

DIRECTORS' REPORT

Your directors have the pleasure in presenting their next Annual Report together with the audited accounts of the Company for the year ended 31st March 2002.

FINANCIAL RESULTS: -

	(Rs. In Lacs) 2001-2002	(Rs. In Lacs) 2000-2001
Other income	4.52	12.77
Profit before tax	(120.47)	(172.90)
Profit after tax	(120.47)	(172.90)

REVIEW OF OPERATIONS: -

Moreover, due to the charging of lesser depreciation the net loss of the company has come down from Rs. 172.90 lacs to Rs. 120.47 lacs, which is again expected to come down further in the next year.

The Company has incurred huge losses for the past years. The company is a sick company as it comes within the meaning of clause (D) of sub section (1) of section 3 of Sick Industrial Companies (Special Provisions) Act, 1985. A suit has been filed with DRT by the bankers of the company and the Board of Directors of the Company submits a compromise package.

AUDITORS: -

M/s L.N. Malik & Co., Chartered Accountants, New Delhi auditors of the company retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES:-

The particulars of employees under section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 as amended is NIL.

DIRECTORS' RESPONSIBILITY STATEMENT:-

In terms of Section 217(2AA) of the Companies Act, 1956, your directors have:

- Followed in the preparation of Annual accounts, the applicable accounting standards with proper explanation relating to material departures;
- selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your company at the end of the financial year and of the profit of your company for that period;
- 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 your company and for preventing and detecting fraud and other irregularities; and
- Prepared the Annual Accounts on a going concern basis.

PROVISIONS OF SECTION 217(1) (c): -

Since the company has not been in operation during the past year so the provisions of sec 217(1) (c) are not attracted by the company

SECRETARIAL COMPLIANCE CERTIFICATE:-

The Company has obtained Compliance Certificate from M/s Arora & Gujral, Company Secretaries, Jalandhar pursuant to Section 383A(1) of the Companies Act, 1956, to the effect that all the provisions of the Act have been complied with. The same is attached herewith & is self-explanatory.

DIVIDEND: -

No dividend is proposed for the year ended on 31st March 2002.

ACCOUNTS & AUDIT REPORT:-

The ~~Annual Report on the Accounts~~ is self-explanatory and requires no comment.

Place: - Amritsar

By order of the Board of Directors
of K.J. International Ltd.

Dated: 09.09.2002

Chairman

Jt. Managing Director

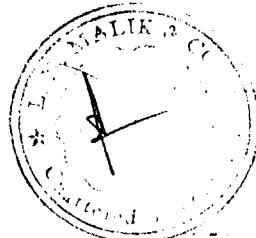
L. N. MALIK & CO.

CHARTERED ACCOUNTANTS

5625, QUTAB ROAD,
NEW DELHI - 110 055.
PHONE : 3527232, 3528375**AUDITORS' REPORT**

To
The Shareholders
M/s K.J. International Ltd.
Amritsar

1. We have audited the attached Balance-sheet of M/s K.J. International Ltd., Sangraha Sahib, Tarn Taran Road, Amritsar as on 31st March, 2002 and also the Profit & Loss A/c for the year ended on that 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.
2. 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 accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the company Law Board, in terms of Sec.227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in Paragraphs 4 & 5 of the said order.
4. Further to our comments in the annexure referred to in Paragraph 3 above, we report that subject to:-
 - a) The accounts have been prepared on the basis that the company is going concern even though the factory had been lying closed. The Company's ability to continue is dependent on substantial financial support and future profitability.
 - b) Non-provision of interest on secured loans.
 - c) Secured loans from banks have become unsecured due to inadequate security.
 - d) Extent of recoverability of certain debts has not been ascertained and no provision has been made for possible losses.
 - e) Details of investment has not been available to us, as such, we are unable to form any opinion on determination of market value of investment and there effects on accounts.
 - f) Note No.6 regarding non-provision of gratuity as the same is accounted on cash basis.
 - g) Note No.7 non-disclosure of information regarding small scale undertaking as required by Schedule VI of the Companies Act, 1956.
5. Further to the 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 subject to our observation in Para 4 (d), (e) & (g)
 - b) Subject to our observations set out in para 4 (d), (e) & (g) 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 these books.



L. N. MALIK & CO.

CHARTERED ACCOUNTANTS

5625, QUTAB ROAD,
NEW DELHI - 110 055.
PHONE : 3527232, 3528375

: 2 :

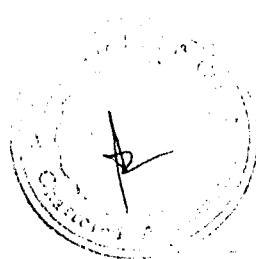
- c) The Balance-sheet & Profit & Loss A/c are in agreement with the books of account.
- d) In our opinion, the Balance-sheet and Profit & Loss A/c comply with Mandatory Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956 to the extent applicable except Accounting Standards 13 - Accounting for Investment (refer to our observation Para 4(e) above) and Accounting Standards 15 - Accounting for retirement benefits.
- e) On the basis of written representation received from the directors, we report that none of the directors of the Company is disqualified as on 31st March, 2002 from being appointed as a director in terms of Clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
- f) Subject to the comments made by us in Para 4 above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and notes thereon gives the information required by the Companies Act, 1956, in the manner so required gives a true and fair view in conformity with the accounting principles generally accepted in India.
- i) In the case of Balance-sheet of the state of affairs of the Company at 31.3.2002.
and
- ii) In the case of Profit & Loss A/c of the LOSS for the year ended on that date.

for L.N. MALIK & CO.
CHARTERED ACCOUNTANTSPLACE: NEW DELHI
DATE: 12.8.2002
(L.N. MALIK)
PARTNER

ANNEXURE REFERRED TO IN PARAGRAPH 3
(AUDITOR'S REPORT)

=====

- 1) Fixed Assets Register has not been maintained. No physical verification of the Fixed Assets was carried by management. We recommend that all Fixed Assets should be immediately physically verified by the management and reconciled with the books records.
- 2) None of the Fixed Assets have been revalued during the year.
- 3) According to information and explanations given to us, physical verifications have been conducted by the management during the year under report in respect of finished goods.
- 4) As explained to us, the procedure for physical verification of stocks followed by the management are adequate and reasonable in relation to the size of the Company and nature of its business.
- 5) As explained to us the valuation of stock is fair and proper in accordance with the normally accepted accounting principles. The valuation has been done by the management on the basis of net realisable value being less than the cost price. But we are unable to comment over the quality of stocks and as explained by the management the stocks are damaged being very old and not fit for human consumption.
- 6) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained u/s 301 of the Companies Act, 1956 (1 of 1956) and or from Companies under the same management as defined under section 370(1B) of the Companies Act, 1956.
- 7) As per the information and explanations given to us, the company has granted interest free loans Rs. 88.78 Lakhs to a partnership firm in which directors are partners. except that no loan secured or unsecured has been granted to companies, firms or other parties listed in the Register maintained u/s 301 of the Companies Act 1956.
- 8) No loans or advances in the nature of loan have been granted by the company. However, the company has granted interest free advances to its staff, which are being repaid as stipulated.
- 9) According to information and explanations given to us there is adequate internal control procedure commensurate with the size of the Company and nature of its business in respect of purchase of stores, raw-materials including components, plant and machinery, equipment and other assets, and for the sale of goods.



- 10) The transactions of purchase & sale of goods, materials and services made in pursuance of contracts or arrangements entered in register(s) maintained under section 301 of the Companies Act 1956 as aggregating during the year to Rs.50,000/- or more in respect of each party; have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transaction for similar goods or services have been made with other parties.
- 11) The major portion of finished goods are unservicable and not fit for human consumption as explained to us by the management of the Company. As explained to us that in case of stores & Raw Material, there is no unservicable stocks .
- 12) The Company has not accepted any deposits from the public, and as such the directions issued by the Reserve Bank of India in accordance with section 58A of the Companies Act, 1956 and the rules framed there under are not applicable to the Company.
- 13) The Company has no internal audit system commensurate with the size of the Company and the nature of its business.
- 14) Cost records u/s 209(1)(d) of the Companies Act, 1956 are not required to be maintained by the Company.
- 15) As explained to us provisions relating to Provident Fund and E.S.I. not applicable during the year.
- 16) No undisputed amounts payable in respect of Income-Tax, Wealth Tax, Custom Duty & Excise Duty and Sales Tax except T.D.S. Rs.1.59 Lakhs and in case of Sales Tax Rs.10-12 Lakhs payable for Bundi unit, which are outstanding as at the last day of financial year concerned, for a period of more than six months from the date they became payable.
- 17) No Personal expenses have been charged to revenue accounts.
- 18) The Company is a Sick Company of it comes within the meaning of clause (O) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985. A reference was made to the Board for Industrial and the Financial Reconstruction under section 15 of the said Act and the case was rejected by Board for Industrial and Financial Reconstruction.
- 19) According to information and explanations given to us finished goods were damaged because of its biodegradable and perishable nature the finished goods were old as this led to the deterioration of Rice stocks.

Date : 12.08.2002

Place : New Delhi

for L.N.MALIK & COMPANY
(Chartered Accountants)
L.N.MALIK
(PARTNER)

L. N. MALIK & CO.
CHARTERED ACCOUNTANTSK.J. INTERNATIONAL LIMITED
SANGRANA SAHIB, TARN TARAN ROAD, AMRITSAR

BALANCE - SHEET AS ON 31.03.2002

Particulars	Schedule	31.03.2002	31.03.2001
-------------	----------	------------	------------

I. Sources of Funds; (Rs. In Lacs)

1. Shareholders Funds

a) Share Capital	(1)	1,058.24	1,058.24
b) Reserves & Surplus	(2)	920.36	920.36

		1,978.60	1,978.60
--	--	----------	----------

2. Loan Funds

a) Secured Loans	(3)	5,010.23	5,010.23
------------------	-----	----------	----------

		6,988.83	6,988.83
--	--	----------	----------

II. Application of Funds;

1. Fixed Assets (4)

a) Gross Block at Cost		2,155.08	2,155.08
b) Less: Depreciation		1,361.61	1,244.67

		793.47	910.41
--	--	--------	--------

Net Block
Capital WIP

		0.00	0.00
--	--	------	------

		793.47	910.41
--	--	--------	--------

2. Investments	(5)	6.50	6.50
----------------	-----	------	------

3. Current Assets, Loans & Advances;

a) Inventories	(6)	38.41	38.41
b) Sundry Debtors	(7)	188.56	188.66
c) Loans & Advances	(8)	88.78	88.78
d) Cash & Bank Balance	(9)	1.92	2.18
e) Others	(10)	34.40	34.54

		352.07	352.57
--	--	--------	--------

Less: Current Liabilities &
Provisions

(11)	235.26	232.23
------	--------	--------

	116.81	120.34
--	--------	--------

4. Miscellaneous Expenditure

(to the extent not written off or adjust) 0.00 0.00

Profit & Loss Account 6072.05 5,951.58

	6988.83	6,988.83
--	---------	----------

Accounting Policies & Notes to Accounts (18)

As per our attached report of even date
For L.N.MALIK & COMPANY,
(Chartered Accountants)

For and on behalf of the Board

L.N.Malik
(Partner)

Date:- 12.08.2002

Place:- New Delhi

RAJ KUMAR ARORA
(Jt.Mg.Director)ARUN KUMAR ARORA
(Jt.Mg.Director)

L. N. MALIK & CO.

CHARTERED ACCOUNTANTS

5625, QUTAB ROAD,
NEW DELHI - 110055.
PHONE : 3527232
3528375**K.J.INTERNATIONAL LIMITED**
SANGRANA SAHIB, TARN TARAN ROAD, AMRITSAR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2002

***** (Rs. in lacs)

Incomes:

Sales	(12)	0.00	9.12
Other Incomes	(13)	4.52	3.65
		=====	=====
		4.52	12.77

Expenditure

Manf/ Trading & Other Expenses	(14)	8.05	32.20
Financial Expenses	(15)	0.00	0.00
Depreciation		116.94	134.94
Misc Expenditure Written Off		0.00	18.53
		=====	=====
		124.99	185.67

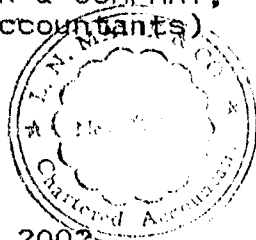
Net Profit to P&L Appropriation A/C		120.47	(172.90)
-------------------------------------	--	--------	----------

Previous year adjustment	(16)	0.00	0.00
Add : Loss brought forward from the previous year.		(5,951.58)	(5,778.68)

Loss carried forward to Balance Sheet		(6,072.05)	(5,951.58)
---------------------------------------	--	------------	------------

As per our attached report of even date For and on behalf of the Board
For L.N.MALIK & COMPANY,
(Chartered Accountants)

Malik
L.N.Malik
(Partner)



Raj Kumar Arora
RAJ KUMAR ARORA
(Jt.Mg.Director)

Date:- 12.08.2002
Place:- New Delhi

Arun Kumar Arora
ARUN KUMAR ARORA
(Jt.Mg.Director)