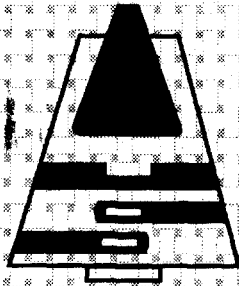


yarn syndicate limited.
One Star Trading House



ANNUAL REPORT
2004 - 2005

YARN SYNDICATE LIMITED

BOARD OF DIRECTORS

SRI M. L. PATODIA, Chairman & Managing Director

SRI R. K. PATODIA, Managing Director

SRI K. P. BAGARIA

SRI SITA RAM SARAF

SRI DEVENDRA JHUNJHUNWALA

SRI DILIP KUMAR KHANDELWAL

SRI VIKASH SINGHAL

SMT. SHEELA PATODIA

SRI RISHIRAJ PATODIA (w.e.f. 1-7-05)

BANKERS

CANARA BANK

Overseas Branch

2/1, Russel Street, Kolkata - 700 071

AUDITORS

LODHA & CO.

Chartered Accountants

14, Government Place East, Kolkata - 700 069

REGISTERED OFFICE

7, Sambhu Nath Mullick Lane, Kolkata - 700 007

NOTICE OF THE 59TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Fifty Ninth Annual General Meeting of the Members of the Company will be held at Patodia House, 23, Circus Avenue, Kolkata - 700 017 on Wednesday the 14th day of September, 2005 at 10.00 A.M. to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2005 and the Profit & Loss Account for the year ended on that date together with the Auditor's and the Directors' Reports thereon.
2. To appoint a Director in place of Shri Krishna Prasad Bagaria, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Smt. Sheela Patodia, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint Auditors of the company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

Registered Office :
7, Sambhu Nath Mullick Lane
Kolkata - 700 007

By order of the Board
For YARN SYNDICATE LIMITED

BIKASH CHANDRA CHATTERJI
COMPANY SECRETARY

Dated : the 3rd day of June, 2005

NOTES :

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of himself/herself and such proxy need not be a member of the Company. Proxies in order to be valid, must be received by the Company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and the Share Transfer Books shall remain closed from 1st September, 2005 to 14th September, 2005 (both days inclusive).
3. Pursuant to Section 205A(5) of the Companies Act, 1956 any money transferred to the Unpaid Dividend Account of the Company which remains Unpaid or Unclaimed for a period of 7 (Seven) years from the date of such transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government and the Shareholders shall not be able to claim any Unpaid Dividend from the said fund or from the Company thereafter.

Unclaimed/unpaid dividend amounts for the Financial year 1996-97 have been transferred to the Investor Education and Protection Fund of the Central Government.

Members who have not encashed the dividend warrant(s) for the Financial Year 1997-98 and any subsequent Dividend payment(s) are requested to make their claims to the Company.

REQUEST TO THE MEMBERS :

1. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company atleast 7 (seven) days in advance, so as to enable the Company to keep the information ready.
2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.
3. Members are requested to inform immediately any change in their address to the Company's Share Transfer Agents.
4. All communications relating to shares are to be addressed to the Company's Share Transfer Agents, "M/s. AMI Computers (I) Limited, 60A & B Chowringhee Road, Kolkata - 700 020."
5. As the Members are aware, your Company's shares are tradable compulsorily in electronic form and in view of the numerous advantages offered by the Depository System, members are requested to avail of the facility of dematerialisation.

DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING REAPPOINTMENT
(in pursuance of Clause 49 of the Listing Agreement)

- | | |
|--|---|
| 1. Name | Shri Krishna Prasad Bagaria |
| Date of Birth | 04.11.1931 |
| Date of Appointment | 30.04.1993 |
| Qualifications | L.L.B. |
| Expertise in specific functional area. | Legal |
| Chairman/Director of other Companies | Directorships :
Teage Limited |
| Chairman/Member of committees of the Board of Companies of which he is a Director | NIL |
| 2. Name | Smt. Sheela Patodia |
| Date of Birth | 13.11.1949 |
| Date of Appointment | 01.04.2002 |
| Qualifications | H.S. |
| Expertise in specific functional area. | Business |
| Chairman/Director of other Companies | Directorships :
1. Aarkap Finance Private Limited
2. Navalgarh Export & Investments Pvt Ltd.
3. Sunglow Credit Private Limited
4. YS Exports Limited |
| Chairman/Member of Committees of the Board of Companies of which she is a Director | NIL |

Registered Office :
7, Sambhu Nath Mullick Lane
Kolkata - 700 007

By order of the Board
For YARN SYNDICATE LIMITED

Dated : the 3rd day of June, 2005

BIKASH CHANDRA CHATTERJI
COMPANY SECRETARY

REPORT OF THE BOARD OF DIRECTORS TO THE MEMBERS

Your Directors have pleasure in submitting their 59th Annual Report of the Company together with the Audited Accounts for the Year ended on 31st March, 2005.

FINANCIAL RESULTS :

	2004-2005	2003-2004
	Rs. in Lacs	Rs. in Lacs
Export Sales	<u>1,123.64</u>	<u>1,510.30</u>
Profit/(Loss) before Interest & Depreciation	<u>(67.94)</u>	<u>(6.89)</u>
Less : Interest	(4.92)	(10.50)
Depreciation	<u>16.20</u>	<u>19.61</u>
	<u>11.28</u>	<u>9.11</u>
Profit/(Loss) before Tax	<u>(79.22)</u>	<u>(16.00)</u>
Less : Adjustment of Income Tax for earlier years	-	(1.07)
Profit/(Loss) after Tax	<u>(79.22)</u>	<u>(14.93)</u>
Add : Balance brought forward from last year	<u>141.10</u>	<u>156.03</u>
	<u>61.88</u>	<u>141.10</u>

Appropriations :

Balance carried forward to next year	<u>61.88</u>	<u>141.10</u>
	<u>61.88</u>	<u>141.10</u>

DIVIDEND :

Due to Loss incurred during the year, your Directors do not recommend dividend on Equity Shares for the Financial year ended 31st March, 2005.

PERFORMANCE REVIEW :

The major recession affecting the textile industry has continued to persist throughout the year under review. This has resulted in lower export sales by your Company during much of the year as compared to export sales in the previous year. However, export sales picked up considerably during the fourth quarter of the year.

The Quota system for yarn under W.T.O. has been dismantled w.e.f. 01.01.2005 and your Directors are happy to inform that the company has increased its export sales subsequent to the lifting of the Quota system.

With the global textile industry becoming more competitive than ever, your Company has continued to strive to maintain quality and delivery schedules of its exports and we continue to explore new markets for the export of Yarn and other textile products.

PARTICULARS OF EMPLOYEES :

Particulars of Employees as required under Sub-section (2A) of Section 217 of the Companies Act, 1956 and the rules made thereunder are not applicable for the year under review.

DIRECTORS :

Shri Krishna Prasad Bagaria and Smt. Sheela Patodia, Directors of the Company retire by rotation and are eligible for re-appointment.

Shri Rishiraj Patodia has been appointed as an Additional Director of the Company with effect from 1st July, 2005 at the meeting of the Board of Directors held on 3rd June, 2005 and shall hold office upto the date of the next Annual General Meeting of the Company.

DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2005, the applicable accounting standards had been followed;
- (ii) that the directors had 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 year and of the profit or loss of the Company for the year under review;
- (iii) that the directors had 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;
- (iv) that the directors had prepared the accounts for the financial year ended 31st March, 2005 on a 'going concern' basis.

CORPORATE GOVERNANCE :

A Report on Corporate Governance and Management Discussion and Analysis as required under Clause 49 of the Listing Agreement is attached.

VOLUNTARY DELISTING OF SHARES :

Your Directors wish to inform that Company has received approval from the Calcutta Stock Exchange Association Limited for the voluntary delisting of the company's equity shares under SEBI (Delisting of Securities) Guidelines, 2003.

The Company's equity shares are now listed with The Stock Exchange, Mumbai.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO.

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 issued under Section 217 (1) (e) of the Companies Act, 1956, your Directors have to state that the particulars in respect of Energy Conservation and Technology Absorption are not applicable to your Company. As regards the Foreign Exchange earning and outgo, your Directors have to state that the relevant figures are given in Schedule 13 annexed to the Audited Accounts. The Company's activity of export is in the line of Cotton Yarn and Textiles. Your Directors plan to continue their initiatives in order to further increase the export turnover.

AUDITOR'S OBSERVATIONS :

In respect of the reference to the Notes on Accounts in the Auditor's Report, your Directors have to state that the same are self explanatory and do not need further clarification.

AUDITORS :

M/s. Lodha & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENTS :

The Board is grateful to the Company's Bankers, Canara Bank for their continued co-operation and financial assistance. The Board is thankful to the Management, Officers and Staff of Canara Bank for the prompt and timely assistance rendered by them as and when required. The Board is grateful to Reserve Bank of India, State Bank of India & United Bank of India, Burrabazar Branch, The Cotton Textiles Export Promotion Council, Textile Committee, Export Credit Guarantee Corporation of India Limited, Collector of Central Excise, Director General of Foreign Trade, New Delhi, Joint Director General of Foreign Trade, Calcutta, Registrar of Companies, and other Institutions for their kind co-operation in day to day activities of the Company. Your Directors are thankful to all the Executives and staff members of the Company for their whole hearted. co-operation.

Registered Office

7, Sambhu Nath Mullick Lane,
Kolkata - 700 007

For and on behalf of the Board

M. L. PATODIA

Chairman & Managing Director

Dated : the 3rd day of June, 2005.

REPORT ON CORPORATE GOVERNANCE

The following is a report on the ongoing implementation of the code by your Company.

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company has always recognised the importance of good Corporate Governance and has strived to practice and improve its focus on it by increasing transparency, professionalism and accountability to its shareholders and other stakeholders, including employees, the government and lenders. The company will strive to improve on these aspects on ongoing basis.

2. COMPOSITION, CATEGORY AND DIRECTORSHIP IN OTHER COMPANIES

BOARD OF DIRECTORS

<u>Director</u>	<u>Executive/ Non-executive Independent</u>	<u>Member of Board of Other Companies including Pvt. Ltd. Cos.</u>	<u>Total No. of Committee Membership held</u>	
			<u>As Chairman</u>	<u>As Member</u>
Shri M. L. Patodia	Executive	7	—	1
Shri R. K. Patodia	Executive	7	—	1
Shri K. P. Bagaria	Independent	1	—	—
Shri S. R. Saraf	Independent	4	—	2
Shri D. K. Jhunjhunwala	Independent	4	—	—
Shri D. K. Khandelwal	Independent	2	—	2
Smt. Sheela Patodia	Non-Executive	4	—	—
Shri Vikash Singhal	Independent	5	3	—

BOARD, ANNUAL GENERAL MEETING & ATTENDANCE :

Board Meetings were held on 23rd April, 2004, 30th June, 2004, 30th July, 2004, 30th October, 2004 and 29th January, 2005.

The maximum time gap between any two meetings was not more than three calendar months.

The Annual General Meeting was held on 24th September, 2004.

<u>Director</u>	<u>No. of Board Meeting</u>		<u>Attended last AGM</u>
	<u>Held</u>	<u>Attended</u>	
Shri M. L. Patodia	5	5	Yes
Shri R. K. Patodia	5	1	Yes
Shri K. P. Bagaria	5	3	No
Shri S. R. Saraf	5	5	No
Shri D. K. Jhunjhunwala	5	1	Yes
Shri D. K. Khandelwal	5	2	Yes
Smt. Sheela Patodia	5	1	Yes
Shri Vikash Singhal	5	5	Yes

3. AUDIT COMMITTEE

The broad terms of reference of the Audit Committee are given hereunder :

- a) It shall oversee the Company's financial reporting process and the disclosure of its financial information and ensure that financial statements are correct, sufficient and credible.
- b) It shall recommend the appointment and removal of external auditor, fix the audit fee and also approve payment for any other services.
- c) It shall review with management the annual, half-yearly and quarterly financial statements in all respects.
- d) Review with management and statutory auditors the adequacy of internal control systems and internal audit functions.
- e) Discuss with external auditors before the audit commences nature and scope of audit as well have post-audit discussion to ascertain any area of concern.
- f) Review the company's financial and risk management policies.

COMPOSITION, NAME OF MEMBERS AND CHAIRMAN :

The Audit Committee was formed pursuant to a resolution passed at the Meeting of the Board of Directors of the Company held on 30th October, 2002. Audit Committee Meetings were held on 29th June, 2004, 29th July, 2004, 29th October, 2004 and 28th January, 2005.

<u>MEMBERS OF THE AUDIT COMMITTEE</u>		<u>Meetings held</u>	<u>Meeting Attended</u>
Chairman & Independent Director	Sri Vikash Singhal	4	4
Member & Independent Director	Sri S. R. Saraf	4	4
Member & Independent Director	Sri D. K. Khandelwal	4	2

4. REMUNERATION COMMITTEE :

The Remuneration Committee was formed pursuant to a resolution passed at the Meeting of the Board of Directors of the Company held on 30th October, 2002.

The Remuneration Committee has been constituted to decide and review the Remuneration Package of Managing Director in consonance with existing industry practice and also with the provisions of the Companies Act.

MEMBERS OF THE REMUNERATION COMMITTEE :

Chairman & Independent Director	:	Sri Vikash Singhal
Member & Independent Director	:	Sri S. R. Saraf
Member & Independent Director	:	Sri D. K. Khandelwal

The Remuneration Committee did not meet during the year under review.

Details of remuneration paid to Managing Director for the year :

The aggregate of salary and perquisites paid for the year ended 31st March, 2005 to Managing Director were as follows :

- Sri R. K. Patodia : Rs.4,20,000/- . Furthermore, Rs.78000/- has been paid during the year towards the maintenance of Managing Director's residential flat at Mumbai.
- Sri M. L. Patodia : Rs. NIL as payment of remuneration has been waived vide his letter dated 24.03.2004

Sitting Fees to Directors of the Board or any Committee thereof has been waived at the Meeting of the Board of Directors held on 27th July, 2001.

5. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE :

The Investors' Grievance Committee of the company, under the nomenclature "Share Transfer-cum-Grievance Committee" approves transfer and transmission, duplicate, sub-division, consolidation and replacement of shares and other related matters and to deal with complaints regarding transfer of shares, non-receipt of balance sheet and non-receipt of dividend. The Committee also oversees the performance of Share Transfer Agents and recommend measures for overall improvement in the quality of investor services.

The Committee is headed by Sri Vikash Singhal, a Non-executive Director and Sri Bikash Chandra Chatterji, Company Secretary is the Compliance Officer.

The Company has received 38 complaints as on 31.03.2005 and all of them has been resolved.

The number of shares pending for transfer on 31.03.2005 were 200 involved in two cases due to mismatch of signatures and these 200 shares have been transferred subsequently.

6. GENERAL BODY MEETINGS :

A. Location and time for last three Annual General Meetings were :

FINANCIAL YEAR	DATE OF AGM	VENUE	TIME
31 ST MARCH, 2002	28.09.2002	23, CIRCUS AVENUE KOLKATA 700 017.	10.00 A.M.
31 ST MARCH, 2003	23.09.2003	—DO—	10.00 A.M.
31 ST MARCH, 2004	24.09.2004	—DO—	10.00 A.M.

B. Special Resolution at the last three Annual General Meetings :

- i) At the Fifty Seventh Annual General Meeting held on 23rd September, 2003
- Delisting of equity shares of the Company from the Stock Exchanges at Ahmedabad, Chennai, Coimbatore and Kolkata as per SEBI (Delisting of Securities) Guidelines 2003.
 - Alteration in Article 34 of Articles of Association of the Company for nomination facility to the holders of shares or debentures of the Company under Section 31 of the Companies Act, 1956.
 - Lending by the Company of a sum of money as loan to Sri R. K. Patodia, Managing Director for further education of his son.
- ii) At the Fifty Eighth Annual General Meeting held on 24th September, 2004
- Re-appointment of Sri M. L. Patodia as Managing Director of the Company for 5 years w. e. f. 01.04.2004.

No resolution was put through Postal Ballot.

7. DISCLOSURES :

Disclosures on materially significant related party transactions of the Company of material nature, with its promoters, the directors, the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the company at large :

During the year, the Company had not entered into any transaction of a material nature with any of the related parties which were in conflict with the interest of the Company.

Details of non-compliance by the company, penalties, strictures on the company by Stock Exchanges, SEBI or any statutory authority on any matter related to the Capital Markets during the last three years :

None.

8. MEANS OF COMMUNICATIONS :

<ul style="list-style-type: none"> - Half yearly results sent to each household of Shareholders. 	<p>Although half-yearly report is not sent to each household of shareholders, the Company published the same in "The Financial Express" and "Kalantar".</p>
<ul style="list-style-type: none"> - Quarterly Results 	<p>The quarterly results published in the proforma prescribed under the Listing Agreement are approved and taken on record within one month of the close of the relevant quarter. The approved results are notified forth with to the concerned Stock Exchange.</p>
<ul style="list-style-type: none"> - which newspaper normally published in 	<p>Asian Age or Financial Express (English newspaper), Kalantar(Bengali newspaper).</p>
<ul style="list-style-type: none"> - any Website, where displayed. 	<p>No</p>
<ul style="list-style-type: none"> - whether it displays Official news releases 	<p>No</p>
<ul style="list-style-type: none"> - whether presentation made to Institutional investors or to analyst. 	<p>No</p>
<ul style="list-style-type: none"> - whether Management Discussion and Analysis Report is a Part of Annual Report or not. 	<p>Management Discussion and Analysis Report is a Part of Annual Report.</p>

9. GENERAL SHAREHOLDERS INFORMATION :

- | | <u>DATE</u> | <u>TIME</u> | <u>VENUE</u> |
|----|---|-------------|--|
| a) | A.G.M. 14th September, 2005 | 10.00 A.M. | 23, CIRCUS AVENUE,
KOLKATA 700 017. |
| b) | Financial Calendar (tentative) | : | 2005 – 2006 |
| | i) Financial Year | : | April – March |
| | ii) First Quarter Results | : | July, 2005 |
| | iii) Second Quarter Results | : | October, 2005 |
| | iv) Third Quarter Results | : | January, 2006 |
| | v) Audited Results
ending 31/03/2006 | : | June, 2006 |
| c) | Date of Book Closure | : | 1st September, 2005 to 14th
September, 2005 (both days
inclusive). |
| d) | Dividend payment date | : | Not applicable |
| e) | Listing of Equity Shares on
Stock Exchange | : | Mumbai |
| | (i) Annual Listing Fees for the year 2005-2006 (as applicable) has been paid to the Stock Exchange, Mumbai. | | |
| | (ii) The Company's equity shares have been delisted from the Stock Exchanges at Kolkata. | | |
| f) | (i) Stock Code : Scrip Code No. : 514378
Mumbai Stock Exchange : Trading Symbol : YARN SYNDICT | | |
| | (ii) Demat ISIN Nos. in NSDL : INE 564C01013
and CDSL for equity shares. | | |
| g) | Stock Market Data : | | |

Month	THE STOCK EXCHANGE, MUMBAI	
	Month's High Prices	Month's Low Prices
April, 2004	4.07	1.90
May, 2004	3.91	2.75
June, 2004	5.39	2.80
July, 2004	4.54	2.76
August, 2004	4.99	2.71
September, 2004	5.46	2.80
October, 2004	6.75	3.65
November, 2004	7.70	3.80
December, 2004	10.50	5.05
January, 2005	9.75	6.40
February, 2005	9.00	5.65
March, 2005	8.89	6.00

h) Registrar and Share Transfer Agents : AMI COMPUTERS (I) LTD.,
60A & B, CHOWRINGHEE ROAD,
KOLKATA 700 020.
TEL : 2280-0812/0900/0901
FAX : 2240-6585
e-mail : amicomputers@vsnl.net

(i) Share Transfer System : Presently, the share transfers which are received in physical form are processed within a period of 15 days and the share certificates returned within a period of 30 days from the date of receipt, subject to the documents being valid and complete in all respects. The Company has, as per SEBI guidelines with effect from 26/12/2000 offered the facility of transfer cum demat. Under the said system, the share transfer is effected, an option letter was being sent to the transferee indicating the details of the transferred shares and requesting him in case he wishes to demat the shares, to approach a Depository Participant (DP) with the option letter. The DP, based on the option letter, generates a demat request and sends the same to the company alongwith the option letter issued by the company. On receipt of the same, the Company dematerialises the shares. In case the transferee does not wish to dematerialise the shares, he need not exercise the option and the company will despatch the share certificates after 30 days from the date of such option letter.

However, in terms of SEBI Circular SEBI/MRD/Cir-10/2004 dated 10th February, 2004, the Company has discontinued with effect from 11th February, 2004 the practice of sending option letter for dematerialisation subsequent to transfer.

(j) Shareholding Pattern as on 31st March, 2005.

<u>Sl. No.</u>	<u>Category</u>	<u>No. of Shares (Issued Capital)</u>	<u>% of Shareholding</u>
01.	Promoters & Persons Acting in Concert	25,49,900	67.9974
02.	Indian Financial Institutions, Banks, Mutual Funds.	1,18,600	3.1626
03.	Foreign Institutional Investor/NRI's	3,202	0.0854
04.	Others	10,78,298	28.7546
		<u>37,50,000</u>	<u>100.00</u>

(k) Dematerialisation of shares and Liquidity :

The shares of the Company are compulsorily traded in DEMAT form by all categories of investors with effect from 26th December, 2000. The company has arrangements with both National Securities Depositories Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) to establish electronic connectivity of our shares for scripless trading. As on 31st March, 2005, 29.75% of shares of company were held in Dematerialised form. There are no electronic requests pending for approval as on 31.03.2005 for Dematerialisation/Rematerialisation under NSDL and CDSL.

(l) Liquidity of Shares :

The shares of the company are actively traded in The Stock Exchange, Mumbai.

(m) Investor Correspondence :

- (i) For transfer/dematerialisation of shares and any other query relating to the shares of the Company etc. :
- AMI COMPUTERS (I) LTD.,
60A & B, CHOWRINGHEE ROAD,
KOLKATA 700 020.
TEL : 2280-0812/0900
FAX : 2240-0900
e-mail : amicomputers@vsnl.net
- (ii) Any query on Annual Report :
- Secretarial Department
YARN SYNDICATE LIMITED
7, Sambhunath Mullick Lane,
KOLKATA 700 007.
TEL : 2281-0270/0271
FAX : 91-33-22475685
E-mail : yarncal@vsnl.com

The above report was adopted by Board of Directors at their Meeting held on 3rd June, 2005.

Place : Kolkata
Dated : 3rd June, 2005.

For and on behalf of the Board
M. L. PATODIA
Chairman & Managing Director

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITION OF CORPORATE GOVERNANCE AS STIPULATED IN CLAUSE 49 OF THE LISTING AGREEMENT

**To the Members of
Yarn Syndicate Limited.**

We have reviewed the compliance of conditions of the Corporate Governance by Yarn Syndicate Limited for the year ended 31st March, 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s) with the relevant records and documents maintained by the Company and furnished to us.

The compliance of conditions of the Corporate Governance is the responsibility of the company's management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the condition of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

No investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company.

On the basis of our review and according to the information and explanation given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange have been complied with in all material respect by the Company.

For LODHA & CO.
Chartered Accountants

H. K. VERMA
Partner

Place : Kolkata

Date : 3rd June, 2005.

Membership No. 55104

MANAGEMENT DISCUSSION AND ANALYSIS

A) INDUSTRY STRUCTURE AND DEVELOPMENTS

The Textile Industry is a major foreign exchange earner and contributes greatly to the economy of India. Yarn Syndicate Ltd. is exporting various types of yarn to countries like Belgium, Bulgaria, Italy, Japan, Hong Kong, Mexico, Spain, Thailand, U. K. and is constantly exploring new markets with the aim of expanding its export earnings.

The large textile manufacturers have increased production capacity to meet the demands of foreign buyers. The price of yarn has become highly competitive dictated by the laws of supply and demand.

Now that the Quota System has been abolished w. e. f. 01.01.2005, the export of yarn and textile products from India has significantly increased. It is expected that India will continue to increase its share in the international market. However, due to increased competition mainly from China, Pakistan and Bangladesh export profits are not expected to be high. During the financial year ended on 31st March, 2005 the Rupee got strength against US Dollar considerably which has also affected the realisations.

However, your company in spite of all the hurdles as discussed could succeed in increasing its exports.

towards the later part of the financial year by strictly adhering to the quality of yarn and following delivery schedules.

B) OPPORTUNITIES, THREATS, RISKS AND CONCERNS

The global textile industry is extremely competitive and Indian exporters face competition from producers in China, Egypt, Indonesia, Pakistan, Turkey, Mexico, Bangladesh etc. The lifting of the quota system under WTO w. e. f. 01.01.2005 has changed the export scenario but your Company has adjusted to the new order and holding on to its market share and looks forward to improving its market share in the coming months and years.

C) OUTLOOK

With the dismantling of the Quota System, your company's first and foremost objective is to increase its export market share in the coming years. However, the company has always been in search of new arena of export. Moreover, India's share in total textile export has improved with the dismantling of quotas from 1st January, 2005 and your Company hopes to capitalise on this development by increasing its presence in the export market. However, your Company faces stiff competition from producers in China and to a lesser extent from producers in Pakistan and Bangladesh.

D) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a proper internal control system which provides adequate safeguards and effective monitoring of the transactions including losses to all the assets from unauthorised use or disposition.

The Company has an internal audit system which ensures that the company's control mechanism is properly followed and all statutory requirements are duly complied with.

Moreover, an audit committee of the Board of Directors comprising of independent Directors regularly review the audit plans, adequacy of internal control as well as compliance of accounting standards.

E) FINANCIAL AND OPERATIONAL PERFORMANCE

Please refer to 'Performance Review' in the Board of Directors' Report.

F) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS

A major factor for the continued growth of your organization is the constructive support of Bank, Institutions, Suppliers, Export Promotion Organisations, executives, employees, creditors and the confidence shown by them in the company. Employer-Employee relations in all the offices of the company were cordial throughout the year under review.

G) CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations are "Forward looking statements". Actual results may differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include, among others, economic conditions affecting demand/supply, the exchange rate of the Rupee vis-à-vis the U. S. Dollar and price conditions in the domestic and overseas markets, also effect of political situations, change in the Government regulations on Export, tax laws and other statutes and incidental factors over which the company does not have any control.

For and on behalf of the Board
M. L. PATODIA
Chairman & Managing Director

Place : Kolkata

Dated : 3rd June, 2005.

AUDITORS' REPORT

Auditor's Report to the Members of M/s. YARN SYNDICATE LIMITED

We have audited the attached Balance Sheet as at 31st March 2005 and also the Profit and Loss Account along with the Cash Flow Statement for the year ended on that date of **YARN SYNDICATE LIMITED**. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) (Amendments) Order, 2004 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we report that :
 - i)
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;
 - b) Fixed assets have been physically verified by the management at reasonable intervals; no material discrepancies in respect of the assets verified during the year were noticed.
 - c) The Company has not disposed off any substantial part of the fixed assets during the year.
 - ii)
 - a) The inventory has been physically verified during the year by the management at reasonable intervals.
 - b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The Company is maintaining proper records of inventories and discrepancies noticed on the physical verification of inventory, as explained, were not material as compared to the book records.
 - iii)
 - a) The Company has not granted any loan secured/unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. According para "a" to "d" are not applicable.
 - b) The Company has not taken any secured and/or unsecured loans from companies, firms or the other parties covered in the register mentioned under section 301 of the Act. According para "e" to "g" are not applicable.
 - iv) In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and sale of goods. During the course of our audit, we have not observed any continuing failure to correct weaknesses in internal controls system.
 - v)
 - a) According to the information and explanations provided by the management, the

particulars of contracts or arrangement referred to in section 301 of the Act have been entered in the register required to be maintained under that section.

- b) In our opinion and according to the information and explanations given to us, the company has not entered into any transaction in pursuance of contract or arrangements entered in to the register maintained under Section 301 of the Companies Act 1956 and exceeding five lakhs in respect of any party during the year.
- vi) The Company has not accepted any deposits from the public under Section 58A, 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed there under.
- vii) Firm of Chartered Accountants have carried out internal audit of the Company. In our opinion the internal audit system in respect of the areas covered during the year is commensurate with the size and nature of the business of the Company.
- viii) As informed, the Central Government has not prescribed maintenance of cost records under clause (d) of sub section (1) of section 209 of the Act for the product of the company.
- ix) a) According to the information and explanations given to us, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education & Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it. According to the information and explanations given to us, there are no undisputed amounts payable in respect of aforesaid dues for a period of more than six months from the date they became payable.
- b) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess that have not been deposited with the appropriate authorities on account of any dispute.
- x) The Company does not have any accumulated losses as at the end of the financial year and the Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi) In our opinion and on the basis of information and explanations given by the management, the Company has not defaulted in the repayment of dues to the Financial Institutions and Banks. There were no debenture holders during the year.
- xii) According to the information and explanations given to us and based on the documents and records produced to us, the company has not granted Loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
- xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order is not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) According to information and explanation given to us, the term loans have been applied for the purpose for which they were raised.

xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet, we have not come across any cases where fund raised on short term basis have been utilised for the long-term investment.

- xviii) The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) According to the information and explanation given to us, the Company has not issued any debentures during the year. Accordingly, the provisions of clause 4 (xix) of the Order is not applicable to the Company.
- xx) The Company has not raised money by public issues during the year.
- xxi) During the course of our examination of the books of account carried out in accordance with generally accepted auditing practices in India, we have neither come across any incidence of fraud on or by the Company nor have we been informed of any such case by the management.

2. Attention is invited to the following notes of Schedule 13 regarding :

- a. Certain old debts from overseas buyers amounting to Rs. 177.06 lacs, the extent of amount recoverable and provision there against if any are presently not ascertainable (Note No. 3).*
- b. Confirmations and reconciliation in respect of Sundry Debtors, Sundry Creditors and Loans and advances are not available (Note No. 4).*
- c. Advances amounting to Rs. 1089.60 Lacs. The extent of reliability of the claims lodged against a supplier, consequential provisions required, if any, are presently not ascertainable (Note No. 5).*
- d. Investment in Equity shares of certain body corporate valuing to Rs. 73.99 lacs, the amount of provision for diminution in value is not ascertainable (Note No. 6(a)).*
- e. Non-provision of the year - end shortfall pertaining to the book balances of certain investments (Note No. 6 (b)).*
- f. Loans given to body corporate and other amounting to Rs. 28.65 lacs (Including interest), pending legal proceeding the extent of amount recoverable is presently not ascertainable (Note No. 7).*

3. We further report that, in respect of the Notes mentioned in Paragraph 2 above the impact thereof can not be ascertained and therefore cannot be commented upon by us.

4. Further to above, we report that :

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit,
- ii. The Balance Sheet and the Profit and Loss Account alongwith Cash Flow Statement are in agreement with the books of account.
- iii. Proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books of account;
- iv. *Except as given in the Note No. 6 (a & b) of schedule 13 regarding non provision of diminution in the value of certain investment, in our opinion, the Profit and Loss Account, Balance Sheet and Cash Flow Statement of the Company comply with the Accounting Standards referred to in Sub-Section 3 (C) of Section 211 of the Companies Act, 1956.*

- v. On the basis of written representations received from the directors as on 31st March, 2005 and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31st March, 2005 from being appointed as a director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and *subject to our remarks as mentioned in Para 2 above, impact whereof cannot be determined as mentioned in para 3 above*, give a true and fair view in conformity with the accounting principals generally accepted in India :
- a) in case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;
 - b) in case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date; and
 - c) in case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

14, Government Place (East)
Kolkata - 700 069.
Dated : 3rd June, 2005

For LODHA & CO
Chartered Accountants

H. K. VERMA
Partner
Membership No. 55104

BALANCE SHEET AS AT 31ST MARCH, 2005

	SCHEDULE	31.03.2005	31.03.2004
		Rs. in thousands	Rs. in thousands
SOURCES OF FUNDS :			
Shareholders' Funds :			
Share Capital	1	37,500.00	37,500.00
Reserves & Surplus	2	132,749.00	140,671.00
		<u>170,249.00</u>	<u>178,171.00</u>
Loan Funds :			
Secured Loans	3	31,968.00	24,271.00
		<u>31,968.00</u>	<u>24,271.00</u>
	TOTAL	<u>202,217.00</u>	<u>202,442.00</u>
APPLICATION OF FUNDS :			
Fixed Assets :			
Gross Block	4	29,222.00	29,330.00
Less : Depreciation		16,558.00	15,039.00
Net Block		12,664.00	14,291.00
Investments :	5	12,642.00	13,461.00
Current Assets, Loans & Advances :			
Inventories	6	329.00	6,045.00
Sundry Debtors		35,208.00	15,715.00
Cash & Bank Balances		6,540.00	16,716.00
Loans & Advances		138,948.00	142,359.00
		<u>181,025.00</u>	<u>180,835.00</u>
Less : Current Liabilities & Provisions :	7		
Current Liabilities		4,114.00	6,362.00
Provision		6.00	0.00
		<u>4,114.00</u>	<u>6,362.00</u>
Net Current Assets :		<u>176,911.00</u>	<u>174,473.00</u>
MISCELLANEOUS EXPENDITURE :			
To the extent not adjusted or written off			
Share Issue Expenses		0.00	122.00
Quota Expenses		0.00	95.00
	TOTAL	<u>202,217.00</u>	<u>202,442.00</u>

NOTES :

13

As per our report of even date

For LODHA & CO.
Chartered Accountants
H. K. VERMA
Partner

For and on behalf of the Board
M. L. PATODIA, Managing Director
S. R. SARAF, Director
VIKASH SINGHAL, Director

Place : Kolkata
Dated : the 3rd day of June, 2005.

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2005**

	SCHEDULE	2004-2005 Rs. in thousands	2003-2004 Rs. in thousands
INCOME :			
Sales	8	112,364.00	151,030.00
Others Income	9	6,393.00	12,530.00
Increase/(Decrease) in Stock	10	(5,716.00)	(1,105.00)
		<u>113,041.00</u>	<u>162,455.00</u>
EXPENDITURE :			
Purchases		98,506.00	138,226.00
Interest (Net)	11	(492.00)	(1,050.00)
Depreciation		1,620.00	1,961.00
Manufacturing Administrative, Selling & Other Expenses	12	21,207.00	24,188.00
Share Issue Expenses Written Off		122.00	730.00
		<u>120,963.00</u>	<u>164,055.00</u>
Profit/(Loss) before Tax		(7,922.00)	(1,600.00)
Deferred Tax Assets		0.00	0.00
Provision for Taxation		0.00	0.00
Provision for Income Tax for earlier years		0.00	(107.00)
Profit/(Loss) after Tax		(7,922.00)	(1,493.00)
Profit and Loss Account balance brought forward		14,110.00	15,603.00
		<u>6,188.00</u>	<u>14,110.00</u>
APPROPRIATIONS :			
Balance carried to Balance Sheet		6,188.00	14,110.00
		<u>6,188.00</u>	<u>14,110.00</u>
BASIC & DILUTED EPS (Rs.)		(2.11)	(0.40)

NOTES : 13

As per our report of even date

For LODHA & CO.

Chartered Accountants

H. K. VERMA

Partner

Place : Kolkata

Dated : the 3rd day of June, 2005.

For and on behalf of the Board

M. L. PATODIA, Managing Director

S. R. SARAF, Director

VIKASH SINGHAL, Director

SCHEDULES TO THE ACCOUNTS

	2004-2005 Rs. in thousands	2003-2004 Rs. in thousands
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
50,00,000 Equity Shares of Rs. 10/- each	<u>50,000.00</u>	<u>50,000.00</u>
Issued, Subscribed & Paid Up :		
37,50,000 Equity Shares of Rs. 10/- each	<u>37,500.00</u>	<u>37,500.00</u>
	<u>37,500.00</u>	<u>37,500.00</u>
SCHEDULE 2 : RESERVES & SURPLUS		
Share Premium	43,750.00	43,750.00
General Reserve :		
As per last Balance Sheet	82,811.00	82,811.00
Profit & Loss Account :		
Balance Carried Forward	<u>6,188.00</u>	<u>14,110.00</u>
	<u>132,749.00</u>	<u>140,671.00</u>
SCHEDULE 3 : SECURED LOANS		
Cash Credit, Packing Credit from Bank (Secured by Hypothecation of Stock-in-Trade including goods-in-transit and Export Goods lying with manufacturers. Guaranteed by Personal Guarantee of Managing Director of the Company)	31,509.00	23,306.00
Vehicle Loans		
Standard Chartered Bank	459.00	773.00
Citi Bank NA (Secured by way of hypothecation of vehicles)	0.00	192.00
	<u>31,968.00</u>	<u>24,271.00</u>

SCHEDULES TO THE ACCOUNTS

SCHEDULE 4 : FIXED ASSETS

(Rs. in thousands)

PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION BLOCK				NET BLOCK	
	As on 01.04.04	Addition during the year	Sales/ad- justment during the year	Total as on 31.03.05	Up to 31.03.04	For the year amount	Deduction for sales adjustment	Total as on 31.03.05	As on 31.03.05	As on 31.03.04
FREEHOLD LAND	2328.00	0.00	0.00	2328.00	0.00	0.00	0.00	0.00	2328.00	2328.00
BUILDING*	16409.00	0.00	0.00	16409.00*	6905.00	950.00	0.00	7855.00	8554.00	9504.00
OFFICE APPLIANCE & OTHER EQUIPMENTS	2072.00	178.00	0.00	2250.00	1962.00	72.00	0.00	2034.00	216.00	110.00
COMPUTER	1559.00	95.00	0.00	1654.00	1496.00	96.00	0.00	1592.00	62.00	63.00
FURNITURE & FITTINGS	1916.00	0.00	0.00	1916.00	1718.00	36.00	0.00	1754.00	162.00	198.00
VEHICLES	3573.00	10.00	391.00	3192.00	1745.00	401.00	101.00	2045.00	1147.00	1828.00
AIR-CONDITIONER, REFRIGERATOR, COOLER, GENERATOR	1473.00	0.00	0.00	1473.00	1213.00	65.00	0.00	1278.00	195.00	260.00
TOTAL:	29330.00	283.00	391.00	29222.00	15039.00	1620.00	101.00	16558.00	12664.00	14291.00
PREVIOUS YEAR :	30661.00	1630.00	2961.00	29330.00	14686.00	1961.00	1608.00	15039.00	14291.00	15975.00

Includes 20 shares (Previous year 20 shares) of Rs. 50/- each (Total face value Rs. 1000/-) fully paid up.

SCHEDULES TO THE ACCOUNTS

	2004-2005	2003-2004
	Rs. in thousands	Rs. in thousands
SCHEDULE 5 : INVESTMENTS		
TRADE INVESTMENTS		
UNQUOTED : (Long term; equity shares of Rs. 10/- each fully paid up)		
739930 YS Spinners Ltd.	7,399.00	7,399.00
1500 Mona Textiles Ltd.	15.00	15.00
117750 Aarkay Credit Ltd.	1,177.00	1,177.00
118250 Prachi Credit Ltd.	1,183.00	1,183.00
5000 Patriot Automation Project (P) Ltd.	1,500.00	1,500.00
QUOTED : (Current; Fully Paid Equity Shares of Rs. 10/- each)		
1,300 Jaipur Polyspin Ltd.	14.00	14.00
1,07000 J J Spectrum Silk Limited	1,564.00	0.00
(10000) GTN Textiles Limited	0.00	501.00
(5000) TV Today Network Limited	0.00	821.00
(3800) Patni Computer Systems Limited	0.00	1,151.00
(12300) Power Trading Corporation India Limited	0.00	328.00
	12,852.00	14,089.00
Less : Provision for Diminution in Investment	210.00	628.00
	12,642.00	13,461.00
AGGREGATE VALUE OF INVESTMENTS :		
Book Value : Quoted	1,578.00	2,815.00
Unquoted	11,274.00	11,274.00
	12,852.00	14,089.00
Figures in bracket indicate previous year figures		
Market Value : Quoted	1,382.00	2,187.00

PURCHASE AND SALE OF CURRENT INVESTMENTS DURING THE YEAR :

Name of the Companies	No. of Shares	Cost (In Lacs)
Petronet Lng Limited	25,000	5.05
Essar Steel Limited	100,000	20.34
Steel Authority of India Limited	50,000	17.65
New Delhi Television Limited	3,900	5.06
TV Today Network Limited	2,500	2.88
Reliance Industries Limited	12,000	60.21
J J Spectrum Silk Limited	3,000	0.47

SCHEDULES TO THE ACCOUNTS

2004-2005 Rs. in thousands	2003-2004 Rs. in thousands
-------------------------------	-------------------------------

SCHEDULE 6 : CURRENT ASSETS, LOANS & ADVANCES

CURRENT ASSETS :

Inventories including goods in transit (As taken valued and certified by the Management)

Trading Goods	0.00	5,716.00
Discarded Assets	329.00	329.00
	329.00	6,045.00

Sundry Debtors (Unsecured, considered good by the Management) :

Debts due for a period exceeding six months	17,706.00	5,949.00
Other Debts	17,502.00	9,766.00
	35,208.00	15,715.00

Cash and Bank Balances :

Cash Balance	458.00	480.00
Cheques in hand	333.00	272.00
Balance with Scheduled Banks :		
In Current Account	1,606.00	11,629.00
In Fixed Deposit	4,005.00	4,144.00
In Dividend Account	135.00	184.00
In E.E.F.C. Account	- 3.00	7.00
	6,540.00	16,716.00

LOANS & ADVANCES :

Loans/Inter Corporate Deposits	19,521.00	21,614.00
Advance recoverable in Cash or in kind or for value to be received :		
Unsecured :		
Advance to Staff	136.00	35.00
Advance to Others	117,051.00	117,165.00
Sundry Deposits	595.00	1,457.00
Tax Deducted at Source	1,598.00	2,009.00
Interest Receivable	47.00	79.00
	138,948.00	142,359.00
	181,025.00	180,835.00

SCHEDULES TO THE ACCOUNTS

	2004-2005 Rs. in thousands	2003-2004 Rs. in thousands
SCHEDULE 7 : CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES :		
Sundry Creditors :		
For Goods Supplied	236.00	417.00
For Expenses	2,663.00	1,537.00
For Others	1,080.00	4,130.00
	3,979.00	6,084.00
Dividend Payable (Un-encashed Warrants)	135.00	184.00
Investor Education and Protection Fund :		
Share Application Money	-	94.00
	4,114.00	6,362.00
PROVISIONS :		
For Taxation	0.00	0.00
Deferred Tax Liabilities	0.00	-
	4,114.00	6,362.00
SCHEDULE 8 : SALES		
Export (On C.I.F. Value)	112,364.00	151,030.00
	112,364.00	151,030.00
SCHEDULE 9 : OTHER INCOME		
Export Incentives	4,157.00	10,159.00
Miscellaneous receipts	192.00	0.00
Dividend (on current Investments)	28.00	27.00
Sundry Balances written back (Net)	2,016.00	0.00
Profit on Sale of Current Investments (Net)	0.00	2,344.00
	6,393.00	12,530.00
SCHEDULE 10 : INCREASE / (DECREASE) IN STOCK		
Stock at Closing		
Trading Goods	0.00	5,716.00
	0.00	5,716.00
Stock at Opening		
Trading Goods	5,716.00	6,821.00
	5,716.00	6,821.00
	(5,716.00)	(1,105.00)

SCHEDULES TO THE ACCOUNTS

	2004-2005 Rs. in thousands	2003-2004 Rs. in thousands
SCHEDULE 11 : INTEREST (Net)		
To Banks and others	1,985.00	1,389.00
	<u>1,985.00</u>	<u>1,389.00</u>
Less received on Loans/Inter		
Corporate Deposits & from Banks	2,477.00	2,439.00
(Gross : TDS2.93 lacs Previous Year 4.86 lacs)		
	<u>(492.00)</u>	<u>(1,050.00)</u>
SCHEDULE 12 : MANUFACTURING, ADMINISTRATIVE, SELLING & OTHER EXPENSES		
Salaries, Wages, Bonus & Gratuity	2,449.00	1,976.00
Contribution to Provident & Other Funds	245.00	232.00
Staff Welfare Expenses	105.00	49.00
Insurance	588.00	660.00
Rent	94.00	35.00
Rates & Taxes (Including Licence Fee)	98.00	52.00
Repairs :		
Building	109.00	0.00
Others	149.00	399.00
	258.00	399.00
Shipping Expenses	6,026.00	6,343.00
Commission (Net)	1,759.00	2,395.00
Brokerage	149.00	0.00
Discount / Claims / Samples	1,949.00	910.00
Payment to Auditors :		
Audit Fee	45.00	44.00
Bank Charges	688.00	904.00
Charity & Donation	19.00	14.00
Quota Expenses	181.00	358.00
Sundry Balance w/off (net)	0.00	105.00
Loss on Sale of Investments (Net)	699.00	0.00
Diminution in Investment (net)	210.00	617.00
Difference in Foreign Exchange (Net)	646.00	4,608.00
Loss on Sale of Fixed Assets (Net)	90.00	253.00
Miscellaneous Expenses	4909.00	4,234.00
	<u>21,207.00</u>	<u>24,188.00</u>

SCHEDULES TO THE ACCOUNTS

SCHEDULE 13 :

Notes forming part of the Accounts

1. Contingent Liability not Provided for :
 - a) Outstanding Bills Purchased/Discounted for Rs.245.58 Lacs (Previous Year Rs. 451.70 Lacs).
2. Sundry Debtors include an amount of Rs. 163.99 Lacs (Previous Year Rs. 58.25 Lacs) for the goods shipped pending negotiations of documents as on the date of Balance Sheet and have been expressed in Rupees at the Year end rate.
3. Sundry Debtors include Rs. 177.06 Lacs (Previous Year Rs. 95.80 Lacs) outstanding from certain overseas buyers beyond the due dates. Such balances have not been realigned at the year end rate. In the opinion of the management, these will be recovered in due course and as such no provision is considered necessary in this respect.
4. Balance of Debtors, Creditors, Loans and Advances are subject to confirmation and reconciliation and consequential adjustment, if any with respect to individual details etc.
5. Advances considered good include Rs. 1089.60 Lacs (Previous Year Rs. 1089.60 Lacs) (excluding interest and other compensations) given to M/s. Coimbatore Pioneer Mills Ltd. (CPML) against supply of yarn. The said party has not supplied the materials and in certain cases where supplies were made materials were not found to be of required specification. Accordingly, the Company had filed a suit before Hon'ble High Court at Kolkata for the recovery of the said sum and interest etc. The Court vide its order dated 7th May,2001 has dismissed the suit, since CPML has been referred to the Board for Industrial and Financial Reconstruction (BIFR) in June,1998. The Company has filed an appeal against the said order before Hon'ble High Court at Kolkata on 22.08.2001. The said court vide its order dated 13.09.2001 allowed the appeal and suit has been restored. Pending final outcome, the said amount has been considered good and recoverable.
6.
 - (a) The Company has an investment of Rs. 73.99 Lacs in Equity Shares of Y.S.Spinner Ltd. (YSPL). The net worth of the YSPL is in negative. The agreement between YSPL and Shri Ambica Mills Ltd. with respect to acquisition of Fixed Assets of Unit No.2 was held to be void. YSPL has lodged a claim on Shri Ambica Mills Ltd. in respect of its investment in Fixed and other Assets. Pending outcome, no provision has been considered necessary by the management for the investment in shares of YSPL.
 - (b) Revenue recognition with respect to diminution in value of long term investments amounting to Rs. 38.75 Lacs (Previous Year Rs. 38.75 Lacs) have not been made in these accounts since these are considered long term strategic investments and such diminution does not represent inherent loss in values thereof.
7. Loans / Intercorporate deposits include Rs. 28.65 Lacs (including interest of Rs. 3.65 Lacs) to a body corporate which is overdue. The company has filed suit for recovery of the loan together with interest on this loan. As a matter of abundant precaution, interest on the said loan amounting to Rs. 22.50 lacs (including Rs. 4.50 Lacs for the year) has not been accounted for. Pending outcome of the legal suit, in the opinion of management, no provision for outstanding amount is considered necessary, as the same is considered good and recoverable.
8. In accordance with Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the company has accounted for deferred Tax. The company has carry forward losses and unabsorbed depreciation. As a matter of prudence, deferred Tax assets has been

recognised to the extent of deferred tax liabilities. The component of deferred tax assets and liabilities are as follows :-

	Opening as on 01.04.2004 Rs. (in Lacs)	Charge/Credit during the year Rs. (in Lacs)	Closing as on 31.03.2005 Rs. (in Lacs)
Deferred Tax Liabilities			
On account of Depreciation	12.97	1.72	11.25
Deferred Tax Assets			
On account of unabsorbed Depreciation and carry forward Losses	12.97	1.72	11.25
Net deferred Tax Liabilities/(Assets)	—	—	—

9. There are no dues to small scale and ancillary industrial under taking (SSI) to the extent ascertained from the information available from suppliers regarding their status as SSI Unit.
10. Difference in Foreign Exchange include Rs. 4.43 Lacs being Gain (Previous Year Rs. 53.10 Lacs being Loss) on account of cancellation of forward exchange Contract.
11. Loss on Sale of current Investments (net) comprises :

	(Rs. in Lacs)
i) Profit on Sale of current Investments	0.70
ii) Loss on Sale of current Investments	<u>13.97</u>
	(13.27)
Add : Provision for diminution in investment written back	6.28
	<u>6.99</u>

12. a) Directors' remuneration :

	Rupees in Lacs	
	2004-2005	2003-2004
	Rs.	Rs.
Salary	4.20	3.15
Contribution to Employees Provident Fund & Other Fund	0.50	0.38
Other Perquisites	<u>0.78</u>	<u>0.78</u>
	<u>5.48</u>	<u>4.31</u>

* (Contribution to Employees Gratuity Fund which are based on actuarial valuation done on an overall Company basis are excluded above).

- b) Remuneration payable to Managing Director Sri Madanlal Patodia has not been provided in view of the waiver by him.
13. Certain assets have been discarded on retiring from their active use and shown under the head inventories. In the absence of determination of their realisable value, these have been recorded at book value. Necessary adjustments will be carried on disposal of the same.

14. Disclosure in respect of related parties pursuant to Accounting Standard 18.

A) List of related parties :

- I. Parties where control exists – NIL.
- II. Other parties with whom the Company has entered into transactions during the year.
- i) Key Management Personnel and Enterprises having common key Management Personnel or their relatives :

Key Management Personnel :

Sri R.K.Patodia-Managing Director

Enterprise having common key management personnel :

Madanlal Brijlal (P) Ltd.

ii) Firm in which Directors have substantial interest

M/s. B.L.Singhal & Co.

M/s. B.M.Bagaria & Co.

B) During the year, the following transactions were carried out with the related parties in the ordinary course of the business and at arms length.

Nature of transactions	Key Management Personnel	Enterprises of Key Management Personnel	Directors interested Firm
1) Electricity charges paid	—	0.55	0.05
2) Rent paid	—	—	—
3) Professional fees paid	—	—	0.07
4) Remuneration paid	5.48	—	—
5) Equity Shares bought	7.00	—	—

C) Outstanding Balance as on 31st March, 2005

Nature of transactions	Key Management Personnel	Enterprises of Key Management Personnel	Directors interested Firm
1) Amount payable	—	0.03	—

During the year, there were no amounts written off or written back for such parties.

15. Earning Per Share (EPS)

	Year Ended 31.03.2005 (Rs.)	Year Ended 31.03.2004 (Rs.)
(a) Profit/(Loss) attribute to Equity Share Holders	(7922469.57)	(1493604.00)
(b) Basic and weighted average no of Equity Shares during the year (in Nos.)	3750000	3750000
(c) Nominal Value of Equity Shares	10/-	10/-
(d) Basic and Diluted EPS (a/b)	(2.11)	(0.40)

16. Additional Information pursuant to the provisions of Part II Schedule VI to the Companies Act, 1956 :—

A. Quantitative Information

Quantity

Amount Rs. in Lacs

	Unit	2004-2005	2003-2004	2004-2005	2003-2004
a) Opening Stock : Yarn	Packages	1234	1223	57.16	68.21
b) Purchases : Yarn	Packages	18888	19036	985.06	1382.26
c) Sales : Yarn	Packages	20122	19025	1123.64	1510.29
d) Closing Stock : Yarn	Packages	—	1234	—	57.16

B. Expenditure in Foreign Currency

(Rupees in Thousands)

	2004-2005	2003-2004
Travelling	927.00	968.00
Commission (Including outstanding)	1517.00	3693.00
Claims paid to Overseas Buyers	2332.00	894.00

C. Earning in Foreign Currency

F.O.B. Value of goods Exported

1075.12

1469.80

17. ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE :

1. Registration Details :

Registration No.	21-13842
State Code	21
Balance Sheet Date	31.03.2005

2. Capital raised during the Year : (Rs. in Lacs)

Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

3. Position of Mobilisation and Deployment of Funds : (Rs.in 000)

Total Liabilities	202217
Total Assets	202217

Sources of Funds :

Paid up Capital	37500
Reserves & Surplus	132749
Secured Loans	31968
Unsecured Loans	NIL

Application of Funds :

Net Fixed Assets	12664
Investment	12642
Net Current Assets	176911
Miscellaneous Expenditure	NIL
Accumulated Losses	NIL

4. Performance of Company : (Rs. in 000)

Turnover (Including other Income)	118757
Total Expenditure	126679
Profit/(Loss) before Tax	(7922)
Profit/(Loss) after Tax	(7922)
Earning per Share (Rs.)	- 2.11
Dividend Rate	NIL

5. Generic Names of Principal Products, Services of the Company :

Item Code No.	52.05
Product Description	Cotton Yarn

18. Figures are given in Lacs and rounded to nearest thousand

19. Previous Year figures have been regrouped/rearranged wherever considered necessary

20. ACCOUNTING POLICIES :

A) General :

These Accounts have been prepared on the historical cost basis and on the accounting principles of going concern.

Accounting policies unless specifically stated to be otherwise, are consistent and are in consonance with generally accepted accounting principles.

B) Use of estimates :

The preparation of financial statement require management to make estimates and assumption that affect the reported amount of asset and liabilities and disclosure relating to contingent assets and liabilities as at the balance date and reported amounts of income and expenses during the year. Difference between the actual results and the estimate are recognised in the year in which the result are known/materialised.

C) Revenue Recognition :

- i) All expenses and Income are accounted on accrual basis except where there is uncertainty about the receipt thereof in view of the claims/dispute.
- ii) Income from Export Incentives is recognised on the basis of certainties as to its utilisation and related realisation.
- iii) Purchase and Sales are net of returns, rebates, discounts and rate difference in respect of Sales of Previous year.

D) Retirement Benefits :

- i) Gratuity Liability is determined on the basis of actuarial valuation and funded with Employees' Gratuity Fund.
- ii) Accrued Liability in respect of leave encashment is provided/paid during the year.

E) Fixed Assets :

Fixed Assets are stated at Cost.

F) Depreciation :

- a) Depreciation on Fixed Assets has been provided on written down value basis at the rates as prescribed under the Income Tax Rules 1962, except in the case of assets mentioned at serial Nos.(b) and (f) herein below whereon it has been provided at the rates as prescribed under Schedule XIV to the Companies Act, 1956.

		Rates as per Schedule XIV to the Companies Rules, Act 1956 (%)	Rates as per Income Tax (%)
a)	Building :		
	Office	5	10
	Residential (Area less than 80Sq. Meters)	5	5
b)	Furniture & Fixtures	18.10	10
c)	Office Equipments	13.91	25
d)	Air Conditioning Machine	13.91	25
e)	Refrigerator	13.91	25
f)	Motor Car	25.89	20
g)	Computer	40	60

- b) Depreciation on additions to assets during the year valuing up to Rs. 5,000/- has been provided at the rate of 95%.
- c) Depreciation on additions to assets has been provided for the full year. No depreciation is being provided on assets sold during the year.

G) Impairment :

Fixed assets are reviewed at each balance sheet date for impairment. In case events and circumstances indicate any impairment, recoverable amount of fixed asset is determined. An impairment loss is recognised, wherever the carrying amount of assets either belonging to case generating units or otherwise exceeds recoverable amount. The recoverable amount is the greater of assets net selling price or its value in use. In assessing the value in use, the estimated future cash flow from the use of assets is discounted to their present value at appropriate rate. An impairment loss is reversed if there has been change in the recoverable amount and such loss no longer exists or has decreased. Impairment loss/reversal thereof is adjusted to the carrying value of the respective asset, which in case of CGU, are allocated to assets on a prorata basis.

H) Foreign Exchange Transaction :

i) **Assets & Liabilities :**

Transactions in foreign currencies are accounted for at the exchange rate prevailing on the date of the transaction. Foreign currency monetary assets and liabilities at the year end are translated using closing exchange rates. The loss or gain thereon and also on the exchange difference on settlement of the foreign currency transaction during the year are recognised as income or expenses and are adjusted to the profit and loss account under respective heads of accounts, except in case (a) where such liabilities and / or transaction relate to fixed assets/ projects and there were entered into before 1-4-2004 ; (b) *fixed assets acquired from a country outside India, in which case, these are adjusted to the cost of respective fixed assets.*

ii) **Export Sales :**

These transaction are stated at the rate as on the date of negotiation or collection or at forward contract rates, *wherever applicable.*

I) Borrowing Cost :

Borrowing cost incurred in relation to the acquisitions or construction of assets are capitalised/allocated as part of the cost of such assets. Other borrowing cost are charged as an expense in the year in which these are incurred.

J) Inventories :

i) Stock of Trading Goods is stated at lower of the cost and estimated net realisable value.

ii) Stock of Finished Goods (Knitted Fabrics) is stated at the lower of cost or estimated net realisable value.

iii) Stores and Spare parts is stated at lower of the cost and net realisable value.

K) Investments :

Long Term Investments are stated at cost less provision for diminution in value other than temporary, *if any. Current Investments are valued at cost as the case may be.*

L) Share Issue Expenses :

Share Issue Expenses are being amortised proportionately over a period of ten years.

M) Quota Expenses :

Quota Expenses are written off over the period during which benefits therefrom are expected to be derived.

N) Taxation :

Current charge for Income Tax is calculated in accordance with the relevant Tax regulations applicable to the Company. Deferred Tax assets and liabilities are recognised for future Tax consequences attributable to the timing differences that result between the Profit offered for Income Tax and the Profit as per the financial statement. Deferred Tax assets and liabilities are measured as per the Tax rates/Laws that have been enacted or subsequently enacted as the Balance Sheet date.

O) Provision, contingent liabilities and contingent assets :

Provision involving substantial degree of estimates in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent assets are neither recognised nor disclosed in the financial statement.

P) Contingent Liabilities :

Contingent Liabilities are not provided but disclosed by way of Note.

As per our report of even date

For LODHA & CO.

Chartered Accountants

H. K. VERMA

Partner

Place : Kolkata

Dated : the 3rd day of June, 2005.

For and on behalf of the Board

M. L. PATODIA, Managing Director

S. R. SARAF, Director

VIKASH SINGHAL, Director

CASH FLOW STATEMENT OF YARN SYNDICATE LIMITED AS PER LISTING AGREEMENT

CASH FLOW STATEMENT

	Year ended 31st March, 2005 (Rs. in Lacs)	Year ended 31st March, 2004 (Rs. in Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before Taxes	(79.22)	(16.00)
Depreciation	16.20	19.61
Interest paid	19.85	13.89
Share Issue expenses	1.22	7.30
Quota Expenses	0.95	3.58
Loss on Diminution in Investment	2.10	6.17
(Profit)/Loss on Sale of Investments (Net)	6.99	(23.44)
(Profit)/Loss on Sale of Assets (Net)	0.90	2.53
Interest Received	(24.77)	(24.39)
Dividend Received	(0.28)	(0.27)
Exchange Fluctuation (Loss)/Gain (to the extent not paid/realised)	2.95	(7.07)
Sundry balances written off/(back) (Net)	<u>(20.16)</u>	<u>1.05</u>
<i>Operating Profit before Working Capital Changes</i>	<u>(73.27)</u>	<u>(17.04)</u>
Adjustment for :		
Inventories	57.16	11.05
Trade & Other Receivables	(195.27)	181.85
Advances	9.22	(2.69)
Trade Payables	<u>(1.05)</u>	<u>(12.79)</u>
	<u>(203.21)</u>	<u>160.38</u>
Cash generated from Operations		
Direct Taxes paid	<u>4.11</u>	<u>6.02</u>
Net Cash from Operating Activities (A)	<u>(199.10)</u>	<u>166.40</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2.83)	(16.30)
Sale of Fixed Assets	2.00	11.00
Sale of Investment	126.48	362.88
Purchase of Investment	(127.30)	(360.98)
Loans & Inter-corporate Deposits	21.75	(89.26)
Interest Received	24.06	23.56
Dividend Received	<u>0.28</u>	<u>0.27</u>
Net Cash used in Investing Activities (B)	<u>44.44</u>	<u>(68.83)</u>

CASH FLOW STATEMENT (Contd.)	Year ended 31st March, 2005 (Rs. in Lacs)	Year ended 31st March, 2004 (Rs. in Lacs)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Net Increase/Decrease in Secured Borrowing	79.08	(67.81)
Net Increase/Decrease in Unsecured Borrowing	(5.06)	9.65
Dividend Paid	(0.49)	(0.32)
Interest Paid	<u>(20.63)</u>	<u>(11.20)</u>
Net Cash from Financing Activities (C)	<u>52.90</u>	<u>(69.68)</u>
Net Increase in Cash & Cash equivalents (A+B+C)	(101.76)	27.89
Cash & Cash equivalents as at opening	167.16	139.27
Cash & Cash equivalents as at closing	65.40	167.16

For LODHA & CO.
Chartered Accountants
H. K. VERMA
Partner

Place : Kolkata
Dated : the 3rd day of June, 2005.

For and on behalf of the Board
M. L. PATODIA, Managing Director
S. R. SARAF, Director
VIKASH SINGHAL, Director

PROXY FORM

YARN SYNDICATE LIMITED

REGD. OFF. 7, SAMBHU NATH MULLICK LANE, KOLKATA - 700 007

I/We
of being a
MEMBER/MEMBERS of the above-named Company, hereby appoint
..... of
..... or failing him
..... of
..... as my/our proxy to
attend and vote for me/us and on me/our behalf at the 59th Annual General Meeting of
the Company to be held at Patodia House, 23, Circus Avenue, Kolkata - 700 017 on
Wednesday, the 14th day of September, 2005, at 10.00 a.m. and/or at any adjournment
thereof.

signed this day of 2005

Signature

Please Affix
Re. 1
Revenue
Stamp

Regd. Folio No.

Note : The Proxy should be deposited at Registered Office of the Company not less
than 48 hours before the time for holding the above Meeting.

ATTENDANCE SLIP

YARN SYNDICATE LIMITED

REGD. OFF. 7, SAMBHU NATH MULLICK LANE, KOLKATA - 700 007

Full Name of Shareholder / Proxy

I hereby record my presence at the 59th Annual General Meeting of the Company held
at Patodia House, 23, Circus Avenue, Kolkata - 700 017 on Wednesday, the 14th day
of September, 2005 at 10.00 a.m.

Registered Folio No. :

No. of Shares held :

Signature of Shareholder/Proxy

Note : This attendance slip duly filled in and signed must be handed over at the entrance
of the Meeting Hall.

BOOK-POST

If undelivered, please return to :
YARN SYNDICATE LIMITED
7, Shambhunath Mullick Lane
Kolkata - 700 007