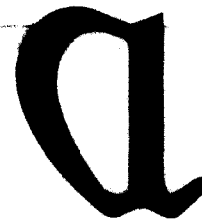


Library of Congress

Report  Junction.com



**APPLE FINANCE LIMITED**  
**18<sup>TH</sup> ANNUAL REPORT 2003 - 2004**

## APPLE FINANCE LIMITED

### CONTENTS

	Pg. No.
APPLE FINANCE LIMITED	1
APPLE ASSET MANAGEMENT LIMITED	23
CONSOLIDATED FINANCIAL STATEMENTS	29

### REGISTERED OFFICE

11/13 Botawala Building,  
Floor 1, Horniman Circle,  
Fort,  
Mumbai 400 023

### BOARD OF DIRECTORS

Mr. Mahesh K. Rachh (Managing Director)  
Mr. Gajendra Raj Abani (Executive Director)  
Mr. Mahesh Raghavan Menon (Director)

### AUDITORS

Messrs Mahendra Kumbhat & Associates  
Chartered Accountants

### REGISTRAR & TRANSFER AGENTS

Messrs Sharepro Services  
Satam Estate, 3rd Floor,  
Above Bank of Baroda  
Cardinal Gracious Road, Chakala,  
Andheri (East), Mumbai 400 099.  
Phone: 28215168 / 28215169  
Fax: 28375646

### 18<sup>th</sup> Annual General Meeting

On Thursday, September 23, 2004  
at 3.00 p.m.  
at M. C. Ghia Hall,  
Bhogilal Hargovindas Bldg., Floor 2,  
18/20 Kaikhushru Dubash Marg,  
Mumbai 400 001

## NOTICE

NOTICE is hereby given that the eighteenth Annual General Meeting of the members of Apple Finance Limited will be held on Thursday, September 23, 2004 at 3.00 p.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, Floor 2, 18/20 Kalkhushru Dubash Marg, Mumbai 400 001 to transact the following business:

### ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at March 31, 2004, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Gajendra Raj Abani, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Messrs Mahendra Kumbhat & Associates, Chartered Accountants, the retiring Auditors, as the Auditors of the Company, and to authorize the Board of Directors to fix their remuneration.

### SPECIAL BUSINESS

4. To appoint Mr. Mahesh Raghavan Menon as a Director of the Company.

By Order of the Board of Directors

**Parag B. Deshpande**  
Company Secretary

### Registered Office:

11/13 Botawala Building, Floor 1  
Horniman Circle, Fort  
Mumbai 400 023

Date: June 30, 2004

### NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself. A proxy need not be a member. The proxy form, duly completed and stamped, must reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Item No.4 as set out above, is annexed hereto.
3. Members are requested to notify the change, if any, in their address, to the Registrar and Transfer Agents of the Company.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, September 17, 2004 to Thursday, September 23, 2004 (both days inclusive).
5. Members / Proxies should bring the attendance slip sent herewith duly filled out for attending the meeting.
6. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
7. The Company has already transferred all unclaimed dividend declared upto the financial year ended June 30, 1994 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978. Those shareholders who have so far not claimed or collected their dividend upto the aforesaid financial years, may claim their dividend

from the Office of the Registrar of Companies, Maharashtra, CGO Complex, Floor 2, Next to Reserve Bank of India, CBD-Belapur, Navi Mumbai 400 614.

8. Pursuant to the provision of Section 205 A of the Companies Act, 1956, as amended, dividend for the financial year ended December 31, 1997 and thereafter, which remain unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended December 31, 1997 or the subsequent financial year are requested to make their claim to the office of the Registrar and Transfer Agents, Messrs Sharepro Services, Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracias Road, Chakala, Andheri (East), Mumbai 400 099. It may also be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof.
9. Pursuant to the provision of Section 205 A of the Companies Act, 1956, as amended, dividend for the financial year ended June 30, 1995 and December 31, 1996 has been transferred to the Investor Education and Protection Fund of the Central Government.
10. Members who hold shares in the physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest, to avail of the nomination facility by filling Form 2B. Company's Registrar and Transfer Agents on request will supply blank forms. Members holding shares in the dematerialized form may contact the Depository Participant for recording nomination in respect of their shares.
11. Shareholders are requested to bring their copy of Annual Report to the Meeting.

### ANNEXURE TO THE NOTICE

#### Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956

##### Item No.4

The Board of Directors in its meeting held on March 19, 2004 appointed Mr. Mahesh Raghavan Menon as an Additional Director of the Company. Mr. Mahesh Raghavan Menon will hold the office of Director upto the conclusion of the forthcoming Annual General Meeting.

Mr. Mahesh Raghavan Menon has been in legal profession since October 1987 and has been actively practicing law. The Company has received a notice in writing from a member of the Company under Section 257 of the Companies Act, 1956 along with the requisite deposit amount, notifying his intention to propose Mr. Mahesh Raghavan Menon as a candidate for office of Director of the Company. Your Directors commend the appointment of Mr. Mahesh Raghavan Menon.

Except Mr. Mahesh Raghavan Menon, none of the Directors has any concern or interest in the aforesaid resolution.

By Order of the Board of Directors

**Parag B. Deshpande**  
Company Secretary

### Registered Office:

11/13 Botawala Building, Floor 1  
Horniman Circle, Fort  
Mumbai 400 023

Date: June 30, 2004

## APPLE FINANCE LIMITED

### DIRECTORS' REPORT

Your Directors present their eighteenth Annual Report on the business and operations of your Company and the audited financial accounts for the year ended March 31, 2004.

#### FINANCIAL RESULTS

The financial results of your Company for the year ended March 31, 2004 as compared to the previous year are summarized below:

	Rs. lacs	
	Year ended 31.03.2004	Year ended 31.03.2003
Gross income	302.68	1751.45
Profit / (Loss) before depreciation and taxation	(49.40)	1335.01
Less : Depreciation	55.06	1365.88
Profit / (Loss) before taxation	(104.46)	(30.87)
Provision for taxation of earlier years written back (Additional provision during previous year)	145.23	(0.07)
Net Profit/(Loss) after taxation	40.77	(30.94)

In view of the accumulated loss, your Directors regret their inability to recommend dividend.

#### MANAGEMENT DISCUSSION AND ANALYSIS

Non-Banking Financial Companies (NBFCs) have been playing a constructive role in economic growth of the country by serving as important linchpins in the financial system. These companies are the mobilizers of savings of the house-hold sector and the corporate sector to channelize the same into productive activities of the manufacturing industry and service sector.

NBFCs have been supplementing and complementing the services of commercial banks the world over. In India, the liberalization and diversification of the financial system - both institutions and instruments in the recent years, significantly enlarged the scope and activities of NBFCs.

Over the years the NBFC sector grew exponentially and became an integral part of the Indian financial system. Reserve Bank of India has been regulating the activities of the NBFCs for more than last three decades.

However, in the last six years, the NBFC segment has seen a major shake-out and continued downfall. This is basically due to lack of level playing field, illiquidity, economic downturn and sharp increase in defaults by the clients.

Business environment for fund based activities for NBFCs continues to be highly unfavourable in a scenario where large players viz., banks, financial institutions and multinationals with access to low cost funds are dominating the market which hitherto was the mainstay of NBFCs. The aggressive approach of these players has pushed down the lending rates in retail finance and the margins have eroded. On account of lack of avenues for raising funds at competitive costs, NBFCs have been marginalized and the operations have become unviable for most of the NBFCs, forcing them to exit the business. During the year, your Company focused all its efforts on

the recovery of overdues and non-performing assets on one hand and reduction of the liabilities on the other hand.

As the business became unviable, your Company had stopped carrying on any non-banking finance activity for the last four years. Therefore, as a consequence, the Company had in September 2002 surrendered the Certificate of Registration to Reserve Bank of India ("RBI"). Accordingly, RBI have in January 2004 cancelled the Certificate of Registration issued to the Company as surrendered.

In the direction toward settlement of dues of the Company, discussions with banks and financial institutions are being held on continuous basis for one-time-settlement. The progress has been encouraging and a few of the accounts have already been closed. We hope to complete this process as early as possible.

We are in a process of finding a suitable buyer for our commercial complex at Bandra-Kurla, Mumbai subject to approval from the creditors/appropriate authorities.

#### SUBSIDIARY

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts along with the report of the Board of Directors of Apple Asset Management Limited and the Auditors' Report therein, are annexed.

#### DIRECTORS

During the year under review, Mr. Pramod S. Kuckian resigned as a Director. The Board places on record its appreciation of the services rendered by him.

Mr. Mahesh Raghavan Menon has been appointed an Additional Director.

Mr. Gajendra Raj Abani retires by rotation and being eligible, offers himself for reappointment.

#### 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 that :

- in the preparation of the accounts for the year ended March 31, 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 year and of the profit of the Company for the year under review.
- the Directors have 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.
- the Directors have prepared the accounts for the year ended March 31, 2004 on a 'going concern' basis.

**CORPORATE GOVERNANCE**

A report on Corporate Governance stipulated by Clause 49 of the Listing Agreement is annexed hereto and forms part of this Annual Report.

**DEPOSITORIES**

Effective May 8, 2000, the equity shares of your Company have been mandated by Securities & Exchange Board of India for settlement only in demat form by all institutions and investors.

Your Company has already entered into arrangements with National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited for custody and dematerialization of securities in accordance with the Depositories Act, 1996.

Your Company has opted for the scheme of one time payment of custody fee charges, offered by NSDL. Accordingly, NSDL does not charge any custody fees to the Depository Participants for the dematerialized securities of the Company.

At present, over 66% of the paid-up equity share capital of the Company is held in dematerialized form.

**FIXED DEPOSITS**

The entire unclaimed deposits have been provided for in the escrow accounts maintained with a scheduled bank. As on March 31, 2004, 1224 fixed deposits aggregating Rs.150.45 lacs remained unclaimed, out of which 12 deposits aggregating Rs.1.36 lacs have since been repaid. Suitable steps are being taken to elicit responses from the remaining depositors.

**AUDITORS**

Messrs Mahendra Kumbhat & Associates, Chartered Accountants, Auditors of the Company, hold office until the conclusion of the ensuing annual general meeting. The Company has received a letter from them to the effect that their reappointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

Members are requested to consider their reappointment as the Auditors of the Company and authorize the Board of Directors to fix their remuneration.

**AUDITORS' REPORT**

As regards observations of the Auditors in sub-clause (a), (b), (c) and (d) of Clause No. (vi) of their report, attention of the members is invited to Note Nos. 1, 5 (a), 5 (b) and 15 of Schedule "O" to the Annual Accounts, which are self-explanatory.

**PARTICULARS OF EMPLOYEES**

There are no employees within the purview of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information required under Rule 2 of the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of energy and technology absorption, is not being given since your Company is not engaged in manufacturing activity.

There was no income or outflow of foreign exchange during the year under review.

**EMPLOYEE RELATIONS**

The relations with the employees continued to be cordial.

**ACKNOWLEDGEMENTS**

Your Directors wish to express their gratitude to the shareholders, depositors, debentureholders, bankers and financial institutions for their support. They also wish to acknowledge the spirit of dedication, commitment and co-operation extended by our employees at all levels.

For and on behalf of the Board

**Mahesh K. Rachh**  
Managing Director

**Gajendra Raj Abani**  
Executive Director

Place : Mumbai

Date : June 30, 2004



## REPORT ON CORPORATE GOVERNANCE

**Introduction :**

Securities and Exchange Board of India have introduced a Code of Corporate Governance for implementation by companies listed with Stock Exchanges. Accordingly, the Code was implemented by effecting amendments to the Listing Agreements of the Stock Exchanges with which the Company is listed.

**Board Of Directors:**

Composition, category of Directors and their other directorship and committee memberships as on March 31, 2004 :

Name of the Director	Category of Directorship	No. of other Directorship held in Public Companies	No. of other Committee Membership
Mr. Mahesh K. Rachh	Executive Director (Managing Director)	2	Nil
Mr. Gajendra Raj Abani	Executive Director (Wholetime Director)	Nil	Nil
Mr. Mahesh Raghavan Menon	Director (Non-Executive Director)	2	Nil

The Company does not have a designated Chairman.

The Code stipulates that the Company shall have an optimum combination of Executive and Non-Executive Directors with not less than fifty percent of the Board of Directors comprising of Non-Executive Directors. The number of independent Directors would depend whether the Chairman is Executive or Non-Executive. In case of Non-Executive Chairman, at least one -third of Board should comprise of independent Directors and in case of Executive Chairman, at least half of Board should comprise of independent Directors.

During the last five years the following Non-Executive Directors have resigned from the Board viz., Mr. Pramod S. Kuckian, Mr. V. K. Kumar, Mr. J. R. K. Sarma, Mr. D. P. Gupta, Mr. N. P. Bhogilal, Mr. Atul K. Nishar, Mr. K. C. Sodhia, Dr. A. C. Shah, Mr. H. P. Nag Chowdhury and Mr. S. K. Basu.

Due to precarious position of the Company, except Mr. Mahesh Raghavan Menon, no other Non-Executive Director has joined the Board. However, efforts of the management are still on to invite best persons from the industry to join the Board of the Company.

With the enlargement of Board in the future, the provision of the Code will be complied with.

Seven meetings of the Board of Directors were held during the year. The dates on which the meetings were held are as follows :

April 30, 2003, June 30, 2003, July 31, 2003, October 10, 2003, October 31, 2003, January 30, 2004 and March 19, 2004.

The attendance of the Directors at Board meetings and at the last Annual General Meeting is given below :

Name of the Director	Board meetings attended	Attendance at the last Annual General Meeting held on August 26, 2003
Mr. Mahesh K. Rachh	7	Present
Mr. Gajendra Raj Abani	7	Present
Mr. Pramod S. Kuckian *	7	Present
Mr. Mahesh Raghavan Menon **	1	Not applicable

\* Resigned as a Director on March 31, 2004

\*\* Appointed as an Additional Director on March 19, 2004

**Remuneration to Directors for the year 2003-2004:**

Name of Directors	Salary and Allowances (Rs.)	Perquisites (Rs.)	Contribution to Provident Fund and superannuation Fund (Rs.)	Sitting Fees (Rs.)
Mr. Mahesh K. Rachh	8,36,000	21,600	1,42,560	Nil
Mr. G. R. Abani	7,70,450	21,600	1,31,388	Nil
Mr. Pramod S. Kuckian	Nil	Nil	Nil	10,500
Mr. Mahesh Raghavan Menon	Nil	Nil	Nil	1,500

**Information in respect of the Directors seeking appointment/ reappointment at the Annual General Meeting :**

- Mr. Gajendra Raj Abani, aged 39, has been the Director of Apple Finance Limited since February 2001. Mr. Abani joined the Company in August 1995 and prior to his induction into the Board he was the senior executive of the Company, designated as Vice President (Accounts). Mr. Abani is B.Com from Jai Narayan Vyas University, Jodhpur, as well as a Fellow Member of the Institute of Chartered Accountants of India. Mr. Gajendra Raj Abani is not a Director of any other company.
- Mr. Mahesh Raghavan Menon, aged 40, has been in legal profession since October 1987 and has been actively practicing law. He is the proprietor of the law firm M/s. Mahesh Menon & Co., Advocates. This firm handles all civil and criminal legal matters and is also listed in the panels of various banks in India.

**Audit Committee :**

The Code stipulates that the Company shall set up a qualified and independent Audit Committee comprising three members all being Non-Executive Directors, with the majority of them being independent, and with at least one Director having financial and accounting knowledge.

As explained in the preceding clause, the Company at present has only one Non-Executive Director on the Board and as such the Company has not been able to constitute an Audit Committee as required under the Code.

**Remuneration Committee :**

The Company does not have a Remuneration Committee.

**Shareholders Committee :**

The Code stipulates that a Board Committee under the Chairmanship of a Non-Executive Director shall be formed to specifically look into the redressing of shareholders' and investors' complaints.

As explained earlier, the Company at present has only one Non-Executive Director on the Board and as such the Company has not been able to constitute a Shareholders Committee.

Mr. Parag B. Deshpande, Company Secretary is the Compliance Officer of the Company.

**Complaints received during the year :**

Nature of Complaints	Received	Cleared	Pending
Non-receipt of share certificates	26	26	Nil
Non-receipt of dividend/interest warrant	167	167	Nil
Others/miscellaneous	73	73	Nil
Total	<u>266</u>	<u>266</u>	<u>Nil</u>

There was no transfer of shares pending as on March 31, 2004.

The above information is based on the details received from the Company's Registrars, M/s. Sharepro Services.

**Details of Annual General Meetings:**

Annual General Meeting	Location	Date	Time
17 <sup>th</sup> Annual General Meeting	M.C. Ghia Hall, Bhogilal Hargovindas Building, Floor 2, 18/20 Kaikhushru Dubash Marg, Mumbai 400 001	August 26, 2003	3.00 p.m.
16 <sup>th</sup> Annual General Meeting	M.C. Ghia Hall, Bhogilal Hargovindas Building, Floor 2, 18/20 Kaikhushru Dubash Marg, Mumbai 400 001	September 24, 2002	10.30 a.m.
15 <sup>th</sup> Annual General Meeting	M.C. Ghia Hall, Bhogilal Hargovindas Building, Floor 2, 18/20 Kaikhushru Dubash Marg, Mumbai 400 001	September 7, 2001	2.30 p.m.

No Special Resolution was put through postal ballot last year nor it is proposed to be put in the current year.

**Disclosures :**

The Company has not entered into any transaction of a material nature with the promoters, the Directors or the management, their subsidiaries or relatives, etc., that may have any potential conflict with the interests of the Company.

The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters related to capital markets during the last three years. There were no penalties imposed nor any strictures passed on the Company by the Stock Exchanges, SEBI or any other statutory authority relating to the above.

**Means of Communication:**

The half-yearly/quarterly results are published in the newspapers (Mumbai edition) and are not being sent to each household of shareholders.

The results are usually published in Navshakti and The Free Press Journal.

The Company does not have a website and, therefore, the results are not posted on any website. It does not make presentations to institutional investors or analysts.

Management Discussions and Analysis Report forms part of the Directors' Report.

**General Shareholder information:**

- Date, time and venue of the AGM : September 23, 2004 at 3.00 p.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, Floor 2, 18/20 Kaikhushru Dubash Marg, Mumbai 400 001
  - Financial Calendar : April to March
  - Adoption of Quarterly Results for the quarter ending : 4<sup>th</sup> week of July 2003
  - June 30, 2003 : July 2003
  - September 30, 2003 : October 2003
  - December 31, 2003 : January 2004
  - March 31, 2004 : June 2004
  - Date of Book Closure : September 17, 2004 to September 23, 2004 (both days inclusive).
  - Dividend Payment Date : Dividend is not recommended by the Board of Directors.
  - Listing on Stock Exchange : The Company's equity shares are listed on The Stock Exchange, Mumbai (the Regional Stock Exchange), The Stock Exchange, Ahmedabad, The Calcutta Stock Exchange Association Limited, The Delhi Stock Exchange Association Limited, Vadodara Stock Exchange Limited and Madras Stock Exchange Limited.
- The Company has paid the annual listing fees only to The Stock Exchange, Mumbai for the financial year 2004-2005. The Company has not paid the annual listing fees to the other five Stock Exchanges since it has applied for delisting of its equity shares from the said five Stock Exchanges.
- Stock Code : 500014 on The Stock Exchange, Mumbai
  - ISIN Number for NSDL and CDSL : INE096A01010
  - Market Price Data : The high and low prices of every month during the financial year 2003-2004 are given below.

Year 2003-2004	High (Rs.)	Low (Rs.)
April	0.65	0.45
May	0.80	0.50
June	1.25	0.70
July	1.52	0.85
August	2.75	0.90
September	1.70	0.80
October	0.99	0.61
November	1.04	0.59
December	2.18	0.93
January	2.08	0.91
February	1.00	0.75
March	0.84	0.61

- **Registrar and Transfer Agents :** Messrs Sharepro Services  
Satam Estate, Floor 3,  
Above Bank of Baroda,  
Cardinal Gracious Road,  
Chakala, Andheri (East),  
Mumbai 400 099  
Phone : 28215168 /  
28215169  
Fax : 28375646

- **Contact Person :** Mrs. Indira Prashant  
Karkera

- **Share Transfer System**

A Committee of Directors comprising Mr. Mahesh K. Rachh and Mr. Mahesh Raghavan Menon has been constituted to approve the transfer, transmission, dematerialization and rematerialization of shares, issue of duplicate share certificates and allied matters. The Company's Registrars, M/s. Sharepro Services have adequate infrastructure to process share transfers and dematerialization of shares.

A predetermined process cycle at regular interval ensures transfer of shares expeditiously and thereafter an option letter is sent to the transferee(s) for dematerialization. In compliance with the Listing

Agreement, every six months, the system is audited by a Practising Company Secretary and a certificate to that effect is issued and filed with the Stock Exchanges.

- **Distribution of Shareholding as on March 31, 2004 :**

Shareholding	No. of Folios	% of Total	No. of Shares	% of Total
Less than 500	138946	95.13	20339271	36.53
501-1000	4569	3.12	3425906	6.15
1001- 2000	1497	1.03	2202750	3.96
2001- 3000	382	0.26	968107	1.74
3001- 4000	162	0.11	578844	1.04
4001- 5000	156	0.11	742818	1.33
5001- 10000	210	0.14	1528862	2.75
10001 and above	140	0.10	25886564	46.50
<b>Total</b>	<b>146062</b>	<b>100.00</b>	<b>55673122</b>	<b>100.00</b>

- 66.65% of the equity share capital has been dematerialized upto March 31, 2004.

- **Categories of Shareholding as on March 31, 2004 :**

Category	No. of shares held	Percentage of Shareholding
Promoters	16454880	29.56
Mutual Funds and UTI	1515935	02.72
Banks, Financial Institutions and Insurance Companies	53310	00.10
FIs	200	00.00
Private Corporate Bodies	688438	1.24
Indian Public	32814471	58.94
NRIs/OCBs	822548	1.48
Trust	3323340	5.96
<b>TOTAL</b>	<b>55673122</b>	<b>100.00</b>

- **Address for Correspondence:**  
The Company Secretary  
11/13 Botawala Building, Floor 1,  
Horniman Circle, Fort, Mumbai 400 023

**AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS PER CLAUSE 49 OF THE LISTING AGREEMENT OF THE STOCK EXCHANGES**

To the Members of Apple Finance Limited :

We have examined the compliance of conditions of Corporate Governance by Apple Finance Limited ("the Company") for the year ended March 31, 2004, as stipulated in Clause 49 of the Standard Listing Agreement of the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company to ensure compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, since the Company has only one Non-Executive Director on its Board, the Company is unable to comply with the conditions of Corporate Governance and accordingly, we certify that the Company has not complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Standard Listing Agreement of the Stock Exchanges.

For **MAHENDRA KUMBHAT & ASSOCIATES**  
Chartered Accountants

Place : Mumbai  
Date : June 30, 2004

**Manoj P. Shah**  
Partner



# STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, GIVING REQUISITE PARTICULARS OF THE SUBSIDIARY COMPANY

1. Name of the subsidiary company	Apple Asset Management Limited
2. Financial year	01.04.2003 to 31.03.2004
3. Extent of holding company's interest	
a. No. of equity shares	5000000
Extent of holding	100%
b. No. of preference shares	6200000
Extent of holding	100%
4. Net aggregate amount (in rupees) of the subsidiary's profit after deducting its losses or vice versa so far as it concerns members of the holding company	
- Profits / (losses) not dealt within holding company's accounts	
a. for the financial year of the subsidiary	(3395)
b. for the previous financial years since it became the holding company's subsidiary	(86584740)
- Profits dealt with or (losses) provided for in the holding company's accounts	
a. for the financial year of the subsidiary	-
b. for the previous financial years since it became the holding company's subsidiary	-

**Maheesh K. Rachh**  
Managing Director

**Maheesh Menon**  
Director

**Gajendra Raj Abani**  
Executive Director

**Parag B. Deshpande**  
Company Secretary

Place : Mumbai  
Date : June 30, 2004

# APPLE FINANCE LIMITED

## AUDITORS' REPORT

To,

### The members of Apple Finance Limited:

We have audited the attached Balance Sheet of Apple Finance Limited ("the Company") as at 31<sup>st</sup> March 2004 and the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto ("the Financial Statements"). 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 the 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 the 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ("the Act"), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order to the extent applicable.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (ii) In our opinion, the Company has kept proper books of account as required by law so far, as appears from our examination of those books.
- (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- (iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; except for Accounting Standard 22 "Accounting for Taxes on Income".
- (v) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is

disqualified as on 31<sup>st</sup> March 2004 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

- (vi) In our opinion and to the best of our information and according to the explanations given to us, **the said accounts subject to**

**a) Note No. 1 of Schedule 'O' regarding going concern assumption of the Company.**

**b) Note No. 5 (a) of Schedule 'O' regarding non-provision of interest expense in respect of interest on loans from banks and financial institutions and interest on debentures estimated to Rs. 54,30,28,727 and accordingly loss (before tax) for the year in Profit and Loss Account and secured and unsecured loan balances in the Balance Sheet as at Balance Sheet date has been understated by this amount.**

**c) Note No. 5 (b) of Schedule 'O' regarding unascertainable amount of interest expense as banks have not furnished the calculation of the same and accordingly the effect on loss (before tax) for the year in Profit and Loss Account and loan balances in the Balance Sheet as at Balance Sheet date is unascertainable.**

**d) Note No. 15 of Schedule 'O' regarding non-consideration of Deferred Tax Assets (Net) amounting to Rs. 51,16,72,754.**

and read with the other notes thereon give the information required by the Act, in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2004.
- b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.
- c) In the case of the Cash Flow Statement, of cash flows for the year ended on that date.

For **Mahendra Kumbhat & Associates**  
Chartered Accountants

**Manoj P. Shah**  
Partner

Membership Number : 43290

Place: Mumbai

Date : June 30, 2004

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in our Report of even date)

Matters required as per paragraph 4 and 5 of the Companies (Auditor's Report) Order, 2003

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) **The management has not verified all the assets during the year. We have been informed that no material discrepancies have been noticed on the assets physically verified by the management.**

- (c) The Company has not disposed of substantial part of fixed assets during the year.

2. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.