



APPLE FINANCE LIMITED

17TH ANNUAL REPORT 2002-2003

APPLE FINANCE LIMITED

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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. Pramod S. Kuckian (Director)

AUDITORS

Messrs Mahendra Kumbhat & Associates
Chartered Accountants

REGISTRAR & TRANSFER AGENTS

Messrs Sharepro Services
Satam Estate, Floor 3, Above Bank of Baroda
Cardinal Gracious Road, Chakala
Andheri (East), Mumbai 400 099
Phone: 28348218/28329828/28215168/28347719
Fax : 28375646 / 28392259

17th Annual General Meeting

On Tuesday, August 26, 2003 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 seventeenth Annual General Meeting of the members of Apple Finance Limited will be held on Tuesday, August 26, 2003 at 3.00 p.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, Floor 2, 18/20 Kaikhushru Dubash Marg, Mumbai 400 001 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at March 31, 2003, 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. Mahesh K. Rachh, 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. Pramod S. Kuckian 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, 2003

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 Wednesday, August 20, 2003 to Tuesday, August 26, 2003 (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 205A of the Companies Act, 1956, as amended, dividend for the financial year ended December 31, 1996 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, 1996 or any subsequent financial years are requested to make their claim to the office of the Registrar and Transfer Agents, Messrs Sharepro Services, Satam Estate, Floor 3, Above Bank of Baroda, Cardinal Gracious 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 205A of the Companies Act, 1956, as amended, dividend for the financial year ended June 30, 1995 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 November 18, 2002 appointed Mr. Pramod S. Kuckian as an Additional Director of the Company. Mr. Pramod S. Kuckian will hold the office of Director upto the conclusion of the forthcoming Annual General Meeting.

Mr. Pramod S. Kuckian is a post-graduate in Commerce from the University of Mumbai and has over twelve years' experience in financial services area.

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. Pramod S. Kuckian as a candidate for office of Director of the Company. Your Directors commend the appointment of Mr. Pramod S. Kuckian.

Except Mr. Pramod S. Kuckian, 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, 2003

APPLE FINANCE LIMITED

DIRECTORS' REPORT

Your Directors present their seventeenth Annual Report on the business and operations of your Company and the audited financial accounts for the year ended March 31, 2003.

FINANCIAL RESULTS

The financial results of your Company for the year ended March 31, 2003 as compared to the previous year are summarized below:

	Rs. lacs	
	Year ended 31.03.2003	Year ended 31.03.2002
Gross income	1751.45	4321.07
Profit / (Loss) before depreciation and taxation	1335.01	(2730.91)
Less : Depreciation	1365.88	5706.60
Profit / (Loss) before taxation	(30.87)	(8437.51)
Less : Provision for taxation (for earlier years)	0.07	3.26
Net Profit / (Loss) after taxation	(30.94)	(8440.77)

In view of the 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 five years, the NBFC segment has seen a major shake-out and continued downfall.

The recession witnessed by the Indian economy in mid 90s had a tremendous impact on all the segments of the economy like industry, agriculture and services sector. The NBFC segment which is largely dependant on the derived business from the industrial and services sector, was unable to withstand the pressure caused by the prolonged recession. The economic recession along with some other negative factors then prevalent, led to the failure of a large number of NBFCs. The major factors that caused the downfall of NBFC segment are :

- The prolonged economic recession leading to slackness in demand and reduction in the volume of business.

- Major defaults by well-known corporate borrowers in repayment of NBFC dues leading to unprecedented recovery problems.
- With liberalization and entry of banks and institutions into leasing, hire purchase and retail financing business, the market became highly competitive, leading to pressure on margins.
- High cost of funds to the NBFCs led to their inability to compete in the market, especially when the general interest rates showed downward trend. This led to the reduction in business volumes, lack of quality borrowers and squeeze in margins.
- Due to sudden downfall of some major players in the NBFC segment, the public confidence in the NBFC industry was shaken. It led to withdrawal of public deposits on a large scale. This, coupled with the reluctance of banks and institutions to fund NBFCs, led to serious funding problems.
- Lack of supportive measures from the Government agencies when the NBFC segment was facing serious problems, led to all-round deterioration of the business environment for NBFCs.

The various unfavourable factors mentioned above culminated in the downfall of the NBFC segment during 1996-98, which saw closure of operations of several top-ranking NBFCs in the country.

During the year under review, your Company's losses have marginally increased. Your Company continued to focus all its efforts on the recovery of overdues and non-performing assets on one hand and reduction of the liabilities on the other hand. Though the Company has been successful in recovering several NPA accounts in the retail portfolio, there was a limited success in recovering the dues of corporate NPAs. Apart from the usual legal delays, the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985, which enable the defaulting companies to take refuge of BIFR, are a great hurdle in the speedy recovery of corporate dues.

In the direction toward settlement of dues of the Company, structured initiatives have been taken in order to settle the dues of all our lenders under the One-Time-Settlement programme. In this regard, we have appointed UTI Bank Limited to professionally advise us on the debt restructuring and settlements.

The commercial complex at Bandra-Kurla, Mumbai is ready for sale. We are in a process of finding a suitable buyer, subject to approval from the creditors/appropriate authorities. Alternatively, this property would be offered to the creditors in settlement of their dues.

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. Premlal K. K. resigned as a Director. The Board places on record its appreciation of the services rendered by him.

Mr. Pramod Somnath Kuckian has been appointed an Additional Director.

Mr. Mahesh K. Rachh 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, 2003, 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 loss 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, 2003 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.

DEPOSITORY

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 64% 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, 2003, 1,300 fixed deposits aggregating Rs.153.13 lacs remained unclaimed, out of which 51 deposits aggregating Rs.4.93 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) and (c) of Clause No. (vi) of their report, attention of the members is invited to Note Nos.4 (a), 4 (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

Pramod S. Kuckian
Director

Place : Mumbai

Date : June 30, 2003

APPLE FINANCE LIMITED

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 directorships and committee memberships as on March 31, 2003 :

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 (Wholtime Director)	Nil	Nil
Mr. Pramod S. Kuckian	Director (Non-Executive Director)	Nil	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 four years the following non-Executive Directors have resigned from the Board viz., 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. Pramod S. Kuckian, 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.

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

April 22, 2002; June 1, 2002 ; June 28, 2002; July 31, 2002; September 20, 2002; October 3, 2002; October 29, 2002; November 18, 2002; December 19, 2002; January 31, 2003 and March 4, 2003.

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 September 24, 2002
Mr. Mahesh K. Rachh	11	Present
Mr. Gajendra Raj Abani	11	Present
Mr. Premlal K. K. *	7	Present
Mr. Pramod S. Kuckian **	3	Not applicable

* Resigned as a Director on November 30, 2002

** Appointed as an Additional Director on November 18, 2002

Remuneration to Directors for the year 2002-2003:

Name of the Director	Salary and Allowances (Rs.)	Perquisites (Rs.)	Contribution to Provident Fund and Superannuation Fund (Rs.)	Sitting Fees
Mr. Mahesh K. Rachh	8,74,611	1,11,194	1,42,560	Nil
Mr. G. R. Abani	7,70,450	1,43,895	1,31,388	Nil
Mr. Premlal K. K.	4,28,061	29,400	58,648	Nil
Mr. Pramod S. Kuckian	Nil	Nil	Nil	4,500

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

- Mr. Pramod Somnath Kuckian, aged 34, was appointed an Additional Director of Apple Finance Limited on November 18, 2002. Mr. Kuckian has over 12 years corporate experience in financial services area. He is a post- graduate in Commerce from the University of Mumbai. Mr. Kuckian is not a Director of any other company.
- Mr. Mahesh K. Rachh, aged 46, has been the Director of Apple Finance Limited since August 2001. He has over fifteen years corporate experience in various fields including financial services area. Mr. Rachh is B.A., LL.B from the University of Mumbai. He is a Director of two companies besides Apple Finance Limited.

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	28	28	Nil
Non-receipt of dividend/interest warrants	156	156	Nil
Others/miscellaneous	98	98	Nil
Total	282	282	Nil

There was one transfer involving 230 equity shares pending as on March 31, 2003. This transfer has been processed and shares have been despatched in May 2003.

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
16th 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.
15th 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.
14th Annual General Meeting	Tejpal Auditorium, Near August Kranti Maidan, Gowalia Tank, Mumbai 400 002	June 29, 2001	10.30 a.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 : August 26, 2003 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 : 4th week of
June 30, 2002 : July 2002
September 30, 2002 : October 2002
December 31, 2002 : January 2003
March 31, 2003 : June 2003
- Date of Book Closure : August 20, 2003 to August 26, 2003 (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 2003-2004. The Company has not been able to pay the annual listing fees to the other five Stock Exchanges due to its precarious financial position. The Company proposes to delist 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 2002-2003 are given below.

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Year 2002-2003	High (Rs.)	Low (Rs.)
April	0.90	0.50
May	1.00	0.65
June	2.00	0.90
July	3.00	1.20
August	1.35	1.05
September	1.20	0.90
October	1.05	0.75
November	1.10	0.85
December	1.15	0.90
January	0.90	0.65
February	0.80	0.60
March	0.65	0.45

- 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: 28348218/28329828/
28215168/28347719
Fax : 28375646/28392259
- Contact Person : Mrs. Indira Prashant Karkera

- Share Transfer System

A Committee of Directors comprising Mr. Mahesh K. Rachh and Mr. Pramod Somnath Kuckian 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, 2003

Shareholding	No. of Folios	% of Total	No. of Shares	% of Total
Less than 500	144434	95.30	21239200	38.15
501-1000	4782	3.16	3573748	6.42
1001-2000	1436	0.95	2106251	3.78
2001-3000	338	0.22	853090	1.53
3001-4000	155	0.10	554167	1.00
4001-5000	123	0.08	580003	1.04
5001-10000	175	0.12	1259087	2.26
10001 and above	109	0.07	25507626	45.82
Total	151552	100.00	55673122	100.00

- 64.51% of the equity share capital has been dematerialized upto March 31, 2003.

- Categories of Shareholding as on March 31, 2003:

Category	No. of shares held	Percentage of shareholding
Promoters	16454980	29.56
Mutual Funds and UTI	1529985	02.75
Banks, Financial Institutions and Insurance Companies	56310	00.10
FII's	200	00.00
Private Corporate Bodies	2985076	05.36
Indian Public	30475298	54.74
NRI's/OCBs	854243	01.53
Trust	3317030	05.96
Total	55673122	100.00

- 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, 2003, 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, 2003

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	01.04.2002 to 31.03.2003
3. Extent of holding company's interest	
a. No. of equity shares Extent of holding	5000000 100%
b. No. of preference shares Extent of holding	6200000 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	(3895036)
b. for the previous financial years since it became the holding company's subsidiary	(82689704)
- 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	-

Place : Mumbai
Date : June 30, 2003

Mahesh K. Rachh
Managing Director

Pramod S. Kuckian
Director

Gajendra Raj Abani
Executive Director

Parag B. Deshpande
Company Secretary



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AUDITORS' REPORT

Auditors' Report to the members of Apple Finance Limited

We have audited the attached Balance Sheet of Apple Finance Limited as at 31st March 2003 and also the Profit and Loss Account and the Cash Flow Statement 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.

We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government 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 said Order.

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, proper books of account as required by law have been kept by the Company so far as it 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 Act; except for Accounting Standard 22 "Accounting for Taxes on Income".

- (v) On the basis of written representations received from the Directors as on 31st March 2003 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2003 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. 4 (a) of Schedule 'O' regarding non-provision of interest expense in respect of interest on banks and financial institutions loans and interest on debentures estimated to Rs. 54,31,69,079.**

b) **Note No. 4 (b) of Schedule 'O' regarding unascertainable amount of interest expense as banks have not furnished the calculation of the same.**

c) **Note No. 15 of Schedule 'O' regarding non consideration of Deferred Tax Assets amounting to Rs. 52,27,92,018.**

and read with the other notes thereon give the information required by the Companies Act, 1956, 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 31st March 2003; and;
- b) In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **MAHENDRA KUMBHAT & ASSOCIATES**
Chartered Accountants

Manoj P. Shah
Partner

Place : Mumbai
Date : June 30, 2003

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our Report of even date)

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. The management has physically verified all the assets. We are informed that no material discrepancies have been noticed on the assets physically verified by the Company.
2. None of the fixed assets has been revalued during the year.
3. The management during the year at reasonable intervals has physically verified the stocks. We are

informed that no material discrepancies between physical stocks and the book records were noticed on such verification.

4. The procedure for physical verification of stocks followed by the management is in our opinion reasonable and adequate having regard to the size of the Company and the nature of its business.
5. In our opinion, the valuation of stocks is fair and proper, and is in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.