



Dynamic growth gets a new definition and a vibrant momentum.

Annual Report 2005-06

Our identity - the Red Triangle epitomises dynamic growth. The three sides of the triangle symbolise core brand values - Integrity, Innovation and Implementation. Depicting movement, motion, pace, agility and dynamism, the Red Triangle positions JM Financial as a distinct, powerful and adaptable financial force.





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JM FINANCIAL LIMITED

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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. Dilip Kothari	(w.e.f. January 23, 2006)
Dr. Pravin P Shah	(w.e.f. June 1, 2006)
Mr. Darius E Udawadia	(w.e.f. June 1, 2006)

COMPANY SECRETARY

Mr. P K Choksi

MANAGER & CHIEF FINANCIAL OFFICER

Mr. Manish Sheth

AUDITORS

M/s. Khimji Kunverji & Co.
Chartered Accountants
Mumbai

BANKERS

HDFC Bank Limited
Tulsiani Chambers
Nariman Point
Mumbai - 400 021

SOLICITORS

M/s. Udawadia & Udeshi (Regd)
Solicitors & Advocates
Mumbai

REGISTRARS AND SHARE TRANSFER AGENTS

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

REGISTERED OFFICE

141, Maker Chambers III
Nariman Point
Mumbai - 400 021

CORPORATE OFFICE

522, Tulsiani Chambers
Nariman Point
Mumbai - 400 021

NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY FIRST ANNUAL GENERAL MEETING OF THE MEMBERS OF JM FINANCIAL LIMITED WILL BE HELD ON THURSDAY, SEPTEMBER 7, 2006 AT 4.00 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, 2006, the Profit & 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. E A Kshirsagar, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. M R Mondkar, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint M/s. Khimji Kunverji & Co., Chartered Accountants, as Auditors and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS

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

“RESOLVED THAT Mr. Dilip Kothari, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 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 said Act has been left at the Registered Office of the Company by a Member signifying her 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 all other applicable provisions of the Companies Act, 1956.”

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

“RESOLVED THAT Dr. Pravin P Shah, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 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 said 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 all other applicable provisions of the Companies Act, 1956.”

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

“RESOLVED THAT Mr. Darius E Udawadia, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 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 said 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 all other applicable provisions of the Companies Act, 1956.”

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

“RESOLVED THAT in supersession of the Special Resolution passed by the Members at the Twentieth Annual General Meeting held on July 6, 2005, referred to under item number 5 of the Notice dated May 4, 2005, consent of the Company be and is hereby accorded pursuant to the provisions of Section 309(4) and all other applicable provisions, if any, of the Companies Act, 1956 (“the Act”) and Article 120(3)(ii) of the Articles of Association of the Company, to the payment and distribution of such sum by way of commission of up to 1% (one 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, or where the amount of commission payable exceeds 1% (one per cent) per annum then upto 3% (three per cent) per annum of the net profits of the Company, subject to the approval of the Central Government, for each of the five financial years commencing from April 1, 2006 to such Directors of the Company, the quantum, proportion, manner of such payment and distribution to be made as the Board of Directors of the Company may from time to time decide.”

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

“RESOLVED THAT in accordance with the provisions of Section 81(1A) and such other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 including any modifications thereof or supplements thereto (the “Guidelines”) and subject to such other approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall be deemed to include any Committee including the Remuneration/Compensation Committee, which the Board may at its discretion authorise to exercise its powers including the powers conferred by this Resolution); the consent of the Company be and is hereby accorded to the Board to offer, issue and allot at any time to or for the benefit of such person(s) who are in the permanent employment of the Company, including all Directors other than Promoter Directors of the Company, whether working in India or out of India, under a scheme called the “Employees Stock Option Scheme” (hereinafter referred to as the “Scheme”)



such number of equity shares and/or other equity linked instruments, including Options and/or any other instruments or securities of the Company (hereinafter referred to as "the Securities") which Securities, when issued and allotted would give rise to the issuance of equity shares of the face value of Rs. 10 each not exceeding 300,000 (Three Lakhs) in number, to such employees, at such time or times and at such price or prices, in one or more tranches and on such terms and conditions as may be determined by the Board in accordance with terms of the Scheme, the Guidelines or other provisions of the law as may be prevailing at that time".

"RESOLVED FURTHER THAT the Securities may be allotted directly to such employees in accordance with the Scheme framed in that behalf and that such Scheme may also contain provisions for providing financial assistance to the employees to enable them to acquire, purchase or subscribe to the Securities"

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

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

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

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

"RESOLVED THAT in accordance with the provisions of Section 81(1A) and such other applicable provisions, if any, of the Companies Act, 1956, ("the Act") and the Articles of Association of the Company, and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 including any modifications thereof or supplements thereto (the "Guidelines") and subject to such other approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall be deemed to include any Committee including the Remuneration/Compensation Committee which the Board may, at its discretion, authorise to exercise its powers, including the powers conferred by this Resolution), the consent of the Company be and is hereby accorded to the Board to extend the benefits of the Scheme proposed in the resolution, under item number 10 of this Notice to such person(s) who are in the permanent employment of its subsidiary companies, including all Directors, other than Promoter Directors of such subsidiary companies, whether working in India or out of India and/or such other persons, as may from time to time be allowed under laws, rules, regulations and guidelines as may be applicable, on such terms and conditions as may be decided by the Board."

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

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

"RESOLVED THAT the maximum number of Options to be issued under the Scheme proposed in the resolution under item number 10 of this Notice and/or as provided in the resolution under item number 11 of this Notice, to any one Non-Executive Director, including Independent Director, shall not in any case exceed such number of Options which would entitle such Director to subscribe to more than 300,000 Equity Shares of the Company in any financial year and the total number of Options to be issued to all such Directors will not exceed such number of Options which shall entitle them to subscribe to more than 300,000 Equity Shares of the Company in the aggregate."

By Order of the Board

P K Choksi
Company Secretary

Date: July 27, 2006

Registered Office:

141, Maker Chambers III
Nariman Point
Mumbai - 400 021

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NOTES

- a. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE VALID, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- b. The Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business at item numbers 6 to 12 of the Notice set out above are annexed hereto.
- c. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, September 1, 2006 to Thursday, September 7, 2006 (both days inclusive).
- d. Members while corresponding with the Company or its Registrars & Share Transfer Agents viz., Sharepro Services (India) Private Limited are requested to quote their respective Register Folio Numbers or Client IDs of their beneficiary accounts, as the case may be.
- e. **As you may be aware, the Company has made necessary arrangements for the members to hold their shares in electronic mode. Those members who are holding shares in physical form are requested to dematerialise the same by approaching any of the Depository Participants (DPs) registered with SEBI.**
- f. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends upto the financial year ended March 31, 1998, have been transferred to the General Revenue Account of the Central Government. Members who have so far not claimed their dividends for the said periods may claim the same by submitting an application in Form No. II, prescribed under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, to the Registrar of Companies, Maharashtra.
- g. **Payment of dividend through Electronic Clearing Services (ECS):**
 As per the Securities and Exchange Board of India (SEBI) Circular No. DCC/FIT/CIR 3/2001, all companies are mandatorily required to use ECS facility wherever available for distributing dividends, wherein the dividend amount would be directly credited to shareholders' bank account.
 The members, holding shares in dematerialised form are advised to intimate the bank details/change in bank details to their Depository Participant (DP). Further, members holding shares in physical form are advised to send bank details or changes therein to the Registrars & Share Transfer Agent (RTA) or to the Company.
 In case of absence of ECS facility, the Company will send the Dividend Warrants/Demand Drafts/Pay Orders to the registered address of the shareholders. To print the bank account details on the dividend warrants, shareholders are required to update their Bank details with the DP/RTA/Company.



MANDATE FORM ELECTRONIC CLEARING SERVICE (ECS)

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

To

..... (Name of the DP/RTA/Company)

..... (Address of the DP/RTA/Company)

Please register the following details for receipt of Dividend:

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

Date:

Signature of the Shareholder(s)

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ANNEXURE TO NOTICE

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

In respect of Item No. 6

Mr. Dilip Kothari was appointed as an Additional Director of the Company by the Board of Directors (the "Board") at their meeting held on January 23, 2006 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 a 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 a Member of the Company signifying her intention to propose Mr. Kothari 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 Member, if he is elected as a Director.

Mr. Kothari brings with him over 22 years of experience in global financial services industry, with 10 years in the United States of America and over 12 years in Asia. In the United States of America, he was with Citibank, where he held various senior management positions. His experience in Asia began in 1990 as Head of Credit Policy and Risk Management for Citibank Asia which was followed by a stint at HSBC from 1992 to 1998 as the Head of Consumer Bank, based in Singapore. He was appointed as a Managing Director of Olympus Capital Holdings, one of Asia's leading private equity firms in the year 1998.

The Board is of the view that your Company would immensely benefit from the rich and long experience of Mr. Kothari in the financial services sector and accordingly recommends the passing of an Ordinary Resolution proposed at item number 6 of the accompanying Notice.

Mr. Kothari is deemed to be concerned or interested in the resolution proposed at item number 6 of the accompanying Notice, since it relates to his own appointment.

In respect of Item No. 7

Dr. Pravin P Shah was appointed as an Additional Director of the Company by the Board of Directors (the "Board") at their meeting held on June 1, 2006 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 a 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 a Member of the Company signifying his intention to propose Dr. Shah 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 Member, if he is elected as a Director.

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, management consultancy, taxation, valuation, property matters, accounting, auditing, company laws and foreign exchange laws. He is currently associated with M/s. Pravin P Shah & Co., Chartered Accountants, Mumbai as a Partner. He has done Ph.D. in Cost Accounting from the University of Bombay and is also a member of the ICAI and ICWAI.

The Board is of the view that the Company would immensely benefit from the long years of experience in finance and taxation fields and the qualifications that Dr. Shah possesses and accordingly recommends the passing of an Ordinary Resolution proposed at item number 7 of the accompanying Notice.

Dr. Pravin P Shah is deemed to be concerned or interested in the resolution proposed at item number 7 of the accompanying Notice, since it relates to his own appointment.

In respect of Item No. 8

Mr. Darius E Udawadia was appointed as an Additional Director of the Company by the Board of Directors (the "Board") at their meeting held on June 1, 2006 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 a 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 a Member of the Company signifying his intention to propose Mr. Udawadia 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 Member, if he is elected as a Director.

Mr. Udwadia with his active law practice of over four decades brings with him valuable experience and expertise in the areas of 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. He has remained a Solicitor at the Supreme Court of England, U.K. and at the Bombay High Court. He 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 a Senior Partner.

The Board is of the view that the Company would immensely benefit from Mr. Udwadia's wide experience in the legal field and accordingly recommends the passing of an Ordinary Resolution proposed at item number 8 of the accompanying Notice.

Mr. Udwadia is deemed to be concerned or interested in the resolution proposed at item number 8 of the accompanying Notice, since it relates to his own appointment.

In respect of Item No. 9

At the last Annual General Meeting held on July 6, 2005, a Special Resolution, approving the payment of commission to the Non-Executive Directors up to 3% of the net profits of the Company per financial year, was passed. Since the Company now has a Manager under the Companies Act, 1956, the commission that could be paid to the Directors, pursuant to Section 309(4) of the Companies Act, 1956, is up to 1% of the net profits of the Company per financial year. Further, if the commission to be paid to the Directors exceeds 1% of the net profits of the Company per financial year, then approval of the Central Government is required.

In view of the above, it is proposed to pass a resolution which supersedes the resolution passed by the Members at the previous Annual General Meeting.

The Board therefore recommends the passing of the Special Resolution proposed at item number 9 of the accompanying notice.

All the Directors may be deemed to be concerned or interested in the resolution at item number 9 of the Notice to the extent of the commission that may be received by them.

In respect of Item Nos. 10 and 11

Total commitment, whole hearted support and team work of employees in various businesses have been the main growth drivers for the performance of the Company and its subsidiaries. The management of the Company, therefore, thought fit to encourage its employees to become partners in the long term growth and financial success of the Company through an appropriate mechanism.

It has now been accepted internationally that Stock Option is an effective instrument to align the interests of employees with those of the Company. This also provides an opportunity to employees to participate in the growth of the Company, besides creating long-term wealth in their hands.

"Employee Stock Option Scheme" represents a reward system based on performance of the employees. The Scheme helps the companies attract, retain and motivate the best available talent in the increasingly competitive business environment.

With the above objectives in mind, it is proposed to introduce an Employees Stock Option Scheme (the "Scheme") for the benefit of permanent employees of the Company, its Directors, employees/directors of its subsidiary company(ies), and such other persons as may be permitted from time to time, under prevailing laws, rules and regulations and/or amendments thereto.

The Scheme would be governed by Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (the "Guidelines").

The Scheme will be under the superintendence of and be administered by the Company's Remuneration/Compensation Committee, which is a Committee of the Board of Directors, the majority of whose members are Independent Directors.



The Remuneration/Compensation Committee will formulate the detailed terms and conditions of the Scheme including:

- Number of Options to be granted to any employee and in the aggregate to all the employees.
- Terms on which the Options will vest.
- The conditions under which Options vested in employees may lapse.
- The exercise period within which an employee should exercise the Option and lapsing of Option on failure to exercise the Option within the exercise period.
- The specified time period within which the employee shall exercise the vested Options in the event of termination or resignation of the employee.
- The right of an employee to exercise all the Options vested in him at one time or at various points of time within the exercise period.
- The procedure for making a fair and reasonable adjustment to the number of Options and to the exercise price in case of corporate actions such as rights issue, bonus issue, merger, etc.
- The grant, vesting and exercise of Option in case of employees who are on long leave.
- Any other related or incidental matters.

The salient features of the Scheme are as under:

(A) The total number of Options to be granted:

The total number of Options that may, in the aggregate, be granted shall not exceed 300,000 equity shares of the face value of Rs. 10/- each.

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

- (a) All eligible employees of the Company or of its subsidiary company(ies) selected by the Remuneration/Compensation Committee, from time to time, would be entitled to participate in the Scheme.
- (b) The class of employees eligible for participating in the Stock Options shall be determined on the basis of the grade, number of years of service, performance and such other parameters as may be decided by the Remuneration/Compensation Committee, in its sole discretion, from time to time.

(C) Requirements of vesting and period of vesting:

- (a) There shall be a minimum period of one year between the grant of Options and vesting of Options.
- (b) The vesting shall happen in one or more tranches as may be decided by the Remuneration/Compensation Committee.

(D) Maximum period (Subject to Clause 9.1 of the Regulations) within which the Options shall be vested:

The maximum vesting period shall be four years from the date of granting of the Options.

(E) Exercise price or Pricing formula:

The exercise price for the purposes of the grant of Options will be decided by the Remuneration/Compensation Committee at the time of grant of Options to the employees/Directors. The exercise price shall be calculated on the basis of the latest closing Market Price for the Company's equity shares quoted on the Stock Exchange(s) prior to the date of grant of the Options, which for this purpose shall be the date on which the Remuneration/Compensation Committee meets to make its recommendations for grant of Options. The Remuneration/Compensation Committee may prescribe a discount not higher than 20% to such price.

(F) Exercise period and the process of exercise:

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

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

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