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KJMC Financial Services Limited

**17th Annual Report
2004 - 2005**



KJMC Financial Services Limited

BOARD OF DIRECTORS	:	Mr. I. C. Jain (Chairman) Mr. J. S. Bhatnagar Mr. V. N. Dhoot Mr. R. R. Kumar Vice Admiral Raviprakash Sahwney (Retd.) (Ceased w.e.f. 24/12/2004) Mr. Akshay Jain Mr. Rajnesh Jain Mr. Girish Jain Mr. S. C. Aythora	
COMPANY SECRETARY	:	Mr. Vijay Joshi	
AUDITORS	:	Batliboi and Purohit Chartered Accountants National Insurance Building, 204, D. N. Road, Fort, Mumbai - 400 001.	
ADVOCATES AND SOLICITORS	:	Malvi Ranchoddas & Co. Yusuf Building, 3rd Floor, Mahatma Gandhi Road, Mumbai - 400 023.	
BANKERS	:	Union Bank of India Citi Bank UTI Bank Limited UCO Bank	
REGISTERED OFFICE	:	168, Atlanta, 16th Floor, Nariman Point, Mumbai - 400 021. Tel. Nos. (022) - 22885201 (4 lines) (022) - 22832350 / 52 Fax No. 91-022 - 22852892 Website : www.kjmc.com	
REGISTRAR & TRANSFER AGENTS AND DEPOSITORY PARTICIPANTS	:	Bigshare Services Pvt. Ltd. E-2, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (East), Mumbai - 400072 Tel. No. 28470652/53/56936291 • Fax No. 28475207 E-mail : bigshare@bom7.vsnl.net.in Counter Timings : 10.30 a.m. to 12.30 p.m. • 1.30 p.m. to 3.30 p.m.	
GROUP BRANCH OFFICE	:	NEW DELHI 221, Hans Bhavan Bahadur Shah Zafar Marg, New Delhi - 110 002. BANGALORE 2nd Floor, Premises No. 167, 36 Cross / 18th Main Road, Jai Nagar Building, Next to Himalaya Stores, Bangalore - 560041.	JAIPUR 41, Jai Jawan Colony II Tonk Road, Durgapur, Jaipur - 302018.

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Chairman's Statement

SEVENTEENTH ANNUAL GENERAL MEETING

DATE THURSDAY, 29TH SEPTEMBER, 2005

TIME 4.00 P.M.

VENUE S. K. SOMANI MEMORIAL HALL HINDI VIDYA BHAWAN
79, MARINE DRIVE, 'F' ROAD, MUMBAI - 400020.

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KJMC Financial Services Limited

CHAIRMAN'S STATEMENT

Dear Shareholder,

I have great pleasure in presenting before you the Annual Report of your Company for the year ended 31st March, 2005.

Domestic Developments

The Indian economy is riding on the crest of a high wave of optimism. As per the advanced estimates of the Central Statistical Organisation (CSO), the real GDP growth during 2004-05 is likely to be around 6.9 percent which is more robust than what was expected in the light of deficient monsoon and rising oil prices. This has brightened the Country's macro-economic prospects in the medium term.

The economy proved its resilience with the Industrial Sector and Services segment presenting a robust performance and posting a growth of 8.3 percent and 8.6 percent, respectively.

The year 2004-05 witnessed the upturn in the industrial sector which was supplemented by the buoyancy in the exports, encouraging domestic investment and an enhanced level of consumer confidence. The Industrial Sector's contribution in the growth of the economy escalated from 17 percent in 2003-04, to 26 percent in 2004-05.

A positive result of the accelerated industrial activity is the growth in the capital goods sector which continued to show a double-digit growth since the last 3 years. This exhibits signs of capacity expansion in the Indian industry aided by growing consumer demand.

Though agriculture recorded much lower growth of 1.1 percent in 2004-05, this did not have any perceptible adverse impact on the economic environment. This is a possible pointer to the gradual insulation of the industrial sector from the uncertainties of monsoon.

The Services Sector continued to project its increasing predominance in the Indian economy and occupy the status as the main propeller of the economy with a growth of 8.6 percent in 2004-05.

The growth in invisible receipts (from travel earnings, software exports and remittances) increased by 37.5 percent which, coupled with the growth of 35 percent in software and services exports, have helped finance a significant part of the trade deficit of our Country.

Gross domestic savings increased to 28.1 percent of the GDP at current prices and the household sector continued to be the significant contributor.

Fiscal Position

The introduction of the Fiscal Responsibility and Budget Management (FRBM) exercise introduced by the Government met partial success, although both fiscal deficit and revenue deficit exceeded revised budget estimates. The positive side of this new measure is the in-principle acceptance of the need to exercise conscious control over both fiscal and revenue deficit. Market borrowing of the Government is estimated to be Rs.1,03,791 crore in 2005-06, compared to Rs.45,943 crore in the previous financial year.

Money Supply

Despite the mandatory level of Statutory Liquidity Ratio (SLR) being 25 percent of the commercial banks' Net Demand & Time Liabilities (NDTL), commercial banks still hold government securities at a level of 38.5 percent of NDTL in March 2005. Commercial banks may have to explore ways of reducing the excessive portfolio of government securities to partially fulfil the demand for credit.

For the present, however, sufficient liquidity estimated to the tune of Rs.83,000 crores as at the end of March 2005 is available in the system. Despite the excessive liquidity, interest rates have moved up marginally, possibly apprehending further uncertainties on the oil-price front, coupled with an increased appetite for domestic credit demand.

Prices

The mild inflationary environment in the beginning of the year with an inflation rate of 4.5 percent accelerated to the peak of 8.7 percent at the end of August 2004. However, due to the timely monetary measures taken, the inflation rate declined to 5 percent by March 2005.

Oil prices continue to be a cause of concern for both, developed and developing economies. The US Federal Reserve raised its federal funds rate in stages from 1 percent to 2.75 percent in 2004-05. However, it is expected that the overall inflationary outlook in the medium term is unlikely to give rise to any alarming developments on the price front.

Financial Market

Reflecting improved fundamentals, capital inflows have been buoyant. The equity markets turned upbeat and witnessed a sustained and broad-based rally with increasing Foreign Institutional Investor (FII) inflows. The sensex touched a historic high of 6915.05 on 08.03.2005.

Foreign Institutional Investors (FIIs) have continued to pump in significant amounts into the domestic markets. FII investments in the equity markets during 2004-05 stand at a level of US\$7.11 billion.

Global Economy

The world output is estimated to have risen by 5.1 percent in 2004, assisted mainly by the robust growth in developed countries and emerging economies such as China and India. The International Monetary Fund (IMF) has projected a growth of 4.3 percent in world output which is well below the level of 5.1 percent in 2004.

Our Economy

The re-emergence of current account deficit in our Balance of Payments is a welcome sign for the growth of the Indian economy, as import of capital goods is taking place to improve capacity and modernize the Indian industry.

The economy faced considerable net outflows under Non- Resident Indian (NRI) deposits due to the then existing uncertainties on taxing of the interest on these deposits. However, with the annual budget for 2005-06 laying such fears to rest, it is likely that the outflow may not only be stemmed but also reversed during the year 2005-06.

The Foreign Direct Investment inflows have continued to favour India, as a result of which such investments increased to US\$ 4.1 billion during April-December 2004, from US\$3.4 billion in the same period of the previous year.

About Your Company

As part of your Company's philosophy - to be the one stop mart for all the financial needs of all the segments of the corporates, we are continuously expanding the range of services on offer. The continuous quest for increasing the profits is leading us to find newer revenue streams.

We being in service industry, our human capital is the most valuable asset. Our human resources practices emanate from the premise that the satisfaction of the 'external customer' is solely dependent on the 'internal customer'. The management of human resources thus converges on to provide a satisfying work environment, matching the staff profile with the job profile and development of skills through training. Motivation plays an important role in employee functioning and thus a comprehensive employee motivation scheme has been put in place to propel our employees to excel.

Keeping its 'Mission' and 'Vision' as the guiding principles, your Company is focusing on its core competencies. In the years to come the 'Mantra' for your Company would be to spot and exploit all opportunities, to harness investments in technology and human capital to achieve higher level of efficiencies and customer satisfaction.

This year, we rededicate ourselves in increasing the stakeholders' value with enshrined principles of Corporate Governance. We have done the groundwork for creating a robust and enduring structure which will support the business model and take on every challenge in the ever-changing business environment. The results will be visible in the years to come. We solicit your support in our journey towards excellence.

With warm regards,

I.C. Jain
Chairman

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NOTICE

Notice is hereby given that Seventeenth Annual General Meeting of the Members of **KJMC Financial Services Limited** will be held on Thursday, 29th September, 2005 at 4.00 P.M. at S. K. Somani Memorial Hall, Hindi Vidya Bhawan, 79-Marine Drive, 'F' Road, Mumbai - 400 020, to transact the following business :-

ORDINARY BUSINESS:-

- To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2005 and the Balance Sheet as at that date and the Report of the Board of Directors and Auditors thereon.
- To confirm the interim dividend paid on 12% Cumulative Redeemable Preference Shares.
- To appoint a Director in place of Mr. Girish Jain, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Mr. Rajnesh Jain, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Mr. J. S. Bhatnagar, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint Auditors and to authorize Board of Directors to fix their remuneration.

NOTES:

- 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.** The Instrument of Proxy in order to be effective should be deposited at the Registered Office of the Company at 168, Atlanta, Nariman Point, Mumbai - 400021, not less than forty-eight hours before the commencement of the meeting.
- Members who hold Shares in dematerialized form are requested to bring their client ID and DP ID number for easy identification of attendance in the meeting.
- The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 15th September, 2005 to Thursday, 29th September 2005 (both days inclusive) for the purpose of Annual General Meeting.
- As per the provisions of the Companies Act, 1956, facility for making nomination is available for shareholders in respect of their holdings. Nomination Form can be obtained from the Company's Registrar and Transfer Agents
- Information required to be furnished under the Listing Agreement :
The information required to be provided under the listing agreement entered into with the stock exchange regarding the Directors who are proposed to be re-appointed is given hereunder:

1. Name & Designation	Mr. Girish Jain, Director.
Date of Birth	7 th May, 1971.
Qualifications	B.E. (Electronics) PGDBM (Finance).
Expertise	Rich experience in stock broking, trading in equity and debt, cliental portfolio, extensive research experience with sectoral focus and merchant banking.
Director of the Company since	Since incorporation i.e 29 th June, 1988.

Other Directorships :

Name of the Company	Committee	Status
KJMC Global Market (India) limited	Member of Share Transfer Committee.	Director
KJMC Capital Market Services Limited	Member of Audit Committee	Executive Director
KJMC Shares and Securities Limited	—	Director
KJMC Technologies and Systems Limited	—	Director
KJMC Asset Management Company Ltd.	—	Director
Euro Asia Investment Corporation Ltd.	—	Director
Global Management Services (Mauritius) Ltd.	—	Director

2. Name & Designation	Mr. Rajnesh Jain, Director.
Date of Birth	31 st January, 1967.
Qualifications	B.Com, FCA.
Expertise	Finance, Accountancy and Audit.
Director of the Company since	Since incorporation i.e 29 th June, 1988.

Other Directorships :

Name of the Company	Committee	Status
KJMC Technologies and Systems Limited	—	Director
KJMC Property Developers Limited	—	Director
KJMC Shares and Securities Limited	—	Director
KJMC Capital Market Services Limited	Chairman of Audit Committee	Director
KJMC Consultancy Pvt. Ltd.	—	Director

3. Name & Designation	Mr. J. S. Bhatnagar, Director.
Date of Birth	29 th December, 1928.
Qualifications	Chartered Accountant.
Expertise	Corporate Finance and Banking. Former Chairman, Union Bank of India.
Director of the Company since	1 st March, 1992.

Other Directorships.

Name of the Company	Committee	Status
KJMC Global Market (India) Limited	Chairman of the Audit Committee and Member of the Share Transfer Committee.	Director

- F) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend from the Financial Year 31st March, 1998, which remains unpaid or unclaimed for a period of 7 years will be transferred to the 'Investor Education and Protection Fund' (IEPF) of the Central Government. Shareholders who have not encashed their dividend warrants so far, for the Financial Year ended 31st March, 1998 or any subsequent financial years are requested to make their claim to the office of the Registrar and Transfer Agents viz. Big Share Services Private Limited, at their Registered Office at E-2/3, Ansa Industrial Estate, Saklihar Road, Sakli Naka, Andheri (E), Mumbai 400 072. It may also be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof with the company.

Date of Declaration of Dividend	For the year ended	Due for transfer to the Investor Education and Protection Fund of the Central Government
26/09/1998	1997-1998	13/11/2005
29/09/1999	1998-1999	16/11/2006
29/09/2000	1999-2000	16/11/2007

- G) Members are requested to:
- To bring their copy of the Annual Report at the meeting.
 - Quote their Folio No. in all correspondence with the Company.
 - Notify immediately to the Company or present R&T Agents viz Big Share Services Private Limited, any change in their address and their mandates, if any. Pin Code No. at the end of address should positively be mentioned in order to ensure that postal authorities deliver the envelopes easily and on time.
 - Handover the enclosed attendance slip, duly signed in accordance with their specimen signature registered with the Company, for admission to the meeting hall.
- H) Any member requiring further information on accounts at the meeting are requested to address their queries in writing to the Company at least 10 days in advance of the meeting, so that the required information may be made readily available at the meeting.

For and on behalf of the Board of Directors,
For KJMC Financial Services Limited

Place : Mumbai
Date : 23rd June, 2005

I. C. Jain
Chairman



KJMC Financial Services Limited

DIRECTORS' REPORT

Members,

KJMC Financial Services Limited

Your Directors present herewith the 17th Annual Report of the Company and the Audited Statements of Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

	Year ended 31 st March, 2005 (Rs. in lakhs)	Year ended 31 st March, 2004 (Rs. in lakhs)
Total Income	107.24	129.31
Total Expenditure	41.84	47.27
Profit before Depreciation and Tax	65.40	82.04
Less : Depreciation	59.42	65.92
Provision for Tax (current & deferred)	(5.43)	(9.62)
Profit / (Loss) After Tax	11.39	25.74
Add : Prior period item (net)	(0.01)	-
Add : Transfer from Special Reserve	11.35	-
Disposable Profits	22.74	25.74
Appropriations towards :		
Interim Dividend on 12% Cumulative Redeemable Preference Shares.	20.40	33.40
Tax on Interim Dividend	4.33	2.62
Balance carried to Balance Sheet	(1.99)	(10.28)
	22.74	25.74

PERFORMANCE REVIEW :-

During the year under review, your Company earned the gross income of Rs. 107.24 Lakhs as against Rs. 129.31 Lakhs in the previous year. The total expenditure during the year under review was Rs. 41.84 Lakhs as against Rs. 47.27 Lakhs in the previous year. The Net Profit after tax was Rs. 11.39 Lakhs as against Rs. 25.75 Lakhs in the previous year. Considering the Country's strong economic outlook coupled with buoyancy in the capital market, your directors expect better performance of the Company in the coming years.

DIVIDEND :-

Due to inadequate profit to declare dividend, your Directors do not recommend any dividend on equity shares for the year under review. Your Directors also propose the confirmation by the Members, the payment of interim dividend of Rs. 20.40 lakhs and tax on dividend of Rs. 4.33 lakhs to the holders of 12% Cumulative Redeemable Preference Shares as final dividend.

RBI PRUDENTIAL NORMS :-

Since the Company does not accept and hold any public deposits, Non-Banking Financial Companies Prudential Norms (Reserve Bank of India) Directions, 1998 are not applicable to the Company in regard to capital adequacy or in any other aspects.

ECONOMIC SCENARIO :-

The year 2004-2005 saw the Indian economy reasserting its economic strength by recording a growth of 6.9% in Gross Domestic Product with Industrial and Services sectors recording growth rates of 8.3% and 8.6% respectively. The country's foreign exchange reserves continued to grow and crossed US\$140 billion mark by March, 2005. The net FII inflow into capital market sector saw the BSE Sensex rise to record levels, breaching the 6500 mark, though frequent corrections did take place in response to various events of significance.

BUSINESS PROSPECTS :-

Your Company has been extensively involved in Project and Financial Advisory Services and Funding solutions for various Corporates, State Governments and Industrial Houses for their large developmental projects. The Company is offering services like Private Placements of Bonds and Equities, Term Loan/Debt Syndication, Project Finance & Advisory Services, research based activities etc.

Your Company is making endeavors to get mandates in offering research based services, Project Advisory Services, Investment Banking, Corporate Finance etc. The efforts put in these sectors are likely to get materialised in the near future.

DIRECTORS :-

Shri J. S. Bhatnagar, Shri Girish Jain and Shri Rajnesh Jain are retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Vice Admiral Ravi Prakash Sahwney (Retd.), the Director of the Company passed away on 24th December, 2004 and consequently ceased to be the Director of the Company. Your Board of Directors condone the sudden and sad demise of Late Vice Admiral Ravi Prakash Sahwney (Retd.) and places on record its deep appreciation of valuable contributions made by him during his tenure as director of the Company.

Mr. Hiranya Ashar, the Alternate Director to Late Vice Admiral Ravi Prakash Sahwney (Retd.) has also ceased to be the Director of the Company. Your Directors places on record, their appreciation of services rendered by him during his tenure as director of the Company.

AUDITORS :-

M/s. Batliboi & Purohit, Chartered Accountants, the Auditors of the Company holds office until the conclusion of the ensuing Annual General Meeting. Your Company has received certificate from Auditors U/s. 224(1B) of the Companies Act, 1956 to the effect that their reappointment, if made, will be within the limit prescribed. Members are requested to appoint Auditors and authorize the Board to fix their remuneration.

FIXED DEPOSITS :-

The Company has neither accepted nor renewed any fixed deposit from the public during the period and there was no outstanding deposit payable during the financial year.

SUBSIDIARY COMPANIES :-

The accounts of the subsidiary companies for the year ended 31st March, 2005 are attached to the accounts of the company along with a statement in terms of section 212 of the Companies Act, 1956.

The Annual Accounts of M/s. Global Management Services (Mauritius) Ltd. (Subsidiary Company) is not enclosed herewith, as the audit of Annual Accounts of that company could not be carried out on account of administrative difficulties. However, the unaudited financials of the said Subsidiary Company is already incorporated in the Consolidated Accounts of the Holding Company. As the financials of the said Subsidiary Company are insignificant, your Directors does not expect any material change in the Consolidated Accounts of the Holding Company even after the accounts of the said subsidiary company are audited. Your Directors are making all efforts to get the accounts of the said subsidiary company audited. Additionally, the audited accounts of the said subsidiary company will be made available for inspection at the registered office of the Company and will also be sent to every member on request free of cost on their written request, when they will be made ready by the Subsidiary Company or as per the direction of 'The Ministry of Finance, Department of Company Affairs, New Delhi' in due course. The Company is also in the process to take appropriate action to wind up the said subsidiary company, as it is non operational for the past several years.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956 :-

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

1. In the preparation of annual accounts; the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of Financial Year 31st March, 2005 and of the profit of the Company for that period.
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE :-

The Company has complied with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange. A separate section on Corporate Governance, along with a certificate from the Auditors for the compliance is annexed and forms part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS :-

A report on the Management Discussion and Analysis for the financial year under review is annexed and forms part of the report.

LISTING OF SHARES :-

Equity Shares of the Company are listed on The Stock Exchange, Mumbai (BSE). Annual listing fees upto the year 2005-06 has been paid to the Stock Exchange, Mumbai (BSE). The Company complied with the delisting formalities and consequently the Company got its shares delisted from Jaipur Stock Exchange Limited, The Stock Exchange, Ahmedabad and The Delhi Stock Exchange Association Limited. The delisting approval from Bhubaneshwar and Calcutta Stock exchanges are awaited.

PARTICULARS OF EMPLOYEES :-

Since there are no employees falling within the purview of the provisions of Section 217(2A) of the Companies Act, 1956, no such details are required to be given.

PARTICULARS OF CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION :-

Since the Company is a Financial Services Company, the details required under Section 217(1)(e) of the Companies Act, 1956 are not applicable.

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FOREIGN EXCHANGE EARNINGS AND OUTGO :-

There was no earnings in foreign exchange nor was there any outflow during the year under review.

INSURANCE :-

The Company's fixed assets as well as current assets have been adequately insured.

ACKNOWLEDGMENTS :-

The Directors wish to place on record their appreciation of the contribution made by the executives and employees at all levels for their dedication and commitment to the Company throughout the year.

Your Directors also appreciate with gratitude the continuous support of the Bankers, Clients, and the Company's Shareholders.

For and on behalf of the Board of Directors,

Place : Mumbai

Date : 23rd June, 2005

I. C. Jain

Chairman

MANAGEMENT DISCUSSION & ANALYSIS

1. ECONOMIC ENVIRONMENT:-

The year 2004-2005 saw the Indian economy reasserting its economic strength by recording a growth of 6.9% in Gross Domestic Product with Industrial and Services sectors recording growth rates of 8.3% and 8.6% respectively. The country's foreign exchange reserves continued to grow and crossed US\$140 billion mark by March, 2005. The net FII inflow into capital market sector saw the BSE Sensex rise to record levels, breaching the 6500 mark, though frequent corrections did take place in response to various events of significance.

2. BUSINESS AND INDUSTRY REVIEW :-

The Company has been extensively involved in Project and Financial Advisory Services and Funding solutions for various Corporates, State Governments and Industrial Houses for their large developmental projects. The Company is offering services like Private Placements of Bonds and Equities, Term Loan/Debt Syndication, Project Finance & Corporate Advisory Services, research based services etc.

Your Company is making endeavors to get mandates in offering Project Advisory Services, Investment Banking and Corporate Finance. The efforts put in these sectors are likely to get materialised in the near future.

3. FINANCIAL REVIEW :-

During the year under review, your Company earned the gross income of Rs. 107.24 Lakhs as against Rs. 129.31 Lakhs in the previous year. The total expenditure during the year under review was Rs. 41.84 Lakhs as against Rs. 47.27 Lakhs in the previous year. The Net Profit after tax was Rs. 11.39 Lakhs as against Rs. 25.74 Lakhs in the previous year.

4. BUSINESS OUTLOOK :-

Presently in the Financial Services Sector, there are wide range of products and services offered by aggressive players in the market which have made significant impact on the industry. These challenges have carved out more opportunities to creative players, to innovate and satisfy the needs of the customers at all levels. Considering the Country's strong economic outlook coupled with buoyancy in the capital market, your directors expect better performance of the Company in the coming years.

5. ADEQUACY OF INTERNAL CONTROLS :-

Your Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported correctly. The Company has an extensive system of internal control which ensures optimal utilisation and protection of resources, its security, accurate reporting of financial transactions and compliances of applicable laws and regulations as also internal policies and procedures.

6. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES :-

During the year under review your Company continued to lay great emphasis on human resources development to make its employees attain high standards in efficiency and productivity. A number of focused initiatives have been undertaken by the Company for constantly upgrading employees knowledge and skills to ensure significant performance and reward them suitably. Most of the staff members possess professional qualification. The concept of every Executive Officer of the Company shall be a profit center, is being enforced and implemented.

It is our endeavor to create an environment where people can use all of their capabilities in support of the business. Therefore, we encourage our employees to balance their work and personal responsibilities.

7. OPPORTUNITIES :-

This year, the economy is expected to achieve growth in Gross Domestic Product as also the Industrial and Services sectors. The buoyancy in the capital market coupled with increased business and industrial activities will

continue to provide excellent business opportunities in the future. In addition, the growth of services sector presents new opportunities for the financial services industry in India.

8. RISKS AND CONCERNS :-

The Company is exposed to specific risks that are particular to its business and the environment within which it operates including economic cycle, market risks etc. The Company manages these risks by maintaining a conservative financial profile and by following prudent business and risk practices.

REPORT ON CORPORATE GOVERNANCE FOR THE F.Y. 2004-2005

The concept of corporate governance is entering a phase of global convergence. The driver behind this is the recognition that companies need to attract and protect all stakeholders, especially investors- both domestic and foreign. Global Capital seeks its own equilibrium and naturally flows to where it is best protected and bypasses where protection is limited. Companies stand to gain immensely by adopting systems that bolster investor trust through transparency, accountability and fairness.

According to the study, India ranks amongst the top three nations in the world in terms of Corporate Governance. With increasingly integrated capitals markets, good Corporate Governance is of paramount importance for companies seeking to distinguish themselves in the global economy.

Pursuant to Clause 49 of the Listing agreement, your company has complied fully with all the mandatory requirements of the Corporate Governance in all material aspects. As required by the Listing Agreement, a report on Corporate Governance is given below:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :-

Your company is committed to bring about the good corporate governance practice. The Company has laid emphasis on cardinal values of fairness, transparency, accountability and equity, in all its operations and in its interactions with stakeholders including shareholders, employees, the government and the lenders, thereby enhancing the shareholders' value and protecting the interest of shareholders.

2. BOARD OF DIRECTORS :-

During the Financial year 2004-2005, Five Meetings of the Board of Directors were held on 29th April, 2004, 29th June, 2004, 31st July, 2004, 30th October, 2004 & 29th January, 2005.

The particulars of Directors as on 31st March, 2005 are as follows:

SN	Director	Category of Directorship	No. of BM Attended	Last AGM attended	No. of Other Directorship Held	Committee Membership(s)
Member Chairman						
1	Mr. I. C. Jain	Chairman- Non- Executive	5	Yes	9	3
2	Mr. J. S. Bhatnagar	Non-Executive & Independent	5	No	1	1
3	Mr. V. N. Dhoot	Non-Executive & Independent	Nil	No	12	5
4	Mr. Akshay Jain	Non-Executive	4	No	1	1
5	Mr. Girish Jain	Non-Executive	4	Yes	7	2
6	Mr. R. R. Kumar	Non-Executive & Independent	5	No	7	5
7	Mr. Rajnesh Jain	Non-Executive	3	Yes	4	2
8	Mr. S.C. Aythora	Non-Executive & Independent	2	No	3	1

3. AUDIT COMMITTEE:

(a) Terms of References:

The terms of reference and powers of the Audit Committee are as per Clause 49 of the Listing Agreement and also as per new Section 292A of the Companies Act, 1956. The functions of the Audit Committee are as per provisions of Company Law and Listing Agreement with the Stock Exchange. These include review of accounting and financial policies and procedures, review of financial reporting systems, internal control procedures and risk management policies. The Audit Committee discussed the Company's Accounts before it was placed before the Board of Directors and also had overview of the Company's financial reporting process. The Committee met four times during the year on 29th June, 2004, 31st July, 2004, 30th October, 2004 & 29th January, 2005.



KJMC Financial Services Limited

(b) Composition:

The Audit Committee was formed on 25th January, 2001. As on 31st March, 2005, the audit committee consists of the following Directors:

Name of Director	Executive/Non-Executive/Independent	No. of meetings attended
MR. J. S. Bhatnagar	Chairman of the Committee and Independent	4
MR. I. C. Jain	Non Executive	4
MR. S. C. Aythora	Independent	2

4. REMUNERATION COMMITTEE:

The Company does not have a formal Remuneration Committee. As the Company does not have any employee director, the Board of Directors will take the necessary steps, whenever it will be required to carry out the functions/activities of the Remuneration Committee.

5. SHARE TRANSFER / INVESTOR GRIEVANCE COMMITTEE:

(a) Terms of Reference:

The role and functions of the Share Transfer / Investor's Grievances Committee are the effective redresses of the Complaints of the Shareholders regarding dematerialization, transfer, non-receipt of balance sheet/ dividend/ interest etc. The Committee overviews the steps to be taken for further value addition in the quality of service to the investors.

(b) Composition:

Pursuant to Clause 49 of the Listing Agreement, the Company is required to have Share Transfer / Investor Grievance Committee. Accordingly, the Board of Directors formed a Share Transfer / Investor Grievance Committee, consisting of following Directors:

Mr. Girish Jain	-	Chairman
Mr. I. C. Jain	-	Member
Mr. Rajnesh Jain	-	Member

During the year, the Company received 14 complaints and all were resolved within a stipulated time to the satisfaction of the shareholders / investors. As on 31st March 2005, no transfer was pending.

The Board has delegated the powers to approve transfer of securities allotted by the Company to this Committee. The Committee held 18 meetings during the year and approved the transfer of shares lodged with the Company and attended the investors' queries & complaints.

6. GENERAL BODY MEETINGS:

The particulars of last three Annual General Meetings of the Company held are as under:

Year	AGM	Location	Date	Time
2002	AGM	S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai - 400 002.	28/09/2002	4.00 P.M.
2003	AGM	S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai - 400 002.	27/09/2003	4.00 P.M.
2004	AGM	S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai.	11/9/2004	4.00 P.M.

No Special Resolution was put through Postal Ballot last year nor proposed in the ensuing Annual General Meeting.

7. DISCLOSURES:

Regarding, related party transactions i.e. transactions of the Company with its Promoters, Directors or Management, their subsidiaries or relatives, not conflicting with Company's interest, the details of which have been shown in Schedule - 19 Notes to Accounts to the Annual Accounts for the year ended 31st March 2005.

No penalties, strictures have been imposed on the Company by Stock Exchanges or SEBI or any other Statutory Authority on any matter related to capital market, during the last three years.

8. MEANS OF COMMUNICATION:

The Company publishes its quarterly, half yearly, financial results in national and regional newspapers. The Company also sends the financial results to the Stock Exchanges immediately after its approval by the Board. The Company has not sent half yearly report to the shareholders. No presentations were made to the Institutional Investors or analysts during the year under review.

The Management Discussions and Analysis (MD&A) Report is annexed and forms part of this Report.

GENERAL SHAREHOLDER'S INFORMATION:

1. Annual General Meeting scheduled to be held:

Date	29 th September, 2005
Time	4.00 P.M.
Venue	S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai - 400 020.

2. Book Closure:

Thursday, 15th September, 2005 to Thursday, 29th September, 2005 (both days inclusive).

3. Financial Calendar (tentative):

Financial reporting for the year ending 31 st March, 2006 :	
Unaudited Financial Results for the quarter ending 30/06/2005	end July, 2005
Unaudited Financial Results for the half year ending 30/09/2005	end October, 2005
Unaudited Financial Results for the quarter ending 31/12/2005	end January, 2006
Audited Financial Results for the Year ending 31/03/2006	June, 2006

4. Listing of Equity Shares on Stock Exchanges:

- Equity Shares of the Company are listed on The Stock Exchange, Mumbai (BSE). Annual listing fees upto the year 2005-06 has been paid to the Stock Exchange, Mumbai (BSE).
- The Company complied with the delisting formalities and consequently the Company got its shares delisted from Jaipur Stock Exchange Limited, The Stock Exchange, Ahmedabad and The Delhi Stock Exchange Association Limited. The delisting approval from Bhubaneswar and Calcutta Stock exchanges are awaited.

5. Stock Code:

- The Stock Exchange, Mumbai (BSE): B1 - 530235
- ISIN - INE533C01018

6. Stock Price Data:

Month wise high and low price of the Company's Shares at The Stock Exchange, Mumbai (BSE) from April, 2004 to March, 2005:

Month	Share price of the Company on the Stock Exchange, Mumbai	
	High (Rs.)	Low (Rs.)
April 2004	2.40	1.27
May 2004	1.93	1.55
June 2004	1.85	1.41
July 2004	1.68	0.99
August 2004	4.29	1.61
September 2004	4.70	2.80
October 2004	3.32	1.60
November 2004	4.40	2.29
December 2004	6.98	2.75
January 2005	7.40	4.25
February 2005	7.10	4.42
March 2005	6.80	4.00

7. Compliance Officer:

Mr. Vijay Joshi.
168, Atlanta, 16th Floor, Nariman Point, Mumbai - 400 021.

8. Address For Correspondence:

Shareholders can correspond to : **Secretarial Department**, 168, Atlanta, 16th Floor, Nariman Point, Mumbai - 400 021. Or
Bigshare Services Pvt. Ltd., E-2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400072, Tel. No. 91-022-28560652/3 Fax No. 91-022-28525207.

Shareholders holding shares in electronic mode should address their Correspondence to their respective Depository Participants.

9. Share Transfer System

Shares sent for transfer in physical form to R&T Agents, are registered and returned within a period of 30 days from the date of receipt, if the documents are in order. The Share Transfer Committee meets generally on a fortnightly basis to consider the transfer proposals. All requests for dematerialisation of shares are processed by R&T Agent within 15 days.

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10. Dematerialisation of Shares

Trading in Equity Shares of the Company is permitted only in dematerialized form with effect from 29th January, 2001 as per notification issued by the Securities & Exchange Board of India (SEBI). As on 31st March 2005, out of total Equity Capital, 18,40,084 shares are held in dematerialised form with NSDL and CDSL.

Transfer cum demat facility is available to all shareholders of the Company, who request for such facility.

11. Distribution of Shareholding as on 31st March, 2005

Range in rupees	Number of Shareholders	% of Total Holders
Upto to 5000 *	5023	97.10
5001 to 10000	54	1.04
10001 to 20000	38	0.73
20001 to 30000	16	0.31
30001 to 40000	3	0.06
40001 to 50000	8	0.16
50001 to 100000	8	0.16
100001 and above	23	0.44
TOTAL	5,173	100

12. Shareholding Pattern as on 31st March, 2005

Category	No. of Shares held	Percentage of shareholding
A. Promoter's holding		
1 Promoters		
- Indian Promoters	1370854	47.03
- Foreign Promoters	—	—
2 Persons acting in concert	—	—
Sub - Total A	1370854	47.03
B. Non-Promoters holding		
1 Institutional Investors	—	—
2 Mutual Funds and UTI	7050	0.24
3 Banks, Financial Institutions, Insurance Companies (Central / state Government Institutions/ non-government Institutions)	65400	2.24
4 FIs	—	—
Sub - Total B	72450	2.48
C. Others		
1. Private Corporate Bodies	829149	28.44
2. Indian Public	642219	22.03
3. NRI / OCBs	518	0.02
4. Any other (please specify) Clearing Member	50	0.00
Sub - Total C	1471936	50.49
Grand Total...	2915240	100%

Note: The total foreign shareholding for the quarter ended 31st March, 2005, is 518 shares, which in percentage terms is 0.02% of the issued and subscribed capital.

OTHER INFORMATION

Code of conduct for Prevention of Insider Trading

In accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended (the Regulations), the Board of Directors of the Company adopted the Code of Conduct for Prevention of Insider Trading and the Code of Corporate Disclosure Practices (the Code) to be followed by Directors, Officers and other Employees. The code is based on the principle that Directors, Officers and Employees of KJMC Financial Services Limited owe a fiduciary duty to, among others, the shareholders of the company to place the interest of the shareholders above their own and conduct their personal securities transactions in a manner that does not create any conflict of interest situation. The code also seeks to ensure timely and adequate disclosure of Price Sensitive Information to the investor community by the company to enable them to take informed investment decision with regard to the Company's Securities.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of KJMC Financial Services Limited

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to the compliance of conditions of Corporate Governance by KJMC Financial Services Limited for the year ended on 31st March, 2005 as stipulated with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was conducted in the manner described in the Guidance on certification of Corporate Governance issued by the Institute of Chartered Accountants of India and 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 statement of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2005, no investor grievances are pending against the company as per the records maintained by the company and presented to the Investors / Shareholders Grievance Committee.

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

For BATLIBOI & PUROHIT
Chartered Accountants

R. D. Hangekar
Partner
(Membership
No. 30615)

Place : Mumbai

Date : 23rd June, 2005



KJMC Financial Services Limited

AUDITORS' REPORT

To the Members of

KJMC Financial Services Limited

1. We have audited the attached Balance Sheet of KJMC Financial Services Limited as at 31st March 2005, the Profit and Loss Account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An Audit includes examining, on test basis evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 & 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 2 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account, as required by law, have been kept by the company, so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit Loss Account dealt with by this report are in agreement with the books of account;
 - d) In our opinion the Balance Sheet, Profit and Loss Account dealt with by this report comply with Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of the written representations received from the Directors as on 31st March, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2005, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us the said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet of the state of affairs of the company as at 31st March, 2005;
 - ii. in the case of the Profit and Loss Account, of the loss of the company for the year ended on that date and;
 - iii. in the case of the Cash Flow statement, the cash flows of the company for the year ended on that date.

For **BATLIBOI & PUROHIT**
Chartered Accountants

(R. D. Hangekar)

Partner

Place : Mumbai

Dated: 23rd June, 2005

Membership No. - 30615

ANNEXURE TO AUDITORS' REPORT

- i. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- b) Major portion of the fixed assets have been physically verified by the Management during the year. No material discrepancies have been noticed by the management on such verification.
- c) According to the information and explanations given to us, the company has not disposed off substantial part of fixed assets during the year and the going concern status of the company is not affected.
- ii. a) As explained to us, the stock in trade of the company has been physically verified by the Management at the end of the financial year.
- b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- c) No discrepancies have been noticed on the physical verification of stocks as compared to book records.
- iii. a) As informed to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

- b) As informed to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv. In our opinion and according to information and explanations given to us, there are adequate internal controls procedures commensurate with size of the company and the nature of its business for purchases of inventory, Fixed assets and for sale of services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system.
- v. According to the information and explanation given to us by the management, we are of the opinion that there are no contracts and arrangements referred to in section 301 of the Act, of which particulars and transactions that need to be entered into register required to be maintained under that section of the Act.
- vi. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits from public within the meaning of provisions of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under.
- vii. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- viii. To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for the products of the company.
- ix. In respect of Statutory dues:
 - a. According to the records of the company, the undisputed statutory dues including provident fund, income tax, service tax, cess and other statutory dues have been generally deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2005 for a period of more than six months from the date of becoming payable.
 - b. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, service tax and cess were in arrears as at 31st March, 2005 for a period of more than six months from the date they became payable.
 - c. According to the information and explanations given to us, there are no dues of income tax, service tax and cess, which have not been deposited on account of any dispute.
- x. The company's accumulated losses at the end of the financial year is less than fifty percent of its Net worth and it has incurred cash losses in the current financial year and in the immediately preceding financial year.
- xi. On the basis of records examined by us and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xii. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion and according to the information given to us, the nature of activities of the company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/societies.
- xiv. In our opinion and according to the explanations given to us, the company has maintained proper records of transactions and contracts towards the dealings in shares, debentures and other investments and timely entries have been made therein. The same have been held by the company in its own name.
- xv. According to information and explanation given to us and the representations made by the management, the company has not given any guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof are prima facie prejudicial to the interest of the company.
- xvi. The company has not raised any term loans during the year and also there was no outstanding balance at the beginning of the year.
- xvii. Based on the information & explanations given to us and on an overall examination of the balance sheet of the company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment.
- xviii. The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. The company did not have any outstanding debentures during the year. Accordingly no security or charge has been created.
- xx. The company has not raised any money by way of public issue, during the year.
- xxi. According to the information and explanations given to us and based on the audit procedures performed, we report that, no fraud on or by the company has been noticed or reported during the year.

For **BATLIBOI & PUROHIT**
Chartered Accountants

(R. D. Hangekar)

Partner

Place : Mumbai

Dated : 23rd June, 2005

Membership No. - 30615

17th Annual Report 2004 - 2005**BALANCE SHEET AS AT 31st MARCH, 2005**

	Schedules	As at 31.03.2005 (Rs.)	As at 31.03.2004 (Rs.)
SOURCES OF FUNDS :			
Shareholders' Funds			
a) Share Capital	1	46,152,400	56,152,400
b) Reserves and Surplus	2	71,848,688	73,183,274
Loan Funds			
a) Secured Loans	3	98,696	1,704,701
b) Unsecured Loans	4	264,341,081	209,279,544
Deferred Tax Liabilities (Net)		81,206,528	81,750,020
TOTAL		463,647,393	422,069,939
APPLICATION OF FUNDS:			
Fixed Assets			
a) Gross Block	5	303,350,148	341,151,690
b) Less: Depreciation		192,764,882	186,823,122
c) Net Block		110,585,266	154,328,568
Add : Accumulated Lease Adjustment		112,636,954	78,339,793
		223,222,220	232,668,361
Investments	6	223,582,812	231,089,585
Current Assets , Loans and Advances			
a) Current Assets	7	92,757,036	39,864,756
b) Loans and Advances	8	34,654,115	24,161,123
		127,411,152	64,025,879
Less : Current Liabilities and Provisions			
a) Current Liabilities	9	123,926,348	123,295,563
b) Provisions	10	623,445	543,699
		124,549,793	123,839,262
Net Current Assets		2,861,359	(59,813,383)
Miscellaneous Expenditure	11	13,981,001	18,125,376
(To the extent not written off or adjusted)			
TOTAL		463,647,393	422,069,939
Earning per share (Basic and Diluted)			
(Face Value of Rs. 10/- per share)		-0.06	-0.88
SIGNIFICANT ACCOUNTING POLICIES			
NOTES FORMING PART OF THE ACCOUNTS			

As per our report of even date attached
For **BATLIBOI & PUROHIT**
Chartered Accountants

For and on behalf of the Board of Directors

R. D. Hangekar
Partner

Girish Jain
Director

Rajnesh Jain
Director

Vijay Joshi
Company Secretary

Place : Mumbai
Date : 23rd June 2005

Place : Mumbai
Date : 23rd June 2005