

14th

**ANNUAL
REPORT**

2007-2008

Report



FRONTLINE
SECURITIES LIMITED

Board of Directors

Mr. Rakesh K. Jain, Chairman
Dr. C. S. Bedi
Mr. Atul K. Jain
Mrs. Prerna Jain
Mr. Arun K. Jain
Mr. Baljit Singh Bedi
Mrs. Sarabjeet Kaur

Company Secretary

Mrs. Sarabjeet Kaur

Auditors

J Jain & Company
Chartered Accountants

Bankers

HDFC Bank, New Delhi

Registered Office

M-6, IInd Floor,
M Block Market,
Greater Kailash-II,
New Delhi-110 048

Website

www.fslindia.com
www.fsltechnologies.com

FRONTLINE SECURITIES LIMITED

NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting of the Company will be held on Thursday, 11th September 2008 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 2008 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 2008.
- 3) To appoint a Director in place of Mr. Arun 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.

SPECIAL BUSINESS

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

"RESOLVED that Mr. Baljit Singh Bedi, who was appointed as an Additional Director of the Company with effect from June 23, 2008, pursuant to the provisions of section 260 of the Companies Act,

1956 ("the Act") and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice from a shareholder proposing his candidature for the office of Director under section 257 of the Act, be and is hereby appointed a Director of the Company.

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

"RESOLVED that in accordance with the provisions of section 198, 269, 309 read with schedule XIII and all other applicable provisions if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactments thereof, approval of the Company be and is hereby accorded to the re-appointment of Ms. Sarabjeet Kaur, as Whole Time Director for a period of 5 (five) years with effect from December 27, 2007 on the terms and conditions including remuneration as set out in the explanatory statement annexed to the Notice convening the Meeting".

By order of the Board
(Sarabjeet Kaur)

Director & Company Secretary

Place : New Delhi

Date : 26th July 2008

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

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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.

2. Corporate members intending to send their authorised representative to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at their meeting.
3. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
4. At the ensuing Annual General Meeting, Mr. Arun Jain and Dr. C.S. Bedi retire by rotation and being eligible offer themselves for reappointment. The information or details 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. The Board of Directors of the Company commends their respective re-appointments.
5. M/s Intime Spectrum Registry Ltd. (Intime), A-40, 2nd Floor, Naraina Industrial Area, Phase-II, 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.
6. 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).

7. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, September 4, 2008, to Thursday, September 11, 2008, (both days inclusive).
The dividend on equity shares for the year ended March 31, 2008, 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 Thursday, September 04, 2008 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 Thursday, September 11, 2008 after giving effect to all valid transfers in physical form lodged with the Company before Thursday, September 04, 2008.
8. Members / proxies should bring the attendance slips duly filled in and signed for attending the meeting.
9. 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

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the Annual General Meeting from 11 a.m. till 1 p.m. on all working days at the registered office of the Company.

10. The Company has transferred unclaimed amounts of dividends paid upto March 31, 2000, 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. Members are requested to write to the Company and/or Registrar and 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.

11. Payment of Dividend through ECS:
 - a. 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 Thursday, September 4, 2008, to the Company Secretary at M-6 IInd Floor, Greater Kailash-II (Market), New Delhi-110048 or Intime Spectrum Registry Ltd. at A-40, 2nd Floor, Naraina Industrial Area, Phase-II, New Delhi-110028.
 - b. Members holding shares in demat form are advised to inform the particulars of their bank account to their respective depository participants.

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

13. To provide speedy redressal of investor grievances the Company has designated an e-mail ID viz., investor@fsltechnologies.com exclusively for registering complaints/grievances by investors.
14. Any queries relating to Accounts must be sent to the company at least 10 days before the date of the Annual General Meeting.

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

Item No. 6

Mr. Baljit Singh Bedi was appointed as Additional Director of the Company with effect from June 23, 2008 and pursuant to section 260 of the Companies Act, 1956 holds office as a Director up to the date of Annual General Meeting but is eligible to be appointed as Director.

The Company has received the required notice pursuant to the provisions of section 257 of the Act from a member signifying his intention to propose the appointment of Mr. Baljit Singh Bedi as a Director of the Company. Mr. Baljit Singh Bedi has filed his consent to act as a Director if appointed.

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Mr. Baljit Singh Bedi is a Chartered Accountant by profession and has over 28 years of experience in the field of Foreign Exchange Regulations, Company Law Matters, Business Advisory Services, Statutory Audits & Internal Audits. Besides this, Mr. Bedi has been instrumental in project set-ups and liaisoning with Banks and Financial Institutions for funding of projects. Mr. Baljit Singh Bedi is also on the Board of BSN Financial Services (P) Ltd.

The Board of Directors is of the opinion that in view of Mr. Bedi's vast experience, and high profile it would be beneficial for the Company to have him on the Board. Mr. Bedi qualifies the definition of 'Independent Director' as per clause 49 of the Listing Agreement. With his induction, the Board would be more broad-based and truly independent in nature.

Mr. Baljit Singh Bedi holds 600 equity shares of the Company.

Mr. Baljit Singh Bedi is not related to any other existing Directors of the Company.

The Board recommends the Resolution at Item No. 6 for the approval of the members.

Mr. Baljit Singh Bedi may be deemed to be concerned or interested in the resolution relating to his appointment. None of the other Directors of the Company is, in any way, concerned or interested in the proposed resolution.

Item No. 7

Ms. Sarabjeet Kaur has been the Whole Time Director of the Company since December 27, 2002. The term of office of Ms. Sarabjeet Kaur as Whole Time Director of the Company expired on December 27, 2007.

The Board of directors in their meeting held on December 14, 2007 has subject to the approval of Members, re-appointed Ms. Sarabjeet Kaur for a further period of 5 (five) years.

The Board has also opined that remuneration payable and other terms and conditions of Ms. Sarabjeet Kaur's appointment as approved in the Annual General Meeting held on September 10, 2007 shall prevail until a further decision to modify the same is taken. The details of the same are given below:

A. Basic Salary: Rs. 14,500/- per month

B. HRA: 60% of Basic Salary

C. Medical, Conveyance Allowance and other Performance Linked Allowances: As per the rules of the Company

The terms of remuneration, as stated above may be treated as an abstract of terms of remuneration under section 302 of the Companies Act, 1956.

The Board of Directors recommends the Resolution at Item No. 7 for the approval of the Members.

Ms. Sarabjeet Kaur may be deemed to be concerned or interested in the resolution relating to her re-appointment. None of the other Directors of the Company is in any way, concerned or interested in the proposed resolution.

By order of the Board

Place: New Delhi
Date: 26th July 2008

(Sarabjeet Kaur)
Director & Company Secretary

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DIRECTOR'S REPORT

To the Members,

The Directors take pleasure in presenting their Fourteenth Annual Report and Audited Accounts for the year ended March 31, 2008. Briefly stated the financial results of operations for the year ended March 31, 2008 are: -

FINANCIAL RESULTS

Finances:	(Rs. In Lakhs)	
	2007-2008	2006-2007
Gross Income	340.17	317.76
Profit before Depreciation & Taxation	295.40	278.44
Less:		
a) Depreciation	(4.76)	(5.68)
b) Provision for Tax		
- Current Income Tax	(30.84)	(38.34)
- Fringe Benefit Tax	(0.51)	(0.39)
- Deferred Income Tax	7.22	(0.12)
- STT Charges	(2.76)	(3.12)
Net Profit After Tax	263.75	230.79
Amount Transferred to RBI Reserve Fund	(52.75)	(46.16)
Provision for Income Tax for earlier years	(0.34)	(0.56)
Profit available for appropriation	210.66	184.07
Proposed Dividend	(23.76)	(23.76)
Corporate Dividend Tax	(4.04)	(4.04)
Profit for the year after appropriation	182.86	156.27
Profit of earlier years brought forward	826.62	670.35
Balance profit carried over to the Balance Sheet	1009.48	826.62

PERFORMANCE OF THE COMPANY

During the year under review the Company has earned Net Profit before Tax of Rs.290.65 lakhs and Net Profit after Tax of Rs. 263.75 lakhs.

DIVIDEND

Your directors have recommended 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, 2008. Dividend, if approved by the members at the forthcoming Annual General Meeting, will be paid -

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- i) In respect of shares held in electronic form, on the basis of beneficial ownership, at the close of business hours on Thursday, September 04, 2008, 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 Thursday, September 11, 2008 after giving effect to all valid transfers in physical form lodged with the Company before Thursday, September 04, 2008.

FUTURE OUTLOOK

The current calendar year beginning January 2008 is witnessing increase in oil prices, rise in inflation rate and outflow movement of foreign investors leading to a sharp fall in the capital market. Our Company, being engaged in investment activities/ wealth management is automatically getting affected. However the management has taken reasonable precautions in its investment strategies to mitigate such affects to the minimum possible level. Besides, it is expected that increase in fee based business will reduce the rigor of the fall in the capital market for your Company. The management is of the view that in the long run the India story remains intact and the company will continue to perform well.

DIRECTORS

Appointment of Director

The Board of Directors has in their meeting held on June 23, 2008 appointed Mr. Baljit Singh Bedi as Additional Director. The term of his office expires at the ensuing Annual General Meeting. The Board recommends the appointment of Mr. Baljit Singh Bedi as Director of the Company.

Re-appointment of Directors Retiring by Rotation

In terms of Article 97, Mr. Arun Jain and Dr. C.S. Bedi, Directors retire by rotation and being eligible offer themselves for reappointment at the ensuing Annual General Meeting. Brief resume of the Directors proposed to be reappointed, nature of their expertise in their specific functional areas, names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors *inter-se*, as stipulated under Clause 49 of the Listing Agreement are provided in the Report on Corporate Governance.

Re-appointment of Whole Time Director

The Board of Directors in their Board Meeting held on December 14, 2007 subject to the approval of members re-appointed Ms. Sarabjeet Kaur as Whole- Time Director for a period of

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5(five) years. In the Notice accompany this report; the Board of Directors seeks the approval of the members.

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, 2008, 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 or loss 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, 2008 on a going concern basis.

SUBSIDIARY COMPANY

The Company had a wholly owned subsidiary viz., FSL Software Technologies Limited. During the year under review, FSL Software Technologies Limited made further allotment of shares in view of which the relationship of holding and subsidiary came to an end. Henceforth both Frontline Securities Limited and FSL Software Technologies Limited would exist as independent Companies in the FSL Group.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standards AS-23 on Accounting for Investments in Associates, the audited Consolidated Financial Statements are provided in the Annual Report.

In view of severance of relationship with the subsidiary company during the year under review, the Consolidated Audited results for the year ended March 31, 2008 include 100% operations of

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the erstwhile subsidiary viz., M/s FSL Software Technologies Limited till the date of severance of relationship and 45.73% operations of M/s FSL Software Technologies Limited (being the balance shareholding in the Company) after the date till March 31, 2008.

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.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors 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.