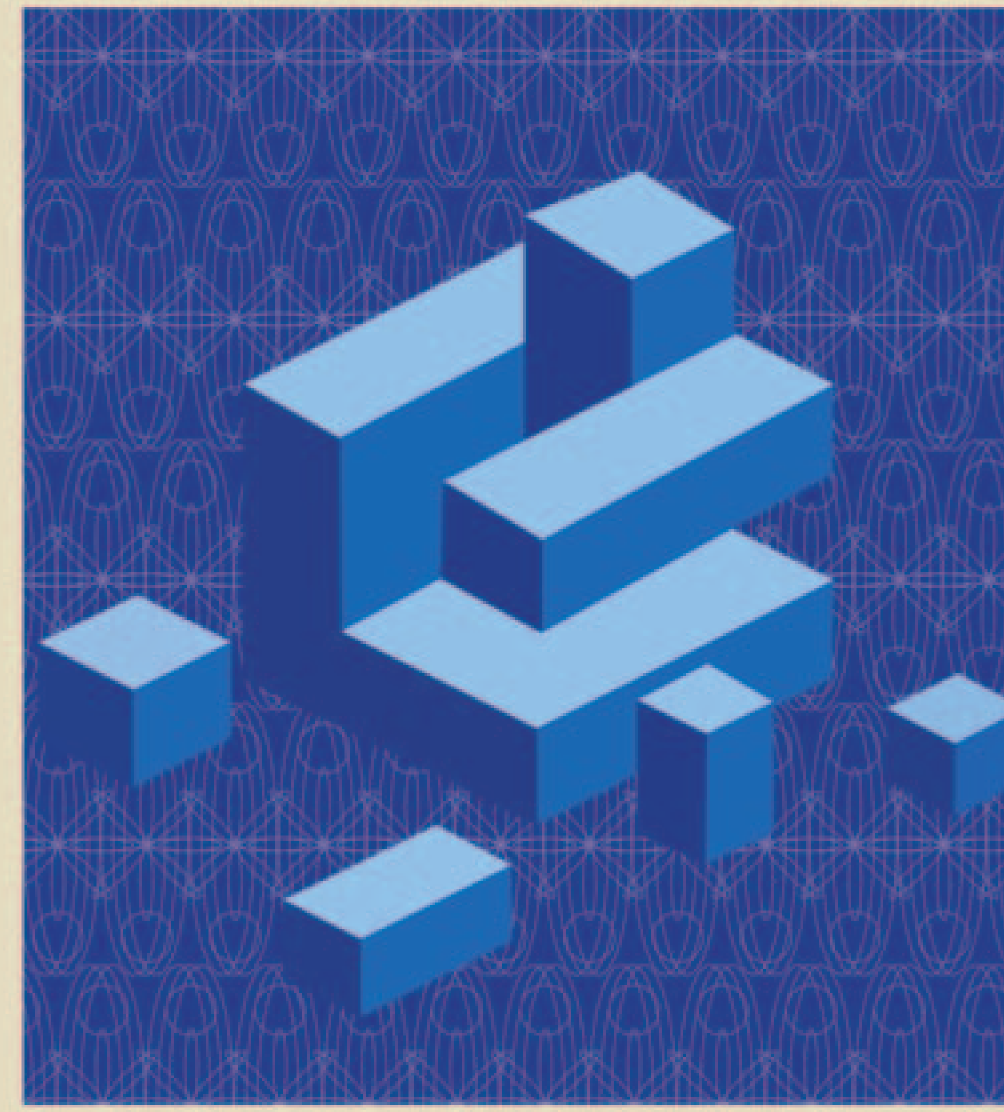
JRG
| Capital Benefits | TM

JRG Securities Limited
JRG House, Ashoka Road, Kaloor, Kochi, Kerala – 682 017
Tel: +91 0484 2409900 • Fax: +91 0484 2409922
Visit us at: www.inditrade.com • email: jrg@jrg.co.in



MOVING THE PIECES

JRG Securities Limited | Annual Report 2010-11

DISCLAIMER

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Corporate information

Board members
(as on 26.07.2011)

Mr. Rahul Bhasin, Chairman

Mr. T. M Venkataraman, Director

Mr. P. Viswanathan, Director

Mr. Pradeep Mallick, Director

Mr. B. R Menon, Director

Mr. Munish Dayal, Director

Mr. Regi Jacob, Director

Mr. Gaurav Vivek Soni, Managing Director

Statutory Auditors
M/s BSR & Associates
KPMG House,
No. 10, Mahatma Gandhi Road,
Nungambakkom, Chennai - 600034

Company Secretary & Legal Head
Mr. Syam Kumar R

Bankers
HDFC Bank Ltd
The Federal Bank Ltd
ICICI Bank
Axis Bank
State Bank of Travancore
The South Indian Bank Ltd

Registered & Corporate Office
JRG House, Ashoka Road
Kaloor, Kochi - 682 017, Kerala
Tel: +91 -484-2409900
Fax: +91 -484-2409922
Email: jrg@jrg.co.in
Website: www.inditrade.com

The big message that we want to send out to our shareholders is that 2010-11 was a terribly sluggish year for the Indian stock markets.

In this challenging environment, we implemented a number of initiatives that helped us report a consolidated profit in 2010-11.

We also strengthened our business in a number of ways to maximise on the upside as soon as the investing sentiment revives.

JRG Securities is a faithful proxy of the modern financial intermediation sector in India.

Servicing investors through multiple products, formats and geographies.

Making it possible for investors to invest. But more importantly, helping take their investments ahead.

Vision

- Offer choice and value to the mass-affluent retail customers for financial services products (equity, mutual funds, commodity, currency, insurance, fixed income)
- Neighbourhood branch network to offer convenient and personalised customer relationships; fast and secure internet trading solutions
- Trust, Technology, Transparency and Talent to be key offerings to our customers

Mission

Empowering the investor in you.

Services portfolio

- **Equity brokerage:** Comprises prompt equity intermediation services
- **Commodity brokerage:** Comprises a platform for trading in agro products, metals, bullion and energy
- **Insurance:** Comprises life insurance, general insurance, pension plans and health insurance
- **Internet trading and phone-based services:** Comprises mutual fund, depository services and fund management
- **NBFC:** Comprises margin finance, loans against shares (LAS), loans against commodity, and gold loan plans, mutual fund IPO services and tax filing

Commitment

- We are a highly professional financial services provider
- We ensure a delightful customer experience
- We are a dynamic, motivated team with product expertise
- We are reliable partners as our dealings are transparent
- We invest in long-term partnerships with stakeholders
- We differentiate ourselves as smart solution providers

Lineage

The Company was incorporated in 1994 as a financial services company to provide equity and commodity brokerage services in Kerala and southern India. Today, JRG Securities Limited has grown into a leading financial and investment services corporation, offering a gamut of financial products and services

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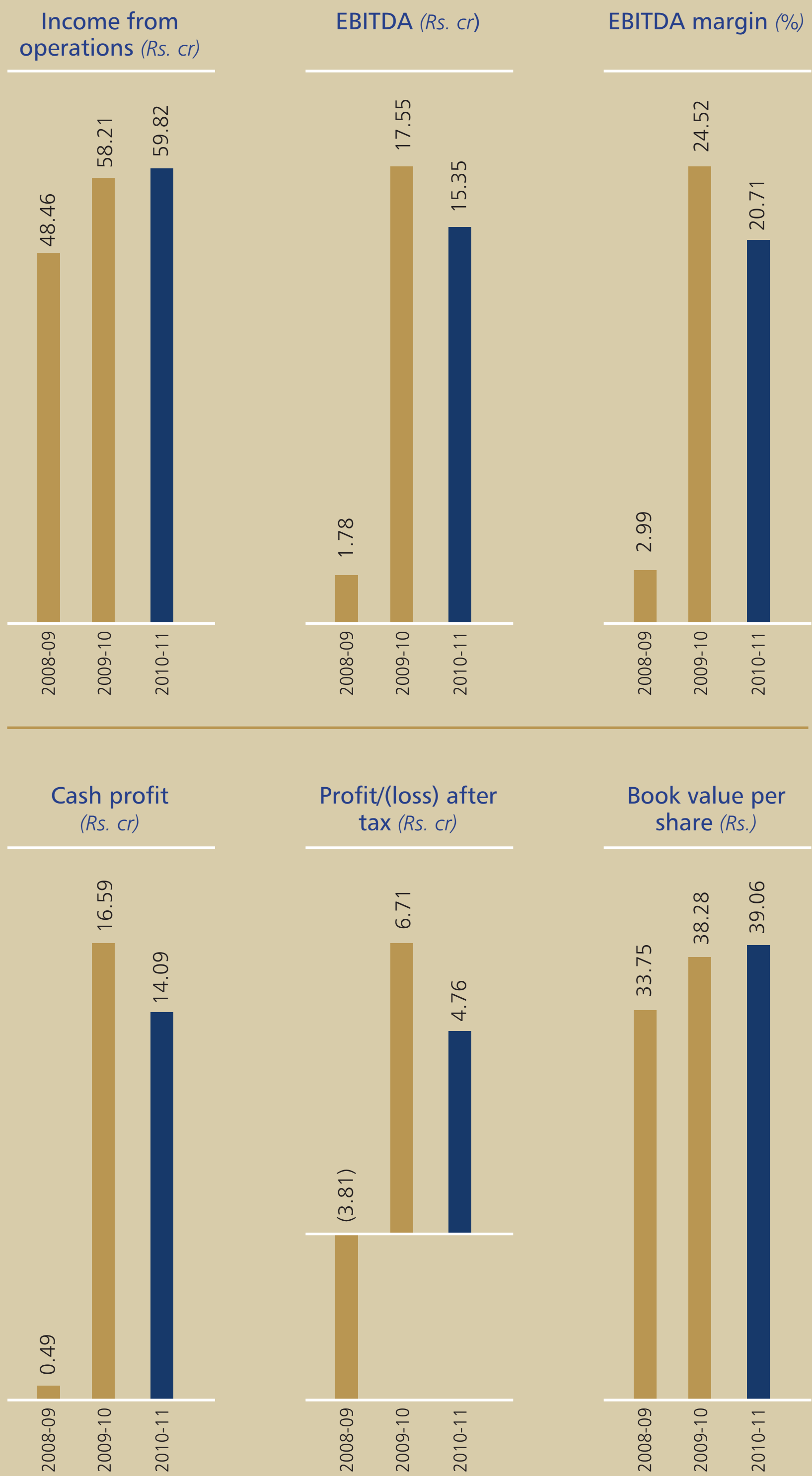
Financial highlights



Subsidiaries

- JRG Wealth Management Limited
- JRG Fincorp Limited
- JRG Insurance Broking (P) Limited
- JRG Business Investment Consultants Limited

Memberships

- Depository participant with NDSL and CDSL
- Member of NSE, BSE and CSE for equity trading
- Affiliation with MCX, NMCE, NCDEX, IPSTA and NCMSL
- Compliant with regulatory requirements of SEBI, IRDA, FMC and RBI

Network

Headquartered in Kochi with a network of 383 branches and sub-broker/associates across Kerala, Tamil Nadu, Andhra Pradesh, Karnataka and Maharashtra

Chairman's review

Dear Shareholders,

YOUR COMPANY HAS HAD A TOUGH YEAR AND THE CLOUDS WILL TAKE SOME TIME TO DISSIPATE. WHILE IT CHIPPED AWAY AT MAKING OPERATIONAL IMPROVEMENTS, DRIVING PRODUCTIVITY AND IMPROVING RISK MANAGEMENT, THE BUSINESS ENVIRONMENT FOR YOUR COMPANY CONTINUED TO DETERIORATE. THE PROFIT NUMBERS DETERIORATED AS YOUR BUSINESS HAS A FAIRLY SIGNIFICANT FIXED COST STRUCTURE, WHILE A VARIABLE REVENUE PROFILE IS DEPENDENT UPON MARKET CONDITIONS.

Your Company possesses the infrastructure and resources to handle around six times the throughput with negligible incremental costs, and given our long-term orientation, we do not wish to diminish our muscle while harshly relooking at every cost ground up. Before I go into the various initiatives undertaken by your management in combating adverse market conditions, I want to devote a large part of my communication to you based on the environment, which is structurally biased against the retail investor (and our primary customer), and what can be done to improve it.

The external environment

Your Company's markets remained comprehensively negative ever since the last capital market meltdown, triggered by the overleverage American sub-prime and Lehman Brothers crisis. The retail customer for financial products including equity (your Company's primary offering) and insurance continued to stay moribund. All market uptakes were largely driven by foreign capital routed via FIIs, and selloffs ably controlled, underpinned by our domestic insurance companies. The volumes left over in the retail market segment are increasingly concentrated in the hands of a few speculators and market makers who favour the low brokerage yielding future and options markets.

In one of the world's fastest-growing economies with an equity culture and institutions existing for over a century, one has to wonder why that is the case. The prima facie observation suggests that we have one of the most efficient capital markets in the world, with predominantly dematerialised paper, highly regulated intermediaries, high standards of disclosure, and free information flow and an almost negligible settlement risk. But go beyond the cursory and it's easy to observe why the retail investor abandons the market whole scale with no signs of returning, if only to bolster your Company's prospects.

The reality is that there is a structural bias against the retail investor with everyone paying lip service, but no one sincerely ready to protect him. The issue is a deviation from the basic bedrock of limited companies with distributed ownership and separate management, which is in the nature of a fiduciary relationship between a promoter and his silent partner (the minority investor), who provides resources to further his ambitions. The problem starts when promoters start to treat minority investors, at best, as completely gullible, and at worst, a nuisance to be taken advantage of. This mindset and attitude is what plagues the capital market at every level and erodes the very basis of capitalism and the underlying implicit fiduciary relationship.

Allow me to highlight important deficiencies and issues with the present market scenario.

Structural Issues

Formation and construct of governance standards

Since inception, governance around the manner of enacting governance standards was curious. Various committees were set up under prominent and highly respected persons to enact codes that are now enshrined in listing agreements and corporate codes. What was curious was that none of these committees contained a single representative from retail or for that matter even institutional shareholders! You want to set up a committee to set standards for protecting little Red Riding Hood from the big bad wolves, but do not have any spokesperson for little Red Riding Hood in those committees. These resulted in incredible packaging and a veneer of governance without a shred of substance. At the heart of this new regime is the so-called Independent Director. Who elects him on to the Board? The majority shareholders. Who removes him from the Board? The majority shareholder. So can this person (however upright) protect the Company from the wrongs of the majority shareholder? Even more strangely, he loses his independence if he has shareholding (like any other retail investor) and thereby is probably more aligned to the good of the Company!

What was even worse was that we aped the governance mechanisms of the west without understanding the comprehensively different nature of governance issues in India. The chronic abuse in India is not of management teams not having accountability to shareholders and running business for their own gains (as is the issue in the US), but more of the promoter-shareholder capturing a disproportionate share of the Company's economics.

For boards and companies to function properly, there must be a clear control of the Board by majority shareholders, and those they have faith in to galvanise the Company, but equally important is a mechanism of stringent external regulatory oversight on all related party transactions. By creating this very dependent "independent director category", an excuse has been found to remove whatever little regulatory oversight there might have existed. This must be corrected.

Apparatus for prosecution under IPC section 405 for fiduciary criminal breach of trust especially for high visibility cases is a must. Today, there is no one to police, and small retail investors do not have the expertise or resources to protect themselves. Creating appropriate regulatory frameworks for independent financial detectives and lawyers to uncover and prosecute deviant promoter groups is a neat way to solve the issue without additional expense. These groups can be rewarded through fines collected, which will be three times the amount of damage caused to the companies.

Of course, enhancing prosecution for perjury and making the overall contract enforcement mechanisms more efficient will also significantly enhance corporate governance in India. Driving responsibility and accountability of key players like investment banks and accounting firms is a must to enable markets to flow efficiently.

Attitudinal Issues

Indian government-owned companies

Why do government-controlled companies struggle so much to meet their already low standards of governance? Why can these companies not even manage to staff their boards with truly independent directors who will bring independent diverse perspectives to the boards? Why are they sinecures for retired bureaucrats who will essentially bring forth the same perspective that the government nominees have? Why do board members forget their fiduciary obligations to minority retail investors and not vote down economically destructive actions being undertaken by so many PSUs? Why would an oil PSU buy a hydrocarbon at price X and sell it at a fraction without explicit subsidy at the time of action? Why is it okay for the government to treat these companies as their private piggy banks and treat them almost whimsically by loading costs on to them? (Would it be okay for a private promoter to load his personal costs on to the Company?

No, it is not, though it probably does happen all the time) Can the managements of these companies predict their cash flows across their investment horizons? If not, how do they make investment decisions? How can this shocking state of affairs persist from the very government which is expected to set an example? Would this not chronically undermine the public sector companies' ability to compete and also retain committed motivated management teams? Is this not a lose-lose scenario?

State government owned companies

How can state government companies appropriate 26% of profits for social causes? How can the majority shareholder decide to do benevolence from a retail investor's due? If the state government wants to devote a portion of the profits of the firm to social causes, then it must do so from its share of the dividends received from the Company and not from misappropriating minority retail investor dues.

MNC listed Indian companies

Why is it that whenever you come across instances of purchases by an Indian Company from its parent it is at the highest price that the parent sells to anyone? And why is it that when the parent is buying from its listed Indian subsidiary it is at the lowest price it buys from anyone? Why can we not pass a law insisting upon the opposite and hold the nominees of the parent responsible and charge the board of the parent company to commit explicitly to such an undertaking? Why can retail investors not be protected by a most favoured nation's clause if the morality of discharging the fiduciary relationship is inadequate?

Why is every Indian subsidiary required to increasingly pay royalties for use of brands and trademarks that the Indian company using shareholder money has built up? If they have to pay for building a brand in India (which happens to be the same as the parent), why should it have to incur the cost twice? The government used to tightly control this leakage but in the false pretext of liberalisation, has opened this up in a way that directors appointed by the parent decide how much the parent should get paid on this score.

Why has SEBI not pulled up the multinationals indulging in these forms of loot from small retail investors' pockets? Are they waiting for these small investors to take on the might of MNC lawyers?

Indian promoter controlled listed companies

The Indian entrepreneur is well regarded and well feted all around the world and rightly so. He has clearly demonstrated his ability to compete and excel on every stage. There are many whose vision stands out and brilliant execution abilities are manifest. They treat their minority retail investors in the true spirit of a silent partner for who they are managing as a fiduciary. Narayana Murthy, Azim Premji, Harsh Mariwala, the Dani and Choksey families at Asian Paints, Ramachandran at Jyothy labs, Rahul Bajaj and Suresh Krishnan all jump to mind as being the prominent ones in this category. But alas! The vast majority still continue to treat their small investor-partners as the most gullible and unprotected class of investors.

Consider the following: Of all the public issues done since January 2008, less than twenty percent delivered an absolute positive return to minority investors. Out of the balance eighty percent, more than half have lost half or more of their original capital by trusting the issuers and their promoters. SEBI does insist on extraordinary disclosures from companies but clearly the predominance is one of form over substance. How about asking all merchant banks and investment banks handling these issues to disclose in the offering memorandum the performance of the issues they have handled?!

Yes, the governance is visibly better in the larger, more visible companies but consider the following analysis done by my highly numerate, analytical colleague Chandan Kumar: The average CEO salary of the fifty largest corporate (non-public sector) being run by non-family member professionals was 0.11% of sales and 1.31% of PAT. The corresponding figures for promoter family CEO's (of course fully ratified by "unbiased" fair independent directors constituting the compensation committee) are 0.46% of sales and 5.37% of profits. If this is for the largest fifty Indian corporates with high visibility, what is the state of the rest of the companies? What will show up once we counted the compensation of all promoter family members as a percentage of profits? Again, there used to be tight regulations to check such abuse, but under the cloak of economic reform this has been done away with. It will be great to know how many times our regulators investigated this abuse and the outcomes thereof.

Also, related party transactions transferring profits is and has been standard. Which arm of our administration investigates and oversees this and prosecuted this blatant violation, and how many violators are behind bars?

Indian private companies treatment of retail investors

Again, a situation of rampant abuse prevails and there is no agency for protection of small investors and the so-called appeal forums processes are completely weighed against the small investors who essentially marshal meagre resources.

The culture of mistreatment of minority retail investors gets embedded right here, this has to be addressed for efficient capital allocation within the economy.

Though regulatory reform is a necessary condition for these structural biases to be removed, the cultural inculcation of accepting the responsibility of trusteeship in accepting third party capital is key and our Ministry of Company Affairs and the media can play an active role in getting our industry captains to shoulder such responsibility. Incentivising and applauding compliance and dis-incentivising and socially ostracising the deviant is key not only in retrieving retail endorsements and participation in capital markets, but also in ensuring that after politicians, businessmen do not become new Bollywood villains. Societies respect earned power and wealth but look for chances to strike back at unearned or stolen wealth. We do not want to import the sentiment expressed by a teenage looter in the UK recently, "If bankers and businessmen can loot millions and the government looks the other way, then why does it have a problem if I loot a pair of sneakers?"

Will this change? After all, the retail investor has no voice and no one to lobby his cause. Yes, I believe it will. Distribution of risk capital and evolving a system where there is alignment of the risk capital provider and due return is the necessary bedrock on which capital factor mobility is based. If this an alignment

> "Yes, I do believe that things will change and give your Company a strong fillip of operational leverage."

of risk capital and its returns is broken, the efficiency of capital allocation will be severely impacted. No government will allow this, and my hypothesis is that the seeming conspiracy against small retail investors is actually just a series of coincidental actions with advocacy for different stakeholders and absence of a voice for minority investors. I hope that after this provocative note, the powers that be now fully "known", why retail investors have been deserting the capital markets, and in so knowing I hope they will be galvanised into action by the words of Akbar, the Great, "Although knowledge in itself is regarded as the summit of perfection, yet, unless displayed in action, it bears not the impress of worth; indeed, it may be considered worse than ignorance!"

Yes I do believe that things will change and give your Company a strong fillip of operational leverage, but maybe a lot slower than we may like. In the meantime, let's focus on the initiatives within the Company.

The initiatives within

While urging the powers to correct the deeply stilted bias against minority investors and hence, send them rushing back to avail our services, we have to do whatever we can to be ready for them when they return. In the last few years, similar initiatives have been taken, but with the customer environment continuously slipping, we had to keep raising the bar on internal productivity activities. With that perspective, the most important accomplishment your Company had was to attract the deeply talented, insightful and circumspect Anand Tandon with over two decades of experience in the Indian capital markets and a recognised investment expert to take over the reins as Chairman of the Management Committee of your Company.

Anand quickly diagnosed the malaise of the absence of the retail investor as a structural issue and while prioritising customer acquisition decided to use this time and resources to strengthen the risk management, processes and technology, the customer service and value proposition in our equity broking platforms and have been making steady progress on all fronts. Given that internationally retail financial services has become an extremely technology-intensive play, software with source code has been acquired and the process of building a core in-house software team has been undertaken. Anand also roped in the effusive Makarand Chaurey (an IIT, IIM alumnus with over twenty years exposure to sales and marketing in India) as a special advisor to help streamline our customer acquisition engine and drive effectiveness and productivity at the ground level and in our management processes. Anand also brought in Ajai Bhatnagar who has run a comprehensive diagnostic on all our business processes, and is implementing several automation-driven and productivity-enhancing processes. New leadership on the human resources and training fronts engendering several new initiatives has been brought on board by the effervescent, 60 year old, Dr. Manohar.

Key initiatives to rationalise our franchise partnerships and programmes to enhance our engagement with associates and increasing our service levels and our training interventions have been undertaken. A centralised customer service centre is in the process of being executed. Enhancing our customer engagement over the internet and on mobile platforms is next. Branch expansion plans are also forever being examined and decisions will be taken depending on market conditions and availability of resources.

Anand spotted the commodity value chain as a key opportunity area in the current environment and he is personally leading the charge along with our own in-house commodity expert Harish, in deepening your Company's franchise in every aspect of this business. In the short to medium term, this is likely to be the biggest driver of value creation in your business.

Forex markets are another opportunity which is being perused by up-skilling existing in-house teams and we are exploring whether to set up a corporate market-focussed team, in this area.

Building out the NBFC retail lending book against equities is an activity which has gone slow as we are talent-constrained in the area and are working to enhance our team. Our desire to expand internationally has also been given lower priority in this era of uncertainty. Given Anand's astute understanding of markets and risk, your Board encouraged him to take on proprietary positions whenever he feels appropriate but given the market uncertainties. Anand intentionally back-pedalled on this opportunity for now. In insurance distribution, we are retaining our foothold but are not taking aggressive steps as regulation, policy and the markets evolve. Real estate broking and property management is another initiative that your Company is exploring and has taken on its first mandate in Hyderabad, Andhra Pradesh.

Your accounts, finance and compliance functions attained process maturity and are no longer an area of serious concern to me and the board. Kudos to the finance team and our auditors and our very able Audit Committee!

Our erstwhile Chairman and Audit Committee head, Mr. Venkataraman wanted to retire pleading advancing years, but I have managed to persuade him to offer himself for reappointment for another term while lightening his load by shifting the load of the Audit Committee chairmanship to the brilliant Mr. P. Viswanathan.

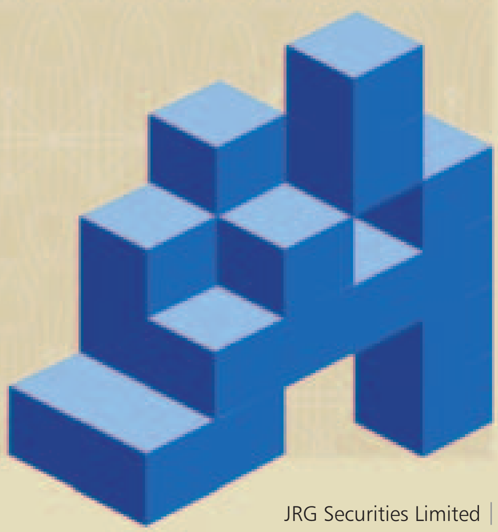
I am sorry to report that though the entire board tried its best in carrying along the representative of the earlier disposition and taking your Company forward, efforts have proved futile. Mr. Regi Jacob attends every board meeting with a predetermined agenda of making every attempt to stymie the functioning of your Company (including impeding an efficient branding strategy) and demoralising the management team (including restricting the Managing Director's compensation to Rs. 30 lakhs per annum, which is significantly below market) in what is already an extraordinarily difficult market environment. Often a legally typed letter is pulled out post a meeting raising a multitude of objections to every business of the board. It is ironical that in the same note that I have waxed eloquent on suppression of the minority investors' dues, I have to report the tyranny of the minority! It is sad that after being part of a group that has started competing businesses and still being treated with full respect due to a board member, no opportunity is lost in insulting fellow board members and leaving me with the task of forever apologising for the same to highly distinguished gentlemen on your board.

The litigation indulged in by the erstwhile promoters continues too, but as the courts have had more time to go into the details and merits of the case, they have allowed us to continue our normal business relatively unhindered. We owe thanks to Gaurav Soni our Managing Director, Syam Kumar, our Company Secretary and Mr. Menon the legal luminary on our board for their diligence in protecting the Company. As a result, we are in a position to proceed with our fund raising plans (subject to the untiring efforts at creating obstacles by our erstwhile promoters whose board representative has not signed the SEBI document in spite of the honourable court giving direction allowing the Company to proceed) and thus, allow us to flesh out several of the initiatives described above more aggressively.

Though we have been waylaid and delayed in our aspiration of building a customer-centric retail powerhouse with the right technology and execution skeleton and backbone, the dream persists and will bear fruit with the return of the retail investor to capital markets.

I owe thanks to all your board members for their involved engagement and guidance, the management team for its initiative and commitment and enterprise, the employees for their dedication in adverse conditions, our customers for keeping us in business and last but not least all you patient shareholders who indulged us with your patience and trust in extraordinarily trying times.

Rahul Bhasin
Chairman



Challenging business. Secured strategy.

Trust
The Company positioned its brand around trust, covering dependability and confidentiality.

Experience
The Company's management comprises members with a track record of more than 15 years in the financial services industry, employing the highest standards of integrity.

Compliance
The Company possesses a rigorous compliance with various regulatory bodies and their requirements. This ensures secure business continuity.

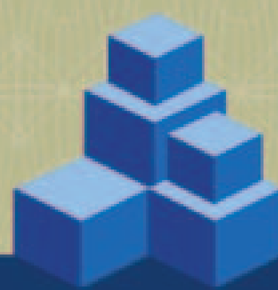
Governance
The Company created a governance-respecting environment; a credible Board of Directors and Management Review Committees reflected in high standards of operational transparency, disclosure norms and accountability.

One-stop solution
JRG stands for customer convenience, a one-stop provider of broad-based financial services (equity and commodity brokering, life and non-life insurance products, portfolio and wealth management services, financial advisory and currency trading).

Relevant memberships
JRG facilitates timely client service through memberships in all premier Indian equity, derivative and commodity exchanges (NSE, BSE, NMCEIL, NCDEX, MCX and IPSTA), and a full-fledged depository participant at NSDL and CDSL.

Technology
JRG invested in a technologically-enabled risk management system that, among other things, makes it possible to trade online in a secure way.

"We strengthened our business to protect our downside and maximise our upside in response to the industry's cyclicality and opportunities."



A review by Anand Tandon, Chief Executive Officer, JRG Group

Overview

JRG Securities encountered a challenging 2010-11. On a consolidated basis, the Company reported a 3 per cent increase in revenues and a 29 per cent decline in profit after tax. Our business strategy is to strengthen our financials through an increase in our revenues on the one hand and a stronger control on our expenses on the other, reinforcing our viability across market cycles.

A review of our performance, 2010-11

Our numbers for the year under review were not particularly attractive on account of a challenging capital market environment. The latter was aggravated by a sharp rise in equity indices in the first half of the financial year under review, which could not be capitalised upon by most investors. Thereafter, when indices turned sluggish, investors turned skeptical. The result was that despite an on-balance gain of 11 per cent reported by the BSE Sensitive Index during the year under review, the national investing sentiment remained erratic at best and subdued at worst.

Correspondingly, the sluggishness impacted the competitive landscape in which we operated. A number of firms that rapidly expanded in the recent past were now attempting to retain their market presence through a reduction in their brokerage fees and intermediation charges. Industry margins declined.

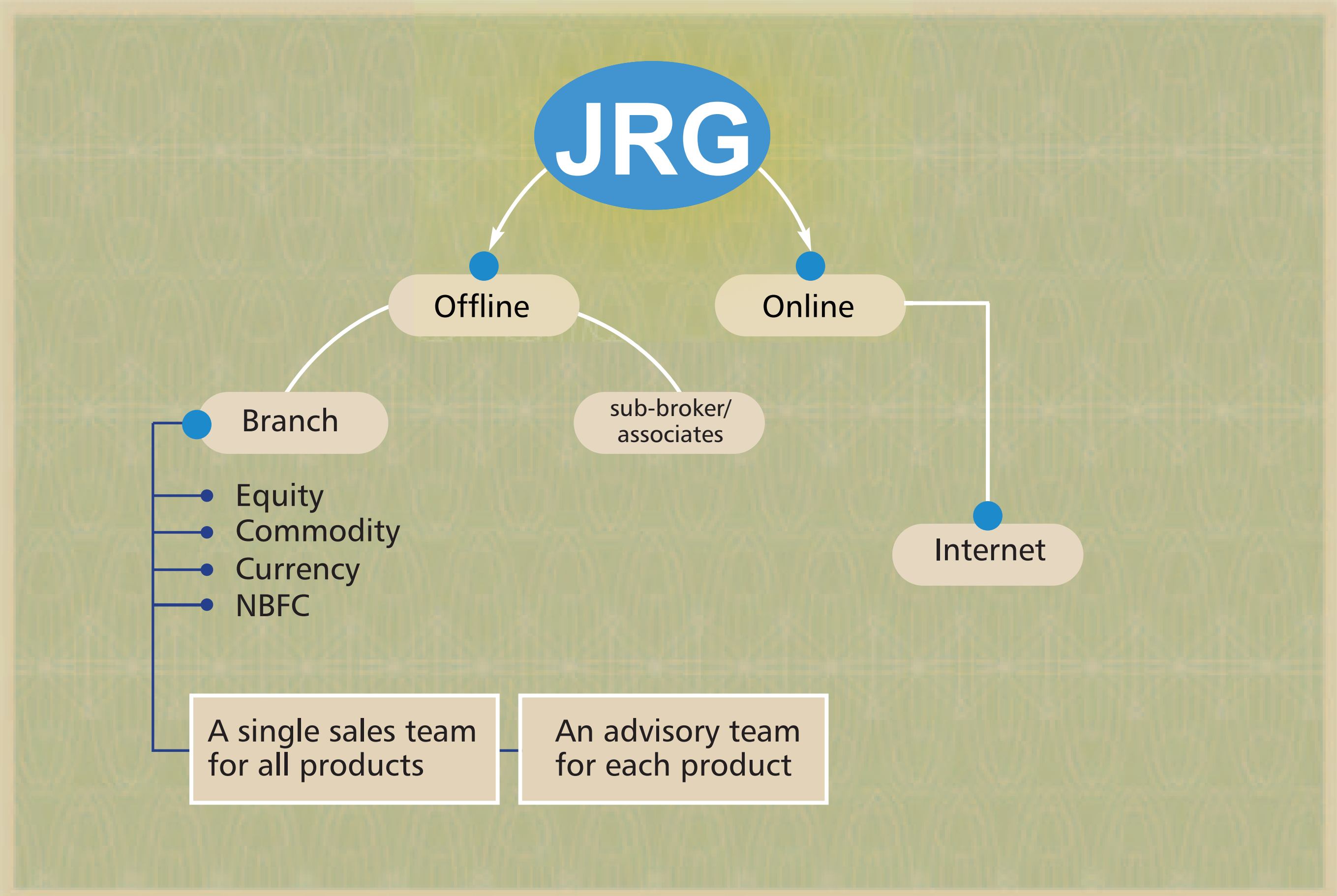
JRG performed reasonably within this context. We maintained our share of the South Indian market in volume terms. Besides, we increased our direct share of the overall business generated under the JRG umbrella which arrested the broad margin erosion experienced by the industry during a challenging year.

Rightsizing the P&L account

JRG moved with speed to right size its cost structure in a sluggish yet inflationary environment through the following initiatives:

- The Company recognised that the most effective cost-reduction initiative is aggressive client accretion. Higher revenues facilitate efficient cost coverage. In this regard, the Company altered its revenue-generating model from an erstwhile dependence on dealers and branch managers to the appointment of proprietary client acquisition teams. It recruited more than 250 sales professionals to work exclusively in the area of acquiring new clients (as opposed to facilitating dealing, execution and servicing) and engage in product cross-selling. The result is that JRG will no longer wait for a new client to walk in and offer fresh business; it reversed the paradigm and will venture into the marketplace and attract new clients based on superior value proposition.

- The Company recognised the limitations of engaging different sales teams – equity, commodity and internet sales teams – to attract new clients. With a view to reduce manning costs while enhancing sales effectiveness, it empowered sales teams to market diverse products based on client needs, replacing the erstwhile mismatch between client requirements and offerings. This combined offering – each of its teams will market all its products and services – will enhance its responsiveness to an evolving marketplace.



What JRG focused on in 2010-11

■ In a retail business, it is imperative to know which branches are performing optimally and which are not, leading to informed decisions in network optimisation. Earlier, sub-broker/associates figured under the Company's branch network; in a number of cases, sub-broker/associate underperformance will be hidden within the overall branch performance. To enhance operational transparency, the Company structurally segregated branches and associates, making it easier to separate performers from non-performers, leading to initiatives to capitalise on favourable marketplace trends on the one hand and support underperformers on the other, strengthening their performance. In the erstwhile system, the Company created product-wise sales teams to enhance a sense of informed selling. Following experimentation, the Company feels that a unified sales team will enhance prospects of cross-sale, reduce overhead costs and make it possible to address diverse investor needs through a wider product offering and flexibility.

■ JRG is graduating from the incidence of dealer-led sales to sales team-led sales. This will replace the erstwhile system, where the dealer would acquire the clients and execute business, with a system where the Company's sales executive now acquires the client and the dealer executes the business. In the earlier system – which was evident in the industry – the focus of the dealer was often to maximise the churn of the investor's capital, with the objective of earning a commission with each churn, irrespective of the success of each investing intervention. JRG is convinced that any business that survives only on the premise of customer acquisition alone will soon perish and worse, damage the service providers brand. As a result, the Company now intends to attract more customers, reduce the churn, demonstrate client profit, enhance corporate revenue stability, cross-sell products, generate a favourable word-of-mouth, attract other customers and then – and only then – charge a higher commission justified by performance, starting a virtuous cycle. This combination of direct client acquisition, multiple product sale and lower churn reconciles

JRG is graduating from the incidence of dealer-led sales to sales team-led sales.

corporate, investor and dealer interest in a sustainable way.

■ JRG plans to hire over 700 individuals in two years with the objective of covering the market better and trebling our client base.

Focus on commodities

Since December 2010, JRG entered three new retail commodity areas – advisory in terms of hedging and procurement, actual procurement and its own arbitraging initiative. Until corporates and funds are progressively allowed into this space, the Company will strengthen its research in building a corporate network, enter the market through mandi registrations and strengthen its *mandi* operator network, which will enable it to deal in real commodities and not just exchange-traded material. This will progressively insulate the Company from the challenges of spot markets (like spurious commodities) and enable it to strengthen its business.

Technology

The more competitive financial services provider is also one with a stronger technology platform. Such a platform makes it possible for the Company to offer services online, provide a dependable IT platform and connect better between its diverse locations. JRG intends to invest in its back-office technology and processes. We will look at outsourcing as an option to increase our efficiencies. Besides, the Company invested in lead management, customer relationship management, financial accounting and HR package, among others. It mapped the process flow to plug technology gaps; it commissioned a customer care and call centre solution; it is creating a disaster recovery centre outside Kochi. In doing so, JRG is creating the base for a robust technology-driven, customer-focused organisation.

Road ahead

JRG strengthened its business through these initiatives and investments, following which it will be more competently placed to protect its downside and maximise its upside in response to the cyclicality and opportunities in the Indian capital market.

Q&A

“JRG will strengthen its business so that it is at the right time and place to capitalise as soon as market sentiment revives.”

Gaurav Vivek Soni, Managing Director, reviews 2010-11

Q. How would you evaluate the Company’s performance in 2010-11?

A: The financial year 2010-11 was challenging as retail investors stayed away from the stock markets. Given the circumstances, the best return that an individual equities investor could expect to earn was about 15-20% compared with a risk-free fixed income return of 10.25% in a rising interest rate economy. This narrow differential and eroded investment resulted in investing caution.

Besides, the rise in the BSE Sensitive Index during the course of the year was illusory. Even as the bellwether index portrayed that markets recovered to their erstwhile peak, the reality was largely limited to only the Sensex stocks, comprising only a small percentage of the holdings of most investors. The performance of mid-cap and small-cap stocks, where most investors had holdings, remained largely sluggish, preventing investors from enlarging their commitment. The result was that most investable surpluses were deployed in fixed income instruments in anticipation of an improvement in the overall investing climate.

Q. What did the Company do to strengthen its business?

A: JRG Securities reported a loss on an standalone basis due to fall in retail volumes. We wish to communicate to our investors that we are strengthening our business through timely portfolio synergic diversification, the benefits of which will be reflected from 2011-12 onwards.

Commodity: This segment of our business performed well, following an appreciation in commodity prices, resulting in a stronger trader-cum-investor interest. As a result, our Rs. 12-crore revenues in 2009-10 increased to Rs. 20 crore in 2010-11, marked by an increase in transaction volume and a rising value per transaction.

NBFC: Our NBFC operations reported a stronger performance. In 2009-10, our corpus of Rs. 60 crore was parked in low yielding debt instruments; this year, the corpus was deployed in synergic lending (loans against shares or margin finance) to support our various businesses, facilitating a regular income stream. In a largely seasonal commodity business of rubber and pepper, producers need temporary funding, resulting in a significant order book in this segment. Going ahead, we will expand our commodities portfolio to chilli and chana on the one hand and extend from seasonal to annual funding cycles on the other.

Our positions are inspired by a longstanding insight into the way these commodities behave. Going ahead, we will take directional property calls in addition to only funding commodities.

Q. What initiatives helped strengthen the business?

A: We strengthened our business through the conscious hire of Anand Tandon as CEO. Anand was earlier with Brics Securities. He brings with him considerable knowledge especially in areas where JRG was never present (institutional debt, servicing high net worth individuals and arbitrage). His presence is already helping us expand our pipeline into these areas, starting with arbitrage (equity) in 2010-11.

Earlier, we commissioned 25 new branches in Chennai without success. From 2010-11 onwards, we decided not to carpet-bomb any location; we engaged consultants to provide us with a locational road map based on factors like population, per capita incomes and savings trends. This approach is more informed and will enable us to generate a higher volume per branch. We will grow our presence from 133 branches on a need-based basis.

We strengthened our back-office by enhancing automation and aligning our systems and processes with our risk-taking appetite.

Q. What did you do to protect market share?

A: During 2010-11, we lost our retail business, predominantly because our branches were in saturated locations and dependent on a handful of people in Tier-II and Tier-III cities. Our endeavour now is to strengthen our branch network; our branches have predominantly comprised 4-5 members (two dealers, one branch manager and two back-office members) with a relatively low sales initiative. Going ahead, each branch will be manned by at least 10 people covering full service roll-out, and supported by a sales engine to rejuvenate the customer profile.

Our customers comprise retail investors and traders; while investors were averse to entering the market, traders abounded, but in the zeal to attract business, brokerage houses slashed their commission. JRG took a conscious decision not to undercut but provide superior service instead. We hope that this will soon become an industry trend. In this challenging scenario, success will be derived from an ability to diversify our offerings, enhance them for wider de-risking and generate a regular income source from the NBFC division.

Q. India is growing but its stock markets are staggering?

A: Even as retail returns were poor last year, alternative investment opportunities appear attractive. However, this mismatch will correct as the quantum of sustainable industrial growth emerging from India will draw investor interest sooner or later. This is an interesting cycle: people exit stock markets, move into alternative investments, the market bottoms out, positive news filters in, the market revives, more investment pours in, the market peaks, money comes back from alternative markets and the cycle is then complete. Concurrently, interest rate hikes are probably peaking and the cycle will begin to reverse and generate average returns higher than 20%. So what we want our shareholders to recognise is that what we are passing through at this juncture is perhaps part of a large cyclical picture which is playing out and soon will correct. During this period, JRG will strengthen its business so that it is at the right time and place to capitalise as soon as market sentiment revives.

BUSINESS SEGMENT 1

Equity brokerage

Accounted for 52 per cent of our revenues, 2010-11

In the wake of the global financial market turmoil, Indian stock markets remained subdued during 2009-10, clocking a de-growth in overall volumes of 15% year-on-year. Revival in economic activity and improving Indian corporate performance abetted capital market rally during 2010-11. The overall stock market volumes grew by 61% in 2010-11. Strong capital market volume was largely driven by F&O volumes, which comprised 77% of the total volumes and grew at 66% CAGR over FY05-10 compared with the overall capital market CAGR of 55%.

JRG's business however fell as most of our clients were retail clients who stayed away from the F&O market. Hence our retail volumes fell. JRG offers equity trading and research-based equity advisory services to retail clients (including high net worth individuals), supported by investment ideas and trading strategies.

Retail services

A) Retail broking – physical touch points: The Company's equity brokerage services were based on an advisory model using research provided by the Company's in-house team of research analysts. The team comprised dedicated dealers and advisors who provided personalised trade and execution services to active traders, retail investors and high net worth investors. The Company invested in best-in-class technology, research and analytics, transparency and compliance, call and trade, customer service, reach and delivery.

Highlights, 2010-11

- As on March 31, 2011, the Company had more than 200,000 registered clients across different verticals
- The Company's equity broking business extended across 380 physical touch points (130 branches and 250 sub-broker/ associates) across Kerala, Tamil Nadu, Andhra Pradesh, Karnataka and Maharashtra

B) Retail broking – online equity portal (www.inditrade.com): The Company launched its internet trading brand called Inditrade in the previous year. The online portal empowered customers to trade online and invest in a gamut of products - equities, commodities, currencies, mutual funds and insurance. This brand stands for superior execution, best-in-class technology and a dedicated team.

Highlights, 2010-11

- As on March 31, 2011, the Company had more than 7,000 registered internet clients
- The proportion of online revenues as a percentage of equity brokerage revenues

was 6% (Rs. 1.9 crore), an increase of 50 bps over the previous year

Depository services

JRG provides depository services through its DP wing. The Company is a depository participant with the NSDL and CDSL, facilitating trading and settlement of dematerialised shares. It performs clearing services for all security transactions through its accounts. Investors can open a demat account for holding securities, mutual funds and commodities. It offers depository services to create a seamless transaction platform; it executes trades through JRG Securities and settles these transactions through JRG Depository Services.

Services

- Market and off-market transfer of shares from one account to another
- Pledging and unpledging of shares
- Dematerialisation and rematerialisation of shares
- Various tariff plans to suit every investor category - traders, investors, HNIs, corporates and NRIs, among others

Highlights, 2010-11

- As on March 31, 2011, the Company had 87,971 depository accounts with NSDL holding securities and 3,381 depository accounts with CDSL.

Other initiatives

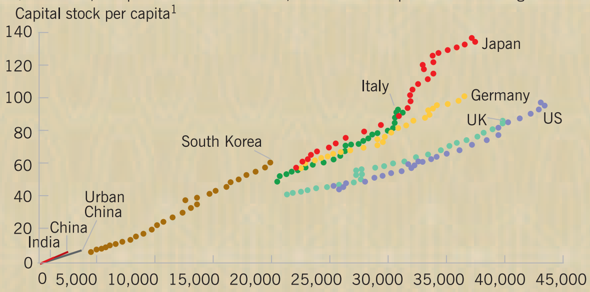
- The Company launched financial planning products for retail investors
- The Company endeavoured to improve services to generate higher realisations and increase wallet share
- The Company strengthened its sales force to attract customers
- The Company integrated cost-saving products to engage customers

Outlook

Projected economic growth (nominal) of 14.5% in 2011-12 and 15% in 2012-13 are expected to catalyse household financing savings. This, along with an expected rise in FII investments, will drive capital market volumes. The overall stock market volumes are expected to grow at a CAGR of 15% during FY10-12.

Capital stock per capita in China and India is very low compared with that of developed countries

Capital stock vs. GDP per capita by country and year, 1980-2008
$ thousand, sample of selected countries, constant 2005 prices and exchange reates
Capital stock per capita[1]



1 Stock of net fixed assets at the end of the year, assuming 5 percent depreciation rate for all the assets.
Source : McKinsey Insights China; McKinsey Global Economic Growth Database; McKinsey Global Institute

Road ahead

- The Company will expand its product portfolio through strong customer relations; the Company is engaged in talks with HDFC Bank to focus on credit products
- The Company is looking at financial planning as a service to insulate itself from market fluctuations and erratic revenues

BUSINESS SEGMENT 2

Commodity brokerage

Accounted for 27 per cent of our revenues, 2010-11

JRG provides commodity broking through its subsidiary JRG Wealth Management Ltd. The Company enjoys a membership of MCX, NCDEX, NMCE, IPSTA and NCDX spot exchanges. The portfolio for the commodity broking business comprises actively traded agro-commodities (pepper, rubber, cardamom, turmeric, chilli, jeera and refined soya, among others), base metals, metals, bullion (gold and silver) and energy.

During 2010-11, the Company's commodity futures trading volumes increased significantly - gold, silver and crude recorded the highest turnover of Rs. 10.80 lakh cr, Rs. 10.70 lakh cr and Rs. 9.40 lakh cr respectively. The year 2010-11 also witnessed higher market participation from different sectors (producers, EXIM, manufactures and retail segment).

The Commodity Exchange traded volumes of around Rs. 112 lakh crore during 2010-11, a growth of around 45% over Rs 77.65 lakh crore recorded in 2009-10. The Indian commodity futures market grew at an average annual rate of around 30% in three years.

Highlights, 2010-11

- Silver and crude contributed the most in terms of brokerage revenue; pepper and rubber contributed a fourth of the revenue.
- New commodities were added for trading - iron ore, mini contracts in lead, zinc and aluminium; sugar futures were relaunched
- New commodity exchanges - Ahmedabad Commodity Exchange (ACE) and Indian Commodity Exchange (ICE) - started
- The number of commodity dealers was 90 as on March 31, 2011
- The Company had 30,000 clients for the commodity broking business as on March 31, 2011
- Commodity brokerage income increased to Rs. 20 crore, a 60% improvement over the previous year

Research

The Company employed competent analysts with professional industry experience; they issued regular research reports. The research team covered more than 25 commodities and was nominated for the best fundamental research and best technical research award categories at the Zee Business Awards. The Company's research department offered the following services:

- Qualified professionals were dedicated to various segments (bullion, base metals and agri research), supported by services (trading and investment advisory as well as daily, weekly and monthly reports) and risk management for corporate clients
- A relationship management team conducted seminars, workshops and investment camps for investors
- A single screen customised market-watch for MCX and NCDEX along with NSE/BSE, real-time commodity information and client ledger positions

Initiatives

- The Company offered an arbitrage facility to clients, covering pre-book, spot-to-futures, futures-to-spot and future-to-future services in pepper, rubber, chilli, maize and cardamom
- Customised research products were offered to clients (namely Plantation Package, Managed Futures, Agri Basket and Spread Futures)

Road ahead

- With a growing demand in domestic and international market demand for various commodities (spices, grains and metals), the Company plans to enter the commodity procurement business by establishing strong value chain management to cater to industry needs
- The arbitrage business is being expanded with the inclusion of commodities like jeera, RM Seed, cocudkal and castor seed
- Apart from warehouse funding for corporates, funding is also being introduced to enhance the affordability of precious metals like gold and silver for retail clients

India – A growth opportunity

Robust GDP growth: Among top four and fastest-growing economies

Increasing per capita income: Rs. 54,527

Rising savings rate: More than 35%

Young population: Median age 25.9 years

Infrastructure investment: Rs. 40 trillion envisaged in the Twelfth plan

Optimism

- The Indian economy is set to quadruple in the decade leading to 2020, with the gross domestic product (GDP) spurting to over US$ 4 trillion (about Rs. 205 lakh crore at present exchange rates) and per capita income rising to US$ 3,213 from US$ 1,017 in 2010. During the decade, annual incremental savings will also increase four fold to Rs. 72 lakh crore from Rs. 19 lakh crore in 2010.*(Source: Edelweiss Capital)*.
- India's market capitalisation as a percentage of the global market capitalisation was 2.8 per cent as on December 31, 2009 even as India continued to be the second fastest-growing economy
- India enjoys the highest household savings rate of 24.7%, but equity investments are only about 10% of the savings compared with 22% in China and 30-40% in developed countries
- India is a young country with an average age of about 26 years; about 49% of the population is below 25.
- Urbanisation will increase from 30% to 40% by 2030. Nearly 590 mn people will be living in Indian cities, will be twice the population of the United States today. This will translate into massive growth in the housing and commercial space
- SMEs are expected to contribute 22% to India's gross domestic product (GDP) by 2012, up from about 17 per cent at present *(Source: ASSOCHAM)*, which is expected to increase related financing needs

BUSINESS SEGMENT 3

Currency trading

Accounted for 3 per cent of our revenues, 2010-11

The foreign exchange market witnessed higher volatility in 2010-11, following concerns related to EU public debt; market participation was buoyant. The Average Daily Turn Over (ADTO) of exchanges improved in 2010-11, the ADTO of MCXSX futures rose 107% while that of NSE rose 77%. The introduction of three currency pairs - EURINR, GBPINR and JPYINR - added value to a market, attracting interest from retail and corporate clients from February 2010 onwards. During 2011, NSE and USE introduced the USDINR option that increased participation; ADTO stood at Rs. 1,600 crore between October 2010 to March 2011. Currency futures trading was strengthened, following the launch of futures at the United Stock Exchange (from September 2010), which recorded an ADTO of Rs. 5,700 crore between September 2010 and March 2011.

JRG entered the currency trading business in 2009-10 and emerged as a leading retail currency broker in South India, posting a record volume of 100 cr in a single day in March 2010. The Company has memberships of two major currency exchanges like MCX-SX and NSE.

Highlights, 2010-11

- As on March 31, 2011, the Company had more than 120 currency terminals, supported by a dedicated research team
- Income from the currency trading segment increased Rs. 44 lakh to Rs. 2.60 crore

Services

- The Company's corporate desk provides customised foreign exchange hedging strategies for large to small-medium enterprises
- For the investing and trading community, the trading desk provides linear and non-linear trading strategies on domestic pairs, global majors such as EUR/USD, GBP/USD and USD/JPY as well as major crosses like EUR/GBP, EUR/JPY and GBP/JPY

Initiatives

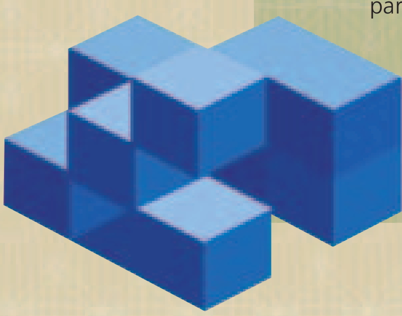
- The Company set up a centralised desk for cater to high net worth clients with market information and strategy
- The Company embarked on training till the branch level; it set up a camp to educate investors about the currency derivative market, enhancing stability in business turnover and improved client profitability
- To develop an insight into hedging, the Company set up a corporate desk in Hyderabad, helping small-medium enterprises (SMEs) and large corporates design a hedging strategy for clients with market updates
- For corporates, the Company introduced customised research based on their requirements and assisting them with proprietary trading, among others

Road ahead

- The Company expects increased participation from the branch channel and from a centralised desk catering to HNI clients. The corporate desk is expected to boost revenues with a focus on SME acquisition
- The Company is targeting to graduate to an advisory consultant by venturing into forex advisory services. The service is likely to extend to the over-the-counter market

Strengths

- Strong product development team with vast experience in the financial market
- Knowledgeable research desk to provide timely information to market participants
- Effective risk management practices
- Dedicated relationship managers for retail and corporate clients



BUSINESS SEGMENT 4

NBFC

Accounted for 17 per cent of our revenues, 2010-11

JRG entered the NBFC business in 2007-08 through its subsidiary JRG Fincorp Ltd, which is registered with the RBI as an NBFC, not accepting public deposits, to complement a gamut of financial products and services comprising equity trading, commodity trading, currency derivatives by providing loans (loans against shares, margins funding, gold loans among others), distribution of mutual funds and IPO financing.

During the year under review, the Company reported a significant growth in margin finance and the commodity finance business through an increase in its retail portfolio. The Company enjoys credit facilities from leading banks and institutions for commodity and capital funding. It developed skill sets in commodity and margin finance, covering the spot and future markets of agro commodities, seasonality, price movements, storage and other factors.

JRG is one of the leading players among organised private sector companies, providing agro commodity and capital market loans in Kerala. The Company is growing its presence in the commodity loans segment in Maharashtra, Kerala and Andhra Pradesh. It signed a collateral management agreement with NCMSL, a subsidiary of NCDEX.

The Company offers a variety of products under the capital and commodity segments which include:

Margin funding: Key features of the products offered comprise:

- Borrowing available against extensive list of shares
- Leverage up to two times
- No processing fees
- Simplified documentation
- Quick loan processing, option to take delivery beyond the ordinary trade cycles
- Attractive interest rates and facility to convert to alternative borrowing options.

JRG Fincorp Ltd's margin funding book size as on March 31, 2011 stood at Rs. 27.18 crore with 2,321 clients.

JRG is one of the leading players among organised private sector companies, providing agro commodity and capital market loans in Kerala

Loans against shares: Key features comprised:

- Borrowing available against an extensive list of shares
- Option to repay through various modes (EMI, Flexible and Bullet)
- Simplified documentation
- Quick loan processing, attractive interest rates
- No prepayment penalty

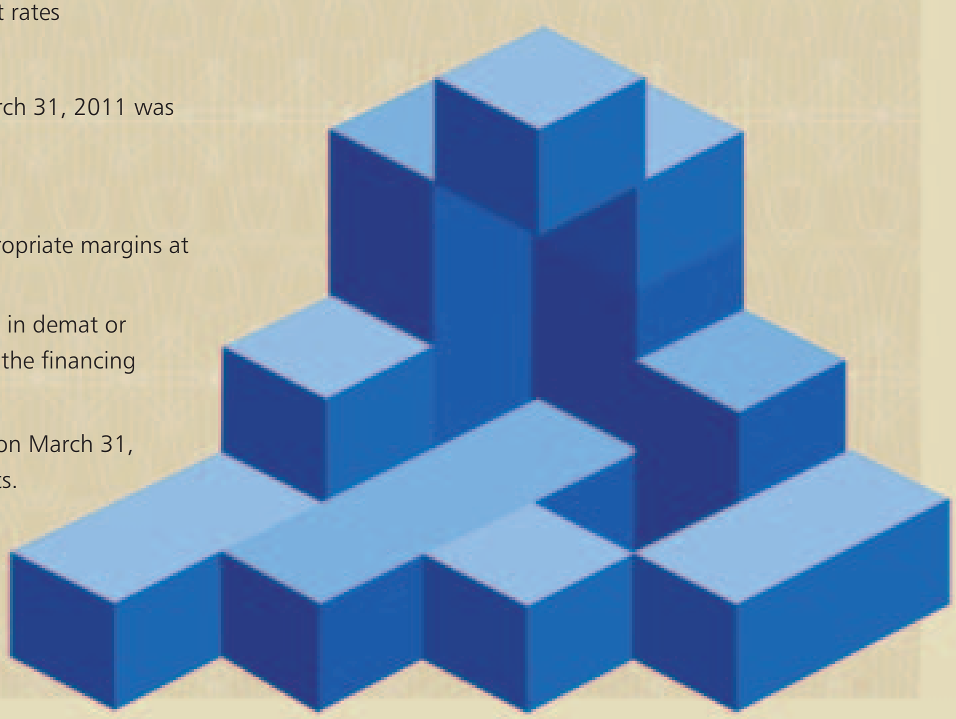
JRG Fincorp Ltd's LAS book size as on March 31, 2011 was Rs. 0.18 cr, comprising eight clients.

Gold Loan: Key features comprised:

- Providing finance to the client with appropriate margins at attractive interest rates
- The client has the option to receive gold in demat or physical form following the repayment of the financing facility

JRG Fincorp Ltd's Gold Loan book size as on March 31, 2011 was Rs. 0.05 cr comprising 11 clients.

Commodity funding: Some commodities for which JRG Fincorp Ltd provided funding were cardamom, pepper, rubber, chilly, steel, gold, silver, among others. The commodity funding book size as on March 31, 2011 was Rs. 8.16 cr comprising eight clients.



BUSINESS SEGMENT 5

Insurance and support services

Accounted for 4 per cent of our revenues, 2010-11

The US$ 41-billion Indian life insurance industry – considered the world's fifth-largest life insurance market – grew at 32-34 per cent annually according to the Life Insurance Council. India ranked 136 globally in terms of life insurance penetration, behind China (106), Thailand (87), Russia (86), Brazil (85), Japan (61) and the US (9). Only 26 per cent of rural and 60 per cent of the country's urban population possessed a life insurance cover.

The poor life insurance penetration in India with premia/GDP ratio at 5 per cent against the average of 6 per cent in developed nations is likely to correct faster, owing to the improved economic scenario and higher disposable incomes.

JRG provided a insurance broking services through its subsidiary JRG Insurance Broking (P) Ltd, registered with the IRDA as Direct Insurance Broker to distribute life and non-life products of all insurance companies in India. The Company leverages its distribution strength to cross-sell insurance products across five states (Kerala, Karnataka, Tamil Nadu, Maharashtra and Andhra Pradesh). The product offerings included life insurance, general insurance, pension and health insurance.

The Company intends to expand its presence in the general insurance segment through the following initiatives:

- Retail motor and health tie-ups with insurance companies
- Retail GI focus through branches and online sales teams
- Cross-sale of life insurance through branches – a quarterly sales drive strategy – with a choice of products available to customers
- Launch of an online insurance portal to offer customers product comparison, choice and an online purchase facility

Highlights, 2010-11

- The Company had 21,000 insurance clients as on March 31, 2011
- Income from insurance broking increased to Rs. 7.2 cr, a decrease of 51% over 2009-10
- The Company had five IRDA-certified branches
- The premium from life insurance increased in the last quarter with the acquisition of 116 new clients

Initiatives

A number of cost-cutting measures helped reduce the loss from Rs. 10.78 lakh in 2009-10 to Rs. 4.56 lakh in 2010-11.

- The Company trimmed the team size hence employees in the insurance division, decreasing the cost to Rs. 42.72 lakh in 2010-11 from Rs. 85 lakh in 2009-10

Outlook

India's insurance industry is expected to outpace economic growth and reach US $ 350-400 billion in terms of premium income by 2020, making it among the top three life insurance markets. India is also expected to emerge among the top 15 non-life insurance markets by 2020, according to an industry study conducted by the Federation of Indian Chambers of Commerce and Industry and the US-based Boston Consulting Group.

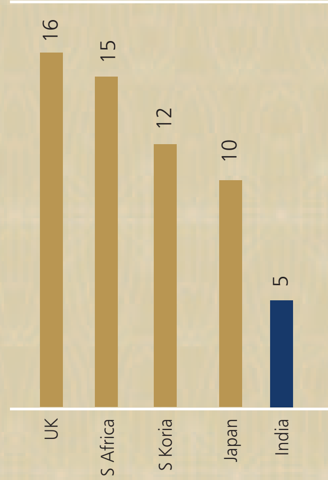
The premium as a percentage of the country's gross domestic product (GDP) increased from 2.3% in 2001 to 5.2% in 2011. The number of life policies in force increased nearly 12-fold in the past decade. Better terms and availability of a wide variety of products like unit-linked products, whole life, maximum net asset value (NAV) guarantee, auto assistance, auto pay per km insurance, disease management and wellness, catalysed industry growth.

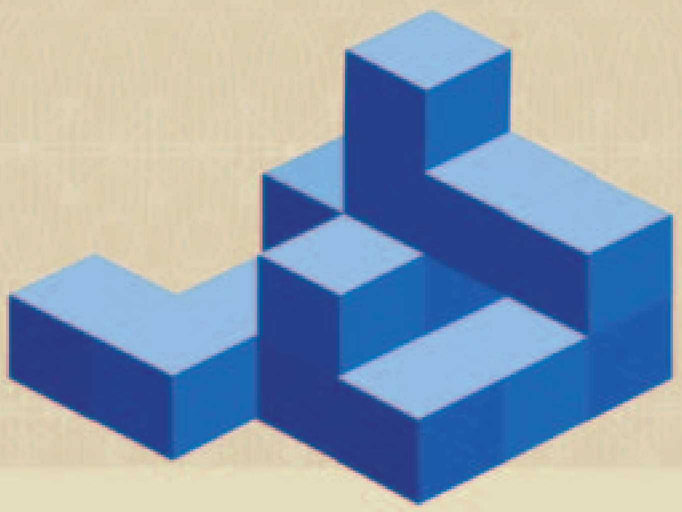
The total insurance premium is expected to grow from Rs. 17 lakh crore in 2010-11 to Rs. 22 lakh crore in 2020.

Road ahead

- To create more marketing teams in different states
- Develop 10 resident offices in Maharashtra, Andhra Pradesh, Tamil Nadu, Karnataka and Kerala
- Increase insurance broking branches from five in 2010-11 to 20 in 2011-12
- Increase revenues to Rs. 3.5 crore
- Attract more clients by leveraging JRG's captive client base

Insurance Premium as % of GDP





BUSINESS DRIVER 1

Network

During the year under review, the Company concentrated on broker registration and streamlined associate operations.

Initiatives

■ The Company divided its associates into different grades as per revenues generated for enhanced clarity:

Grade A, revenue more than Rs. 1,75,000 (associates 15)

Grade B, revenue between Rs. 175,000 and Rs. 88,000 (associates 32)

Grade C, revenue between Rs. 88,000 and 45,000 (associates 60)

Grade D, revenue less than Rs. 45,000 (associates 150)

■ The Company had almost 70% of its total associates in Kerala; these associates fell under A and B grade. The Company focused on them to increase revenues through additional support and service. They were provided 100% revenue credit for sales above their targets. Due to this, revenues grew almost 30% from associates in Kerala.

■ A large number of associate earlier provided only equity services; in 2010-11, the Company added the commodity service to all associate which enhanced commodity revenues by around 10%.

■ The Company started popularising currency trading in a few branches (necessitating NISM certification). The Company received 13 NISM certifications and generated revenues of Rs. 700,000 from currency trading in the last quarter of 2010-11.

■ The Company identified potential cities in states where it does not have a presence (Andhra Pradesh and Maharashtra). It added 20 associates in Andhra Pradesh, 15 in Maharashtra, six in Karnataka, six in Tamil Nadu and 20 in Kerala.

■ Till 2009-10, all associates figured under a specific branch and were dependent on it for support and service. Revenue from the associates was accounted for under the branch, making it difficult to ascertain potential. In 2010-11, the Company altered the reporting structure and separated operations of the branch and associates with their respective KRAs.

- The Company created a associates service desk in five cities (Cochin, Chennai, Bengaluru, Mumbai and Hyderabad) across different states.

- The Company also created a

separate reporting structure for the branch network; it appointed different state heads to manage branches, a territory manager to manage 5-6 districts under him to report to the state head, and the branch heads to report to the territory manager.

Road ahead

- The Company engaged a consultant to study the markets in various cities and prepare a research report identifying potential cities to open branches or associates based on parameters like population, education rate, per capita income and per capita savings, among others. The major states where research was carried out comprised Andhra Pradesh, Maharashtra and Karnataka
- In 2011-12, the Company expects to commission currency trading in 50 associates (mostly grade A and B associates). The Company is targeting 50-75 NISM certifications for its branches. It intends to extend the commodity segment to 50 associates.
- The Company will focus on cross-selling and client acquisition across all associates.
- In Maharashtra and Andhra Pradesh, the Company plans to set up A-grade associates, starting operations with at least five sales people.
- The Company will streamline operations in all associates around a uniform system of reporting, ensuring that they comply with all regulations. This will provide an understanding of the potential in each branch with respect to the size of its manning. It intends to focus on grade A and B associates.
- The Company intends to enter Rajasthan, West Bengal and Orissa in 2011-12.
- In 2012-13, the Company intends to create the same structural and reporting format for the associates channel as was created for the branches.
- The Company is targeting a 60% revenue growth from its branch and associates network.
- Reduce the size of the network by closing unviable branches. Expects network size to be around 250.

BUSINESS DRIVER 2

Human resources

Highlights, 2010-11

- Appointed a regional HR head in each city of the Company's presence
- Strengthened the headcount ratio between business and operations
- The Company had 942 employees as on 31st March, 2011

Initiatives

- Participated in a Hewitt Survey related to benchmark industry compensation
- Conducted competence mapping for 28 roles across the organisation
- Conducted sales training with an emphasis on financial products and career enhancement programmes
- Developed KRAs for all employees and performance evaluation based on preset KRAs, objective and systematic appraisals
- Implemented robust processes to recruit the best industry talent – multiple level of interviews, robust background verifications and hiring based on suitability and the Company's value system
- Focused on employee welfare and well being at par with industry standards comprising medical insurance, and alternate Saturday working
- Built a practice to recruit at the lower level and provide growing responsibilities. Promoted internal talent for roles and responsibilities. Relationship managers were promoted to branch managers and, branch managers were promoted to territory managers
- Restructured the organisation to enhance clarity and work flow. Structure changed from online and offline to one direct channel and partner channel.

- Concept of state head and co-state head was introduced
- State head comprised someone from sales, advisory and product background.
- Co-state head comprised someone from the erstwhile online channel with an extensive sales experience
- In the unified reporting chain, all territory managers were required to report to the co-state head, all branch managers to territory managers, and dealers and sales staff to the branch manager
- States were broken up into territories, each territory having around seven branches
- Branches will primarily serve the purpose of client acquisition
- One dealer in each branch will service walk-in customers
- A central dealing desk will be created wherein the central dealing desk head reports to the co-state head. The central desk will comprise a trade assist (erstwhile call and trade, advisory and managed accounts as categorisation)
- All dealer requirements were frozen unless the branch added 200 customers

Outlook

- A structured three-day induction training will adapt recruits with the Company's values, systems and processes
- The compensation parity will be benchmarked with industry standards
- Systematic training programme will develop employee skill sets
- Embarked on creating a skill inventory
- Initiated the Leadership Development module for territory managers
- Initiated advisory, sales management, operational process and product training for employees
- Built robust systems and processes including the implementation of new HR software and product training
- Developed a robust performance management system which will include performance and potential appraisal
- Fast track performers are being identified and nurtured for higher responsibilities

The Company had a professionally qualified talent pool with an average age of around 28 years at the close of 2010-11. The Company has a total of 942 employees as on 31.03.2011, a number of them possessing qualifications like MBA, Chartered Accountant, CFP, CS and B. Tech, among others.

BUSINESS DRIVER 3

Information technology

During the year under review, the Company concentrated on broker registration and streamlined sub-broker/associate operations.

Highlights, 2010-11

- Strengthened compliances by institutionalising IT policies at the branch level (standardisation of software, hardware, monitoring and reporting)
- Established JRG's vendor relationship on the basis of service level agreements
- Revamped the communication system through conferencing tools
- Invested Enterprise Resource Planning (ERP) to integrate human resources, customer relationship management and financial functions
- Entered into business intelligence tools development for various stakeholders like key management, investors, department heads and risk management
- Integrated with major banks for the creation of a payment gateway
- Made it possible for clients to trade online and offline using the same account

Technology infrastructure

JRG's data center is located at its head office in Kochi (Kerala). All branches are connected to the data centre for data transfer through MPLS, Broadband or VSAT. The Company provides adequate redundancy in each branch. Exchange connectivity from the data centre is also transmitted through leased lines with the VSAT acting as a backup. In the data centre, the databases are in a clustered mode for hot standby. The Company's IT requirements are supported by 20 vendors.

Initiatives

- The Company's customer data backup mechanism is among the best in the industry, following the project undertaken by the Company
- Enhancing employee awareness of technology differentiation was a challenge, addressed in the past year through circulars and training
- Average order punching time was high; VSAT was the secondary communication technology at major places, which reduced overall order punching time (below one second now).

Strengths

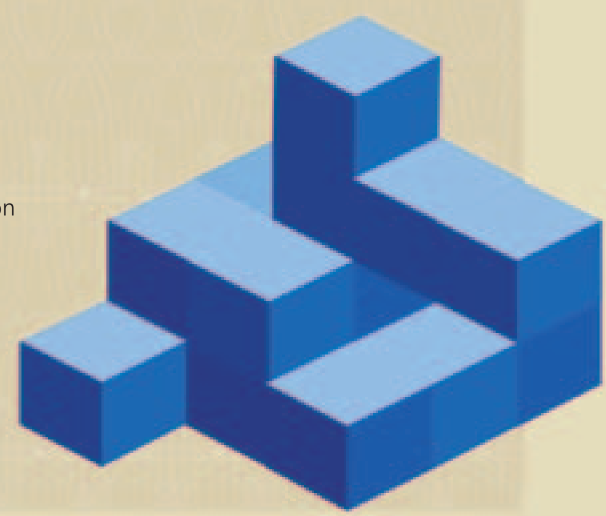
- The Company's order punching record is among the best in the industry
- The Company is integrated with major banks through payment gateways
- The Company's multi-tiered storage backup network is among the best in the industry

Automation

- Customer back office IVR Software makes it possible for customers to access their daily trading information along with their ledger balance, NSDL and CDSL data 24x7
- The backup mechanism for employee data, customer data, trading and risk information can be accessed with the flick of a button
- The use of technology flags errors automatically
- The contract notes reach clients at periodic intervals through automation
- The Company sends SMS alerts to customers daily

Outlook

- Disaster recovery: The Company expects to outsource disaster recovery, hosting one of the best service providers in India in a hot-swappable mode so that it can have a minimum of Recovery point objective (RPO) and Recovery time objective (RTO)
- The Company targets to achieve best-in-class implementation in data, infrastructure and network security
- The ERP integration will enable JRG to automate several departmental processes

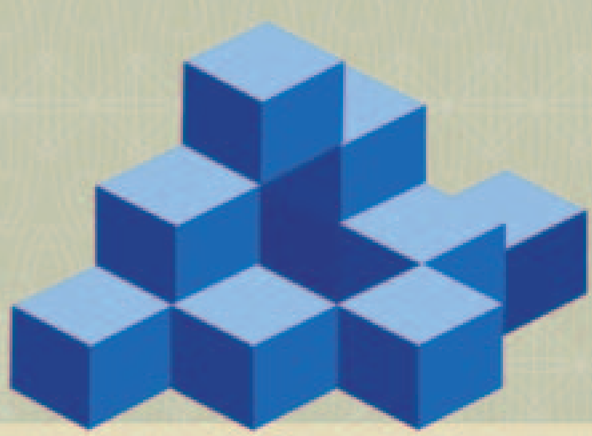


BUSINESS DRIVER 4

Operations

Highlights, 2010-11

- The Company added around 15,000 clients to its client master list during the year.
- The Company handled 107.91 lakh equity and 17.36 lakh commodity transactions
- The Company opened 12,221 accounts in the capital segment
- The Company finished the year with 720 trading terminals
- The Company strengthened its process discipline (mapped 360 tasks over 10 departments, created 115 nomenclatures for various functional entities, identified and named 48 unique processes, created 52 process flow maps)



Initiatives

Integration of systems and processes

- The Company strengthened business process architecture through mapping and gap analysis
- A group was created to suggest process improvements

Managing transactions

- The Company introduced a leased line, MPLS and VSAT in most branches.
- The Company created a backup line and backup trading platform to address contingencies
- Once screen provided information across all exchanges and asset market rates; voice loggers were made compulsory in all branches to minimise disputes

Automation

JRG strengthened its automation, generating client bills within an hour of the receipt of trade files from the stock exchange. The fund pay in /payout as well as pay in/payout relating to shares eliminated manual intervention.

Online support

JRG's online support makes it possible for clients to view their statements 24x7, call the IVR and get various statements telephonically, providing more than 40 reports (including client profit and loss statement, ledger account and holding, among others) and online access to the digital contract note.

Cost reduction

- Cost reduction through automation
- Outsourcing of bulk postage, bulk printing and KYC processing
- Use of software enhancement to reduce manual input

Strengths

- The Company's high-speed systems accelerated trade processing, client bill generation and passing trade information to clients in quick time
- The Company's online reports provide all required trade data to clients
- The Company meets all regulatory requirements
- The Company's efficient customer service desk is operated by customer service executives trained in trading and financial services
- The Company's account opening process runs on TATs that are strictly monitored
- The Company enjoys a membership of all online Indian trading exchanges as well as membership of NSDL and CDSL

Risk management and surveillance

The year witnessed volatility in equity market volumes, shifting the major trend towards the future and option segment. Through the Company's efficient risk management systems and surveillance policies it was able to mitigate the risks associated with market volatility thereby ending the year with a zero bad debt.

JRG's risk analysis and management system provides advanced analytics and quantification of Value at Risk (VaR), on a real-time basis, based on the combination defined in CME-SPAN® and thumb rule. It also enables the Company to effectively identify and mitigate risks associated with clients' portfolios.

The highlights of the Company's risk management comprise:

- Marked-to-market-based alerts and margin-based alerts
- Risk management at client level
- Real-time risk analysis and management with minimal user intervention
- Integration with multiple systems for real-time dissemination of risk details

The Company's automated client surveillance tracks on-going client behaviour. All the client's open positions across exchanges and market segments are monitored through trading software for margin and MTM losses. This makes it possible for the Company to cap positions and promptly deactivate trading accounts when they are assumed to have crossed reasonable levels.

The Company employs experienced personnel to manage risk and regulatory compliance and ensure implementation of its risk management policy. The risk management team is independent on marketing and business development teams.

STATUTORY SECTION

JRG Securities Limited

Regd & Corporate Office: JRG House, Ashoka Road, Kaloor, Cochin-682017

NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of the members of the Company will be held at Hotel Presidency, Paramara Road, Cochin, Kerala - 682018, at 10:00 am on Monday, September 26, 2011, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet as at 31/03/2011, the Profit and Loss Account for the year ended on that date together with the Report of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Mr. T. M. Venkataraman, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Regi Jacob, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Rahul Bhasin, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint Auditors and fix their remuneration

Special Business:

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

   RESOLVED THAT pursuant to the provisions of Section 269, and other applicable provisions of the Companies Act, 1956, ("the Act") and subject to such approvals as may be necessary, the approval of the Company be and is hereby accorded for reappointment of Mr. Gaurav Vivek Soni, as Managing Director for a period of two years from 29/04/2011.

   RESOLVED FURTHER THAT Board of Directors or Company Secretary of the Company be and is hereby authorised to do all necessary acts, deeds and things, which may be usual, expedient or proper to give effect to the above resolutions.

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

   RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and other applicable provisions of the Companies Act, 1956, ("the Act") read with Schedule XIII of the Act and subject to such approvals as may be necessary, the approval of the Company be and is hereby accorded for payment of remuneration of a sum not exceeding Rs. 30 lakhs per annum, to Mr Gaurav Vivek Soni, Managing Director for a period of two years w.e.f April 29, 2011, inclusive of Bonus and ESOP if any.

   RESOLVED FURTHER THAT subject to such approvals as may be necessary in the event of inadequacy of profits, the approval of the Company be and is hereby accorded to pay such maximum remuneration under Para B Section II Part II of Schedule XIII of the Companies Act, 1956 depending on the Effective Capital of the Company on a year-to-year basis as the minimum remuneration payable to him during the period of his tenure.

   RESOLVED FURTHER THAT Board of Directors or Company Secretary of the Company be and is hereby authorised to do all necessary acts, deeds and things, which may be usual, expedient or proper to give effect to the above resolutions.

By order of the Board

Syam Kumar R

Company Secretary & Legal Head

Place: Hyderabad

Date: 26/07/2011

Notes:

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business Item No 6 and 7 is annexed hereto. Particulars of Directors who are seeking reappointment have been given separately at the end these notes.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY [IES] TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. Proxy (ies) in order to be effective must be received by the Company at its registered office not less than forty-eight hours before the time fixed for commencement of meeting.
3. Corporate members are requested to send the duly certified copy of the Board Resolution authorising their representative(s) to attend and vote at the Annual General Meeting.
4. Attendance slip and Proxy Form are given at the end of annual report.
5. Members intending to seek explanation/clarification at the meeting about the information contained in the annual report are requested to inform the Company atleast a week in advance of their intention to do so, so that relevant information may be made available, if the Chairman permits such information to be furnished.
6. The Register of Members and the Share Transfer books of the Company will remain closed from the closure of business hours on 10/09/2011 to the closure of business hours on 26/09/2011.
7. The Company or its Registrars cannot act on any request received directly from the shareholders holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the shareholders.
8. In case of joint holders attending the meeting, only such joint holder who is higher in order of names will be entitled to vote.
9. Members holding shares in physical form are requested to notify any change in their addresses or any other particulars to the Company's Registrars and Transfer Agents, M/s. Big Share Services Pvt Ltd, E-2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri East, Mumbai - 400 072; Tel: 022-28470652; Fax: 022-28475207
10. Members who have opted for receipt of physical copy of annual report are requested to bring their copy of the annual report at the time of meeting for reference and discussion. The attendance slip duly signed by the member or proxy should be deposited at the venue of the meeting.

By order of the Board

Syam Kumar R
Company Secretary & Legal Head

Place: Hyderabad
Date: 26/07/2011

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

Item No 6

The Members of the Company at the 15th Annual General Meeting held on July 25, 2009 approved the appointment of Mr. Gaurav Vivek Soni as Managing Director for a period of two years w.e.f. April 29, 2009. During his tenure Mr. Gaurav Vivek Soni has performed his role of Managing Director in a very effective manner and has contributed actively to the Company's operations. Accordingly the Board at its meeting held on May 12, 2011 has decided to re-appoint him as Managing Director for further period of two years with effect from April 29, 2011 subject to the approval of members in the ensuing Annual General Meeting.

Your Directors recommend the resolution set out in item no. 6 of this notice for approval by the members by way of ordinary resolution. Except Mr. Gaurav Vivek Soni, none of the other Directors of the Company are interested in this resolution.

Item No 7

The Members of the Company at the 15th Annual General Meeting held on 25/07/2009 approved by way of special resolution the appointment of Mr. Gaurav Vivek Soni as Managing Director for a period of two years w.e.f. 29/04/2009 on following terms and conditions:

(Amount in Rs.)

Salary	Perquisites	Contribution to provident fund linked incentive	Performance	Total
29,90,640	Nil	9,360	Nil	30,00,000

The Company's employee development agenda focuses on attracting, recruiting and retaining talented employees. To ensure merit-based and competitive compensation policy and considering Mr. Gaurav Vivek Soni's professional qualification, past experience of 19 years and his expertise in managing the affairs of your Company, your Directors have re-appointed Mr. Gaurav Vivek Soni as Managing Director with effect from April 29, 2011 on existing terms and conditions for a further period of two years subject to the approval of the members.

I. GENERAL INFORMATION:

Sl. No.	Particulars	Details		
a.	Nature of the industry	Equity share Broking		
b.	Date or expected date of commencement of commercial production	Not applicable		
c.	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	Not applicable		
d.	Financial performance based on the given indicators	**2008-09**	**2009-10**	**2010-11**
	Income from operations (Rs. In crore)	34.47	40.93	32.73
	EBITDA (Rs. in crore)	4.61	10.16	0.10
	EBITDA margin	13%	25%	0.27%
	Cash profit (Rs. in crore)	2.63	9.15	0.53
	Profit after tax (Rs. in crore)	(1.10)	1.46	5.11
	Book value per share	Rs. 33.46	Rs. 37.2	35.07
	Dividend paid (Rs. in crore)	-	-	-
e.	Export performance and net foreign exchange collaboration	Not applicable		
f.	Foreign Investments or collaborations, if any	M/s Duckworth Limited, a Company registered under the rules of Mauritius is holding 45.59% of the Equity Share Capital of the Company		
		Baring India Private Equity Fund III Listed Investments Limited is holding 3.79% of the Equity Share Capital of the Company		

II. INFORMATION ABOUT THE APPOINTEE

Sl No	Particulars	Mr. Gaurav Vivek Soni
a	Background details	He is a qualified Chartered Accountant with over 19 years experience both in India & overseas in the areas of Finance, Accounts, Auditing and Commercial Operations.
b	Past remuneration	Rs. 30 lakhs per annum
c	Recognitions and Awards	–
d	Job Profile and his suitability	His Experience of working both as an independent external reviewer (auditor) and as the Head of the Finance & Accounting function has lead to a well- balanced approach in handling financial & control issues.
e	Remuneration proposed	Not exceeding Rs. 30 lakhs per annum inclusive of Bonus and ESOP if any,
f	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	The package is competitive and is at par with the packages offered in the industry of this size though there is still enough room for improving the package.
g	Pecuniary relationship with the Company	He holds 999 shares in the paid up capital of the Company. He was allotted with 63000 options under the ESOP 2008 scheme of the Company and no options were exercised.
h	Relationship with the managerial personnel	He is not related to any other managerial personnel of the Company

III. OTHER INFORMATION:

Sl No	Particulars	Details
a.	Reasons for loss or inadequate profits	Reduction in retail participation in stock market which resulted in decline in equity brokerage income
b.	Steps taken or proposed to be taken for improvement	To strengthen our financials through an increase in our revenues on the one hand and a stronger control on our expenses, reinforcing our viability across market cycles.
c.	Expected increase in productivity and profits in measurable terms	Expected to regain the levels reached in 2007-08 in terms of profitability and revenues

Information about your Company, industry and corporate governance aspects have been fully set out in the Corporate Governance section and under Management Discussion and Analysis.

The above statement and particulars shall be treated as the abstract under Section 302 of the Companies Act, 1956.

In accordance with the provisions of Para B of Section II of Part II of Schedule XIII to the Companies Act, 1956, the resolution set out under Item No. 7 of this notice is required to be passed as Special Resolution.

Your Directors recommend the resolution for approval by the members by way of Special Resolution. Except Mr. Gaurav Vivek Soni, none of the other Directors of the Company are interested in this resolution.

By the order of the Board
Syam Kumar R
Company Secretary& Legal Head
Place: Hyderabad
Date: July 26, 2011

BRIEF PARTICULARS OF DIRECTORS SEEKING RE-APPOINTMENT

Mr. T. M. Venkataraman

Particulars	Mr. T M Venkataraman
Age	71 yrs, DOB 20/09/1939
Date of first appointment as a Director	28/10/2005
Educational qualification	B.Com CAIIB
Experience/expertise	He was the Chairman and Chief Executive Officer of the Dhanlaxmi Bank Limited, Thrissur for a period of five years and also served in the Union Bank of India for 37 years.
Functional areas	Non Executive Independent Director
Directorships of other companies	JRG Fincorp Ltd
	JRG Wealth Management Limited
Memberships of committees	Audit Committee Chairman
	Remuneration/ESOP Committee Member
	Investor Grievance Committee Chairman
Shares held in the Company	Nil
Any other important information	No

Mr. Regi Jacob

Particulars	Mr. Regi Jacob
Age	45 yrs, DOB 30/05/1966
Date of first appointment as a Director	17/10/1994
Educational qualification	P.G. in Journalism & Mass Communication
	M.A. English Literature
Experience / expertise	He has been associated with the Hindustan Times, New Delhi as a journalist. Further, he also has an experience of about 21 years in capital market broking, commodity broking and insurance broking. He was the Managing Director of the Company till 29/04/2009.
Functional areas	Non Executive Director
Directorships of other companies	i. JRG Stocks and Shares Pvt Ltd
	ii. Foster Farms (India) Private Limited
	iii. Kerala Destinations Private Limited
	iv. Insight Holiday Activity Projects Private Limited
Memberships of committees	Nil
Shares held in the Company	1,564,777 shares
Any other important information	No

Mr. Rahul Bhasin

Particulars	Mr. Rahul Bhasin
Age	46 yrs, DOB 09/03/1965
Date of first appointment as a Director	30/10/2007
Educational qualification	PG Diploma in Business Administration, IIM Ahmedabad
Experience / expertise	Has over eight years' experience with Citicorp, and was responsible as the Fund Manager, for asset allocation on a sectoral and regional basis for all their global portfolios. Actively invested in the emerging markets in Latin America, Eastern Europe, Russia, Asia and India. Besides equity, also managed a portfolio of derivative securities in the developed markets. Prior to moving to London, was based in Citibank's Delhi Office as Treasurer, Northern India. He is a Senior Partner of BPEP International and has been associated with Baring Private Equity Partners for over a decade.
Functional areas	Non Executive Chairman
Directorships of other companies	i. Cether Vessels Limited
	ii. Auro Mira Energy Company Pvt Ltd
	iii. SECOVA eSERVICES Private Limited
	iv. Integra Software Services Pvt Ltd
Memberships of committees	Remuneration/ESOP Committee Member
Shares held in the Company	Nil
Any other important information	No

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting to you the 17th Annual Report and the audited annual statement of accounts for the year ended 31/03/2011.

Financial results

(Amount in Rs.)

Particulars*	2010-11	2009-10
Total Revenue	386,923,463	480,015,170
Profit/(Loss) Before Tax	(55,325,217)	25,968,460
Provision For Taxes/Deferred Tax Benefit	(4,232,130)	11,394,971
Profit/(Loss) After Tax	(51,093,087)	14,573,489
Appropriations	Nil	Nil
Surplus transferred to Balance Sheet	7,101,444	58,194,531

** On a standalone basis*

Overview

On a standalone basis, the revenues for the year were Rs. 38.69 crores as compared with Rs. 48 crores during the previous year. The Company recorded a loss of Rs. 5.11 crores in the current year as compared with a profit of Rs. 1.46 crores in the previous year.

Subsidiaries and their operations

The Company earned revenue of Rs. 38.69 crores during the year under review as against Rs. 48.00 crores in the previous year. The expenditure stood at Rs. 44.22 crores, resulting in a loss of Rs. 5.53 crores before taxes. After the deferred tax benefit of Rs. 42.32 lakhs the loss for the year was Rs. 5.11 crores against the profit of Rs. 1.46 crores in the previous year

The commodity subsidiary JRG Wealth Management Ltd recorded revenue of Rs. 20.13 crores as against Rs. 12.58 crores in the previous year. The total expenditure incurred was Rs. 20.91 crores, resulting in a loss of Rs. 78.23 lakhs before prior period items and taxes as against profit of Rs. 14.77 lakhs in the previous year. After provision for taxes of Rs. 1.06 crores the loss of the year is at Rs. 1.84 crores as against Rs. 19.75 lakhs in the previous year.

In JRG Insurance Broking (P) Ltd, revenue of Rs. 71.82 lakhs was recorded during the year against Rs. 1.46 crores during previous year. The expenditure during the period was Rs. 76.39 lakhs which resulted in a loss of Rs. 4.57 lakhs.

JRG Fincorp Ltd recorded revenues of Rs. 12.72 crores as against Rs. 8.14 crores during the previous year. The expenditure during the period was

Rs. 3.61 crores, resulting in profit for the year of Rs. 9.11 crores. After provision for tax and deferred tax charge, the profit for the year was Rs. 7.33 crores as against the profit of Rs. 4.85 crores during the previous year.

JRG Business Investment Consultants Ltd registered revenues of Rs. 2.09 crores as against Rs. 2.61 crore in the previous year. The expenditure during the year was Rs. 1.77 crores, resulting in a profit of Rs. 32.09 lakhs after taxes as against loss of Rs. 25.83 lakhs in the previous year.

The consolidated revenue for the year 2010-11 stood at Rs. 73.84 crores and the expenditure was Rs. 66.66 crores as against Rs. 71.57 crores revenue and Rs. 62.40 crores expenditure during the previous year. The consolidated profit before prior period items and taxes was Rs. 7.18 crores as against Rs. 9.17 crores during the previous year. After considering provision for taxation of Rs. 2.42 crores, the consolidated profit for the year stood at Rs. 4.77 crores against Rs. 6.71 crores in the previous year.

Accounts of subsidiaries

The Ministry of Corporate Affairs vide its General Circular No. 02/2011 dated 08/02/2011 granted general exemption from attaching the financial statements of its subsidiaries along with the accounts of holding company subject to the fulfillment of condition specified in the said circular.

Accordingly, your Company is not attaching the financial statement of its subsidiaries viz. JRG Wealth Management Limited, JRG Insurance Broking Private Limited, JRG Fincorp Limited and JRG Business Investment Consultants Limited along with the balance sheet of your Company for the year under review.

Further, the Company undertakes that annual accounts of the subsidiary companies and the related detailed information shall be made available to shareholders of the Company and its subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies shall also be kept for inspection by any shareholders at the Registered Office of the Company and of the subsidiary companies concerned. The Company shall furnish a hard copy of details of accounts of subsidiaries to any shareholder on demand.

Recent developments

During the year, the Board decided to initiate steps to undertake Right Issue to go ahead with the expansion plans of the Company. The objects of the proposed Right Issue are:

(a) Expanding our operations through increase in network of branches in West and South India

(b) Funding of expected increase in margins to be maintained with the exchanges/working capital for enhanced trading volumes

(c) Enhancing our existing technological capability

(d) Hiring of additional manpower

(e) Business promotional and marketing programmes

The Company filed the Draft Letter of offer with SEBI and BSE on 20/07/2011 for the proposed rights issue for an amount not exceeding Rs. 4,500 lakhs.

Our erstwhile promoters Mr. Regi Jacob, Mr. Giby Mathew and Mr. Jiji Antony filed a petition under Section 397 and Section 398 of the Companies Act before the Company Law Board, Southern Regional Bench, Chennai to prevent the misuse of management powers by the Company and prayed for an injunction to stop the Company from going ahead with the Rights Issue. The CLB on 06/07/2010 granted a stay on the petition and later vide order dated 11/10/2010 vacated the earlier interim injunction, allowing the Company to proceed with the Rights Issue. Aggrieved by the Order, the Original Promoters appealed before the High Court of Kerala. The High Court of Kerala refused to interfere with the Order and disposed of the Appeal and directed the CLB to dispose of the matter within three months. The matter is currently pending before the CLB for final hearing.

Dividend

The Company plans for major expansion in the near future which entails funds for the investment requirements. It was therefore decided not to pay dividend to the shareholders for the financial year 2010-11.

IPO fund utilisation

A statement of utilisation of IPO proceeds is given below: *(Rs. in lakhs)*

Particulars	Envisaged in the prospectus A	Change in utilisation* B	Unutilised as on 01/04/2010 C	Utilised during the year D	Total fund Utilised (Including change in utilisation)	Amount remaining to be utilised
Middle East Operations	560.00	(366.66)	193.34	-	193.34	-
Technology upgradation						
Computer Software	160.00	-	110.00	-	110.00	-
Computer Hardware			50.00		50.00	
Regional Office	600.00		628.81		628.81	-
Issue Expenses	130.00		147.86		147.86	-
Opening new branches in India	-	200.00	61.91	38.62	100.53	99.47
Infrastructure development for I-Trade	-	40.00	6.89	2.64	9.53	30.47
Other infrastructural requirements.	-	126.66	31.37	76.69	108.06	18.60
Total	**1,450.00**		**1,230.18**	**117.95**	**1,348.13**	**148.54**
Means of finance						
Issue proceeds					1,301.46	
Internal accruals					46.67	
Total Utilised					**1,348.13**	

** In the Annual General meeting of the Company held on 25/07/2009, the shareholders consented for the change in the utilisation of the aforesaid monies totaling to Rs. 366.66 lakhs, raised by the Company during the IPO of its shares, from those specified in the object clause in the prospectus, inter alia to utilise for expansion activities of the Company in India for opening new branches, infrastructure development for I-Trade and other infrastructural requirements.*

Amount pending utilisation as on 31/03/2011 was maintained in fixed deposits with the banks.

Corporate Governance

It has been our endeavour to ensure good Corporate Governance practices in all facets of your Company's activities. In compliance with the Listing Agreement, the Management discussion and analysis report and Report on Corporate Governance with Auditor's Certificate on Compliance with conditions of Corporate Governance are provided in this annual report.

Audit Committee

During the year, Mr. Pradeep Mallick, who is a Non-Executive Independent Director, was inducted as a member of the Audit Committee on 21/10/2010. Presently the Committee comprises Mr. T. M. Venkataraman as Chairman, Mr. B. R. Menon, Mr. Munish Dayal, Mr. P. Viswanathan and Mr. Pradeep Mallick as members. Except Mr. Munish Dayal, the other four members are Non-Executive Independent Directors. The roles and powers of the Committee are in conformance with the requirements of the Companies Act, 1956, read with Clause 49 of the Listing Agreement.

Directors

Presently, the Board consists of eight Directors of which four are Independent Non-Executive Directors, in compliance with Clause 49 of the Listing Agreement with BSE. As part of the requirements under Clause 49 of the Listing Agreement, Mr. T. M. Venkataraman, Independent Director, is also on the Board of JRG Fincorp Ltd and JRG Wealth Management Limited, subsidiaries of your Company.

The present term of appointment of Mr. Gaurav Vivek Soni as Managing Director expired on 28/04/2011. The Board at its meeting held on 12/05/2011 reappointed him as Managing Director for a further period of two years w.e.f 29/04/2011 on the existing terms and condition, subject to shareholders' approval.

Mr. T. M. Venkataraman, Mr. Regi Jacob and Mr. Rahul Bhasin, Directors, will be liable to retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. The Board of Directors of your Company recommends their reappointment.

Employee Stock Option Plan (ESOP)

In order to attract and retain talent in the Company, ESOP scheme (JRG ESOP 2008) is in place. This will encourage our employees to participate in the growth of the Company. Disclosure as per Clause 12 of the SEBI (Employees Stock Option Scheme and Employees Stock Option Purchase Scheme) Guidelines, 1999 is annexed to this report as Annexure A.

Fixed deposits

Your Company did not accept any fixed deposits from the public.

Particulars of employees

No employee of the Company was in receipt of remuneration exceeding the amount prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, during the financial year 2010-11.

Auditors

M/s. B S R & Associates, KPMG House, No. 10, Mahatma Gandhi Road, Nungambakkam, Chennai - 600034, (Regn No.116231W) were appointed as the Statutory Auditors of your Company for the year 2010-11. The Board of Directors recommends the reappointment of M/s. B S R & Associates, Chennai - 600034 as the Statutory Auditors of the Company for the year 2011-12.

Information under Section 217(1) (e) of the Companies Act, 1956

A. Conservation of energy

The operations of your Company are not energy-sensitive in nature. However, measures are introduced to reduce the energy consumption at all levels in the organisation by optimal use of technology.

B. Technology absorption

The Company adopted the latest state-of-the-art software and hardware tools available in the market for rendering the stock broking and other services more efficiently and effectively.

C. Foreign exchange earning and outgo

There was no foreign exchange earning and outgo during the year 2010-11.

Directors' Responsibility Statement

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, the Board of Directors affirm:

(a) That in the preparation of the Accounts for the year ending 31/03/2011 the applicable Accounting Standards were followed and there are no material departures there from.

(b) That the accounting policies have been selected and applied consistently and have made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31/03/2011 and of the loss of the Company for the year ended on that date.

(c) That proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

(d) That the accounts for the year ended 31/03/2011 were prepared on a going concern basis.

Acknowledgments

Your Directors wish to express their gratitude and thanks to the customers, investors, regulatory authorities, clients and bankers for their continued support and services. Your Directors place on record their appreciation of the contribution made by employees of JRG at all levels, enabling the Company to maintain service levels of a high order.

For and on behalf of the Board

Place: Hyderabad — **Rahul Bhasin**
Date: 26/07/2011 — Chairman

ANNEXURE A

Disclosure pursuant to Reg 12 of SEBI (ESOP & ESPS) Guidelines 1999

Sl. No	Particulars	Grant till date 2008 scheme						
a	Options granted	100,000	210,000	52,500	10,000	38,000	282,250	184,802
b	Pricing Formula	Fair value based on market price	Fair value based on market price	Fair value based on market price	Fair value based on market price	Fair value based on market price	Fair value based on market price	Fair value based on market price
c	Options Vested	43,750	45,250	6,375	1,250	3,250	Nil	Nil
d	Options Exercised	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e	Total no. of shares arising as result of exercise of options	21,875	45,250	Nil	Nil	Nil	Nil	Nil
f	Options lapsed or forfeited	12,500	45,125	27,000	5,000	25,000	58,750	Nil
g	Variation of terms of options	Nil	Nil	Nil	Nil	Nil	Nil	Nil
h	Money realised by exercise of options	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i	Total number of options in force	65,625	119,625	25,500	5,000	13,000	223,500	184,802
j	Employee wise details of options granted to:							
	(i) Senior Management personal	No. of options						
	Gaurav Vivek Soni - MD & CFO	30,000	18,000				15,000	
	SanjeevKumar - Head of Operations and Technology	Nil	20,000					
	Syam Kumar R - Company Secretary & Legal Head	10,000	8,000					
	Biju Xaviour-Vice President	Nil	15,000				7,500	
	Gijo T Rockey-Vice President (Operations)	Nil	10,000				7,500	
	Binumon Joseph - State Head Kerala	Nil	10,000				7,500	

Sl. No	Particulars	Grant till date 2008 scheme						
	(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	Mr. Krishnaraj 7,500 options; Ms. Anupama Panicker 7,500 options; Mr. Paul Varghese 15,000 options; Mr. Bijoy Pothen 12,500 options; Mr. Srirama Chandran N 17,500 options	Nil	Nil	Nil	Nil	Nil	Nil
	(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	Nil	Nil	Nil	Nil	Nil	Nil
k	Diluted earnings per share pursuant to issue of shares on exercise of option calculated in accordance with AS 20 Earnings per Share				(2.19)			
l	Weighted average exercise price of options granted during the year (Rs.)				36			
	Weighted average fair value of options granted during the year				36			
m	Description of method and significant assumptions used to estimate the fair value of options		The fair value of options granted has been estimated using the Black Scholes Option pricing Model					
n	Risk free interest rate	6.15%	6.15%	6.15%	7%	7%	8.50%	8.50%
o	Expected life				7 years			
p	Expected Volatility	33%	33%	33%	45%	45%	45%	45%
q	Expected Dividend				0%			
r	The price of the underlying share in the market at the time of option grant	Rs. 37.73	Rs. 39.9	Rs. 39.90	Rs. 41.00	Rs. 49.00	Rs. 34.60	Rs. 34.60

CORPORATE GOVERNANCE REPORT

Your Company believes that good Corporate Governance practices would ensure efficient conduct of the affairs of the Company and also help in maximising value for all its stakeholders. The Company endeavours to uphold the principles and practices of Corporate Governance to ensure transparency, integrity and accountability in its functioning. Your Company perceives good Corporate Governance practices as a key to sustainable corporate growth and long-term shareholder value creation.

Needless to say, our Company's Corporate Governance policies ensure that as in the past, best practices of disclosure and transparency will be maintained in all our activities in future too.

Composition of the Board

As on 31/03/2011, the Company's Board comprised eight Directors, of which four are Independent Non-Executive Directors. The Chairman of the Board, Mr. Rahul Bhasin is a Non-Executive Director. The Board's composition is in compliance with the requirements of Clause 49 of the Listing Agreement, requiring that not less than half the Board should comprise Independent Directors.

Number of Board Meetings

The Board of Directors met five times during 2010-11 on 03/05/2010, 25/05/2010, 23/07/2010, 21/10/2010 and 11/02/2011. The maximum gap between any two meetings was less than four months.

Directors' Attendance Record and Directorship held

Name	Category	No. of Board meetings held in 2010-11	No. Board meetings attended In 2010-11	Whether attended Last AGM	No. of directorship in other public companies	No of Committee membership in other public companies ##	No. of Chairmanships of Committees in other public companies
Mr. Rahul Bhasin	Chairman & Non-Executive Director	5	5	Yes	1	-	-
Mr. T M Venkataraman	Independent Non-Executive Director	5	5	Yes	2	1	1
Mr. Pradeep Mallick	Independent Non-Executive Director	5	5	Yes	7	8	2
Mr. B. R. Menon	Independent Non-Executive Director	5	4	Yes	-	-	-
Mr. Munish Dayal	Non-Executive Director	5	5	Yes	2	1	-
Mr. P Viswanathan	Independent Non-Executive Director	5	4	Yes	2	1	1
Mr. Regi Jacob	Non-Executive Director	5	5	Yes	-	-	-
Mr. Gaurav Vivek Soni	Executive Director (Managing Director)	5	5	Yes	3	-	-

Membership of Audit Committee and Investor Grievance Committees are considered for the purpose.

As mandated by the Clause 49, none of the Directors are members of more than ten Board level committees nor are they Chairman of more than five committees in which they are members.

Information supplied to the Board

The Board has complete access to all information with the Company. All the information stipulated under Clause 49 is regularly provided to the Board as part of the agenda papers well in advance of the Board meetings or are tabled with the permission of the Chair in the course of the Board meeting. There is a structured manner in which agenda items are created and materials are distributed for Board meetings.

Board materials distributed in advance

Information and data that is important to the Board's understanding of matters on the agenda is distributed in writing or electronically to the Board prior to the Board meetings in order to permit adequate review. The Board acknowledges that sensitive subject matters may be discussed at the Board meeting without written materials being distributed in advance or at the meeting.

The Board also periodically reviews internal control and compliance with laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances. In addition to the above, pursuant to the Clause 49, the minutes of the Board meetings of Company's unlisted subsidiary company (ies) are also placed before the Board for information.

Code of Conduct

The Company's Board has laid down a Code of Conduct for all Board members and senior management of the Company. The Code of Conduct is available on the website of the Company www.inditrade.com. All Board members and senior management personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Managing Director to this effect is enclosed at the end of this Report.

Risk management

The Company laid down procedures to inform Board members about the risk assessment and minimisation procedures. The Company has a risk management policy in place and risk officer.

Remuneration paid to Directors

Name of Director	Details of remuneration paid to Directors				
	Basic salary	Perquisites	Retirals	Sitting Fees Paid (in Rs.)	Commission (In Rs.)
Mr. Rahul Bhasin	-	-	-	-	-
Mr. T. M. Venkataraman	-	-	-	127,500	-
Mr. Pradeep Mallick*	-	-	-	112,500	-
Mr. B. R. Menon	-	-	-	100,000	-
Mr. Munish Dayal	-	-	-	-	-
Mr. P. Viswanathan	-	-	-	87,500	-
Mr. Regi Jacob	-	-	-	20,000	-
Mr. Gaurav Vivek Soni#	30,00,000	-	-	-	-

** Appointed as member of Audit Committee on 21/10/2010*

#Mr. Gaurav Vivek Soni was granted 63,000 options including 15,000 granted during the year 2010-11.

Details of shares held by Directors as on 31/03/2011

Name of Director	Category	No of Shares held
Mr. Rahul Bhasin	Chairman & Non-Executive Director	Nil
Mr. T. M. Venkataraman	Independent Non-Executive Director	Nil
Mr. Pradeep Mallick	Independent Non-Executive Director	Nil
Mr. B. R. Menon	Independent Non-Executive Director	22,149
Mr. Munish Dayal	Non-Executive Director	Nil
Mr. P. Viswanathan	Independent Non-Executive Director	Nil
Mr. Regi Jacob	Non-Executive Director	1,564,777
Mr. Gaurav Vivek Soni	Executive Director (Managing Director)	999

Committees of the Board

During 2010-11, the Company had three Board Committees – Audit Committee, ESOP/ Remuneration Committee, and Investors Grievance Committee. Each Committee has assigned scope of responsibilities, duties, and authorities, which is reviewed by the Board from time to time to determine the appropriateness of the purpose for which the Committee was formed and the changing business environment. Committee composition shall conform to applicable laws and regulations. Minutes of all the Committee meetings are placed for information in the subsequent Board meeting. All decisions pertaining to the constitution of committees and fixing of terms of service for committee members is taken by the Board of Directors.

Details on the role and composition of these committees, including the number of meetings held during the financial year and the related attendance, are provided below:

Audit Committee

As on 31/03/2011, the Audit Committee comprises five members of which four are Independent Non-Executive Directors. The Audit Committee met four times during the year 2010-11 on 25/05/2010, 23/07/2010, 21/10/2010 and 10/02/2011. The Composition of the Audit Committee and attendance at Committee meetings is as follows:

Name	Position	Category	No. of meetings attended
Mr. T. M. Venkataraman	Chairman	Independent Non-Executive Director	4
Mr. B. R. Menon	Member	Independent Non-Executive Director	2
Mr. Pradeep Mallick *	Member	Independent Non-Executive Director	2
Mr. P. Viswanathan	Member	Independent Non-Executive Director	3
Mr. Munish Dayal	Member	Non-Executive Director	4

**Appointed as member of Audit committee at the Board meeting held on 21/10/2010.*

The Audit Committee has been constituted in line with the provisions of Clause 49 of the Listing Agreement and also meets the requirements of Section 292A of the Companies Act, 1956. The representative of the statutory auditors and internal auditors are regularly invited by the Audit Committee to its meetings. The Company Secretary is the Secretary to the Committee.

All members of the Audit Committee have accounting and financial management knowledge. Mr. T. M. Venkataraman, Chairman of the Audit Committee has accounting and financial management expertise by virtue of him having being a commerce graduate. He has also obtained a banking diploma from the Indian Institute of Bankers. He was the Chairman and Chief Executive Officer of the Dhanlaxmi Bank Limited, Thrissur for a period of five years and also served in the Union Bank of India for 37 years.

The terms of reference of Audit

Committee cover all matters specified under Clause 49 of the Listing Agreement of the Stock Exchanges. The Audit Committee is empowered, pursuant to its terms of reference, to:

i. Oversee the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

ii. Recommend the appointment and removal of external auditor, fixation of audit fee and also approval for payment of any other related services

iii. Review with management the annual financial statements before submission to the Board, focusing primarily on:

a) Any changes in accounting policies and practices

b) Major accounting entries based on exercise of judgment by management

c) Qualifications in draft Audit Report

d) Significant adjustments arising out of audit

e) The going concern assumption

f) Compliance with accounting standards

g) Compliance with stock exchange and legal requirements concerning financial statements

h) Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management and their subsidiaries or relatives, among others, that may have potential conflict with the interest of the Company at large.

iv. Review with the management, external and internal auditors, the adequacy of internal control systems.

v. Review the adequacy of internal audit function, including the structure of the internal audit department staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

vi. Discuss with internal auditors any significant findings and follow-up thereon.

vii. Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

viii. Discuss with external auditors before the audit commences nature and scope of audit.

ix. Review the Company's financial and risk management policies.

x. To look into the reasons for defaults in the payment of dividend to shareholders, payment to creditors, among others.

Remuneration/ESOP Committee

As on 31/03/2011, the Committee comprised four members of which three are Independent Non-Executive Directors. The Committee met three times during the year 2010-11 on 25/05/2010, 21/10/2010 and 11/02/2011. The Composition of the Remuneration/ ESOP Committee and attendance at Committee meetings is as follows:

Name	Position	Category	No. of meetings attended
Mr. B. R. Menon	Chairman	Independent Non-Executive Director	2
Mr. T. M. Venkataraman	Member	Independent Non-Executive Director	3
Mr. Pradeep Mallick	Member	Independent Non-Executive Director	3
Mr. Rahul Bhasin	Member	Non-Executive Director	3

The Remuneration/ESOP Committee shall determine and recommend to the Board, the amount of remuneration payable to the members of the Board including Executive Directors. This Committee has also been empowered to administer Employees Stock Option 2008 Scheme, of the Company.

Investor Grievance Committee

The Investor Grievance Committee comprises two members all being Independent Non-Executive Directors. The Committee met four times in the year under review on 25/05/2010, 23/07/2010, 21/10/2010 and 11/02/2011.

The Company Secretary is the Compliance Officer.

The Composition of the Investor Grievance Committee and attendance at Committee meetings is as follows:

Name	Position	Category	No. of meetings attended
Mr. T. M. Venkataraman	Chairman	Independent Non-Executive Director	4
Mr. B. R. Menon	Member	Independent Non-Executive Director	4

Investor Grievance Committee shall review and redress shareholder grievances.

Details of queries and grievances received and attended by the Company during the year 2010-11 are given below:

STATUS OF COMPLAINTS RECEIVED AND ATTENDED DURING 2010-11

Pending as on 01/04/2010	Received during the year	Answered during the year	Pending as on 31/03/2011
Nil	6	6	Nil

Management Discussion and Analysis

The management discussion and analysis is given separately and forms part of this Annual Report.

Disclosures on Related Party Transactions

During the year, the Company did not enter into any transaction of material nature with its promoters, the Directors or the management and their subsidiaries or relatives, among others. The details of related party transactions are set out in Schedule 17(d) to Annual Accounts of the annual report.

Disclosure of Accounting Treatment in Preparation of Financial Statements

The financial statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standards notified under Section 211 (3 C) of the Companies Act, 1956 ("the Act") and the relevant provisions of the Act.

Details of utilisation of IPO proceeds:

(Rs. in lacs)

Particulars	Envisaged in the prospectus A	Change in utilisation * B	Unutilised as on 01 April 2010 C	Utilised during the year D	Total fund Utilised (Including change in utilisation)	Amount remaining to be utilised
Middle East Operations	560.00	(366.66)	193.34	-	193.34	-
Technology Up gradation						
Computer Software	160.00	-	110.00	-	110.00	-
Computer Hardware			50.00		50.00	
Regional Office	600.00		628.81		628.81	-
Issue Expenses	130.00		147.86		147.86	-
Opening new branches in India	-	200.00	61.91	38.62	100.53	99.47
Infrastructure development for I-Trade	-	40.00	6.89	2.64	9.53	30.47
Other infrastructural requirements.	-	126.66	31.37	76.69	108.06	18.60
Total	1,450.00		1,230.18	117.95	1,348.13	148.54
Means of Finance						
Issue Proceeds					1,301.46	
Internal Accruals					46.67	
Total Utilised					1,348.13	

** In the Annual General meeting of the Company held on 25/07/2009, the shareholders had consented for the change in the utilisation of the aforesaid monies totaling to Rs. 366.66 lakhs, raised by the Company during the IPO of its shares, from those specified in the object clause in the prospectus, inter alia to utilise for expansion activities of the Company in India for opening new branches, infrastructure development for I-Trade and other infrastructural requirements.*

Amount pending utilisation as on 31/03/2011 has been maintained in fixed deposits with the banks.

Details of Compliances by the Company

During the year, the Company complied with all the requirements of regulatory authorities and no penalties/strictures were imposed on the Company by stock exchanges or SEBI or any statutory authority on any matter related to capital market.

Details of shares lying in the name of 'BIGSHARE SERVICES PVT LTD ESCROW A/C FOR JRG SECURITIES LTD IPO'

As per Clause 5A of the Listing Agreement with BSE every Company is required to report the details of the shares, which are unclaimed in the initial Public Offer and lying in the demat account opened in the name of the Company. The Company opened a demat account as required and credited the unclaimed shares to this account. The details of shares in the Demat Suspense Account are as follows:

Particulars	Number of shareholders	Number of equity shares
Aggregate Number of shareholders and the outstanding shares in the suspense account lying as on 01/04/2010	3	450
Number of shareholders who approached the Company for transfer of shares from suspense account during the year	Nil	Nil
Number of shareholders to whom shares were transferred from the suspense account during the year	Nil	Nil
Aggregate number of shareholders and the outstanding shares in the suspense account lying as on 31/03/2011	3	450

Note: The voting right on these shares lying in the Demat Suspense Account shall remain frozen till the rightful owners of such shares claim the shares.

Code for prevention of Insider Trading Practices

In compliance with the SEBI regulation on prevention of insider trading, the Company instituted a comprehensive Code of Conduct for its management and staff in line with the SEBI Insider Trading Guidelines. The Code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company, and cautioning them of the consequences of violations.

MD/CFO Certification

The Managing Director and Chief Financial Officer of the Company give annual certification on financial reporting and internal controls to the Board in terms of Clause 49. The Managing Director and Chief Financial Officer also gives quarterly certification on financial results while placing the financial results before the Board in terms of Clause 41.

Subsidiary Companies

Clause 49 defines a "material non-listed Indian subsidiary" as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year. Under this definition, JRG Fincorp Limited is a material non-listed subsidiary company of the Company.

Pursuant to Clause 49 of the Listing Agreement, JRG Fincorp Limited, which is a material non-listed subsidiary company of JRG Securities Ltd has on its Board, Mr. T. M. Venkataraman who is a Non-Executive Independent Director of the holding company.

The accounts and minutes of Board Meetings of all subsidiary companies are placed before the Board of the Company

Reappointment/appointment of Directors

As per the requirements of Section 256 of the Companies Act, two-thirds of the Board shall comprise retiring Directors, out of which one third shall retire at every annual general meeting. Accordingly, Mr. T. M. Venkataraman, Mr. Regi Jacob and Mr. Rahul Bhasin Directors shall retire and shall seek reappointment in the ensuing Annual General Meeting of the Company.

Means of Communication with Shareholders

The quarterly and half-yearly/annual financial results are forthwith communicated to the Bombay Stock Exchange Limited (BSE) where the shares of the Company are listed, as soon as they are approved and taken on record by the Board of Directors. Public notices and financial results are published in leading newspapers, namely, Business Line in English and Mangalam in Malayalam. The financial results and public notices are also put up on Company's website www.inditrade.com. For investors, the Company created a separate e-mail ID investorassistance@jrg.co.in

The following table gives details of the publications of the financial results in the year under review.

Quarter/Annual	Date of Board Meeting to approve the result	Date of Publication	English News Paper	Malayalam Newspaper
Annual	25/05/2010	27/05/2010	Business Line	Mangalam
Quarterly	23/07/2010	25/07/2010	Business Line	Mangalam
Quarterly	21/10/2010	23/10/2010	Business Line	Mangalam
Quarterly	11/02/2010	13/02/2011	Business Line	Mangalam

GENERAL MEETINGS

Details of last three Annual General Meetings are given below:

Details of last three Annual General Meetings				
Meeting	Date	Time	Venue	No of special Resolution Passed
16th	23/07/2010	4.00 P M	Hotel Presidency, Cochin - 682018	Nil
15th	25/07/2009	11.30 A M	Golden Jubilee Hall, Pala	4
14th	15/07/2008	11.30 A M	MRMPCS Hall, Pala	3

The following Special Resolutions were passed in the last three AGMs, with requisite majority.

Sl No	Financial year to which AGM relates	Date of AGM	Issue	Type of Resolution
1.	2009-10	23/07/2010	No special resolution passed	Nil
2.	2008-09	25/07/2009	■ Appointment of Mr. Gaurav Vivek Soni as Managing Director	Special Resolution
			■Utilisation of IPO proceeds for the expansion activities of the Company	Special Resolution
			■ Amendment of ESOP 2008	Special Resolution
			■ Alteration of Articles of Association of the Company by inserting Article 157A	Special Resolution
3.	2007-08	15/07/2008	■ Reappointment of Mr. Regi Jacob, Managing Director	Special Resolution
			■ Counter Guarantee to Subsidiaries.	Special Resolution
			■ ESOP 2008	Special Resolution

COMPLIANCE

Mandatory requirements

The Company has complied with all the mandatory requirements as stipulated under Clause 49 of the Listing Agreement. A certificate from the statutory Auditors to this effect has been included in this report.

Adoption of Non-mandatory requirements

The Company has adopted non-mandatory requirements to the extent and in the manner as stated under the appropriate headings detailed below:

a. Chairman's Office

The need for implementing this non-mandatory requirement has not arisen

b.Remuneration Committee

The details of Remuneration Committee have been discussed elsewhere in this report.

c. Audit Qualifications

The auditors have issued an unqualified opinion on the statutory financial statements of the Company.

d. Training of Board Members/Mechanism for evaluating Non-Executive Directors

All the Non-Executive Directors have rich experience and expertise in functional areas and attend various programs in their personal capacities that keep them abreast of relevant developments. There is no formal system of evaluating individual Directors.

e. Whistle Blower policy

The Company has setup a whistle blower policy, which is known to all employees and in terms of such policy, all issues and concerns may be raised to Mr. Gaurav Vivek Soni who will act as the Compliance Officer for the purposes of this policy. In exceptional cases, employees are provided direct access to the Chairman of Audit Committee as specified in the list of non-mandatory requirements given in Annexure I D to Clause 49. During the year, there was no whistle blower in terms of the policy.

General shareholder information

AGM Date	26/09/2011
Time & Venue	10:00 A M Hotel Presidency, Paramara Road, Cochin, Kerala-682 018
Date of Book Closure	From the closure of business hours on 10/09/2011 to the closure of business hours on 26/09/2011
Financial Year	1st April to 31st March
Approval of financial results proposed	QE : 30/06/2011 : 3rd or 4th week of July 2011 QE : 30/09/2011 : 3rd or 4th week of, October 2011 QE : 31/12/2011 : 3rd or 4th week of January 2011 YE 31/03/2012 : 3rd or 4th week of May 2012
Listing on Stock Exchanges	The Bombay Stock Exchange Limited The listing fees for the financial year 2011-12 were duly paid to the above Stock Exchange

Name of the Stock Exchange	Stock Code
The Bombay Stock Exchange Limited	532745
ISIN allotted by depositories	INE347H01012

Stock Market Price Data

Month	High Price	Low Price	Total Turnover (Rs.)
Apr-10	42.00	37.05	11,646,133
May-10	40.00	33.20	11,282,633
Jun-10	36.90	31.00	6,500,722
Jul-10	37.25	28.55	4,959,158
Aug-10	37.95	31.05	5,191,617
Sep-10	37.65	31.30	8,041,438
Oct-10	40.95	32.80	10,363,162
Nov-10	37.40	31.00	10,311,202
Dec-10	36.00	31.20	5,429,836
Jan-11	38.00	26.00	3,612,226
Feb-11	29.40	22.60	7,395,600
Mar-11	27.90	22.10	4,618,616

Shareholders may communicate the change in addresses and other general grievances to Registrars & Transfer Agents:

M/s. **Big Share Services (P) Ltd.**
E-2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (E),
Mumbai – 400 072.
Tel: 022 – 28470652,
Fax: 022 – 28475207
Website: www.bigshareonline.com.

Share transfer system

a. The Company appointed M/s. Big Share Services (P) Ltd as its Registrar & Transfer Agents.

b. Share transfers are processed and approved, subject to receipt of all requisite documents.

c. The Company seeks to ensure that all transfers are approved for registration within the stipulated period. Pursuant to Clause 47 (c) of the Listing Agreement with Stock Exchanges, certificates on half-yearly basis have been issued by a Practising Company Secretary for due compliance of share transfer formalities by the Company.

d. Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Practising Company Secretary for timely dematerialisation of the shares of the Company and for conducting a Reconciliation of Share Capital Audit on a quarterly basis for reconciliation of the share capital of the Company.

e. With a view to expediting the approval process, the Board of Directors authorised the Share Transfer Committee to approve the transfer of shares.

Details of shareholding of the Company as on 31/03/2011

Distribution of shareholding as on 31/03/2011				
No. of shares	Shareholders		No. of shares	
	No.	% of total	No.	% of total
001-5000	5,408	83.75	858,242	3.68
5001-10000	520	8.05	413,295	1.77
10001-20000	204	3.16	313,921	1.34
20001-30000	83	1.29	213,215	0.91
30001-40000	37	0.57	132,108	0.57
40001-50000	42	0.65	202,975	0.87
50001-100000	60	0.93	454,896	1.95
100001 & Above	103	1.60	20,763,974	88.91
TOTAL	6,457	100.00	23,352,626	100.00

The Company has not issued any ADR, GDR, and SDR.

Dematerialisation of shares

99.82% of the total equity share capital has been dematerialised up to 31/03/2011. The remaining 0.18% shares are also being taken up for dematerialisation. The Company's shares are actively traded in BSE.

Investors' Correspondence may be addressed to: Regd & Corporate Office
JRG Securities Ltd.
"JRG House"
Ashoka Road
Kaloor, Kochi – 682 017.
Ph: 0484 2409900

Request to Investors

Investors are requested to communicate change of address, if any, directly to the Registrar and Share transfer agent of the Company.

Investors holding shares in electronic form are requested to deal only with their respective depository participant for change of address, nomination facility, bank account number, among others.

For and on behalf
of the Board of Directors

Hyderabad
26/07/2011

Rahul Bhasin
Chairman

AUDITORS' CERTIFICATION ON CORPORATE GOVERNANCE

To

The members of JRG Securities Limited

We have examined the compliance of conditions of Corporate Governance by JRG Securities Limited ("the Company") for the year ended on 31 March 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination 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 statements 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 above mentioned Listing Agreement.

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

For **B S R & Associates**.
Chartered Accountants
Firm registration No: 116231W

S Sethuraman
Partner
Membership No: 203491

Hyderabad
12 May, 2011

DECLARATION BY MANAGING DIRECTOR UNDER CLAUSE 49

To

The Members of JRG Securities Ltd

Declaration by the Managing Director under Clause 49 of the Listing Agreement

I, Gaurav Vivek Soni, Managing Director of JRG Securities Ltd., to the best of my knowledge and belief, declare that all the members of the Board of Directors and senior Management personnel have affirmed compliance with code of Conduct for the year ended 31st March 2011.

Gaurav Vivek Soni
Managing Director

Hyderabad
12 May, 2011

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Global Economic Overview

Even as recovery remains multi-speed, growth in both advanced economies and emerging/developing economies outpaced initial expectations. This raises hope for sustained, though moderately paced global recovery during 2011, with risks emerging from high oil prices. The Indian economy continued to outperform most emerging markets during 2010-11 retaining its position as the second fastest growing economy, after China, amongst the G-20 countries. China and India contributed nearly a quarter of the incremental world output.

The IMF World Economic Outlook of April 2011 has left its global growth forecast unaltered from its January 2011 estimate of 4.4 % for 2011 and 4.5 % for 2012. It has, however, projected a 36 % rise in global crude oil prices in 2011 and noted the potential of oil prices to surprise further on the upside. This is a key downside risk to growth. Sovereign balance sheet risks in the euro zone and dormant real estate markets have also been cited as downside risks to growth in advanced economies.

Global inflation risks have risen significantly over the last quarter, not just in emerging markets but also in advanced economies. The pressures for rate cycle turning even in advanced countries can no longer be ignored with ECB raising its policy rates by 25 bps on 07/04/2011. Inflation in several emerging markets, especially in Asia, is now running above trend. As a result, central banks of several emerging markets have significantly tightened monetary policy. Besides India, these include China, Brazil, Israel, Thailand and Korea.

Notwithstanding the monetary tightening, risks to inflation in most countries are skewed on the upside. These risks emanate from commodity prices across food, fuel, and other industrial inputs that have firmed up significantly over the year.

Indian Economic Overview

GDP growth during Fiscal 2011 reverted to the high growth trajectory. Growth had moderated in the preceding two years as the global economy slowed down as a result of global financial crisis. The growth during the Fiscal 2011 reflects a rebound in agriculture and sustained levels of activity in industry and services. Overall growth indicators are mixed. Prospects for agriculture appear encouraging, given IMD's forecast of a normal monsoon and a good out turn of Rabi in the Fiscal 2011. Industrial growth, however, moderated in the second half largely reflecting the waning of base effects and contraction in capital goods output. The deceleration has, however, been exacerbated by few items with volatile output. Other indicators, such as the Purchasing Managers' Index (PMI), direct and indirect tax collections, merchandise exports and bank credit suggest that the growth momentum persists. Indicators on services sector activity also remain robust, not withstanding some deceleration in the government-spending related services. However, high energy and commodity prices may impact output and investment climate, and pose a threat to maintaining high growth at a time when the investment momentum may be slowing down.

The economy is on the path of recovery in 2010-11. As per the latest information (Advance Estimates) of National Income for 2010-11 (at constant 2004-05 prices), released by the Central Statistical Organisation, the growth of Gross Domestic Product at factor cost is estimated at 8.6% in 2010-11, with agriculture and allied activities growing at 5.4 %, industry at 8.1 % and services at 9.6 %. The corresponding growth in GDP in 2009-10 was 8.0 %, with agriculture and allied sector, industry and services growing at 0.4, 8.0 and 10.1 %, respectively. The latest information on quarterly estimates of GDP is available for the first three quarters of 2010-11.

There has been broad based recovery in economic growth during 2010-11. The GDP growth in the first quarter, second quarter and third quarter of 2010-11 is estimated at 8.9 %, 8.9 % and 8.2 % as compared with 6.3 %, 8.6 % and 7.3 % during the corresponding periods of 2009-10. Data on the savings and investment is available up to 2009-10. The saving rate as percentage of GDP at current market prices was estimated to be 33.7% in 2009- 10 as compared with 32.2% in 2008-09, while the gross domestic capital formation was 36.5% in 2009-10 as compared with 34.5% in 2008-09.

Industry structure and development

Reflecting several macroeconomic uncertainties, Indian equity markets underachieved and remained volatile during Q4 of 2010-11. Markets lost much of the valuation gains made during the last four months of 2010, when they outperformed most of the international markets. During Q4 of 2010-11, the BSE Sensex has been the worst performer amongst the major equity indices barring Nikkei. Slowdown of net equity investment by the FIIs in India largely contributed to the decline. The equity derivatives segment had gone up substantially over the year and currently constitutes almost 90% of the overall investments. FII investments accounted for 19.8% of the total investments in derivatives.

As at end-March 2011, the BSE Sensex and the NSE Nifty both registered gains of 10.94% and 11.14%, respectively, over end-March 2010. Further as on end-April, 2011, the BSE Sensex and the CNX Nifty both registered gains 8.98 % and 8.93 %, respectively, over end-April 2010.

Resource mobilisation from capital markets

The activity in the primary segment of the domestic capital market remained buoyant during the first three quarters of 2010-11, but moderated during Q4. However, resources raised through public issuances were higher during 2010-11 than the previous year. During the year, resource mobilisation by mutual funds turned negative, owing to high volatility in the market, surfacing of risk in the real sector, lower retail investments possibly on account of higher returns on competing instruments (bank deposits in particular) and also due to lower corporate support to the MFs.

Equity trading

The Indian Capital Markets have evolved over a period of time from Over-The-Counter trading and settlement system to on-line trading systems, dematerialised share trading along with T+2 settlement system. This has lead to the Indian capital markets undergoing rapid consolidation driven by increased number of market intermediaries (viz, brokers, sub-brokers, foreign institutional investors, mutual funds), increased trading volumes, increased compliance and prudent regulation introduced by regulatory bodies, customer sophistication, availability of better technology and increased back-office requirements.

In FY11, the trading volumes for cash segment on the NSE decreased by 13.55 % from Rs. 4,138,02,300 lakhs during FY10 to Rs. 3,577,41,000 lakhs in FY11. Also, in FY11 the trading volumes for cash segment on the BSE decreased by 19.86% from Rs. 13,78,80,900 lakhs during FY10 to Rs. 11,05,02,700 lakhs in FY11.

Internet Trading

As on March 31, 2010, 363 members of the NSE were permitted to allow investor's a web based access to NSE's trading system. The members of the NSE in turn had registered 51,43,705 clients for web based access as on 31/03/2010. During the year 2009-10, 11.13 per cent of the trading value in the capital market segment on the NSE was routed and executed through the internet.

Competitive strengths and opportunities

One-stop shop – an integrated service provider

We offer 'one-stop' delivery of financial products and services to our target client base of retail investors and high net worth individuals. Our product suite includes equity trading, commodity trading, trading in currency derivatives, insurance broking and a variety of loan products (loan against shares, margin funding, commodity funding, IPO financing, among others), distribution of mutual funds and online trading.

Differentiated presence in commodities broking

We offer specialised and retail commodity broking facilities through our subsidiary, i.e. JRG Wealth. JRG

Wealth is a member of NMCEIL, NCDEX, MCX, and IPSTA. Our product portfolio for commodity broking business comprises agro-commodities, metals, bullion and energy. We have an in house research team of experienced analysts to track developments in the commodities markets. One of our research analysts has been awarded 'Best Bullion Market Analyst Award' by Zee Business India for the year 2011.

Online trading platform

In order to increase our reach we have broadened our service delivery channel from branches to an online trading platform. The online trading platform is made accessible through our website, www.inditrade.com, was launched in April 2010, provide our customers with an opportunity to trade from any location with access to internet. Our online trading platform is targeted towards internet-savvy retail investors. In the last few years, we have had significant growth in the number of our online trading customers.

Significant presence in Southern India

From being a Kerala-centric broking firm, we have expanded our presence to 133 branches (as on 31/03/2011) across Kerala, Tamil Nadu, Andhra Pradesh, Karnataka and Maharashtra. This network caters to a large retail customer base in Tier-I, II and III cities. We are one of the financial services providers with significant presence in southern India. Our strategy is to expand our branch network in different cities in southern India. We believe that our understanding of the market dynamics equips us with a competitive advantage, in southern India.

Backed by Baring India Private Equity, a leading private equity firm in India

Baring India Private Equity, a leading private equity firm in India, through Duckworth Limited and Baring India Private Equity Fund III Listed Investments Limited holds 49.38% of our paid up equity capital.

Our people, our "partnership" culture and model of employee ownership

We have a senior management team which consists of experienced professionals, which is integral to the growth and success of our business. Our senior management team is supported by professionals from varied backgrounds. We believe that our model of employee ownership inculcates a culture of partnership, ownership, commitment, and entrepreneurial spirit among our employees. In order to facilitate this belief, the Company has promulgated an ESOP scheme to motivate its employees. By motivating employees through our partnership culture, we are able to recruit and retain talented professionals.

Opportunities

- Economy is growing at healthy rate leading to investment/capital market.
- India's market capitalisation as a percentage of the global market capitalisation was 2.8 % as on 31/12/2009 even as India continued to be the second fastest-growing economy.
- India enjoys the highest household savings rate of 24.7% but equity investments are only about 10% of the savings compared with 22% in China and 30-40% in developed countries

Risks, concerns and threats

Our business is subject to various risks and uncertainties, some of the important factors that have affected and we expect will continue to affect our results of operations, financial condition and cash flows are discussed below:

Indian economic uncertainties

We derive most of our revenues from operations in India and consequently, our performance and growth is dependent on the state of the Indian economy. The Annual Policy Statement of the Reserve Bank of India released in 03/05/2011 placed real GDP growth for the Fiscal 2011 at approximately 8.6%. Any slowdown in the Indian economy or in the growth of industries or future volatility in global commodity prices could adversely affect our financial condition and operating results.

Stock market trends

A significant portion of our consolidated revenues are derived from broking business. Revenues, level of operations and, consequently, profitability are dependent on favorable capital market conditions and other factors that affect the volume of stock trading in India. In recent years, the Indian and world securities markets have been volatile. Our revenues are directly dependent on the trading volumes in the stock market which are outside our control which may adversely affect our financial condition and operating results.

Consolidation in the financial services industry

The financial services industry, both domestically and internationally, is undergoing change that has resulted in increasing consolidation and a proliferation of strategic transactions. This consolidation among our competitors could put us at a competitive disadvantage, which could cause us to lose customers, revenue and market share. They could force us to expend greater resources to meet new or additional competitive threats, which could harm our financial condition and operating results.

Dependence on the equity brokerage business

Even though our dependence on the equity brokerage business reduced significantly over the last five years, we still continue to derive a significant portion of our revenues from our equity brokerage business, which contributed 66.45% and 52.09% of our total consolidated income for the year ended March 31, 2010 and year ended 31/03/2011, respectively. Along with other brokerage firms, we have experienced intense price competition in this business in recent years which has resulted in pressure on trading commissions and volumes. Although, our strategy is to actively grow our other lines of business, our equity brokerage business will continue to constitute a significant portion of our revenues and operating profits and any decline in our equity brokerage business may have an adverse affect on our financial condition and operating results.

Recruitment and retention of employees

We are in retail broking business which is people driven. We are dependent on our Directors, senior management and other key managerial personnel. There is high demand in the Indian financial services industry for senior management and qualified employees and we must reward employees in line with the market to remain competitive and to retain as well as attract well-qualified individuals. As we expand our business, we will need to hire additional staff at the locations where we set-up new branch offices and strengthen our sales and marketing team.

Competition

Over the last three years, the number market intermediaries have substantially increased. As on 31/03/2011, there are 10,203 brokers providing services in cash segment, 2,111 brokers providing services in derivatives market, 2,008 brokers providing services in currency derivatives. The industry has become very competitive. There are large brokerage firms which have pan-India presence in retail broking; while there are others with have a regional presence which is limited only to a few states or only within a state in India. There are also brokerage houses which offer both retail and institutional brokerage services. Due to increase in market intermediaries, competition resulted in number of broking firms offer brokerage services to retail customers at a discount and generally levy low transaction charges on trades. A growing number of brokerage companies are also offering online trading which has made the industry very competitive. Further, Indian banks with focus on retail customers have also started to tap their bank account customer for retail broking services.

Technology

Technology is needed to manage the operations in an efficient manner and keep costs controlled in a competitive scenario. We expect that enhancements in technology will enable us to provide a more efficient trading platform for our customers.

Financial performance

On a standalone basis, the Company earned revenue of Rs. 38.69 crores during the year under review as against Rs. 48.00 crores in the previous year. The expenditure stood at Rs. 44.22 crores, resulting in a loss of Rs. 5.53 crores before taxes. After the deferred tax benefit of Rs. 42.32 lakhs the loss for the year was Rs. 5.11 crores against the profit of Rs. 1.46 crores in the previous year.

The commodity subsidiary JRG Wealth Management Ltd recorded revenue of Rs. 20.13 crores as against Rs. 12.58 crores in the previous year. The total expenditure incurred was Rs. 20.91 crores, resulting in a loss of Rs. 78.23 lakhs before prior period items and taxes as against profit of Rs. 14.77 lakhs in the previous year. After provision for taxes of Rs. 1.06 crores the loss of the year is at Rs. 1.84 crores as against Rs. 19.75 lakhs in the previous year.

In JRG Insurance Broking (P) Ltd, revenue of Rs. 71.82 lakhs was recorded during the year against Rs. 1.46 crores during previous year. The expenditure during the period was Rs. 76.39 lakhs which resulted in a loss of Rs. 4.57 lakhs.

Its NBFC subsidiary JRG Fincorp Ltd recorded revenue of Rs. 12.72 crores as against Rs. 8.14 crores during the previous year. The expenditure during the period is Rs. 3.61 crores and resulting in profit for the year of Rs. 9.11 crores. After provision for tax and deferred tax charge, the profit for the year was Rs. 7.33 crores as against the profit of Rs. 4.85 crores during the previous year.

JRG Business Investment Consultants Ltd registered revenues of Rs. 2.09 crores as against Rs. 2.61 crore in the previous year. The expenditure during the year was Rs. 1.77 crores resulting in a profit of Rs. 32.09 lakhs after taxes as against loss of Rs. 25.83 lakhs in the previous year.

The consolidated revenue for the year 2010-11 stood at Rs. 73.84 crores and the expenditure was Rs. 66.66 crores as against Rs. 71.57 crores revenue and Rs. 62.40 crores expenditure during the previous year. The consolidated profit before prior period items and taxes was Rs. 7.18 crores as against Rs. 9.17 crores during the previous year. After considering provision for taxation of Rs. 2.41 crores the consolidated profit for the year stood at Rs. 4.77 crores against Rs. 6.71 crores in the previous year.

Operational Performance

Income from operations

Total income earned has fallen by 20% from Rs. 40.93 crores in 2009-10 to Rs. 32.73 crores in the current year. The main reasons for the above are attributed to the following:

Unfavourable equity market conditions.

Income earned from brokerage during the year has fallen by Rs. 7.72 crores or 20 % from Rs. 38.38 crores in 2009-10 to Rs. 30.65 crores in the current year. While volumes have increased by 6%, the net revenues have fallen due to the following

- The mix between delivery, currency and F&O has also changed with delivery volumes falling at a higher pace than the overall volumes thus reducing the overall brokerage percentage earned. The mix changed from 10:90 (delivery:jobbing) in 2009-10 to 6:94 in 2010-11.
- Higher turnover from traders as compared with the previous year. Retail delivery brokerage has seen a sharp decline.
- Pricing pressure due to depressed market conditions

Income from DP services has fallen by Rs. 0.36 crores or 15% from Rs. 2.38 crores in 2009-10 to Rs. 2.01 crores in the current year due to the higher speculation transactions as against the delivery transactions in the current year.

Income from financial distribution has fallen by Rs. 0.11 crores or 61% from Rs. 0.18 crores in 2009-10 to Rs. 0.07 crores in the current year due to lower income earned from mutual fund distribution due to the change in the regulations on charge of commission.

Interest Income

Interest on fixed deposits has fallen by Rs. 0.17 crores or 8% from Rs. 2.12 crores in 2009-10 to Rs. 1.94 crores in the current year. The decline was due to the deposits earning a lower rate on renewal as compared with the previous year. As the rates increased during the year, this year these are being renewed at a higher rate.

Penalty Iicome has fallen by Rs. 2.52 crores or 54% from Rs. 4.68 crores in 2009-10 to Rs. 2.16 crores in the current year due the fall in the average debtors balances. There has been 62% reduction in the value of debtors and consequently there has been 54% reduction in the income from penalty charges in the current year as compared to the previous year. Debtors reduced from Rs. 17.86 crores in 2009-10 to Rs. 6.92 crores in the current year.

Other Income

Other income increased by Rs. 1.58 crores from Rs. 0.27 crores in 2009-10 to Rs. 1.85 crores in the current year mainly due to the write back of amounts payable to JRG Dubai (Rs. 1.38 crores). Higher dividend received from Mutual funds, (Rs. 0.24 crores as against Rs. 0.17) and higher miscellaneous income of Rs. 0.19 crores. Miscellaneous income was higher mainly on account of the postage charges levied for physical contract notes (Rs. 0.10 crores) and income tax refund for AY 08-09 of Rs. 0.04 crores.

Operating costs

Operating costs have fallen by Rs. 5.33 crores or 33% from Rs. 16.28 crores in 2009-10 to Rs. 10.94 crores in the current year. The main reasons for the same is the decrease the incentive payable to associates which has decreased due to the decrease in brokerage income of the Company in the current year as compared with the previous year aided by a favorable change in the mix between branch income and sub-broker incomes.

Personnel costs

Personnel costs increased by Rs. 2.33 crores or 20% from Rs. 11.79 crores in 2009-10 to Rs. 14.13 crores in the current year. The average number of employees increased from 628 in the previous year to 750 in the current year. The main reasons for the increase in headcount were the increase in the number of branches and increase in the sales force which was augmented towards the end of the financial year.

Net Profit/Loss

The Company reported a loss of Rs. 5.11 crores against a profit of Rs. 1.46 crores in the previous year.

Outlook

Projected economic growth (nominal) of 14.5% in 2011-12 and 15% in 2012-13 are expected to catalyse household financing savings. This, along with an expected rise in FII investments, will drive capital market volumes. The overall stock market volumes are expected to grow at a CAGR of 15% during financial year 2010-12.

Internal Control System

JRG has a comprehensive and effective internal control environment to safeguard the Company's assets against losses including loss from unauthorised use and to ensure proper authorisation of financial transactions. The Company has appointed M/s Krishnamoorthy and Krishnamoorthy, Chartered Accountants, Kochi as the internal auditors of the Company for the financial year 2010-11. The management duly considers and takes appropriate action on the recommendations made by the statutory auditors and internal auditors.

Segment-wise reporting

On a standalone basis, the Company has only one segment primarily consisting of stock broking, depository and related services and the operations are primarily located in India.

Human resource development

The Company continues to attract, retain and motivate its employees. Recruitments were made from the top business schools of the country. High quality talent available in this market was also tapped. To recognise people's contributions, the Company launched an ESOP Scheme for the employees. The scheme ensures employees' participation in the Company's growth story and are rewarded for their participation. KRAs are well-defined and performance appraisal system is in force. On a consolidated basis, the total number of employees as on date is 942 as on 31/03/2011.

Cautionary statement

Statements in the management discussion and analysis describing the Company's projections, estimates, or expectations may be forward-looking predictions within the meaning of applicable Securities Laws and regulations. Actual results may differ from such estimates and projections, among others, whether expressed or implied. Factors which would make a significant difference to the Company's operations include changes in economic conditions of the country, changes in government regulations and tax laws, and other environmental factors over which the Company does not have any control.

For and on behalf of the
management of JRG Securities Ltd.

Place: Hyderabad **Gaurav Vivek Soni**
Date: 26/07/2011 *Managing Director*

Auditors' report

To the members of
JRG Securities Limited

We have audited the attached Balance Sheet of JRG Securities Limited ("the Company") as at 31 March 2011, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

As required by the Companies (Auditor's Report) Order, 2003 ('the Order') as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the annexure referred to above, we report that:

a) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;

b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;

c) the balance sheet, the profit and loss account 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, profit and loss account and the 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 written representations received from the directors, as at 31 March 2011 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 March 2011 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and

f) 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 Act 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 31 March 2011; and

   ii) in the case of the profit and loss account, of the loss of the Company for the year ended on that date.

   iii) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

for **B S R & Associates**
Chartered Accountants
Firm registration no: 116231W

S Sethuraman
Partner
Membership No: 203491

Place: Hyderabad
Date: 12 May 2011

Annexure to the Auditors' report

(Referred to our report of even date)

i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. However the Company is in process of updating its records so as to include the quantitative details in relation to certain categories of fixed assets.

b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme certain fixed assets were verified during the year and no material discrepancies were noticed on such verification.

c) Fixed assets disposed of during the year were not substantial, as to affect the going concern assumption.

ii) The Company is a service company, primarily rendering services as brokers to various stock exchanges. Accordingly it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.

iii) According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the register required under section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) of the order is not applicable.

iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that the purchases of certain items of fixed assets are for the Company's specialized requirements and similarly services rendered are for the specialized requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services, *except in respect of controls related to rendering of services to the employees of the Company/ group, which need to be strengthened*. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system. The activities of the Company do not involve purchase of inventory and sale of goods.

v) In our opinion and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.

vi) The Company has not accepted any deposits from the public.

vii) In our opinion, the Company has an internal audit system. *However the same need to be strengthened to be commensurate with the size and nature of its business.*

viii) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the services rendered by the Company.

ix) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including, Income-tax, Service tax, Provident fund, Employees' State Insurance, Wealth tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Customs duty, Investor Education and Protection Fund, Sales tax and Excise duty. There were no dues on account of cess under section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Service tax, wealth tax and other material statutory dues were in arrears as at 31 March 2011 for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and Cess which have not been deposited with the appropriate authorities on account of any dispute except for the following:

Name of the Statute	Nature of the Dues	Amount (Rs.)	Financial Year to which the amount relates	Forum where dispute is pending
Income Tax Act	Disallowed Expenditure	772,890*	2006-2007	Commissioner Appeals
Income Tax Act	Disallowed Expenditure	10,319,170	2008-2009	Commissioner Appeals

*Net of Rs. 600,000 paid under dispute

x) The Company does not have any accumulated losses at the end of the financial year which has exceeded fifty percent of its net worth. The Company has not incurred cash losses in the current and immediately preceding financial year.

xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.

xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund/society.

xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures or other instruments.

xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.

xvi) The Company did not have any term loans outstanding during the year.

xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.

xviii) The Company has not made any preferential allotment of shares to companies covered in the register maintained under Section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) We have verified the end-use of money raised by public issues as disclosed in the notes to the financial statements.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for **B S R & Associates**
Chartered Accountants
Firm registration no: 116231W

S Sethuraman
Partner
Membership No: 203491

Place: Hyderabad
Date: 12 May 2011

Balance Sheet As at 31 March 2011

(All amounts are in Indian Rupees except share data or as stated)

	Schedule No.	As at 31.03.2011	As at 31.03.2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	232,855,010	232,845,010
Reserves and surplus	2	586,086,683	632,953,517
		818,941,693	865,798,527
Deferred tax liability (net)	17 (C) c	–	4,232,130
		818,941,693	**870,030,657**
APPLICATION OF FUNDS			
Fixed assets	3		
Gross block		315,300,260	329,548,123
Less: Accumulated depreciation /amortization		(182,415,809)	(151,125,093)
Net block		**132,884,451**	**178,423,030**
Add: Capital advances		698,937	3,737,951
		133,583,388	**182,160,981**
Investments	4	**371,917,266**	**422,007,581**
Current assets, loans and advances			
Sundry debtors	5	69,246,635	178,554,613
Cash and bank balances	6	352,912,223	319,383,011
Loans and advances	7	196,799,293	173,956,711
		618,958,151	**671,894,335**
Current liabilities and provisions			
Current liabilities	8	305,517,112	404,565,635
Provisions	9	–	1,466,605
		305,517,112	**406,032,240**
Net current assets		**313,441,039**	**265,862,095**
		818,941,693	**870,030,657**
Significant accounting policies and notes to the financial statements	17		

The schedules referred to above and the notes thereon form an integral part of the financial statements

As per our report attached
for **B S R & Associates**
Chartered Accountants
Firm registration no: 116231W

for and on behalf of Board of Directors of
JRG Securities Limited

S Sethuraman
Partner
Membership No. 203491

Gaurav Vivek Soni
Managing Director

Munish Dayal
Director

Syam Kumar R
Company Secretary and Legal Head

Place : Hyderabad
Date : 12 May 2011

Place : Hyderabad
Date : 12 May 2011

Profit and Loss Account For the year ended 31 March 2011

(All amounts are in Indian Rupees except share data or as stated)

	Schedule No.	Year ended 31.03.2011	Year ended 31.03.2010
INCOME			
Income from operations	10	327,342,330	409,336,869
Interest income	11	41,028,552	67,999,865
Other income	12	18,552,581	2,678,436
		386,923,463	**480,015,170**
EXPENDITURE			
Operating costs	13	109,498,316	162,785,881
Personnel costs	14	141,268,120	117,916,368
Trading and other administrative expenses	15	125,748,743	97,766,345
Depreciation /amortization	3	60,592,543	65,526,947
Interest and finance charges	16	5,140,958	10,051,169
		442,248,680	**454,046,710**
(Loss) / profit before tax		**(55,325,217)**	**25,968,460**
Provision for tax			
– Current tax		–	13,912,743
– Deferred tax benefit		(4,232,130)	(2,517,772)
(Loss) / profit after tax		**(51,093,087)**	**14,573,489**
Balance in profit and loss account brought forward		58,194,531	43,621,042
Balance in profit and loss account carried forward		**7,101,444**	**58,194,531**
Earnings per share:	17(c)(g)		
Basic		(2.19)	0.63
Diluted		(2.19)	0.62
Nominal value of equity shares (Rs)		10	10
Significant accounting policies and notes to the financial statements	17		

The schedules referred to above and the notes thereon form an integral part of the financial statements

As per our report attached
for **B S R & Associates**
Chartered Accountants
Firm registration no: 116231W

for and on behalf of Board of Directors of
JRG Securities Limited

S Sethuraman
Partner
Membership No. 203491

Gaurav Vivek Soni
Managing Director

Munish Dayal
Director

Syam Kumar R
Company Secretary and Legal Head

Place : Hyderabad
Date : 12 May 2011

Place : Hyderabad
Date : 12 May 2011

Schedules forming part of the financial statements

(All amounts are in Indian Rupees except share data or as stated)

	As at 31.03.2011	As at 31.03.2010
1 SHARE CAPITAL		
Authorised capital		
40,000,000 (Previous year: 40,000,000) equity shares of Rs 10 each	400,000,000	400,000,000
Issued, subscribed and fully paid-up		
23,352,626 (Previous Year: 23,306,376) equity shares of Rs 10 each fully paid up	233,526,260	233,063,760
(Out of which 6,180,000 shares have been issued as fully paid bonus shares)		
Shares held by trust (Refer note C (q) of schedule 17)	(671,250)	(218,750)
	232,855,010	232,845,010

	As at 31.03.2011	As at 31.03.2010
2 RESERVES AND SURPLUS		
a) Securities premium		
At the commencement of the year	497,322,134	497,212,129
Add: Premium received during the year on exercise of employees stock options	975,995	722,505
Less: Premium on shares held by the trust (Refer C(q) of schedule 17)	(975,995)	(612,500)
	497,322,134	**497,322,134**
b) General reserve	**2,000,000**	**2,000,000**
c) Employee stock option outstanding		
Balance at the beginning of the year	7,300,875	1,930,880
Add: Options granted during the year	9,623,290	7,167,000
Less:Options forfeited during the year	(3,801,000)	(1,687,000)
Less: Options exercised during the year	–	(110,005)
Balance at the end of the year (1)	13,123,165	7,300,875
d) Deferred Stock Compensation cost		
Balance at the beginning of the year	3,818,759	1,175,000
Add: Options granted during the year	9,623,290	7,167,000
Less: Amortisation during the year	(4,226,253)	(2,836,241)
Less:Options forfeited during the year	(3,801,000)	(1,687,000)
Balance at the end of the year (2)	**5,414,796**	**3,818,759**
(1-2)	**7,708,369**	**3,482,116**
e) Capital Reserve		
Balance at the beginning of the year	71,954,736	–
Add: Capital reserve on acccount of forfeiture of share warrant	–	71,954,736
Balance at the end of the year	**71,954,736**	**71,954,736**
Profit and loss account	7,101,444	58,194,531
	586,086,683	632,953,517

3 FIXED ASSETS

(All amounts are in Indian Rupees except share data or as stated)

Description	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK	
	As at 01.04.2010	Additions	Deletions/ Writeoff	As at 31.03.2011	As at 01.04.2010	For the year	Deletions/ Writeoff	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
TANGIBLE ASSETS										
Furniture and Fittings	70,589,677	2,035,099	15,410,855	57,213,921	33,755,863	11,082,483	14,222,488	30,615,858	26,598,063	36,833,814
Office Equipments including										
Computers	99,094,641	9,587,434	14,669,038	94,013,037	45,455,962	14,651,436	14,359,698	45,747,700	48,265,337	53,638,679
Electrical Fittings	8,801,569	483,330	842,626	8,442,273	2,704,081	1,530,639	593,618	3,641,102	4,801,171	6,097,488
Motor Vehicles	886,524	–	2,550	883,974	295,794	149,212	2,550	442,456	441,518	590,730
V SAT Equipments	20,745,440	–	302,669	20,442,771	5,229,058	2,901,643	123,473	8,007,228	12,435,543	15,516,382
INTANGIBLE ASSETS										
Computer Software	79,430,272	4,874,012	–	84,304,284	40,767,668	12,916,852	–	53,684,520	30,619,764	38,662,604
Non Compete fee *	50,000,000	–	–	50,000,000	22,916,667	17,360,278	–	40,276,945	9,723,055	27,083,333
Grand Total	**329,548,123**	**16,979,875**	**31,227,738**	**315,300,260**	**151,125,093**	**60,592,543**	**29,301,827**	**182,415,809**	**132,884,451**	**178,423,030**
Previous year	264,993,985	66,238,775	1,684,637	329,548,123	86,438,574	65,526,947	840,428	151,125,093	178,423,030	

* Represents non-compete fee paid under an agreement with certain promoters for a period of 3 years commencing from 29 April 2009.

Schedules forming part of the financial statements

(All amounts are in Indian Rupees except share data or as stated)

	No of Shares / Units 31.03.2011	No of Shares / Units 31.03.2010	As at 31.03.2011	As at 31.03.2010
4 INVESTMENTS				
Long term investment (Unquoted, Non-Trade, At cost)				
a) Investment in Subsidiary companies (Face value Rs10.00 per share)				
– JRG Business Investment Consultants Limited	99,994	99,994	999,940	999,940
– JRG Wealth Management Limited (Equity shares)	1,647,100	1,647,100	41,309,850	41,309,850
– JRG Wealth Management Limited (Preference shares)	7,462,427	7,462,427	74,624,270	74,624,270
– JRG Fincorp Limited	24,999,994	24,999,994	249,999,940	249,999,940
b) Investment in Stock Exchange				
– Cochin Stock Exchange Limited	1	1	900,000	900,000
(Face value Rs1250.00 per share)				
Less: Provision for diminution other than temporary, in the value of investment			898,750	898,750
			1,250	1,250
c) Other Investment - Investment in JRG International Brokerage DMCC, Dubai (previously known as JRG Metals and Commodities DMCC, Dubai)*	400	400	4,982,016	4,982,016
(Face value AED 1000.00 per share)				
Current Investments - At lower of cost and fair value (Unquoted, Non-trade)				
a) Investment in Mutual Funds (Refer Note C (m) of Schedule 17)				
1524 ICICI Prudential Flexible Income Plan premium -Daily Dividend	–	236,821	–	25,040,261
HDFC Cash Management Fund -Treasury Advantage Plan - Wholesale - Daily Dividend Option	–	1,998,634	–	20,049,300
Taurus Short Term Bond Fund - Institutional Daily Dividend Plan	–	4,993	–	5,000,754
			371,917,266	**422,007,581**
Aggregate book value of unquoted investments			372,816,016	422,906,331

* Refer note C (r) of schedule 17

Schedules forming part of the financial statements

(All amounts are in Indian Rupees except share data or as stated)

	As at 31.03.2011	As at 31.03.2010
5 SUNDRY DEBTORS (UNSECURED)		
Debts outstanding for a period exceeding six months		
– Considered good	1,806,432	2,175,111
– Considered doubtful	5,327,763	4,300,000
Other Debts		
– Considered good	67,440,203	176,379,502
– Considered doubtful	–	–
Less: Provision for bad and doubtful debts	(5,327,763)	(4,300,000)
	69,246,635	178,554,613
6 CASH AND BANK BALANCES		
Cash in hand	206,092	193,757
Stamps in hand	560,420	108,499
Balances with scheduled banks		
– in current account **	78,502,905	55,775,885
– in deposit account*	273,642,806	263,304,870
	352,912,223	319,383,011
* Fixed deposits pledged with banks as security for guarantees issued by banks in favour of various stock / commodity exchanges	169,203,461	193,967,033
** Balance in current account includes Rs. 281,378 (Previous year: Rs.271,378) in the name of JRG ESOP Trust.		
7 LOANS AND ADVANCES		
(Unsecured and considered good)		
Loans and advances to Subsidiaries and companies under the same management *		
JRG Business Investment Consultants Limited	15,237,895	15,629,720
JRG Wealth Management Limited	9,435,000	–
JRG Fincorp Limited	12,245,462	–
Loans and advances to others-JRG International Brokerage DMCC, Dubai (Previously known as JRG Metals & Commodities DMCC, Dubai) **	–	12,694,929
Deposit with exchanges	40,321,620	40,111,320
Interest accrued	3,396,177	938,782
Rental and other deposits	24,448,927	22,930,431
Advances recoverable in cash or in kind or for value to be received***	70,642,414	59,620,471
Advance tax (net of provisions)	21,071,798	22,031,058
	196,799,293	173,956,711
(Unsecured and considered doubtful)		
Loans and advances to others	12,747,116	–
Advances recoverable in cash or in kind or for value to be received	10,780,718	9,317,981
Less: Provision for doubtful loans and advances	(23,527,834)	(9,317,981)
	196,799,293	173,956,711

Schedules forming part of the financial statements

(All amounts are in Indian Rupees except share data or as stated)

	As at 31.03.2011	As at 31.03.2010
7 LOANS AND ADVANCES *(CONTD.)*		
* Maximum amount outstanding at any time during the year		
JRG Business Investment Consultants Limited	20,269,541	24,250,095
JRG Wealth Management Limited	15,013,931	83,450,883
JRG Fincorp Limited	12,245,462	–

** Refer note C (r) of schedule 17

*** Refer note C (e) of schedule 17

	As at 31.03.2011	As at 31.03.2010
8 CURRENT LIABILITIES		
Sundry Creditors		
– Micro enterprises and small enterprises (Refer note C (p) of schedule 17)	–	–
– Client	248,255,145	331,450,578
– Expenses	32,662,612	47,546,334
– Capital goods	201,153	3,132,264
Payable to exchanges	1,753,716	1,740,011
Security deposit	17,343,466	16,204,066
Other liabilities	4,958,784	4,149,596
Unclaimed dividends *	342,236	342,786
	305,517,112	**404,565,635**

*There is no amount due and outstanding to be credited to the Investor and education protection fund.

	As at 31.03.2011	As at 31.03.2010
9 PROVISIONS		
Provision for gratuity	-	1,466,605
	–	**1,466,605**

Schedules forming part of the financial statements

(All amounts are in Indian Rupees except share data or as stated)

	Year ended 31.03.2011	Year ended 31.03.2010
10 INCOME FROM OPERATIONS		
Broking income	306,528,440	383,806,521
Income from depository participant services	20,130,084	23,761,348
Income from financial distribution support services	683,806	1,769,000
	327,342,330	**409,336,869**

	Year ended 31.03.2011	Year ended 31.03.2010
11 INTEREST INCOME		
Interest on fixed deposits (Tax deducted at source Rs.1,939,643. (Previous year Rs.2,078,508))	18,923,435	21,159,946
Interest income from penalty charges (Tax deducted at source Rs.Nil. (Previous year Rs.Nil))	21,595,277	46,839,919
Other interest (Tax deducted at source Rs.50,982. (Previous year Rs.Nil))	509,840	–
	41,028,552	**67,999,865**

	Year ended 31.03.2011	Year ended 31.03.2010
12 OTHER INCOME		
Dividend income from mutual funds	2,392,629	1,697,411
Exchange fluctuation gain (net)	52,187	–
Profit on sale of investment in mutual funds	–	653,615
Provisions / liabilities no longer required written back	13,827,139	–
Miscellaneous income	2,280,626	327,410
	18,552,581	**2,678,436**

	Year ended 31.03.2011	Year ended 31.03.2010
13 OPERATING COSTS		
Business incentive	87,896,440	138,514,760
Turnover charges	11,529,414	14,812,198
Other trading expenses	10,072,462	9,458,923
	109,498,316	**162,785,881**

	Year ended 31.03.2011	Year ended 31.03.2010
14 PERSONNEL COSTS		
Salaries, wages and bonus*	122,264,948	99,721,622
Contributions to provident and other funds	7,806,682	6,063,159
Employee stock compensation expenses	4,226,253	2,836,241
Staff welfare expenses	1,412,723	827,802
Employee sales incentives	5,557,514	8,467,544
	141,268,120	**117,916,368**

* net of recoveries from the group companies aggregating to Rs.10.4 million.

Schedules forming part of the financial statements

(All amounts are in Indian Rupees except share data or as stated)

	Year ended 31.03.2011	Year ended 31.03.2010
15 TRADING AND OTHER ADMINISTRATIVE EXPENSES		
Advertisement and business promotion	4,725,999	1,777,075
Communication expenses	17,369,096	17,475,024
Registration and renewals	359,672	271,007
Rent, rates and taxes*	20,160,938	16,942,899
Repair and maintenance - others*	18,092,378	13,633,973
Travelling expenses	5,583,115	3,612,637
Insurance charges	343,727	76,675
Directors sitting fees	430,000	210,000
Loss on sale of fixed assets	1,271,542	342,667
Office and branch expenses	9,657,023	7,877,470
Penalties and Fines **	–	5,000,000
Power and fuel	10,442,463	8,202,558
Printing and stationery	3,806,295	3,667,013
Professional and consultancy charge (Refer note C(b) of schedule 17)	11,106,823	10,413,647
Exchange fluctuation loss (net)	–	1,230,120
Provision for doubtful debts	1,027,763	–
Provision for doubtful loans and advances	14,209,853	350,000
Bad debts written off	–	2,068,394
Miscellaneous expenses	7,162,056	4,615,186
	125,748,743	97,766,345

* net of recoveries from the group companies aggregating to Rs.8.5 million.

** towards compounding of contravention with respect to an investment made by the Company in Dubai, United Arab Emirates under Foreign Exchange Management Act, 1999.

	Year ended 31.03.2011	Year ended 31.03.2010
16 INTEREST AND FINANCE CHARGES		
Interest	1,684,391	3,864,490
Other charges	3,456,567	6,186,679
	5,140,958	10,051,169

Schedules forming part of the financial statements

(All amounts are in Indian Rupees except share data or as stated)

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

A) Background

JRG Securities Limited ("JRG" or "the Company") was incorporated on 17 October 1994. The Company is primarily engaged in the business as brokers for securities trading in various stock exchanges and to act as a depository participant.

During October 2007, Duckworth Limited, a company registered under the laws of Mauritius and a wholly owned subsidiary of Baring India Private Equity Fund II Limited ("Barings Group") acquired 44.8% of shares of the Company.

B) Significant Accounting Policies

a. Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India.

b. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and reported amounts of income and expenses during the period. Actual figures may differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

c. Fixed assets and depreciation

Fixed Assets are carried at cost of acquisition or construction less accumulated depreciation and impairment, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation on fixed assets is provided on Straight Line method. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/remaining useful life. The rates of depreciation followed by the Company are as follows:

Asset group	Depreciation rates (%)
Furniture and fittings	20.00%
Electrical fittings	20.00%
Office Equipments	20.00%
Computers	16.21%
Softwares	20.00%
V– Sat Equipments	16.21%
Vehicle	20.00%

Depreciation in respect of leasehold improvements is provided on the straight-line method over a period of 5 years since the management is reasonably certain of renewal of lease terms.

Intangible assets representing computer software are recorded at the consideration paid for acquisition. Software is amortized over their estimated useful lives of five years on a straight-line basis, commencing from the date the asset is available to the Company for its use. Non-compete fee paid and capitalized is amortized on a progressively decreasing basis over the 3 years non-compete period.

Individual assets costing Rs 5,000/- or less are depreciated at 100% in the year of purchase.

Advances paid towards acquisition of fixed assets and the cost of assets not ready to be put to use before the year end are disclosed under capital advances.

d. Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such

(All amounts are in Indian Rupees except share data or as stated)

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

indication exists, the Company estimates the recoverable amount (higher of net realizable value and value in use) of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

e. **Revenue**

Brokerage income in relation to securities broking activity is recognised on the trade date of transaction (net of service tax), upon confirmation of trade by the stock exchange.

Depository income (net of service tax) pertains to income (including account opening fees) from depository services rendered by the Company and is recognised on accrual basis.

Dividend income is recognized when the shareholders' right to receive payment is established by the balance sheet date.

Interest income is recognized on time proportion basis.

f. **Investments**

Investments are either classified as current or long-term based on the management's intention. Current investments are carried at the lower of cost and fair value. In case of investments in mutual funds, the net asset value of units declared by the mutual funds is considered as the fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

g. **Transactions in foreign currency**

Foreign currency transactions are accounted at the exchange rates prevailing on the date of the relevant transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account of the year. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The resultant exchange differences are recognized in the profit and loss account.

h. **Operating lease**

Operating lease payments are recognized as an expense in the profit and loss account on a straight line basis over the lease term.

i. **Employee benefits**

I. **Short term employee benefit plans**

All short term employee benefit plans such as salaries, wages, bonus, special awards and, medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognized on an undiscounted basis and charged to the profit and loss account.

II. **Defined contribution plan**

Contributions to the provident funds are made monthly at a predetermined rate to the regional provident fund commissioner and debited to the profit and loss account on an accrual basis.

III. **Defined benefit plan**

Provision is made for gratuity based on actuarial valuation, carried out by an independent actuary as at the balance sheet date, using the projected unit credit method. All actuarial gains and losses arising during the year are recognized in the Profit and Loss Account of the year

j. **Taxation**

Income-tax expense comprise current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is a reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are

(All amounts are in Indian Rupees except share data or as stated)

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at the balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized. Current tax and deferred tax assets and liabilities are offset to the extent to which the Company has a legally enforceable right to set off and they relate to taxes on income levied by the same governing taxation laws.

k. Provisions, contingent liabilities and contingent assets

The Company creates a provision when there is present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognised nor disclosed in the financial statements.

l. Employee stock options plan

In accordance with the Securities and Exchange Board of India guidelines, the fair value of the options as at the date of grant of options under the employee stock option scheme, is treated as employee compensation and amortised over the vesting period.

m. Cash flows

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non–cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated.

n. Earnings per share

Basic earnings per share is computed by dividing net profit or loss for the period attributable to equity shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are computed after adjusting the effects of all dilutive potential equity shares. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

C) Notes to the financial statements

a. Capital commitments and contingencies.

- Bank guarantees outstanding Rs. 252,500,000 (Previous Year: Rs 312,500,000).
- Guarantee given on behalf of subsidiary company to banks Rs.120,000,000 (Previous Year: Rs. 90,000,000).
- Estimated amount of contracts remaining to be executed on capital account net of capital advances and not provided for, amounts to Rs. 513,446 (Previous Year: Rs. Nil).
- Claims against the Company not acknowledged as debts Rs.10,259,025 (Previous Year: Rs. 8,422,962)
- Contingent liability for income tax Rs. 10,319,170 (Previous year : Nil)

b. Auditor's remuneration (included in professional and consultancy charges)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Statutory audit	650,000	650,000
Consolidation and Limited Review	475,000	475,000
Tax audit	50,000	50,000
Others	250,000	200,000
Out of pocket expenses	152,195	231,800
Total *	**1,577,195**	**1,606,800**

*excludes service tax

(All amounts are in Indian Rupees except share data or as stated)

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

c. **Taxation**

The major components of deferred tax assets and liabilities are outlined below:

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Deferred tax assets		
Provision for bad and doubtful debts	1,769,750	1,461,570
Provision for loans and advances	7,815,358	2,286,882
Provision for gratuity	–	952,746
Preliminary expenses	982,287	1,005,131
Bonus payable	1,183,508	–
Carry forward loss	3,797,936	–
(A)	**15,548,839**	**5,706,329**
Deferred tax liabilities		
Depreciation	1,334,249	9,938,459
(B)	**1,334,249**	**9,938,459**
Net deferred tax asset (A)-(B)*	–	4,232,130

* In the absence of virtual certainty of realisation of Deferred tax asset, as there is carry forward loss and unabsorbed depreciation, deferred tax asset is recognised to the extent of deferred tax liability.

d. **Related party disclosures.**

Names of related parties and nature of relationship:

Company having significant influence	Duckworth Limited, Mauritius
Subsidiary and step down subsidiary Companies	JRG Wealth Management Limited
	JRG Insurance Broking Private Limited
	JRG Fincorp Limited
	JRG Business Investment Consultants Limited
Associate company	JRG International Brokerage DMCC , Dubai (Previously known as JRG Metal & Commodities DMCC, Dubai) . Also refer C(r) of Schedule 17
Key managerial personnel	Regi Jacob (Managing Director up to 29 April 2009)
	Gaurav Vivek Soni (Managing Director from 29 April 2009)

Transactions and balance with related parties

Particulars	Transactions during Year ended 31 March 2011	Amount (Payable)/ Recievable as at 31 March 2011
Equity contribution		
JRG Business Investment Consultants Limited	–	999,940
JRG Wealth Management Limited (Equity Shares)	–	41,309,850
JRG Wealth Management Limited (Preference Shares)	–	74,624,270
JRG Fincorp Limited	–	249,999,940
Loan given to Subsidiaries (net)		
JRG Business Investment Consultants Limited	(391,825)	15,237,895
JRG Fincorp Limited	(2,172,970)	–
Reimbursement of expenses (net)		
JRG Wealth Management Limited	2,094,418	59,500
JRG Fincorp Limited	1,809,431	–
JRG Business Investment Consultants Limited	(535,825)	–
Brokerage Income received from JRG Fincorp Limited on sale of shares	379,787	(613,619)
Interest Expense / (Income) (net)		
JRG Fincorp Limited	(403,932)	–
JRG Wealth Management Limited	(61,471)	–

(All amounts are in Indian Rupees except share data or as stated)

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

Transactions and balance with related parties (Contd.)

Particulars	Transactions during Year ended 31 March 2011	Amount (Payable)/ Recievable as at 31 March 2011
Shared service expenses (including service tax)		
JRG Fincorp Limited	(11,471,200)	11,471,200
JRG Wealth Management Limited	(9,375,500)	9,375,500
Demat Income charged to JRG Fincorp Limited	774,262	774,262
Remuneration paid		
Salaries, other allowances and perquisites -		
Gaurav Vivek Soni	3,000,000	490,500*

* Refer note C (e) of schedule 17

Particulars	Transactions during Year ended 31 March 2010	Amount (Payable)/ Recievable as at 31 March 2010
Equity contribution		
JRG Business Investment Consultants Limited	–	999,940
JRG Wealth Management Limited (Equity Shares)	–	41,309,850
JRG Wealth Management Limited (Preference Shares)	74,624,270	74,624,270
JRG Fincorp Limited	–	249,999,940
Loan given to Subsidiaries (net)		
JRG Business Investment Consultants Limited	7,717,754	15,629,720
Loan given to		
JRG International Brokerage DMCC, Dubai (formerly known as JRG Metals & Commodities DMCC, Dubai)	–	12,694,929
Reimbursement of expenses (net)		
JRG Wealth Management Limited	2,530,964	–
JRG Fincorp Limited	1,804,856	–
JRG Business Investment Consultants Limited	617,755	–
Brokerage Income received from JRG Fincorp Limited on sale of shares	318,552	(5,856,392)
Interest Expense / (Income) (net)		
JRG Fincorp Limited	2,060,411	–
Business incentive paid		
JRG International Brokerage DMCC, Dubai (formerly known as JRG Metals & Commodities DMCC, Dubai)	4,696,186	(21,486,679)
Remuneration paid		
Salaries, other allowances and perquisites -		
Regi Jacob	175,000	–
Gaurav Vivek Soni	2,729,215	–

e. Managerial remuneration

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Salaries and allowances*	3,000,000	2,904,215
	3,000,000	**2,904,215**

*The directors are covered under the Company's group gratuity scheme along with other employees of the Company. Contribution to gratuity is based on actuarial valuation done on an overall Company basis and hence is excluded above.

The remuneration payable to the managing director of the Company is in excess of the limits approved by the share holders at the Annual General Meeting by Rs.490,500. The excess amount of Rs.490,500 paid to him (also representing maximum amount outstanding) has been shown as recoverable under loans and advances.

(All amounts are in Indian Rupees except share data or as stated)

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

f. Segment reporting

a) Primary segment information (by business segments)
The Company is engaged in the business of providing broking and broking related services i.e. depository participant services to predominantly retail clients. Accordingly the primary segments have been identified as broking (including broking related services) Thus, it operates in a single primary segment.

b) Secondary segment reporting (by geographical segments)
The Company caters only to the needs of the domestic market. Hence there are no reportable geographical segments.

g. Earnings per share ('EPS')

Particulars		Year ended 31 March 2011	Year ended 31 March 2010
Earnings			
Net profit /(loss) for the year	(A)	(51,093,087)	14,573,489
Shares			
Number of shares at the beginning of the year		23,284,501	23,174,496
Add:			
Equity shares issued and exercised by employees under ESOP 2005 plan		1,000	110,005
Total number of shares at the end of the year		23,285,501	23,284,501
Weighted average number of equity shares outstanding during the year- basic	**(B)**	**23,285,001**	**23,217,269**
Add: Weighted average number of shares arising out of stock options that has dilutive effect		13,148	14,141
Add: Weighted average number of shares arising out of shares issued to trust under ESOP 2008 plan but not exercised by employees		59,583	21,875
Weighted average number of equity shares outstanding during the year- diluted	**(C)**	**23,357,732**	**23,253,285**
Basic earnings per share	(A) / (B)	(2.19)	0.63
Diluted earnings per share	(A) / (C)	(2.19)	0.62

h. Security margins from clients

In order to secure the performance by the clients of their obligations, commitments and liabilities to the Company, securities are placed as margins by creation of pledge in favour of/transfer to the Company's depository account. Such securities are held by the Company in a fiduciary capacity on behalf of its clients and are not recognised in the financial statements. In case such margins are received in cash, the same are disclosed under current liabilities.

i. Employee Stock Options Plan

The Company issued options under the Employees stock option plan 2005 ("2005 Plan") in the financial year 2005-06. The 2005 Plan covers all non- promoter directors and employees of the Company (collectively referred to as "eligible employees") and its subsidiaries. Under the plan, the Company granted 179,100 options on 3 September 2005. The Compensation Committee granted the options on the basis of performance, criticality and potential of the employees as identified by Management.

The Company had computed the fair value of the options for the purpose of accounting of employee compensation cost/ expense over the vesting period of the options. The estimated fair value of each stock option granted on 3 September 2005 was Rs.0.28. This has been calculated based on independent valuation report, which has been estimated under the Black Scholes option pricing model. The exercise price for these options granted is Rs.10. The inputs were the share price at grant

(All amounts are in Indian Rupees except share data or as stated)

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

date of Rs.10.67, exercise price of Rs.10, expected volatility of 0% (the Company was not listed at the time of grant of options), expected dividends 7.5%, contractual life of 4.05 years, and a risk-free interest rate of 6.59%. The vesting period for these options granted under the 2005 plan varies from 12 months to 36 months. Out of the 179,100 options granted on 3 September 2005, 50,220 options were forfeited up to 31 March 2009.

Summary of the status of options granted under ESOP 2005 Plan which was subsequently merged under ESOP 2008 Plan to employees as at 31 March 2011 is presented below:

Number of Options	Year ended 31 March 2011	Year ended 31 March 2010
Options granted and outstanding at the beginning of the year	18,875	128,880
Add: Options granted during the year	–	–
Less: Exercised during the year	1,000	110,005
Less: Forfeited during the year	–	–
Options granted and outstanding at the end of the year	17,875	18,875
Exercisable options at the end of the year	17,875	18,875

During the financial year 2007-08, the 2005 plan was merged with JRG Employee Stock option plan 2008 ("2008 Plan"). The 2008 Plan was approved on 15 July 2008 at the annual general meeting of shareholders and was effective from the same date. The objective of this 2008 Plan is to encourage ownership of the Company's equity by its employees on an ongoing basis. The ESOP 2008 is intended to reward the employees for their contribution to the successful operation of JRG Securities Limited and to provide an incentive to continue contributing to the success of the company. The new plan provides that the lock-in period and other terms and conditions of this Scheme shall apply ipso facto as they applied to the options issued under 2005 Plan.

Basic terms of the options granted under 2008 Plan are presented below:

Grant date	29 July 08	25 May 09	25 July 09	27 Oct 09	25 May 10	10 Nov 10
Option granted	100,000	262,500	10,000	38,000	282,250	184,802
Exercise price (Rs./Option)	38	34	38	46	36	36
Number of personnel in the option programme	8	63	2	2	98	1

The fair value of stock options has been determined using the Black Scholes option pricing model.

Presumptions used in fair value computations:

Grant date	29 July 08	25 May 09	25 July 09	27 Oct 09	25 May 10	10 Nov 10
Vesting period	12 Months to 48 Months					
Expected option life	7 years	7 years	7 years	7 years	7 years	7 years
Expected volatility	33%	33%	45%	45%	45%	45%
Expected dividend	0%	0%	0%	0%	0%	0%
Risk free rate	6.15%	6.15%	7%	7%	8.5%	8.5%
Share price at grant date	37.73	39.9	41	49	35.90	34.70
Fair value (Rs / option)	18	22	25	29	21	17.8

(All amounts are in Indian Rupees except share data or as stated)

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

Summary of the status of options granted under 2008 Plan to employees as at 31 March 2011 is presented below:

Grant date	Year ended 31 March 2011	Year ended 31 March 2010
Options granted and outstanding at the beginning of the year	339,500	100,000
Add: Options granted during the year *	467,052	310,500
Less: Exercised during the year	–	–
Less: Forfeited during the year	107,750	71,000
Options granted and outstanding at the end of the year	698,802	339,500
Exercisable options at the end of the year**	99,500	21,875

*includes 345,302 options (previous year: 77,500 options) granted under the scheme for subsidiary company employees.

**45,250 options for the current year (previous year: 21,875 options) has been issued to JRG ESOP Trust but have not been exercised by the employees

j. **Employee benefit**

Disclosure in respect of employee benefit pursuant to the Accounting Standard 15 (Revised);

Details of actuarial valuation of gratuity

Change in projected benefit obligation	Year ended 31 March 2011	Year ended 31 March 2010
Projected benefit obligation at the beginning of the year	**3,769,741**	**2,998,838**
Service cost	1,194,805	1,406,566
Interest cost	320,411	254,901
Actuarial gain	(580,273)	(562,368)
Benefits paid	(275,647)	(328,196)
Projected benefit obligation at the end of the period	**4,428,837**	**3,769,741**
Change in plan assets		
Fair value of plan assets at beginning of the year	2,303,136	2,131,758
Expected return on plan assets	292,675	180,605
Actuarial (gain)/ loss	(2,692)	4,553
Contributions	2,555,851	314,416
Benefits paid	(275,647)	(328,196)
Fair value of plan assets at the end of the year	**4,873,323**	**2,303,136**

Reconciliation of present value of obligation on the fair value of plan assets

Present value of projected benefit obligation at the end of the period	4,428,837	3,769,741
Funded status of the plans	4,873,323	2,303,136
Funded status amount of liability recognized in the balance sheet	(444,486)	1,466,605

The components of net gratuity costs are reflected below:

Service cost	1,194,805	1,406,566
Interest cost	320,411	254,901
Expected return on plan assets	(292,675)	(180,605)
Recognized net actuarial (gain)/ loss	(577,581)	(567,121)
Net gratuity costs (included in personnel cost : Schedule 14)	**644,960**	**913,741**

(All amounts are in Indian Rupees except share data or as stated)

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

Financial Assumptions at Balance Sheet date:

Discount rate	8.50%	8.50%
Long-term rate of compensation increase	7.50%	7.50%
Rate of return on plan assets	8.50%	8.50%
Attrition Rate	5% at younger ages and reducing to 1% at older ages according to graduated scale	5% at younger ages and reducing to 1% at older ages according to graduated scale

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

k. **Statement of utilisation of Initial Public Offering ('IPO') as on 31 March 2011**

In April 2006, the Company approached the capital market by way of an IPO. The utilisation of the proceeds from IPO in the current year is set out below

(Amount in Rs. lacs)

Particulars	Envisaged in the prospectus	Change in utilization *	Utilized as on 01 April 2010	Utilized during the year	Total fund Utilised (Including change in utilization)	Amount remaining to be utilized 31 March 2011
Middle East operations	560.00	(366.66)	193.34	–	193.34	–
Technology upgradation						
Computer software	160.00	–	110.00	–	110.00	–
Computer hardware			50.00		50.00	
Regional Office	600.00	–	628.81	–	628.81	–
Issue expenses	130.00		147.86		147.86	–
Opening new branches in India	–	200.00	61.91	38.62	100.53	99.47
Infrastructure development for I–trade	–	40.00	6.89	2.64	9.53	30.47
Other infrastructural requirements	–	126.66	31.37	76.69	108.06	18.60
Total	**1,450.00**	–	**1230.18**	**117.95**	**1348.13**	**148.54**
Means of finance						
Issue proceeds					1301.46	
Internal accruals					46.67	
Total utilized					**1348.13**	

* In the Annual General meeting of the Company held on 25 July 2009, the shareholders had consented for the change in the utilization of the aforesaid monies totaling to Rs.366.66 lakhs, raised by the Company during the IPO of its shares, from those specified in the object clause in the prospectus, inter alia to utilise for expansion activities of the Company in India for opening new branches, infrastructure development for I-Trade and other infrastructural requirements.

Amount pending utilization as on 31 March 2011 has been maintained in fixed deposits with the banks.

l. **Quantitative Particulars**

As the Company is engaged in service activity, provision of information relating to quantitative details of sales and certain information as required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 are not applicable.

Schedules forming part of the financial statements

(All amounts are in Indian Rupees except share data or as stated)

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

m. Investment in Mutual Funds

Sr. No.	Name of the Fund	For the year ended 31 March 2011				For the year ended 31 March 2010			
		No.of units purchased during the year	Purchase Value	No. of units Sold during the year	Sale Value	No.of units purchased during the year	Purchase Value	No. of units Sold during the year	Sale Value
1	1524 ICICI Prudential Flexible Income Plan premium -daily dividend	286,036	30,244,067	522,857	55,284,328	236,821	25,040,261	–	–
2	28Q ICICI Prudential Flexible Income Plan Premium - Daily Dividend	–	–	–	–	2,428,310	25,675,735	3,385,744	35,799,164
3	Taurus Short Term Bond Fund - Institutional Daily Dividend Plan	50,330	50,407,512	55,323	55,408,266	1,010,035	15,066,552	1,206,321	12,078,810
4	HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend.	33,536,686	336,423,262	35,535,321	356,472,562	46,476,096	466,224,390	52,465,711	526,309,783
5	HDFC Short Term Fund	–	–	–	–	983,300	10,218,215	983,300	10,130,445
6	DSP Black Rock Money Manger Fund Regular Dividend	–	–	–	–	–	–	1,383,480	14,912,802
7	21INQ ICICI Prudential Institutional Income Plan Dividend Quarterly	–	–	–	–	–	–	865,989	10,527,743
8	TLDD01 TATA Liquid Fund	4,510	5,025,278	4,510	5,025,278	–	–	–	–
9	DSP Black Rock Liquidity Fund–Daily Dividend Reinvestment	20,108	20,114,092	20,108	20,114,092	–	–	–	–
10	DSP Black Rock Liquidity Fund–Growth	29,303	40,081,278	29,303	40,081,278	–	–	–	–
11	HDFC Cash Management Fund – Treasury Advantage Plan – Wholesale – Growth	2,877,553	60,042,633	2,877,553	60,042,633	–	–	–	–
12	Taurus Short Term Fund–Growth	13,558	15,054,507	13,558	15,054,507	–	–	–	–
	Total	36,818,084	557,392,629	39,058,533	607,482,941	51,134,562	542,225,153	60,290,545	609,758,747

n. Foreign Currency Forward Contracts

The Company does not use foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations. The Company does not use forward contracts for speculative purposes.

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	As at 31 March 2011	As at 31 March 2010
Amount receivable in foreign currency USD	282,484	282,484
Amount equivalent in INR	12,747,116	12,694,929

o. On 7 June 2010, Mr. Regi Jacob, Mr. Giby Mathew and Mr. Jiji Antony ("Original Promoters") filed a petition under Section 397 and Section 398 of the Companies Act before the Company Law Board ("CLB") to prevent the misuse of management powers by the Company and prayed for an injunction to stop the Company from going ahead with a proposed rights issue. The Original Promoters alleged that the Company is proposing the rights issue to bring the shareholding of the Original Promoters below the prescribed limits so that their special rights cease to exist while they continue to remain obligated to not compete. The Original Promoters also alleged that the resolution approving the proposed rights issue dated 25 May 2010 was in contravention of the Articles of Association, oppressive, invalid, null and void.

The Company denied the allegations in entirety and filed its comprehensive response to the CLB. The CLB granted stay on the matter on 6 July 2010 ("Interim Injunction"). The CLB, vide order dated 11 October 2010, vacated the Interim Injunction and allowed the Company to proceed with the rights issue specifically mentioning that the veto power of the Original Promoters is not applicable in the case of rights issue ("the Order").

(All amounts are in Indian Rupees except share data or as stated)

17 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

Aggrieved by the Order, the Original Promoters appealed before the High Court of Kerala on 19 October 2010 ("Appeal"). The Court vide order dated 1 December 2010, disposed off the Appeal and directed the Original Promoters to approach CLB with a direction to the CLB to dispose of the matter within three months. The Original Promoters have filed a rejoinder on 21 April 2011. The aforesaid matter is currently pending with CLB.

p. **Micro, Small and Medium Enterprises Development Act, 2006**

The management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of "Micro and Small Enterprises" as defined under Micro, Small and Medium Enterprises Development Act, 2006 ("the Act"). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2011 has been made in the financial statements based on the information received and available with the Company. There are no overdue amounts payable to such enterprises as at 31 March 2011.

q. **JRG ESOP Trust ("The Trust")**

As per the requirements of Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 ('SEBI guidelines'), since the stock option plan is administered through a trust, the accounts of the Company are prepared as if the Company itself is administering the employee stock option plan. Pursuant to such requirement of the SEBI guidelines the equity shares issued to the Trust and not exercised by the employees as on 31 March 2011 have been presented as a deduction from the share capital. The bank balance of the Trust as on 31 March 2011 net of the loan granted and capital contribution to the Trust by the Company has been presented as bank balance of the Company.

r. **JRG International Brokerage DMCC, Dubai (formerly known as JRG Metal & Commodities DMCC, Dubai)**

During the year ended 31 March 2010, the Company has declassified their investment in an associate - JRG International Brokerage DMCC, Dubai (formerly known as JRG Metal & Commodities DMCC, Dubai). Accordingly as on 31 March 2010 and subsequently the investment has been classified as other investment.

s. **Prior year comparatives**

Prior year figures have been reclassified / regrouped wherever necessary to conform to the current year's classification.

for and on behalf of Board of Directors of
JRG Securities Limited

for B S R & Associates
Chartered Accountants
Firm registration no: 116231W

S Sethuraman	**Gaurav Vivek Soni**	**Munish Dayal**	**Syam Kumar R**
Partner	*Managing Director*	*Director*	*Company Secretary and Legal Head*
Membership No. 203491			

Place : Hyderabad
Date : 12 May 2011

Place : Hyderabad
Date : 12 May 2011

Cash Flow Statement For the year ended 31 March 2011

(All amounts are in Indian Rupees except share data or as stated)

	Schedule No.	Year ended 31.03.2011	Year ended 31.03.2010
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit / (loss) profit before tax		(55,325,217)	25,968,460
Adjustments for:			
Depreciation and amortization		60,592,543	65,526,947
Provision for doubtful loans and advances		14,209,853	350,000
Provision for doubtful debts		1,027,763	–
Bad debts written off		–	2,068,394
Loss on sale of assets (net)		1,271,542	342,667
Interest income		(41,028,552)	(67,999,865)
Employee stock compensation expenses		4,226,253	2,836,241
Unrealized foreign exchange loss / (gain) (net)		(52,187)	1,230,120
Dividend income		(2,392,629)	(1,697,411)
Provisions / liabilities no longer required written back		(13,827,139)	–
Profit on sale of investment in mutual funds		–	(653,615)
Interest expense		1,684,391	3,864,490
Operating profit/(loss) before working capital changes		**(29,613,379)**	**31,836,428**
Adjustments for:			
(Increase)/decrease in sundry debtors		108,280,215	(62,486,905)
(Increase) /decrease in loans and advances		(13,254,216)	(42,424,539)
(Decrease)/increase in current liabilities and Provisions		(86,687,989)	28,537,156
Cash from / (used) in operations		**8,338,010**	**(76,374,288)**
Income tax paid		–	14,400,000
		8,338,010	(90,774,288)
Net cash used in operating activities	(A)	**(21,275,369)**	**(58,937,860)**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(13,940,861)	(69,441,870)
Sale of fixed assets		654,369	501,542
Investment in subsidiary company		–	(74,624,270)
Purchase of investments - Mutual funds		(557,392,629)	(542,225,153)
Sale of investments- Mutual funds		607,482,941	609,758,747
Dividend income received		2,392,629	1,697,411
Interest income		38,571,160	73,632,802
Net cash from / (used in) investing activities	(B)	**77,767,609**	**(700,791)**
Cash flow from financing activities			
Receipt from issue of equity shares		10,000	1,100,050
(Increase) / decrease in loan to subsidiary companies		(21,288,637)	67,412,122
Interest paid		(1,684,391)	(3,864,490)
Net cash from financing activities	(C)	**(22,963,028)**	**64,647,682**
Net Increase in cash and cash equivalents	(A+B+C)	**33,529,212**	**5,009,031**
Cash and cash equivalents at the beginning of the year		319,383,011	314,373,980
Cash and cash equivalents at the end of the year	6	**352,912,223**	**319,383,011**
Significant accounting policies and notes to the financial statements	17		

The schedules referred to above and the notes thereon form an integral part of the financial statements

As per our report attached
for **B S R & Associates**
Chartered Accountants
Firm registration no: 116231W

for and on behalf of Board of Directors of
JRG Securities Limited

S Sethuraman
Partner
Membership No. 203491

Gaurav Vivek Soni
Managing Director

Munish Dayal
Director

Syam Kumar R
Company Secretary and Legal Head

Place : Hyderabad
Date : 12 May 2011

Place : Hyderabad
Date : 12 May 2011

Balance Sheet Abstract & General Business Profile

I. Registration Details

Registration No.	09-08265
Balance Sheet Date	31 03 2011

II. Capital Raised during the year *(Amount in Rs. Thousands)*

Public Issue	NIL	Bonus Issue	NIL
Right Issue	NIL	Private Placement	NIL
Shares alloted under ESOP	46		

III. Position of Mobilisation and Deployment of Funds *(Amount in Rs. Thousands)*

Total Liabilities	818942	Total Assets	818942

Sources of Funds

Paid-up Capital	232855	Reserves & Surplus	586087
Secured Loans	NIL	Unsecured Loans	NIL
		Deferred Tax Liability	NIL

Applications of Funds

Net Fixed Assets	133583	Net Current Assets	313441
Investments	371917	Misc. Expenditure	NIL
Accumulated Losses	NIL	Deferred Tax Asset	NIL

IV. Performance of Company *(Amount in Rs. Thousands)*

Turnover	386923	Profit/(Loss) After Tax	(51093)
Total Expenditure	442248	Earnings per Share (in Rs.)	(2.19)
Profit/(Loss) Before Tax	(55325)	Dividend Rate (%)	NIL

V. Generic Names of Three Principal Products/Services of the Company *(as per monetary items)*

Item Code No. (ITC Code)	NA
Product Description	STOCK BROKING

Gaurav Vivek Soni
Managing Director

Munish Dayal
Director

Syam Kumar R
Company Secretary and Legal Head

Place : Hyderabad
Date : 12 May 2011

Financial information of Subsidiary Companies

Sl. No.	Particulars	JRG Wealth Management Limited	JRG Fincorp Limited	JRG Insurance Broking (P) Ltd.	JRG Business Investment Consultants Ltd
1	Capital	92,624,270	438,596,490	65,000,000	1,000,000
2	Reserves	4,000,000	225,735,570	–	–
3	Total Assets	96,624,270	664,332,060	65,000,000	26,846,137
4	Total Liabilities	96,624,270	664,332,060	65,000,000	26,846,137
5	Details of investment (except in case of investment in subsidiaries)		248,222,577		
6	Turnover	201,315,320	127,170,276	7,182,459	20,889,099
7	Profit before taxation	(7,823,317)	91,103,076	(456,438)	3,208,510
8	Provision for taxation	10,624,533	17,769,275		
9	Profit after taxation	(18,447,850)	73,333,801	(456,438)	3,208,510

Gaurav Vivek Soni
Managing Director

Munish Dayal
Director

Syam Kumar R
Company Secretary and Legal Head

Place : Hyderabad
Date : 12 May 2011

Auditors' report on Consolidated Financial Statement

To the Board of Directors of

JRG Securities Limited

on the consolidated financial statements of JRG Securities Limited and its subsidiaries.

We have audited the attached consolidated balance sheet of JRG Securities Limited ("the Company") and its subsidiaries (collectively referred to as the "JRG Group") as at 31 March 2011 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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 whether the consolidated financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 – Consolidated Financial Statements prescribed by the Company's (Accounting Standard Rules), 2006.

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the consolidated balance sheet, of the consolidated state of affairs of the JRG Group as at 31 March 2011;

(ii) in the case of consolidated profit and loss account, of the profit of the JRG Group for the year ended on that date; and

(iii) in the case of consolidated cash flow statement, of the consolidated cash flows of the JRG Group for the year ended on that date.

for **B S R & Associates**

Chartered Accountants

Firm registration no: 116231W

S Sethuraman

Partner

Membership No: 203491

Place: Hyderabad

Date: 12 May 2011

Consolidated Balance Sheet As at 31 March 2011

(All amounts are in Indian Rupees except share data or as stated)

	Schedule No.	As at 31.03.2011	As at 31.03.2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	232,855,010	232,845,010
Reserves and surplus	2	679,275,978	659,281,914
		912,130,988	**892,126,924**
Loan funds			
Secured Loans	3	–	48,556,643
Minority interest		285,663,526	253,823,401
Deferred tax liability	18 (C) (b)	–	4,232,130
		1,197,794,514	**1,198,739,098**
APPLICATION OF FUNDS			
Fixed assets	4		
Gross block		366,836,489	385,782,596
Less: Accumulated depreciation/amortization		(214,135,774)	(180,722,090)
Net block		**152,700,715**	**205,060,506**
Add: Capital advances		4,731,067	3,737,951
		157,431,782	**208,798,457**
Goodwill on consolidation		17,720,414	17,720,414
Investments	5	248,223,826	208,754,751
Deferred tax asset	18 (C) (b)	3,463,829	2,218,885
Current assets, loans and advances			
Stock in trade	18 (C) (l)	19,603,654	–
Sundry debtors	6	75,185,726	185,567,655
Cash and bank balances	7	609,657,811	485,646,098
Loans and advances	8	558,866,638	646,487,406
		1,263,313,829	**1,317,701,159**
Current liabilities and provisions			
Current liabilities	9	490,930,157	554,695,567
Provisions	10	1,429,009	1,759,001
		492,359,166	**556,454,568**
Net current assets		770,954,663	761,246,591
		1,197,794,514	**1,198,739,098**
Significant accounting policies and notes to the consolidated financial statements	18		

The schedules referred to above and the notes thereon form an integral part of the consolidated financial statements

As per our report attached
for B S R & Associates
Chartered Accountants
Firm registration no: 116231W

for and on behalf of Board of Directors of
JRG Securities Limited

S Sethuraman
Partner
Membership No. 203491

Gaurav Vivek Soni
Managing Director

Munish Dayal
Director

Syam Kumar R
Company Secretary and Legal Head

Place : Hyderabad
Date : 12 May 2011

Place : Hyderabad
Date : 12 May 2011

Consolidated Profit and Loss Account For the year ended 31 March 2011

(All amounts are in Indian Rupees except share data or as stated)

	Schedule No.	Year ended 31.03.2011	Year ended 31.03.2010
INCOME			
Income from operations	11	598,949,292	582,088,768
Interest income	12	53,396,134	88,631,397
Other income	13	86,066,170	45,010,602
		738,411,596	715,730,767
EXPENDITURE			
Operating costs	14	192,091,670	211,827,443
Personnel costs	15	208,942,253	183,346,209
Trading and other administrative expenses	16	174,060,351	145,058,889
Depreciation/Amortization	4	69,143,187	74,216,572
Interest and finance charges	17	12,580,347	9,601,120
Loss on trading in commodity derivatives		9,824,173	–
		666,641,981	624,050,233
Profit before taxes		**71,769,615**	**91,680,534**
Provision for tax			
– Current tax		30,714,932	23,442,633
– Deferred tax (benefit) / expense		(5,477,073)	1,104,072
– Minimum alternate tax entitlement		(1,076,180)	–
Profit before minority interest		**47,607,936**	**67,133,829**
Less: Minority interest in share of profit and losses (net)		31,840,125	20,874,933
Net profit after minority interest		**15,767,811**	**46,258,896**
Balance in profit and loss account brought forward		24,660,296	(16,064,315)
Amount available for appropriation		**40,428,107**	**30,194,581**
Appropriations :			
Transfer to statutory reserve		(8,360,053)	(5,534,285)
Balance in profit and loss account carried forward		**32,068,054**	**24,660,296**
Earnings per share:	18 C (f)		
Basic		0.68	1.99
Diluted		0.68	1.99
Nominal value of equity shares (Rs)		10.00	10.00
Significant accounting policies and notes to the consolidated financial statements	18		

The schedules referred to above and the notes thereon form an integral part of the consolidated financial statements

As per our report attached
for B S R & Associates
Chartered Accountants
Firm registration no: 116231W

for and on behalf of Board of Directors of
JRG Securities Limited

S Sethuraman
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Gaurav Vivek Soni
Managing Director

Munish Dayal
Director

Syam Kumar R
Company Secretary and Legal Head

Place : Hyderabad
Date : 12 May 2011

Place : Hyderabad
Date : 12 May 2011

Schedules forming part of the consolidated financial statements

(All amounts are in Indian Rupees except share data or as stated)

		As at 31.03.2011	As at 31.03.2010
1 SHARE CAPITAL			
Authorised capital			
40,000,000 (Previous year: 40,000,000) equity shares of Rs 10 each		400,000,000	400,000,000
Issued, subscribed and fully paid-up			
23,352,626 (Previous Year: 23,306,376) equity shares of Rs 10 each fully paid up		233,526,260	233,063,760
(Out of which 6,180,000 shares have been issued as fully paid bonus shares)			
Shares held by trust (Refer note C (o) of schedule 18)		(671,250)	(218,750)
		232,855,010	232,845,010
2 RESERVES AND SURPLUS			
a) Securities premium			
Balance at the beginning of the year		497,322,134	497,212,129
Add: Premium received during the year on exercise of employee stock options		975,995	722,505
Less: Premium on shares held by the trust (Refer note C(o) of schedule 18)		(975,995)	(612,500)
		497,322,134	497,322,134
b) Capital reserve			
Balance at the beginning of the year		120,010,470	48,055,734
Add: Capital reserve on account of forfeiture of share warrant		–	71,954,736
Balance at the end of the year		120,010,470	120,010,470
c) Statutory reserve (under section 45-IC of the Reserve Bank of India Act, 1934)			
Balance at the beginning of the year		10,060,400	4,526,115
Add: Transfer from the profit and loss account		8,360,053	5,534,285
Balance at the end of the year		18,420,453	10,060,400
d) General reserve		3,746,498	3,746,498
e) Employee stock option outstanding			
Balance at the beginning of the year		7,300,875	1,930,880
Add: Options granted during the year		9,623,290	7,167,000
Less:Options forfeited during the year		(3,801,000)	(1,687,000)
Less: Options exercised during the year		–	(110,005)
Balance at the end of the year	(1)	13,123,165	7,300,875
f) Deferred stock compensation cost			
Balance at the beginning of the year		3,818,759	1,175,000
Add: Options granted during the year		9,623,290	7,167,000
Less: Amortisation during the year		(4,226,253)	(2,836,241)
Less: Options forfeited during the year		(3,801,000)	(1,687,000)
Balance at the end of the year	(2)	5,414,796	3,818,759
	(1-2)	7,708,369	3,482,116
g) Profit and loss account		32,068,054	24,660,296
		679,275,978	659,281,914
3 SECURED LOANS			
Working capital facilities from bank		–	48,556,643
		–	48,556,643

Rs. 34,865,668 were secured against pledge of fixed deposit.

Rs. 13,690,975 were secured against current and future receivables from the customers and backed by the stocks of the customers, which were pledged to the Company as additional security.

4 FIXED ASSETS

(All amounts are in Indian Rupees except share data or as stated)

Description	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK	
	As at 01.04.2010	Additions	Deletions/ Writeoff	As at 31.03.2011	As at 01.04.2010	For the year	Deletions/ Writeoff	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Tangible Assets										
Furniture and fittings	89,413,998	2,886,546	16,503,765	75,796,779	41,521,852	14,212,086	15,275,390	40,458,548	35,338,231	47,892,146
Office equipments including computers	119,560,136	10,549,619	18,448,503	111,661,252	57,271,950	17,492,614	18,038,886	56,725,678	54,935,574	62,288,186
Electrical fittings	14,689,373	883,857	1,609,615	13,963,615	4,624,637	2,484,107	1,016,174	6,092,570	7,871,045	10,064,736
Motor vehicles	1,387,110	–	2,550	1,384,560	343,107	247,723	2,550	588,280	796,280	1,044,003
Vsat equipments	25,720,380	–	302,669	25,417,711	8,721,921	3,602,021	123,473	12,200,469	13,217,242	16,998,459
Intangible Assets										
Computer software	85,011,599	4,874,012	1,273,039	88,612,572	45,321,957	13,744,358	1,273,030	57,793,285	30,819,287	39,689,642
Non Compete fee *	50,000,000	–	–	50,000,000	22,916,666	17,360,278	–	40,276,944	9,723,056	27,083,334
Grand total	**385,782,596**	**19,194,034**	**38,140,141**	**366,836,489**	**180,722,090**	**69,143,187**	**35,729,503**	**214,135,774**	**152,700,715**	**205,060,506**
Previous year	319,695,108	69,023,478	2,935,990	385,782,596	107,645,290	74,216,572	1,139,772	180,722,090	205,060,506	

* Represents non-compete fee paid under an agreement with certain promoters for a period of 3 years commencing from 29 April 2009.

Schedules forming part of the consolidated financial statements

(All amounts are in Indian Rupees except share data or as stated)

			As at 31.03.2011	As at 31.03.2010
5 INVESTMENTS				
Long term investment (Unquoted, non-trade, At cost)	No of Shares / Units			
	31.03.2011	31.03.2010		
a) Investment in Stock Exchange				
– Cochin Stock Exchange Limited	1	1	900,000	900,000
(Face value Rs 1,250 per share)				
Less: Provision for diminution other than temporary, in the value of investment			(898,750)	(898,750)
			1,250	1,250
b) Investments in Equity shares (Quoted, trade) (Face value Rs 10 per share)				
Shares in Mphasis Limited	–	40,389	–	9,196,545
Shares in ITC Limited	–	87,000	–	20,172,154
Shares in Asian Paints Limited	–	11,583	–	19,294,487
Shares in Bosch Limited	2,015	–	9,846,959	–
Shares in Dabur India Limited	199,000	–	20,204,914	–
Shares in Esab India Limited	32,788	–	20,068,655	–
Shares in On mobile Global Limited	23,615	–	10,036,459	–
Shares in Nestle India Limited	5,562	–	16,486,681	–
Shares in Balmer Lawrie Investment Limited	48,850	–	7,906,948	–
Shares in Coal India Limited	2,699	–	661,255	–
c) Other Investment (Unquoted) *				
Investment in JRG International Brokerage DMCC, Dubai (Previously known as JRG Metals & Commodities DMCC, Dubai)	400	400	–	–
(Face value AED 1000.00 per share)				
d) Investment in Debentures / Bonds (Unquoted, non-trade)				
Muthoot Finance Limited	–	75,000	–	75,000,000
Shriram Transport Finance Co Ltd	–	35,000	–	35,000,000
e) Current Investments - (Unquoted, non-trade)				
Investment in mutual funds (Refer Note (C) (j) of Schedule 18 (Unit face value Rs 10 each)				
1524 ICICI Prudential flexible income plan premium - daily dividend	–	236,821	–	25,040,261

(All amounts are in Indian Rupees except share data or as stated)

	No of Shares / Units 31.03.2011	No of Shares / Units 31.03.2010	As at 31.03.2011	As at 31.03.2010
5 INVESTMENTS *(CONTD.)*				
HDFC Cash Management Fund -treasury advantage plan - wholesale - daily dividend option	–	1,998,634	–	20,049,300
Taurus Short term bond fund - institutional daily dividend plan	–	4,993	–	5,000,754
Investment in LIC Nora Liquid Fund	9,088,972	–	163,010,705	–
			248,223,826	208,754,751
The aggregate book value and market value of quoted investments, and book value of unquoted investments, are as follows:				
Quoted investments				
Aggregate book value			85,211,871	48,663,186
Aggregate market value			82,566,937	71,784,399
Aggregate book value of unquoted investments			163,910,705	160,091,565

* Refer Note A of Schedule 18

6 SUNDRY DEBTORS	As at 31.03.2011	As at 31.03.2010
Secured		
Debts outstanding for a period exceeding six months		
– Considered good	–	265,129
– Considered doubtful	–	–
Other debts		
– Considered good	4,369,117	2,890,606
– Considered doubtful	–	–
Unsecured		
Debts outstanding for a period exceeding six months		
– Considered good	1,880,321	3,061,285
– Considered doubtful	10,795,942	6,872,400
Other debts		
– Considered good	68,936,288	179,350,635
– Considered doubtful	–	–
Less: Provision for bad and doubtful debts	(10,795,942)	(6,872,400)
	75,185,726	185,567,655

Schedules forming part of the consolidated financial statements

(All amounts are in Indian Rupees except share data or as stated)

	As at 31.03.2011	As at 31.03.2010
7 CASH AND BANK BALANCES		
Cash in hand	271,431	258,598
Stamps in hand	560,420	108,499
Balances with scheduled banks		
– in current account **	223,305,439	104,294,733
– in deposit account *	385,520,521	380,984,268
	609,657,811	485,646,098
* Fixed deposits placed in lien with various exchanges and pledged with banks as security for guarantees issued by banks in favour of various stock/commodity Exchanges	253,193,775	254,074,723
** Balance in current account includes Rs. 281,378 (Previous year: Rs.271,378) in the name of JRG ESOP Trust.		
8 LOANS AND ADVANCES		
(Secured and considered good)		
Loan against collateral	332,968,474	405,315,552
(Unsecured and considered good)		
Loans and advances to others - JRG International Brokerage DMCC, Dubai (Previously known as JRG Metals & Commodities DMCC, Dubai) *	–	12,694,929
Advances recoverable in cash or in kind or for value to be received **	79,891,914	75,388,553
Deposit with exchanges	75,871,620	85,161,320
Interest accrued	6,753,944	1,480,864
Rental and other deposits	29,423,116	31,552,019
Minimum alternate tax credit entitlement	1,076,180	–
Advance tax (net of provisions)	32,881,390	34,894,169
	558,866,638	646,487,406
(Unsecured and considered doubtful)		
Loans and advances to others	12,747,116	–
Advances recoverable in cash or in kind or for value to be received	13,980,506	12,004,352
Less: Provision for doubtful loans and advances	(26,727,622)	(12,004,352)
	558,866,638	**646,487,406**

* Refer Note A of Schedule 18

** Refer note C (c) of schedule 18

	As at 31.03.2011	As at 31.03.2010
9 CURRENT LIABILITIES		
Sundry Creditors		
– Micro enterprises and small enterprises (Also refer note C(m) of Schedule 18)	–	–
– Others		
– Client	403,613,051	454,990,104
– Expenses	50,901,658	60,121,688
– Capital goods	201,153	3,132,264
Payable to exchanges	2,552,501	3,474,523
Security deposit	25,377,396	24,813,151
Other liabilities	7,942,162	7,821,051
Unclaimed dividend*	342,236	342,786
	490,930,157	**554,695,567**

* There is no amount due and outstanding to be credited to the Investor Education and Protection Fund.

	As at 31.03.2011	As at 31.03.2010
10 PROVISIONS		
Provision for gratuity	241,529	1,692,315
Provision for taxation	–	66,686
Provision for Non-Performing Assets *	1,187,480	–
	1,429,009	**1,759,001**

* Includes provision of 0.25% for standard assets as per the RBI notification dated 17 January 2011.

Schedules forming part of the consolidated financial statements

(All amounts are in Indian Rupees except share data or as stated)

	Year ended 31.03.2011	Year ended 31.03.2010
11 INCOME FROM OPERATIONS		
Income from stock broking	306,528,440	383,806,521
Income from commodity broking	184,870,927	117,211,987
Income from depository participant services	19,355,822	23,761,348
Income from insurance broking	6,886,995	14,550,366
Interest income from lending operations	80,540,702	24,457,577
Income from financial distribution and market support services	766,406	18,300,969
	598,949,292	582,088,768

	Year ended 31.03.2011	Year ended 31.03.2010
12 INTEREST INCOME		
Interest on delayed payments (Tax deducted at source: Rs Nil, Previous year: Rs Nil)	24,846,878	49,060,358
Interest received on fixed deposits, debentures and bond (Tax deducted at source : Rs. 3,027,194 , Previous year Rs.3,045,275)	28,549,256	39,571,039
	53,396,134	88,631,397

	Year ended 31.03.2011	Year ended 31.03.2010
13 OTHER INCOME		
Dividend income from mutual funds and long term investments	5,150,776	6,978,410
Mark to market gain on mutual fund investments (net)	792,791	–
Profit on redemption of mutual funds (Net)	2,330,020	653,615
Profit on sale of equity shares	34,896,801	33,894,388
Provision / liabilities no longer required written back	14,685,769	189,874
Exchange fluctuation gain	52,187	–
Profit on sale of commodities (net)	19,415,304	–
Miscellaneous income	8,742,522	3,294,315
	86,066,170	45,010,602

	Year ended 31.03.2011	Year ended 31.03.2010
14 OPERATING COSTS		
Business incentive	144,056,273	169,290,858
Turnover charges	34,812,666	30,224,111
Other trading expenses	13,222,731	12,312,474
	192,091,670	211,827,443

	Year ended 31.03.2011	Year ended 31.03.2010
15 PERSONNEL COSTS		
Salaries, wages and bonus	184,202,895	166,516,240
Contributions to provident and other funds	10,171,766	8,970,467
Employee stock compensation expenses	4,226,253	2,836,241
Staff welfare expenses	10,341,339	5,023,261
	208,942,253	183,346,209

Schedules forming part of the consolidated financial statements

(All amounts are in Indian Rupees except share data or as stated)

	Year ended 31.03.2011	Year ended 31.03.2010
16 TRADING AND OTHER ADMINISTRATIVE EXPENSES		
Power and fuel	12,320,928	10,373,907
Rent, rates and taxes	32,929,415	27,203,161
Penalties and fines *	–	5,000,000
Repair and maintenance - others	22,956,240	15,232,016
Travelling expenses	9,193,834	6,042,928
Office and branch expenses	12,355,582	10,513,890
Communication expenses	20,273,365	20,786,062
Printing and stationery	4,457,381	4,675,715
Advertisement and business promotion	7,850,999	6,366,013
Insurance charges	437,702	169,690
Registration and renewals	1,894,751	2,076,870
Professional and consultancy charges	15,717,394	16,311,734
Directors sitting fees	500,000	290,000
Provision for doubtful loans and advances	14,723,270	457,195
Provision for bad and doubtful debts	3,923,542	2,022,086
Loss on redemption of mutual funds (net)	–	7,812,667
Loss on trading in equity derivative instruments (net)	1,609,358	–
Bad debts written off	778,802	2,248,770
Loss on sale of fixed assets	1,627,867	1,044,342
Exchange fluctuation loss	–	1,230,120
Warehouse charges	947,665	–
Provision for non performing asset	1,187,480	–
Miscellaneous expenses	8,374,776	5,201,723
	174,060,351	145,058,889

* towards compounding of contravention with respect to an investment made by the Company in Dubai, United Arab Emirates under Foreign Exchange Management Act, 1999.

	Year ended 31.03.2011	Year ended 31.03.2010
17 INTEREST AND FINANCE CHARGES		
Interest	7,454,898	1,712,304
Other charges	5,125,449	7,888,816
	12,580,347	9,601,120

(All amounts are in Indian Rupees except share data or as stated)

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A) Background

JRG Securities Limited ("JRG" or "the Company") along with its subsidiaries (hereinafter the above said companies are collectively referred to as (''JRG group") are primarily engaged in the business of retail broking (securities and commodity broking), direct insurance agents, financial services, marketing support services and dealing in stocks and commodities. The Company is listed in Bombay Stock Exchange.

During October 2007, Duckworth Limited, a company registered under the laws of Mauritius and a wholly owned subsidiary of Baring India Private Equity Fund II Limited ("Barings Group") acquired 44.8 % of shares of the Company.

JRG's subsidiaries, step-down subsidiaries are listed below:

Entity	Country of Incorporation	Percentage of Holding
JRG Wealth Management Limited ('JRG Wealth')	India	91.51%
JRG Insurance Broking Private Limited ('JRG Insurance')	India	Wholly owned subsidiary of JRG Wealth
JRG Fincorp Limited ('JRG Fincorp')	India	57.00%
JRG Business Investment Consultants Limited ('JRG BIC')	India	100.00%

During the previous year ended 31 March 2010, Company has discontinued the use of the equity method of accounting for the investment in an associate JRG International Brokerage DMCC, Dubai, Previously known as JRG Metals and Commodities DMCC, Dubai, as the Company ceases to have significant influence in the associate but retains in whole its investment. The carrying amount of the investment at that date of discontinuation has been regarded as cost thereafter.

B) Significant Accounting Policies

a. Basis of preparation of consolidated financial statements

The consolidated financial statements of JRG Securities and its subsidiaries (collectively referred as 'the group') have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of the Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India.

b. Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and reported amounts of income and expenses during the period. Actual figures may differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

c. Principles of Consolidation

The consolidated financial statements include the financial statements of JRG Securities Limited, the parent company and all of its subsidiaries (collectively referred to as "the Group" or "JRG group"), in which the Company has more than one-half of the voting power of an enterprise or where the Company controls the composition of the board of directors.

The consolidated financial statements have been prepared on the following basis:

The financial statements of the parent company and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting unrealized profits in full. Unrealized losses resulting from intra-group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the group. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase in the relevant reserves of the subsidiaries.

The Group accounts for investments by the equity method of accounting where it is able to exercise significant influence over the operating and financial policies of the investee. Inter company profits and losses have been proportionately eliminated until realized by the investor or investee.

The excess / deficit of cost to the parent company of its investment in the subsidiaries over its portion of equity at the

(All amounts are in Indian Rupees except share data or as stated)

respective dates on which investment in such entities were made are recognized in the financial statements as goodwill / capital reserve. The parent company's portion of equity in such entities is determined on the basis of the book values of assets and liabilities as per the financial statements of such entities as on the date of investment and if not available, the financial statements for the immediately preceding period adjusted for the effects of significant transactions, up to the date of investment.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

d. **Fixed assets and depreciation**

Fixed assets are carried at cost of acquisition or construction less accumulated depreciation and impairment, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation on fixed assets is provided on straight line method. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/remaining useful life. The rates of depreciation followed by the Company are as follows:

Asset group	Depreciation rates (%)
Furniture and fittings	20.00%
Electrical fittings	20.00%
Office equipments	20.00%
Computers	16.21%
Softwares	20.00%
V- Sat Equipments	16.21%
Vehicle	20.00%

Depreciation in respect of leasehold improvements is provided on the straight-line method over a period of 5 years since the management is reasonably certain of renewal of lease terms.

Individual assets costing Rs 5,000/- or less are depreciated at 100% in the year of purchase.

Advances paid towards acquisition of fixed assets and the cost of assets not ready to be put to use before the year end are disclosed under capital advances.

e. **Intangible assets and amortization**

Intangible assets representing computer software are recorded at the consideration paid for acquisition. Software are amortised over their estimated useful lives of five years on a straight-line basis, commencing from the date the asset is available to the Group for its use. Non-compete fee paid and capitalized is amortized on a progressively decreasing basis over the 3 years non-compete period.

f. **Impairment of Assets**

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount (higher of net selling price and value in use) of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

g. **Revenue**

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured.

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Brokerage income in relation to securities and commodities broking activity is recognized on the trade date of transaction (net of service tax), upon confirmation of trade by the stock exchange/commodity exchange.

Depository income (net of service tax) pertains to income (including account opening fees) from depository services rendered by the Company and is recognized on an accrual basis.

Insurance brokerage income is recognized on an accrual basis at the inception of the insurance policy based on the terms agreed with the insurance companies. Insurance broking income on renewed policy is recognized on the date of receipt of renewal premium from the insurance companies.

Interest income from loan business is accounted on an accrual basis except for non performing / doubtful assets, interest in respect of which is recognized, considering prudential norms for income recognition issued by the Reserve Bank of India (RBI) for Non-Banking Financial Companies on receipt basis.

Income from financial distribution and marketing support services is recognized as the relevant services are rendered in accordance with the terms of arrangement with the customers.

Profit or loss on sale of equity and commodities are determined based on the first in first out method. Profit or loss on closed positions of derivative instruments is recognized on final settlement or squaring up of the contracts.

Interest income is recognized on time proportion basis.

Dividend income is recognized when the shareholders' right to receive payment is established by the balance sheet date.

h. **Provision for doubtful loans and advances**

The policy of provisioning against non performing loans and advances has been decided by the management considering prudential norms prescribed by the RBI for Non Banking Financial Companies. As per the policy adopted, the provision against sub standard assets are fixed on a conservative basis, taking into account management's perception of the higher risk associated with the business of the Company. Non performing loans and advances which when are considered as loss assets and full provision will be made against such assets

i. **Investments**

Investments are either classified as current or long-term based on the management's intention. Current investments are carried at the lower of cost and fair value. In case of investments in mutual funds, the net asset value of units declared by the mutual funds is considered as the fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

j. **Stock- in- trade**

The commodities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets and are valued at cost or net realisable value, whichever is lower.

k. **Derivatives : equity index / stock - futures and commodities stock – futures**

Equity index / stock / commodities futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities respectively, in the "Mark-to-Market Margin – equity index / stock / commodities stock futures account", represents the net amount paid or received on the basis of movement in the prices of equity index / stock / commodities futures till the balance sheet date.

As on the balance sheet date, profit or loss on open positions in equity index / stock / commodities futures are accounted for as follows:

• Credit balance in the "Mark-to-Market Margin – equity index / stock / commodities stock futures account", being anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.

• Debit balance in the "Mark-to-Market Margin – equity index / stock / commodities stock futures account", being anticipated loss, is adjusted in the profit and loss account.

On final settlement or squaring-up of contracts for equity index / stock / commodities futures, the profit or loss is calculated as the difference between settlement/ squaring-up price and contract price. Accordingly, debit or credit balance pertaining to the settled/ squared-up contract in "Mark-to-Market Margin – equity index / stock / commodities stock futures account" is recognised in the profit and loss account upon expiry of the contracts. When more than one contract in respect of the relevant series of commodity futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using first in first out method for calculating profit / loss on squaring-up.

"Initial Margin – equity index / stock / commodities stock futures account", representing initial margin paid, and "Margin Deposits – equity index / stock / commodities stock futures account", representing additional margin over and above initial margin, for entering into contracts for equity index / stock / commodities futures, which are released on final settlement / squaring-up of underlying contracts, are disclosed under loans and advances.

l. Transactions in foreign currency

Foreign currency transactions are accounted at the exchange rates prevailing on the date of the relevant transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account of the year. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The resultant exchange differences are recognized in the profit and loss account.

m. Operating lease

Operating lease payments are recognized as an expense in the profit and loss account on a straight line basis over the lease term.

n. Employee benefits

I. Short term employee benefit plans

All short term employee benefit plans such as salaries, wages, bonus, special awards and medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognized on an undiscounted basis and charged to the profit and loss account.

II. Defined contribution plan

Contributions to the provident fund are made monthly at a predetermined rate to the Regional Provident Fund Commissioner and debited to the profit and loss account on an accrual basis.

III. Defined Benefit Plan

Provision is made for gratuity based on actuarial valuation, carried out by an independent actuary as at the balance sheet date using the projected unit credit method. All actuarial gains and losses arising during the year are recognized in the Profit and Loss Account of the year.

o. Taxation

Income-tax expense comprise current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is a reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at the balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

Current tax and deferred tax assets and liabilities are offset to the extent to which the Group has a legally enforceable right to set off and they relate to taxes on income levied by the same governing taxation laws.

Minimum alternate tax ("MAT") paid in accordance with tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the company would pay normal income tax in the future years and accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the company and the asset can be measured reliably. MAT credit entitlement is reviewed at each balance sheet date and written down to the extent there is no convincing evidence to the effect that the Company will pay normal income tax during the specified period.

p. Provisions, contingent liabilities and contingent assets

The Group creates a provision when there is present obligation as a result of past event that probably requires an outflow

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of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognized nor disclosed in the financial statements.

q. Employee stock options plan

In accordance with the Securities and Exchange Board of India guidelines, the fair value of the options as at the date of grant of options under the employee stock option scheme, is treated as employee compensation and amortized over the vesting period.

r. Cash flows

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non–cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Group are segregated.

s. Earnings per share

Basic earnings per share is computed by dividing net profit or loss for the period attributable to equity shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are computed after adjusting the effects of all dilutive potential equity shares. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

C) Notes to the consolidated financial statements

a. Capital commitments and contingencies.

- Estimated amount of contracts remaining to be executed on capital account net of capital advances and not provided for, amounts to Rs. 10,513,446 (Previous Year: Rs. Nil).
- Bank guarantees outstanding Rs 374,000,000 (Previous Year: Rs. 399,173,000).
- Claims against the group not acknowledged as debts Rs. 16,203,450 (Previous Year: Rs.17,149,124)
- Contingent liability for income tax Rs. 10,319,170 (Previous year : Nil)

b. Deferred Taxes

(i) The major components of deferred tax assets and liabilities are outlined below:

Particulars	As at 31 March 2011	As at 31 March 2010
Deferred tax assets		
Provision for Non performing assets	394,451	–
Provision for loans and advances	–	3,440,034
Provision for bad and doubtful debts	1,663,146	1,461,570
Provision for gratuity	45,071	967,013
Preliminary expenses	179,776	1,373,045
Unabsorbed depreciation	–	1,731,157
Depreciation	1,213,075	–
	3,495,519	8,972,819
Deferred tax liabilities		
Depreciation	–	10,986,064
Others	(31,690)	–
Net deferred tax asset / (liability)	3,463,829	(2,013,245)

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The net deferred tax asset of Rs.3,463,829 (Previous year: deferred tax liability Rs.2,013,245) has been presented in the balance sheet as follows

Particulars	As at 31 March 2011	As at 31 March 2010
Deferred tax assets	3,463,829	2,218,885
Deferred tax liabilities	–	4,232,130
Net deferred tax asset / (liability)	**3,463,829**	**(2,013,245)**

c. Managerial remuneration

Remuneration to Directors	Year ended 31 March 2011	Year ended 31 March 2010
Salaries and other allowances*	3,000,000	2,904,215
	3,000,000	**2,904,215**

*The directors are covered under the Company's group gratuity scheme along with other employees of the Company. Contribution to gratuity is based on actuarial valuation done on an overall Company basis and hence is excluded above.

The remuneration payable to the managing director of the Company and of JRG Wealth Management Limited is in excess of the limits approved by the share holders at the Annual General Meeting by Rs.490,500 and Rs.100,000 respectively. The excess amount of Rs.590,500 paid to them has been shown as recoverable under loans and advances.

d. Related party disclosures.

Names of related parties and nature of relationship:

Company having significant influence	Duckworth Limited, Mauritius
Associate company	JRG International Brokerage DMCC, Dubai (Previously known as JRG Metal & Commodities DMCC, Dubai) . Also refer A of Schedule 18
Key managerial personnel	Gaurav Vivek Soni (Managing Director) Samson K J (Managing Director of JRG Wealth Management Limited from 23 January 2010) Whole Time Director (From 04 May 2009 till 22 January 2010)
	Ranjith Kumar G (Director of JRG Insurance Broking Private Limited, resigned as a whole time director w.e.f.15 May 2010)
	Vijayakumaran V K (Manager of JRG Insurance Broking Private Limited from 24 May 2010)

Transactions and balance with related parties

Particulars	Transactions during Year ended 31 March 2011	Amount Payable/ Receivable as at 31 March 2011
Remuneration paid		
Salaries and other allowances		
Gaurav Vivek Soni	3,000,000	490,500*

Note: Salaries and other allowances paid to Managing Director and Manager of subsidiary companies aggregates to Rs. 2,259,151.

*Refer note C(c) of schedule 18

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Transactions and balance with related parties (Contd.)

Particulars	Transactions during Year ended 31 March 2010	Amount Payable/ Receivable as at 31 March 2010
Loan given to		
JRG International Brokerage DMCC, Dubai (Previously known as JRG Metals & Commodities DMCC, Dubai)	–	12,694,929
Business incentive paid		
JRG International Brokerage DMCC, Dubai (Previously known as JRG Metals & Commodities DMCC, Dubai)	4,696,186	(21,486,679)
Remuneration paid		
Regi Jacob		
Gaurav Vivek Soni	175,000	–
	2,729,215	–

Note: Salaries and other allowances paid to Managing Director and Manager of subsidiary companies aggregates to Rs 2,566,135.

(All amounts are in Indian Rupees except share data or as stated)

e. **Segment reporting**

a) Primary segment information (by business segment)

The Group's business is organised and management reviews the performance based on the business segment as mentioned below:–

Equity broking- Equity broking and demat services
Commodity broking- Commodity broking services
Insurance broking- Insurance product distribution services
Client financing- Margin financing to broking clients, gold loans and loan against shares, commodities etc
Financial distribution support services

Income for each segment has been specifically identified. Expenditure, assets and liabilities are either specifically identifiable with individual segments or have been allocated to segments on a systematic basis.

b) Secondary segment reporting (by geographical segments)

The Group predominantly caters only to the needs of the domestic market. Hence there are no reportable geographical segments.

Particulars	Equity Broking services		Commodity broking services		Insurance broking services		Client financing		Financial Distribution Support Services		Eliminations		Consolidated total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Segment revenue	384,642,837	475,567,734	195,120,886	124,865,927	6,967,948	14,625,367	84,253,615	40,006,690	20,836,147	26,065,963	(5,069,020)	(12,180,514)	686,752,413	668,951,167
Unallocated corporate income	–	–	–	–	–	–	–	–	–	–	–	–	51,659,183	46,779,600
Total income	**384,642,837**	**475,567,734**	**195,120,886**	**124,865,927**	**6,967,948**	**14,625,367**	**84,253,615**	**40,006,690**	**20,836,147**	**26,065,963**	**5,069,020**	**(12,180,514)**	**738,411,596**	**715,730,767**
Segment result	**(55,970,452)**	**23,120,000**	**26,493,567**	**10,286,000**	**(670,949)**	**(1,078,341)**	**54,370,124**	**16,868,579**	**3,341,429**	**(2,582,999)**	–	–	**27,563,718**	**46,613,239**
Unallocated corporate (expenses)/Income													10,629,309	13,065,853
Operating profit/(loss)													**38,193,027**	**59,679,092**
Interest expense													(7,454,898)	(1,712,304)
Dividend income on mutual funds													3,804,665	6,978,410
Profit / (loss) on redemption of mutual funds (net)													2,330,020	(7,159,052)
Profit on sale of equity shares (net)													34,896,801	33,894,388
Profit/(loss) before taxes and minority interest													**71,769,615**	**91,680,534**
Income taxes charge/(credit)													24,161,679	24,546,705
Profit /(loss) after taxes but before minority interest													**47,607,936**	**67,133,829**
Minority interest in share of profit and losses (net)													31,840,125	20,874,933
Net profit/(loss) after minority interest													**15,767,811**	**46,258,896**
Other information														
Segment assets	1,103,387,007	1,200,203,574	262,808,991	248,602,975	9,962,487	10,484,643	427,549,952	481,297,633	21,930,152	5,084,024	(407,780,137)	(447,563,720)	1,417,858,453	1,498,109,129
Unallocated corporate assets													284,567,795	245,484,375
Total assets													**1,702,426,248**	**1,743,593,504**
Segment liabilities	305,517,112	406,032,240	192,252,261	152,086,719	990,195	1,065,643	14,777,983	50,057,742	29,678,728	17,510,094	(25,846,137)	(15,629,720)	517,370,142	611,122,718
Unallocated corporate liabilities													–	4,232,131
Total Liabilities													**517,370,142**	**615,354,849**
Capital expenditure	16,979,875	66,238,775	2,195,588	2,590,448	–	194,255	18,571	–	–	–	–	–	19,194,034	69,023,478
Depreciation	60,592,542	65,526,947	6,869,699	6,930,734	1,679,984	1,758,891	961	–	–	–	–	–	69,143,187	74,216,572
Non–cash expenses other than depreciation	20,735,411	6,827,422	1,626,958	10,610,212	400,485	1,095,756	1,966,282	–	1,738,077	955,364	–	–	26,467,213	19,488,754

(All amounts are in Indian Rupees except share data or as stated)

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f. Computation of number of shares for calculating diluted earnings per share

Particulars		Year ended 31 March 2011	Year ended 31 March 2010
Earnings			
Net profit /(loss)for the year	(A)	**15,767,811**	**46,258,896**
Shares			
Number of shares at the beginning of the year		23,284,501	23,174,496
Add:			
Equity shares issued and exercised by employees under ESOP 2005 Plan		1,000	110,005
Total number of shares at the end of the year		23,285,501	23,284,501
Weighted average number of equity shares outstanding during the year- Basic	(B)	**23,285,501**	**23,217,269**
Add: Weighted average number of shares arising out of stock options that has dilutive effect		13,148	14,141
Add: Weighted average number of shares arising out of shares issued to trust under ESOP 2008 Plan but not exercised by employees		59,583	21,875
Weighted average number of equity shares outstanding during the year- Diluted	(C)	**23,357,732**	**23,253,285**
Basic earnings per share	(A / B)	**0.68**	**1.99**
Diluted earnings per share	(A / C)	**0.68**	**1.99**

g. Security margins from clients

In order to secure the performance by the clients of their obligations, commitments and liabilities to the Group, securities/ bank guarantees are placed as margins by creation of pledge in favour of/transfer to the Company's depository account. Such securities are held by the Company in a fiduciary capacity on behalf of its clients and are not recognised in the financial statements. In case such margins are received in cash, the same are disclosed under current liabilities.

h. Employee Stock Options Plan

The Company issued options under the Employees Stock Option Plan 2005 ("2005 Plan") in the financial year 2005-06. The 2005 Plan covers all non- promoter directors and employees of the Company (collectively referred to as "eligible employees") and its subsidiaries. Under the plan, the Company granted 179,100 options on 3 September 2005. The Compensation Committee granted the options on the basis of performance, criticality and potential of the employees as identified by Management.

The Company had computed the fair value of the options for the purpose of accounting of employee compensation cost/ expense over the vesting period of the options. The estimated fair value of each stock option granted on 3 September 2005 was Rs 0.28. This has been calculated based on independent valuation report, which has been estimated under the Black Scholes option pricing model. The exercise price for these options granted is Rs.10. The inputs were the share price at grant date of Rs 10.67, exercise price of Rs 10, expected volatility of 0% (the Company was not listed at the time of grant of options), expected dividends 7.5%, contractual life of 4.05 years, and a risk-free interest rate of 6.59%. The vesting period for these options granted under the 2005 plan varies from 12 months to 36 months. Out of the 179,100 options granted on 3 September 2005, 50,220 options were forfeited up to 31 March 2009.

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Summary of the status of options granted under ESOP 2005 Plan which was subsequently merged under ESOP 2008 Plan to employees as at 31 March 2011 is presented below:

Number of Options	Year ended 31 March 2011	Year ended 31 March 2010
Options granted and outstanding at the beginning of the year	18,875	128,880
Add: Options granted during the year	–	–
Less: Exercised during the year	1,000	110,005
Less: Forfeited during the year	–	–
Options granted and outstanding at the end of the year	17,875	18,875
Exercisable options at the end of the year	17,875	18,875

During the financial year 2007-08, the 2005 plan was merged with JRG Employee Stock option plan 2008 ("2008 Plan"). The 2008 Plan was approved on 15 July 2008 at the annual general meeting of shareholders and was effective from the same date. The objective of this 2008 Plan is to encourage ownership of the Company's equity by its employees on an ongoing basis. The ESOP 2008 is intended to reward the employees for their contribution to the successful operation of JRG Securities Limited and to provide an incentive to continue contributing to the success of the company. The new plan provides that the lock-in period and other terms and conditions of this Scheme shall apply ipso facto as they applied to the options issued under 2005 Plan.

Basic terms of the options granted under 2008 Plan are presented below:

Grant date	29 July 08	25 May 09	25 July 09	27 Oct 09	25 May 10	10 Nov 10
Option granted	1,00,000	262,500	10,000	38,000	282,250	184,802
Exercise Price (Rs./Option)	38	34	38	46	36	36
Number of personnel in the option programme	8	63	2	2	98	1

The fair value of stock options has been determined using the Black Scholes option pricing model.

Presumptions used in fair value computations:

Grant date	29 July 08	25 May 09	25 July 09	27 Oct 09	25 May 10	10 Nov 10
Vesting period	12 Months to 48 Months					
Expected option life	7 years	7 years	7 years	7 years	7 years	7 years
Expected Volatility	33%	33%	45%	45%	45%	45%
Expected dividend	0%	0%	0%	0%	0%	0%
Risk free rate	6.15%	6.15%	7%	7%	8.5%	8.5%
Share price at Grant date (Rs.)	37.73	39.9	41	49	35.90	34.60
Fair Value (Rs / option)	18	22	25	29	21	17.80

Summary of the status of options granted under 2008 Plan to employees as at 31 March 2011 is presented below:

Grant date	Year ended 31 March 2011	Year ended 31 March 2010
Options granted and outstanding at the beginning of the year	339,500	100,000
Add: Options granted during the year *	467,052	310,500
Less: Exercised during the year	–	–
Less: Forfeited during the year	107,750	71,000
Options granted and outstanding at the end of the year	698,802	339,500
Exercisable options at the end of the year**	99,500	21,875

*includes 345,302 options (Previous year: 77,500 options) granted under the scheme for subsidiary company employees.

**45,250 options for the current year (Previous year: 21,875 options) has been issued to JRG ESOP Trust but have not been exercised by the employees.

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i. **Employee benefit**

Disclosure in respect of employee benefit pursuant to the Accounting Standard 15 (Revised) for JRG Securities Ltd.

Change in projected benefit obligation	Year ended 31 March 2011	Year ended 31 March 2010
Projected benefit obligation at the beginning of the year	3,769,741	2,998,838
Service cost	1,194,805	1,406,566
Interest cost	320,411	254,901
Actuarial (gain)/ loss	(580,273)	(562,368)
Benefits paid	(275,647)	(328,196)
Projected benefit obligation at the end of the period	4,428,837	3,769,741
Change in Plan Assets		
Fair Value of plan assets at beginning of the year	2,303,136	2,131,758
Expected return on plan assets	292,675	180,605
Actuarial (gain)/ loss	(2,692)	4,553
Contributions	2,555,851	314,416
Benefits paid	(275,647)	(328,196)
Fair value of plan assets at the end of the year	4,873,323	2,303,136

Reconciliation of present value of obligation on the fair value of plan assets

Present value of projected benefit obligation at the end of the period	4,428,837	3,769,741
Funded status of the plans	4,873,323	2,303,136
Funded status amount of liability recognized in the balance sheet	**(444,486)**	**1,466,605**

The components of net gratuity costs are reflected below:

Service cost	1,194,805	1,406,566
Interest cost	320,411	254,901
Expected return on plan assets	(292,675)	(180,605)
Recognized net actuarial (gain)/ loss	(577,581)	(567,121)
Net gratuity costs (included in personnel cost : Schedule 15)	**644,960**	**913,741**

Financial Assumptions at Balance Sheet date:

Discount rate	8.50%	8.50%
Long-term rate of compensation increase	7.50%	7.50%
Rate of return on plan assets	8.50%	8.50%
Attrition Rate	5% at younger ages and reducing to 1% at older ages according to graduated scale	5% at younger ages and reducing to 1% at older ages according to graduated scale

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

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(i) Disclosure in respect of employee benefit pursuant to the Accounting Standard 15 (Revised) for JRG Wealth Management Limited;

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Change in present value of obligations		
Obligations at beginning of the year/ period	1,052,685	937,627
Current service cost	319,412	375,443
Interest Cost	88,892	79,652
Actuarial (gain) / loss	(241,900)	(340,037)
Benefits paid	(385,105)	–
Obligations at the end of the year	**833,984**	**1,052,685**
Change in Plan assets		
Fair value of plan assets at beginning of the year	1,341,339	1,230,586
Expected return on plan assets	100,869	104,600
Actuarial gain / (loss)	6,325	6,153
Contributions	75,815	–
Benefits paid	(385,105)	–
Fair value of plan assets at end of the year	**1,139,243**	**1,341,339**
Reconciliation of present value of the obligation and the fair value of plan assets		
Present value of the defined benefit obligation at the end of the year	**833,984**	**1,052,685**
Fair value of plan assets at the end of the year	1,139,243	1,341,339
Amount of (asset) / liability recognized in the balance sheet	(305,259)	(288,654)
Gratuity cost for the year		
Current service cost	319,412	375,443
Interest cost	88,892	79,652
Expected return on plan assets	(100,869)	(104,600)
Actuarial (gain) / loss	(248,225)	(346,190)
Net gratuity cost (included in personnel cost : Schedule 15)	**59,210**	**4,305**
Financial assumptions at Balance Sheet date		
Discount rate	8.50%	8.50%
Rate of return on plan assets	8.50%	8.50%
Long-term rate of compensation increase	7.50%	7.50%
Attrition rate	5% at younger ages and reducing to 1% at older ages according to graduated scale	5% at younger ages and reducing to 1% at older ages according to graduated scale

(All amounts are in Indian Rupees except share data or as stated)

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTD.)*

(ii) Disclosure in respect of employee benefit pursuant to the Accounting Standard 15 (Revised) for JRG Fincorp Limited:

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Change in present value of obligations		
Obligations at beginning of the year	41,975	–
Current service cost	102,841	41,905
Interest on obligation	3,568	2,130
Net actuarial gain recognized in the year	(12,701)	(2,060)
Obligations at the end of the year	**135,683**	**41,975**
Change in Plan assets		
Fair value of plan assets at beginning of the year	–	–
Fair value of plan assets at end of the year	–	–
Actual return on plan assets	–	–
Reconciliation of present value of the obligation and the fair value of plan assets		
Present value of the defined benefit obligation at the end of the year	135,683	41,975
Fair value of plan assets at the end of the year	–	–
Amount of liability recognized in the balance sheet	135,683	41,975
Gratuity cost for the year		
Current service cost	102,841	41,905
Interest on obligation	3,568	2,130
Net actuarial gain recognized in the year	(12,701)	(2,060)
Net gratuity cost (included in personnel cost : Schedule 15)	93,708	41,975
Financial assumptions at Balance Sheet date		
Discount rate	8.50%	8.50%
Long-term rate of compensation increase	7.50%	7.50%

(iii) Disclosure in respect of employee benefit pursuant to the Accounting Standard 15 (Revised) for JRG Business Investment Consultants Limited:

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Change in present value of obligations		
Obligations at beginning of the year	56,761	41,126
Current service cost	–	55,925
Interest on obligation	–	3,496
Net actuarial gain recognized in the year	–	(43,786)
Curtailment	(56,761)	–
Obligations at the end of the year	–	56,761
Change in Plan assets		
Fair value of plan assets at beginning of the year	–	–
Fair value of plan assets at end of the year	–	–
Actual return on plan assets	–	–

(All amounts are in Indian Rupees except share data or as stated)

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTD.)*

(iv) Disclosure in respect of employee benefit pursuant to the Accounting Standard 15 (Revised) for JRG Business Investment Consultants Limited: (Contd.)

Reconciliation of present value of the obligation and the fair value of plan assets		
Present value of the defined benefit obligation at the end of the year	–	56,761
Fair value of plan assets at the end of the year	–	–
Amount of liability recognized in the balance sheet	–	56,761
Gratuity cost for the year		
Current service cost	–	55,925
Interest on obligation	–	3,496
Net actuarial gain recognized in the year	–	(43,786)
Net gratuity cost (included in personnel cost : Schedule 15)	–	15,635
Assumptions		
Discount rate	–	8.50%
Long-term rate of compensation increase	–	7.50%

(v) Disclosure in respect of employee benefit pursuant to the Accounting Standard 15 (Revised) for JRG Insurance Broking Private Limited

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Change in present value of obligations		
Obligations at beginning of the year	**126,974**	**111,029**
Current service cost	30,606	57,172
Interest cost	10,793	9,437
Actuarial (gain) / loss	(62,527)	(50,664)
Benefits paid	–	–
Obligations at the end of the year	**105,846**	**126,974**
Change in Plan assets		
Fair value of plan assets at beginning of the year	–	–
Fair value of plan assets at end of the year	–	–
Actual return on plan assets	–	–
Reconciliation of present value of the obligation and the fair value of plan assets		
Present value of the defined benefit obligation at the end of the year	105,846	126,974
Fair value of plan assets at the end of the year	–	–
Amount of liability recognized in the balance sheet	105,846	126,974
Gratuity cost for the year		
Current service cost	30,606	57,172
Interest cost	10,793	9,437
Expected return on plan assets		–
Actuarial (gain) / loss	(62,527)	(50,664)
Net gratuity cost (included in personnel cost : Schedule 15)	(21,128)	15,945
Assumptions		
Discount Rate	8.50%	8.50%
Rate of growth in salary levels	7.50%	7.50%

(All amounts are in Indian Rupees except share data or as stated)

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTD.)*

j. Investment in Mutual Funds

(i) Details of units in mutual funds purchased and sold during the year (long term)

Sr. No.	Name of the Fund	For the year ended 31 March 2011				For the year ended 31 March 2010			
		No.of units purchased during the year	Purchase Value	No. of units Sold during the year	Sale Value	No.of units purchased during the year	Purchase Value	No. of units Sold during the year	Sale Value
1	HSBC Debt Fund - Insdt. Monthly Dividend	–	–	–	–	–	–	3,200,508	35,495,550
2	HSBC Floating Rate - Lt - Long Term Fund- Regular Option - Monthly Dividend	–	–	–	–	–	–	462,376	4,654,042
3	HSBC Income Fund - Short Term -Instt- Dividend	–	–	–	–	17,464	184,273	1,477,433	15,592,238
4	HSBC Income Fund - Short Term -Instt- Plus	–	–	–	–	13,879,933	141,206,763	13,879,933	141,046,551
5	Fortis Money Plus Instl Plan Daily Dividend	–	–	–	–	7,041,296	70,434,789	7,041,296	70,434,789
6	Canara Robeco Floating Rate St Daily Dividend Fund	–	–	–	–	6,584,643	67,558,434	6,584,643	67,558,434
7	Canara Robeco Floating Rate St Daily Dividend Fund	–	–	–	–	5,696,019	59,236,726	5,696,019	59,299,228
8	Sbnpp Ultra St Fund Super Inst. Div. Rein. Daily	–	–	–	–	4,996,876	50,153,645	4,996,876	50,153,645
9	LIC MF Savings Plus Fund – Daily Dividend Plan	–	–	–	–	5,206,040	52,060,402	5,206,040	52,060,402
10	LIC MF Liquid Fund - Growth Plan	–	–	–	–	8,589,319	141,500,000	8,589,319	141,519,232
11	LIC MF Income Plus Fund - Growth Plan	–	–	–	–	32,107,832	389,019,232	32,107,832	390,892,555
12	TATA Floater Fund - Daily Dividend	–	–	–	–	2,894,009	29,043,117	2,894,009	29,043,117
13	TATA Floater Fund – Growth	–	–	–	–	1,830,234	24,442,412	1,830,234	24,452,112
14	IDFC - SSIF - Short Term - Plan A-Fortnightly Dividend	–	–	–	–	2,738,362	27,500,000	2,738,362	27,503,286
15	IDFC Money Manager Fund - Treasury Plan – Inst Plan B - Daily Dividend	–	–	–	–	2,732,249	27,514,566	2,732,249	27,514,566
16	ICICI Prudential Fl Income Plan	–	–	–	–	468,024	7,845,625	468,024	7,848,621
17	HDFC High Interest Fund - Quarterly Dividend	–	–	–	–	–	–	6,951,377	79,313,644
18	ICICI Prudential Institutional Income Plan Dividend Quarterly	–	–	–	–	39,326	471,513	3,894,702	46,551,427
19	ICICI Prudential Flexible Income Plan Premium	–	–	–	–	4,716,410	49,868,957	4,906,960	51,883,743
20	ICICI Prudential Gilt Fund - Investment Plan – Dividend	–	–	–	–	–	–	5,028,311	67,657,427
21	Canara Robeco Income Dividend (Income) Fund	–	–	–	–	–	–	3,401,615	53,413,883
22	DSP Blackrock Bond Fund - Regular Plan	–	–	–	–	–	–	2,578,438	27,786,024
23	Bharti Axa St Income Fund	–	–	–	–	–	–	2,046,362	20,188,588
24	Birla Sunlife Income Plus-Growth	–	–	–	–	–	–	546,070	22,238,853
25	Canara Robeco Short Term Fund	–	–	–	–	22,865,665	231,472,318	24,115,665	244,287,465
26	DWS Liquid Plus Fund	–	–	–	–	281	2,815	150,752	1,510,871
27	DWS Ultra Short Term Fund	–	–	–	–	3,107	31,128	1,366,037	13,684,826
28	ING Short Term Income Fund	–	–	–	–	10,720	128,175	775,001	9,294,280
29	Reliance Income Fund	–	–	–	–	15,735	165,510	936,202	9,684,074
30	TATA Gilt Securities Fund – Dividend	–	–	–	–	41,500	507,437	4,982,461	60,442,412
31	TATA Liquid Funds	–	–	–	–	13,432	15,001,165	13,432	15,001,165
	Total	–	–	–	–	122,488,476	1,385,349,002	161,598,538	1,868,007,050

(All amounts are in Indian Rupees except share data or as stated)

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTD.)*

j. Investment in Mutual Funds

(ii) Details of units in mutual funds purchased and sold during the year (Current Investments)

		For the year ended 31 March 2011				For the year ended 31 March 2010			
Sr. No.	Name of the Fund	No.of units purchased during the year	Purchase Value	No. of units Sold during the year	Sale Value	No.of units purchased during the year	Purchase Value	No. of units Sold during the year	Sale Value
1	1524 ICICI Prudential Flexible Income Plan premium -daily dividend	286,036	30,244,067	522,856	55,284,328	236,821	25,040,261	-	–
2	28Q ICICI Prudential Flexible Income Plan Premium - Daily Dividend	–	–	–	–	2,428,310	25,675,735	3,385,744	35,799,164
3	Taurus Short Term Bond Fund - Institutional Daily Dividend Plan	50,330	50,407,512	55,323	55,408,264	1,010,035	15,066,552	1,206,321	12,078,810
4	HDFC Cash Management Fund - Treasury Advantage Plan -Wholesale- Daily dividend.	33,536,686	336,423,262	35,535,320	356,472,561	46,476,096	466,224,390	52,465,711	526,309,783
5	HDFC Short term fund	–	–	–	–	983,300	10,218,215	983,300	10,130,445
6	DSP Black Rock Money Manger Fund Regular Dividend	–	–	–	–	–	–	1,383,480	14,912,802
7	21INQ ICICI Prudential Institutional Income Plan Dividend Quarterly	–	–	–	–	–	–	865,989	10,527,743
8	TLDD01 TATA Liquid Fund	4,510	5,025,278	4,510	5,025,278	–	–	–	–
9	DSP Black Rock Liquidity Fund-Daily Dividend Reinvestment	20,108	20,114,092	20,108	20,114,092	–	–	–	–
10	DSP Black Rock Liquidity Fund–Growth	29,303	40,081,278	29,303	40,081,278	–	–	–	–
11	HDFC Cash Management Fund – Treasury Advantage Plan – Wholesale - Growth	2,877,553	60,042,633	2,877,553	60,042,633	–	–	–	–
12	Taurus Short term Fund-Growth	13,558	15,054,507	13,558	15,054,507	–	–	–	–
13	LIC MF Income Plus fund - Growth Plan	9,892,120	124,606,583	9,892,120	124,769,788	–	–	–	–
14	LIC Nomura Liquid Fund	26,741,345	466,769,788	17,652,373	305,483,272	–	–	–	–
15	DSP Black Rock FMP 3 M Series – 19	2,000,000	20,000,000	2,000,000	20,893,400	–	–	–	–
16	DSP Black Rock FMP 3 M Series – 21	3,000,000	30,000,000	3,000,000	30,540,600	–	–	–	–
17	Principal Pnb Fixed Maturity Plan(FMP-61)91 Days	2,000,000	20,000,000	2,000,000	20,357,600	–	–	–	–
18	HDFC Quarterly Interval Fund	3,995,126	40,000,000	3,995,126	40,603,664	–	–	–	–
	Total	84,446,675	1,258,769,000	77,598,150	1,149,590,665	51,134,562	542,225,153	60,290,545	609,758,747

(All amounts are in Indian Rupees except share data or as stated)

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTD.)*

k. **Foreign currency forward contracts**

The Group does not use foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations. The group does not use forward contracts for speculative purposes.

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	As at 31 March 2011	As at 31 March 2010
Amount payable in foreign currency USD	282,484	282,484
Amount equivalent in Rupees	12,747,116	12,694,929

l. **Open interest in Futures of the Company as at the balance sheet date**

Short Position

Sr. No.	Name of Future	Series of Future	Number of Contracts	Measurement Unit	Number of units involved
1	CHLL334GTR F 200411	20 April 2011	1	Tons	5
2	PPRMLGKOC F 200411	20 April 2011	1	Tons	15
3	RBRAPR_2011	15 April 2011	1	Tons	23
4	RBRMAY_2011	14 May 2011	1	Tons	37
5	RBRJUN_2011	15 June 2011	1	Tons	11

m. **Micro, Small and Medium Enterprises Development Act, 2006**

The management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of "Micro and Small Enterprises" as defined under Micro, Small and Medium Enterprises Development Act, 2006 ("the Act"). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2011 has been made in the financial statements based on the information received and available with the Company. There are no overdue amounts payable to such enterprises as at 31 March 2011.

n. On 7 June 2010, Mr. Regi Jacob, Mr. Giby Mathew and Mr. Jiji Antony ("Original Promoters") filed a petition under Section 397 and Section 398 of the Companies Act before the Company Law Board ("CLB") to prevent the misuse of management powers by the Company and prayed for an injunction to stop the Company from going ahead with a proposed rights issue. The Original Promoters alleged that the Company is proposing the rights issue to bring the shareholding of the Original Promoters below the prescribed limits so that their special rights cease to exist while they continue to remain obligated to not compete. The Original Promoters also alleged that the resolution approving the proposed rights issue dated 25 May 2010 was in contravention of the Articles of Association, oppressive, invalid, null and void.

The Company denied the allegations in entirety and filed in comprehensive response to the CLB. The CLB granted stay on the matter on 6 July 2010 ("Interim Injunction"). The CLB, vide order dated 11 October 2010, vacated the Interim Injunction and allowed the Company to proceed with the rights issue specifically mentioning that the veto power of the Original Promoters is not applicable in the case of rights issue ("the Order").

Aggrieved by the Order, the Original Promoters appealed before the High Court of Kerala on 19 October 2010 ("Appeal"). The Court vide order dated 1 December 2010, disposed off the Appeal and directed the Original Promoters to approach CLB with a direction to the CLB to dispose of the matter within 3 months. The Original Promoters have filed a rejoinder on 21 April 2011. The aforesaid matter is pending with CLB.

(All amounts are in Indian Rupees except share data or as stated)

18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTD.)*

o. **JRG ESOP Trust ("The Trust")**

As per the requirement of Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 ('SEBI guidelines'),since the stock option plan is administered through a trust, the accounts of the Company are prepared as if the Company itself is administering the employee stock option plan. Pursuant to such requirement of the SEBI guidelines the equity shares issued to the Trust and not exercised by the employees as on 31 March 2011 have been presented as a deduction from the share capital. The bank balance of the Trust as on 31 March 2011, net of the loan granted and capital contribution to the Trust by the Company has been presented as bank balance of the Company.

p. **Prior year comparatives**

Prior period figures have been reclassified / regrouped wherever necessary to conform to the current year's classification.

for and on behalf of Board of Directors of
JRG Securities Limited

for **B S R & Associates**
Chartered Accountants
Firm registration no: 116231W

S Sethuraman	**Gaurav Vivek Soni**	**Munish Dayal**	**Syam Kumar R**
Partner	*Managing Director*	*Director*	*Company Secretary and Legal Head*
Membership No. 203491			

Place : Hyderabad
Date : 12 May 2011

Place : Hyderabad
Date : 12 May 2011

Consolidated Cash Flow Statement For the year ended 31 March 2011

(All amounts are in Indian Rupees except share data or as stated)

	Schedule No.	Year ended 31.03.2011	Year ended 31.03.2010
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit / (loss) before tax		71,769,615	91,680,534
Adjustments for:			
Depreciation and amortization		69,143,187	74,216,572
Provision for bad and doubtful debts		3,923,542	2,022,086
Provision for doubtful loans and advances		14,723,270	457,195
Provision for non performing assets		1,187,480	–
Bad debts written off		778,802	2,248,770
Loss on sale of fixed assets (net)		1,627,867	1,044,342
Unrealised foreign exchange (gain)/loss		(52,187)	1,230,120
Interest income		(53,396,134)	(88,631,397)
Employee stock compensation expenses		4,226,253	2,836,241
Profit on sale of equity shares		(34,896,801)	(33,894,388)
(Profit)/Loss on redemption of mutual funds (net)		(2,330,020)	7,159,052
Liabilities / Provisions no longer required written back		(14,685,769)	(189,874)
Dividend income		(5,150,776)	(6,978,410)
Mark to market gain on mutual fund investments (net)		(792,791)	–
Interest		7,454,898	1,712,304
Operating profit/(loss) before working capital changes		**63,530,436**	**54,913,147**
Adjustments for:			
(Increase)/Decrease in sundry debtors		105,679,585	(59,734,222)
(Increase) /Decrease in loans and advances		79,175,007	(483,492,190)
(Increase) /Decrease in stock in trade		(19,603,654)	–
(Decrease)/Increase in current liabilities and provisions		(50,597,114)	57,774,078
		114,653,824	**(485,452,334)**
Income tax paid		30,590,994	23,442,633
		84,062,830	(508,894,967)
Net cash from/(used in) operating activities	(A)	**147,593,266**	**(453,981,820)**

Consolidated Cash Flow Statement *(Contd.)* For the year ended 31st March 2011

(All amounts are in Indian Rupees except share data or as stated)

	Schedule No.	Year ended 31.03.2011	Year ended 31.03.2010
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(20,187,150)	(72,226,573)
Sale of fixed assets		782,771	751,876
Purchase of investments - mutual funds		(1,258,769,000)	(1,927,574,155)
Sale of investments - mutual funds		1,149,590,665	2,477,765,797
(Purchase) / sale of debentures and bonds		110,000,000	(110,000,000)
Purchase of investments - equity shares		(85,211,872)	(39,466,641)
Sale of investments - equity shares		83,559,987	66,680,385
Interest income		48,123,054	97,939,781
Dividend income received		4,531,533	6,978,410
Net cash from/(used in) investing activities	(B)	**32,419,988**	**500,848,880**
Cash flow from financing activities			
Proceeds from issuance of share capital		10,000	1,100,050
Proceeds from borrowings		(48,556,643)	48,556,643
Interest paid		(7,454,898)	(1,712,304)
Net cash from/(used in) financing activities	(C)	**(56,001,541)**	**47,944,389**
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**124,011,713**	**94,811,449**
Cash and cash equivalents at the beginning of the year		485,646,098	390,834,649
Cash and cash equivalents at the end of the year	7	**609,657,811**	**485,646,098**
Significant accounting policies and notes to the consolidated financial statements	18		

The schedules referred to above and the notes thereon form an integral part of the consolidated financial statements

As per our report attached
for B S R & Associates
Chartered Accountants
Firm registration no: 116231W

for and on behalf of Board of Directors of
JRG Securities Limited

S Sethuraman
Partner
Membership No. 203491

Gaurav Vivek Soni
Managing Director

Munish Dayal
Director

Syam Kumar R
Company Secretary and Legal Head

Place : Hyderabad
Date : 12 May 2011

Place : Hyderabad
Date : 12 May 2011