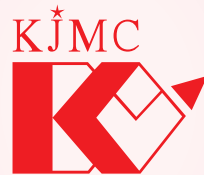


*Performing to Grow
Growing to Excel*



KJMC Financial Services Limited

**23rd Annual Report
2010-2011**

**BOARD OF DIRECTORS**

: Mr. I.C. Jain *Chairman*
 Mr. R. R. Kumar
 Mr. Rajnesh Jain
 Mr. Girish Jain
 Mr. S. C. Aythora
 Mr. Nitin Kulkarni

COMPANY SECRETARY

Mr. Rupesh Tawde

AUDITORS

: Batliboi and Purohit
 Chartered Accountants
 National Insurance Building,
 204, D. N. Road, Fort,
 Mumbai - 400 001.

BANKERS

: Union Bank of India Citi Bank
 UCO Bank HDFC Bank Limited

REGISTERED OFFICE

: 168, Atlanta, 16th Floor,
 Nariman Point, Mumbai - 400 021.
 Tel. No. (022) - 4094 5500
 (022) - 22832350 / 52
 Fax No. 91-022 - 22852892
 Website : www.kjmc.com

REGISTRAR & TRANSFER AGENT

: Bigshare Services Pvt. Ltd.
 E-2, Ansa Industrial Estate, Sakivihar Road, Saki Naka,
 Andheri (East), Mumbai - 400 072.
 Tel. No. : 2847 0652 / 53 • Fax No. 2847 5207
 E-mail: info@bigshareonline.com
 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** **JAIPUR**
 221, Hans Bhavan 41, Jai Jawan Colony II
 Bahadur Shah Zafar Marg, Tonk Road, Durgapur,
 New Delhi - 110 002. Jaipur - 302 018.

AHMEDABAD

Brodway Business Centre,
 1st Floor,
 Shahjanand Complex,
 C. G. Road,
 Ahmedabad 380 008.

TWENTY THIRD ANNUAL GENERAL MEETING	
DATE	Saturday, 24th September, 2011
TIME	3.30 P.M.
VENUE	S.K. SOMANI MEMORIAL HALL
	HINDI VIDYA BHAWAN
	79, MARINE DRIVE, 'F' ROAD,
	MUMBAI - 400 020.

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NOTICE

Notice is hereby given that Twenty Third Annual General Meeting of the Members of KJMC Financial Services Limited will be held on Saturday, 24th September, 2011 at 3.30 P.M. at S. K. Somani Memorial Hall, Hindi Vidy 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, 2011 and the Balance Sheet as at that date and the Report of the Board of Directors and Auditors thereon.
- To declare Dividend on 12% Non Cumulative Redeemable Preference Shares.
- To appoint a Director in place of Shri I. C. Jain, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Shri S. C. Aythora, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. K. S. Aiyar & Co., Chartered Accountants, Mumbai be appointed as Statutory Auditors of the Company, in place of the retiring Auditors M/s. Batliboi and Purohit, Chartered Accountants, Mumbai to hold office from the conclusion of this Meeting until the conclusion of next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors of the Company, in consultation with the Auditors of the Company."

FOR KJMC FINANCIAL SERVICES LIMITED

Place : Mumbai
Date : 27th May, 2011

(RUPESH TAWDE)
COMPANY SECRETARY

NOTES:

- A)** The related Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the item no. 5 setting out the material facts is annexed hereto.
- B)** **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, 16th Floor, Mumbai – 400021, not less than forty eight hours before the commencement of the meeting
- C)** 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.
- D)** The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 17th September, 2011 to Saturday, 24th September, 2011 (both days inclusive) for the purpose of Annual General Meeting.
- E)** 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.
- F)** 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 / Directors seeking appointment at the Annual General Meeting is given hereunder:

1.	Name & Designation	Shri I. C. Jain, Chairman
	Date of Birth	7 th November, 1939
	Qualifications	B. Com (Hons), FCA
	Expertise	He has over four decades of experience in income tax Counseling, Corporate Finance, Merchant Banking and Company Audit
	Director of the Company since	30 th June, 2000

The other Directorships / Committee Membership of Shri. I. C. Jain are as follows:

Name of the Company	Committee Membership	Board Membership
KJMC Global Market (India) Ltd.	Member - Audit Committee Chairman- Share Transfer and Investors' Grievance Committee	Chairman
KJMC Investment Trust Company Ltd.	-	Chairman
KJMC Shares and Securities Ltd.	-	Chairman
KJMC Technologies and Systems Ltd.	-	Director
Port City Infrastructure Development (India) Ltd.	-	Director
KJMC Commodities Market India Ltd.	-	Director
KJMC Realty Pvt. Ltd.	-	Director
KJMC Silver Properties Pvt. Ltd.	-	Director
Prathamesh Enterprises Pvt. Ltd.	-	Director

2.	Name & Designation	Shri S. C. Aythora, Director
	Date of Birth	10 th January, 1951
	Qualifications	B. Com (Hons), FCA
	Expertise	He has more than 20 years of experience in the field of Corporate Accounts, Audit, Taxation.
	Director of the Company since	9 th June, 2004

The other Directorships / Committee Membership of Shri S. C. Aythora are as follows:

Name of the Company	Committee Membership	Board Membership
KJMC Global Market (India) Ltd.	Member- Remuneration Committee	Director
KJMC Capital Market Services Ltd.	Member - Audit Committee Chairman - Remuneration Committee.	Director
Gold Rock Investments Ltd.	Member- Audit Committee Chairman - Shareholders / Investor Grievance Committee	Director
Gold Rock World Trade Ltd.	-	Director
Gold Rock Metals Ltd.	-	Director
Gold Rock Agro Tech Ltd.	-	Director
Tridhar Finance & Trading Ltd.	-	Director
Saryu Investment & Trading Pvt. Ltd.	-	Director
Sugata Investments Ltd.	-	Director
Seattle Online Pvt. Ltd.	-	Director
Picanova Investments Pvt. Ltd.	-	Director
Blue Point Leasing Ltd.	-	Director
Incite Infotech Pvt. Ltd.	-	Director
Splendour Trade Place Pvt. Ltd.	-	Director
Panki Roadlines Pvt. Ltd.	-	Director

- G)** Members are requested to:
- To bring their copy of the Annual Report at the meeting.
 - Quote their Folio No. / Client ID 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 Nos. 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 is requested to address their queries in writing to the Company at least 10 days in advance from the date of the meeting so that the required information may be made readily available at the meeting.

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

Item No. 5 :

M/s. Batliboi and Purohit, Chartered Accountants, Mumbai the Statutory Auditors of the Company vide their letter dated 16th May, 2011, have expressed their inability to be re-appointed as Auditors of the Company due to their other professional commitments.

The Company has received a Special notice from a member under section 225 of the Companies Act, 1956, proposing the appointment of M/s K. S. Aiyar & Co., Chartered Accountants, Mumbai as Statutory Auditors. The Company has received a certificate pursuant to section 224(1B) of the Companies Act, 1956, from M/s. K. S. Aiyar & Co., Chartered Accountants certifying their eligibility for appointment as auditors of the Company.

It is therefore proposed to appoint M/s. K. S. Aiyar & Co., Chartered Accountants as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company.

The Board of Directors commends passing of the Ordinary Resolution proposed at item no. 5 of the Notice.

None of the Directors of the Company, is in any way, concerned or interested in the proposed resolution.

FOR KJMC FINANCIAL SERVICES LIMITED

Place : Mumbai
Date : 27th May, 2011

(RUPESH TAWDE)
COMPANY SECRETARY

**DIRECTORS' REPORT**

To,

The Members of

KJMC Financial Services Limited

Your Directors herewith present the 23rd Annual Report, together with the audited statement of accounts of the Company for the year ended 31st March, 2011.

FINANCIAL RESULTS

The performance of the Company for the financial year ended 31st March, 2011 is summarised below:

(₹ in lakhs)

Particulars	Year ended	Year ended
	31 st March, 2011	31 st March, 2010
Total Income	106.81	75.15
Expenditure	74.84	42.43
Profit before Depreciation and Tax	31.97	32.72
Less : Depreciation	5.57	6.37
Profit after Tax	26.40	26.35
Less: Provision for Tax		
- Current Tax	8.50	4.72
- Deferred Tax	(127.09)	-
- MAT Credit	(6.86)	-
- Prior year taxes	-	0.16
Profit / (Loss) After Tax	151.85	21.47
Add : Prior period Income / (Expenses)	-	(0.04)
Add : Surplus as per last account	78.66	75.56
Disposable Profits	230.51	96.99
Appropriations towards :		
Special Reserve	30.37	4.29
General Reserve	15.19	2.15
Dividend on 12% Non Cumulative Redeemable Preference Shares	10.20	10.20
Tax on Preference Dividend	1.65	1.69
Surplus Balance carried to Balance Sheet	173.10	78.66

PERFORMANCE REVIEW

During the year under review, your Company earned the gross income of ₹106.81 Lakhs as against ₹75.15 Lakhs in the previous year. The total expenditure during the year under review was ₹80.41 Lakhs against ₹48.80 Lakhs in the previous year. The Net Profit after tax was ₹151.85 Lakhs as against ₹21.47 Lakhs in the previous year mainly due to recognition of deferred tax asset of ₹127.09 Lakhs on account of unabsorbed losses available for set off against future profit under income tax Act. Considering expectations of country's gradual improvement in effective demand and GDP growth rate coupled with upward movements in capital market, your directors expect better performance of the Company in the coming years.

DIVIDEND

In view of the inadequate profits, your Directors do not recommend any dividend on Equity Shares for the year under review. Your Directors recommend Dividend of ₹12/- per share on 12% Non Cumulative Redeemable Preference Shares of ₹100/- each.

RBI GUIDELINES

The Company has complied with all the applicable regulations of the Reserve Bank of India as on 31st March, 2011. The Company is in process of increasing the Networth of the Company as per the requirements of the Reserve Bank of India by way of divesting the shares of subsidiary Companies, for which the necessary permissions/approvals have been taken from the respective regulatory authorities.

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.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri I. C. Jain and Shri S. C. Aythora, the Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

AUDITORS

M/s. Batliboi & Purohit, Chartered Accountants, Mumbai the Auditors of the Company holds the office until the conclusion of the ensuing Annual General Meeting, have expressed their unwillingness to be re-appointed due to their other professional commitments.

It is proposed to appoint M/s. K. S. Aiyar & Co., Chartered Accountants, Mumbai in place of the retiring Auditors. Your Company has received certificate u/s. 224(1B) of the Companies Act, 1956 from M/s. K. S. Aiyar & Co., Chartered Accountants to the effect that their appointment, if made, will be within the limit prescribed. Accordingly, the members approval is being sought to their appointment as Auditors of the Company at the ensuing Annual General Meeting and to authorise the Board of Directors to fix their remuneration for the financial year 2011-12.

FIXED DEPOSITS

The Company has neither invited, nor accepted, nor renewed any fixed deposit from the public during the year and there was no outstanding deposit payable during the financial year ended 31st March, 2011.

SUBSIDIARY COMPANIES

KJMC Asset Management Company Limited and KJMC Investment Trust Company Limited are subsidiaries of the Company.

The Company is not attaching copies of the balance-sheet, profit and loss account, reports of the Board of Directors and the Auditors thereon, in respect of the subsidiaries as required under Section 212(1) of the Companies Act, 1956 ("the Act") to its accounts as per the dispensation available pursuant to the directions issued by the Ministry of Corporate Affairs vide general circular no. 2/2011. However, as required under the aforesaid circular and pursuant to Clause 32 of the Listing Agreement, the consolidated financial statements of the Company duly audited by the statutory auditors forms part of this Annual Report. The Company shall make available, the annual accounts and related information of its subsidiaries, to those shareholders who wish to have the copies of the same. Further, these documents shall be available for inspection by a shareholder at the registered office of the Company as well as of its subsidiaries on any working day, except Saturdays, between 11.00 a.m. to 3.00 p.m.

CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Clause 32 of the Listing Agreement entered into with the Stock Exchange, your Directors have pleasure in attaching the Consolidated Financial Statements for the financial year ended 31st March, 2011, prepared in accordance with the Accounting Standards 21 (AS 21) prescribed by the Institute of Chartered Accountants of India, in this regard.

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 have 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, 2011 and of the profit of the Company for that period ;
3. The Directors have 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 have 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 this report.

LISTING OF SHARES

Equity Shares of the Company are listed on Bombay Stock Exchange Limited (BSE). Annual listing fees upto the year 2011-12 has been paid to the Bombay Stock Exchange Limited (BSE). The Company complied with the delisting formalities in respect of the other stock exchanges and consequently the Equity Shares of the Company were delisted from Jaipur Stock Exchange Limited, The Stock Exchange, Ahmedabad and Delhi Stock Exchange Association Limited. The delisting approval from Bhubaneswar 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, 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.

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 : 27th May, 2011

(I. C. JAIN)
CHAIRMAN

MANAGEMENT DISCUSSION & ANALYSIS**1. BUSINESS AND INDUSTRY REVIEW:-**

KJMC has been involved in providing fund based financial services and funding solutions to the Indian Corporates, Institutions, SME's etc. Your Company, along with its associates forms an integrated financial services group providing wide range of services to its clients. The organization structure is designed to be flexible and customer focused to ensure effective control, supervision and consistency in standards across the organization.

Indian economy has posted sound growth and the estimated economic growth at 8.75 % -9.25 % for the fiscal 2011-2012. Such growth momentum and the revival plan would bestow sufficient platform to financial services companies to enlarge their business level. Your Company is currently well poised to play a larger role in the growth story of the economy and optimize its performance by leveraging the investments that have been made in the past and which are likely to have positive impact on the bottom line of your Company in the coming years.

2. FINANCIAL REVIEW

During the year under review, your Company earned the gross income of ₹ 106.81 Lakhs against ₹ 75.15 Lakhs in the previous year. The total expenditure during the year under review was ₹ 80.41 Lakhs against ₹ 48.80 Lakhs in the previous year. The Net Profit after tax was ₹ 151.85 Lakhs against ₹ 21.47 Lakhs in the previous year mainly due to recognition of deferred tax asset of ₹ 127.09 Lakhs on account of unabsorbed losses available for set off against future profit under income tax Act. Considering expectations of country's gradual improvement in effective demand and GDP growth rate coupled with upward movements in capital market, your directors expect better performance of the Company in the coming years.

3. BUSINESS OUTLOOK

Your Company will increase its product base as far as raising resources and deploying them in safe and profitable manner. As far as Subsidiary Companies are concerned, your Company is working on plans to activate / expand them including looking for tie-ups / associations / joint ventures for fast-pacing the business plans.

4. 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, competition risk, interest rate volatility, human resource risk and execution risk, etc. The Company manages these risks by maintaining a conservative financial profile and by following prudent business and risk practices. Being engaged in the business in a highly regulated industry; we are presented with risk containment measures in the very regulations. The company's business could potentially be affected by the following factors:-

- Impact of markets on our revenues and investments, sustainability of the business across cycles
- Sharp movement in prevailing interest rates in the market.
- Risk that a client will fail to deliver as per the terms of a contract with us or another party at the time of settlement.
- Risk due to uncertainty of a counterparty's ability to meet its financial obligations to us.
- Inability to conduct business and service clients in the event of a contingency such as a natural calamity breakdown of infrastructure, etc.

5. OPPORTUNITIES AND THREATS

Opportunities:

- Low retail penetration of financial services / products in India
- Tremendous brand strength
- Opportunity to cross sell services
- Increasing per-capita GDP
- Utilize technology to provide solutions to customers

Threats:

- Competition from established companies and new entrants
- Execution risk.
- Regulatory changes.
- Attraction and retention of human capital.
- Volatile environment

6. 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 transaction 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.

7. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

Your Company continues to lay great stress on its most valuable resource - people. Continuous training, both on the job and in an academic setting, is a critical input to ensure that employees at all levels are fully equipped to deliver a wide variety of products and services to the rapidly growing customer base of your Company. It is our endeavour to create an environment where people can use all of their capabilities in support of the business. Therefore, your Company encourages its employees to balance their work and personal responsibilities.

REPORT ON CORPORATE GOVERNANCE FOR THE F.Y. 2010-2011**PHILOSOPHY OF CORPORATE GOVERNANCE**

Your Company is committed to upholding the highest standards of Corporate Governance in its operations. The policies and practices are not only in line with the

statutory requirement, but also reflect your Company's commitment to operate in the best interest of its stake holders. The responsibility for maintaining high standards of governance lies with your Company's Board of Directors and various Committee of the Board, which are empowered to monitor implementation of the best Corporate Governance practices including making necessary disclosures within the framework of legal and regulatory provisions and Company conventions besides its employees. In this direction, your Company is committed to ensure that the Company's Board of Directors continued to be constituted as per the prescribed norms, meets regularly as per the prescribed frequency, provides effective leadership, exercises control over the management, monitors executive performance and makes appropriate disclosures. In addition, establishment of a framework of strategic control and continuous reviewing of its efficacy and establishment of clearly documented and transparent management processes for policy development, implementation and review, decision making, monitoring control and reporting are the other policy directives. Your Company provides free access to the Board of all relevant information, advices and resources to enable it to carry out its role effectively. In addition the Company has appointed Compliance / Nodal officer for matters relating to RBI & Companies Act, etc.

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. Your Company will constantly endeavour to improve on these aspects on an on going basis.

2. BOARD OF DIRECTORS

The Company has a Non – Executive Chairman and the number of Independent Directors is one half of the total number of Directors. The Directors have been contributing their diversified knowledge, experience and expertise in respective areas of their specialization for the growth of the Company. During the Financial Year 2010-2011, Five (5) Meetings of the Board of Directors were held on 27th May, 2010, 4th August, 2010, 25th September, 2010, 12th November, 2010 and 5th February, 2011.

The particulars of Directors as on 31st March, 2011 are as follows:

Sr. No.	Director	Category of Directorship	No. of BM Attended	Last AGM attended	No. of Other Directorships held	Committee Membership(s)	
						Chairman	Member
1.	Mr. I. C. Jain	Chairman / Non- Executive Director	5	Yes	9	1	3
2.	Mr. R. R. Kumar	Non-Executive & Independent Director	5	Yes	6	3	3
3.	Mr. Girish Jain	Non-Executive Director	5	Yes	9	1	3
4.	Mr. Rajnesh Jain	Non-Executive Director	4	Yes	12	1	1
5.	Mr. S.C. Aythora	Non-Executive & Independent Director	2	No	15	4	3
6.	Mr. Nitin Kulkarni	Non-Executive & Independent Director	5	Yes	1	-	5

None of the Directors hold directorship in more than 15 public limited companies, membership in committees of Board in more than 10 companies and chairmanship of committee of Board of more than 5 committees.

Board Procedures

The Agenda is circulated well in advance to the Board of Directors. The items in the Agenda are backed by comprehensive background information to enable the Board to take appropriate decisions. In additions to the information required under Annexure IA to clause 49 of the Listing Agreement, the Board is also kept informed of major events/ items and approvals taken wherever necessary. At the Board meetings, the Board is apprised of the overall performance of the Company.

3. AUDIT COMMITTEE**(a) Terms of Reference:**

The Audit Committee provides direction to the audit and risk management function in the Company and monitors the quality of internal audit and management audit. The responsibilities of the Audit Committee include overseeing the financial reporting process to ensure proper disclosure of financial statements, fixing the audit fees and also approving the payment for any other services, reviewing the annual financial statements before submission to the Board, reviewing adequacy of internal control systems, structure and staffing of the internal audit function, reviewing findings of the internal investigations, etc.

The terms of reference and powers of the Audit Committee are as per Clause 49 of the Listing Agreement and also as per Section 292A of the Companies Act, 1956. The Committee met four times during the year on 27th May, 2010, 4th August, 2010, 12th November, 2010 and 5th February, 2011.

**(b) Composition:**

The Audit Committee consists of the following Directors:

Name of Director	Executive/Non- Executive / Independent	No. of meetings attended
Mr. I. C. Jain	Non Executive Director	4
Mr. S. C. Aythora	Chairman of the Committee and Independent Director	2
Mr. Nitin Kulkarni	Independent Director	4

4. SUBSIDIARY COMPANIES

The Company has the following subsidiary companies as on March 31, 2011:

- KJMC Asset Management Company Limited
- KJMC Investment Trust Company Limited

5. REMUNERATION COMMITTEE:**(a) Terms of Reference:**

The Remuneration Committee was formed by the Board of Directors at their meeting held on July 7, 2007. The terms of the reference of the Committee is to review and recommend compensation payable to the Executive Directors and also to formulate and administer Employees Stock Option Scheme, including the review and grant of options to eligible employees under the scheme. The Committee also ensures the Compensation Policy of the Company and Performance Oriented Scheme for Senior Managers. The overall function of the Committee consists of the following:

- Assist the Board of Directors in ensuring that affordable, fair and effective compensation policies are implemented.
- Approve and make recommendations to the Board in respect of Directors' fees, Salary Structure and actual compensation (inclusive of Performance based incentives and benefits) of the Executive Director(s).
- Review and approve the overall budgetary increment proposals for annual increase of compensation and benefits for the employees.
- Review and approve the change in terms and conditions of the ESOP.
- Review and approve the criteria for selection and appointment of Non-Executive Directors.

(b) Composition:

The Remuneration Committee consists of the following Directors:

Name of Director	Executive/Non-Executive/Independent
Mr. S. C. Aythora	Chairman of the Committee and Independent Director
Mr. R. R. Kumar	Independent Director
Mr. Girish Jain	Non-Executive Director

No Remuneration Committee Meeting was held during the year.

6. SHARE TRANSFER / INVESTOR GRIEVANCE COMMITTEE**(a) Terms of Reference:**

The role and functions of the Share Transfer / Investor's Grievances Committee are the effective redressal 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. Rajnesh Jain - Member
- Mr. Inderchand Jain - Member
- Mr. Nitin Kulkarni - Member

During the year, the Company received five complaints and all were resolved within the stipulated time to satisfaction of the shareholders / investors. As on 31st March, 2011, 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 16 meetings during the year and approved the transfer of shares lodged with the Company and attended the investor's queries & complaints.

7. GENERAL BODY MEETINGS:

The particulars of Annual General Meetings and Extra Ordinary General Meeting of the Company held in last three are as under:

Year	AGM/EGM	Location	Date	Time
2008	AGM	S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai	27/09/2008	3.30 P.M.
2009	AGM	S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai	26/09/2009	3.30 P.M.
2010	AGM	S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai	25/09/2010	3.30 P.M.

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

8. CODE OF CONDUCT

The code of conduct for the Directors and the Employees of the Company has been laid down by the Board and it is internally circulated and necessary declaration has been obtained.

9. DISCLOSURES

- None of the transactions with any of the related party are in conflict with the interest of the Company. Transactions with related parties have been disclosed in Schedule 16 to the Notes on Accounts in the Annual Report.
- There is no non compliance of any provision of law by the Company nor any penalty/ stricture imposed on the Company by Stock Exchange(s), SEBI or any other authority, on any matter related to Capital markets, during the last three years.
- The Company has complied with all the mandatory requirements of the Corporate Governance.
- The Company do not have any Whistle Blower Policy. However, any employee would not be denied access to the Audit Committee.

10. 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 Investor's 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 : Saturday, 24th September, 2011
Time : 3.30 P.M.
Venue : S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai – 400 020.

2. Book Closure:

Saturday, 17th September, 2011 to Saturday, 24th September, 2011 (both days inclusive).

3. Dividend Payment Date

Not applicable as no dividend was recommended/declared on Equity Shares. Preference dividend will be paid on 28th September, 2011.

4. Financial Calendar (tentative):

Financial Reporting for the Financial Year 2011-12	Tentative month of reporting
Un-audited Financial Results for the quarter ending 30 th June, 2011	On or before 14 th August, 2011
Un-audited Financial Results for the half year ending 30 th September, 2011	On or before 14 th November, 2011
Un-audited Financial Results for the quarter ending 31 st December, 2011	On before 14 th February, 2012
Audited Financial Results for the year ending 31 st March, 2012	30 th May, 2012

5. Listing of Equity Shares on Stock Exchanges :

- Equity Shares of the Company are listed on Bombay Stock Exchange Limited, Mumbai (BSE). Annual listing fees for the year 2011-12 has been paid to the Bombay Stock Exchange Limited, Mumbai.
- The Company complied with the delisting formalities with other stock exchanges 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.

6. Stock Code:

- Bombay Stock Exchange Limited, Mumbai (BSE): B – 530235
- ISIN - INE533C01018

7. Stock Price Data:

Month wise high and low price of the Company's Shares at Bombay Stock Exchange Limited (BSE) from April, 2010 to March, 2011.

Month	Bombay Stock Exchange Limited (BSE)	
	High (₹)	Low (₹)
April 2010	31.00	24.45
May 2010	24.80	22.00
June 2010	25.00	21.09
July 2010	26.25	24.50
August 2010	25.60	23.80
September 2010	25.00	23.50
October 2010	29.10	22.85
November 2010	28.00	25.90
December 2010	25.00	25.00
January 2011	No trading	No trading
February 2011	25.00	25.00
March 2011	26.25	24.75

8. Compliance Officer:

Mr. Rupesh Tawde, Company Secretary
 168, Atlanta, 16th Floor, Nariman Point, Mumbai – 400 021.
 Ph: 022- 22885201, email: cosec@kjmc.com

9. Address For Correspondence:

Shareholders can correspond to:
Secretarial Department: 168, Atlanta, 16th Floor, Nariman Point, Mumbai-400021.
Or
Bigshare Services Pvt. Ltd., E-2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai – 400072, Tel.No.022-28470652/53, Fax No. 022-28475207, email id: info@bigshareonline.com.
Shareholders holding shares in electronic mode should address their Correspondence to their respective Depository Participants. The company also has designated email id: investor.finance@kjmcc.com where shareholders can correspond with the Company.

10. 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.

11. 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 2011, out of total Equity Capital 31,35,740 Equity Shares, 28,20,109 Equity Shares representing 89.93 % of the total Equity 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.

12. Distribution of Shareholding as on 31st March, 2011

Range in ₹	Number of Shareholders	% of Total Holders
Upto 5000	3710	96.72
5001 to 10000	43	1.12
10001 to 20000	23	0.60
20001 to 30000	6	0.16
30001 to 40000	8	0.21
40001 to 50000	10	0.26
50001 to 100000	9	0.23
100001 and above	27	0.70
TOTAL.....	3,836	100.00

13. Shareholding Pattern as on 31st March, 2011

Cat. Code	Category of Shareholder	Total No. of Shares held	% Share holding
A.	Shareholding of Promoter and Promoter Group		
1	Indian		
(a)	Individuals / Hindu Undivided Family	1581854	50.45
(b)	Central Govt. / State Govts.	0	0
(c)	Bodies Corporate	0	0
(d)	Financial Institutions / Banks	0	0
(e)	Any other	0	0
	Sub Total – A(1)	1581854	50.45
2	Foreign	0	0
(a)	Non Resident Individuals / Foreign Individuals	0	0
(b)	Bodies Corporate	0	0
(c)	Institutions	0	0
(d)	Any other	0	0
	Sub Total A(2)	0	0
	Total Shareholding of Promoter Group	1581854	50.45
(B)	Public Shareholding		
1	Institutions		
(a)	Mutual Funds / UTI	0	0
(b)	Financial Institutions / Banks	65400	2.09
(c)	Central Govt. / State Govt.	7050	0.22
(d)	Venture Capital Funds	0	0
(e)	Insurance Companies	0	0
(f)	Foreign Institutional Investors	0	0
(g)	Foreign Venture Capital Investors	0	0
(h)	Any other	0	0
(h1)	NRI Banks	0	0
	Sub Total B(1)	72450	2.31

Cat. Code	Category of Shareholder	Total No. of Shares held	% Share holding
2	Non Institutions		
(a)	Bodies Corporate / Trust	617416	19.69
(b1)	Individuals-shareholders holding normal Share Capital up to ₹ 1 Lac	471666	15.04
(b2)	Individuals-shareholders holding normal Share Capital in excess of ₹ 1 Lac	391836	12.50
(c)	Any other	0	0
(c1)	NRI	518	0.01
(c2)	OCB's	0	0
	Sub Total B(2)	1481436	47.24
	Total Public Shareholding B(1) + B(2)	1553886	49.55
	Total (A) + (B)	3135740	100.00
C	Shares held by Custodians and against which Depository receipts have been issued	0	0
	Grand Total	3135740	100.00

Note: The total foreign shareholding as on 31st March, 2011, is 518 Equity shares, which in percentage terms is 0.016% 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.

Declaration regarding affirmation and Compliance of Code of Conduct

As required by Clause 49(I)(D) of the Listing Agreement with the Stock Exchange(s), it is hereby declared that all the Board members and senior management personnel have affirmed compliance with the Code of Conduct of the Company for the year ended 31st March, 2011.

FOR KJMC FINANCIAL SERVICES LIMITED

(I. C. JAIN)
CHAIRMAN

CEO / CFO Certification

The CFO i.e. Principal Officer & Vice President (Finance & Accounts) of the Company give annual certification on financial reporting and internal controls to the Board in terms of clause 49 of the Listing Agreement. The CFO i.e. Principal Officer & Vice President (Finance & Accounts) also give quarterly certification on financial results while placing the financial results before the Audit Committee and Board.

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, 2011 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, 2011, 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
FRN No.101048W

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

Place : Mumbai
Date : 27th May, 2011

**AUDITOR'S REPORT****To the members of****KJMC Financial Services Limited**

1. We have audited the attached Balance Sheet of **KJMC Financial Services Limited** ("the company") as at 31st March, 2011 and the Profit and Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto (all together referred to as "the Financial Statements"). 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. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 (the Order), as amended, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 purposes 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 and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the 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 by the Company from its Directors, none of the directors is disqualified as on the balance sheet date 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 financial statements 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 March 31, 2011
 - ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For BATLIBOI & PUROHIT
Chartered Accountants
 Firm Reg.No. 101048W

R. D. Hangekar
Partner
Membership No: 30615

Place : Mumbai
 Date : 27.05.2011

Annexure to the Auditor's Report

(Referred to in paragraph 3 of our report of even date to the members of KJMC Financial Services Limited on the financial statements for the year ended on March 31, 2011)

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets
- b) According to the information and explanations given to us, the management conducted physical verification of fixed assets as at the year end, and no material discrepancies were noticed on such verification. In our opinion, having regard to the size of the Company and the nature of its business, the frequency of verification is reasonable.
- c) The Company has not disposed off any substantial part of fixed assets during the year, accordingly, the assumption of the going concern being affected, does not arise.
- ii) In our opinion, and on the basis of the records examined by us, and information and explanations given to us, the Company has maintained proper records of inventory.
- iii) a) The Company has granted loans to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- b) The rate of interest and other terms and conditions are not prejudicial to the interest of the Company.
- c) The receipt of interest and principal is also regular.
- d) According to the information and explanations given to us, the Company has not taken any loans from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clauses (f) and (g) of clause (iii) of paragraph 4 of the said Order, are not applicable.

- iv) In our opinion, the Company has an adequate internal control procedure commensurate with the size of the company and nature of its business for the purchase of inventory and fixed assets and sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
- v) a) To the best of our knowledge and belief, and according to the information and explanations given to us, we are of the opinion that particulars of contracts and arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- b) In our opinion, and according to the information and explanations given to us, in respect of transactions during the year, made pursuant to contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five hundred thousand in respect of each party, except for certain transactions where there are no comparable transactions with other parties or where prevailing market prices are not available as the services are of specialized nature, transactions have been made at prices which are reasonable having regard to prevailing market prices.
- vi) The Company has not accepted any deposits from the public to which the directives issued by the Reserve bank of India and the provisions of Sections 58A, 58AA or any other relevant provisions of the Act, or the rules framed there under, are applicable.
- vii) In our opinion, and according to the information and explanations given to us, the Company has an internal audit system commensurate with the size and the nature of its business.
- viii) The Central Government has not prescribed maintenance of cost records under clause (d) of subsection (1) of Section 209 of the Companies Act, 1956 for any of the activities of the Company.
- ix) a) According to the information and explanations given to us, during the year under report, the Company was generally regular in depositing undisputed statutory dues including Provident fund, Income-tax, service-tax and other material statutory dues with the appropriate authorities .
- b) According to the information and explanations given to us there are no undisputed amounts payable in respect of income tax, wealth tax, and service tax, sales tax, customs duty, excise duty and cess which remained unpaid as at the balance sheet date 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, sales tax, wealth tax, service tax, customs duty, cess which have not been deposited on account of any dispute.
- x) The company does not have any accumulated losses at the balance sheet date .The Company did not incur cash losses for the year under report, and in the immediately preceding financial year.
- xi) On the basis of our examination and according to the information and explanations given to us, the Company has not defaulted in repayment of the dues to banks. The Company did not have any loans from financial institutions and also did not have any debentures outstanding during the year under report.
- xii) According to the information and explanations given to us, during the year under report, the Company did not grant any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii) In our opinion, the Company is not a chit fund / nidhi / mutual benefit fund / society to which the provisions of any special statute apply; accordingly, the provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- xiv) On the basis of our examination of books and records of the Company, and according to the information and explanations given to us, in our opinion, the Company has maintained proper records of transactions and contracts in respect of dealing or trading in shares and securities entered into, in which entries were made on a timely basis. As at the balance sheet date the shares, securities and other investments were held in the Company's own name.
- xv) The Company has given guarantees for loans taken by others from banks or financial institutions and it is not prejudicial to the interest of the Company.
- xvi) The Company did not have any term loans outstanding during the year under report; accordingly, the provisions of clause (xvi) of paragraph 4 of the Order are not applicable.
- xvii) In our opinion, and according to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, we report that prima facie, no funds raised on short term basis have been used for long-term investment.
- xviii) During the year under report, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- xix) The Company did not have any debentures outstanding during the year under report; accordingly, the question of creating security in respect of debentures, does not arise.
- xx) The Company did not have any public issue; accordingly, the question of commenting on end-use of moneys raised, does not arise.
- xxi) To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the course of our audit.

For BATLIBOI & PUROHIT
Chartered Accountants
 Firm Reg.No. 101048W

R. D. Hangekar
Partner
Membership No: 30615

Place : Mumbai
 Date : 27.05.2011