

Sharp & Tannan

Chartered Accountants

AUDITORS' REPORT

We have audited the attached Balance Sheet of the National Bank for Agriculture and Rural Development (the 'Bank') as at March 31, 2005 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto in which are incorporated the returns of **19** Regional Offices and **2** Training Centres audited by us. These offices have been selected by us in consultation with the Bank in terms of notification no. 1/4/2003-BOA dated 27th January 2004 issued by Ministry of Finance, Department of Economic Affairs (Banking Division). Also incorporated in the Balance Sheet and Profit and Loss Account are the returns from **9** Regional Offices, **1** Sub-Office and **1** Training Centre which have not been subjected to audit. These unaudited offices account for **9.44** per cent of advances and **10.40** per cent of interest income. 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 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.

Subject to the limitations mentioned in paragraph 1 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 and have found them to be satisfactory;
- b. In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c. The returns received from the Regional Offices and Training Centres of the Bank have been found adequate for the purposes of our audit.
- d. The Balance Sheet and Profit and Loss Account have been drawn up in accordance with Schedule 'A' and Schedule 'B' of Chapter IV of the National Bank for Agriculture and Rural Development. (Additional) General Regulations, 1984;
- e. In our opinion and to the best of our information and according to the explanations given to us and as shown by the books of the Bank:
 - i. the Balance Sheet read with the Significant Accounting Policies and notes thereon is a full and fair Balance Sheet containing all the necessary particulars and is properly drawn up in conformity with the generally accepted accounting principles in India so as to exhibit a true and fair view of the state of affairs of the Bank as at 31st March 2005; and
 - ii. the Profit and Loss Account read with the Significant Accounting Policies and notes thereon shows a true balance of the profit for the year ended 31st March 2005; and
 - iii. the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

Place: New Delhi

Dated: 14 June 2005

Sharp & Tannan
Chartered Accountants
by the hand of

Milind P. Phadke
Partner
Membership No.33013

Ravindra Annexe, 194, Churchgate Reclamation, Dinshaw Vachha Road, Mumbai - 400 020, India,
Tel.: (22) 2204 7722/23, 5633 8343-47, Fax (22) 5633 8352, E-mail: Sharp@bom3.vsnl.net.in

Anant S. Dhonde
Ramnath D. Kare

Farook M. Kobla
Ashwin B. Chopra

Shreedhar T. Kunte
Edwin Augustine

Milind P. Phadke
Raghunath P. Acharya

L. Vaidyanathan
Thirtharaj A. Khot

Also at Pune. Associate Offices : Bangalore, Secunderabad, Chennai & New Delhi

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
BALANCE SHEET AS ON 31 MARCH 2005

(Rupees)

Sr.No.	FUNDS AND LIABILITIES	SCHEDULE	AS ON 31.03.2005	AS ON 31.3.2004
1.	Capital (Under Section 4 of the NABARD Act, 1981)		2000,00,00,000	2000,00,00,000
2.	Reserve Fund and other Reserves	1	6198,94,00,834	5290,89,85,487
3.	National Rural Credit (Long Term Operations) Fund	2	13152,00,00,000	13070,00,00,000
4.	National Rural Credit (Stabilisation) Fund	2	1511,00,00,000	1500,00,00,000
5.	Funds out of grants received from International Agencies	3	191,00,38,418	184,59,22,256
6.	Gifts, Grants, Donations and Benefactions	4	104,58,38,888	103,54,80,564
7.	Other Funds	5	648,61,23,731	510,56,67,247
8.	Deposits	6	9224,92,01,649	12151,00,42,530
9.	Bonds and Debentures	7	17203,92,01,000	11883,32,21,000
10.	Borrowings	8	8928,39,32,918	7553,66,11,462
11.	Current Liabilities and Provisions	9	1615,69,84,351	1641,01,22,536
	Total		60779,07,21,789	55888,60,53,082
	Forward Foreign Exchange Contracts (Hedging) as per contra		334,64,42,621	335,37,18,410
	Commitment and Contingent Liabilities	17		
	Significant Accounting Policies and Notes forming part of the Accounts	18		
Sr.No.	PROPERTY AND ASSETS	SCHEDULE	AS ON 31.03.2005	AS ON 31.3.2004
1.	Cash and Bank Balances	10	5477,61,55,980	2899,86,40,761
2.	Investments	11	5137,86,30,601	2411,87,47,561
3.	Advances	12	48354,74,90,510	48790,26,44,248
4.	Fixed Assets	13	234,95,74,844	244,81,50,358
5.	Other Assets	14	1573,88,69,854	1541,78,70,154
	Total		60779,07,21,789	55888,60,53,082
	Forward Foreign Exchange Contracts (Hedging) as per contra		334,64,42,621	335,37,18,410
	Commitment and Contingent Liabilities	17		
	Significant Accounting Policies and Notes forming part of the Accounts	18		
			As per our report attached Sharp & Tannan Chartered Accountants by the hand of	
P. Satish Chief General Manager Finance & Accounts Department New Delhi, 14 June 2005			Milind P. Phadke Partner Membership No. 33013 New Delhi, 14 June 2005	
Ranjana Kumar Chairperson	Y. S. P. Thorat Managing Director	Radha Singh Director	Dr. P. Raghavan Director	

**NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005**

(Rupees)

Sr.No.	INCOME	SCHEDULE	During 2004-05	During 2003-04
1.	Interest received on Loans and Advances		3484,23,02,729	3937,97,40,230
2.	Income from Investment Operations		432,08,77,974	309,39,91,020
3.	Discount and Commission		1,28,42,466	0
4.	Other Receipts (Refer Note B - 13 Schedule 18)		21,14,17,445	19,90,35,313
	Total 'A'		3938,74,40,614	4267,27,66,563

Sr.No.	EXPENDITURE	SCHEDULE	During 2004-05	During 2003-04
1.	Interest and Financial Charges	15	2113,59,30,085	2369,59,90,720
2.	Establishment and Other Expenses	16	362,85,04,649	354,81,32,615
3.	Depreciation (Refer Notes B - 10 & B - 13 Schedule 18)		26,14,95,776	30,15,16,049
	Provision for			
4.	a) Standard Assets		0	51,36,42,739
	b) Non Performing Assets		28,71,886	27,02,835
	c) Depreciation in Investments in Subsidiaries		35,36,000	65,00,000
	d) Depreciation in Investments G.sec		102,89,14,721	0
	Total 'B'		2606,12,53,117	2806,84,84,958
5.	Profit before Income Tax (A - B)		1332,61,87,497	1460,42,81,605
6.	a) Provision for Income Tax		357,00,00,000	375,00,00,000
	b) Deferred Tax Charge / (Credit)		(57,80,00,000)	(36,40,00,000)
7.	Profit after Income Tax		1033,41,87,497	1121,82,81,605

PROFIT AND LOSS APPROPRIATION ACCOUNT

(Rupees)

Sr.No.	APPROPRIATIONS/WITHDRAWALS	AS ON 31.03.2005	AS ON 31.3.2004
1.	Profit for the year brought down	1033,41,87,497	1121,82,81,605
	Add: Withdrawals from funds against expenditure debited to Profit & Loss A/c		
i.	Co-operative Development Fund (Refer Schedule 1)	5,49,92,870	4,75,95,441
ii.	Research and Development Fund (Refer Schedule 1)	5,78,43,807	6,70,45,830
iii.	Watershed Development Fund (Refer Schedule 5)	2,77,14,858	2,55,04,226
iv.	Micro Finance Development Fund (Refer Schedule 5)	2,85,12,992	3,13,15,379
v.	Investment Fluctuation Reserve (Refer Schedule 1)	65,24,09,102	0
2.	Profit available for Appropriation	1115,56,61,126	1138,97,42,481
	Less: Transferred to:		
i.	Special Reserves u/s 36(i) (viii) of I T Act, 1961	575,00,00,000	600,00,00,000
ii.	NRC (LTO) Fund	81,00,00,000	124,00,00,000
iii.	NRC (Stabilisation) Fund	10,00,00,000	25,00,00,000
iv.	Co-operative Development Fund	5,49,92,870	4,75,95,442
v.	Research and Development Fund	5,78,43,807	6,70,45,830
vi.	Micro Finance Development and Equity Fund	40,00,00,000	7,05,11,537
vii.	Foreign Currency Risk Fund	13,62,29,603	13,62,29,603
viii.	Tribal Development Fund	0	50,00,00,000
ix.	Investment Fluctuation Reserve	189,46,39,102	9,87,71,000
x.	Farm Innovation and Promotion Fund	5,00,00,000	0
xi.	Reserve Fund	190,19,55,744	297,95,89,069
	Total	1115,56,61,126	1138,97,42,481

Refer Schedule 18 for Significant Accounting Policies and Notes forming part of the Accounts.

As per our report attached
Sharp & Tannan, Chartered Accountants
by the hand of
Milind P. Phadke
Partner
Membership No. 33013
New Delhi, 14 June 2005

P. Satish
Chief General Manager
Finance & Accounts Department
New Delhi, 14 June 2005

Ranjana Kumar
Chairperson

Y.S.P. Thorat
Managing Director

Radha Singh
Director

Dr. P. Raghavan
Director