

12th
**ANNUAL
REPORT**
2005-2006

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FRONTLINE
SECURITIES LIMITED

Board of Directors

Mr. Rakesh K. Jain, Chief Mentor
Dr. C. S. Bedi
Mr. Atul K. Jain
Mrs. Purna Jain
Mr. Arun K. Jain
Mrs. Sarabjeet Kaur

Company Secretary

Mrs. Sarabjeet Kaur

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 Twelfth Annual General Meeting of the Company will be held on Monday, 11th September 2006 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 2006 and Profit and Loss Account for the year ended on that date and the Report of Auditors and Directors thereon.
2. To declare final dividend on the equity shares @ 2.50% for the year ended 31st March 2006.
3. To appoint a Director in place of Mr. Rakesh K. Jain, who retires by rotation, and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Atul K. Jain, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint Auditors and fix their remuneration.
2. M/s Intime Spectrum Registry Ltd. (Intime), A-31, 3rd Floor, Naraina Industrial Area, Phase-I, New Delhi-110028 is the Registrar and Share Transfer Agent for physical shares of the Company. Intime is also the depository interface of the Company with both NSDL and CDSL.
3. Members holding shares in physical form are requested to immediately notify change in their address, if any, to the Company at its Registered Office, quoting their Folio Number(s). Members holding shares in electronic form may update such details with their respective Depository Participant(s).
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, September 5, 2006, to Monday, September 11, 2006, (both days inclusive).
The dividend on equity shares for the year ended March 31, 2006, if declared at this Meeting, will be paid:
 - (i) in respect of shares held in electronic form, on the basis of beneficial ownership, at the close of Business hours on Monday, September 04, 2006 as per the details furnished by the National Stock Exchange Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).
 - (ii) to those Members, holding shares in physical form, whose names appear in the Register of Members of the Company, at the close of business hours on Monday, September 11, 2006 after giving effect to all valid transfers in physical form lodged with the Company on or before Monday, September 04, 2006.
5. Members / proxies should bring the attendance slips duly filled in and signed for attending the meeting.

By order of the Board

Place : New Delhi (Sarabjeet Kaur)
Date : 29th July 2006 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.

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6. All material documents relating to the matters proposed in the Notice, Memorandum and Articles of Association of the Company etc. are open for inspection to the members till the date of the Annual General Meeting from 11 a.m. till 1 p.m. on all working days at the registered office of the Company.

7. The Company has transferred unclaimed amounts of dividends paid upto July 31, 1998, to the General Revenue Account / Investor Education and Protection Fund of the Central Government as required under Sections 205A and 205C of the Companies Act, 1956. 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 can be issued by the company.

8. Payment of Dividend through ECS:

- Members holding shares in physical form are advised to submit particulars of their bank account in the ECS Mandate Form, annexed to this report latest by Monday, September 4, 2006, to the Company Secretary at E-169 Masjid Moth, Greater Kailash-III, New Delhi-110048 or Intime Spectrum Registry Ltd. at A-31, 3rd Floor, Naraina Industrial Area, Phase-I, New Delhi-110028.
- Members holding shares in demat form are advised to inform the particulars of their bank account to their respective depository participants.

9. Members who hold shares in physical form may nominate a person in respect of all shares held by them whether singly or jointly. Members who hold shares singly are advised to avail the nomination facility

by filing Form 2B in their own interest. Blank forms will be supplied by the Company on request. Members holding shares in demat form may contact their respective Depository Participants for recording of nomination.

10. At the ensuing Annual General Meeting, Mr. Rakesh K. Jain and Mr. Atul K. Jain, retire by rotation and being eligible offer themselves for reappointment. The information or details pertaining to these directors to be provided in terms of Clause 49 of the Listing Agreement is provided in the Report of Corporate Governance available elsewhere in this Report.

11. Any queries relating to Accounts must be sent to the company at least 10 days before the date of the Annual General Meeting.

By order of the Board

Place : New Delhi

(Sarabjeet Kaur)

Date : 29th July / 2006

Director & Company Secretary

FRONTLINE SECURITIES LIMITED

DIRECTOR'S REPORT

To the Members,

The Directors take pleasure in presenting their Twelfth Annual Report and Audited Accounts for the year ended March 31, 2006. Briefly stated the financial results of operations for the year ended March 31, 2006 are: -

FINANCIAL RESULTS

(Rs. in Lacs)

Particulars:	2005-2006	2004-2005
Gross Income	407.39	119.11
Profit before Depreciation & Taxation	355.43	95.89
Less:		
a) Depreciation	(4.72)	(3.98)
b) Provision for tax		
- Current Tax	(42.70)	(10.89)
- Fringe Benefit Tax	(0.29)	0.00
- Deferred Tax	(0.79)	(1.04)
- STT Charges	(3.63)	(0.46)
- Tax for earlier years	0.00	(0.01)
Net Profit After Tax	304.89	79.49
Add: Profit Brought from Previous Year	453.54	417.04
Profit available for appropriation	758.43	496.53
Appropriations:		
Transferred to RBI Reserve Fund	60.98	15.90
Dividend proposed	23.76	23.76
Tax on Dividend	3.33	3.33
Balance carried forward to Balance Sheet	670.36	453.54

PERFORMANCE OF THE COMPANY

During the year under review the Company has earned a net profit after tax of Rs. 304.89 lacs as against profit after tax of Rs. 79.49 lacs earned in the previous year ended March 31, 2005.

DIVIDEND

Your directors have recommended a dividend @ 2.50% (i.e. Re 0.25 per equity share on 95,04,950 Equity Shares of Rs 10/- each) for the financial year ended March 31, 2006. Dividend, if approved by the members at the forthcoming Annual General Meeting, will be paid -

- in respect of shares held in electronic form, on the basis of beneficial ownership, at the close of business hours on Monday, September 04, 2006, as per the details furnished by the National Stock Exchange Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).
- to those members, holding shares in physical form, whose names appear in the register of members of the Company, at the close of business hours on Monday, September 11, 2006 after giving effect to all valid transfer in physical form lodged with the Company on or before Monday, September 04, 2006.

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FUTURE OUTLOOK

In the recent past, the focus of the company has been on scaling-up the fee based activities. In the current financial year, mutual fund distribution business has progressed well. In the near future, the company expects to enhance this business, barring unforeseen circumstances.

DIRECTORS

Mr. Rakesh K. Jain, is retiring by rotation at this Annual General Meeting and, being eligible, offers himself for reappointment.

Mr. Atul K. Jain, is retiring by rotation at this 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:

1. in the preparation of the annual accounts for the financial year ended March 31, 2006, the applicable accounting standards have been followed along with proper explanations relating to material departures.
2. 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.
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 March 31, 2006 on a going concern basis.

SUBSIDIARY COMPANY

The Annual Accounts along-with Report of Auditors of FSL Software Technologies Ltd., the wholly-owned subsidiary of the company 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 the applicable provisions of Clause 49 of the Listing Agreement with the Delhi Stock Exchange, a Management Discussion & Analysis, a Report on Corporate Governance together with the Auditor's Certificate on the compliance of conditions of Corporate Governance form part of the Annual Report.

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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 prescribed to it by the terms of its reference.

AUDITORS

M/s. J. Jain & Company, Chartered Accountants, retire as auditors of the company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of the Auditors, if re-appointed.

AUDITOR'S REPORT

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.

Foreign Exchange Earnings: Nil (Previous year: Nil)

Foreign Exchange Outgo: Nil (Previous year: Nil)

ACKNOWLEDGEMENT

Your Directors place on record their sincere thanks to the Company's esteemed Shareholders, Clients, Associates, Financial Institutions, Bankers, the Securities and Exchange Board of India, Delhi Stock Exchange Association Ltd., Reserve Bank of India and other Government Departments for their valuable contribution and support.

For and on Behalf of the Board

Place : New Delhi
Date : 29th July 2006

(Sarabjeet Kaur)
Director & Company Secretary

(Atul K. Jain)
Director

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MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Development

The Indian Economy as well as the Indian Stock Market has done very well during the financial year ended March 31, 2006. However, the stock market has been very turbulent during May and June 2006. Considering the inherent risks of equity investment, the Company is following a conservative policy by investing a good portion of its funds in secure debt instruments

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

The Company's activities are being carried out under one segment of Finance, Investment & Consultancy. During the year under review, your company has generated revenue largely from its investment activity and mutual fund distribution business. In comparison, to revenue of Rs. 119.11 lacs generated in the previous year, during the financial year 2005-2006, the company has recorded income from operations of Rs. 407.39 lacs.

In the coming years, with its forward looking customer centric approach, logical and dynamic mindset, the company intends to continue to focus on its investment activity, mutual fund distribution business, management consultation and financial services.

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 safety 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.

The Company has further strengthened its IT systems that serve to significantly enhance the planning, monitoring and control over its operations.

6. Financial Performance of the Company

During the year under review the Company has registered Gross Revenue of Rs.407.39 lacs from the Finance, Investments and Consultancy business as against revenue of Rs.119.11 lacs generated during the previous year from this business. After providing for staff cost of Rs. 14.41 lacs, depreciation of Rs. 4.72 lacs and other expenditure of Rs. 37.55 lacs, the Company has earned profits before tax of Rs. 350.71 lacs as against previous years profit before tax of Rs.

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91.91 lacs. Further the Company has earned net profit after taxation of Rs. 304.89 lacs as against net profit after taxation of Rs. 79.49 lacs earned during the previous year.

7. Human Resources

Your Company is conscious and acutely aware of the significance of human resource development. It believes that it is the human factor that makes all the difference to its sustained growth.

It is the Company's policy to encourage and empower individual managers to assume greater responsibility. The Company's efforts are directed to help individuals recognize their potential through challenging assignments involving greater responsibilities.

The Company has always maintained excellent relations with its employees throughout the organization and these remained cordial during the period under review.

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 12 of Schedule 15).

9. Cautionary Statement:

Statement in this Management Discussion and Analysis describing the company's objectives, projections, estimates and expectations may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied.

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REPORT ON CORPORATE GOVERNANCE

A. 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. It brings into focus the fiduciary and the trusteeship role of the Board to align and direct the actions of the organization towards creating wealth and shareholder's value.

B. 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. During the year ended 31st March 2006, the Board of Directors met seven (7) times. These meetings were held on 12th April, 2005, 30th June, 2005, 29th July, 2005, 19th September, 2005, 28th October, 2005, 7th December, 2005 and 31st January, 2006. The composition, the number of meetings attended and the directorships in other companies as on 31st March, 2006 is given in Table 1.

Table 1

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]	7	3	Present	5	Nil
2.	Mrs. Perna Jain	Non- Executive [Promoter]	7	7	Absent	4	Nil
3.	Mr. Atul K. Jain	Non- Executive	7	7	Present	5	3
4.	Mr. Arun K. Jain	Non-Executive [Independent]	7	7	Present	2	3
5.	Dr. C. S. Bedi	Non-Executive [Independent]	7	7	Present	2	1
6.	Mrs. Sarabjeet Kaur	Executive [Whole-Time Director & Company Secretary]	7	7	Present	1	2

The shareholding of the Non Executive Directors of the Company as on March 31, 2006 is given in Table 2.

Table 2

Name	No. of shares held
Rakesh K. Jain	97910
Perna Jain	271220
Atul K. Jain	10
Arun K. Jain	210
Dr. C.S. Bedi	Nil
Total	369350