

9th
**ANNUAL
REPORT**
2002-2003



FRONTLINE
SECURITIES LIMITED

FRONTLINE SECURITIES LIMITED

Board of Directors	Mr. Rakesh K. Jain, <i>Chairman</i> Dr. C.S. Bedi Mr. Atul K. Jain Ms. Perna Jain Mr. Arun K. Jain Ms. Sarabjeet Kaur - <i>Director & Company Secretary</i>
Auditors	J. Jain & Company Chartered Accountants
Bankers	ICICI Bank, New Delhi HDFC Bank, New Delhi
Registered Office	E-169, Masjid Moth, Greater Kailash Part-III, New Delhi - 110 048
Website	www.fsltechnologies.com

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FRONTLINE SECURITIES LIMITED

NOTICE

Notice is hereby given that the Ninth Annual General Meeting of the Company will be held on Tuesday, 5th August, 2003 at 10 a.m. at Air Force Auditorium, Subroto Park, New Delhi to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2003 and Profit and Loss Account for the period ended on that date and the Report of Auditors and Directors thereon.
2. To appoint a Director in Place of Mr. Rakesh K. Jain who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in Place of Mr. Atul K. Jain, who retires by rotation, and being eligible offers himself for reappointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

5. To announce the results of the Postal Ballot in respect of Special Resolution for approval of Buy-Back of equity shares of the Company, circulated to the members separately.
6. To announce the results of the Postal Ballot in respect of Ordinary Resolution for approval of sale of Software Division of the Company to its Wholly Owned Subsidiary, circulated to the members separately.
7. To consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution:

*RESOLVED that pursuant to the provisions of section 198, 310 and other applicable provisions, if any, read with schedule XIII of the Companies

Act, 1956, approval of the members of the Company be and is hereby accorded to the increase in remuneration payable to Ms. Sarabjeet Kaur, Director and Company Secretary of the Company on the terms and conditions as set out in the explanatory statement*

By order of the Board

Date : 25th June, 2003
Place : New Delhi

(SARABJEET KAUR)
Director & Company Secretary

NOTES

1. Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956 in respect of item No. 5, 6 & 7 is annexed hereto and forms part of the Notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LATER THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED TIME OF COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 1st August 2003 to Tuesday, 5th August, 2003 [both days inclusive].
4. Members are requested to intimate to the Company changes if any, in their respective address along with pin code numbers. Members holding shares in the electronic form are advised to notify any change in their address to the concerned Depository Participants.
5. Members are requested to quote Folio Numbers/

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- DP ID and Client ID numbers in all their correspondence with the Company.
6. Members are requested to bring their copy of Annual Report along with them to the Annual General Meeting.
 7. Members are requested to bring the attendance duly filled and signed for attending the meeting.
 8. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for recording attendance at the meeting.
 9. Any queries relating to Accounts must be sent to the company at least 10 days before the date of the Annual General Meeting.
 10. Dividend for the financial year ended July 1996 onwards which remains unpaid and unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders, who have not encashed their dividend warrant(s) so far for the financial year ended July 1996 or any subsequent financial years are requested to write to the Company. It may also be noted that once the unclaimed dividend is transferred to the Central Government as aforesaid, no claim shall lie in respect thereof.
 11. Since May 2001 trading in the shares of the Company has been made compulsory in dematerialized form. The ISIN No. for the shares of the Company is INE773B01012. Members who desire to hold shares in dematerialized form may approach the Company through a Depository Participant.
 12. Members can avail nomination facilities by filing with the Company Form No.2B as prescribed under the Companies (Central Government's) General Rules and Forms 1956. The blank form will be supplied on request. However where the shares are held in dematerialized form, the nomination should be recorded with the respective Depository Participant.
13. A brief resume of the Directors proposed to be reappointed vide Ordinary Business No. 2&3 in the Notice are as follows:
 - a) Mr. Rakesh K. Jain, Chairman & Promoter of Frontline Securities Limited is a Member of the Institute of Chartered Accountants of India and holds a Master's Degree in Commerce from Delhi University.

Mr. Rakesh K. Jain has been instrumental in the phenomenal growth of the Company using his extensive experience and contacts with financial circles, NRI's and other organizations. Currently, Mr. Rakesh K. Jain is also a Director in Hope Consultants Ltd., Frontline Capital Services Ltd., AVI Growth Avenues Pvt. Ltd., and Frontcap Securities Pvt. Ltd.,
 - b) Mr. Atul K. Jain one of the first Directors of Frontline Securities Limited is a Member of the Institute of Chartered Accountants of India. Mr. Atul K. Jain with his rich experience in the area of finance and capital market has contributed immensely to the progress of the company. Presently, Mr. Atul K. Jain is also a Director in Hope Consultants Ltd., Frontline Capital Services Ltd., and UGS Transmen Pvt. Ltd. Besides this, he is a member of the Audit Committee and Investors Grievance Committee of Frontline Securities Limited.

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

Item No.5

The Company proposes to buyback its equity shares from the shareholders. Section 77A of the Companies Act, 1956 permits buy back of shares of a Company upto 25% of the paid-up capital and free reserves of the Company, subject to approval of shareholders by way of Special Resolution. Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules,

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2001 requires the consent of shareholders for approval of buyback of shares, through postal ballot. The notice of Postal Ballot dated 25th June, 2003, the relevant explanatory statement and the Postal Ballot form are separately enclosed herewith.

The Directors are concerned or interested in the aforesaid resolution to the extent they intend to offer their shares for buy-back. In respect of shareholding which the Directors do not intend to offer for buy-back, the interest of the Directors, and the value of their shareholding to the extent they continue to hold shares in the company, will stand affected by the Buyback just as in the case of any other shareholder of the Company.

Item No.6

The Company proposes to sell its Software Division to its Wholly Owned Subsidiary, namely 'FSL Software Technologies Limited'. Section 293(1)(a) of the Companies Act, 1956 permits sale of an undertaking of a Company, subject to approval of shareholders by way of Ordinary Resolution. Section 192A read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 requires the consent of shareholders, for sale of undertaking of a Company, through Postal Ballot. The Notice of Postal Ballot dated 25th June, 2003 the relevant explanatory statement and the Postal Ballot form are separately enclosed herewith.

None of the Directors are in any way concerned or interested in the proposed resolution.

Item No.7

Ms. Sarabjeet Kaur, Whole Time Director & Company Secretary was appointed as Whole Time Director for a period of 5 years w.e.f. 1st July, 2002 in the Annual

General Meeting held on 27th December, 2002. The Board of Directors has approved the increase in the remuneration and perquisites of Ms. Sarabjeet Kaur with effect from 1.4.2003 in its meeting held on 25th June, 2003 as follows:

Salary & Perquisites:

- | | |
|--|--|
| (i) Basic Salary | : Rs. 6,500/- per month in the scale of (6500-10000/-) |
| (ii) HRA | : max . 60% of Basic Salary |
| (iii) Medical, Conveyance Allowance and other performance linked allowances. | : as per the rules of the Company. |

The tenure of appointment shall remain the same as was approved in the Annual General Meeting held on 27.12.2002.

This may be treated as an abstract of terms and conditions of appointment of Ms. Sarabjeet Kaur under section 302 of the Companies Act, 1956. The above referred resolution of the Board Meeting is available for inspection at the Registered Office of the Company on any working day upto the date of the Annual General Meeting between 11.00 a.m. to 1.00 p.m.

No Director other than Ms. Sarabjeet Kaur is concerned or interested in the proposed resolution.

By order of the Board

Date : 25th June, 2003
Place : New Delhi

(SARABJEET KAUR)
Director & Company Secretary

FRONTLINE SECURITIES LIMITED

DIRECTOR'S REPORT

Period Under Review :
1st August 2002 - 31st March, 2003

To the Members,

The Directors are pleased to present their Ninth Annual Report with Audited Accounts for the period ended 31st March '2003.

FINANCIAL RESULTS

The Financial Results of the Company are as under:

	For the Period Ended 31.03.03 (comprises of 8 months) (Rs. in Lacs)	For the Period Ended 31.07.02 (comprises of 12 months) (Rs. in Lacs)
GROSS INCOME	148.99	191.61
PROFIT BEFORE TAXATION & DEPRECIATION	87.96	112.12
DEPRECIATION	(5.23)	(6.96)
PROFIT BEFORE TAXATION	82.73	105.16
PROVISION FOR TAXATION		
CURRENT TAX	(5.87)	(6.85)
DEFERRED TAX	(24.93)	(30.78)
PROFIT AFTER TAXATION	51.93	67.53
PROFIT BROUGHT FORWARD	60.34	6.31
AMOUNT AVAILABLE FOR APPROPRIATION	112.27	73.84
APPROPRIATION		
TRANSFER TO RBI RESERVE FUND	(10.39)	(13.51)
BALANCE PROFIT CARRIED		
FORWARD TO BALANCE SHEET	101.88	60.33

PERFORMANCE OF THE COMPANY

During the period under review the Company has earned a net profit after tax of Rs. 51.93 lacs as against profit after tax of Rs. 67.53 lacs earned in the previous year. With continued efforts the software business of the Company has developed significantly. The Company now intends to develop its software business

independent of its other business. With this view, the Company proposes to sell its Software Division to its Wholly Owned Subsidiary, namely 'FSL Software Technologies Limited'.

DIVIDEND

In view of the smallness of profits, no dividend has been recommended by the Board of Directors this year.

FUTURE PLANS

The Company intends to transfer its software business to its Wholly Owned Subsidiary, namely 'FSL Software Technologies Limited' and a resolution in this regard is proposed at the ensuing Annual General Meeting.

Subject to the approval of the shareholders, with the sale of its Software Division to its Wholly Owned Subsidiary, namely 'FSL Software Technologies Limited' the Company intends to concentrate on its Finance, Investment and Consultancy business.

As stated above subject to the approval of the shareholders, the software business shall be pursued by the Wholly Owned Subsidiary of the Company namely, FSL Software Technologies Limited. The Board of Directors are of the view that with this proposed independent handling of the software business, there will be a better focus on the software activities which will lead to further growth and development.

CHANGE IN FINANCIAL YEAR OF THE COMPANY

To have a uniform financial year both for the purpose of Income Tax Act and the Companies Act, the Board of Directors have taken a decision to change the financial year of the Company from August -July to April -March. With this change, for the financial year 2002-2003 the books of accounts have been closed on 31st March, 2003 and the audited Balance Sheet as at 31st March, 2003 and profit & loss account for the period ended on that date is placed before the shareholders for their consideration and approval.

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BUY-BACK OF SHARES

As the shareholders are aware that for quite some time now, no trading is taking place on the Delhi Stock Exchange. The Board of Directors propose to Buy Back the Company's equity shares as it believes that this would provide an exit route to those shareholders who desire to liquidate their investment and would enhance the value of the shareholders continuing to hold the shares of the Company. A resolution to this effect is proposed by the Board of Directors in the accompanying Postal Ballot Notice.

DIRECTORS

Mr. Rakesh K. Jain and Mr. Atul K. Jain, Directors retire by rotation and being eligible offer themselves for reappointment.

DIRECTOR'S RESPONSIBILITY STATEMENT

As stipulated in Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

1. In the preparation of the annual accounts, applicable accounting standards have been followed along with proper explanation relating to material departures.
2. The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss of the company for that period.
3. The Directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for protecting and detecting fraud and other irregularities.
4. The Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

As per clause 49 of the Listing Agreement, the code of Corporate Governance is applicable to your company since 31st March, 2003. The company has taken all necessary steps in this regard and is complying with the provisions of Corporate Governance. A detailed report on Corporate Governance is available elsewhere in this report. The Management Discussion & Analysis Report is also available elsewhere in this report.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors was formed in the year 2001 and presently comprises of three Directors namely Dr.C.S.Bedi, Mr.Atul K. Jain, and Mr. Arun K. Jain. The Committee oversees the Company's financial reporting process and disclosure of its financial information, reviews the quarterly /half yearly/annual financial statements before they are submitted to the Board of Directors and performs such other functions as are ascribed to it by the terms of its reference.

AUDITORS AND AUDITORS' REPORT

M/s. J. Jain & Company, Chartered Accountants, Auditors of your Company retire at the conclusion of this Annual General Meeting and offer themselves for re-appointment. The Company has received a certificate from the Auditors to the effect that the appointment, if made, would be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956.

The relevant Notes to the Accounts of the Company referred to in the Auditors Report are self-explanatory and therefore do not call for any further comments.

FIXED DEPOSIT

The Company has not accepted any public deposit during the period under review, within the meaning of Section 2(i)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions 1998.

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PARTICULARS OF EMPLOYEES

No information as required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 has been furnished as during the period under review, no employee was in receipt of remuneration in excess of the prescribed limits.

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

Particulars under Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 on conservation of energy, technology absorption are not applicable to your Company.

Foreign Exchange Earnings : Software development charges Rs.12,99,652/-
(Previous year Rs 8,77,300/-) and Consultancy charges NIL
(Previous year Rs. 57,553/-)

Foreign Exchange Outgo : NIL (Previous year NIL)

ACKNOWLEDGEMENT

Your Directors acknowledge with thanks the support and valuable co-operation extended by the business constituents, bankers and shareholders of the Company. Your Directors place on record their appreciation of the contribution made by the employees at all levels.

Your Directors also thank the Securities and Exchange Board of India, Delhi Stock Exchange, Reserve Bank of India and other Government Departments for their support during the year and look forward to their continued support.

For and on Behalf of the Board

Place : NEW DELHI

Date : 25th June, 2003

(ATUL K. JAIN)

Director

(SARABJEET KAUR)

Director & Company Secretary

FRONTLINE SECURITIES LIMITED**REPORT ON CORPORATE GOVERNANCE**

Period Under Review : 1st August, 2002 - 31st March, 2003

I. Company's Philosophy on Code of Corporate Governance

Frontline Securities Limited is committed to adhere to the code of corporate governance as it means adoption of best business practices aimed at growth of the Company coupled with bringing benefits to investors, customers, creditors, employees and the society at large.

II. Board of Directors as on 31st March, 2003.

S.No.	Name of Director	Category of Directory	Board Meetings		Attendance at last AGM	No of other Directorship	No of other Committee Membership & Chairmanship
			Held	Attended			
1	Mr.Rakesh K Jain	Non-Executive (Promoter)	9	2	Present	4	1 & NIL
2	Ms.Pruna Jain	Non-Executive (Promoter)	9	9	Absent	5	NIL & NIL
3	Mr.Atul K.Jain	Non-Executive	9	9	Present	3	NIL & NIL
4	Mr.Arun K.Jain	Non-Executive Independent	9	9	Present	1	NIL & NIL
5	Dr.C.S.Bedi	Non-Executive Independent	9	8	Present	2	NIL & NIL
6	Ms.Sarabjeet Kaur	Executive (Whole time Director & Company Secretary)	9	9	Present	NIL	NIL & NIL

During the period under review, the Board of Directors met nine times on the following dates : 1st August, 2002, 16th August, 2002, 26th August, 2002, 14th October, 2002, 18th November, 2002, 29th November, 2002, 18th December, 2002, 27th February, 2003 & 20th March, 2003.

III. Audit Committee**Terms of Reference :**

- Reviewing the Company's financial reporting process and the disclosure of its financial information.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.

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- c. Reviewing with the management the half-yearly / annual financial statements before submission to the Board.
- d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e. Reviewing the adequacy of internal audit function and discussions with internal auditors, on any significant findings and follow up thereon.
- g. Discussions with external auditors, before the audit commences, nature and scope of audit as well as have post audit discussion in the area of concern.
- h. Reviewing the Company's financial and risk management policies.
- i. Any other matter that may be delegated by the Board from time to time.

Compositions, names of Members, meetings and attendance during the period under review are as under

S.No.	Name of Members	Category	Meeting Held	Attendance
1	Mr. Atul K. Jain	Non-Executive	3	3
2	Mr. Arun K. Jain	Non-Executive (Independent)	3	3
3	Dr. C.S. Bedi	Non-Executive (Independent)	3	3

The Audit Committee met on the following dates, 11th October,2002, 28th November,2002 & 25th February,2003.Mr. Arun K.Jain, a Non-Executive Independent Director presided over the said Audit Committee Meetings as Chairman.

IV. Remuneration Committee

The Board of Directors has not appointed a separate remuneration committee, it being a non-mandatory requirement. At present the Board of Directors determine the remuneration of Executive Directors. At present no remuneration is being paid to the non-executive directors.

V. Remuneration of Directors

Following are the details of the remuneration paid to Ms. Sarabjeet Kaur, Whole Time Director and Company Secretary during the period under review.

Salary and other benefits	:	Rs. 59,893/-
Contribution to Provident & Other Funds	:	Rs. 3,105/-

As per the terms of her appointment she is entitled to resign from her office at any time upon giving to the Company at least thirty days written notice. In such an event no severance fees shall be payable.

VI. Investors Grievance Committee:

Terms of Reference :

To entertain requests of share transfer, transmission, dematerialization, and rematerialisation of shares and other related shareholder's matters.