

KBS CAPITAL MANAGEMENT LIMITED

20th ANNUAL REPORT

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2005-2006

KBS Capital Management Limited**Annual Report 2005-2006****Board of Directors:**

Mr. Tushar Shah	Chairman
Mrs. Madhu Shah	Director
Mr. Ketan Shah (w.e.f. 24.12.2005)	Director

Auditors:

M/s. Gopal Rao & Associates
Chartered Accountant
Mumbai

Bankers:

Bank of India, Mumbai
UTI Bank, Mumbai

Registered Office:

502, Commerce House,
140, Nagindas Master Road,
Fort, Mumbai-400001.

Share Transfer Agent:

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai 400078

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NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the members of **KBS CAPITAL MANAGEMENT LIMITED** will be held on Saturday, 30th September 2006 at the Registered Office of the Company at 502, Commerce House, 140 Nagindas Master Road, Fort, Mumbai-400001 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and Profit & 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 Mrs. Madhu Suresh Shah, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution

“RESOLVED THAT Mr. Ketan Shah who was appointed as an Additional Director of the Company with effect from December 24, 2005 pursuant to Section 260 of the Companies Act, 1956, and holds office up to the date of ensuing Annual General Meeting and in respect of whom Company has received a notice pursuant to Section 257 of the Companies Act 1956, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation as per provisions of the Articles of Association of the Company.”

By Order of the Board of Directors

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Place : Mumbai
Date : 5th September, 2006

Tushar Shah
Chairman

Regd. Office:
502, Commerce House,
140 Nagindas Master Road,
Fort, Mumbai -400001.

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies in order to be effective must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
3. The Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of special business is annexed herewith and forms part of this notice.
4. Member / Proxy should bring the attendance slip duly filled in for attending the meeting.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday the 26th day of September, 2006 to Friday the 29th day of September, 2006 (both days inclusive).
6. Members desirous of seeking information relating to the Accounts and operations of the Company are requested to address their queries to the Company at least 7 days in advance of the meeting, to enable the company to keep the information ready.
7. Shareholders are requested to bring their copies of Annual Report to the meeting.

8. Members are requested to address all correspondences to the Registrar and Share Transfer Agents - Intime Spectrum Registry Limited, C-13 Pannalal Silk Mills Compound, LBS Road, Bhandup West, Mumbai 400078.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 FORMING PART OF THE NOTICE

ITEM NO. 4

Mr. Ketan Shah was appointed as an Additional Director of the Company by the Board of Directors with effect from December 24, 2005 pursuant to Section 260 of the Companies Act, 1956. In terms of the said Section he holds office up to the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director of the Company. It will be advantageous for the Company to continue to avail his services and take the benefit of his vast experience and expert knowledge.

His inclusion on the Board will be of immense benefit to the Company.

Except Mr. Ketan Shah none of the other Director of the Company is concerned or interested in the said resolution.

The Board of Directors thus recommends the resolution for the approval of the members.

By Order of the Board of Directors

Place : Mumbai
Date : 5th September, 2006

Regd. Office:
502, Commerce House,
140 Nagindas Master Road,
Fort, Mumbai -400001,

Tushar Shah
Chairman

DIRECTORS' REPORT

To,

The Member of
KBS Capital Management Limited

Your Directors have pleasure in presenting their 20th Annual Report on the business and operations of the Company for the financial year ended on March 31, 2006.

FINANCIAL RESULTS**(Amount in Rs.)**

Particulars	Year Ended 31/03/2006	Year Ended 31/03/2005
Income from operation and other income	5,945,745	5,037,397
Profit/(Loss) Before Depreciation	1,459,282	(78,437)
Depreciation	(1,222,188)	(1,112,370)
Profit/(Loss) before tax	237,094	(1,190,807)
Less : Current Tax	6,000	-
Deferred Tax	(156,317)	(1,122,393)
Fringe Benefits Tax	61,000	-
Short Excess Provision For Taxation	-	(834,257)
Profit/(Loss) After Tax	326,411	(3,147,457)
Balance Carried Forward from Previous Year	14,066,738	17,214,195
Balance Carried to Balance Sheet	14,393,149	14,066,738

OPERATIONAL PERFORMANCE

During the year under review the Company has incurred a profit before tax of Rs. 2.37 lacs (Previous year: loss of Rs. 11.90 lacs).

DIVIDEND

To conserve the resources for business requirement of the Company your Directors do not recommend any payment of dividend for the year ended 31st March, 2006.

PUBLIC DEPOSIT

The Company has not accepted any deposits from the public hence provisions of Section 58A of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules 1975 are not applicable to the Company.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mrs. Madhu Shah, Director of the Company, retire by rotation at the ensuing Annual General Meeting and, being eligible, offer herself for reappointment.

Mr. Ketan Shah was appointed the Additional Director on the Board with effect from December 24, 2005. Mr. Ketan Shah holds office upto the date of ensuing Annual General Meeting. The Company has received the notice from the member of the Company pursuant to Section 257 of the Companies Act, 1956, proposing his candidature for appointment as a Director of the Company at the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

In Compliance with the provisions of Section 217(2AA) of the Companies Act, 1956 the Directors of your Company confirm that:

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed and no material departures have been made from the same.
- They have selected such accounting policies and applied them consistently and made judgments and estimates that are responsible and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year 31st March 2006 and the Profit of the Company for that period;

- (iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company for preventing and detecting fraud and other irregularities;
- (iv) They have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

The company is in process of complying with the provisions of clause 49 of the listing agreement.

AUDITORS

Gopal Rao & Associates, Chartered Accountants, Mumbai will retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them to the effect that their appointment, if made, would be within the limit prescribed under Section 224(1B) of the Companies Act, 1956.

Your Directors recommend their appointment as Auditors of the Company for the financial year 2006 -2007 and to hold the office upto the conclusion of the next Annual General Meeting.

PARTICULARS OF EMPLOYEES

The employer employee relation remained cordial throughout the year. The Board places on record its sincere appreciation for the valuable contribution made by employees across all levels of the organisation.

The information related to employee in accordance with the provision of Section 217 (2A) of the Companies Act, 1956 is reported to be nil.

DISCLOSURE OF PARTICULARS WITH RESPECT TO

A) CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION, ADOPTION INNOVATION:

The Disclosure of particulars with respect to conservation of energy pursuant to the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, are not applicable to the Company. However, the Company makes its best efforts for conservation of energy.

The Company has not carried out any specific research and development activities.

The information related to Technology absorption, adaptation and innovation is reported to be Nil.

B) FOREIGN EXCHANGE EARNINGS AND OUT GO:

The information regarding Foreign Exchange Earnings and out go is as follows: (Amount in Rs.)

Particulars	2005 – 2006	2004 – 2005
Foreign Exchange Earnings	Nil	Nil
Foreign Exchange outgo	Nil	Nil

ACKNOWLEDGEMENTS

Your Directors also express their gratitude to government authorities, banks and business associates for their continued support and co-operation. Your Directors also thank shareholders for their continued confidence in the Company.

FOR AND ON BEHALF OF THE BOARD

Place: Mumbai
Date: 5th September, 2006

(TUSHAR SHAH)
CHAIRMAN

Regd. Office:
502, Commerce House,
140, Nagindas Master Road,
Fort, Mumbai-400001.