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Report of Audit Committee of Frontline Securities Ltd recommending the draft Scheme of Arrangement for De-Merger of Investment Business 1 and Investment Business 2 of Hope Consultants Ltd into Frontline Securities Ltd and FSL Software Technologies Ltd, respectively

This Report of the Audit Committee is issued in terms of SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 and SEBI Circular No. CIR/CFD/DIL/8/2013 dated 21st May, 2013. The requirements of the said circular, inter alia, make it mandatory for the Audit Committee of the Resultant Company to recommend the draft Scheme of Arrangement between the Demerged Company and the Resultant Company.

A meeting of the Audit Committee of Frontline Securities Ltd was held on 20th August, 2014, to consider and recommend the proposed Arrangement for De-Merger of Investment Business 1 and Investment Business 2 of Hope Consultants Ltd into Frontline Securities Ltd and FSL Software Technologies Ltd, respectively, the Report on Valuation of Shares and Share Exchange Ratio for the aforesaid arrangement and other connected matters.

The following documents were placed in the Audit Committee meeting:

1. Report on Valuation of Shares and Share Exchange Ratio dated 22.08.2014 of M/s J. Jain & Company, Chartered Accountants.
2. Pre and Post Demerger Shareholding Pattern.
3. Statement on Rationale/Justification of the proposed Arrangement.
4. Draft Scheme of Arrangement for De-Merger of Investment Business 1 and Investment Business 2 of Hope Consultants Ltd into Frontline Securities Ltd and FSL Software Technologies Ltd, respectively.

The Committee has reviewed the aforesaid documents and after appraisal of the methodology and basis followed by the said Chartered Accountants and going through the workings in detail, the Committee was satisfied with the Share Valuation Report and finds the suggested swap ratio of (a) 6 (six) Equity Shares of Rs. 10 each of the Resultant Company No. 2 for every 1 (one) Equity Share of Rs. 10 each, held in the Demerged Company and (b) 4 (four) Equity Shares of Rs. 10 each of the Resultant Company No. 2 for every 1 (one) Equity Share of Rs. 10 each, held in the Demerged Company, to be fair and reasonable.

The Committee also noted that there is no adverse effect to the public shareholders of the listed Resultant company No. 1 due to the proposed Scheme of Arrangement.

The Committee also confirmed its concurrence with the rationale for proposed Arrangement for De-Merger of Investment Business 1 and Investment Business 2 of Hope Consultants Ltd into Frontline Securities Ltd and FSL Software Technologies Ltd, respectively.

The Audit Committee unanimously approved and recommended the Scheme of Arrangement for De-Merger of Investment Business 1 and Investment Business 2 of Hope Consultants Ltd into Frontline Securities Ltd and FSL Software Technologies Ltd, respectively.

**By Order of the Audit Committee
For and on Behalf of Frontline Securities Ltd**


Atul Kumar Jain
Chairman
(Audit Committee)

