

11th ANNUAL REPORT --- 2004-2005

Report



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FRONTLINE
SECURITIES LIMITED

FRONTLINE SECURITIES LIMITED

Board of Directors

Mr. Rakesh K. Jain, *Chairman*
Dr. C.S. Bedi
Mr. Atul K. Jain
Ms. Purna Jain
Mr. Arun K. Jain
Ms. Sarabjeet Kaur - *Director & Company Secretary*

Auditors

J. Jain & Company
Chartered Accountants

Bankers

HDFC Bank, New Delhi

Registered Office

E-169, Masjid Moth,
Greater Kailash Part-III,
New Delhi - 110 048

FRONTLINE SECURITIES LIMITED

NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the Company will be held on Monday, 5th September 2005 at 10.00 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 2005 and Profit and Loss Account for the year ended on that date and the Report of Auditors and Directors thereon.
2. To declare dividend on the equity shares @ 2.50% for the year ended 31st March 2005.
3. To appoint a Director in Place of Mr. Arun K. Jain, who retires by rotation, and being eligible offers himself for reappointment.
4. To appoint a Director in Place of Dr. C. S. Bedi, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint Auditors and fix their remuneration.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 1st September 2005 to Monday, 5th September 2005 [both days inclusive].
3. Members are requested to address all correspondence, to the Company's Registrar and Share Transfer Agents - M/s Intime Spectrum Registry Limited, A-31, 3rd Floor, Near PVR Cinema, Naraina Industrial Area, Phase - I, New Delhi - 110 028 or to the Company at its registered office.
4. Members holding shares in physical form are requested to notify change in address, if any along with pin code numbers to the Company's Registrar and Share Transfer Agents or to the Company. Members holding shares in the electronic form are advised to notify any change in their address to the concerned Depository Participants.
5. The dividend on equity shares, if declared at the Annual General Meeting will be paid to those members whose names appear on the Register of Members on Wednesday, 31st August 2005. In respect of shares held in dematerialized form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories as at the end of business on Wednesday, 31st August 2005.

By order of the Board

Date : 29th July 2005

Place : New Delhi

(SARABJEET KAUR)

Director & Company Secretary

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.
6. Members are requested to quote Folio Numbers / DP ID and Client ID in all their correspondence with the Company / Registrar and Share Transfer Agents.
7. Members are requested to bring their copy of Annual Report along with them to the Annual General Meeting.
8. Members / Proxies are requested to bring the attendance slip duly filled and signed for attending the meeting. Members who hold shares in

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- dematerialized form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
9. Corporate Members intending to send their authorized representative(s) are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the Annual General Meeting.
 10. Any queries relating to Accounts must be sent to the company at least 10 days before the date of the Annual General Meeting.
 11. All material documents relating to the matters proposed in the Notice are open for inspection to the members till the date of the Annual General Meeting from 11a.m till 1p.m. on all working days at the registered office of the Company.
 12. Pursuant to section 205A of the Companies Act, 1956 read with the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, all unclaimed/unpaid dividend up to the financial year ended 31st July 1997 has been transferred to the Investor Education and Protection Fund set up by the Central Government and no claim can be admitted in respect of this fund. Members are therefore requested to encash their dividend warrants immediately for subsequent financial years. Member are requested to write to the Company and/ or Share Transfer Agents, if any dividend warrant is due and pending to be paid so that fresh/revalidated warrants could be issued by the Company.
 13. 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 or its Registrar and Share Transfer Agents through a Depository Participant.
 14. Consequent upon the introduction of section 109A of the Companies Act 1956, members are entitled to make nominations in respect of shares held in physical form. Members desirous of making nominations are requested to send their requests in Form No. 2B (which will be made available on request) to the Company or its Registrar and Share Transfer Agents. However where the shares are held in dematerialized form, the nomination should be recorded with the respective Depository Participant.
 15. At the ensuing Annual General Meeting, Mr. Arun K. Jain and Dr. C.S. Bedi, Directors retire by rotation and being eligible offer themselves for reappointment. The information and the details pertaining to these Directors provided in terms of Clause 49 of the Listing Agreement with the Delhi Stock Exchange is as follows:
 - a) Mr. Arun K. Jain, an Electronics Engineer by profession has been associated with the Company as Director since the year 1994. With his rich business experience, Mr. Arun K. Jain has contributed extensively to the growth of the company. Presently Mr. Arun K. Jain is a Director in Vardhman Electricals Pvt. Ltd. and is a committee member of the Audit Committee and Investor Grievance Committee of Frontline Securities Limited.
 - b) Dr. C.S. Bedi, MBBS. M.D. has been associated with the company as Director since the year 1996. With his extensive business contacts and experience, Dr. C.S. Bedi has contributed significantly to the development of the Company. Presently Dr. C.S. Bedi is a Director in ABC Telecom Pvt. Ltd. and Three- D Solutions Pvt. Ltd. and is member of the Audit Committee of Frontline Securities Limited.

By order of the Board

Date : 29th July 2005
Place : New Delhi

(SARABJEET KAUR)
Director & Company Secretary

FRONTLINE SECURITIES LIMITED

DIRECTOR'S REPORT

To the Members,

The Directors take pleasure in presenting their Eleventh Annual Report. Briefly stated the financial results of operations for the year ended 31st March 2005 are : -

FINANCIAL RESULTS

	For the Year Ended 31.03.05 (Rs. in lacs)	For the Year Ended 31.03.04 (Rs. in lacs)
GROSS INCOME	119.11	444.60
PROFIT BEFORE DEPRECIATION & TAXATION	95.42	401.68
DEPRECIATION	(3.98)	(4.87)
PROFIT BEFORE TAXATION	91.44	396.81
PROVISION FOR TAXATION		
— CURRENT TAX	(10.89)	(9.74)
— DEFERRED TAX	(1.04)	6.88
— FOR PREVIOUS YEAR	(0.01)	—
PROFIT AFTER TAXATION	79.50	393.95
PROFIT AVAILABLE FOR APPROPRIATION	79.50	393.95
TRANSFER TO RBI RESERVE FUND	15.90	78.79
PROPOSED DIVIDEND	23.76	—
CORPORATE DIVIDEND TAX	3.33	—
PROFIT FOR THE YEAR AFTER APPROPRIATION	36.50	315.16
PROFIT BROUGHT FORWARD	417.04	101.88
BALANCE PROFIT CARRIED FORWARD TO BALANCE SHEET	453.54	417.04

PERFORMANCE OF THE COMPANY

During the year under review, the Company has earned a net profit after tax of Rs.79.50 lacs as against profit after tax of Rs. 393.95 lacs earned in the previous year ended 31st March 2004.

DIVIDEND

Your Directors have recommended a dividend @ 2.50% (i.e. Re 0.25 per equity share on 9504950 Equity Shares of Rs 10/- each) for the financial year ended 31st March 2005. Dividend, which if approved by the members at the forthcoming Annual General Meeting, will be paid to (i) all those shareholders whose names appear in the Register of Members as on Wednesday,

31st August 2005 and (ii) all those whose names appear on that date as beneficial owners as furnished by National Securities Depository Limited and Central Depository Services Limited.

FUTURE PLAN

In keeping with its plan to scale up fee-based activity resulting in generation of stable and regular income, during the year under review, the company's operations have been focussed on investment related advisory services including the distribution of mutual funds & other financial products.

In the coming years, the company intends to expand the business of distribution of mutual funds with the support of well-knit market research team and through focussed marketing programs.

DIRECTORS

Mr. Arun K. Jain, Director, retires by rotation at the end of the 11th Annual General Meeting and being eligible offers himself for reappointment.

Dr. C. S. Bedi, Director, retires by rotation at the end of the 11th Annual General Meeting and being eligible offers himself for reappointment.

DIRECTOR'S RESPONSIBILITY STATEMENT

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

- in the preparation of the annual accounts for the financial year ended 31st March 2005, the applicable accounting standards have been followed along with proper explanations relating to material departures.
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the year under review.

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3. the Directors have taken proper and sufficient care for 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 preventing and detecting fraud and other irregularities.
4. the Directors have prepared the accounts for the financial year ended 31st March 2005 on a going concern basis.

SUBSIDIARY COMPANY

During the financial year 2003-2004, the Company acquired 100% stake in FSL Software Technologies limited, thus making it a Wholly Owned Subsidiary. The Annual Accounts along-with Report of Auditors of FSL Software Technologies Ltd. are attached together with the statement under section 212 of the Companies Act 1956.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard - 21, Consolidated Financial Statements read with Accounting Standard-23 on accounting for investments in Associates, your Directors have pleasure in attaching the Consolidated Financial Statements, which form part of this Annual Report and Accounts.

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 AUDITOR'S REPORT

M/s. J. Jain & Company, Chartered Accountants, Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting and offer themselves for reappointment. Your Company has received a letter from Auditors to the effect that their re-appointment, if made, would be in accordance with the provisions of Section 224 (1B) of the Companies Acts, 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 deposits during the year, within the meaning of Section 2(i) (xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions 1998.

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 year 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.

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Foreign Exchange Earnings : Nil (Previous year Rs. 5,87,801/-)
Foreign Exchange Outgo : Nil (Previous year Rs. 8,932/-)

AKNOWLEDGEMENT

Your Directors acknowledge with thanks the support and valuable co-operation extended by the business constituents, bankers and members of the Company. The Directors place on record their appreciation for the contribution made by the employees at all levels. The Directors also thank the Securities and Exchange Board of India, Delhi Stock Exchange Association Ltd., 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

Date : 29th July 2005
Place : New Delhi

(SARABJEET KAUR)
Director & Company Secretary

(ATUL K. JAIN)
Director



FRONTLINE SECURITIES LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

1. **Industry Structure and Development :** During the financial year 2003-2004, the Company sold its Software Business to its Wholly Owned Subsidiary Company namely, FSL Software Technologies Ltd. With this, during the year under review the Company's operations have been focussed on the business of Finance, Investment & Consultancy with special emphasis on investment related advisory services including the distribution of mutual funds and other financial products.
2. **Opportunities and threats :** The growth of the Company is subject to opportunities and threats as are applicable to the industry from time to time.
3. **Segment wise performance & outlook :** With the transfer of Software Business to its Wholly Owned Subsidiary Company namely, FSL Software Technologies Ltd. in the financial year 2003-2004, the Company now has only one core segment of Finance, Investment & Consultancy to report. During the year ended 31st March, 2005 the Company has generated gross revenue of Rs. 119.11 lacs as against Rs. 427.98 lacs earned from Finance, Investment and Consultancy business in the previous year. During the year under review, the Company has earned profit before taxation of Rs. 91.44 lacs from the Finance, Investment and Consultancy business as against previous year's profit before taxation of Rs. 403.58 lacs earned from this business.
4. **Risk and Concerns :** While risk is an inherent aspect of any business, your company is conscious of the need to have an effective monitoring mechanism and has put in place appropriate measures for its mitigation including business portfolio risk, financial risk, legal and internal process risks.
5. **Internal Control Systems :** The Company has set in place adequate systems and procedures to effectively run and manage its operations. The internal audit function reviews the efficacy of these systems at regular intervals.
6. **Financial Performance of the Company :** During the year under review, the Company has registered gross revenue of Rs. 119.11 lacs from the Finance, Investment and Consultancy business as against revenue of Rs. 427.98 lacs generated during the previous year from this business. After providing for staff cost of Rs. 11.09 lacs, depreciation of Rs. 3.98 lacs and other expenditure of Rs. 12.60 lacs, the Company has earned net profit before taxation of Rs. 91.44 lacs as against previous year's profit before tax of Rs. 396.81 lacs.

During the year under review, the Company has earned profit after tax of Rs. 79.50 lacs as against previous year's profit after tax of Rs. 393.95 lacs.
7. **Human Resources :** The Company's Human Resources philosophy is to establish and build a strong performance and competency driven culture with greater sense of accountability and responsibility. The Company has continued to strengthen its Human Resource practices & has maintained a congenial and healthy environment for the working of its employees. With the changing and turbulent business scenario, our basic focus is to upgrade the skill and knowledge level of the existing human assets to the required level by providing appropriate leadership at all levels, inculcating in them the attitude for speed of action and greater sense of responsibility.
8. **Disclosures :** During the year the Company has not entered into any transaction of material nature with its promoters, the Directors or the management, their subsidiaries or relatives etc that may have potential conflict with the interest of the Company at large.

All details of transactions covered under related party transactions are given in the Notes to Accounts (Note 6 of Schedule 17).
9. **Cautionary Statement :** Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations are "forward-looking statements" within the meaning of applicable Securities Laws and Regulations. Actual results could differ materially from those express or implied. Important factors that could make a difference to the Company's operations include economic conditions in the domestic and overseas markets, changes in the Government regulations, tax, corporate and other laws and other incidental factors.

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REPORT ON CORPORATE GOVERNANCE

I. Company's Philosophy on Code of Corporate Governance

The philosophy of the Company on Corporate Governance envisages the attainment of the highest level of transparency, accountability and equity in all areas of its operations and interactions with customers, shareholders, investors, employees, and government authorities.

II Board of Directors

The composition of the Board of the Company is in accordance with the requirements of clause 49 of the Listing Agreement of Delhi Stock Exchange Association Limited. The composition of the Board as on 31st March 2005 is as follows:

S.No.	Name of Director	Category of Director	Board Meetings		Attendance at last AGM	No of other Directorships	No of Committee Memberships in all Companies
			Held	Attended			
1	Mr. Rakesh K. Jain	Non-Executive [Promoter]	15	10	Present	5	1*
2	Mrs. Prema Jain	Non-Executive [Promoter]	15	15	Absent	4	Nil
3	Mr. Atul K Jain	Non-Executive	15	15	Present	4	4*
4	Mr. Arun K Jain	Non-Executive [Independent]	15	15	Present	1	2
5	Dr. C.S Bedi	Non-Executive [Independent]	15	11	Present	2	1
6	Mrs. Sarabjeet Kaur	Executive [Wholtime Director & Co. Secretary]	15	15	Present	1	2

During the year, the Board of Directors met 15 times on the following dates:

12.04.2004, 23.04.2004, 30.06.2004, 01.07.2004, 19.07.2004, 30.07.2004, 05.08.2004, 18.10.2004, 29.10.2004, 11.11.2004, 18.01.2005, 31.01.2005, 07.02.2005, 14.03.2005, and 29.03.2005.

*Includes membership of Audit Committee of Frontline Capital Services Limited which was dissolved in October 2004

III. Audit Committee

Terms of Reference :

The Audit Committee functions according to the terms of reference under section 292A of the Companies Act, 1956 and the guidelines set out in the listing agreement which inter alia, include overseeing financial reporting processes, reviewing with the management the financial statements, accounting policies and practices, adequacy of internal audit functions and discussion with internal auditors on any significant findings, financial and risk management policies.

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During the year ended 31st March 2005, the Audit Committee met four times on 30.06.2004, 30.07.2004, 29.10.2004, 31.01.2005. Mr. Arun K. Jain, a Non-Executive Independent Director presided over the said Audit Committee Meetings as Chairman.

Composition of the Audit Committee, names of Members, meetings and attendance during the year are as under

S. No.	Name of Members	Category	Meeting Held	Attendance
1	Mr. Atul K. Jain	Non-Executive	4	4
2	Mr. Arun K. Jain	Non-Executive (Independent)	4	4
3	Dr. C. S. Bedi	Non-Executive (Independent)	4	4

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 Mrs. Sarabjeet Kaur, Whole Time Director and Company Secretary during the year ending 31st March 2005.

Salary and other benefits	:	Rs. 137,561/-
Contribution to Provident & Other Funds	:	Rs. 7,001/-

VI. Investors Grievance Committee

Terms of Reference :

The Investor Grievance Committee looks in to redressal of investor's grievance/complaints such as non-receipt of Balance Sheet, non-receipt of Dividends and entertains requests of dematerialization of shares, rematerialisation of shares, share transfer and other related matters.

Composition, names of members, meetings and attendance during the year ended 31st March 2005 are as follows :

S. No.	Name of Members	Meetings Held	Attendance
1.	Mr. Atul K. Jain	37	34
2.	Mr. Arun K. Jain	37	37
3.	Mrs. Sarabjeet Kaur	37	37

Except in three meetings, wherein Mr. Arun K. Jain was elected as Chairman, the meetings were presided over by Mr. Atul K. Jain, a Non-Executive Director.

Name and designation of Compliance Officer : Mrs. Sarabjeet Kaur,
Director & Company Secretary.