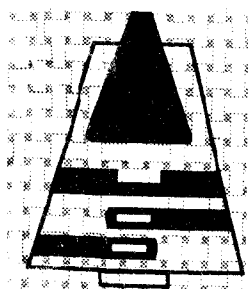


**yarn syndicate limited.**  
One Star Export House



**ANNUAL REPORT**  
**2005 - 2006**

# 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. 2-5-06)

## 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 60TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Sixtieth Annual General Meeting of the Members of the Company will be held at Patodia House, 23, Circus Avenue, Kolkata - 700 017 on Friday the 15th day of September, 2006 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, 2006 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 Sita Ram Saraf, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Vikash Singhal who retires by rotation and being eligible, offers himself 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.

### SPECIAL BUSINESS :

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

"RESOLVED THAT Shri Rishiraj Patodia, who was appointed as an Additional Director of the Company on 2nd May, 2006 and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation."

6. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an ordinary Resolution.

"RESOLVED THAT M/s. Rungta & Associates, Chartered Accountants, Mumbai - 400 058, be and are hereby appointed as the Branch Auditors of the Company for auditing the books of accounts of the Home Textiles Unit of the Company at Naroli, Union Territory of Dadra & Nagar Haveli from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company, pursuant to section 228 of the Companies Act, 1956 at a remuneration to be mutually fixed by the Board of Directors of the Company after discussion with the aforesaid Auditors."

### **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 23rd day of June, 2006

### **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, 2006 to 15th September, 2006 (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.

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**YARN SYNDICATE LIMITED – ANNUAL REPORT 2005-06**

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Unclaimed/unpaid dividend amounts for the Financial year 1997-98 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 1998-99 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 Sita Ram Saraf
Date of Birth	01.01.1937
Date of Appointment	29.06.1992
Qualifications	B.Sc.
Expertise in specific functional area.	Since 1958, involved in various Business activities.

Chairman/Director of other Companies

**Directorships :**

  1. Mangal Tea Marketing Ltd.
  2. Gunjan Estates Private Ltd.
  3. Europa Commercial & Traders Ltd.
  4. Tushar Agencies Private Ltd.

Chairman/Member of Committees of the Board  
of Companies of which he is a Director

<u>Name of Company</u>	<u>Committee type</u>	<u>Membership status</u>
Yarn Syndicate Ltd.	1. Audit	Member
	2. Remuneration	Member

2. 

Name	Shri Vikash Singhal
Date of Birth	27.12.1970
Date of Appointment	29.11.1996
Qualifications	B.Com, AICWA, FCA.
Expertise in specific functional area.	Working Partner of M/s B.L. Singhal & Co., Chartered Accountants since 1994.

Chairman/Director of other Companies

**Directorships :**

  1. Beekaypee Credit Pvt. Ltd.
  2. Patodia Exports & Investments Pvt. Ltd.
  3. Umang Finance Private Limited
  4. GTN Enterprises Limited
  5. BLS Securities Pvt. Ltd.

Chairman/Member of Committees of the Board  
of Companies of which he is a Director

<u>Name of Company</u>	<u>Committee type</u>	<u>Membership status</u>
Yarn Syndicate Ltd.	1. Audit	Chairman
	2. Remuneration	Chairman
	3. Share Transfer & Grievance	Chairman

### **ANNEXURE TO NOTICE**

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956.

#### **Item No. 5**

Shri Rishiraj Patodia was appointed as Additional Director on the Board of Directors at the Board Meeting held on 29th April, 2006. As an Additional Director, Shri Rishiraj Patodia holds the office up to the date of the ensuing Annual General Meeting of the Company.

In this connection, one of the members of the Company has given notice under Section 257 of the Companies Act, 1956 for appointment of Shri Rishiraj Patodia on the Board of Directors of the Company.

Shri Rishiraj Patodia is a young and dynamic person and your Directors recommend his appointment on the Board of the Company.

None of the Directors except Sri M. L. Patodia, Sri R. K. Patodia and Smt. Sheela Patodia is concerned or interested in the proposed resolution.

#### **Item No.6**

The company is setting up a Home Textiles Unit at Naroli, Union Territory of Dadra & Nagar Haveli. In order to rationalize the work related to accounting and audit, it is proposed to appoint M/s. Rungta & Associates, Chartered Accountants of S. V. Road, Andheri (W), Mumbai - 400 058 as the company Branch Auditors for the Naroli Unit.

The shareholders' approval, is therefore, sought for the appointment of M/s. Rungta & Associates, Mumbai - 400 058 as Branch Auditors of the Company's Branch Unit in Naroli for the financial year 2006-07 and to authorize the Board of Directors to determine the remuneration payable.

The Board commends the resolution as set out in Item No. 6 of the notice for your approval.

None of the Directors is concerned or interested in the proposed resolution.

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

Dated : the 23rd day of June, 2006

By order of the Board  
For YARN SYNDICATE LIMITED

BIKASH CHANDRA CHATTERJI  
COMPANY SECRETARY

## REPORT OF THE BOARD OF DIRECTORS TO THE MEMBERS

Your Directors have pleasure in submitting their 60th Annual Report of the Company together with the Audited Accounts for the Year ended on 31st March, 2006.

### FINANCIAL RESULTS :

	2005-2006 <u>Rs. in Lacs</u>	2004-2005 <u>Rs. in Lacs</u>
Export Sales	<u>2,914.35</u>	<u>1,123.64</u>
Profit/(Loss) before Interest & Depreciation	48.70	(67.94)
Less : Interest	2.10	(4.92)
Depreciation	<u>23.91</u>	<u>(16.20)</u>
	<u>26.01</u>	<u>11.28</u>
Profit/(Loss) before Tax	<u>22.69</u>	<u>(79.22)</u>
Less : Provision for Taxation	0.45	
Fringe Benefit Tax	<u>2.28</u>	<u>2.73</u>
Profit/(Loss) after Tax	<u>19.96</u>	<u>(79.22)</u>
Add : Balance brought forward from last year	<u>61.88</u>	<u>141.10</u>
	<u>81.84</u>	<u>61.88</u>

### Appropriations :

Balance carried forward to next year	<u>81.84</u>	<u>61.88</u>
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### DIVIDEND :

Your Directors do not recommend dividend on Equity shares for the Financial Year ended 31st March, 2006.

### PERFORMANCE REVIEW :

The Indian Textile Industry has come out of a long recession and the outlook on export sales is much brighter today. The new market scenario has resulted in a significant increase in export sales by your Company during the year under review as compared to export sales in the previous year. Your Company has posted a net profit of Rs. 19.96 lakhs for the year 2005-06 as compared to a loss of Rs. 79.22 lakhs the previous year.

The global textile industry remains highly competitive and your Company has explored new export markets in order to prevent any erosion of its market share. Your Company was able to increase its export market share by exporting to these new markets strictly adhering to the quality of yarn and delivery schedules.

Your Company is setting up a Home textiles unit at Naroli in the Union Territory of Dadra and Nagar Haveli. The Company has entered into an agreement with GHCL Ltd., for the purposes of job work assignments of home textile items.

**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 Sita Ram Saraf and Sri Vikash Singhal, Directors of the Company retire by rotation and are eligible for re-appointment.

Shri Rishiraj Patodia had resigned as Director of the Company on 12.12.2005 due to other commitments. The Board at its Meeting held on 29th April, 2006 once again appointed Shri Rishiraj Patodia as an Additional Director of the company and he shall hold office up to the date of the next Annual General Meeting of the Company.

Notice under Section 257 of the Companies Act, 1956 has been received from a member proposing the name of Shri Rishiraj Patodia for appointment as Director on the Board of the Company.

With the exception of Shri M. L. Patodia, Shri R. K. Patodia and Smt. Sheela Patodia, your Directors recommend the appointment of Shri Rishiraj Patodia as Director on the Board of the Company at the ensuing Annual General Meeting.

**DIRECTORS RESPONSIBILITY STATEMENT :**

Pursuant to 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, 2006, 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, 2006 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.

**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 their prompt and timely assistance rendered by them as and when required. The Board is grateful to the Reserve Bank of India, State Bank of India and 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, Kolkata, 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

On behalf of the Board

Dated : the 23rd day of June, 2006.

**M. L. PATODIA**  
Chairman & Managing Director



## REPORT ON CORPORATE GOVERNANCE

The following is a report on Corporate Governance is given pursuant to Clause 49 of the Listing Agreement as amended w.e.f. 01.01.2006 :

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company has always recognized the importance of good Corporate Governance and continues to practice good Corporate Governance based on transparency, professionalism and accountability to its shareholders and others stakeholders, including employees, the government and lenders. The company will strive to improve on these aspects on ongoing basis. The Board of Directors of the Company has adopted a Code of Conduct for the Board members and senior management of the Company.

### 2. COMPOSITION, CATEGORY AND DIRECTORSHIP IN OTHER COMPANIES

#### BOARD OF DIRECTORS

<u>Director</u>	<u>Promoter 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	Promoter	8	-	1
Shri R. K. Patodia	Promoter	7	-	1
Shri K. P. Bagaria	Independent/ Non-executive	1	-	-
Shri S. R. Saraf	Independent/ Non-executive	4	-	2
Shri D. K. Jhunjhunwala	Independent/ Non-executive	4	-	-
Shri D. K. Khandelwal	Independent/ Non-executive	2	-	2
Smt. Sheela Patodia	Non-Executive	4	-	-
Shri Vikash Singhal	Independent/ Non-executive	5	3	-
Shri Rishiraj Patodia (resigned w.e.f. 12.12.05)	Non-Executive	-	-	-

#### BOARD, ANNUAL GENERAL MEETING & ATTENDANCE :

Board Meetings were held on 28<sup>th</sup> April 2005, 3<sup>rd</sup> June 2005, 30<sup>th</sup> July 2005 31<sup>st</sup> October 2005, 12<sup>th</sup> December 2005 and 30<sup>th</sup> January 2006.

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

The Annual General Meeting was held on 14<sup>th</sup> September, 2005.

<u>Director</u>	<u>No. of Board Meeting</u>		<u>Attended last AGM</u>
	<u>Held</u>	<u>Attended</u>	
Shri M. L. Patodia	6	6	No
Shri R. K. Patodia	6	2	Yes
Shri K. P. Bagaria	6	2	No
Shri S. R. Saraf	6	5	No

Shri D. K. Jhunjhunwala	6	2	No
Shri D. K. Khandelwal	6	3	Yes
Smt. Sheela Patodia	6	2	Yes
Shri Vikash Singhal	6	6	Yes
Shri Rishiraj Patodia	6	1	Yes

**3. AUDIT COMMITTEE**

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

- 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.
- It shall recommend the appointment and removal of external auditor, fix the audit fee and also approve payment for any other services.
- It shall review with management the annual, half-yearly and quarterly financial statements in all respects.
- Review with management and statutory auditors the adequacy of internal control systems and internal audit functions.
- 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.
- 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 30<sup>th</sup> October 2002. Audit Committee Meetings were held on 2<sup>nd</sup> June 2005, 29<sup>th</sup> July 2005, 29<sup>th</sup> October, 2005 and 28<sup>th</sup> January, 2006.

<b><u>MEMBERS OF THE AUDIT COMMITTEE</u></b>		<b><u>Meetings held</u></b>	<b><u>Meeting Attended</u></b>
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	3

**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 30<sup>th</sup> October, 2002.

**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 met once on 2nd June 2005 during the year under review. Sri Vikash Singhal, Sri S. R. Saraf and Sri D. K. Khandelwal attended the meeting.

**Details of remuneration paid to Managing Director for the year :**

The aggregate of salary and perquisites paid for the year ended 31<sup>st</sup> March, 2006 to Managing Director were as follows :

- Shri R. K. Patodia : Rs.4,20,000/- Furthermore, Rs.78,000/- has been paid during the year *towards the maintenance of Managing Director's residential flat at Mumbai.*
- Shri 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 27<sup>th</sup> 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 Shri Vikash Singhal. Shri M. L. Patodia and Shri R. K. Patodia are other members of the Committee and Sri Bikash Chandra Chatterji, Company Secretary is the Compliance Officer.

The Company has received 25 complaints as on 31.03.2006 and all of them has been resolved.

There were no shares pending for transfers as on 31<sup>st</sup> March, 2006 and all the transfers have been approved by the Share Transfer-cum-Grievance Committee of the Company.

**6. GENERAL BODY MEETINGS :**

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

<u>FINANCIAL YEAR</u>	<u>DATE OF AGM</u>	<u>VENUE</u>	<u>TIME</u>
31 <sup>ST</sup> MARCH, 2003	23.09.2003	23, CIRCUS AVENUE KOLKATA 700 017.	10.00 A.M.
31 <sup>ST</sup> MARCH, 2004	24.09.2004	—DO—	10.00 A.M.
31 <sup>ST</sup> MARCH, 2005	14.09.2005	—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 23<sup>rd</sup> 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 24<sup>th</sup> September, 2004
  - Re-appointment of Sri M. L. Patodia as Managing Director of the Company for 5 years w. e. f. 01.04.2004.
- iii) At the Fifty Ninth Annual General Meeting on 14<sup>th</sup> September, 2005, no special resolution was passed.

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.

Risk Management : A systematic risk procedure is in place through appropriate internal control and checks and balances.

Compliance with Mandatory/Non-mandatory requirements : While the Company complied with all the mandatory requirements of the corporate governance as stipulated in the revised clause 49 of the Listing Agreement, the position in regard to adoption of non-mandatory requirements under various heads is as under :

- i) **Audit Qualification** : The Company is striving to move towards a regime of unqualified financial statements.
- ii) **Training of Board Members** : The directors of the Company are highly experienced individuals fully conversant with the business of the Company. All the members of the Board are fully aware of the business model of the Company as well as its risk profile, their responsibilities as directors and the best way to discharge them.

**8. CEO CERTIFICATION** : Shri Madan Lal Patodia, the Managing Director of the Company has placed a certificate before the Board as required under Clause 49 V of the Listing Agreement.

**9. MEANS OF COMMUNICATIONS :**

- Half yearly results sent to each household of Shareholders. Although half-yearly report is not sent to each household of shareholders, the Company published the same in "Business Standard" and "Arthip Lipi".
- Quarterly Results 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.
- which newspaper normally published in Business Standard or Financial Express (English newspaper) and Kalantar or Arthip Lipi (Bengali newspaper).
- any Website, where displayed. No
- whether it displays Official news releases No
- whether presentation made to Institutional investors or to analyst. No
- whether Management Discussion and Analysis Report is a Part of Annual Report or not. Management Discussion and Analysis Report is a Part of Annual Report.

**0. GENERAL SHAREHOLDERS INFORMATION :**

- |    | <b>DATE</b>  | <b>TIME</b> | <b>VENUE</b>   |
|----|--|-------------|--|
| a) | <b>A.G.M.</b> 15th September, 2006   | 10.00 A.M.  | <b>23, CIRCUS AVENUE,<br/>KOLKATA 700 017.</b>                           |
| b) | Financial Calendar (tentative)   | :           | 2006 – 2007  |
|    | i) Financial Year  | :           | April – March  |
|    | ii) First Quarter Results  | :           | July, 2006   |
|    | iii) Second Quarter Results  | :           | October, 2006  |
|    | iv) Third Quarter Results  | :           | January, 2007  |
|    | v) Audited Results for the year<br>ending 31/03/2007   | :           | June, 2007   |
| c) | Date of Book Closure   | :           | 1st September, 2006 to 15th<br>September, 2006 (both days<br>inclusive). |
| d) | Dividend payment date  | :           | Not applicable   |
| e) | Listing of Equity Shares on<br>Stock Exchange  | :           | Mumbai   |
|    | (i) Annual Listing Fees for the year 2006-2007 has been paid to the Stock Exchange,<br>Mumbai.                                 |             |  |
|    | (ii) The Company's equity shares have been delisted from the Stock Exchanges at Ahmedabad,<br>Chennai, Coimbatore and 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, 2005	8.22	6.00
May, 2005	9.90	5.61
June, 2005	12.80	7.26
July, 2005	10.80	8.15
August, 2005	23.92	8.92
September, 2005	21.40	15.70
October, 2005	15.65	10.30
November, 2005	12.60	9.25
December, 2005	10.91	8.59
January, 2006	10.50	8.55
February, 2006	8.70	6.44
March, 2006	8.61	6.35

- 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 : [amicomputer@vsnl.net](mailto:amicomputer@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. Dematerialization requests received by our Registrar & Share Transfer Agents are processed and duly confirmed within 21 days of respective receipts.
- (j) Shareholding Pattern as on 31<sup>st</sup> March, 2006.

<b>Sl. No.</b>	<b>Category</b>	<b>No. of Shares (Issued Capital)</b>	<b>% of Shareholding</b>
01.	Promoters & Persons Acting in Concert	25,07,227	66.8593
02.	Indian Financial Institutions, Banks, Mutual Funds.	62,500	1.6667
03.	Foreign Institutional Investor/NRI's	5,602	0.1493
04.	Others	11,74,671	31.3247
		<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 26<sup>th</sup> 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 31<sup>st</sup> March, 2006, 32.86% of shares of company were held in Dematerialised form. There are no electronic requests pending for approval as on 31.03.2006 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 : 2280-0812/0900/0901  
FAX : 2280-0900  
e-mail : [amicomputer@vsnl.net](mailto:amicomputer@vsnl.net)
- (ii) Any query on Annual Report : Secretarial Department  
YARN SYNDICATE LIMITED  
7, Sambhunath Mullick Lane,  
KOLKATA 700 007.  
TEL : 3028-2755/6  
FAX : 91-33-3028-2765  
E-mail : [yarncal@vsnl.com](mailto:yarncal@vsnl.com)

The above report was adopted by Board of Directors at their Meeting held on 23<sup>rd</sup> June, 2006.

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

Place : Kolkata  
Dated : 23<sup>rd</sup> June, 2006.

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**Declaration by the CEO on affirmation by Directors and Senior Management Personnel of compliance with the code of conduct**

I, Madan Lal Patodia, Managing Director and CEO of the company do hereby declare that the Directors and Senior Management Personnel of the company have affirmed that they have complied with the provisions of the code of conduct as prescribed by the company.

**M. L. PATODIA**  
Managing Director & CEO

Place : Kolkata  
Dated : 23<sup>rd</sup> June, 2006.

## **AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS 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 Corporate Governance by Yarn Syndicate Limited for the year ended 31st March, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s), with the relevant records and documents maintained by the Company and furnished to us.

The compliance of conditions of 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  
Membership No. 55104

Place : Kolkata

Dated : 23<sup>rd</sup> June, 2006.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **A) INDUSTRY STRUCTURE AND DEVELOPMENTS**

The Textile Industry is expanding at a significant rate in India meeting the needs of the consumers both in the country and abroad. The exports of textiles products and various types of yarn continues to be a major foreign exchange earner and contributes greatly to the economy of India in terms of foreign exchange earnings and providing employment opportunities. Yarn Syndicate Ltd. is exporting various types of yarn to countries like Bulgaria, Hong Kong, Mexico, U.K., Singapore, Vietnam, Korea, Bangladesh, Sri Lanka, China, Columbia, Kenya and Tunisia and is constantly exploring new markets with the aim of expanding its export earnings.

The Company is setting up a Home textiles unit at Naroli in the Union Territory of Dadra and Nagar Haveli. The Company has entered into an agreement with GHCL Ltd., for the purposes of job work assignments of home textile items.

Even though the many large textile manufacturers in the country have increased production capacity to meet the demands of foreign buyers, the price of yarn continues to be highly competitive and profit margins have consequently continued to be on the lower side.

With the Quota System abolished w.e.f 01.01.2005, the Company has significantly increased its market share in the export of yarn from India. The exporters in the country have met the challenge of increasing its market share and it is expected that the Indian exporters including Yarn Syndicate Limited will



continue to increase its share and establish a dominant position in the international market. However, with increased competition mainly from China, Pakistan and Bangladesh export profit are not expected to be high.

The company has increased its market share of exports and it is hoped that it will continue to improve its market share in the years to come by strictly adhering to the quality of yarn and following delivery schedules.

**B) OPPORTUNITIES AND THREATS**

With the lifting of the quota system under WTO w.e.f. 01.01.2005, the Company has seized the opportunity and expanded its export market share.

However, the global textile industry is extremely competitive and Indian exporters face competition from producers in other developing countries like China, Egypt, Indonesia, Pakistan, Turkey, Mexico, Bangladesh etc. The Company will constantly try to improve on its market share in the coming months and years.

**C) OUTLOOK**

The outlook for the textile and yarn export industry has improved considerably in the past one year. Competing in a tough environment, the Company has improved on its export market share. The country has a strong base in the manufacture of high quality yarn and the Company is constantly on the look-out for new areas to which yarn product can be exported.

**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.

The number of people employed by the Company total 20 in all.

**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**

Managing Director

Place : Kolkata

Dated : 23<sup>rd</sup> June, 2006.

## 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 2006 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 misstatement. 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) 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 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 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 maintained 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 for sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system.
  - v) 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.

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 under Section 58A, 58AA or other relevant provisions of the Companies Act, 1956.
- 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 Section 209(1)(d) of the Companies Act, 1956, for the product of the Company.

Accordingly provisions of Para (viii) of the Companies (Auditor's order) 2004 is not applicable to Company.

- ix) a) According to the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education & Protection Fund, Employees' State Insurance dues, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and other material statutory dues as 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 has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi) According to the 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) Order, 2004 are not applicable to the Company.
- xiv) The Company is dealing and trading in shares, securities and other investments. According to the information and explanation given to us and based on the documents and records produced to us, proper records have been maintained of transactions and contracts and timely entries have been made therein. The shares, securities and other investments have been held by the Company in its own name except as mentioned in notes no. 14(b) of Schedule 13 to the balance sheet.

- 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 explanations 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 during the year to parties or Companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) According to the information and explanations 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 any money by public issues during the year.
- xxi) During the course of our examination of Books of Account carried out in accordance with generally accepted 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. 10,021.00 thousand, the extent of amount recoverable and provision there against if any is 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. 108960.00 Thousand, the extent of realisability of claim lodged against a supplier, consequential provisions required if any are presently not ascertainable (Note No. 5)*
- d. *Non provision of the year-end shortfall pertaining to book balances of certain investments as given in Note No. 6.*
- e. *Loans given to body corporate and other amounting to Rs. 2865.00 Thousand (including interest), pending legal proceedings 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 :**

- a) 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,
- b) The Balance Sheet and the Profit and Loss Account alongwith Cash Flow Statement are in agreement with the books of account,
- c) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of Account,

- d) *Except as given in Note No. 6 of Schedule 13 regarding non-provision of diminution in value of certain investments* in our opinion, the Profit and Loss Account, Balance Sheet and Cash Flow Statement comply with the Accounting Standards referred to in Sub-Section 3 (C) of Section 211 of the Companies Act, 1956, to the extent applicable,
- e) On the basis of written representations from the directors as on 31st March, 2006 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, 2006 from being appointed as a director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;
- f) 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 Para 2 above, together with their overall impact as given in Paragraph 3 above (presently not ascertainable)* and read together with the other notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India :
- i) in case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
  - ii) in case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
  - iii) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

14, Government Place (East)  
Kolkata - 700 069.  
Dated : 23<sup>rd</sup> June, 2006

**For LODHA & CO**  
Chartered Accountants

**H. K. VERMA**  
Partner  
Membership No. 55104

**BALANCE SHEET AS AT 31ST MARCH, 2006**

	SCHEDULE	31.03.2006	31.03.2005
		Rs. in thousands	Rs. in thousands
<b>SOURCES OF FUNDS :</b>			
<b>Shareholders' Funds :</b>			
Share Capital	1	37,500.00	37,500.00
Reserves & Surplus	2	134,745.00	132,749.00
		<u>172,245.00</u>	<u>170,249.00</u>
<b>Loan Funds :</b>			
Secured Loans	3	43,604.00	31,968.00
		<u>43,604.00</u>	<u>31,968.00</u>
	<b>TOTAL</b>	<u>215,849.00</u>	<u>202,217.00</u>
<b>APPLICATION OF FUNDS :</b>			
<b>Fixed Assets :</b>			
Gross Block	4	33,844.00	29,222.00
Less : Depreciation		18,232.00	16,558.00
Net Block		15,612.00	12,664.00
<b>Investments :</b>	5	6,377.00	12,642.00
<b>Current Assets, Loans &amp; Advances :</b>			
Inventories	6	329.00	329.00
Sundry Debtors		28,220.00	35,208.00
Cash & Bank Balances		17,703.00	6,540.00
Loans & Advances		154,576.00	138,948.00
		<u>200,828.00</u>	<u>181,025.00</u>
<b>Less : Current Liabilities &amp; Provisions :</b>	7		
Current Liabilities		6,695.00	4,114.00
Provision		273.00	0.00
		<u>6,968.00</u>	<u>4,114.00</u>
<b>Net Current Assets :</b>		<u>193,860.00</u>	<u>176,911.00</u>
	<b>TOTAL</b>	<u>215,849.00</u>	<u>202,217.00</u>
<b>NOTES :</b>	13		

As per our report of even date

**For LODHA & CO.**

Chartered Accountants

**H. K. VERMA**

Partner

Place : Kolkata

Dated : the 23rd day of June, 2006.

For and on behalf of the Board

**M. L. PATODIA**, Managing Director

**S. R. SARAF**, Director

**VIKASH SINGHAL**, Director

**PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH, 2006**

	SCHEDULE	2005-2006 Rs. in thousands	2004-2005 Rs. in thousands
<b>INCOME :</b>			
Sales	8	291,435.00	112,364.00
Other Income	9	11,842.00	6,393.00
Proceeds from Keyman Insurance Policy		18,750.00	0.00
Increase/(Decrease) in Stock	10	0.00	(5,716.00)
		<u>322027.00</u>	<u>113,041.00</u>
<b>EXPENDITURE :</b>			
Purchases		273,946.00	98,506.00
Interest (Net)	11	210.00	(492.00)
Depreciation		2,391.00	1,620.00
Manufacturing Administrative, Selling & Other Expenses	12	34,312.00	21,207.00
Share Issue Expenses Written Off		-	122.00
		<u>310,859.00</u>	<u>120,963.00</u>
Profit/(Loss) before Exceptional and non-recurring item		11,168.00	0.00
Investment written off		8,899.00	0.00
Profit/(Loss) before Tax		2,269.00	(7,922.00)
Provision for current Taxation		45.00	0.00
Provision for Fringe Benefit Tax		228.00	0.00
Profit/(Loss) after Tax		1,996.00	(7,922.00)
Profit and Loss Account balance brought forward		6,188.00	14,110.00
		<u>8,184.00</u>	<u>6,188.00</u>
<b>APPROPRIATIONS :</b>			
Balance carried to Balance Sheet		8,184.00	6,188.00
		<u>8,184.00</u>	<u>6,188.00</u>
<b>BASIC &amp; DILUTED EPS (Rs.)</b>		<b>0.53</b>	<b>(2.11)</b>

**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 23rd day of June, 2006.

**SCHEDULES TO THE ACCOUNTS**

	2005-2006 Rs. in thousands	2004-2005 Rs. in thousands
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised :</b>		
50,00,000 Equity Shares of Rs. 10/- each	<u>50,000.00</u>	<u>50,000.00</u>
<b>Issued, Subscribed &amp; Paid Up :</b>		
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>
<b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>		
<b>Share Premium</b>	<b>43,750.00</b>	<b>43,750.00</b>
<b>General Reserve :</b>		
As per last Balance Sheet	<b>82,811.00</b>	<b>82,811.00</b>
<b>Profit &amp; Loss Account :</b>		
Balance Carried Forward	<u>8,184.00</u>	<u>6,188.00</u>
	<u>134,745.00</u>	<u>132,749.00</u>
<b>SCHEDULE 3 : SECURED LOANS</b>		
<b>Cash Credit, Packing Credit from Bank</b>		
(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)	<b>40,633.00</b>	<b>31,509.00</b>
<b>Vehicle Loans</b>		
Standard Chartered Bank	<b>145.00</b>	<b>459.00</b>
ICICI Bank	<b>2,826.00</b>	<b>0.00</b>
(Secured by way of hypothecation of vehicles)	<u>43,604.00</u>	<u>31,968.00</u>



## SCHEDULES TO THE ACCOUNTS

### SCHEDULE 4 : FIXED ASSETS

(Rs. in thousands)

PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION BLOCK				NET BLOCK	
	As on 01.04.05	Addition during the year	Sales/ad- justment during the year	Total as on 31.03.06	Up to 31.03.05	For the year amount	Deduction for sales adjustment	Total as on 31.03.06	As on 31.03.06	As on 31.03.05
FREEHOLD LAND	2328.00	0.00	1708.00	620.00	0.00	0.00	0.00	0.00	620.00	2328.00
BUILDING*	16409.00	3553.00	0.00	19962.00*	7855.00	1033.00	0.00	8888.00	11074.00	8554.00
OFFICE APPLIANCE & OTHER EQUIPMENTS	2250.00	80.00	0.00	2330.00	2034.00	63.00	0.00	2097.00	233.00	216.00
COMPUTER	1654.00	63.00	0.00	1717.00	1592.00	78.00	0.00	1670.00	47.00	62.00
FURNITURE & FITTINGS	1916.00	48.00	0.00	1964.00	1754.00	38.00	0.00	1792.00	172.00	162.00
VEHICLES	3192.00	3430.00	859.00	5763.00	2045.00	1148.00	717.00	2476.00	3287.00	1147.00
AIR-CONDITIONER, REFRIGERATOR, COOLER, GENERATOR	1473.00	16.00	0.00	1488.00	1278.00	31.00	0.00	1309.00	180.00	195.00
<b>TOTAL :</b>	<b>29222.00</b>	<b>7190.00</b>	<b>2567.00</b>	<b>33844.00</b>	<b>16558.00</b>	<b>2391.00</b>	<b>717.00</b>	<b>18232.00</b>	<b>15612.00</b>	<b>12664.00</b>
<b>PREVIOUS YEAR :</b>	<b>29330.00</b>	<b>283.00</b>	<b>391.00</b>	<b>29222.00</b>	<b>15039.00</b>	<b>1620.00</b>	<b>101.00</b>	<b>16558.00</b>	<b>12664.00</b>	

\* Includes 20 shares (Previous year 20 shares) of Rs. 50/- each (Total face value Rs. 1,000/-) fully paid up.

## SCHEDULES TO THE ACCOUNTS

		2005-2006	2004-2005
		Rs. in thousands	Rs. in thousands
<b>SCHEDULE 5 : INVESTMENTS</b>			
<b>TRADE INVESTMENTS</b>			
<b>UNQUOTED :</b> (Long term; equity shares of Rs. 10/- each fully paid up)			
(739930)	YS Spinners Ltd.	0.00	7,399.00
1500	Mona Textiles Ltd.	15.00	15.00
(117750)	Aarkay Credit Ltd.	0.00	1,177.00
(118250)	Prachi Credit Ltd.	0.00	1,183.00
(5000)	Patriot Automation Project (P) Ltd.	0.00	1,500.00
100000	Manga Capsules Limited	3,000.00	0.00
<b>QUOTED :</b> (Current; Fully Paid Equity Shares of Rs. 10/- each)			
(1,300)	Jaipur Polyspin Ltd.	0.00	14.00
(1,07000)	J J Spectrum Silk Limited	0.00	1,564.00
11170	J.J. Exporter Ltd.	1,306.00	0.00
2650	Prime Textiles Ltd.	276.00	0.00
1000	Reliance Industries Ltd.	473.00	0.00
2000	Ugar Sugar Ltd.	97.00	0.00
3000	Reliance Communication Venture Ltd.	989.00	0.00
11000	Reliance Natural Resources Ltd.	424.00	0.00
1000	Reliance Energy Venture Ltd.	66.00	0.00
1000	Reliance Capital Venture Limited	12.00	0.00
		<b>6,658.00</b>	<b>12,852.00</b>
Less : Provision for Diminution in Investment		<b>280.00</b>	<b>210.00</b>
		<b>6377.00</b>	<b>12,642.00</b>
<b>AGGREGATE VALUE OF INVESTMENTS :</b>			
Book Value :	Quoted	3,642.00	1,578.00
	Unquoted	3,015.00	11,274.00
		<b>6,657.00</b>	<b>12,852.00</b>
Market Value : Quoted		<b>3,725.00</b>	<b>1,382.00</b>

**PURCHASE AND SALE OF CURRENT INVESTMENTS DURING THE YEAR :**

Name of the Company	No. of Shares	Cost (in thousand)
TVS Electronics Limited	1000	62.00
HFCL	102000	2,524.00
Royal Airways Limited	25000	1,892.00
GTC Limited	15000	1,364.00
GHCL Limited	240000	23,227.00
Varun Shipping Limited	10000	393.00
Middey Multimedia Limited	5000	381.00
NOCIL	15000	430.00
Indra Prastha Medical Limited	5000	381.00
GE Cap Trans Finance Services Ltd.	5000	470.00
Marson's Ltd.	35000	242.00
LANDMARC Leisure Ltd.	10000	287.00

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**YARN SYNDICATE LIMITED – ANNUAL REPORT 2005-06**

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<b>Name of the Companies</b>	<b>No. of Shares</b>	<b>Cost (In Lacs)</b>
Morarjee Realities Ltd.	11415	3,918.00
Avental Softech Limited	2000	328.00
Hindustan Motor Limited	10000	399.00
Kirlosker Pneumates	2000	371.00
Malbar Building Ltd.	2000	347.00
JM Share and Stock Broking Ltd.	414	104.00
Media Vide Limited	5000	198.00
Raipur Alloys & Steel Limited	5000	575.00
Alliance Capital Limited	10000	432.00
SRF Ltd.	10000	3,073.00
Ruchi Intrust Ltd.	10000	283.00
Shree Ganesh Forging Limited	2000	157.00
Gujrat Sidhee Cements Ltd.	25000	427.00
GTN Textiles Ltd.	10000	876.00
Raymond Limited	2000	775.00
Super House Limited	5000	297.00
Dai Ichi Karkaria Ltd.	2000	173.00
J. J. Exporter Ltd.	13663	1,476.00
Eastern Silk Limited	10000	2,428.00
Gufic Bioscience Ltd.	10000	309.00
Kit Ply Industries Ltd.	10000	213.00
Sterling Biotech Limited	17500	2,889.00
South Assian Petrochemical Ltd.	30000	565.00
MRF Limited	200	631.00
Parekh Aluminium Ltd.	10000	2,818.00
Indian Organic Chemicals Ltd.	20000	825.00
Hindustan Spg. Ltd.	6000	561.00
ION Exchange Limited	5000	747.00
MRPL	10000	579.00
South Iron & Steel Ltd.	20000	634.00
IPCL	3000	691.00
MC Dowell Co. Ltd.	1000	507.00
Mahalaxmi SM Ltd.	5000	214.00
Sica Logistics Ltd.	1000	325.00
Patspin India Limited	5000	111.00
Gatewaydis	2000	533.00
Mercator Lines Ltd.	6000	869.00
Unimers India Ltd.	5000	94.00
Sasken Communication Ltd.	2000	856.00
ABG Shipyard Ltd.	16781	4,750.00
Asian Electronics Ltd.	2000	643.00
Voltas Ltd.	2000	1,364.00
Triveni Engineering & Ind. Ltd.	10000	762.00
Kernex Microsystems (I) Ltd.	3000	954.00
Usha Mertin Ltd.	2000	366.00
City Union Bank Limited	7000	805.00
Guj Alkalies Ltd.	5000	730.00
Ranbaxy Laboratories Ltd.	2000	744.00
Amar Remedies Ltd.	10000	801.00
Sesagoa Ltd.	2000	2,376.00
Simboli Sugar Limited	3000	435.00
India Bulls & Finance Ltd.	2000	446.00

## SCHEDULES TO THE ACCOUNTS

2005-2006	2004-2005
Rs. in thousands	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	0.00
Discarded Assets	329.00	329.00
	<b>329.00</b>	<b>329.00</b>

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

Debts due for a period exceeding six months	10,085.00	17,706.00
Other Debts	18,135.00	17,502.00
	<b>28,220.00</b>	<b>35,208.00</b>

Cash and Bank Balances :

Cash Balance	586.00	458.00
Cheques in hand	0.00	333.00
Balance with Scheduled Banks :		
In Current Account	12,378.00	1,606.00
In Fixed Deposit	4,481.00	4,005.00
In Dividend Account	55.00	135.00
In E.E.F.C. Account	203.00	3.00
	<b>17,703.00</b>	<b>6,540.00</b>

#### LOANS & ADVANCES :

Loans/Inter Corporate Deposits	25,268.00	19,521.00
Advance recoverable in Cash or in kind or for value to be received :		
Unsecured :		
Advance to Staff	592.00	136.00
Advance to Others	126,191.00	117,051.00
Sundry Deposits	485.00	595.00
Advance Fringe Benefit Tax	224.00	0.00
Tax Deducted at Source	1,771.00	1,598.00
Interest Receivable	45.00	47.00
	<b>154,576.00</b>	<b>138,948.00</b>
	<b>200,828.00</b>	<b>181,025.00</b>

## SCHEDULES TO THE ACCOUNTS

	2005-2006 Rs. in thousands	2004-2005 Rs. in thousands
<b>SCHEDULE 7 : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES :</b>		
Sundry Creditors :		
For Goods Supplied	184.00	236.00
For Expenses	3,168.00	2,663.00
For Others	3,288.00	1,080.00
	<b>6,640.00</b>	<b>3,979.00</b>
Dividend Payable (Un-encashed Warrants)	55.00	135.00
	<b>6695.00</b>	<b>4,114.00</b>
<b>PROVISIONS :</b>		
For Taxation	45.00	0.00
For Fringe Benefit Tax	228.00	0.00
	<b>6,968.00</b>	<b>4,114.00</b>
<b>SCHEDULE 8 : SALES</b>		
Export (On C.I.F. Value)	291,435.00	112,364.00
	<b>291,435.00</b>	<b>112,364.00</b>
<b>SCHEDULE 9 : OTHER INCOME</b>		
Export Incentives	10,636.00	4,157.00
Miscellaneous receipts	305.00	192.00
Dividend (current)	110.00	28.00
Sundry Balances written back (Net)	0.00	2,016.00
Claim/Discount received	791.00	0.00
	<b>11,842.00</b>	<b>6,393.00</b>
<b>SCHEDULE 10 : INCREASE / (DECREASE) IN STOCK</b>		
Stock at Closing		
Trading Goods	0.00	0.00
	0.00	0.00
Stock at Opening		
Trading Goods	0.00	5,716.00
	0.00	5,716.00
	0.00	(5,716.00)

## SCHEDULES TO THE ACCOUNTS

	2005-2006 Rs. in thousands	2004-2005 Rs. in thousands
<b>SCHEDULE 11 : INTEREST (Net)</b>		
To Banks and others	2,697.00	1,985.00
	<u>2,697.00</u>	<u>1,985.00</u>
Less received on Loans/Inter		
Corporate Deposits & from Banks	2,487.00	2,477.00
(Gross : TDS 4.49 lacs Previous Year 2.93 lacs)		
	<u>210.00</u>	<u>(492.00)</u>
<b>SCHEDULE 12 : MANUFACTURING, ADMINISTRATIVE, SELLING &amp; OTHER EXPENSES</b>		
Salaries, Wages, Bonus & Gratuity	2,318.00	2,449.00
Contribution to Provident & Other Funds	221.00	245.00
Staff Welfare Expenses	163.00	105.00
Insurance	708.00	588.00
Rent	74.00	94.00
Rates & Taxes (Including Licence Fee)	311.00	98.00
Repairs :		
Building	43.00	109.00
Others	161.00	149.00
	204.00	258.00
Shipping Expenses	15,354.00	6,026.00
Commission (Net)	5,552.00	1,759.00
Brokerage	0.00	149.00
Discount / Claims / Samples	3.00	1,949.00
Payment to Auditors :		
Audit Fee	46.00	45.00
Bank Charges	1,609.00	688.00
Charity & Donation	19.00	19.00
Quota Expenses	0.00	181.00
Sundry Balance Written off (Net)	1,079.00	0.00
Loss in Derivative Transactions (Net)	1,314.00	0.00
Loss on Sale of Investments (Net)	400.00	699.00
Diminution in Investment (Net)	105.00	210.00
Difference in Foreign Exchange (Net)	65.00	646.00
Loss on Sale of Fixed Assets (Net)	275.00	90.00
Miscellaneous Expenses	4492.00	4,909.00
	<u>34,312.00</u>	<u>21,207.00</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.67325.00 Thousand (Previous Year Rs. 24558.00 Thousand).
2. Sundry Debtors include an amount of Rs. 20584.00 Thousand (Previous Year Rs. 16399.00 Thousand) 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. 10021.00 Thousand (Net of ECGC Claim Rs. 4792.00 Thousand) (Previous Year Rs. 17706.00 Thousand) 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 with respective parties.
5. Advances considered good include Rs. 108960.00 Thousand (Previous Year Rs. 108960.00 Thousand) (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. Revenue recognition with respect to diminution in value of long term investments amounting to Rs. 15.00 Thousand (Previous Year Rs. 3875.00 Thousand) 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. 2865.00 Thousand (including interest of Rs. 365.00 Thousand) 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. 2700.00 Thousand (including Rs. 450.00 Thousand 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 01.04.2005 Rs. (in Thousand)	Charge/Credit during the year Rs. (in Thousand)	Closing as on 31.03.2006 Rs. (in Thousand)
<b><u>Deferred Tax Liabilities</u></b>			
On account of Depreciation	1125.00	(491.00)	634.00
<b><u>Deferred Tax Assets</u></b>			
On account of unabsorbed Depreciation and carry forward Losses	1125.00	(491.00)	634.00
<b>Net deferred Tax Liabilities/(Assets)</b>	—	—	—

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. 164.00 Thousand being Gain (Previous Year Rs. 443.00 Thousand being Loss) on account of cancellation of forward exchange Contract.
11. Details of profit/loss on Sale of current Investments are as follows :

	<u>Current Year</u>	<u>Previous Year</u>
i) Profit on Sale of current Investments	<b>2842.00</b>	70.00
ii) Loss on Sale of current investments	<b>2036.00</b>	<b>1397.00</b>
Net profit on Investment	<b>806.00</b>	1327.00
iii) Loss on Sale of Long term Investment	<b>1416.00</b>	—
	<b>610.00</b>	1327.00
Less : Provision for diminution in investment written back	<b>210.00</b>	<b>628.00</b>
	<b>400.00</b>	<b>699.00</b>

12. a) Details w.r.t. Directors' remuneration is as follows :

	<u>Rupees in Thousand</u>	
	<u>2005-2006</u>	<u>2004-2005</u>
	<u>Rs.</u>	<u>Rs.</u>
Salary	420.00	420.00
Contribution to Employees Provident Fund & Other Fund	50.00	50.00
Other Perquisites	<b>78.00</b>	<b>78.00</b>
	<b>548.00</b>	<b>548.00</b>

\* (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. In the opinion of the management the realisable value will not be lower than the book value. Necessary adjustments, if any will be carried on disposal of the same.
14. a) During the year, investment with Y S Spinners Ltd. amounting to Rs. 7399 (in thousand) and Patriot Automobile Pvt. Ltd. amounting to Rs. 1500 (in thousand) being no longer receivable has been



written off and treated as exceptional and non-recurring item in this account.

- b) Investment with Manga Capsules Ltd. amounting to Rs. 3000.00 Thousand have not been transferred in the Co's name and the management is pursuing the matter to get the shares transferred in the name of the company.

15. Related party disclosure as identified by the Management in accordance with the Accounting Standard (As-18) issued by The Institute of Chartered Accountants of India is as follows :

**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.

**a) Key Management Personnel and their relatives.**

Sri R.K.Patodia-Managing Director

**b) Group/Associates Companies.**

- i) Enterprise having common Director / Management personnel  
 Madanlal Brijlal (P) Ltd.

**c) Firm in which Directors have substantial interest**

M/s. B.L.Singhal & 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 price.**

Nature of transactions	Key Management Personnel		Enterprises of Key Management Personnel		Directors interested Firm	
	2005 - 06	2004-05	2005-06	2004-05	2005-06	2004-05
1) Electricity charges paid	-	-	60.00	55.00	-	-
2) Rent paid	-	-	7.00	-	-	-
3) Professional fees paid	-	-	-	-	3.00	7.00
4) Remuneration paid	548.00	548.00	-	-	-	-
5) Equity Shares bought	-	700.00	-	-	-	-

**C) Outstanding Balance as on 31<sup>st</sup> March, 2006**

Nature of transactions	Key Management Personnel		Enterprises of Key Management Personnel		Directors interested Firm	
	2005 - 06	2004-05	2005-06	2004-05	2005-06	2004-05
1) Electricity charges	-	-	4.00	3.00	-	-

**16. Calculation in respect to Earning Per Share as required by Accounting Standard (As-20) issued by The Institute of Chartered Accountants of India is as follows :**

	Year Ended 31.03.2006 (Rs.)	Year Ended 31.03.2005 (Rs.)
(a) Profit/(Loss) attribute to Equity Share Holders	1995345.68	(7922469.57)
(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)	0.53	(2.11)

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

A. <u>Quantitative Information</u>	Unit	<u>Quantity</u> (in Packages)		<u>Amount Rs. in thousand</u>	
		2005-2006	2004-2005	2005-2006	2004-2005
a) <u>Opening Stock :</u> Yarn	Packages	—	1234	—	57.16
b) <u>Purchases :</u> Yarn	Packages	58514	18888	2739.46	985.06
c) <u>Sales :</u> Yarn	Packages	58514	20122	2914.35	1123.64
d) <u>Closing Stock :</u> Yarn	Packages	—	—	—	—

B. Expenditure in Foreign Currency

(Rupees in Thousands)

	2005-2006	2004-2005
Travelling	720.00	927.00
Commission	5204.00	1517.00
Claims paid to Overseas Buyers	—	2332.00

C. Earning in Foreign Currency

F.O.B. Value of goods Export	283986.00	108667.00
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18. Figures are given in thousand and accordingly 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) Inventories :**

Stock of traded goods are valued at lower of cost and net realizable value using FIFO method.

**E) 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.

**F) Fixed Assets :**

Fixed Assets have been stated at Cost.

**G) 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)	<b>Building :</b>		
	Office	5	10
	Residential (Area less than 80Sq. Meters)	5	5
b)	Furniture & Fixtures	18.10	10
c)	Office Equipments	13.91	15
d)	Air Conditioning Machine	13.91	15
e)	Refrigerator	13.91	15
f)	Motor Car	25.89	15
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.

**H) 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 prorate basis.

**I) 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 1-4-2005 : (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.

**J) 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.

**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 lower of cost and fair value determined on an individual investment basis.

**L) 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.

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

**21. 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	31.03.2006

<b>2. Capital raised during the Year : (Rs. in thousand)</b>	
Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL
Private Placement	NIL
<b>3. Position of Mobilisation and Deployment of Funds : (Rs. in thousand)</b>	
Total Liabilities	22817
Total Assets	22817
<b>Sources of Funds :</b>	
Paid up Capital	37500
Reserves & Surplus	134745
Secured Loans	43604
Unsecured Loans	NIL
<b>Application of Funds :</b>	
Net Fixed Assets	15612
Investment	6377
Net Current Assets	193860
Miscellaneous Expenditure	NIL
Accumulated Losses	NIL
<b>4. Performance of Company : (Rs. in thousand)</b>	
Turnover (Including other Income)	322027
Total Expenditure	319758
Profit/(Loss) before Tax	2269
Profit/(Loss) after Tax	1996
Earning per Share (Rs.)	0.53
Dividend Rate	NIL
<b>5. Generic Names of Principal Products, Services of the Company :</b>	
Item Code No.	52.05
Product Description	Cotton Yarn

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 23rd day of June, 2006.

## CASH FLOW STATEMENT OF YARN SYNDICATE LIMITED AS PER LISTING AGREEMENT

**CASH FLOW STATEMENT**

	<b>Year ended</b>	<b>Year ended</b>
	<b>31st March, 2006</b>	<b>31st March, 2005</b>
	<b>(Rs. in ,000)</b>	<b>(Rs. in ,000)</b>

**A. CASH FLOW FROM OPERATING ACTIVITIES**

Net Profit/(Loss) before Taxes		2,269.00	(7,922.00)
Depreciation	2,391.00		1,620.00
Interest paid	2,697.00		1,985.00
Share Issue expenses	-		122.00
Quota Expenses	-		95.00
Loss on Diminution in Investment	105.00		210.00
(Profit)/Loss on Sale of Investments (Net)	400.00		699.00
(Profit)/Loss on Sale of Assets (Net)	275.00		90.00
Interest Received	(2,487.00)		(2,477.00)
Dividend Received	(110.00)		(28.00)
Exchange Fluctuation (Loss)/Gain (to the extent not paid/realised)	(14.00)		295.00
Sundry balances written off/(back) (Net)	<u>9,978.00</u>	<u>13,235.00</u>	<u>(2,016.00)</u> <u>595.00</u>
Operating Profit before Working Capital Changes		15,504.00	(7,327.00)
Adjustment for :			
Inventories			5,716.00
Trade & Other Receivables	6,988.00		(19,527.00)
Advances	(10,350.00)		922.00
Trade Payables	<u>2,661.00</u>	<u>(701.00)</u>	<u>(105.00)</u> <u>(12,994.00)</u>
		14,803.00	(20,321.00)
Cash generated from Operations			
Direct Taxes paid	<u>(397.00)</u>	<u>(397.00)</u>	411.00 <u>411.00</u>
Net Cash from Operating Activities (A)		<u>14,406.00</u>	<u>(19,910.00)</u>

**B. CASH FLOW FROM INVESTING ACTIVITIES**

Purchase of Fixed Assets	(7,190.00)		(283.00)
Sale of Fixed Assets	1,575.00		200.00
Sale of Investment	81,390.00		12,648.00
Purchase of Investment	(84,500.00)		(12,730.00)
Loans & Inter-corporate Deposits	(6,878.00)		2,175.00
Interest Received	3,620.00		2,406.00
Dividend Received	<u>110.00</u>	<u>(11,873.00)</u>	28.00 <u>4,444.00</u>
Net Cash used in Investing Activities (B)		<u>(11,873.00)</u>	<u>4,444.00</u>

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**CASH FLOW STATEMENT (Contd.)**

**Year ended**  
**31st March, 2006**  
**(Rs. in thousand)**

**Year ended**  
**31st March, 2005**  
**(Rs. in thousand)**

**C. CASH FLOW FROM FINANCING ACTIVITIES**

Net Increase/Decrease in Secured Borrowing	9,110.00	7,908.00	
Net Increase/Decrease in Unsecured Borrowing	2,512.00	(506.00)	
Dividend Paid	(80.00)	(49.00)	
Interest Paid	<u>(2,912.00)</u>	<u>8,630.00</u>	<u>(2,063.00)</u>
Net Cash from Financing Activities (C)		<u>8,630.00</u>	<u>5,290.00</u>
Net Increase in Cash & Cash equivalents (A+B+C)	11,163.00		(10,176.00)
Cash & Cash equivalents as at opening	6,540.00		16,716.00
Cash & Cash equivalents as at closing	17,703.00		6,540.00

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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 23rd day of June, 2006.

PROXY FORM

YARN SYNDICATE LIMITED

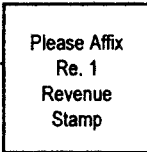
REGD. OFF. 7, SAMBHU NATH MULLICK LANE, KOLKATA - 700 007

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 60th Annual General Meeting of the Company to be held at Patodia House, 23, Circus Avenue, Kolkata - 700 017 on Friday, the 15th day of September, 2006, at 10.00 a.m. and/or at any adjournment thereof.

signed this ..... day of ..... 2006

Signature .....



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 60th Annual General Meeting of the Company held at Patodia House, 23, Circus Avenue, Kolkata - 700 017 on Friday, the 15th day of September, 2006 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