

Deloitte Haskins & Sells

Chartered Accountants
12, Dr. Annie Besant Road
Opp. Shiv Sagar Estate
Worli, Mumbai - 400 018
India

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AUDITORS' REPORT

TO THE MEMBERS OF JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED

1. We have audited the attached Balance Sheet of **JM Financial Asset Management Private Limited** ("the Company") as at 31st March, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both 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 the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (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 it appears from our examination of those books;
 - (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

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- (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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, 2012;
 - (ii) in the case of the Statement of Profit and Loss, of the loss 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.
5. On the basis of the written representations received from the Directors as on 31st March, 2012 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)



A. Siddharth
Partner
(Membership No. 31467)

Mumbai, dated 15th May, 2012



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ANNEXURE TO THE AUDITORS' REPORT

(referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/result, clauses (ii), (viii), (xiii) and (xiv) of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) All the fixed assets were physically verified during the year by the Management. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) The Company has neither granted nor taken loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and sale of services. The Company being a service Company does not purchase inventory or sell goods. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered in the register in pursuance of Section 301 of the Companies Act, 1956.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year. According to the information and explanations given to us, no Order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal.

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- (vii) In our opinion, the internal audit function carried out during the year by firm of Chartered Accountants appointed by the Management has been commensurate with the size of the Company and the nature of its business.
- (viii) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) There are no cases of non-deposit with appropriate authorities of disputed dues of Income-tax, Service Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty and Cess.
- (ix) The accumulated losses of the Company as the end of the financial year are not more than fifty percent of its networth. *The Company has incurred cash losses during the year. Cash losses were also incurred in the immediately preceding financial year.*
- (x) The Company does not have borrowings from financial institutions or banks and has not issued debentures. Consequently, the question of commenting on default in repayment of dues does not arise.
- (xi) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by Others from banks or financial institutions.
- (xiii) There were no term loans obtained by the Company during the year and hence the question of commenting on application thereof does not arise.
- (xiv) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.
- (xv) 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.
- (xvi) There are no debentures issued and outstanding during the year and hence the question of creating security or charge in respect thereof does not arise

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- (xvii) During the year, the Company has not raised money by public issue(s).
- (xviii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)



A. Siddharth
Partner
(Membership No.31467)

Mumbai, dated 15th May, 2012



JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2012

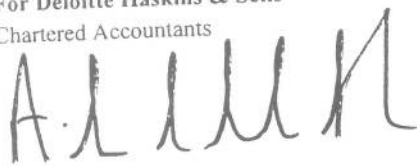
	Note No.	As at 31st March, 2012	As at 31st March, 2011
		Rupees	Rupees
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			587,256,520
a Share Capital	2	587,696,520	535,047,981
b Reserves and Surplus	3	512,416,390	1,122,304,501
		1,100,112,910	
2 Share application money pending allotment	4	90,000	-
3 Non-current liabilities			1,019,268
a Long-term borrowings	5	264,826	11,241,539
b Long-term provisions	6	11,259,878	12,260,807
		11,524,704	
4 Current liabilities			7,440,429
a Trade payables	7	17,152,544	68,567,360
b Other current liabilities	8	36,599,774	1,331,787
c Short-term provisions	9	894,370	77,339,576
		54,646,688	
Total		1,166,374,302	1,211,904,884
II. ASSETS			
1 Non-current assets			65,494,590
a Fixed assets	10	51,615,970	11,753,278
(i) Tangible assets		11,282,337	
(ii) Intangible assets			505,370,510
b Non-current investments	11	504,023,659	-
c Deferred tax assets (net)	12	-	52,724,283
d Long-term loans and advances	13	68,195,940	635,342,661
		635,117,906	
2 Current assets			372,655,487
a Current investments	14	312,030,565	14,493,377
b Trade receivables	15	13,836,850	152,294,253
c Cash and cash equivalents	16	158,519,893	7,742,754
d Short-term loans and advances	17	6,387,429	29,376,352
e Other current assets	18	40,481,659	576,562,223
		531,256,396	
Total		1,166,374,302	1,211,904,884

Notes to the Financial Statements

1 to 32

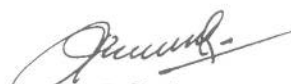
In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants



A. Siddharth
Partner

For and on behalf of the Board


V. P. Shetty
Chariman


G. M. Ramamurthy
Director


Diana D'sa
Manager


M.A. Datar
Mayuri Datar
Assistant Company Secretary

Place : Mumbai
Date : 15th May, 2012

JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

31st March, 2011

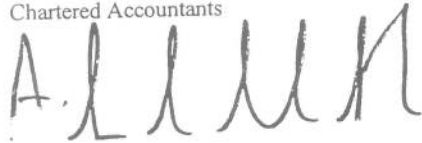
	Note No.	Rupees	Rupees
INCOME			
Revenue from Operations	19	210,137,957	218,166,037
Other Income	20	92,397,290	98,769,418
Total Revenue (I + II)		302,535,247	316,935,455
EXPENDITURE			
Employee benefits expense	21	188,890,164	231,394,807
Finance costs	22	313,432	464,687
Depreciation and amortization expense		17,072,759	22,292,420
Other expenses	23	118,890,483	122,792,319
Total Expenses		325,166,838	376,944,233
Loss before Tax		(22,631,591)	(60,008,778)
Excess provision for tax in respect of earlier year		-	160,981
Loss for the Year		(22,631,591)	(59,847,797)
Earnings per share	25		
Basic / Diluted (Rupees)		(0.39)	(1.02)
(Equity shares of face value of Rs. 10 each)			

Notes to the Financial Statements

1 to 32


In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants



A. Siddharth
Partner

For and on behalf of the Board



V. P. Shetty
Chairman



G.M. Ramamurthy
Director



Diana D'sa
Manager



Mayuri Datar
Assistant Company Secretary

Place : Mumbai
Date : 15th May, 2012

JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

Rupees

	31st March, 2011	
A CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the year	(22,631,591)	(60,008,778)
Adjustment for:		
Depreciation/Amortization	17,072,759	22,292,420
Profit on sale of current investments (non-trade)	(8,025,308)	(21,037,936)
Interest income	(84,247,292)	(77,649,690)
Interest expense	313,432	464,687
Loss on sale of assets (net)	2,403,578	474,889
	(72,482,831)	(75,455,630)
Operating profit before working capital changes	(95,114,422)	(135,464,408)
Adjustment for:		
Decrease in trade receivables	656,527	10,262,011
(Increase)/decrease in long-term loans and advances	(1,898,449)	26,177,774
Decrease in short-term loans and advances	1,355,325	19,908,374
Decrease in trade payables	9,712,115	(26,593,041)
Increase/(decrease) in short term provisions	(437,417)	838,996
Increase in long term provisions	18,339	3,220,772
Decrease in other current liabilities	(31,671,730)	(30,519,881)
	(22,265,291)	3,295,005
Cash generated used in operations	(117,379,713)	(132,169,403)
Direct taxes paid(net)	(13,573,208)	(1,120,387)
NET CASH (USED IN) OPERATING ACTIVITIES (A)	(130,952,921)	(133,289,790)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of non-current investments - Others	-	(505,370,510)
Purchase of current investments - Others	(312,030,565)	(1,732,533,317)
Sale of non-current investments - Others	380,680,795	2,280,293,441
Sale of current investments - Others	(5,917,394)	(13,302,403)
Purchase of fixed assets	834,121	417,481
Sale of fixed assets	74,488,836	67,898,591
Interest Income	138,055,793	97,403,283
NET CASH FROM/(USED IN) INVESTMENT ACTIVITIES (B)	138,055,793	97,403,283
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital - Equity	440,000	300,000
Proceeds from share application money pending allotment	90,000	-
Repayment of finance lease obligations	(1,093,800)	(2,179,335)
Interest paid	(313,432)	(464,687)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES (C)	(877,232)	(2,344,022)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)	6,225,640	(38,230,529)
Cash and cash equivalents at the beginning of the year	152,294,253	190,524,782
Cash and cash equivalents at the end of the year (Note No. 16)	158,519,893	152,294,253

In terms of our report attached

For Deloitte Haskins & Sells.,
Chartered Accountants

A. Siddharth

A Siddharth
Partner

Mumbai
Dated : 15th May, 2012

For and on behalf of the Board

V. P. Shetty
V. P. Shetty
Chairman

Diana D'sa
Diana D'sa
Manager

G.M. Ramamurthy
G.M. Ramamurthy
Director

M.A. Datar
Mayuri Datar
Assistant Company Secretary

JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

a) **Fixed Assets**
 Fixed assets are recorded at cost of acquisition or construction. They are stated at historical cost less accumulated depreciation and impairment loss, if any.

b) **Depreciation**
 Depreciation is provided on straight line method at the rates arrived on the basis of economic useful lives of the assets estimated by the management. These rates are as follows.

Asset Description	SLM Rates (%)
Computer Hardware	20
Furniture and Fixtures	10
Office Equipments	20
Electrical Fittings	20
Office Premises	1.64

Leasehold improvements are amortised over a period of lease or ten years whichever is lesser.

Assets taken on finance lease are depreciated over a period of lease.

c) **Intangible Assets**
 Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. Computer software is amortised over a period of five years.

d) **Impairment Loss**
 Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amounts. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

e) **Employee benefits**

Gratuity:

Gratuity, a defined benefit scheme is accrued and provided on the basis of actuarial valuation made at the year end.

Provident Fund and Family Pension Fund

The Company contributes towards Government Provident Fund which is defined contribution plan, liability in respect of which is determined on the basis of contribution as required under the statute / rules.

f) **Investments**

Current investments are carried at lower of cost and fair value. Long term investments are carried at cost. Provision is made to recognise decline, other than temporary in the carrying amount of long-term investments.

g) **Foreign Currency Transactions**

Transactions in foreign currency are recorded at rates of exchange in force at the time the transactions are effected. At the year-end, monetary items denominated in foreign currency are reported using the closing rates of exchange. Exchange differences arising thereon and on realisation/ payment of foreign exchange are accounted in the relevant year as income or expense.

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JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

h) Borrowing Costs

Borrowing costs that are attributable to the acquisition/construction of qualifying assets are capitalised as part of cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

i) Revenue Recognition

Revenue (income) is recognized when no significant uncertainty as to determination or realization exists. Management fee is recognized at specific rates agreed with the relevant schemes applied on the daily net assets of each scheme.

j) Provision and Contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.

k) Taxes on Income

Tax expense comprises current tax and deferred tax at the applicable enacted/ substantively enacted rates. Current tax represents the amount of income tax payable/ recoverable in respect of the taxable income/ loss for the reporting period. Deferred tax represents the effect of timing differences between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods.

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JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
2 SHARE CAPITAL		
Authorised		
93,000,000 Equity Shares of Rs 10/- each	930,000,000	930,000,000
2,000,000 Optionally Convertible Redeemable Preference Shares of Rs 10/- each	20,000,000	20,000,000
	950,000,000	950,000,000
Issued, Subscribed and Paid-up		
58,769,652 (Previous year 58,725,652) Equity shares of Rs 10/- each fully paid-up	587,696,520	587,256,520
Total	587,696,520	587,256,520

a. Of the above, 31,462,500 (Previous year 31,462,500) equity shares are held by JM Financial Limited, the holding Company

b. In terms of the approval of the shareholders of the Company and as per the applicable provisions, the Company, on 23rd January, 2009 issued 5,287,897 share warrants on preferential basis to JM Financial Limited entitling it to apply for equivalent numbers of fully paid up equity shares of Rs.10/- each of the Company, at price of Rs. 136/- per equity share within 3 years from the date of issue. The option has not been exercised by JM Financial Limited and accordingly, has lapsed.

c. During the year, the Company issued and allotted 44,000 (Previous Year 30,000) equity shares to the eligible employees, directors of the Company and directors of JM Financial Trustee Company Limited under ESOP.

d. Reconciliation of number of shares

Particulars	Equity Shares			
	As at 31st March, 2012		As at 31st March, 2011	
	Number	Rupees	Number	Rupees
Shares outstanding at the beginning of the year	58,725,652	587,256,520	58,695,652	586,956,520
Shares Issued during the year	44,000	440,000	30,000	300,000
Shares outstanding at the end of the year	58,769,652	587,696,520	58,725,652	587,256,520

d. Details of share holders holding more than 5% shares

Particulars	As at 31st March, 2012		As at 31st March, 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity Shares:				
JM Financial Limited	31,462,500	53.54%	31,462,500	53.58%
JM Financial & Investment Consultancy Services Private Limited	15,150,000	25.78%	15,150,000	25.80%
Mr. Nimesh N Kampani	3,125,000	5.32%	3,125,000	5.32%
JM Asset Management Private Limited	3,000,000	5.10%	3,000,000	5.11%

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JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	<u>As at 31st March, 2012 Rupees</u>	<u>As at 31st March, 2011 Rupees</u>
3 RESERVES AND SURPLUS		
Securities Premium Reserve As at beginning of the year	1,487,095,440	1,487,095,440
Deficit in the statement of profit and loss:		
Opening balance	(952,047,459)	(892,199,662)
Add : Loss for the year	(22,631,591)	(59,847,797)
Closing balance	<u>(974,679,050)</u>	<u>(952,047,459)</u>
Total	<u>512,416,390</u>	<u>535,047,981</u>
4 SHARE APPLICATION MONEY PENDING ALLOTMENT	90,000	-
Under Employee Stock Option Plan (Refer Note No. 29), 9,000 options were exercised and application monies received, against which the Company has issued and allotted 9,000 equity shares of Rs. 10 each subsequent to the year end on 25th April, 2012		
Total	<u>90,000</u>	<u>-</u>
5 LONG-TERM BORROWINGS		
Long term maturities of finance lease obligations (Refer Note No. 26)	264,826	1,019,268
Total	<u>264,826</u>	<u>1,019,268</u>

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JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

		As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
6	LONG-TERM PROVISIONS		
	For employee benefits - gratuity (Refer Note No. 27)	11,259,878	11,241,539
	Total	11,259,878	11,241,539
7	TRADE PAYABLES		
		17,152,544	7,440,429
	Total	17,152,544	7,440,429
	OTHER CURRENT LIABILITIES		
	Current maturities of finance lease obligations (Refer Note No. 26)	943,747	1,283,105
	Employee benefits payable	32,181,630	61,876,539
	Statutory dues	3,474,397	5,407,716
	Total	36,599,774	68,567,360
9	SHORT-TERM PROVISIONS		
	For employee benefits - gratuity (Refer Note No. 27)	894,370	1,331,787
	Total	894,370	1,331,787

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JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Description	GROSS BLOCK				DEPRECIATION/AMORTISATION			NET BLOCK		
	As at 1st April, 2011	Additions	Disposals	As at 31st March, 2012	Up to 31st March, 2011	For the year	Deductions	Upto 31st March, 2012	As at 31st March, 2012	As at 31st March, 2011
i) TANGIBLE ASSETS:										
Owned Assets:										
Computers Hardware	37,492,604	936,193	3,157,271	35,271,526	29,803,670	3,369,539	3,157,271	30,015,938	5,255,588	7,688,934
Furniture and Fixtures	28,938,635	923,759	2,746,778	27,115,616	15,295,961	2,929,817	1,928,787	16,296,991	10,818,625	13,642,674
Electrical Fittings	6,859,275	-	2,074,246	4,785,029	3,957,021	609,060	1,030,154	3,535,927	1,249,102	2,902,254
Office Equipments	17,747,760	120,464	916,394	16,951,830	13,634,366	1,910,977	694,900	14,850,443	2,101,387	4,113,394
Leasehold Improvements	23,687,665	-	6,573,658	17,114,007	19,865,261	2,474,454	5,601,396	16,738,319	375,688	3,822,404
Office premises	66,063,108	-	-	66,063,108	34,818,320	589,555	-	35,407,875	30,655,233	31,244,788
Leased Assets:										
Vehicles on finance lease (refer note below)	7,206,462	653,995	2,892,143	4,968,314	5,126,320	1,391,930	2,710,283	3,807,967	1,160,347	2,080,142
Total (A)	187,995,509	2,634,411	18,360,490	172,269,430	122,500,919	13,275,332	15,122,791	120,653,460	51,615,970	65,494,590
Previous year	184,858,719	6,672,426	3,535,636	187,995,509	106,503,310	18,640,875	2,643,266	122,500,919	65,494,590	
ii) INTANGIBLE ASSETS:										
Computer Software	42,052,711	3,326,486	-	45,379,197	30,299,433	3,797,427	-	34,096,860	11,282,337	11,753,278
Total (B)	42,052,711	3,326,486	-	45,379,197	30,299,433	3,797,427	-	34,096,860	11,282,337	11,753,278
Previous year	35,422,734	6,629,977	-	42,052,711	26,647,888	3,651,545	-	30,299,433	11,753,278	

Notes:

- Office premises represent premises in co-operative society.
- The Company holds 10 share of Rs 50/- each in Laxmi Finance & Leasing Companies Commercial Premises Co-op. Soc. Ltd.
- Lessors have a lien on vehicles acquired on finance lease

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JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	Nos.	As at 31st March, 2012 Rupees	Nos.	As at 31st March, 2011 Rupees
11 NON-CURRENT INVESTMENT				
Non-Trade				
Investments in debentures / bonds - Quoted				
ONGC Videsh Ltd - Bond (Face Value of Rs.1,000,000/- each)	250	251,177,950	250	251,610,377
Power Finance Corporation Ltd. 8.70% Non- Convertible Debentures 2015 (Face Value of Rs.1,000,000/- each)	250	252,845,709	250	253,760,133
Total		504,023,659		505,370,510
Note:		As at 31st March, 2012		As at 31st March, 2011
		Cost		Cost
		Market Value		Market Value
		Rupees		Rupees
1. Aggregate value of				
Quoted Investments		504,023,659	487,338,500	505,370,510
				486,669,650

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JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
12 DEFERRED TAX ASSETS (NET)		
Deferred tax liability on fixed assets	-	(1,711,319)
Deferred tax assets restricted to	-	1,711,319
Total	-	-
13 LONG TERM LOANS AND ADVANCES (Unsecured and considered good)		
Security deposits	7,845,218	5,750,849
Advance Tax (Net of provisions)	60,075,722	46,502,514
Staff loans	275,000	470,920
Total	68,195,940	52,724,283

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JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2012		As at 31st March, 2011	
	Nos.	Rupees	Nos.	Rupees
14. CURRENT INVESTMENT				
<u>(a) Investments in debentures or bonds - Unquoted</u>				
RHC Holding Pvt Ltd NCD (Face Value of Rs 10,000,000/- each) (sold during the year)	-	-	15	148,072,500
<u>(b) Investments in Mutual Funds - Unquoted</u>				
JM High Liquidity - Super Institutional Growth (Face Value of Rs. 10/- each) (sold during the year)	-	-	37,469,344	5,000,000
JM Short Term - Institutional Plan- Growth (Face Value of Rs. 10/- each) (sold during the year)	-	-	15,539,653	130,071,787
JM Money Manager Fund - Regular Plan Growth (Face Value of Rs. 10/- each)	1,556,314	31,239,798	-	-
JM Money Manager Fund Super Plan Growth (Face Value of Rs. 10/- each)	1,905,310	28,000,000	-	-
JM Money Manager Fund Super Plus Plan Growth (Face Value of Rs. 10/- each)	1,030,900	10,198,617	-	-
<u>(c) Other current investments</u>				
<u>Investments in Commercial Paper - Unquoted</u>				
Religare Finvest Limited (Face value of Rs.500,000/- each) (sold during the year)	-	-	200	89,511,200
Muthoot Finance Limited (Face value of Rs.500,000/- each)	300	145,361,250	-	-
<u>Investments in Certificate of Deposit - Unquoted</u>				
Axis Bank Limited (Face value of Rs.100,000/- each)	1,000	97,230,900	-	-
Total		312,030,565		372,655,487
Note:	As at 31st March, 2012		As at 31st March, 2011	
	Cost	Market Value	Cost	Market Value
	Rupees	Rupees	Rupees	Rupees
1. Aggregate value of Unquoted Investments	312,030,565	NA	372,655,487	NA

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JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2012 Rupees	As at 31st March, 2011 Rupees
15 TRADE RECEIVABLES (Unsecured and considered good)		
Over six months from due date	-	-
Others	13,836,850	14,493,377
Total	13,836,850	14,493,377
16 CASH AND CASH EQUIVALENTS		
Cash in hand	2,699	8,751
Balances with banks		
In Current Accounts	8,517,194	2,285,502
In Deposit Accounts	150,000,000	150,000,000
Total	158,519,893	152,294,253
17 SHORT-TERM LOANS AND ADVANCES (Unsecured and considered good)		
Loans and advances to related parties (Refer Note No. 30)	524,199	3,182,314
Staff Loans	495,903	887,949
Service Tax input Credit	2,711,021	1,127,194
Prepaid Expenses	2,238,399	1,998,377
Others *	417,907	546,920
Total	6,387,429	7,742,754
* Includes advances to sundry creditors, etc.		
18 OTHER CURRENT ASSETS		
Interest accrued on deposits with banks/ Investments	40,481,659	29,376,352
Total	40,481,659	29,376,352

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JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	31st March, 2011	
	Rupees	Rupees
19 REVENUE FROM OPERATIONS		
Management fees	210,137,957	218,166,037
Total	<u>210,137,957</u>	<u>218,166,037</u>
20 OTHER INCOME		
Profit on sale of current investments (non-trade)	8,025,308	21,037,936
Interest		
- on non-current Investments	41,334,999	34,278,248
- on current Investments	28,060,559	32,737,089
- on fixed deposits	14,488,069	8,559,127
- others	363,665	2,075,226
Miscellaneous income / receipts	124,690	81,792
Total	<u>92,397,290</u>	<u>98,769,418</u>

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JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31st March, 2011

	Rupees	Rupees
21 EMPLOYEE BENEFITS EXPENSE		
Salaries, wages, allowances and benefits	173,466,490	212,656,474
Contribution to Provident and Other Funds	10,208,473	11,212,985
Gratuity (Refer Note No. 27)	2,437,416	4,552,559
Staff Welfare	2,777,785	2,972,789
Total	188,890,164	231,394,807
22 FINANCE COSTS		
Interest on leased assets	313,432	464,687
Total	313,432	464,687
23 OTHER EXPENSES		
Rent (Refer Note No.26)	18,875,559	32,827,562
Rates and taxes	458,695	355,759
Insurance expenses	4,098,089	4,803,814
Repairs and maintenance - Others	261,806	855,021
Motor Car Expenses	5,827,480	5,825,421
Communication expenses	3,500,747	4,633,888
Legal and professional fees	35,186,940	32,274,214
Auditors' remuneration (Refer Note No. 24)	646,700	604,539
Travelling and Conveyance	5,023,705	5,082,508
Membership and subscriptions	709,367	790,705
Information technology expenses	6,976,190	8,280,709
Advertisement and other related expenses	1,133,852	463,699
Printing and stationery	1,026,463	1,428,456
Electricity expenses	2,679,588	3,381,288
Mutual Fund expenses	17,369,161	8,526,249
Manpower expenses	7,448,801	7,781,464
Loss on sale of fixed assets (net)	2,403,578	474,889
Miscellaneous expenses	5,263,762	4,402,134
Total	118,890,483	122,792,319

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JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

24. Payments to Auditors (net of service tax):

Particulars	Rupees	Previous Year Rupees
A) As Auditors	400,000	400,000
B) As Advisors or in any other capacity for: Tax Audit	50,000	50,000
C) In any other manner (Limited reviews etc.)	195,000	150,000
D) Out of pocket expenses	1,700	4,539
Total	646,700	604,539

25. Earnings per share (EPS)

Earnings per share is calculated by dividing the (loss) attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year as under

Particulars		Previous Year
(Loss) before tax (Rupees)	(22,631,591)	(60,008,778)
Excess provision for tax of earlier years (Rupees)	-	160,981
(Loss) after tax attributable to equity shareholders (Rupees)	(22,631,591)	(59,847,797)
Weighted average number of equity shares outstanding during the year	58,735,149	58,715,789
Basic EPS (Rupees)	(0.39)	(1.02)
Dilutive EPS (Rupees)	(0.39)	(1.02)
Nominal value per share (Rupees)	10.00	10.00

Note:

The effects of share options under ESOP that could potentially dilute basic EPS in the future, are not included in the calculation of diluted EPS as these shares are anti-dilutive for the year's result.

26. (a) The Company has taken office premises on non cancellable operating lease basis. The tenure of the lease agreements is upto 36 months. Lease rent debited to profit and loss account for the year is Rs. 5,086,534/- (Previous year Rs. 366,200/-). The aggregate of future minimum lease payments falling due not later than one year is Rs. 6,906,135/- (Previous Year Rs Nil) and later than one year but not later than five years Rs.5,611,667/- (Previous year Rs. Nil).

(b) The Company has taken office premises and furniture on cancellable operating lease basis. The agreements are executed for the period ranging from 11 months to 60 months with a renewable clause and also provides for termination at will by either party by giving a prior notice upto 3 months. Total lease payments charged to the profit and loss account for the year are Rs 13,789,025/- (Previous year Rs. 32,461,362/-)

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JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(c) Lease rentals outstanding as at 31st March, 2012 in respect of vehicles taken on finance leases are as under:

Due	Total minimum lease payments outstanding as at 31 st March, 2012	Interest not due	Rupees
			Present value of minimum lease payments
Not later than one year	1,044,324 (1,515,635)	100,577 (232,530)	943,747 (1,283,105)
Later than one year and not later than five years	288,987 (1,129,945)	24,161 (107,127)	264,826 (1,019,268)
Total	1,333,311 (2,645,580)	124,738 (339,657)	1,208,573 (2,302,373)

(Figures in brackets are for the previous year)

Note: The tenure of leases ranges from 36 to 60 months with an option of prepayment and foreclosure.

27. Employee benefits

Defined contribution plans:

Contributions are made to Government Provident Fund and Family Pension Fund which covers all employees. While both the employees and the Company make predetermined contributions to the Provident Fund, contribution to the Family Pension Fund are made only by the Company. The contributions are normally based on a certain proportion of the employee's salary. Amount recognized as expense in respect of these defined contribution plans, aggregate Rs. 9,221,806/- (Previous year Rs. 10,278,755/-)

Defined Benefit plans:

Gratuity liability is provided based upon actuarial valuations done at the year end. Major drivers in actuarial assumptions, typically are years of service and employee compensation. Commitments are actuarially determined using the 'Projected Unit Credit' method. Gains and losses on changes in actuarial assumptions are accounted for in the Profit and Loss account.

Gratuity (Unfunded)	(Rupees)	
		Previous Year
<i>Reconciliation of liability recognized in the Balance sheet</i>		
Present value of commitments	(12,154,248)	(12,573,326)
Fair value of plans	-	-
Net liability in the Balance sheet	(12,154,248)	(12,573,326)
<i>Movement in net liability recognized in the Balance sheet</i>		
Net liability as at the beginning of the year	(12,573,326)	(8,513,558)
Net expense recognized in the Profit and Loss account	(2,437,416)	(4,552,559)
Liability settled on Divestiture	293,396	-
Paid benefits	2,563,098	492,791
Net liability as at the end of the year	(12,154,248)	(12,573,326)
<i>Expense recognized in the Profit and Loss account</i>		
Current service cost	2,137,593	2,980,480
Interest cost	1,130,625	871,692
Actuarial (gains)/ losses	(830,802)	(2,951,188)
Past service cost	-	3,651,575
Expense charged to the Profit and Loss account	2,437,416	4,552,559

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JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

		Previous Year
Reconciliation of defined-benefit commitments		
Commitments as at the beginning of the year	12,573,326	8,513,558
Current service cost	2,137,593	2,980,480
Interest cost	1,130,625	871,692
Paid benefits	(2,563,098)	(492,791)
Actuarial (gains)/ losses	(830,802)	(2,951,188)
Past service cost	-	3,651,575
Liability settled on Divestiture	(293,396)	-
Commitments as at the end of the year	12,154,248	12,573,326
Experience Adjustments on liabilities	34,370	(3,304,313)
The actuarial calculations used to estimate commitments and expenses in respect of gratuity are based on the following assumptions which if changed, would affect the commitment's size and expense:		
Discount rate	8.65%	8.05%
Expected rate of salary increase	7.00%	7.00%
Mortality	Standard LIC (1994-96) Ultimate	

The above information is as certified by the actuary.

28. The Company operates solely as an asset management company in India; hence no segment information has been provided.

29. Employee Stock Option Plan:

The Board of Directors have on December 24, 2007 granted 30 lacs Equity Stock Options to its employees under an Employee Stock Option Plan (ESOP) to be settled by issue of equity shares.

The option shall be eligible for vesting and exercise as per the following schedule:

Vesting Date	Option to be Vested	Exercise Period	Exercise Price
27 th December 2008	10%	27.12.2008 to 26.12.2011	Rs 10 per option
27 th December 2009	20%	27.12.2009 to 26.12.2012	Rs 10 per option
27 th December 2010	30%	27.12.2010 to 26.12.2013	Rs 10 per option
27 th December 2011	40%	27.12.2011 to 26.12.2014	Rs 10 per option

The number and weighted average exercise price of stock option for each group of option is as under:

Group of Options	Number	Previous Year Number	Weighted average exercise price
Outstanding at the beginning of the year	2,065,000	1,525,000	Rs 10 per option
Granted during the year	-	725,000	Rs 10 per option
Lapsed/ forfeited during the year	145,000	155,000	Rs 10 per option
Exercised during 2011-12 (shares issued and allotted)	44,000	30,000	Rs 10 per option
Exercised during 2011-12 (shares pending issuance and allotment)	9,000	-	Rs 10 per option
Expired during the year	170,000	-	Rs 10 per option
Outstanding at the end of the year	1,697,000	2,065,000	Rs 10 per option
Exercisable at the end of the year	16,97,000	1,227,000	Rs 10 per option

The Company has followed the intrinsic value method to account for the grant of Stock Options. Since the intrinsic value, being the difference between the Net Asset Value and the Exercise Price, is Nil, the grant of options does not have any financial implications. Had the fair value method been followed, loss for the year would have been Rs. (22,884,931/-) (Previous year Rs. 61,819,338/-) as against the reported figure of Rs. (22,631,591/-) (Previous Year Rs. 59,847,797/-). The Basis/ Diluted Earnings per share

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JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(EPS) would be Rs. (0.38)/- (Previous Year Rs (1.05)) as against the reported EPS of Rs. (0.39)/- (Previous Year Rs (1.02)). The diluted earnings per share remains unchanged since the stock options are anti-dilutive.

Following are details with regard to determination of the fair value of Stock Options:

Option Pricing Model used - Black-Scholes-Merton formula

Weighted average share price – Rs 10 per share

Expected volatility – 0.5

Option Life – 2.5 years to 5.5 years

Expected dividends – 10% yield

Risk-free interest rate – 7.7763% to 7.8471%.

30. Related Party disclosures:

Names of related parties and description of relationship where control exists

Name of Related party	Nature of relationship
JM Financial Limited	Holding Company

Names of related parties and description of relationship where transactions have taken place during the year

Name of Related party	Nature of relationship
JM Financial Consultants Private Limited	Fellow Subsidiary
JM Financial Services Private Limited	
JM Financial Investment Managers Limited	
JM Financial Products Limited	
Financial Engineering Solutions Private Limited	Entities over which individual exercising significant influence on the reporting enterprise is able to exercise significant influence.
J.M. Financial & Investment Consultancy Services Private Limited	
JM Financial Trustee Company Limited	
FICS Consultancy Services Limited	

Details of transactions with related parties

Name of party and description of transaction	Rupees	
		31 st March, 2011
<u>JM Financial Limited</u>		
Expenses Reimbursed *	14,189,354	30,000,000
Expenses Recovered	(528,050)	(3,124)
Balance as at year end debit/ (credit)	524,199	3,104
<u>JM Financial Consultants Private Limited</u>		
Expenses Reimbursed *	7,518	11,217
<u>JM Financial Investment Managers Limited</u>		
Expenses Recovered	-	(25,000)
<u>JM Financial Products Limited</u>		
Expenses Recovered	-	(3,124)
Expenses Reimbursed *	6,378,058	16,083,799
Balance as at year end debit/ (credit)	(293,396)	3,101

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JM FINANCIAL ASSET MANAGEMENT PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Name of party and description of transaction	Rupees	
		31 st March, 2011
<u>JM Financial Trustee Company Limited</u>		
Expenses Recovered	(7,362,069)	(8,871,911)
Balance as at year end debit/ (credit)	-	3,176,109
<u>J.M. Financial & Investment Consultancy Services Private Limited</u>		
Security Deposit for Premises repaid	-	(17,000,000)
Expenses Reimbursed *	-	1,959,628
<u>Financial Engineering Solutions Private Limited</u>		
Services Received *	3,401,214	2,715,032
Purchase of Software	3,326,486	2,029,439
Balance as at year end debit/ (credit)	(43,503)	-
<u>FICS Consultancy Services Ltd.</u>		
Expenses Reimbursed *	-	476,992
<u>JM Financial Services Private Limited</u>		
Services Received *	178,330	-
Balance as at year end debit/ (credit)	(73,333)	-

* Figures exclude Service tax.

Note:

There are no provisions for doubtful debts or amounts written off or written back in respect of debts due from/ to related parties.

31. The managerial remuneration for the year is in excess of the limits specified under Schedule XIII to the Companies Act, 1956 by Rs. 1,412,400/- in respect of which the company is in the process of making an application to the Central Government for waiver.
32. The Revised Schedule VI has become effective from 1st April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

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