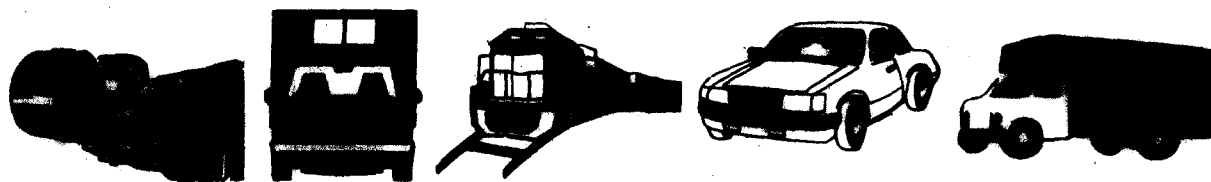


25th

ANNUAL REPORT AND ACCOUNTS
2004-2005

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FRONTIER SPRINGS LIMITED

FRONTIER SPRINGS LIMITED

ANNUAL REPORT

2004-2005

BOARD OF DIRECTORS

Shri KUNDAN LAL BHATIA, *Chairman & Managing Director*

Shri KAPIL BHATIA, *Managing Director*

Shri NEERAJ BHATIA

Smt. SUSHMA BHATIA

Shri PREM SAGAR

Shri PRADEEP GOENKA

Shri R.K. BHATIA

Shri YASHPAL SETHI

COMPANY SECRETARY

Ms. Pooja Shukla

AUDITORS

M/s. SANJAY NANDANI & Co.

Chartered Accountants

OFF No. 229, 2nd FLOOR,

63/2, CITY CENTRE,

THE MALL,

KANPUR - 208 004

BANKERS

STATE BANK OF INDIA

INDUSTRIAL FINANCE BRANCH,

SARVODAYA NAGAR, KANPUR

REGISTRAR AND SHARE TRANSFER AGENT

(For Electronic Connectivity)

M/s. ALANKIT ASSIGNMENT LIMITED

205-208, ANARKALI MARKET

JHANDEWALAN EXTENSION

NEW DELHI - 110 055

REGISTERED OFFICE

E-14, PANKI INDUSTRIAL AREA, SITE-1,

PANKI, KANPUR - 208 022

Website : <http://www.frontiersprings.co.in>

PLANT

KM 25/4, KALPI ROAD, RANIA,

KANPUR DEHAT

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TWENTY FIFTH ANNUAL REPORT

NOTICE

NOTICE is hereby given that the TWENTY FIFTH ANNUAL GENERAL MEETING of the Shareholders of FRONTIER SPRINGS LIMITED will be held on Thursday 28th July, 2005 at 12:30 p.m., at the Registered office of the Company at E-14, Panki Industrial Area, Site-I, Panki, Kanpur - 208 022, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet as at 31st March 2005 and profit and loss Account for the financial year ended on that date together with Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Shri Kapil Bhatia, who retire by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Yash Pal Sethi, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration and in this connection, to consider and if thought fit, to pass, with or without modifications, the following resolution as **an Ordinary resolution**.

"RESOLVED THAT pursuant to the provisions of Section 224 of the Companies Act, 1956 and other applicable provisions, if any, M/s Sanjay Nandani & Co., Chartered Accountants, being eligible, be and are hereby re-appointed as Auditor of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs. 40,000/- plus service tax at the applicable rates."

SPECIAL BUSINESS

5. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

RESOLVED THAT pursuant to sec 198, 269, 309, 310 and read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent be and is hereby accorded for modifications in terms & conditions of the appointment of **Sri K. L. Bhatia, Managing Director** by the way of enhancement as described below in the scope and quantum of his present remuneration of Rs. 33,000/- per month with effect from 1st April, 2005 till the expiry of the term of his appointment.

SALARY : Rs. 40,000/- p.m. - 2000 -
Rs. 48,000/- p.m.

PERQUISITES : In addition to the salary, the Chairman cum Managing Director would be entitled to following perquisites categorized in three Parts A, B & C as follows :

PART-A

- (i) **Housing** : The expenditure incurred by the company on Gas, Electricity, Water & Furniture shall be valued as per Income Tax Rules, 1962.
- (ii) **Medical Reimbursement** : Expenses incurred for self and family subject to a ceiling of one month's salary per year to three months salary in a block of three years.
- (iii) **Leave Travel Concession** : Reimbursement of leave/ Holiday travel expenses (like travel fare, lodging, boarding, conveyance and other expenses) incurred on one or more occasion in a year whether in India or abroad in respect of himself and family subject to the condition that total reimburseent shall not exceed Rs. 75,000/- per annum. The entitlement for one year to the extent not availed shall be allowed to be accumulated upto next two year.
- (iv) **Club Fee** : Fees of clubs subject to maximum of two clubs. No admission and life membership fees will be paid.
- (v) **Personal Accident Insurance** : Premium not to exceed Rs. 4,000/- per annum.

PART-B

- (i) Contribution to (a) Provident Fund (b) Super Annuation Fund or Annuity fund as per company's rules. These will not be included in the computation of the ceiling on perquisites to the extent either singly or put together are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity not exceeding half month's salary for each completed year of service.

PART-C

The Company shall provide a car with driver and telephone at the residence of the Managing Director. Provision of car for use of Company's business and telephone at residence will not be considered as perquisite. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company to the Chairman cum Managing Director.

The Managing Director shall be entitled to leave with pay for a period not exceeding one month for every eleven months of services besides causal and sick leave. However, leave accumulated but not availed of will allowed to be encashed.

RESOLVED FURTHER THAT the Board of director and Remuneration committee be and hereby authorised to alter, amend, vary, enhance or modify

the scope and quantum of remuneration of Shri K. L. Bhatia as they may deem proper from time to time considering the future and scope of his activities as shall be permissible and in conformity with applicable provisions of the Companies Act, 1956.

RESOLVED FURTHER THAT the enhanced remuneration as above including perquisite shall be minimum remuneration during the term of office of Sri K. L. Bhatia as a Chairman and Managing Director of the company in the event of absence or inadequacy of profit in any year.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such things, deeds, matters and acts as may be required to give effect to this resolution."

6. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution** :

RESOLVED THAT pursuant to sec 198, 269, 309, 310 and read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of shareholders, consent be and is hereby accorded for modifications in terms & conditions of the appointment of **Sri Kapil Bhatia, Managing Director** by the way of enhancement as described below in the scope and quantum of his present remuneration of Rs. 19,000/- per month with effect from 1st April, 2005 and upto the expiry of the term of his appointment.

SALARY : Rs. 25,000/- per month - 2000 -
Rs. 33,000/- per month

PERQUISITES : In addition to the salary, the Managing Director would be entitled to following perquisites categorized in three Parts A, B & C as follows :

PART-A

- (i) **Housing** : The expenditure incurred by the company on Gas, Electricity, Water & Furniture shall be valued as per Income Tax Rules, 1962.
- (ii) **Medical Reimbursement** : Expenses incurred for self and family subject to a ceiling of one month's salary per year to three months salary in a block of three years.
- (iii) **Leave travel Concession** : Reimbursement of leave/ Holiday travel expenses (like travel fare, lodging, boarding, conveyance and other expenses) incurred on one or more occasion in a year whether in India or abroad in respect of himself and family subject to

the condition that total reimbursement shall not exceed Rs. 75,000/- per annum. The entitlement for one year to the extent not availed shall be allowed to be accumulated upto next two year.

- (iv) **Club Fee** : Fees of clubs subject to maximum of two clubs. No admission and life membership fees will be paid.
- (v) **Personal Accident Insurance** : Premium not to exceed Rs. 4,000/- per annum.

PART-B

- (i) Contribution to (a) Provident Fund (b) Super Annuation Fund or Annuity fund as per company's rules. These will not be included in the computation of the ceiling on perquisites to the extent either singly or put together are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity not exceeding half month's salary for each completed year of service.

PART-C

The Company shall provide a car with driver and telephone at the residence of the Managing Director. Provision of car for use of Company's business and telephone at residence will not be considered as perquisite. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.

The Managing Director shall be entitled to leave with pay for a period not exceeding one month for every eleven months of services besides causal and sick leave. However, leave accumulated but not availed will be allowed to be encashed.

RESOLVED FURTHER THAT the Board of Director and Remuneration Committee be and hereby authorised to alter, amend, vary, enhance or modify the scope and quantum of remuneration of Shri Kapil Bhatia as they may deem proper from time to time considering the future and scope of his activities as shall be permissible and in conformity with applicable provisions of the Companies Act, 1956.

RESOLVED FURTHER THAT the remuneration as above including perquisite shall be minimum remuneration during the term of office of Sri Kapil Bhatia as a Managing Director of the Company in the event of absence or inadequacy of profit in any year.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such things, deeds, matters and acts as may be required to give effect to this resolution."

TWENTY FIFTH ANNUAL REPORT

7. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution**.

RESOLVED THAT pursuant to sec 198, 269, 390, 310 and read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to approval of shareholders, consent be and is hereby accorded for modifications in terms & conditions of the appointment of Sri Neeraj Bhatia, Whole Time Director by the way of enhancement as described below in the scope and quantum of his present remuneration of Rs. 19,000/- per month with effect from 1st April, 2005 and upto the expiry of the term of his appointment.

SALARY : Rs. 25,000/- per month - 2000 -
Rs. 33,000/- per month.

PERQUISITES : In addition to the salary, the Whole Time Director would be entitled to following perquisites categorized in three Parts A, B & C as follows :

PART-A

- (i) **Housing** : The expenditure incurred by the Company on Gas, Electricity, Water & Furniture shall be valued as per Income Tax Rules, 1962.
- (ii) **Medical Reimbursement** : Expenses incurred for self and family subject to a ceiling of one month's salary per year to three months salary in a block of three years.
- (iii) **Leave Travel Concession** : Reimbursement of leave/ Holiday travel expenses (like travel fare, lodging, boarding, conveyance and other expenses) incurred on one or more occasion in a year whether in India or abroad in respect of himself and family subject to the condition that total reimbursement shall not exceed Rs. 75,000/- per annum. The entitlement for one year to the extent not availed shall be allowed to be accumulated upto next two year.
- (iv) **Club Fee** : Fees of clubs subject to maximum of two clubs. No admission and life membership fees will be paid.
- (v) **Personal Accident Insurance** : Premium not to exceed Rs. 4,000/- per annum.

PART-B

- (i) Contribution to (a) Provident Fund (b) Super Annuation Fund or Annuity fund as per company's rules. These will not be included in the computation of the ceiling on perquisites to the extent either singly or put together are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity not exceeding half month's salary for each completed year of service.

PART-C

The Company shall provide a car with driver and telephone at the residence of the Whole Time Director. Provision of car for use of Company's business and telephone at residence will not be considered as perquisite. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company to the Whole Time Director.

The Whole Time shall be entitled to leave with pay for a period not exceeding one month for every eleven months of services besides casual and sick leave. However, leave accumulated but not availed of will allowed to be encashed.

RESOLVED FURTHER THAT the Board of Director and Remuneration Committee be and hereby authorised to alter, amend, vary, enhance or modify the scope and quantum of remuneration of Shri Neeraj Bhatia, as they may deem proper from time to time considering the future and scope of his activities as shall be permissible and in conformity with applicable provisions of the Companies Act, 1956.

RESOLVED FURTHER THAT the remuneration as above including perquisite shall be minimum remuneration during the term of office of Sri Neeraj Bhatia as a Whole Time Director of the Company in the event of absence or inadequacy of profit in any year.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such things, deeds, matters and acts as may be required to give effect to this resolution."

8. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution** :

RESOLVED THAT pursuant to sec 198, 269, 309, 310 and read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to approval of shareholders, consent be and is hereby accorded for modifications in terms & conditions of the appointment of **Smt. Sushma Bhatia**, Whole Time Director by the way of enhancement as described below in the scope and quantum of her present remuneration of Rs. 15,000/- per month with effect from 1st April, 2005 and upto the expiry of the term of her appointment i.e. 31st March, 2009.

SALARY : Rs. 20,000/- p.m. - 1500 -
Rs. 26,000/- p.m.

PERQUISITES : In addition to the salary, the Whole Time Director would be entitled to following perquisites categorized in three Parts A, B & C as follows :

PART-A

- (i) *Housing* : The expenditure incurred by the company on Gas, Electricity, Water & furniture shall be valued as per Income Tax Rules, 1962.
- (ii) *Medical Reimbursement* : Expenses incurred for self and family subject to a ceiling of one month's salary per year to three months salary in a block of three years.
- (iii) *Leave Travel Concession* : Reimbursement of leave/ Holiday travel expenses (like travel fare, lodging, boarding, conveyance and other expenses) incurred on one or more occasion in a year whether in India or abroad in respect of herself and family subject to the condition that total reimbursement shall not exceed Rs. 75,000/- per annum. The entitlement for one year to the extent not availed shall be allowed to be accumulated upto next two year.
- (iv) *Club Fee* : Fees of clubs subject to maximum of two clubs. No admission and life membership fees will be paid.
- (v) *Personal Accident Insurance* : Premium not to exceed Rs. 4,000/- per annum.

PART-B

- (i) Contribution to (i) Provident Fund (b) Super Annuation Fund or Annuity fund as per company's rules. These will not be included in the computation of the ceiling on perquisites to the extent either singly or put together are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity not exceeding half month's salary for each completed year of service.

PART-C

The Company shall provide a car with driver and telephone at the residence of the Whole Time Director. Provision of car for use of Company's Business and telephone at residence will not be considered as perquisite. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company to the Whole Time Director.

The Whole Time Director shall be entitled to leave with pay for a period not exceeding one month for every eleven months of services besides causal and sick leave. However, leave accumulated but not availed of will allowed to be encashed.

RESOLVED FURTHER THAT the Board of Director and Remuneration Committee be and hereby authorised to alter, amend, vary, enhance or modify the scope and quantum of remuneration of Smt. Sushma Bhatia as they may deem proper from time

to time considering the future and scope of his activities as shall be permissible and in conformity with applicable provisions of the Companies Act, 1956.

RESOLVED FURTHER THAT the remuneration as above including perquisite shall be minimum remuneration during the term of office of Smt. Sushma Bhatia as a Whole Time Director of the Company in the event of absence or inadequacy of profit in any year.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such things, deeds, matters and acts as may be required to give effect to this resolution."

By order of the Board of Directors

POOJA SHUKLA
Company Secretary

Registered Office :
E-14, Panki Industrial Area,
Site-1, Panki,
Kanpur - 208 022

Dated : 31.05.2005
Place : Kanpur

Notes :

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY, IN ORDER TO BE EFFECTIVE, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- The explanatory Statement setting out the material facts concerning the special business mentioned under item Nos. 5, 6, 7 & 8 of the Notice as required under section 173(2) of the Companies Act, 1956 is annexed hereto.
- The Register of Members and Share Transfer Books of the Company will remain closed from 20th July, 2005 to 28th July, 2005 (both days inclusive) for the purpose of Annual General Meeting of the Company. The members who hold share in dematerialised form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the meeting.

TWENTY FIFTH ANNUAL REPORT

- All documents referred to in the accompanying Notice are available for inspection at the Registered Office of the Company during business hours on all working days upto the date of the Annual General Meeting.
- Members are requested to :
 - A) consider dematerialising the equity shares held by them.
 - B) Bring their copy of Annual Report and duly completed attendance slip for attending the meeting.
 - C) Quote their Folio number/DP Identity and Client Identity in all correspondence.
- Members desirous of obtaining any information concerning the Accounts and operations of the Company are requested to write to the Company at least seven days before the date of the meeting, to enable the management to make the information available at the meeting, if the Chairman so permits.
- Members holding shares either singly or jointly in identical order in more than one Folios are requested to write to the Company enclosing the share certificates to enable the Company to consolidate their holdings in one Folio.

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

Item No. 5

Shri K. L. Bhatia is one of the founder Director of the Company. He has a track record of turning around business under his command. The Board of Directors of the Company in its meeting held on 30th January, 2004 had reappointed him as a Chairman cum Managing Director of the Company with effect from 1st April, 2004 in accordance with the norms laid down in the Act. The Shareholders in their Twenty Fourth Annual General Meeting held on 30th July, 2004 had approved the appointment and remuneration payable to Mr. K. L. Bhatia.

It is now proposed to increase the remuneration, perquisite and benefit payable to Mr. K. L. Bhatia, Chairman cum Managing Director after obtaining shareholders approval for remaining term of his appointment with effect from 1st April 2005. The enhanced remuneration payable

to Mr. K. L. Bhatia is within the permissible limits specified by Schedule XIII of the Companies Act, 1956, and duly approved by remuneration committee of Board of Directors at its meeting held on 31st May, 2005. The management believes that this remuneration is comparable with others with respect to industry, size of the company, profile of the position and person and is commensurate with the responsibility in the Company of this size and extent of business operations.

Yours Directors recommend the proposed resolution for your approval.

Save and except Shri K. L. Bhatia, none of other Director is, in any way, concerned or interested in the proposed resolution.

Item No. 6

Shri Kapil Bhatia has been associated with the Company since last fifteen years and has rich experience in handling the financial as well as marketing operation of the Company. He streamlined the whole support organization, made it responsive, cost effective, profitable and scalable. The Board of Directors of the Company in its meeting held on 30th January, 2004 has reappointed him as Managing Director of the company with effect from 4th January, 2004 in accordance with the norms laid down in the act. The Shareholders in their Twenty Fourth Annual General Meeting held on 30th July, 2004 had approved the appointment and remuneration payable to Mr. Kapil Bhatia.

It is now proposed to increase the remuneration, perquisite and benefit payable to Mr. Kapil Bhatia, Managing Director after obtaining shareholders approval for remaining term of his appointment with effect from 1st April, 2005. The enhanced remuneration payable to Mr. Kapil Bhatia is within the permissible limits specified by Schedule XIII of the Companies Act, 1956, and duly approved by remuneration committee of Board of Directors at its meeting held on 31st May, 2005. The management believes that this remuneration is comparable with others with respect to industry, size of the company, profile of the position and person and is commensurate with the responsibility in the company of this size and extent of business operations.

Your Directors recommend the proposed resolution for your approval.

Save and except Shri Kapil Bhatia, none of other Director is, in any way, concerned or interested in the proposed resolution.

Item No. 7

Shri Neeraj Bhatia has been associated with the Company since last fifteen years and is mainly concerned with the Manufacturing operation of the Company. He is very strong in the areas of process implementation, methodologies, management training, cost control and building organizations. He is looking after all the Manufacturing activities of the Company and other related activities. The Board of Directors of the Company in its meeting held on 30th January, 2004 had reappointed him as a Whole Time Director of the Company with effect from 1st April, 2004 in accordance with the norms laid down in the Act. The Shareholders in their Twenty Fourth Annual General Meeting held on 30th July, 2004, had approved the appointment and remuneration payable to Mr. Neeraj Bhatia.

It is now proposed to increase the remuneration, perquisite and benefit payable to Mr. Neeraj Bhatia, Chairman cum Managing Director after obtaining shareholders approval for remaining term of his appointment with effect from 1st April 2005. The enhanced remuneration payable to Mr. Neeraj Bhatia is within the permissible limits specified by Schedule XIII of the Companies Act, 1956 and duly approved by remuneration committee of Board of Directors at its meeting held on 31st May, 2005. The management believes that this remuneration is comparable with others with respect to industry, size of the company, profile of the position and person and is commensurate with the responsibility in the company of this size and extent of business operations.

Your Directors recommend the proposed resolution for your approval.

Save and except Shri Neeraj Bhatia, none of other Director is, in any way, concerned or interested in the proposed resolution.

Item No. 8

Smt. Sushma Bhatia has been associated with the Company since its inception. The Board of Directors of the Company in its meeting held on 30th January, 2004

had reappointed her as a Whole Time Director of the Company with effect from 1st April, 2004 in accordance with the norms laid down in the Act. The Shareholders in their Twenty Fourth Annual General Meeting held on 30th July, 2004 had approved the appointment and remuneration payable to Mrs. Sushma Bhatia.

It is now proposed to increase the remuneration, perquisite and benefit payable to Mrs. Sushma Bhatia, Whole Time Director after obtaining Shareholders approval for remaining term of her appointment with effect from 4th January, 2005. The enhanced remuneration payable to Mrs. Sushma Bhatia is within the permissible limits specified by Schedule XIII of the Companies Act, 1956, and duly approved by remuneration committee of Board of Directors at its meeting held on 31st May, 2005. The management believes that this remuneration is comparable with others with respect to industry, size of the company, profile of the position and person and is commensurate with the responsibility in the company of this size and extent of business operations.

Your Directors recommend the proposed resolution for your approval.

Save and except Mrs. Sushma Bhatia, none of other Director is, in any way, concerned or interested in the proposed resolution.

By the order of the Board
For: Frontier Springs Limited

Pooja Shukla
COMPANY SECRETARY

Place : Kanpur

Dated : 31.05.05

TWENTY FIFTH ANNUAL REPORT

DIRECTOR'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 25th Annual report of our Company along with the Audited Statements of Accounts for the financial year 2004-2005 :

FINANCIAL RESULTS

| Details | 2004-2005 Rs. In Lacs | 2003-2004 Rs. In Lacs |
|---|--------------------------|--------------------------|
| Turnover | 1665.91 | 868.30 |
| Profit before Interest, Depreciation & Tax | 67.78 | 32.33 |
| Interest | 31.01 | 30.72 |
| Depreciation | 27.34 | 22.94 |
| Profit/(Loss) Before Tax | 943 | (22.94) |
| Income Tax | | |
| Current year | (2.20) | — |
| Deferred | 3.29 | (1.34) |
| Income Tax demanded for previous year | (3.34) | (8.72) |
| Profit/(Loss) After Tax | 7.18 | (33.04) |

DIVIDEND

The Board of Directors at their meeting held on 31.05.2005 have decided not to declare any dividend this year, since the Company has no distributable profits.

OPERATIONAL REVIEW

Your company has posted turnover of Rs. 1665.91 Lacs represents in increase of 91% (approx) over the previous year. Profit after extra-ordinary items but before interest, tax, depreciation was Rs. 67.78 Lacs representing an increase of 110% over the previous period. Profit after tax during the year was Rs. 7.18 Lacs compared to net loss of Rs. 33.04 Lacs of previous year ended on 31st March, 2004.

EXPANSION

Members will be pleased to note that keeping in view, present market scenario & prospective demands, your company has decided to expand its business by manufacturing of air suspension springs. For that, company is under discussion with Research Designs & Standard Organization and pursuing for technological collaboration with countries like - Europe & Japan.

FIXED DEPOSITS

During the year, out of total deposits of Rs. 15.90 Lacs of the previous year ended on 31st March, 2004, your company had repaid, since claimed, deposits aggregating Rs. 11.90 Lacs as per Company (Acceptance of Deposits) Rules 1975.

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement, the Management's Discussion and Analysis Report which is forming a part of this Directors' Report (Annexure-II), is a reflection of the current state of Business. It also deals with the opportunities and challenges faced by your Company and the outlook in near future.

DIRECTORS

In accordance with the provision of the Companies Act, 1956 and the Articles of association of the Company, Shri Kapil Bhatia and Shri Yash Pal Sethi, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointments.

AUDITORS

The retiring Auditors, M/s Sanjay Nandani & Co., Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The observations of Auditors in their report, read with notes to the account, are self-explanatory and therefore, do not call for further information and explanation.

DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, your Directors hereby confirm that -

- In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departure, however, due to different product-specifications, valuation of finished goods are done at net realizable value instead of lower of cost or net realizable value as stipulated in AS-2 for valuation of inventories issued by the Institute of Chartered Accountants of India;
- The accounting policies are consistently applied and are reasonable, prudent judgements and estimates are made, so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the loss of the Company for that year;
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- These Annual Accounts have been prepared on a going concern basis.

PARTICULARS OF EMPLOYEES

Disclosure as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not being given here, since there was no employee drawing remuneration in excess of prescribed limit under the said Section. The relation with employees in Plants and Offices of the Company continues to be harmonious, cordial and peaceful.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

The prescribed particulars under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are furnished in the Annexure-I to this report.

LISTING INFORMATION

Your Company's shares are listed at Uttar Pradesh Stock Exchange Association Ltd., Kanpur, being the regional Stock Exchange, as well as the Stock Exchange, Mumbai. The Annual Listing fee of the both Stock Exchanges upto financial year 2004-05 has been paid.

The Equity Shares of the Company have been delisted from the Delhi Stock Exchange Association Limited, New Delhi & from the Stock Exchange located at Ahmedabad and Kolkata.

CORPORATE GOVERNANCE

Company continues to benchmark itself with the

best of the breed practices at global levels as far as the corporate governance standards are concerned. Your Company is fully committed to the philosophy of conducting its business with due compliance of laws, rules and regulation. The sound internal control and efficient Management Information system which play a pivotal role in Corporate Governance are in place in your Company. As per Listing Agreement executed with Stock Exchanges, the Company had been following the Corporate Governance Code from the financial year 2002-03 onwards. The Company has successfully complied with all the requirements of the Code of Corporate Governance and separate Report (Annexure-III) is attached herewith to this Report. The certificate of the Statutory Auditors in line with Clause 49 of the Listing Agreement supports our claim. This certificate is annexed to and forming part of the Directors' Report.

ACKNOWLEDGEMENTS

The Directors place on records their deep appreciation for contribution made by the Company's employees at all levels through their competence, hard work, co-operation and support. Your Directors also thanks to the shareholders, Indian Railways, Central Govt., Bankers, Suppliers and other business associates for their continuous support to the Company and confidence reposed in its management.

For and on behalf of the Board

Place : Kanpur
Date : 31.05.2005

K. L. Bhatia
Chairman & Managing Director

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of Frontier Springs Limited,
E-14, Panki Industrial Area,
Site-1, Panki, Kanpur - 208 022.

We have reviewed implementation of Corporate Governance procedure set by Frontier Springs Limited ("The Company") for the year ended 31st March, 2005, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The compliance of the conditions of the 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 audit nor an

expression of the opinion on the Financial Statements of the Company. 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.

On the basis of our review and according to the information and explanation given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges have been complied with in all material respect by the Company.

For Manish Pandey & Associates
Manish Pandey
Company Secretary in Practice
CP No.-6044
Membership No.-17816

Place : Kanpur
Date : 31.05.2005