electronic Clearing Service (ECS) Facility:

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

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

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

4. MCA 21 Portal:

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

5. Change of Address:

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

6. Change of Name:

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

7. Transfer of Shares:

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

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

8. General Rights of the Shareholders:

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

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of **JM Financial Limited**

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

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

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

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

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

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

Shivji K Vikamsey
Partner
Membership No.2242

Place : Mumbai
Date : June 29, 2006