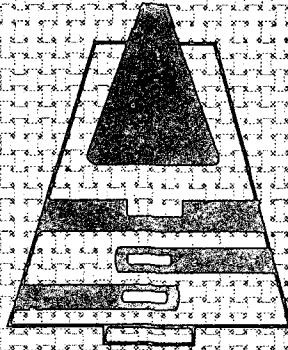


yarn syndicate limited.

One Star Export House



ANNUAL REPORT

2006 - 2007

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 (upto 15.04.07)

SMT. SHEELA PATODIA

SRI RISHIRAJ PATODIA

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 61ST ANNUAL GENERAL MEETING

NOTICE is hereby given that the Sixty First Annual General Meeting of the Members of the Company will be held at Patodia House, 23, Circus Avenue, Kolkata - 700 017 on Friday the 14th day of September, 2007 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, 2007 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 Sri Dilip Kumar Khandewal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri Devendra Jhunjunwala, 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.
5. To appoint Branch 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 :

6. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :
"RESOLVED THAT Sri R. K. Patodia be and is hereby re-appointed as Managing Director of the Company for a period of 5 (five) years w.e.f. 1st July, 2007."
7. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.
"RESOLVED THAT pursuant to the provisions of Section 163 of the Companies Act, 1956, approval be and is hereby accorded to the keeping of the Register of Members and copies of all Annual Returns together with the copies of certificates and documents required to be annexed thereto with the Company's Transfer Agents, M/s. R & D Infotech Pvt. Ltd., 22/4, Nakuleshwar Bhattacharjee Lane, Kolkata-700026."

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

Dated : the 30th day of June, 2007

By order of the Board
For YARN SYNDICATE LIMITED

BIKASH CHANDRA CHATTERJI
COMPANY SECRETARY

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, 2007 to 14th September, 2007 (both days inclusive).

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 R & D Infotech Pvt. Ltd., 22/4, Nakuleshwar Bhattacharjee Lane, Kolkata - 700026".
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 Dilip Kumar Khandelwal
2. Date of Birth : 18.12.1943
3. Date of Appointment : 01.04.2002
4. Qualifications : B.E. (Civil Engineer)
5. Expertise in specific functional area. : Business
6. Chairman/Director of other Companies : **Directorships :**
 1. SSK Broking Services Private Limited
 2. Venus Funds Management Limited

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
	3. Share Transfer- Cum-Grievance Committee	Member

1. Name : Shri Devendra Jhunjhunwala
2. Date of Birth : 27.09.1952
3. Date of Appointment : 01.04.2002
4. Qualifications : B.Com
5. Expertise in Specific functional area : Business
6. Chairman/Director of other Companies : **Directorships :**
 1. Swastic Heights Private Limited
 2. Swastic Habitat Private Limited
 3. High Seas Traders Private Limited
 4. Mendarian Enterprises Private Limited

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

ANNEXURE TO NOTICE

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

Item No. 6

Shri R. K. Patodia was appointed as the Managing Director of the Company for a further period of 5 (five) years with effect from 1st July, 2002 to 30th June 2007. In consideration of excellent and valuable services being rendered by Shri R. K. Patodia to the Company, the Board of Directors, at its Meeting held on 30th June, 2007, have re-appointed him as Managing Director for another period of (5) years with effect from 1st July, 2007 on the terms and conditions set out in the agreement subject to your approval. The main terms and conditions of Shri R. K. Patodia's appointment is set out below :

Period :

5 Years from 01.07.2007 to 30.06.2012

A) Salary :

Rs. 35,000/- per month in the scale of Rs. 35000 - Rs. 5000 - Rs. 55000.

B) Perquisites :

i) Commission :

One percent commission on the net profits of the Company computed in accordance with the provisions of Section 349 of the Companies Act, 1956 subject to a ceiling of 50% of the Annual Salary.

ii) Housing :

- a) The expenditure by the Company for hiring unfurnished accommodation shall be subject to a ceiling of 60% of the Salary over and above 10% payable by him.
- b) The Expenditure incurred by the Company on gas, electricity, water and house maintenance shall be valued as per the Income-tax Rules, 1962 subject to a ceiling of 30% of his salary.

iii) Medical Reimbursement :

Expenses incurred for self and family subject to a ceiling on one month's salary in a year or three months' salary over a period of three years.

iv) Leave Travel Concession :

For self and family once in a year, provided that only actual fare shall be paid to and from any place in India and no Hotel Expenses shall be paid.

v) Club fees :

Fees of clubs subject to a maximum of two clubs which will not include admission and life membership fees.

vi) Personal Insurance :

Premium not to exceed Rs. 10000 per annum.

vii) Contribution to Provident Fund as per Rules of the Company and will not be included in the Computation of ceiling in perquisites to the extent it is not taxable under the Income Tax Act.

viii) Gratuity payable as per the Rules of the Company.

ix) Earned / Privileged leave not exceeding one month for every eleven months of service. Leave accumulated but not availed of shall not be allowed to be encashed.

x) Provision of car for use on Company's business and telephone at his residence will not be considered as perquisites. Personal long distance calls and use of car for private purpose shall be billed by the Company.

C) Others Terms & Conditions :

- i) In the case of inadequate or absence of profit, Sri R. K. Patodia will get the same remuneration as mentioned herein above.
- ii) So long as Sri R. K. Patodia functions as the Managing Director of the Company he will not be entitled to any sitting fee for attending the meeting of the Board of Directors or any Committee thereof.
- iii) So long as Sri R. K. Patodia holds the office of the Managing Director he will not be liable to retire by rotation.
- iv) So long as Sri R. K. Patodia holds the office of the Managing Director of the Company he will not become interested or concerned in any selling agency directly or through his wife or children without prior approval of the Central Government.
- v) The appointment of Sri. R. K. Patodia may be terminated by giving three months' notice by either side.

The agreement between the Company and Sri. R. K. Patodia is available for inspection by the Members of the Company at its registered office between 11.00 A.M. and 1.00 P.M. on any working day of the Company.

This may be treated as an abstract of the Agreement made by the Company with Shri R. K. Patodia pursuant to Section 302 of the Companies Act, 1956.

The Board of Directors recommend this resolution for approval of members at this Meeting.

Except Shri M. L. Patodia, Shri R. K. Patodia, Smt. Sheela Patodia and Shri Rishiraj Patodia, none of the Directors of the Company is concerned or interested in the resolution.

Item No.7

Under the provisions of the Companies Act, 1956 the Register and Index of Members and copies of all Annual Returns together with the copies of certificates and documents required to be annexed thereto are required to be kept at the Registered Office of the Company or with the approval of the Members at any other place within the city, town or village in which the Registered Office is situated. The Company has appointed 'R & D Infotech Pvt. Ltd., 22/4, Nakuleshwar Bhattacharjee Lane, Kolkata - 700028' as the Share Transfer Agents of the Company. Since the records will be kept at the Office of the Share Transfer Agents, the Board recommends the said resolution for your approval.

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

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

Dated : the 30th day of June, 2007

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 61st Annual Report of the Company together with the Audited Accounts for the Year ended on 31st March, 2007.

FINANCIAL RESULTS :

	<u>2006-2007</u>	<u>2005-2006</u>
	<u>Rs. in Thousand</u>	<u>Rs. in Thousands</u>
Export Sales	146917	291435
Domestic Sales	2500	-
	<u>149417</u>	<u>291435</u>
Profit/(Loss) before Interest & Depreciation	(85073)	4870
Less : Interest	4195	210
Depreciation	<u>2731</u>	<u>2391</u>
Profit/(Loss) before Tax	(91999)	2269
Less : Provision for Taxation (earlier year)	65	45
Provision for Deferred Tax	743	-
Fringe Benefit Tax	<u>198</u>	<u>228</u>
Profit/(Loss) after Tax	(93005)	1996
Add : Balance brought forward from last year	<u>8184</u>	<u>6188</u>
	<u>(84821)</u>	<u>8184</u>
Appropriations :		
Balance carried forward to next year	<u>(84821)</u>	<u>8184</u>

DIVIDEND :

Your Directors do not recommend dividend on Equity shares for the Financial Year ended 31st March, 2007.

PERFORMANCE REVIEW :

During the financial year under review, the export sales have decreased to Rs. 1469.17 lakhs as compared to export sales of Rs. 2914.35 lakhs during the previous year. The reason for lower export sales is mainly because of the growing competition from low cost suppliers, which have put severe pressure on margins. Furthermore, the high interest costs and the sudden impact of the appreciating rupee towards the end of the last financial years also had an adverse effect on the Company's performance. However, the Company is making all possible effort to face the challenges ahead.

Your Company had fully set up a Home Textiles Unit at Naroli, Union Territory of Dadra & Nagar Haveli and commercial production started on 1st September 2006. The Unit produces bed linen sets including designer bed linen sets and pillow cases for which there is a great demand in both the domestic and overseas markets. The Unit has recently been shifted to Sarigam, Dist. - Valsad, Gujarat that offers better overall conditions for doing business.

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 Dilip Kumar Khandelwal and Shri Devendra Jhunjhunwala, Directors of the Company retire by rotation and are eligible for re-appointment.

Shri Vikash Singhal resigned from the Board of Directors of the Company w.e.f. 16th April, 2007 and the Board recorded its appreciation for the services rendered by Shri Singhal during his tenure as a Director of the Company.

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, 2007, 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, 2007 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, the information in respect of Energy Conservation, Technology Absorption and Foreign Exchange earning and outgo is given in Annexure I forming part of this Report.

AUDITORS' 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.

M/s. Rungta & Associates, the Branch Auditors of the Company's Home Textiles Unit, 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

YARN SYNDICATE LIMITED – ANNUAL REPORT 2006-07

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, the Federation of Indian Export Organisations 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

Dated : the 30th of June, 2007.

For and on behalf of the Board

M. L. PATODIA
Chairman & Managing Director

YARN SYNDICATE LIMITED

ANNEXURE I TO THE REPORT OF THE BOARD OF DIRECTORS

A. The Company is making all round efforts for the conservation of energy by optimum withdrawal of power.

Total energy consumption and energy consumption per unit of production as prescribed in Form 'A'.

A. Power Consumption :	2006 - 07
Electricity :	(w.e.f. 01.09.2006)
a) Purchased - Units	42920.00
Total Amount (Rs).	103,008.00
Rate / Unit (Rs.)	2.40
b) Own Generation :	-
From D.G. Sets - Units	-
Units/ltr. Of Diesel	-
Cost / Unit	-
2. Coal	-
3. Furnace Oil	-
4. Other internal generation	-

B. Consumption per unit of Production :

a) Electricity :

Product	Total Production (No. of Pieces)
Bed Linen - Flat	109104
Bed Linen - Fitted	48762
Bed Linen - Duvet	2600
Bed Linen - Sham	6960
Pillow Cases	229804
Total	397230

Electricity consumed on average per 100 pieces : 10.80 units.

b) Coal and Furnace Oil : -

B. Technology Absorption :

Efforts made in Technology Absorption as per Form 'B'

Indigenous technology alone is used. In view of size of the Unit of the Company, the scope for Research & Development is not affordable.

C. Foreign Exchange Earning and Outgo :

- a) Activities relating to export, initiatives taken to increase exports, Development of new export market for products and services and export plans:
The Company is presently exporting yarn & textiles. Endeavors are being made to explore untapped markets.
- b) Total Foreign Exchange earned and used excluding capital goods, components, and spares:
Earned : Rs. 145999 Thousand (Previous Year Rs. 283986 Thousand)
Used : Rs. 3545 Thousand (Previous Year Rs. 5924 Thousand)

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 30th of June, 2007.

REPORT ON CORPORATE GOVERNANCE

The Directors present the Company's Report on Corporate Governance.

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company firmly believes in the importance of good Corporate Governance and has always endeavored to practice good Corporate Governance based on transparency, professionalism and accountability to its shareholders and other stakeholders, including employees, the government and lenders. The Company has a Code of Conduct and all employees abide by them in letter and spirit.

2. BOARD OF DIRECTORS

The Board of Directors consists of 8 Directors.

COMPOSITION, CATEGORY AND DIRECTORSHIP IN OTHER COMPANIES

Name of Director	Promoter Executive/ Non-executive Independent	Member of Board of Other Companies including Pvt. Ltd. Cos.	Total No. of Committee Membership held	
			As Chairperson	As Member
Shri M. L. Patodia (Chairman)	Promoter	7	–	1
Shri R. K. Patodia	Promoter	2	–	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	–	3
Smt. Sheela Patodia	Non-Executive	1	1	–
Shri Vikash Singhal (resigned w.e.f. 16.4.07)	Independent/ Non-executive	4	3	–
Shri Rishiraj Patodia	Non-Executive	–	–	2

BOARD, ANNUAL GENERAL MEETING & ATTENDANCE :

Board Meetings were held on 29th April, 2006, 23rd June, 2006, 31st July, 2006, 31st October, 2006 and 31st January, 2007

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

The Annual General Meeting was held on 15th September, 2006.

Director	No. of Board Meeting		Attended last AGM
	Held	Attended	
Shri M. L. Patodia	5	5	Yes
Shri R. K. Patodia	5	–	No
Shri K. P. Bagaria	5	4	No
Shri S. R. Saraf	5	5	No

YARN SYNDICATE LIMITED – ANNUAL REPORT 2006-07

Director	No. of Board Meeting		Attended last AGM
	Held	Attended	
Shri D. K. Jhurjhunwala	5	5	Yes
Shri D. K. Khandelwal	5	4	No
Smt. Sheela Patodia	5	-	No
Shri Rishiraj Patodia	5	-	No
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 that 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) It shall 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 28th April, 2006, 22nd June, 2006, 29th July, 2006, 30th October, 2006 and 30th January, 2007. The composition of the Audit Committee meets the requirements of Clause 49 of the Listing Agreement.

MEMBERS OF THE AUDIT COMMITTEE

Sl. No.	Name of the Member	Status	Meetings held	Meetings Attended
1.	Sri Vikash Singhal (resigned w.e.f. 16.4.07)	Chairman & Independent Director	5	5
2.	Sri S. R. Saraf (Chairman w.e.f. 14.4.07)	Member & Independent Director	5	5
3.	Sri D. K. Khandelwal	Member & Independent Director	5	5
4.	Sri Rishiraj Patodia (w.e.f. 14.4.07)	Member & Non- Executive Director	-	-

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.

MEMBERS OF THE REMUNERATION COMMITTEE :

Sl. No.	Name of the Member	Status	Meetings held	Meetings Attended
1.	Sri Vikash Singhal (resigned w.e.f. 16.4.07)	Chairman & Independent Director	1	1
2.	Sri S. R. Saraf (Chairman w.e.f. 14.4.07)	Member & Independent Director	1	1
3.	Sri D. K. Khandelwal	Member & Independent Director	1	1
4.	Sri Rishiraj Patodia (w.e.f. 14.4.07)	Member & Non- Executive Director	-	-

The Remuneration Committee met once on 28th April, 2006 during the year under review. Sri Vikash Singhal, Sri S. R. Saraf and Sri D. K. Khandelwal attended the Meeting. The Meeting was held to review and approve the appointment of Sri Rishiraj Patodia as an additional Director of the Company.

Details of remuneration paid to Managing Director for the year :

The aggregate of salary and perquisites paid for the year ended 31st March, 2007 to Managing Director were as follows :

Shri R. K. Patodia : Rs.6,68,000/-

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 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 recommends measures for overall improvement in the quality of investor services.

The Committee was headed by Sri Vikash Singhal. Sri Vikash Singhal resigned w.e.f. 16.4.07. Smt. Sheela Patodia was appointed Chairperson and is heading the Committee since 14.04.07. Sri M. L. Patodia and Sri R. K. Patodia are other members of the Committee and Sri D. K. Khandelwal was also appointed to the Committee on 14.04.07. Sri Bikash Chandra Chatterji, Company Secretary is the Compliance Officer.

The Company has received 24 complaints as on 31.03.2007 and all of them have been resolved.

The were no shares pending for transfer as on 31.03.2007 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 :

FINANCIAL YEAR	DATE	VENUE	TIME
31 ST MARCH, 2004	24.09.2004	23, CIRCUS AVENUE KOLKATA 700 017.	10.00 A.M.
31 ST MARCH, 2005	14.09.2005	—DO—	10.00 A.M.
31 ST MARCH, 2006	15.09.2006	—DO—	10.00 A.M.

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

- i) 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.
- ii) At the Fifty Ninth Annual General Meeting held on 14th September, 2005, no special resolution was passed.
- iii) At the Sixtieth Annual General Meeting held on 15th September, 2006 no special resolution was passed.

No resolution was put through Postal Ballot.

7. **DISCLOSURES :**

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or 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 interests of the Company.

Details of non-compliance by the company, penalties, and strictures imposed on the company by Stock Exchanges or 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 : The Company has complied with all the mandatory requirements of the Corporate Governance as stipulated in Clause 49 of the Listing Agreement. As regards adoption of non-mandatory requirements of this clause, a Remuneration Committee of the Directors, as detailed hereinabove, was already in existence. Besides, the Company is making all possible effort to move towards a regime of unqualified financial statements.

8. **CEO CERTIFICATION** : Shri Madan Lal Patodia, the Managing Director of the Company has placed a certificate before the Board at its Meeting held on 30th June, 2007 as required under Clause 49V of the Listing Agreement.
9. **SECRETARIAL AUDIT** : A qualified practicing Chartered Accountant carried out Quarterly Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of shares in dematerialized form held with NSDL and CDSL.
10. **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 "Financial Express" 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	Financial Express (English newspaper) and Kalantar or Arthip Lipi (Bengali newspaper).
- any Website, where displayed.	The above said results and the Shareholding Pattern have been uploaded in the website of SEBI under EDIFAR system, periodically.
- 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.

11. GENERAL SHAREHOLDERS INFORMATION :

	<u>DATE</u>	<u>TIME</u>	<u>VENUE</u>
a)	A.G.M. 14th September, 2007	10.00 A.M.	23, CIRCUS AVENUE, KOLKATA 700 017.
b)	Financial Calendar (tentative)	:	2007 – 2008
	i) Financial Year	:	April – March
	ii) First Quarter Results	:	July, 2007
	iii) Second Quarter Results	:	October, 2007
	iv) Third Quarter Results	:	January, 2008
	v) Audited Results for the year ending 31/03/2008	:	June, 2008
c)	Date of Book Closure	:	1st September, 2007 to 14th September, 2007(both days inclusive).
d)	Dividend payment date	:	Not applicable
e)	Listing of Equity Shares on	:	The Bombay Stock Exchange Ltd.
	(i) Annual Listing Fees for the year 2007-2008 (as applicable) has been paid to the Bombay Stock Exchange Ltd., Mumbai. The Annual Custodial Charges to NSDL and CDSL has also been paid.		
	(ii) The Company's equity shares have been delisted from the Stock Exchanges at Ahmedabad, Chennai, Coimbatore and Kolkata.		
f)	(i) Stock Code	:	Scrip Code No. : 514378
	The Bombay Stock Exchange Ltd.	:	Trading Symbol : YARN SYNDICT
	(ii) Demat ISIN Nos. in NSDL and CDSL for equity shares.	:	INE 564C01013

g) Stock Market Data :

Month	BOMBAY STOCK EXCHANGE	
	Month's High Prices	Month's Low Prices
April, 2006	8.98	6.96
May, 2006	12.00	7.11
June, 2006	9.30	6.50
July, 2006	8.99	6.26
August, 2006	8.60	6.40
September, 2006	8.67	6.00
October, 2006	7.99	6.26
November, 2006	7.77	6.00
December, 2006	9.80	6.50
January, 2007	10.70	7.11
February, 2007	9.75	7.50
March, 2007	8.04	6.65

h) Location of Home Textile Unit	<p>From 1.09.06 to 31.05.07 : Shed No. 9 & 10, Survey No. 166/P, Navakuan, Kanadi Faṭak, Naroli, Union Territory of Dadra & Nagar Haveli.</p> <p>From 1.06.07 : C/o. Microwood Pvt. Ltd. Plot. No. 4712, Plastic Zone, GIDC Sarigam - 396115 Dist. - Valsad, Gujarat.</p>
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i) Registrar and Share Transfer Agents	<p>R & D INFOTECH PVT. LTD. 22/4, NAKULESHWAR BHATTACHARJEE LANE, KOLKATA 700 026. TEL : 91 (33) 2463-1657 FAX : 91 (33) 2463-1658 e-mail : rdinfotec@yahoo.com</p>
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j) Share Transfer System	<p>The share transfers which are received in physical form are processed by the company's Registrar and share Transfer Agents (RTA) within 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 (RTA) are processed and duly confirmed within 21 days of respective receipts.</p>
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k) (a) Shareholding Pattern as on 31st March, 2007.

Sl. No.	Category	No. of Shares (Issued Equity)	% of Shareholding
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	4,902	0.1307
04.	Others	11,75,371	31.3433
	Total	37,50,000	100.00

(b) Distribution on Shareholding as on 31st March, 2007.

No. of Shares held	No. of Shareholders	Percentage of Shareholders	No. of shares Issued Equity	Percentage of Shareholding
1 - 500	3581	91.22	470579	12.55
501-1000	174	4.44	136235	3.64
1001 -10000	147	3.72	401260	10.68
10001-50000	13	0.33	307726	8.21
50001-100000	1	0.03	73000	1.95
100001 & above	10	0.26	2361200	62.97
Total	3926	100.00	3750000	100.00

(l) 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, 2007, 33.78% of shares of company were held in Dematerialised form. There are no electronic requests pending for approval as on 31.03.2007 for Dematerialisation/ Rematerialisation under NSDL and CDSL.

Liquidity of Shares

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

(m) Investor Correspondence :

- | | | |
|---|---|--|
| (i) For transfer/dematerialisation of shares and any other query relating to the shares of the Company etc. | : | R & D INFOTECH PVT. LTD.
22/4, Nakuleshwar Bhattacharjee Lane
KOLKATA 700 026.
TEL : 91 (33) 2463-1657
FAX : 91 (33) 2463-1658
e-mail : rdinfotec@yahoo.com |
| (ii) Any query on Annual Report | : | Secretarial Department
YARN SYNDICATE LIMITED
7, Sambhunath Mullick Lane,
KOLKATA 700 007.
TEL : 033-2281-0270
FAX : 033-2290-5685
E-mail : yarncal@vsnl.com |

The above report was adopted by Board of Directors at their Meeting held on 30th June, 2007.

Place : Kolkata
Dated : 30th June, 2007

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

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.

Place : Kolkata
Dated : 30th June, 2007

M. L. PATODIA
Managing Director & CEO

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, 2007, 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

Place : Kolkata
Dated : 30th June, 2007

Membership No. 55104

MANAGEMENT DISCUSSION AND ANALYSIS

We have pleasure in submitting the Management Discussion & Analysis Report on the Company's business.

A) INDUSTRY STRUCTURE AND DEVELOPMENTS

The Textile industry in India is presently in a stronger position than it was in the past. Today, it is a major player both in the domestic market as a major producer of yarn and textile products and the international market as an exporter of all kinds of yarn and textile items. With the elimination of quotas by developed countries of USA and European Union and with huge investments made by the Indian textile industry towards modernization and technology upgradation, the past couple of years have witnessed the growth of the export market for Indian exporters. During 2006-07, Yarn Syndicate Ltd. had exported cotton yarn, viscose yarn, polyester yarn, polyester viscose yarn, polyester textured yarn and polyester cotton yarn to countries like Belgium, Bulgaria, Germany, U.K., China, Hong Kong, Korea, Philippines, Sri Lanka, Argentina, Brazil, Egypt, Kenya, Israel, South Africa.

The Company has fully set up a Home Textiles Unit and commercial production has been commenced on 1st September, 2006. The Unit gets job work assignments from GHCL Ltd. and stitches bed linen sets including Designer bed linen sets like Duvets, Shams and Comforters, pillow covers etc.

In spite of the increase in the exports of textile products from India, the export market remains extremely competitive and consequently, margins are low. The Company hopes to increase the volume of its exports in the coming months and continues to maintain its policy of exporting quality yarn and strictly following delivery schedules.

B) OPPORTUNITIES AND THREATS

The export market for textile and yarn has grown for countries like India and exports from India of these items have increased significantly over the past couple of years. The Company continues to explore new export markets and expand on its market share.

The global textile and yarn industry is however extremely competitive and growing competition from low cost suppliers like China, Vietnam, Indonesia, Bangladesh has put severe pressure on prices.

Home textile are a fast emerging sector and the demand for these products is rapidly increasing in domestic and international market. The market for home textiles holds vast potential, as designs have always remained as the prime movers in home textiles. The Company has an agreement with GHCL Ltd for the purposes of job work assignments of home textile items and is dependent on orders from GHCL Ltd.

C) OUTLOOK

With the country being a major producer of yarn and other textile products and with a skilled workforce, Indian exporters are looking forward to further increasing on their market share in the years to come. Yarn Syndicate Limited too is trying to capitalize on this opportunity and continues to make special efforts to explore new markets, apart from traditional markets.

However, the industry has to contend with severe pressure on prices, high interest costs, growing cost on inputs on account of rising inflation etc. Also, the impact of the appreciating Rupee has been most severe on the textile sector.

For Home Textiles, the future looks very promising as it covers diverse textile products such as bed linens, table cloth, drapery, towels, curtains, quilts, carpets etc. and the Company is trying to capitalize on the growing international market of Home Textiles.

D) SEGMENT-WISE PERFORMANCE

The Company is engaged in the business of export of yarn and production of Home Textile products and accordingly these are the reportable segments.

E) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a proper internal control system, which provides adequate safeguards and effective monitoring of the transactions and ensures that all assets are safeguarded and protected against loss from unauthorized 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 non-executive Directors regularly review the audit plans, adequacy of internal control as well as compliance of accounting standards.

F) FINANCIAL AND OPERATIONAL PERFORMANCE

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

G) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS

We firmly believe that safe and healthy working conditions in the Unit and other premises are as

necessary and important as production, productivity and quality. Our policy requires conduct of activities in such a way as to take foremost account of health and safety of all concerned, besides conservation of natural resources and protection of the environment.

A major factor for the continued growth of your organization is the constructive support of Banks, 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 31 in all.

H) 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.

Place : Kolkata
Dated : 30th June, 2007

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

Auditors' Report to the Members

We have audited the attached Balance Sheet of **YARN SYNDICATE LIMITED** (the Company) as at 31st March, 2007, the Profit and Loss Account and also the Cash Flow Statement for the year ended on the date annexed thereto. 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) Order, 2004 ("the order") issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, ("the Act") and on the basis of such checks of the books of records of the Company 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 of the Company were physically verified at reasonable intervals; *no material discrepancies in respect of the assets verified during the year were noticed.*
 - c) During the year the Company has not disposed off substantial part of its fixed assets which could affect the going concern status of the Company.
 - 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 notified 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 Act. Accordingly 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. Accordingly 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 into the register maintained under Section 301 of the Act 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 Act.
- 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 Act, for the product of the Company.

Accordingly provisions of Para (viii) of the order 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 explanation 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 explanation given to us, there are no dues of Sales Tax, Income Tax, Custom 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 has incurred cash losses during the financial year covered by our audit but had not incurred any such losses in 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 Order 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 share, securities and other investments have been held by the company in its own name.
- xv) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks 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 explanation 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 investments.
 - 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 Act.
 - 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 the Books of Accounts carried out in accordance with generally accepted auditing practices in India, we have neither come across any instances 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. 10021 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. *Loans given to companies amounting to Rs. 9235 thousand (including interest), pending legal proceedings the extent of amount recoverable is presently not ascertainable. (Note No. 6)*
3. **We further report that, in respect of the Notes mentioned in Paragraph 2 above, the impact thereof cannot 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 books of accounts as required by law have been kept by the company so far as appears from our examination of those books. Proper returns adequate for the purpose of our audit have been received from the branch not visited by us.
 - d) The reports on the accounts of a Branch audited by other Auditors have been forwarded to us and have been appropriately dealt by us in preparing our reports;
 - e) Except as given in *Note No. 2 of Schedule 13 regarding non ascertainment and consequential adjustments regarding impairment of fixed assets and Note No. 20(I) of Schedule 13 regarding accounting of sales on the date of negotiation/collection and accordingly the foreign exchange fluctuation remaining included in sales*, 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 Act, to the extent applicable.
 - f) On the basis of written representations from the Directors as on 31st March, 2007 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, 2007 from being appointed as a director of the Company in terms of Clause (g) of Sub-Section (1) of Section 274 of the Act;

- g) 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 Act, 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 the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007; and
 - ii) in case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.
 - iii) in the 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 : 30th June, 2007

For LODHA & CO
Chartered Accountants

H. K. VERMA
Partner
Membership No. 55104

BALANCE SHEET AS AT 31ST MARCH, 2007

	SCHEDULE	31.03.2007	31.03.2006
		Rs. in thousands	Rs. in thousands
SOURCES OF FUNDS :			
Shareholders' Funds :			
Share Capital	1	37,500	37,500
Reserves & Surplus	2	43,750	1,34,745
		<u>81,250</u>	<u>1,72,245</u>
Loan Funds :			
Secured Loans	3	31,156	43,604
Deferred Tax Liability (Refer Note 7 of Schedule 13)		743	0
TOTAL		<u>1,13,149</u>	<u>2,15,849</u>
APPLICATION OF FUNDS :			
Fixed Assets :			
Gross Block	4	40,619	33,844
Less : Depreciation		19,436	18,232
Net Block		21,183	15,612
Investments :	5	2,512	6,377
Current Assets, Loans & Advances :			
<i>Inventories</i>		10,408	329
Sundry Debtors		15,874	28,220
Cash & Bank Balances		9,150	17,703
Loans & Advances		57,976	1,54,576
		93,408	2,00,828
Less : Current Liabilities & Provisions :			
Current Liabilities		5,492	6,695
Provisions		472	273
		5,964	6,968
Net Current Assets :		87,444	1,93,860
PROFIT & LOSS ACCOUNT		2,010	0
TOTAL		<u>1,13,149</u>	<u>2,15,849</u>
NOTES :	13		

As per our report of even date

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

Place : Kolkata
Dated : the 30th day of June, 2007.

For and on behalf of the Board
M. L. PATODIA, Managing Director
S. R. SARAF, Director
D. K. KHANDELWAL, Director
B. C. CHATTERJI, Company Secretary

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2007**

	SCHEDULE	2006-2007	2005-2006
		Rs. in thousands	Rs. in thousands
INCOME :			
Sales	8	1,49,417	2,91,435
Other Income	9	10,873	11,842
Proceeds from Keyman Insurance Policy		0	18,750
Increase/(Decrease) in Stock	10	9,896	0
		<u>1,70,186</u>	<u>3,22,027</u>
EXPENDITURE :			
Purchases		1,46,698	2,73,946
Interest (Net)	11	4,195	210
Depreciation		2,731	2,391
Manufacturing Administrative, Selling & Other Expenses	12	34,601	34,312
		<u>1,88,225</u>	<u>3,10,859</u>
Profit/(Loss) before Tax and Exceptional items		(18039)	(11,168)
Exceptional Items			
– Advance written off (Refer Note 5 of Schedule 13)		73,960	0
– Investment written off		0	8,899
Profit/(Loss) before Tax		<u>(91,999)</u>	2,269
Provision for Tax			
– Income Tax - Current Year		0	45
– Income Tax - Earlier Year		65	0
– Deferred Tax		743	0
– Fringe Benefit Tax		198	228
Profit/(Loss) after Tax		<u>(93,005)</u>	1,996
Profit and Loss Account balance brought forward		8,184	6,188
Transfer from General Reserve		82,811	0
Balance carried to Balance Sheet		<u>(2,010)</u>	<u>8,184</u>
BASIC & DILUTED EPS (Rs.)		(24.80)	0.53
NOTES :	13		

As per our report of even date

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

Place : Kolkata
Dated : the 30th day of June, 2007.

For and on behalf of the Board
M. L. PATODIA, Managing Director
S. R. SARAF, Director
D. K. KHANDELWAL, Director
B. C. CHATTERJI, Company Secretary

SCHEDULES TO THE ACCOUNTS

	2006-2007 Rs. in thousands	2005-2006 Rs. in thousands
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
50,00,000 Equity Shares of Rs. 10/- each	50,000	50,000
Issued, Subscribed & Paid Up :		
37,50,000 Equity Shares of Rs. 10/- each	37,500	37,500
	37,500	37,500
SCHEDULE 2 : RESERVES & SURPLUS		
Share Premium	43,750	43,750
General Reserve :		
As per last Balance Sheet	82,811	82,811
Less : Transferred to Profit & Loss Account	82,811	0
	0	82,811
Profit & Loss Account :		
Balance Carried Forward	0	8,184
	43,750	1,34,745
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)	23,979	40,633
Term Loan from Bank (Secured by Hypothecation of Machinery & Other Accessories. Guaranteed by Personal Guarantee of Managing Director of the Company)	5,978	0
Vehicle Loans from Banks (Secured by way of hypothecation of vehicles)	1,199	2,971
	31,156	43,604

SCHEDULES TO THE ACCOUNTS

SCHEDULE 4 : FIXED ASSETS

(Rs. in thousands)

PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION BLOCK				NET BLOCK	
	As on 01.04.06	Addition during the year	Sales/ad- justment during the year	Total as on 31.03.07	Up to 31.03.06	For the year amount	Deduction for sales adjustment	Total as on 31.03.07	As on 31.03.07	As on 31.03.06
FREEHOLD LAND	620	0	0	620	0	0	0	0	620	620
BUILDING*	19,963	0	59	19,904*	8,889	939	58	9,770	10,134	11,074
PLANT & MACHINERY	0	3,809	0	3,809	0	313	0	313	3,496	-
OFFICE APPLIANCE & OTHER EQUIPMENTS	2,330	131	0	2,461	2,097	73	0	2,170	291	233
ELECTRICAL INSTALLATION	0	2,442	0	2,442	0	143	0	143	2,299	-
COMPUTER	1,717	88	38	1,767	1,669	68	32	1,705	62	48
FURNITURE & FITTINGS	1,964	2,121	0	4,085	1,792	396	0	2,188	1,897	172
VEHICLES	5,763	2,178	3,928	4,013**	2,476	770	1,437	1,809	2,204	3,287
AIR-CONDITIONER, REFRIGERATOR, COOLER, GENERATOR	1,487	31	0	1,518	1,309	29	0	1,338	181	178
TOTAL :	33,844	10,800	4,025	40,619	18,232	2,731	1,527	19,436	21,183	15,612
PREVIOUS YEAR :	29,222	7,190	2,567	33,844	16,558	2,391	717	18,232	15,612	-

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

** Includes Rs. 812 thousands for which the registration is not in the name of the Company.

SCHEDULES TO THE ACCOUNTS

	2006-2007	2005-2006
	Rs. in thousands	Rs. in thousands
SCHEDULE 5 : INVESTMENTS		
TRADE INVESTMENTS		
UNQUOTED : (Long term; equity shares of Rs. 10/- each fully paid up)		
1500	Mona Textiles Ltd.	15
(100000)	Manga Capsules Limited	0
		3,000
QUOTED : (Current; Fully Paid Equity Shares of Rs. 10/- each)		
11170	J. J. Exporter Ltd.	1,306
(2650)	Prime Textiles Ltd.	0
(1000)	Reliance Industries Ltd.	0
(2000)	Ugar Sugar Ltd.	0
(3000)	Reliance Communication Venture Ltd.	0
(11000)	Reliance Natural Resources Ltd.	0
*75	Reliance Energy Ltd.	66
** 50	Reliance Capital Limited	12
475	Reliance Communication Ltd.	177
5000	GTC Ltd.	1,705
3200	MTNL Ltd.	503
677	VOLTAS Ltd.	76
17738	GTN Textiles Ltd.	399
	4,259	6,658
Less : Provision for Diminution in Investments	1,746	280
	2,512	6,377
AGGREGATE VALUE OF INVESTMENTS :		
Book Value : Quoted	4,244	3,642
Unquoted	15	3015
	4,259	6,657
Figures in bracket indicate previous year figures.		
Market Value : Quoted	2,542	3,725

* Seventy five fully paid up equity share of Rs. 10.00 each of Reliance Energy Limited has been received in lieu of 1000 Reliance Energy Ventures Limited.

** Fifty fully paid up equity share of Rs. 10.00 each of Reliance Capital Limited has been received in lieu of 1000 Reliance Capital Ventures Limited.

PURCHASE AND SALE OF CURRENT INVESTMENTS DURING THE YEAR :

Name of the Company	No. of Shares	Cost (In thousand)
Mahindra Ugine Limited	5000	755
GTC Industry Limited	5000	1,568
Gujrat Heavy Chemicals Limited	5000	923
Amar Remedies Limited	2000	184
India Cement Limited	1000	248
Gitanjali Gems Limited	2000	442
Jaiprakash Industries Limited	1000	481
Reliance Communication Venture Ltd.	25	13

SCHEDULES TO THE ACCOUNTS

2006-2007	2005-2006
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	9,896	0
Stock of Stores	183	0
Discarded Fixed Assets (Refer Note No. 13 of Schedule - 13)	329	329
	10,408	329

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

Debts due for a period exceeding six months	10,021	10,085
Other Debts	5,853	18,135
	15,874	28,220

Cash and Bank Balances :

Cash Balance	702	586
Balance with Scheduled Banks :		
In Current Account	4,428	12,378
In Fixed Deposit	4,005	4,481.00
In Dividend Account	0	55
In E.E.F.C. Account	15	203
	9,150	17,703

LOANS & ADVANCES :

Loans/Inter Corporate Deposits (Refer Note No. 6 of Schedule - 13)

Advance recoverable in Cash or in kind or for value to be received :

Unsecured :

Advance to Staff	582	592
Advance to Others	8,923	1,26,191
Sundry Deposits	4,374	485
Advance Fringe Benefit Tax	420	224
Tax Deducted at Source	1,721	1,771
Interest Receivable	40	45
	57,976	1,54,576
	93,408	2,00,828

SCHEDULES TO THE ACCOUNTS

	2006-2007	2005-2006
	Rs. in thousands	Rs. in thousands

SCHEDULE 7 : CURRENT LIABILITIES & PROVISIONS

CURRENT LIABILITIES :

Sundry Creditors :

For Goods Supplied	538	184
For Expenses	2,995	3,168
For Others	1,959	3,288

	5,492	6,640
Dividend Payable (Un-encashed Warrants)	0	55
	5,492	6,695

PROVISIONS :

For Taxation	45	45
For Fringe Benefit Tax	427	228
	5,964	6,968

SCHEDULE 8 : SALES

Export (On C.I.F. Value)	1,46,917	2,91,435
Domestic	2,500	0
	1,49,417	2,91,435

SCHEDULE 9 : OTHER INCOME

Export Incentives	6,793	10,636
Miscellaneous receipts	0	305
Profit on sale of Fixed Assets	357	0
Profit on sale of Investments	538	0
Dividend on Current Investments	37	110
Job Charges	3,046	0
Claim/Discount received	102	791
	10,873	11,842

SCHEDULE 10 : INCREASE / (DECREASE) IN STOCK

Stock at Closing		
Trading Goods	9,896	0
	9,896	0
Stock at Opening		
Trading Goods	0	0
	0	0
	9,896	0

SCHEDULES TO THE ACCOUNTS

	2006-2007 Rs. in thousands	2005-2006 Rs. in thousands
SCHEDULE 11 : INTEREST (Net)		
To Banks and others	6,050	2,697
	<u>6,050</u>	<u>2,697</u>
Less received on Loans/Inter		
Corporate Deposits & from Banks	1,855	2,487
(Gross : TDS Rs.279 thousand		
Previous Year Rs. 449 thousand)	<u>4,195</u>	<u>210</u>
SCHEDULE 12 : MANUFACTURING, ADMINISTRATIVE, SELLING & OTHER EXPENSES		
Salaries, Wages, Bonus & Gratuity	4,946	2,318
Contribution to Provident & Other Funds	399	221
Staff Welfare Expenses	335	163
Store Consumption	342	0
Insurance	600	708
Rent	2,216	74
Rates & Taxes (Including Licence Fee)	393	311
Repairs :		
Building	55	43
Others	1,039	161
	1,094	204
Shipping Expenses	9,630	15,354
Commission (Net)	2,335	5,552
Brokerage	210	0
Discount / Claims / Samples	1,520	3
Payment to Auditors :		
Audit Fee	46	46
Certificate etc.	17	12
	63	58
Branch Auditors' Remunerations	20	0
Bank Charges	797	1,609
Charity & Donation	329	19
Sundry Balance Written off (Net)	26	1,079
Loss in Derivative Transactions (Net)	1,910	1,314
Loss on Sale of Investments (Net)	0	400
Diminution in Investment (Net)	1,626	105
Difference In Foreign Exchange (Net)	1,320	65
Loss on Sale of Fixed Assets (Net)	0	275
Miscellaneous Expenses	4,490	4,480
	<u>34,601</u>	<u>34,312</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.30,460.00 (Previous Year Rs. 67,325.00).
2. Impairment in the carrying value of the fixed assets as at the balance sheet date has not been ascertained, pending detailed review and technical evaluation in this respect. The company intends to get the said review carried by independent valuer/consultant and adjustment if any will then be made in the accounts.
3. Sundry Debtors over six months include Rs. 10021 (Net of ECGC Claim Rs. 4792) (Previous Year Rs. 10021) outstanding from certain overseas buyers for a considerable period. 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. In the previous year, a sum of Rs. 108960 given to M/s. Coimbatore Pioneer Mills Limited (CPML) against supply of yarn. The said party had not supplied the materials and in certain cases where the supplies were made materials were not found to be of required specification. Accordingly, 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 had dismissed the suit, since CPML has been referred to the Board for Industrial and Financial Reconstruction (BIFR) in June, 1998. The company had filed an appeal against the said order before Hon'ble High Court at Kolkata on 22.08.01. The said court vide its order dated 13.09.2001 allowed the appeal and suit has been restored. However, during the year the company has entered into an out of court settlement with CPML and in terms of the settlement, CPML has agreed to pay Rs. 35,000 and the balance of Rs. 73,960 being no longer receivable has been written off and shown under exceptional items in these accounts.
6. Loans/Intercompany deposits include Rs. 9235.00 (including interest of Rs. 365.00) given to companies, which is overdue. In one of the case 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. 3,150.00 (including Rs. 450.00 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.
7. 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 which has not been recognized in the absence of virtual certainty of reversal of such assets. The component of deferred tax

assets and liabilities are as follows :-

Particulars	Opening as on 01.04.2006 Rs.	Charge/Credit during the year Rs.	Closing as on 31.03.2007 Rs.
Deferred Tax Liabilities			
On account of Depreciation	634	109	743
Deferred Tax Assets			
On account of unabsorbed Depreciation and carry forward Losses	634	634	-
Net deferred Tax Liabilities/(Assets)	—	743	743

8. Expenses pertaining to earlier year Rs. 76.00 (Previous year Rs. NIL) remain adjusted under respective heads of account.
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. 956.00 being Loss (Previous Year Rs. 164.00) on account of cancellation of forward exchange Contract.

11. Detail of profit/loss on Sale of current Investments are as follows :

Particulars	<u>2006-07</u>	<u>2005-06</u>
i) Profit on Sale of current Investments	731	2842
ii) Loss on Sale of Long Term Investment	(352)	(2,036)
Net Profit on Investment	379	806
Profit / (Loss) on Sale of Long Term Investment	-	(1,416)
	379	(610)
Add : Provision for diminution in Investment written back	159	210
	<u>538</u>	<u>(400)</u>

12. a) Directors' remuneration is

	<u>2006-2007</u>	<u>2005-2006</u>
	<u>Rs.</u>	<u>Rs.</u>
Salary	420	420
Contribution to Employees Provident Fund & Other Fund	50	50
Other Perquisites	198	78
	<u>668</u>	<u>548</u>

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

- b) Remuneration payable to Managing Director Sri Madanlal Patodia has not been provided in these accounts in view of the waiver to receive the same by him.
13. Certain Fixed 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 of Rs. 329. 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. 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 M.L.Patodia-Chairman and Managing Director
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.
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 price.**

Nature of transactions	Key Management Personnel		Enterprises of Key Management Personnel		Directors interested Firm	
	2006 - 07	2005-06	2006-07	2005-06	2006-07	2005-06
1) Electricity charges paid	-	-	55	60	-	-
2) Rent paid	-	-	7	7	-	-
3) Professional fees paid	-	-	-	-	85	3
4) Remuneration paid	668	548	-	-	-	-

- ii) Outstanding Balance as on 31st March, 2007**

Nature of transactions	Key Management Personnel		Enterprises of Key Management Personnel		Directors interested Firm	
	2006 - 07	2005-06	2006-07	2005-06	2006-07	2005-06
1) Electricity charges	-	-	3	4	-	-

Note : In respect of above parties, there is no provision for doubtful debts as on 31st March 2007 and no amount has been written off or written back during the year in respect of debts due from / to them. The above related party information is as identified by the management.

15. 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 31.03.2007 (Rs.)	Year Ended 31.03.2006 (Rs.)
(a) Profit/(Loss) after taxes	(93005)	1996
(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)	(24.80)	0.53

16. **Segment Reporting**

The Company's business segment comprises of Yarn Trading and Home Textile Unit. These have been identified by the type of their respective sales and services rendered.

Primary Segment (Business Segment)

Yarn Trading

Home Textile Unit

Particulars	Yarn Trading	Home Textile	Total
Revenue :			
External sales	149,417	–	149,417
Other Income	7,252	3,046	10,298
Segment Result before Unallocable Expenses, Interest and Taxes	(77,929)	(4,972)	(82,901)
Unallocable Expenses (Net of unallocable income)			4,903
Interest cost (net)			4,195
Profit / (Loss) Before Tax			(91,999)
Provision for Tax			1,006
Profit / (Loss) After Tax			(93,005)
Segments Assets	57,601	12,893	70,494
Unallocable Corporate Assets			46,609
TOTAL			117,103.00
Segments Liabilities	5,411	1,280	6,691
Unallocable Corporate Liabilities			31,172
TOTAL			37,863
Capital Expenditure	2,294	8,506	10,800
Depreciation	1,869	862	2,731

Segment Information :

1. Segments have been identified in line with the Accounting Standards As-17 taking into account the organization structure as well as the differencing risk and return.
2. The company has disclosed Business Segment as the primary segment. These have been identified on the basis of the products/revenue of the company. Accordingly, during the year the company has identified "Trading of Yarn" and "Home Textile" as the operating segments. Revenue and expenses have been identified to segment on the basis of their relationship to the operating activities of the segment. Revenue and expenses which relates to enterprise as a whole and not allocable to segment on a reasonable basis have been included under the head other common expenses.
3. The geographical segments of the company mainly comprise of exports to various countries.

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

A. Quantitative Information		Quantity (in Packages)		Amount Rs.	
		2006-2007	2005-2006	2006-2007	2005-2006
	Unit				
a) Opening Stock :					
Yarn	Packages	—	—	—	—
Fabrics	Packages	—	—	—	—
b) Purchases :					
Yarn	Packages	26340	58514	144898	273946
Fabrics	Packages	34	—	1800	—
c) Sales :					
Yarn	Packages	25004	58514	149417	291435
d) Closing Stock :					
Yarn	Packages	1336	—	8096	—
Fabrics	Packages	34	—	1800	—

Sales exclude job charges.

B. Expenditure in Foreign Currency

(Rupees)

Particulars	2006-2007	2005-2006
Travelling	73	720
Commission	2,358	5,204
Claims paid to Overseas Buyers	1,114	—

C. Earning in Foreign Currency

F.O.B.Value of Export	145,999	283,986
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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.

All expenses and income are accounted on accrual basis except where there is uncertainty about the receipt thereof in view of the claims/dispute.

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 on the date of financial statements 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) Sales and other Income :

- i) Sales are net of returns, rebates, discounts and rate difference in respect of sales of previous year.
- ii) Income from Export Incentives is recognised on the basis of certainties as to its utilisation and related realisation.
- iii) Job Charges are accounted for on the basis of work performed.

D) Inventories :

Inventory is valued at lower of cost and net realization value. Traded goods are valued using FIFO method. Packing materials are valued at using FIFO method.

E) Retirement Benefits :

- i) Liabilities in respect of retirement benefits which include Provident Fund, Gratuity, Leave Encashment are provided for on accrual basis.
- ii) Gratuity Liability is determined on the basis of actuarial valuation and is funded with Employees' Gratuity Fund Trust.
- ii) The liability in respect of leave encashment is completely paid off as at the year end.

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 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	15
d)	Air Conditioning Machine	13.91	15
e)	Refrigerator	13.91	15
f)	Motor Car	25.89	15
g)	Computer	40	60
h)	Plant & Machinery	13.91	15
i)	Electrical Installation	13.91	15

- 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 :**

Provision for Tax is made for current, deferred and fringe benefits taxes. Current Tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing difference, which are capable of reversal in subsequent periods are recognised using tax rates and tax laws, which have been enacted or substantively enacted. Deferred tax assets are recognised only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets will be realized. In case of carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is "virtual certainty" that such deferred tax assets can be realized against future taxable profits.

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.

As per our report of even date

For LODHA & CO.

Chartered Accountants

H. K. VERMA

Partner

Place : Kolkata

Dated : the 30th day of June, 2007.

For and on behalf of the Board

M. L. PATODIA, Managing Director

S. R. SARAF, Director

D. K. KHANDELWAL, Director

B. C. CHATTERJI, Company Secretary

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	31.03.2007

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

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

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

Total Liabilities	117103
Total Assets	117103

Sources of Funds :

Paid up Capital	37500
Reserves & Surplus	41740
Secured Loans	31156
Unsecured Loans	NIL

Application of Funds :

Net Fixed Assets	21183
Investment	2512
Net Current Assets	87444
Miscellaneous Expenditure	NIL
Accumulated Losses	NIL

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

Turnover (Including other Income)	170186
Total Expenditure	262185
Profit/(Loss) before Tax	(91999)
Profit/(Loss) after Tax	(93005)
Earning per Share (Rs.)	(24.80)
Dividend Rate	NIL

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

Item Code No.	52.05
Product Description	Cotton Yam

For and on behalf of the Board
M. L. PATODIA, Managing Director
S. R. SARAF, Director
D. K. KHANDELWAL, Director
B. C. CHATTERJI, Company Secretary

Dated : the 30th day of June, 2007.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007

CASH FLOW STATEMENT	Year ended 31st March, 2007 (Rs. in ,000)	Year ended 31st March, 2006 (Rs. in ,000)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before Tax	(91,999.00)	2,269.00
Adjustments for :		
Depreciation	2,731.00	2,391.00
Interest paid	6,050.00	2,697.00
Loss on Diminution in Investment	1,626.00	105.00
(Profit)/Loss on Sale of Investments(Net)	(538.00)	400.00
(Profit)/Loss on Sale of Assets (Net)	(357.00)	275.00
Interest Received	(1,855.00)	(2,487.00)
Dividend Received	(37.00)	(110.00)
Exchange Fluctuation (Loss)/Gain (to the extent not paid/realised)	-	(14.00)
Sundry Balance Written Off/(Back) (Net)	26.00	1,079.00
Operating Profit before working Capital Changes	<u>7,646.00</u>	4,336.00
Adjustment for :	<u>(84,353.00)</u>	6,605.00
Inventories	(10,079.00)	-
Trade and Other Receivables	12,346.00	6,988.00
Advances	38,573.00	(10,350.00)
Trade payables	(300.00)	2,661.00
	<u>40,540.00</u>	(701.00)
	<u>(43,813.00)</u>	5,904.00
Cash Generated From Operations		
Direct Taxes paid	<u>(211.00)</u>	<u>(211.00)</u>
Direct Taxes paid	<u>(211.00)</u>	<u>(397.00)</u>
Net Cash from Operating Activities		
before exceptional item (A)	<u>(44,024.00)</u>	<u>5,507.00</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(10,800.00)	(7,190.00)
Sale of Fixed Assets	2,855.00	1,575.00
Sale of Investment	10,301.00	81,390.00
Purchase of Investment	(7,523.00)	(84,500.00)
Loans & Inter-corporate Deposits	(16,172.00)	(6,878.00)
Interest Received	1,384.00	3,620.00
Dividend Received	37.00	110.00
	<u>(19,918.00)</u>	(11,873.00)
Exceptional items :		
Investment written of	-	8,899.00
Advance written of	73,960.00	-
	<u>73,960.00</u>	8,899.00
Net Cash used in Investing Activities (B)	<u>54,042.00</u>	<u>(2,974.00)</u>

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CASH FLOW STATEMENT (Contd.)

	Year ended 31st March, 2007 (Rs. in .000)	Year ended 31st March, 2006 (Rs. in .000)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Net Increase/Decrease in Secured Borrowing	(10,676.00)	9,110.00
Net Increase/Decrease in Unsecured Borrowing	(1,772.00)	2,512.00
Dividend Paid	(55.00)	(80.00)
Interest Paid	(6,068.00)	(18,571.00)
Net Cash from Financing Activities (C)	(18,571.00)	(2,912.00)
		<u>8,630.00</u>
Net Increase in Cash & Cash equivalents (A+B+C)	(8,553.00)	11,163.00
Cash & Cash equivalents as at opening	17,703.00	6,540.00
Cash & Cash equivalents as at closing	9,150.00	17,703.00

As per our report of even date

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

Place : Kolkata
Dated : the 30th day of June, 2007.

For and on behalf of the Board
M. L. PATODIA, Managing Director
S. R. SARAF, Director
D. K. KHANDELWAL, Director
B. C. CHATTERJI, Company Secretary

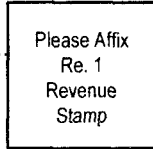
PROXY FORM

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 61st Annual General Meeting of the
Company to be held at Patodia House, 23, Circus Avenue, Kolkata - 700 017 on Friday,
the 14th day of September, 2007, at 10.00 a.m. and/or at any adjournment thereof.
signed this day of 2007

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 61st Annual General Meeting of the Company held at Patodia House, 23, Circus Avenue, Kolkata - 700 017 on Friday, the 14th day of September, 2007 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.