

SHAPOORJI PALLONJI & COMPANY LIMITED

BOARD OF DIRECTORS:

PALLONJI SHAPOORJI MISTRY, *President*
SHAPOOR PALLONJI MISTRY, *Managing Director*
CYRUS PALLONJI MISTRY, *Managing Director*
KHUSHROO BURJOR CAPTAIN
FIROZE KAVSHAH BHATHENA
JIMMY JEHANGIR PARAKH

MANAGEMENT:

H. J. TAVARIA, *Director - Finance & Systems*
R. A. JAIN, *Director - Building Products Division*
M. D. SAINI, *Director - Operations*
BRIG. A. R. SINHA, *CEO - Real Estate*
M. S. HINGORANI, *Director - Corporate Affairs*

BANKERS:

STANDARD CHARTERED BANK LTD
IDBI BANK LTD
UNION BANK OF INDIA

AUDITORS:

C. C. CHOKSHI & CO.,
MAFATLAL HOUSE,
BACKBAY RECLAMATION,
MUMBAI - 400 020.

REGISTERED OFFICE:

70, NAGINDAS MASTER ROAD, FORT,
MUMBAI - 400 023.

ADMINISTRATIVE OFFICE:

SHAPOORJI PALLONJI CENTRE,
41/44, MINOO DESAI MARG,
COLABA, MUMBAI / 400 005.

CERTIFIED TRUE COPY
For SHAPOORJI PALLONJI & CO. LTD.

[Signature]
Secretary.

SHAPOORJI PALLONJI & COMPANY LIMITED

REGD. OFFICE: 70, NAGINDAS MASTER ROAD, FORT, MUMBAI - 400 001.

N O T I C E

NOTICE is hereby given that the Sixty Second Annual General Meeting of Shapoorji Pallonji & Company Limited, will be held at the Administrative Office of the Company at Shapoorji Pallonji Centre, 41/44, Minoo Desai Marg, Colaba, Mumbai – 400 005, on Friday, the 30th September, 2005, at 4.30 P.M. (S. T.) to transact the following business:

1. To receive, consider and adopt the audited Accounts for the year ended 31st March, 2005.
2. To elect a Director in place of Mr. S. P. Mistry, who retires by rotation and being eligible offers himself for re-election.
3. To elect a Director in place of Mr. J. J. Parakh, who retires by rotation and being eligible offers himself for re-election.
4. To appoint Auditors and to fix their remuneration.
5. To appoint a Company Secretary in whole time practice for the purpose of issue of Compliance Certificate, under the provision of Section 383A(1) of the Companies Act, 1956.

By Order of the Board,

A. H. Yewale

SECRETARY.

MUMBAI: 9th September, 2005.

NOTE:

1. A member entitled to attend is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

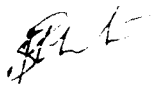

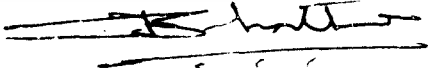
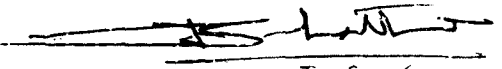
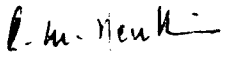
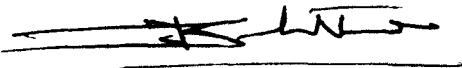
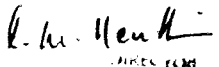

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For SHAPOORJI PALLONJI & CO. LTD.

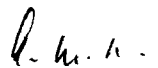
A. H. Yewale Secretary.

FORM NO.22-A
THE COMPANIES ACT 1956
CONSENT BY SHAREHOLDERS FOR SHORTER NOTICE
PURSUANT TO SECTION 17(2)

We, the Shareholders, of Shapoorji Pallonji & Company Limited holding undermentioned Nos. of equity shares of Rs.100/- each in the Company in our own names hereby give consent, pursuant to section 171(2) of the Companies Act, 1956, to hold the Annual General Meeting on Friday, 30th September, 2005 at Short Notice.

| | <u>No. of Shares</u> | <u>Signature</u> |
|--|----------------------|---|
| Shapoor P. Mistry | 8110 |  |
| Cyrus P. Mistry | 8110 |  |
| SC Finance & Investment Private Limited. | 4190 |  DIRECTOR |
| SP Finance Pvt. Ltd. | 4190 |  DIRECTOR |
| Pallonji Shapoorji & Co.Pvt. Ltd. | 7800 |  DIRECTOR |
| Shapoorji Pallonji & Co.(Rajkot) Pvt. Ltd. | 34440 |  DIRECTOR |
| Shapoorji & Co. (Rajkot) Pvt.Ltd. | 14760 |  DIRECTOR |
| Silver Streak Investments Pvt. Ltd. | 400 |  DIRECTOR |

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 FOR SHAPOORJI PALLONJI & CO. LTD.


 Secretary.

SHAPOORJI PALLONJI & COMPANY LIMITED**DIRECTORS' REPORT TO THE SHAREHOLDERS**
FOR THE YEAR ENDED 31ST MARCH, 2005.

To,
THE SHAREHOLDERS,

Your Directors present their Report together with the Statement of Accounts for the year ended 31st March, 2005.

| | Rupees | Rupees | 2004 Rupees |
|--|------------|--------------------|--------------------|
| The result of the working for the year shows a profit of | | 180,885,530 | 190,085,193 |
| Deducting therefrom: | | | |
| Depreciation | 86,491,418 | | 65,105,546 |
| Provision for Foreign Projects Reserve | | | 120,000 |
| Provision for Taxation | 49,590,637 | | 13,000,000 |
| Diminution in long term investment | | | <u>82,492,390</u> |
| | | <u>136,082,055</u> | <u>160,717,936</u> |
| Leaves a Profit of | | 44,803,475 | 29,367,257 |
| Adding thereto: | | | |
| Provision for Deferred Tax | | 2,523,102 | 47,444,909 |
| Excess provision of Income Tax | | 6,908,050 | - |
| Surplus of the previous year | | <u>696,062,947</u> | <u>619,250,781</u> |
| Leaves a Profit of | | <u>750,297,574</u> | <u>696,062,947</u> |

Two of your Directors, Mr. S. P. Mistry and Mr. J. J. Parakh, retire by rotation but, being eligible, offer themselves for re-election.

Directors' Responsibility Statement:

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management confirm that:

- i) in the preparation of the annual accounts, applicable accounting standards have been followed with proper disclosure of any departures.
- ii) the accounting policies are consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31st March, 2005 and of the Profit and Loss Account of the Company for the year under review.
- iii) that proper and sufficient care has been taken to the best of their knowledge and ability 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 accounts have been prepared on a going concern basis.

For SHAPOORJI PALLONJI & CO. LTD.
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Secretary.


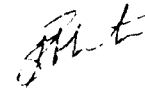
Since the operations of the Company are restricted to Trading, Finance, Investment and Civil Engineering, the requirement of Section 217(1)(e) of the Companies Act, 1956, read with the Companies Disclosure of Particulars in the Report of the Board of Directors Rules, 1988, in regard to conservation of Energy and Technology absorption are not relevant and no particulars arise in the Company's case.

| | |
|---------------------------|------------------|
| Foreign Exchange Earnings | Rs. 17,911,294/- |
| Foreign Exchange Outgo | Rs. 9,345,054/- |

The Company Had no employees of the category specified under Section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Members are requested to appoint Auditors for the current year, and to fix their remuneration.

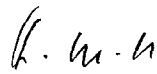
On behalf of the Board,



DIRECTORS.

MUMBAI: 9th September, 2005.

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For SHAPOORJI PALLONJI & CO. LTD.


Secretary.

C.C. Chokshi & Co.

Chartered Accountants
12, Dr. Annie Besant Road
Opp. Shiv Sagar Estate
Worli, Mumbai - 400 018
India

Tel : • 91 (22) 5667 9000
Fax : • 91 (22) 5667 9025

AUDITORS' REPORT

We have audited the attached balance sheet of Shapoorji Pallonji & Co. Ltd., as at 31st March, 2005 and the profit and loss account and also 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 auditing standards generally accepted in India except Auditing and Assurance Standard 30 on External Confirmation issued by the ICAI as explained in note 10. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred 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 purposes of our audit;
 - b) 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 those books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

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For SHAPOORJI PALLONJI & CO. LTD.

h. h. h.

Secretary.

C. C. Chokshi & Co.

e) On the basis of written representations received from the directors, as on 31st March, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

f) Attention is invited to the following Notes in Schedule 21:

(i) *Note No.7 for diminution in value of investment held in subsidiaries and realisability of loans to subsidiaries. No provision for depletion in value of investments in some of the subsidiaries amounting to Rs. 13,144,814 and for shortfall, if any, in realisability of loans and advances (book value Rs. 7,131,000) given to these subsidiaries has been made as explained in the said note. We are unable to express an opinion in this regard. This has also caused us to qualify the previous year financial statements; we had given a disclaimer of opinion regarding depletion in the value of investments of Rs. 12,811,253 and for the shortfall in realisability of loans and advances (Book Value of Rs. 6,906,000).*

(ii) *Note no.10 regarding non-confirmation of balances and consequent adjustments on reconciliations, if any. This has also caused us to qualify our opinion in the financial statements of previous year ended on 31.03.04.*

g) *In our audit report on the Financial Statement for the previous year, we had issued a disclaimer of opinion regarding non provision for foreseeable losses, if any, on a substantially completed contract.*

Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the 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, 2005; and
- b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

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For SHAPOORJI PALLONJI & CO. LTD.

J. K. K.

Secretary.

C.C.Chokshi & Co.

- c. in the case of cash flow statement, of the cash flows for the year ended on that date.

For C. C. Chokshi & Co.
Chartered Accountants



R. Salivati
Partner
Membership no. 34004

Place: Mumbai


Date: 9th September, 2005



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For SHAPOORJI PALLONJI & CO. LTD.


Secretary.

C. C. Chokshi & Co.

ANNEXURE

Referred to in paragraph 1 of our report of even date on the accounts of Shapoorji Pallonji & Co. Ltd for the year ended 31st March, 2005.

(i.)(a)The Company has maintained proper records showing full particulars *except the situation of its fixed assets, as from 1st July, 1969. In the absence of complete records assets verified could not be reconciled with the fixed assets register. In view thereof, we are unable to state whether there were any material discrepancies.*

(b)All the assets have not been physically verified by the management during the year but there is a regular programme of verification, other than for fixed assets at Head Office which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets.

(c)The company has not disposed off a substantial part of fixed assets during the year, therefore clause 4(i)(c) of Companies (Auditor's Report) Order, 2003 is not applicable to the company.

(ii.)(a)The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b)The procedure 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.

(c)The company is maintaining proper record of inventory. The discrepancies noticed on verification between physical stock and book records were not material.

(iii.)(a)The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly clauses 4(iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(e)The Company has taken loan from a company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs. 2,800,000 and the year end balance of loans taken was Rs. 2,800,000.

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For SHAPPOORJI PALLONJI & CO. LTD.

G. M. H.

Secretary.

C. C. Chokshi & Co.

under section 301 of the Companies Act 1956 are not, prima facie, prejudicial to the interest of the Company.

- (g) The company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
- (iv.) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal control system.
- (v.)(a) According to the information and explanations given to us, we are of the opinion that the particulars of contract or arrangement referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) According to the information and explanations given to us, we are of the opinion that the transactions made in pursuance of the contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi.) According to the information and explanations given to us, we are of the opinion that the Company has not accepted any deposits from the public; hence clause 4 (vi) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- (vii.) *The company does not have an internal audit system in force.*
- (viii.) The Central government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of activities carried on by the company. Hence, the provisions of clause 4(viii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (ix.)(a) According to the information and explanations given to us, the company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales Tax, Wealth-Tax, Service Tax, Customs duty, Excise Duty, cess and any other statutory dues with the appropriate authorities during the year.

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For SHARDORJI PALLONJI & CO. LTD.

G. H. H. Secretary.