

**Consolidated Balance Sheet**

**Profit & Loss Account**

**&**

**Cash Flow**

**of**

**National Bank for Agriculture and Rural Development**

**&**

**Its Subsidiaries**

**2006-07**

**Sharp & Tannan**  
Chartered Accountants**Consolidated Financial Statements 2006-2007**  
**Auditors' Report to the Board of Directors on Consolidated Financial Statements**

We have examined the attached Consolidated Balance Sheet of National Bank for Agriculture and Rural Development ('The Bank') and its Subsidiaries as at 31<sup>st</sup> March, 2007, the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Bank'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit also includes examining, on 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 the management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

In respect of the financial statements of subsidiaries we did not carry out the audit. The total Assets and total Revenues in respect of these subsidiaries are Rs.54.84 crores and Rs.11.09 crores, respectively. These financial statements have been certified by the management of the respective companies and have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the Subsidiaries is based solely on these certified financial statements. Since the financial statements for the financial year ended 31<sup>st</sup> March, 2007, which were compiled by the management of these companies (except Karnataka Agri-Development Finance Company Ltd.), were not audited, any adjustments to their balances could have consequential effects on the attached consolidated financial statements.

We report that the consolidated financial statements have been prepared by the Bank in accordance with the requirements of the Accounting Standard (AS) 21, "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, and on the basis of the separate audited / certified financial statements of the Bank and its Subsidiaries included in the consolidated financial statements.

We report that on the basis of the information and explanations given to us and on the consideration of the separate audited / certified financial statements of the Bank and its Subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Bank as at 31<sup>st</sup> March, 2007;
- b) in the case of the Consolidated Profit and Loss Account of the consolidated results of operations of the Bank for the year ended on that date; and
- c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Bank for the year ended on that date.

Place: Mumbai  
Dated: 28 May 2007

Sharp & Tannan  
Chartered Accountants  
by the hand of

Milind P. Phadke  
Partner  
Membership No.33013

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**NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT  
CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2007**

(Rupees)

Particulars	31.03.2007	31.03.2006
<b>LIABILITIES</b>		
Capital	2000,00,00,000	2000,00,00,000
Reserve Fund and Other Reserves	7810,73,39,264	6979,61,77,808
National Rural Credit (Long Term Operations) Fund	13214,00,00,000	13183,00,00,000
National Rural Credit (Stabilisation) Fund	1533,00,00,000	1522,00,00,000
Funds Out of Grants received from International Agencies	182,63,92,591	187,12,23,937
Gifts, Grants and Donations	711,81,48,778	145,70,11,073
Other Funds	1112,28,92,249	860,22,46,839
Minority Interest	12,16,67,398	11,62,53,462
Deposits	20236,85,79,506	14051,71,86,003
Bonds and Debentures	28891,89,75,750	20812,95,91,000
Borrowings	3171,69,84,829	6192,19,88,010
Current Liabilities and Provisions	2377,44,95,135	1680,48,31,975
<b>TOTAL LIABILITIES</b>	<b>81254,54,75,500</b>	<b>67626,65,10,107</b>
<b>ASSETS</b>		
Cash and Bank Balances	7043,58,13,205	4323,54,06,272
Investments	2360,03,59,752	3255,55,93,655
Advances	69524,51,62,159	58100,44,48,382
Fixed Assets	238,84,67,008	225,27,25,819
Other Assets	2087,52,89,743	1721,63,99,796
Miscellaneous Expenses not Written off	3,83,633	19,36,183
<b>TOTAL ASSETS</b>	<b>81254,54,75,500</b>	<b>67626,65,10,107</b>
<p>As per our report attached Sharp &amp; Tannan Chartered Accountants by the hand of</p>		
<p>P. Satish Chief General Manager Finance and Accounts Department Mumbai, 28 May 2007</p>		
<p>Milind P. Phadke Partner Membership No. 33013 Mumbai, 28 May 2007</p>		
Dr. Y. S. P. Thorat Chairman	Dr. K. G. Karmakar Managing Director	Usha Thorat Director
		Amitabh Verma Director

**NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT  
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007**

(Rupees)

<b>Particulars</b>	<b>During 2006-07</b>	<b>During 2005-06</b>
<b>Income:</b>		
Interest Received on Loans and Advances	4176,86,42,115	3413,99,13,524
Income from Investment operations	540,45,06,642	471,64,08,439
Discount Received	18,57,92,392	130,83,014
Other Receipts	22,44,97,392	57,69,44,541
<b>TOTAL INCOME</b>	<b>4758,34,38,541</b>	<b>3944,63,49,518</b>
<b>Expenditure:</b>		
Interest and Financial Charges	2893,38,93,282	2196,37,69,257
Establishment and other expenses	595,66,67,065	397,22,98,473
Depreciation	22,68,90,093	22,32,42,731
Provision for Bad and Doubtful Debts	83,34,66,232	103,18,91,191
Depreciation in Investment	(31,27,81,991)	32,09,47,991
Amortisation of G-Sec	18,18,15,952	18,18,15,952
Preliminary expenses written off	6,38,150	9,43,590
<b>TOTAL EXPENDITURE</b>	<b>3582,05,88,783</b>	<b>2769,49,09,185</b>
Profit before Income Tax	1176,28,49,758	1175,14,40,333
Provision for Taxation	353,86,28,210	329,84,58,707
Deferred Tax (adjustment)	(38,32,91,142)	(14,21,07,842)
Profit after Tax	860,75,12,690	859,50,89,468
Share of Loss in Subsidiaries attributable to Minority Interest	(57,69,385)	(40,98,310)
<b>Profit available for Appropriation</b>	<b>861,32,82,075</b>	<b>859,91,87,778</b>
<b>Appropriations:</b>		
Profit as above	861,32,82,075	859,91,87,778
Add: Withdrawals from various funds against expenditure debited to Profit and Loss account.	72,93,90,962	161,70,04,899
<b>Total Profit available for Appropriation</b>	<b>934,26,73,037</b>	<b>1021,61,92,677</b>
<b>Transferred to:</b>		
Special Reserve u/s 36 (i) (viii) of the Income Tax Act, 1961	410,00,00,000	450,00,00,000
NRC (LTO) Fund	30,00,00,000	30,00,00,000
NRC (Stabilisation) Fund	10,00,00,000	10,00,00,000
Co-operative Development Fund	2,96,13,765	6,06,79,935
Research and Development Fund	8,88,91,192	6,01,45,321
Foreign Currency Risk Fund	13,62,29,603	13,62,29,603
Reserve Fund	458,79,38,477	505,91,37,818
	<b>934,26,73,037</b>	<b>1021,61,92,677</b>

**Additional Notes to Consolidated Accounts**

1. Consolidation has been done pursuant to the listing agreement with stock exchange.
2. Financial statements in respect of all the subsidiaries are unaudited (except Karnataka Agri Development Finance Company Ltd.)
3. Details of the subsidiaries :

<b>Name of the Subsidiary</b>	<b>Country of Incorporation</b>	<b>Proportion of Ownership</b>
Agri Development Finance (Tamil Nadu) Ltd.	India	52.10
Agri Business Finance (AP) Ltd.	India	47.82
Karnataka Agri Development Finance Company Ltd.	India	82.40
NABARD Consultancy Pvt. Ltd.	India	100.00

4. Depreciation on fixed asset is provided on Written Down Value method, at the rates specified in schedule XIV to the Companies Act, 1956, by Agri Development Finance (Tamil Nadu) Ltd. and Agri Business Finance (AP) Ltd. Whereas Karnataka Agri Development Finance Company Ltd. has provided depreciation on fixed assets by adopting straight line method at the rates specified in schedule XIV to the Companies Act, 1956, on prorata basis. Thus, the accounting policy followed by subsidiaries for depreciation are different from the accounting policy for depreciation followed by NABARD in the preparation of consolidated financial statements. Thus, out of the total depreciation of Rs.22.69 crores included in the consolidated financial statement, 0.11% of that amount is determined based on depreciation provided by following Written Down Value/ Straight Line method at the rates as specified in schedule XIV to the Companies Act, 1956.

As per our report attached  
Sharp & Tannan  
Chartered Accountants  
by the hand of

P. Satish  
Chief General Manager  
Finance and Accounts Department  
Mumbai, 28 May 2007

Milind P. Phadke  
Partner  
Membership No. 33013  
Mumbai, 28 May 2007

Dr. Y. S. P. Thorat  
Chairman

Dr. K. G. Karmakar  
Managing Director

Usha Thorat  
Director

Amitabh Verma  
Director

**NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007**

(Rupees)

Particulars	During 2006-07	During 2005-06	
<b>(a) Cash Flow from Operating activities</b>			
Net profit as per P & L A/C before tax	1176,28,49,758	1175,14,40,335	
Depreciation	22,68,90,093	22,32,42,730	
Ammortisation and Provision for investment	(12,78,48,545)	50,70,62,073	
Provision for Non Performing Assets	3,06,72,109	97,93,062	
Provision for Standard Assets	86,15,00,000	70,70,00,000	
Provision for Sacrifice interest on restructured loan	(5,57,00,000)	31,08,00,000	
Interest credited to various funds	64,79,25,885	49,03,78,019	
Other expenses	23,79,09,112	20,36,79,756	
Income from Investment	(538,24,04,117)	(470,24,51,942)	
Profit / Loss on sale of Fixed Asset	(14,28,658)	(25,79,992)	
Expenditure from various funds	(337,15,95,820)	(362,73,83,602)	
<b>Operating profit before changes in operating assets</b>	<b>482,87,69,817</b>	<b>587,09,80,439</b>	
<b>Adjustment for net change in:</b>			
Current Assets	(3092,60,31,247)	1033,80,37,852	
Current liabilities	688,66,58,587	60,09,03,439	
Proceeds of Bonds	8078,93,84,750	3609,03,90,000	
Increase / Decrease in Borrowings	(3020,50,03,181)	(2736,19,44,908)	
Increase / Decrease in Deposits	6185,13,93,503	4826,79,84,354	
Increase/Decrease in Loans and Advances	(11530,48,39,597)	(9832,74,13,808)	
Cash generated from operating activities	(2207,96,67,368)	(2452,10,62,632)	
Payment towards Income tax	(290,08,68,036)	(365,96,18,599)	
<b>Net Cash Flow from Operating Activities (A)</b>	<b>(2498,05,35,404)</b>	<b>(2818,06,81,231)</b>	
<b>(b) Cash Flow from Investing Activities</b>			
Dividend paid	(1,00,00,000)	(30,00,000)	
Income from Investment	538,24,04,117	470,24,51,942	
Increase / Decrease of Fixed Assets	(36,02,87,748)	(12,40,21,579)	
Investments in Government Securities	909,41,81,942	1812,67,73,003	
Investments in Shares / Others	(1,00,00,000)	(6,28,61,000)	
Preliminary Expenses	0	0	
<b>Net Cash used in Investing Activities (B)</b>	<b>1409,62,98,311</b>	<b>2263,93,42,366</b>	
<b>(c) Cash Flow from Financing Activities</b>			
Grants / contributions received	1075,85,07,965	502,46,61,138	
<b>Net Cash raised from Financing Activities (C)</b>	<b>1075,85,07,965</b>	<b>502,46,61,138</b>	
<b>Net increase in Cash and Cash Equivalent (A)+(B)+(C)</b>	<b>(12,57,29,128)</b>	<b>(51,66,77,727)</b>	
<b>Cash and Cash Equivalent at the beginning of the period</b>	<b>201,14,75,273</b>	<b>252,81,53,000</b>	
<b>Cash and Cash Equivalent at the end of the period</b>	<b>188,57,46,145</b>	<b>201,14,75,273</b>	
<i>Note: Cash and cash equivalent includes Cash on Hand, Balance with RBI, Balances with other banks in India on Current Account and Remittance in transit.</i>			
		As per our report attached Sharp & Tannan Chartered Accountants by the hand of	
P. Satish Chief General Manager Finance and Accounts Department Mumbai, 28 May 2007		Milind P. Phadke Partner Membership No. 33013 Mumbai, 28 May 2007	
Dr. Y. S. P. Thorat Chairman	Dr. K. G. Karmakar Managing Director	Usha Thorat Director	Amitabh Verma Director