

JM FINANCIAL

JM FINANCIAL LIMITED

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**TWENTIETH ANNUAL REPORT
2004-05**

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BOARD OF DIRECTORS

Mr. Nimesh N Kampani — Chairman
Mr. M R Mondkar
Mr. Ashith N Kampani
Mr. E A Kshirsagar
Mr. Anant V Setalvad (Resigned w.e.f. from October 29, 2004)

REGISTERED OFFICE

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

BANKERS

HDFC Bank Limited
Tulsiani Chambers
Nariman Point
Mumbai - 400 021

AUDITORS

M/s. Khimji Kunverji & Co
Chartered Accountants
Mumbai

SOLICITORS

M/s. Udwadia & Udeshi (Regd.)
Mumbai

REGISTRARS AND SHARE TRANSFER AGENTS

M/s. Sharepro Services
Satam Estate, 3rd Floor
Above Bank of Baroda
Chakala, Andheri (East)
Mumbai - 400 099



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

NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTIETH ANNUAL GENERAL MEETING OF THE MEMBERS OF JM FINANCIAL LIMITED (FORMERLY KNOWN AS J. M. SHARE & STOCK BROKERS LIMITED) WILL BE HELD ON WEDNESDAY, JULY 6, 2005 AT 3.30 P.M. AT KAMALNAYAN BAJAJ HALL, BAJAJ BHAVAN, GROUND FLOOR, NARIMAN POINT, MUMBAI - 400 021 TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2005, the Profit and Loss Account for the year ended on that date and the reports of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Nimesh N Kampani, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint the Statutory Auditors and authorise the Board to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following as a Special Resolution:
"RESOLVED THAT pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") read with Article 120(3)(ii) of the Articles of Association of the Company, authority be and is hereby accorded for the payment of commission to the Directors of the Company, of up to 3% (three per cent) per annum of the net profits of the Company calculated in accordance with the provisions of Sections 349 and

350 of the Act, over a period of five years commencing from the ensuing financial year 2005-06 up to and including the financial year 2009-10, which is to be divided between the Directors in such a manner as the Board of Directors may from time to time determine."

By Order of the Board

NIMESH N KAMPANI
Chairman

Date: May 4, 2005

Registered Office:

141, Maker Chambers III
Nariman Point
Mumbai 400 021

NOTES:

- a. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE VALID MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- b. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business under item no. 5 set out above is annexed.
- c. The Register of Members of the Company will remain closed from Tuesday, June 28, 2005 to Wednesday, July 6, 2005 (both days inclusive).
- d. Members while corresponding with the Company or its Registrars & Share Transfer Agents viz.,

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M/s. Sharepro Services, are requested to quote their respective Folio Nos. or Client IDs.

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

ANNEXURE TO NOTICE

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

In respect of Item No. 5

Taking into consideration the increased role of Directors in the emerging competitive environment and their added responsibilities, it is proposed to pay to the Directors, a commission of up to 3% (three per cent) per annum of the net profits of the Company for each of the five financial years commencing from 1st April, 2005. The provisions of Section 309 of the Companies Act, 1956 ("the Act") requires every public company to pass a Special Resolution at a General Meeting of the members for paying such commission to the Directors. Further, the commission to be paid as above would be required

to be computed in accordance with the provisions of Sections 349 and 350 of the Act. It is also proposed to give authority to the Board of Directors to determine the quantum of commission to be thus paid to the Directors from time to time within the above limits.

In view of the above, your Directors recommend passing of the Special Resolution proposed at item no. 5 of the accompanying notice.

All the Directors may be deemed to be concerned or interested in the resolution at item no. 5 of the Notice to the extent of the commission that may be received by them.

By Order of the Board

NIMESH N KAMPANI
Chairman

Date: May 4, 2005

Registered Office:

141, Maker Chambers III
Nariman Point
Mumbai 400 021

**JM FINANCIAL LIMITED**

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

DIRECTORS' REPORT**TO THE MEMBERS,**

Your Directors have pleasure in presenting the Twentieth Annual Report of the Company together with the Audited Accounts for the year ended March 31, 2005.

FINANCIAL RESULTS :

For the year ended
March 31, 2005 **March 31, 2004**
(Rs. in Lacs) **(Rs. in Lacs)**

| | | |
|--|----------------|--------|
| Gross Income | 1372.17 | 428.83 |
| Profit before Depreciation, Diminution in value of Investments and Tax | 1348.24 | 402.09 |
| Depreciation | 1.77 | 1.77 |
| Provision for Diminution in the value of Investments | 400.00 | 140.00 |
| Profit before Tax | 946.47 | 260.32 |
| Provision for Current Tax | 0.25 | - |
| Deferred Tax adjustment | (1.37) | (0.64) |
| Profit after Tax | 947.59 | 260.96 |
| Balance Profit brought forward from previous year | 216.66 | 178.73 |
| Profit available for Appropriation | 1164.25 | 439.69 |
| APPROPRIATIONS | | |
| Proposed Dividend (subject to dividend tax) | 283.13 | 179.97 |
| Dividend Tax | 39.71 | 23.06 |
| General Reserve | 100.00 | 20.00 |
| Balance carried to Balance Sheet | 741.41 | 216.66 |
| | 1164.25 | 439.69 |

DIVIDEND:

Enthused by the performance of your Company, the Directors are pleased to recommend a higher dividend of 25% (Rs. 2.50 per share) subject to dividend tax (Previous year 16%) for the year ended March 31, 2005. The dividend, if declared, at the ensuing Annual General Meeting, will be paid to those members whose names appear in the Register of Members on June 28, 2005. The payment of dividend together with tax thereon will absorb Rs. 322.84 lacs.

PERFORMANCE HIGHLIGHTS:

As can be observed from the financial results, your Company has earned a Gross Income of Rs.1372.17 lacs (Previous year - Rs. 428.83 lacs), which includes a dividend income of Rs. 1344.66 lacs. Out of the said dividend income, your Company received an aggregate sum of Rs. 1323 lacs from JM Morgan Stanley Securities Private Limited, which comprised of two dividends viz., a final dividend of Rs.7/- per share for the year 2003-04 and an interim dividend of Rs. 20/- per share for the year 2004-05. While the profit before depreciation and provisions stood at Rs.1348.24 lacs (Previous year - Rs. 402.09 lacs), the net profit after provisions and tax amounted to Rs. 947.59 lacs (Previous year - Rs. 260.96 lacs).

CHANGE OF NAME:

The name of your Company has been changed from J. M. Share & Stock Brokers Limited to JM Financial Limited with effect from September 15, 2004 consequent upon the approval received from the Central Government pursuant to Section 21 of the Companies Act, 1956.

FIXED DEPOSITS:

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

COMPLIANCE CERTIFICATE FROM THE AUDITORS:

Your Company has obtained a certificate from the Statutory Auditors regarding compliance of the conditions of Corporate Governance as stipulated in clause 49 (VIII) of the Listing Agreement, which along with the Corporate

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Governance Report is set out as an annexure to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

The Board of Directors of your Company confirm that:

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

DIRECTORS:

In accordance with Article 130 of the Articles of Association of the Company read with the provisions of the Companies Act, 1956, Mr. Nimesh N Kampani, a director of the Company, retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for reappointment. Accordingly, an ordinary resolution reappointing him as a director of the Company forms part of the Notice convening the Annual General Meeting.

Mr. Anant V Setalvad, who was appointed on May 10, 2004 as a Director of the Company to fill in the casual vacancy caused by the resignation of Mr. Arunkumar R Gandhi, tendered his resignation from the directorship of the Company vide his letter dated October 29, 2004. The Board placed on record its sincere appreciation for the valuable contribution made by Mr. Setalvad during his short tenure as a director of the Company.

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

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

AUDITORS:

The retiring Auditors, namely, M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai, hold office until the conclusion of the ensuing Annual General Meeting and are seeking their reappointment. Members are requested to consider their appointment and authorise the Board to fix their remuneration for the year 2005-06.

PARTICULARS OF EMPLOYEES:

The information required under Section 217(2A) of the Companies Act, 1956 and the rules made there under is not required to be furnished as your Company did not have any employee during the year under review.

ACKNOWLEDGEMENT:

Your Directors wish to thank the shareholders for their continued and unstinted support. Additionally, the Directors also wish to place on record their sincere appreciation for the confidence reposed by them in the Company.

On Behalf of the Board of Directors

NIMESH N KAMPANI
Chairman

Date: May 4, 2005

Registered Office:

141, Maker Chambers - III
Nariman Point
Mumbai 400 021



JM FINANCIAL LIMITED
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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.

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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 | Audit Committee (Chairman) |
| Kampani Consultants Limited (Chairman) | |
| Ranbaxy Laboratories Limited | 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.