
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 31st March 2007 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto in which are incorporated the returns of **14** Regional Offices and **1** Training Centre audited by us. These offices and training Centre have been selected by us in consultation with the Bank in terms of notification no. 1/4/2004-BOA dated 9th March 2007 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 **14** Regional Offices, **1** Sub-Office and **2** Training Centres which have not been subjected to audit. These unaudited offices account for **11.55 %** of advances, **3.48%** of deposits, **12.45 %** of interest income and **3.34%** of interest expense. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Subject to the limitations of the audit 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 accounting principles generally accepted in India so as to exhibit a true and fair view of the state of affairs of the Bank as at 31st March 2007; and
 - ii. the Profit and Loss Account read with the Significant Accounting Policies and notes thereon shows a true balance of the profit in conformity with the accounting principles generally accepted in India, for the year ended 31st March 2007; and
 - iii. the Cash Flow Statement gives a true and fair view of the cash flows 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
BALANCE SHEET AS ON 31 MARCH 2007**

(Rupees)

Sr. No.	FUNDS AND LIABILITIES	SCHEDULE	AS ON 31.03.2007	AS ON 31.03.2006
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	7802,41,16,398	6974,47,24,916
3.	National Rural Credit (Long Term Operations) Fund	2	13214,00,00,000	13183,00,00,000
4.	National Rural Credit (Stabilisation) Fund	2	1533,00,00,000	1522,00,00,000
5.	Funds out of grants received from International Agencies	3	182,63,92,591	187,12,23,936
6.	Gifts, Grants, Donations and Benefactions	4	711,81,48,778	145,70,11,072
7.	Other Funds	5	1112,28,92,249	860,22,46,840
8.	Deposits	6	20236,85,79,506	14051,71,86,003
9.	Bonds and Debentures	7	28891,89,75,750	20812,95,91,000
10.	Borrowings	8	3171,69,84,829	6192,19,88,010
11.	Current Liabilities and Provisions	9	2363,69,38,167	1675,83,02,643
	Total		81220,30,28,268	67605,22,74,420
	Forward Foreign Exchange Contracts (Hedging) as per contra		371,65,47,961	315,91,70,276
	Commitment and Contingent Liabilities	17		
	Significant Accounting Policies and Notes forming part of the Accounts	18		
Sr.No.	PROPERTY AND ASSETS	SCHEDULE	AS ON 31.03.2007	AS ON 31.03.2006
1.	Cash and Bank Balances	10	7010,70,12,884	4295,81,39,683
2.	Investments	11	2380,63,59,752	3276,15,93,655
3.	Advances	12	69507,89,75,674	58087,93,96,722
4.	Fixed Assets	13	238,68,73,841	225,20,30,665
5.	Other Assets	14	2082,38,06,117	1720,11,13,695
	Total		81220,30,28,268	67605,22,74,420
	Forward Foreign Exchange Contracts (Hedging) as per contra		371,65,47,961	315,91,70,276
	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 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
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007**

(Rupees)

Sr.No.	INCOME	SCHEDULE	During 2006-07	During 2005-06
1.	Interest received on Loans and Advances		4176,56,91,825	3413,59,20,826
2.	Income from Investment Operations		538,24,04,117	470,24,51,942
3.	Discount and Commission		18,57,92,392	1,30,83,014
4.	Other Receipts		13,98,93,546	51,32,80,007
	Total 'A'		4747,37,81,880	3936,47,35,789

Sr.No.	EXPENDITURE	SCHEDULE	During 2006-07	During 2005-06
1.	Interest and Financial Charges	15	2893,37,23,050	2196,35,68,985
2.	Establishment and Other Expenses	16	590,52,68,082	394,35,82,259
3.	Depreciation (Refer Notes B - 14 & B - 17 of Schedule 18)		22,66,32,925	22,30,95,662
4.	Provision for :			
	(a) Amortisation of G.Sec		18,18,15,952	18,18,15,952
	(b) Standard Assets		86,15,00,000	70,70,00,000
	(c) Non-Performing Assets		3,06,72,109	-52,72,628
	(d) Provision for NB Gen. Advices		-17,31,052	42,98,129
	(e) Depreciation in Investments G.Sec		-31,27,81,991	31,27,81,991
	(f) Depreciation in Value of Investment Account Equity		20,18,000	81,66,000
	(g) Sacrifice in Interest element of restructured Accounts		-5,57,00,000	31,08,00,000
	(h) Provision for Other Assets / Receivable		28,30,546	-
	Total 'B'		3577,42,47,621	2764,98,36,350
5.	Profit before Income Tax (A - B)		1169,95,34,259	1171,48,99,439
6.	(a) Provision for Income Tax		349,00,00,000	325,00,00,000
	(b) Deferred Tax -Asset (Adjustment)		-38,17,00,000	-13,97,00,000
	(c) Provision for Fringe Benefit Tax		2,70,00,000	3,20,00,000
7.	Profit after Income Tax		856,42,34,259	857,25,99,439

PROFIT AND LOSS APPROPRIATION ACCOUNT

(Rupees)

Sr.No.	APPROPRIATIONS / WITHDRAWALS	AS ON 31.03.2007	AS ON 31.03.2006
1.	Profit for the year brought down	856,42,34,259	857,25,99,439
	Add: Withdrawals from funds against expenditure debited to Profit & Loss A/c		
	i. Co-operative Development Fund (Refer Schedule 1)	2,96,13,765	6,06,79,935
	ii. Research and Development Fund (Refer Schedule 1)	8,88,91,192	6,01,45,321
	iii. Watershed Development Fund (Refer Schedule 5)	5,15,54,239	3,77,98,262
	iv. Micro Finance Development and Equity Fund (Refer Schedule 5)	6,36,02,984	4,49,26,381
	v. Investment Fluctuation Reserve (Refer Schedule 1)	49,21,20,000	141,34,55,000
	vi. Farm Innovation & Promotion Fund (Refer Schedule 1)	36,08,782	-
2.	Profit available for Appropriation	929,36,25,221	1018,96,04,338
	Less: Transferred to:		
	i. Special Reserves u/s 36 (1) (viii) of IT Act, 1961	410,00,00,000	450,00,00,000
	ii. NRC (LTO) Fund	30,00,00,000	30,00,00,000
	iii. NRC (Stabilisation) Fund	10,00,00,000	10,00,00,000
	iv. Co-operative Development Fund	2,96,13,765	6,06,79,935
	v. Research and Development Fund	8,88,91,192	6,01,45,321
	vi. Foreign Currency Risk Fund	13,62,29,603	13,62,29,603
	vii. Reserve Fund	453,88,90,661	503,25,49,479
	Total	929,36,25,221	1018,96,04,338

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

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

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

SCHEDULES TO BALANCE SHEET

Schedule 1 - Reserve Fund and Other Reserves

(Rupees)

Sr. No.	Particulars	Opening Balance as on 01.04.2006	Additions/ adjustments during the year	Transferred From P&L Appropriation	Transferred to P&L Appropriation	Balance as on 31.03.2007
1.	Reserve Fund	3859,80,22,375	0	453,88,90,661	0	4313,69,13,036
2.	Research and Development Fund	50,00,00,000	0	8,88,91,192	8,88,91,192	50,00,00,000
3.	Capital Reserve	74,80,53,208	0	0	0	74,80,53,208
4.	Investment Fluctuation Reserve	96,42,75,000	0	0	49,21,20,000	47,21,55,000
5.	Co-operative Development Fund	75,00,00,000	0	2,96,13,765	2,96,13,765	75,00,00,000
6.	Soft Loan Assistance Fund for Margin Money	10,00,00,000	0	0	0	10,00,00,000
7.	Agriculture & Rural Enterprise Incubation Fund	5,00,00,000	0	0	0	5,00,00,000
8.	Foreign Currency Risk Fund	133,43,74,333	0	13,62,29,603	0	147,06,03,936
9.	Special Reserves Created & Maintained u/s 36(1)(viii) of Income Tax Act, 1961	2665,00,00,000	0	410,00,00,000	0	3075,00,00,000
10.	Farm Innovation & Promotion Fund	5,00,00,000	0	0	36,08,782	4,63,91,218
	Total	6974,47,24,916	0	889,36,25,221	61,42,33,739	7802,41,16,398
	Previous year	6148,94,00,834	0	978,96,04,338	153,42,80,256	6974,47,24,916

Schedule 2 - National Rural Credit Funds

(Rupees)

Sr. No.	Particulars	Opening Balance as on 01.04.2006	Contribution by RBI	Transferred from P&L Appropriation	Balance as on 31.03.2007
1.	NRC (Long Term Operations) Fund	13183,00,00,000	1,00,00,000	30,00,00,000	13214,00,00,000
2.	NRC (Stabilisation) Fund	1522,00,00,000	1,00,00,000	10,00,00,000	1533,00,00,000
	Total	14705,00,00,000	2,00,00,000	40,00,00,000	14747,00,00,000
	Previous year	14663,00,00,000	2,00,00,000	40,00,00,000	14705,00,00,000

Schedule 3 - Funds Out of Grants received from International Agencies

(Rupees)

Sr. No.	Particulars	Opening Balance as on 01.04.2006	Grants received/ adjusted during the year	Interest credited to the Fund	Exp./Disb./ adjust. during the year	Balance as on 31.03.2007
1.	National Bank - Swiss Development Coop. Project	47,75,64,774	5,51,07,826	0	0	53,26,72,600
2.	Rural Innovation Fund (Refer Note B-7 of Schedule 18)	133,33,03,452	0	7,08,81,235	15,19,49,544	125,22,35,143
3.	Rural Promotion Fund	78,96,472	2,47,84,234	0	0	3,26,80,706
4.	KfW-Fund for Watershed Development (Refer Note B-7 of Schedule 18)	4,71,29,224	0	15,43,605	4,71,29,224	15,43,605
5.	KfW - NABARD V Fund for Adivasi Programme	53,30,014	5,32,20,757	0	5,12,90,234	72,60,537
	Total	187,12,23,936	13,31,12,817	7,24,24,840	25,03,69,002	182,63,92,591
	Previous year	191,00,38,418	156,65,13,238	7,85,43,304	168,38,71,024	187,12,23,936

Schedule 4 - Gifts, Grants, Donations and Benefactions

(Rupees)

Sr. No.	Particulars	Opening Balance as on 01.04.2006	Grant received during the year	Interest Credited to the Fund	Adjusted against the expenditure	Closing Balance as on 31.03.2007
A.						
1.	KfW - NB - IX Adivasi Development Programme (Refer Note B-7 of Schedule 18)	89,93,059	9,31,91,341	1,85,057	9,78,01,594	45,67,863
2.	KfW-NB-Indo German Watershed Development Programme - Phase III - Maharashtra (Refer Note B-7 of Schedule 18)	2,12,479	4,23,32,686	11,53,835	31,86,497	4,05,12,503
3.	Indo German Watershed Development Programme - Andhra Pradesh (Refer Note B-7 of Schedule 18)	49,217	82,55,880	1,337	49,64,753	33,41,681
4.	Indo German Watershed Development Programme - Gujarat (Refer Note B-7 of Schedule 18)	0	36,90,877	1,06,478	13,82,628	24,14,727
5.	NABARD Grant for Fixed Assets under NB-SDC HID Project	14,87,766	0	0	6,57,520	8,30,246
B.						
1.	Capital Investment Subsidy for Cold Storage Projects	5,04,26,210	74,47,38,400	0	57,21,78,550	22,29,86,060
2.	Credit Linked Cap. Subsidy for Tech. Upgradation of SSIs	1,20,68,667	82,82,000	0	2,01,12,794	2,37,873
3.	Capital Investment Subsidy for Rural Godowns	42,09,87,501	59,30,11,482	0	67,51,47,352	33,88,51,631
4.	On-farm Water Management for Crop Production	4,77,35,506	0	0	3,97,05,590	80,29,916
5.	Million Shallow Tubewell Programme	40,17,48,979	100,00,00,000	0	-55,38,73,213	195,56,22,192
6.	Cattle Development Programme - Uttar Pradesh (Refer Note B-7 of Schedule 18)	1,90,04,412	0	9,27,823	1,03,95,000	95,37,235
7.	Cattle Development Programme - Bihar (Refer Note B-7 of Schedule 18)	2,08,70,349	0	10,15,413	1,15,50,000	1,03,35,762
8.	National Project on Organic Farming	7,24,16,040	1,00,00,000	0	1,98,29,393	6,25,86,647
9.	Integrated Watershed Development Programme-Rashtriya Sam Vikas Yojana	9,92,82,326	0	0	40,35,238	9,52,47,088
10.	Capital Investment Subsidy Scheme - Horticulture Development - Bihar	11,35,07,208	0	0	-32,02,289	11,67,09,497
11.	Rain Water Harvesting Scheme	0	6,95,81,100	0	3,53,36,730	3,42,44,370
12.	Kutch Drought Proofing Project	2,75,11,331	22,043	0	1,22,76,801	1,52,56,573
13.	Dairy and Poultry Venture Capital Fund	7,96,172	16,00,00,000	0	12,52,81,280	3,55,14,892
14.	Capital Subsidy for Agriculture Marketing Infrastructure, Grading and Standardisation	15,99,13,850	25,00,00,000	0	26,65,04,790	14,34,09,060
15.	Vidarbha Package	0	125,00,00,000	0	125,00,00,000	0
16.	Livelihood Advancement Business School - Sultanpur, UP (Refer Note B-7 of Schedule 18)	0	1,23,00,000	4,23,150	61,50,000	65,73,150
17.	Livelihood Advancement Business School-Rae- Bareli, UP (Refer Note B-7 of Schedule 18)	0	1,20,00,000	2,21,974	0	1,22,21,974
18.	Multi Activity Approach for Poverty Alleviation - Sultanpur, UP (Refer Note B-7 of Schedule 18)	0	3,93,24,000	16,97,996	67,71,662	3,42,50,334
19.	Multi Activity Approach for Poverty Alleviation - BAIF - Rae Bareli, UP (Refer Note B-7 of Schedule 18)	0	3,93,22,000	7,17,452	1,91,25,000	2,09,14,452
20.	Capital Subsidy Scheme - Agri Clinics Agri-Business Centres	0	3,00,00,000	0	0	3,00,00,000
21.	Interest Subvention Scheme to Poultry Units Affected for Avian Flu	0	2,18,18,877	0	1,79,72,163	38,46,714
C. Revival Package of Short-Term Co-operative Credit Structure						
1.	Cost of Special Audit	0	40,00,00,000	0	2,32,48,833	37,67,51,167
2.	Recapitalisation Assistance to Credit Co-operative Societies	0	300,00,00,000	0	0	300,00,00,000
3.	Technical Assistance	0	15,00,00,000	0	0	15,00,00,000
4.	Human Resources Development	0	25,00,00,000	0	26,17,037	24,73,82,963
5.	Implementation Cost	0	20,00,00,000	0	6,40,27,792	13,59,72,208
Total		145,70,11,072	838,78,70,686	64,50,515	273,31,83,495	711,81,48,778
Previous year		104,58,38,888	349,67,28,768	40,95,461	308,96,52,045	145,70,11,072

D.		As on 31.03.2007	As on 31.03.2006
Grants to RRBs/SCBs/SLDBs under ARDR Scheme, 1990		2695,37,95,937	2695,37,95,937
Less : Grants Released to RRBs/SCBs/SLDBs under ARDR Scheme, 1990		2695,37,95,937	2695,37,95,937
		0	0

Schedule 5 - Other Funds

(Rupees)

Sr. No.	Particulars	Opening Balance as on 01.04.2006	Additions/ Adjustments during the year	Transferred from P & L Appropriation	Interest Credited	Expenditure/ Disb.during the year	Transferred to P&L Appropriation	Balance as on 31.03.2007
1.	Watershed Development Fund (Refer Note B-7 of Schedule 18)	578,95,07,776	0	0	34,11,83,958	5,15,54,239	5,15,54,239	602,75,83,256
2.	Micro Finance Development and Equity Fund (Refer Note B-7 of Schedule 18)	135,22,87,258	0	0	7,83,42,299	4,71,26,445	6,36,02,984	131,99,00,128
3.	Interest Differential Fund - (Forex Risk)	88,27,08,354	14,94,55,856	0	0	0	0	103,21,64,210
4.	Interest Differential Fund - (Tawa) (Refer Note B-1 of Schedule 18)	5,58,01,980	6,76,791	0	0	0	0	5,64,78,771
5.	Medical Assistance Fund (Refer Note B-5 of Schedule 18)	0	8,26,889	0	68,419	2,19,766	0	6,75,542
6.	Adivasi Development Fund	2,80,00,680	1,59,22,247	0	0	0	0	4,39,22,927
7.	Tribal Development Fund	49,39,40,792	220,09,25,423	0	0	5,26,98,800	0	264,21,67,415
	Total	860,22,46,840	236,78,07,206	0	41,95,94,676	15,15,99,250	11,51,57,223	1112,28,92,249
	Previous year	698,61,23,731	148,92,93,211	0	29,74,26,672	8,78,72,131	8,27,24,643	860,22,46,840

Schedule 6 - Deposits

(Rupees)

Sr. No.	Particulars	Balance as on 31.03.2007	Balance as on 31.03.2006
1.	Central Government	0	17,26,000
2.	State Governments	77,43,350	78,22,550
3.	Tea/Rubber/Coffee Deposits	81,38,40,373	76,39,44,170
4.	Commercial Banks (Deposits under RIDF)	20154,69,95,783	13974,36,93,283
	Total	20236,85,79,506	14051,71,86,003

Schedule 7 - Bonds and Debentures

(Rupees)

Sr. No.	Particulars	Balance as on 31.03.2007	Balance as on 31.03.2006
1.	SLR Bonds	592,84,11,000	708,80,11,000
2.	Tax Free Bonds	1000,00,00,000	1000,00,00,000
3.	Priority Sector Taxable Bonds	5150,50,00,000	5605,50,00,000
4.	Non-Priority Sector Bonds	13953,80,00,000	4334,00,00,000
5.	Capital Gains Bonds	8190,76,70,000	9164,65,80,000
6.	Bhavishya Nirman Bonds	3,98,94,750	0
	Total	28891,89,75,750	20812,95,91,000

Schedule 8 - Borrowings

(Rupees)

Sr. No.	Particulars	Balance as on 31.03.2007	Balance as on 31.03.2006
1.	From Central Government	382,00,48,949	399,83,07,833
2.	From RBI under General Line of Credit	0	2997,95,20,000
3.	From Others :		
	(a) In India		
	From Commercial Banks	2500,00,00,000	2500,00,00,000
	(b) Outside India		
	From International Agencies	289,69,35,880	294,41,60,177
	Total	3171,69,84,829	6192,19,88,010

Schedule 9 - Current Liabilities and Provisions

(Rupees)

Sr. No.	Particulars	Balance as on 31.03.2007	Balance as on 31.03.2006
1.	Interest Accrued but not due on		
	(a) Loans from Central Government	19,82,76,567	20,23,56,503
	(b) Bonds	955,80,54,653	532,36,09,331
	(c) Tea/Rubber/Coffee Deposits	3,41,34,965	2,71,91,661
	(d) Deposits from Central and State Governments (SLA)	1,33,645	1,64,804
	(e) Borrowings from International Agencies	54,92,090	55,20,300
	(f) Deposits under RIDF	212,50,43,543	160,92,82,697
	(g) Commercial Bank Borrowings	21,17,808	41,08,219
	Sub - Total	1192,32,53,271	717,22,33,515
2.	Sundry Creditors	62,43,50,412	34,64,12,171
3.	Provision for Gratuity	195,07,34,007	164,32,55,000
4.	Provision for Pension (Refer Note B-8 of Schedule 18)	409,45,43,069	321,29,32,255
5.	Provision for Encashment of Ordinary Leave	72,87,86,145	58,57,44,000
6.	Unclaimed Interest on Bonds with RBI	18,31,586	18,31,586
7.	Unclaimed Interest on Bonds - Others	1,64,97,227	1,97,94,173
8.	Bonds matured but not claimed (Refer Note B-9 of Schedule 18)	8,66,60,000	24,55,00,000
9.	Provisions and Contingencies		
	(a) Amortisation of G.Sec	36,36,31,904	18,18,15,952
	(b) For Standard Assets	356,85,00,000	270,70,00,000
	(c) Depreciation in value of investments	2,02,20,000	33,09,83,991
	(d) Sacrifice in interest element of restructured Loans	25,51,00,000	31,08,00,000
	(e) Provision for Other Assets / Receivable	28,30,546	0
	Total	2363,69,38,167	1675,83,02,643

Schedule 10 - Cash and Bank Balances

(Rupees)

Sr. No.	Particulars	Balance as on 31.03.2007	Balance as on 31.03.2006
1.	Cash in hand	22,930	34,034
2.	Balance with Reserve Bank of India	77,61,79,667	103,66,96,888
3.	Balances with other Banks in India		
	(a) On Current Account	12,34,57,820	27,72,31,733
	(b) Deposits with Banks	6822,50,00,000	4095,00,00,000
4.	Remittances in Transit	98,23,52,467	69,41,77,028
	Total	7010,70,12,884	4295,81,39,683

Schedule 11 - Investments

(Rupees)

Sr. No.	Particulars	Balance as on 31.03.2007	Balance as on 31.03.2006
1.	Government Securities		
	Securities of Central Government	1438,04,79,151	2471,89,73,220
	Face Value Rs.1395,30,50,000		
	(Previous year - Rs.2229,21,30,000)		
	Market Value Rs.1423,54,00,587		
	(Previous year - Rs.2403,48,61,549)		
	(Refer Note B-4 of Schedule 18)		
2.	Other Approved Securities	0	0
3.	Shares		
(a)	ADFC - Equity	15,60,00,000	15,60,00,000
	Face Value Rs.15,60,00,000		
	(Previous year - Rs.15,60,00,000)		
(b)	AFC - Equity	1,00,00,000	1,00,00,000
	Face Value Rs.1,00,00,000		
	(Previous year - Rs.1,00,00,000)		
(c)	SIDBI-Equity	48,00,00,000	48,00,00,000
	Face Value Rs.16,00,00,000		
	(Previous year - Rs.16,00,00,000)		
(d)	AICI LTD.	60,00,00,000	60,00,00,000
	Face Value Rs.60,00,00,000		
	(Previous year - Rs.60,00,00,000)		
(e)	NABCONS Pvt. Ltd.	5,00,00,000	5,00,00,000
	Face Value Rs.5,00,00,000		
	(Previous year - Rs.5,00,00,000)		
(f)	NCDEX Ltd.	4,50,00,000	4,50,00,000
	Face Value Rs.4,50,00,000		
	(Previous year - Rs.4,50,00,000)		
(g)	Multi Commodity Exchange Ltd.	1,25,00,000	1,25,00,000
	Face Value Rs.1,25,00,000		
	(Previous year - Rs.1,25,00,000)		
4.	Others		
(a)	Mutual Funds	500,00,00,000	450,38,05,641
	Face Value Rs.500,00,00,000		
	(Previous year - Rs.450,00,00,000)		
(b)	BVF-APIDC-V Investment	3,00,00,000	2,00,00,000
(c)	Collateralised Borrowing and Lending Obligations	304,23,80,601	0
(d)	Bills Rediscounted	0	216,53,14,794
Total		2380,63,59,752	3276,15,93,655

Schedule 12 - Advances

(Rupees)

Sr. No.	Particulars	Balance as on 31.03.2007	Balance as on 31.03.2006
1.	Refinance Loans		
(a)	Production & Marketing Credit	14650,66,09,349	9421,15,12,200
(b)	NABARD Line of Credit	106,90,00,000	196,20,00,000
(c)	Conversion Loans for Production Credit	181,48,44,100	267,02,04,200
(d)	Medium Term Investment Credit- Non-Project loans	19,20,000	83,20,000
(e)	Liquidity Support	2490,59,90,000	2491,79,90,000
(f)	Other Investment Credit :		
i.	Medium Term and Long Term Project Loans (Refer Note B-13 of Schedule 18)	31682,46,00,425	30156,51,18,634
ii.	Long Term Non-Project Loans	335,13,94,411	387,48,60,498
iii.	Interim Finance	0	90,00,000
2.	Direct Loans		
(a)	Loans under Rural Infrastructure Development Fund	20004,83,05,133	15142,41,48,024
(b)	Other Loans:		
i.	Co-operative Development Fund	65,44,466	1,11,47,598
ii.	Micro Finance Development and Equity Fund	5,84,85,250	8,57,50,000
iii.	Watershed Development Fund	6,69,77,950	5,00,38,150
(c)	Co-Finance Loans	42,43,04,590	8,93,07,418
Total		69507,89,75,674	58087,93,96,722

Schedule 13 - Fixed Assets

(Rupees)

Sr. No.	Particulars	Balance as on 31.03.2007	Balance as on 31.03.2006
1.	LAND : Freehold & Leasehold (Refer Note B- 12 of Schedule 18)		
	Opening Balance a/c - Land (for the year)	118,01,17,213	117,63,91,682
	Additions/adjustments during the year	41,92,758	37,25,531
	Closing Balance (at cost)	118,43,09,971	118,01,17,213
	Less: Amortization of Lease Premia	27,64,43,124	25,10,63,713
	Book Value	90,78,66,847	92,90,53,500
2.	PREMISES : (Refer Note B- 12 of Schedule 18)		
	Opening Balance a/c - Premises (for the year)	219,41,01,904	216,50,78,981
	Additions/adjustments during the year	25,17,58,782	2,90,22,923
	Closing Balance (at cost)	244,58,60,686	219,41,01,904
	Less: Depreciation to date	115,10,02,648	105,03,95,207
	Book Value	129,48,58,038	114,37,06,697
3.	FURNITURE & FIXTURES		
	Opening Balance a/c - Furniture & Fixture (for the year)	55,02,01,497	52,08,92,637
	Additions/adjustments during the year	3,12,93,109	4,15,63,227
	Sub-Total	58,14,94,606	56,24,55,864
	Less: Cost of assets sold/written off	1,24,04,353	1,22,54,367
	Closing Balance (at cost)	56,90,90,253	55,02,01,497
	Less: Depreciation to date	48,99,49,909	46,49,71,459
	Book Value	7,91,40,344	8,52,30,038
4.	COMPUTER INSTALLATIONS & OFFICE EQUIPMENTS		
	Opening Balance a/c - CIOE (for the year)	61,19,88,662	57,96,67,344
	Additions/adjustments during the year	5,40,00,453	5,07,93,134
	Sub-Total	66,59,89,115	63,04,60,478
	Less: Cost of assets sold/written off	3,36,56,137	1,84,71,816
	Closing Balance (at cost)	63,23,32,978	61,19,88,662
	Less: Depreciation to date	54,84,53,125	52,35,86,535
	Book Value	8,38,79,853	8,84,02,127
5.	VEHICLES		
	Opening Balance a/c - Vehicles (for the year)	2,34,67,190	2,55,91,736
	Additions/adjustments during the year	2,51,94,335	22,32,106
	Sub-Total	4,86,61,525	2,78,23,842
	Less: Cost of assets sold/written off	94,60,281	43,56,652
	Closing Balance (at cost)	3,92,01,244	2,34,67,190
	Less: Depreciation to date	1,80,72,485	1,78,28,887
	Book Value	2,11,28,759	56,38,303
	Total	238,68,73,841	225,20,30,665

Schedule 14 - Other Assets

(Rupees)

Sr. No.	Particulars	Balance as on 31.03.2007	Balance as on 31.03.2006
1.	Accrued Interest	1527,63,51,104	1141,12,54,737
2.	Deposits with Landlords	1,00,78,020	1,17,32,370
3.	Deposits with Government Departments and Other Institutions	1,97,71,966	2,45,24,630
4.	Housing loan to staff	88,82,20,879	81,80,46,741
5.	Other Advances to staff	52,91,17,299	53,28,80,641
6.	Advances to Landlords	15,410	1,03,025
7.	Advance for Construction/Purchase of Staff Quarters & Office Premises	32,20,81,242	28,87,87,188
8.	Sundry Advances	25,46,75,770	26,91,42,791
9.	Advance Tax (Net of Provision for Income Tax)	87,80,45,744	152,24,05,729
10.	Deferred Tax Assets (Refer Note B-10 of Schedule 18)	263,34,00,000	225,17,00,000
11.	Expenditure recoverable from Government of India/International Agencies.	1,20,48,683	5,74,52,829
12.	Discount Receivable	0	1,30,83,014
	Total	2082,38,06,117	1720,11,13,695

Schedule 15 - Interest and Financial Charges

(Rupees)

Sr. No.	Particulars	Balance as on 31.03.2007	Balance as on 31.03.2006
1.	Interest Paid on		
i.	Loans from Central Government	28,15,97,902	28,85,21,779
ii.	Borrowings from Reserve Bank of India	95,54,79,433	175,39,12,774
iii.	Bonds	1534,84,81,549	1017,37,41,165
iv.	Special Loan Deposits from Central and State Governments	6,49,908	13,24,296
v.	Tea /Coffee/Rubber Deposits	4,32,76,102	3,41,25,547
vi.	Gratuity & Medical Fund	12,75,93,425	11,47,72,737
vii.	Borrowings from International Agencies	20,52,63,166	20,65,94,819
viii.	Deposits under RIDF	968,60,78,211	692,93,84,890
ix.	Rural Promotion Corpus Fund	0	1,85,42,120
x.	Credit and Financial Services Fund	0	2,00,14,102
xi.	Cattle Development Programme (UP & Bihar)	19,43,236	29,91,441
xii.	Watershed Development Fund	34,11,83,958	25,29,48,359
xiii.	Micro-Finance Development and Equity Fund	7,83,42,299	4,44,78,313
xiv.	Indo German Watershed Development Programme - Andhra Pradesh	1,337	43,299
xv.	KfW-NB Indo German Watershed Development Programme - Phase III - Maharashtra	11,53,835	7,62,854
xvi.	KfW - NB - IX Adivasi Development Programme	1,85,057	2,97,867
xvii.	KfW Fund for Watershed Development (IGWDP)	15,43,604	11,53,001
xviii.	Indo German Watershed Development Programme - Gujarat	1,06,478	0
xix.	Corporate Borrowings from Banks and FIs in India	169,00,08,018	193,55,24,374
xx.	Rural Innovation Fund	7,08,81,235	3,88,34,081
xxi.	Livelihood Advancement Business School RF Project - Sultanpur, UP	4,23,150	0
xxii.	Multi Activity Approach for Poverty Alleviation BAIF Project - Sultanpur, UP	16,97,996	0
xxiii.	Deposits / Borrowings	37,20,121	0
xxiv.	Livelihood Advancement Business School RF Project- Rae Bareli, UP	2,21,974	0
xxv.	Multi Activity Approach for Poverty Alleviation BAIF Project - Rae Bareli, UP	7,17,452	0
2.	Discount on Collateralised Borrowing and Lending Obligations	66,29,285	0
3.	Swap Charges	3,32,55,072	3,37,02,553
4.	Discount, Brokerage, Commission & issue exp. on Bonds and Securities	5,32,89,247	8,87,91,978
5.	Repo Interest Expenditure	0	2,31,06,636
	Total	2893,37,23,050	2196,35,68,985

Schedule 16 - Establishment and Other Expenses

(Rupees)

Sr. No.	Particulars	Balance as on 31.03.2007	Balance as 31.03.2006
1.	Salaries and Allowances	319,29,90,817	184,48,10,670
2.	Contribution to Staff Superannuation Funds	151,36,16,340	95,78,83,568
3.	Travelling & Other allowances in connection with Directors' & Committee Members' Meetings	8,44,879	10,00,918
4.	Directors' & Committee Members' Fees	50,000	2,500
5.	Rent, Rates, Insurance, Lighting, etc.	17,51,75,766	17,38,37,963
6.	Travelling Expenses	16,22,41,014	17,13,74,535
7.	Printing & Stationery	2,44,63,263	2,61,66,131
8.	Postage, Telegrams & Telephones	6,56,82,409	5,66,78,077
9.	Repairs	3,83,38,993	2,88,24,941
10.	Auditors' Fees	7,34,053	7,09,414
11.	Legal Charges	14,17,696	14,18,954
12.	Service Tax Paid	64,962	0
13.	Miscellaneous Expenses	35,84,33,218	33,52,64,172
14.	Expenditure on Misc. Assets	84,54,828	91,02,168
15.	Expenditure on Study & Training [Including Rs.5,13,91,525 (Rs.3,50,43,730) pertaining to establishment expenses of Regional Training Colleges.]	20,23,63,077	18,72,05,612
16.	Expenditure on promotional activities under		
	i. Co-operative Development Fund	2,96,13,765	6,06,79,935
	ii. Micro-Finance Development and Equity Fund	6,36,02,984	4,49,26,381
	iii. Watershed Development Fund	5,15,54,239	3,77,98,262
	iv. Farm Innovation and Promotion Fund	36,08,782	0
17.	Wealth Tax	1,20,16,997	58,98,058
	Total	590,52,68,082	394,35,82,259

Note : Expenditure on Salary and Allowances & Contribution to Superannuation Fund during 2006-07 includes Rs.120.82 crore, being Salaries and Bank's Contribution to PF pertaining to period from 01.11.2002 to 31.03.2006.

Schedule 17- Commitments and Contingent Liabilities

(Rupees)

Sr. No.	Particulars	As on 31.03.2007	As on 31.03.2006
1.	Commitments on account of capital contracts remaining to be executed	8,21,00,000	9,45,60,000
2.	Contingent Liabilities		
	(i) Disputed claims for additional payments towards construction of premises	18,87,64,000	27,30,85,000
	(ii) Income tax matters in appeal	39,90,00,000	39,90,00,000

Schedule -18

A. Significant Accounting Policies

1. General

The accounts are prepared on the historical cost convention and comply in all material aspects with applicable accounting standards issued by the Institute of Chartered Accountants of India.

2. Income and expenditure

2.1. Income and expenditure are accounted on accrual basis except the following, which are accounted on cash basis:

- (i) Interest on non-performing assets identified as per RBI guidelines.
- (ii) Income by way of penal interest charged due to delayed receipt of loan dues or non-compliance with terms of loan.
- (iii) Service Charges on loans given out of Agriculture and Rural Enterprises Incubation Fund (AREIF) and KfW-NABARD V Fund for Adivasi Programme.
- (iv) Expenses not exceeding Rs.10,000/- at each accounting unit under a single head of expenditure.

2.2 Issue expenses relating to floatation of bonds are recognised as expenditure in the year of issue of Bonds.

2.3 Dividend incomes on investments are accounted for when the right to receive the dividend is established.

3. Fixed Assets and Depreciation

3.1. Fixed assets are stated at cost of acquisition less accumulated depreciation and impairment losses. The cost of assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Subsequent expenditure incurred on the existing assets is capitalised only when it increases the future benefit from the existing assets beyond its previously assessed level of performance.

3.2. Expenditure incurred on assets purchased for the office, which are costing upto Rs.5000/- per unit is charged to Profit and Loss Account.

3.3 Land includes free hold and leasehold land.

3.4 Premises include value of land where segregated values are not readily available.

3.5 Depreciation on premises situated on free hold land is charged on written down value basis.

3.6 Depreciation on premises situated on leasehold land is computed and charged at higher of 5% on written down value basis or the amount derived by amortising the premium / cost over the remaining lease period of the land on straight-line basis.

3.7 Depreciation is charged at the prescribed rates, for the full year irrespective of the date of purchase of the asset and no depreciation is charged for the assets sold during the year.

3.8 Depreciation on fixed assets is charged on Straight Line Method except for premises situated on freehold and leasehold land.

4. Intangible Assets and Amortisation

4.1 Intangible assets are recognized as per the criteria specified in Accounting Standard (AS) 26 "Intangible Assets" issued by the Institute of Chartered Accountants of India.

4.2 Amortisation of lease premium paid on leasehold land is computed and charged at higher of 5% on written down value basis or the amount derived by amortising the premium / cost over the remaining lease period of the land on straight-line basis.

5. Investments

5.1 In accordance with the Reserve Bank of India guidelines, Investments are classified into "Held for Trading", "Available for Sale" and "Held to Maturity" categories (hereinafter called "categories"). Under each of these categories, investments are further classified as (i) Government securities (ii) other approved securities (iii) shares and iv) others.

5.2 Basis of Classification:

Securities that are held principally for resale within 90 days from the date of purchase are classified as "Held for Trading". Investments that the Bank intends to hold till maturity are classified as "Held to Maturity". Securities which are

not to be classified in the above categories, are classified as "Available for Sale".

5.3 Investments categorized under "Held to Maturity" are carried at cost and provision for depreciation/ diminution/ amortisation, if any, in value of investments is included under Current Liabilities and Provisions.

5.4 The investments under 'Available for Sale' and 'Held for Trading' are marked to market at prescribed intervals. While only net depreciation, if any, is provided for investments in the category classified as "Available for Sale", depreciation or appreciation is recognised in the category for investments classified as "Held for Trading".

5.5 The provision for diminution, other than temporary, in the value of investments in subsidiaries under the category "Held to maturity" is made, wherever necessary.

5.6 Brokerage, commission, etc. paid at the time of acquisition, are charged to revenue.

5.7 Broken period interest on debt investment is treated as a revenue item.

5.8 Transfer of security between categories:
The transfer of a security between these categories is accounted for at the acquisition cost/book value/market value on the date of transfer, whichever is the least, and the depreciation, if any, on such transfer is fully provided for.

6. Advances and Provisions thereon

6.1 Advances are classified as per RBI guidelines. Provision for non-performing assets is made in respect of identified advances based on a periodic review and in conformity with the provisioning norms prescribed by RBI.

6.2 In case of restructuring / rescheduling of advances, the difference between the present value of the future interest as per the original agreement and the present value of the future interest as per the revised agreement is provided for at the time of restructuring / rescheduling.

7. Foreign Currency Transactions

7.1 Foreign currency borrowings, which are covered by hedging agreements, are stated at the contract price.

7.2 Profit/loss on cancellation of or renewal of currency

SWAP agreement is accounted for on the final settlement of agreement.

8. Retirement Benefits

8.1 The Bank has a Provident Fund Scheme managed by RBI. Contributions to the Fund are made on actual basis.

8.2 Provision for gratuity is made based on actuarial valuation, in respect of all employees including employees transferred from RBI. The amount of gratuity due from RBI, in respect of employees transferred from RBI, is accounted on cash basis.

8.3 Provision for Pension is made based on actuarial valuation.

8.4 The amounts representing employer's contribution to Provident Fund relating to the pension optees (which is now part of Pension Fund) are maintained with RBI.

8.5 Provision for Encashment of Ordinary Leave is made on the basis of actuarial valuation.

9. Taxes on Income

9.1 Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of Income Tax Act 1961 and based on expected outcome of assessments/ appeals.

9.2 Deferred tax is recognized, on timing difference, being the difference between the taxable income and accounting income for the year and quantified using the tax rates and laws enacted or substantially enacted as on Balance Sheet date.

9.3 Deferred tax assets relating to unabsorbed depreciation/ business losses are recognised and carried forward to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

9.4 Other deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

10. Policy on Segment Reporting

10.1 Segment revenue includes interest and other income directly identifiable with/ allocable to the segment.

10.2 Expenses that are directly identifiable with / allocable to segments are considered for determining the segment result. The expenses which relate to the Bank as a whole and not allocable to segments are included under "Other unallocable Expenditure".

10.3 Income which relates to Bank as a whole and not allocable to segments is included under "Other unallocable bank income".

10.4 Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable assets and liabilities include those that relate to the Bank as a whole and not allocable to any segment.

11. Impairment of Assets

11.1 As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

- a. the provision for impairment loss, if any required; or
- b. the reversal, if any, required for impairment loss recognised in the previous periods.

11.2 Impairment loss is recognised when the carrying amount of an asset exceeds recoverable amount.

12. Provisions, Contingent Liabilities and Contingent Assets

12.1 Provisions are recognised for liabilities that can be measured only by using substantial degree of estimation if:

- a. the Bank has a present obligation as a result of a past event;
- b. a probable outflow of resources is expected to settle the obligation; and
- c. the amount of the obligation can be reliably estimated.

12.2 Reimbursement, expected in respect of expenditure, which require a provision, is recognised only when it is virtually certain that the reimbursement will be received except the amounts due from RBI for gratuity provision for staff transferred from RBI, which are accounted on cash basis.

12.3 Contingent liability is disclosed in the case of:

- a. a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation,

- b. a present obligation when no reliable estimate is possible and.
- c. a possible obligation arising from past events where the probability of outflow of resources is not remote.

12.4 Contingent Assets are neither recognised nor disclosed.

12.5 Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

B. Notes forming part of the Accounts

1. In terms of TAWA Command Area Development Project Agreement, interest chargeable by the Government of India on loans to the Bank at 6.5% per annum has been accounted to the extent of 4.5% by credit to the "Interest Differential Fund" to be utilised for certain specified purposes and the balance of 2% has been paid to Government of India.

2. An amount of Rs.37.40 crores representing the Interest Subvention received from Government of India for providing assistance under Liquidity Support to SCBs / RRBs has been included in the Interest Received - Non- Sch. Loans & Advances of the bank.

3. Interest received on loans and advances includes an amount of Rs.283.02 crores received / receivable from GoI towards Interest subvention on concessional refinance provided to RRBs and Co-operatives for financing Seasonal Agricultural Operations.

4. The total investments under "Held to Maturity" category are 52.6% as on 31.03.2007. These Investments include Government securities of the face value of Rs. 10 crores (Book Value Rs.11.194 crores) pledged/held with CCIL as collateral holding for business segment (securities) and Securities of the face value of Rs.830 crores (book value Rs.912.34 crores) pledged / held with CCIL as collateral holding for Business Segment (CBLO).

5. 'Medical Assistance Fund' scheme has been modified with effect from 31.03.2006. Under the revised procedure, the expenditure eligible under the scheme is treated as revenue expenditure and the contribution received is treated as income for the bank. The earlier MAF scheme continues to be in operation only in respect of retired employees.

6. In accordance with the Memorandum Of Understanding entered into with the Swiss Agency for Development Cooperation, the repayments of

loan, service charges and other receipts made out of Rural Innovation Fund (RIF) are being credited to the Rural Promotion Fund (RPF).

7. Interest @ 6.00% per annum for the year on unutilised balances of RIF, KfW fund for Watershed Development, KfW-NB-IGWDP - (Andhra Pradesh & Gujarat), KfW-NB-IX Adivasi Development Programme, Cattle Development Programme (Uttar Pradesh & Bihar), LAB's Revolving Fund (Sultanpur & Rae Bareli) and MAFA BAIF - (Sultanpur and Rae Bareli) has been credited to the respective funds based on the respective agreements. Interest @ 6.31% per annum for the year on unutilised balance of Micro Finance Development and Equity Fund (MFDEF) has been credited to the fund.

8. The Bank has not received the confirmation of balance of Provident Fund Account as on 31.03.2007 maintained with RBI. Pending receipt of such confirmation, provision for pension is made after considering the balance of PF maintained with RBI as per the books of the Bank.

9. The SLR Bonds issued by the Bank were serviced/ managed earlier by RBI. From 1st October 2003, the servicing of these bonds was taken over by the Bank. The outstanding balance payable on account of 'bonds matured but not claimed' and unclaimed interest has been shown net of payments since made by the Bank from 1st Oct 2003 onwards.

10. The Bank has, during the year, in accordance with Accounting Standard 22 "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, recognized in the Profit and Loss account the difference of Rs.38.17 crores between net deferred tax assets of Rs.263.34 crores as at 31st March, 2007 and net deferred tax assets of Rs.225.17 crores as at 31st March, 2006.

Deferred tax assets / liabilities are on account of the following timing difference:

(Rs. crore)

Sr. No.	Deferred Tax Assets	31 March 2007	31 March 2006
1.	Provision for Retirement Benefits made in the books but allowable for tax purposes on payment basis	230.25	183.18
2.	Depreciation on Fixed Assets	24.85	25.58
3.	Broken period interest on Gov securities in stock	0	12.33
4.	Amortisation of G. Sec	8.24	4.08
	Total	263.34	225.17

11. Provision for Income Tax on account of special reserve created u/s 36(1)(viii) of the Income Tax Act, 1961, is not considered necessary as the Bank has decided not to withdraw the said reserve.

12. 'Land' and 'Premises' includes Rs.37.33 crores (Rs.41.14 crores) paid towards Office Premises and Staff Quarters for which conveyance is yet to be completed.

13. The Bank has subscribed to debentures issued by various State Land Development Banks/State Co-operative Agriculture & Rural Development Banks, which are included under "Advances - Other Investment Credit - Medium-Term and Long-Term Project Loans". The value of Allotment Letters/ Debenture Scrips, yet to be received, as on date, aggregates to Rs.4.99 crore (Rs.114.65 crore).

14. Depreciation charged in Profit & Loss Account is net of SDC's share of depreciation amounting to Rs.0.0657 crores (Rs.0.09 crores) on assets purchased under SDC- HID project.

15. In the opinion of the Bank's management, there is no impairment to the assets to which Accounting Standard 28 - "Impairment of Assets" applies requiring any provision.

16. The movement in Contingent Liability as required in AS 29 is as under:

(Rs. crore)

Particulars	2006-07	2005-06
Opening Balance	67.21	83.53
Provided during the year	0.00	17.50
Reversed during the year	8.43	33.82
Closing Balance	58.78	67.21

17. Prior period items included in the profit and loss account are as follows:

(Rs. crore)

Sr. No.	Particulars	2006-07	2005-06
1.	Depreciation	0.054	0.52
2.	Other Expenses	0.135	0.00

18. Capital adequacy ratio of the Bank as on 31.03.2007 is 26.97% as against a minimum of 9% as stipulated by RBI.

19. Previous year's figures have been regrouped/ recast wherever necessary.

20. The figures in brackets pertain to previous year.

21. The following additional information is disclosed in terms of RBI circular No.RBI/2006-07/4 (Ref.No.DBOD.FID.FIC.2/01.02.00/2006-07) dated 1 July 2006.

I. Capital

(a) Capital to Risk-weighted Assets Ratio (CRAR)

Particulars	(Per cent)	
	31 March 2007	31 March 2006
CRAR	26.97	34.44
Core CRAR	25.83	33.10
Supplementary CRAR	1.14	1.34

(b) Subordinated Debt

Particulars	(Rs. crore)	
	31 March 2007	31 March 2006
Amount of subordinated debt raised and outstanding	Nil	Nil

(c) Risk weighted assets

Particulars	(Rs. crore)	
	31 March 2007	31 March 2006
On - Balance Sheet Items	35,457.59	27,279.12
Off - Balance Sheet Items	78.10	67.21

(d) Pattern of Capital contribution as on the date of the balance sheet

Contributor	(Rs. crore)	
	31 March 2007	31 March 2006
Reserve Bank of India	1,450	1,450
Government of India	550	550
Total	2,000	2,000

II. Asset quality and credit concentration

(a) Net NPA position:

Particulars	31 March 2007	31 March 2006
Percentage of Net NPAs to Net Loans & Advances	0.0330297	0.000000

(b) Asset classification

Classification	2006-07		2005-06	
	Amount	(%)	Amount	(%)
Standard	69,484.94	99.967	58,087.94	100.00
Sub-standard	18.42	0.027	0.00	0.00
Doubtful	4.54	0.006	0.00	0.00
Loss	0.00	0.00	0.00	0.00
Total	69,507.90	100.00	58,087.94	100.00

(c) Provisions made during the year:

Provisions against	(Rs. crore)	
	2006-07	2005-06
Standard assets	86.15	70.70
Non Performing Assets	3.07	0.00
Investments	(31.08)	32.09
Income Tax (including Fringe Benefit Tax)	351.70	328.20
Total	409.84	430.99

(d) Movement in Net NPAs (Including Staff Advances):

Particulars	(Rs. crore)	
	2006-07	2005-06
A. Net NPAs as at beginning of the year	0.14	0.24
B. Add: Additions during the year	22.95	0.00
C. Sub-total (A+B)	23.09	0.24
D. Less: Reductions during the year	0.09	0.10
E. Net NPAs as at the end of the year (C-D)	23.00	0.14

II (e) Issuer categories in respect of investments made

Sr. No.	Issuer	Amount	Amount of			
			Investment made through private placement	'Below investment grade' Securities held	'Unrated' Securities held	'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	60.00	60.00	-	-	60.00
2	FIs	48.00	48.00	-	-	48.00
3	Banks	-	-	-	-	-
4	Private corporates	-	-	-	-	-
5	Subsidiaries/ Joint ventures	20.60	20.60	-	20.60	20.60
6	Others	509.75	509.75	-	-	9.75
7	Provision held towards depreciation #	2.02	-	-	-	-
	Total	638.35	638.35	0.00	20.60	138.35

: Only aggregate amount of provision held to be disclosed in column 3.

(f) Non performing investments : NIL

(g) **Disclosure on Repo transactions:**

(Rs. crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding as on 31 March 2007
Securities sold under Repo	0.00	0.00	0.00	0.00
Securities purchased under reverse Repo	206.55	245.65	2.37	0.00

(h) **Credit exposure as percentage to Capital Funds and as percentage to Total Assets**

Category	2006-07		2005-06	
	Credit Exposure (as % to)			
	Capital Funds	Total Assets	Capital Funds	Total Assets
I. Largest Single Borrower	36.25	4.28	36.70	5.11
II. Largest Borrower Group	NA	NA	NA	NA
III. Ten Largest Single Borrowers for the year				
1. Andhra Pradesh Co-operative Bank	36.25	4.28	36.70	5.11
2. Maharashtra State Co-operative Bank	31.01	3.66	15.93	1.99
3. UP State Land Development Bank	28.78	3.40	31.01	4.32
4. Gujarat State Government	26.91	3.18	18.31	2.55
5. Andhra Pradesh State Government	24.56	2.90	17.91	2.50
6. State Bank of India	21.99	2.60	24.60	3.43
7. Punjab State Co-Op Bank	21.90	2.58	29.02	4.04
8. Haryana State Co-Op Bank	21.13	2.49	17.68	2.22
9. Punjab State Land Development Bank	18.99	2.24	19.31	2.69
10. Haryana State Land Development Bank	18.68	2.20	19.66	2.74
IV. Ten Largest Borrower Groups	NA	NA	NA	NA

NA: Not applicable

(i) **Credit exposure to the five largest industrial sectors as percentage to total loan assets:** Not Applicable

III. Liquidity:

(a) **Maturity pattern of rupee assets and liabilities:**

(Rs. crore)

Sr. No.	Item	Less than or equal to 1 year	More than 1 year upto 3 years	More than 3 years upto 5 years	More than 5 years upto 7 years	More than 7 years	Total #
1.	Rupee assets	33,529.02 (22,750.18)	20,634.71 (18,214.06)	13,793.73 (12,241.98)	8,648.59 (8,260.35)	4,254.12 (5,866.14)	80,860.18 (67,332.71)
2.	Rupee liabilities	16,440.75 (8,312.19)	16,748.27 (22,200.01)	8,768.93 (5,944.65)	7,053.42 (3,089.60)	31,559.12 (27,491.84)	80,570.49 (67,038.29)

: In terms of RBI instructions, provisions towards Standard Assets and also the provision against depreciation in the value of investment in shares of subsidiaries, that are reflected as Liabilities in the Balance Sheet, have been reduced in the aforesaid table from the Assets.

(b) **Maturity pattern of foreign currency assets and liabilities:**

(Rs. crore)

Sr. No.	Item	Less than or equal to 1 year	More than 1 year upto 3 years	More than 3 years upto 5 years	More than 5 years upto 7 years	More than 7 years	Total
1.	Foreign Currency Assets	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
2.	Foreign currency liabilities	6.88 (4.73)	19.69 (16.73)	19.69 (19.69)	19.69 (19.69)	223.73 (233.58)	289.69 (294.42)

IV. Operating results:

Sr. No.	Particulars	For the year ended	
		31.3.07	31.3.06
1.	Interest income as a percentage to average working funds	6.84	6.28
2.	Non interest income as a percentage to average working funds	-0.15	-0.14
3.	Operating profit as a percentage to average working funds	1.75	2.06
4.	Return on average Assets (%)	1.58	1.83
5.	Net Profit per Employee (Rs. crore)	0.17	0.17

V. Movement in the provisions**a) Provision for Non Performing Assets**

(Rs. crore)

Particulars	2006-07	2005-06
a) Opening balance as at the beginning of the financial year	0.22	0.75
Add Provision made during the year	3.07	0.18
Less Write off, write back of excess provision	0.00	0.71
b) Closing balance at the close of the financial year	3.29	0.22

(b) Provision for depreciation in investments

(Rs. crore)

Particulars	2006-07	
A. Opening balance as at the beginning of the financial year		33.09 (103.89)
B. Add		
i) Provisions made during the year		
a. Provision for depreciation-ADFC-AP	0.34	
b. Provision for depreciation-ADFC - TN	0.07	
c. Provision for depreciation-APIDC-Bio Tech	0.43	0.84 (32.09)
ii) Appropriation, if any, from Investment Fluctuation Reserve Account during the year	0.00	(0.00)
C. Sub Total [A+B(i)+B(ii)]		33.93 (135.98)
D. Less		
i) Write off, Write Backs of excess provision	31.91	
ii) Transfer, if any, to Investment Fluctuation Reserve Account	0.00	
E. Closing balance as at the close of the financial year (C-D)	31.91 (102.89)	2.02 (33.09)

VI. Restructured accounts

In Financial Year 2005-06, interest on refinance loan assets aggregating Rs.201.67 crores was restructured. The interest sacrifice element of these restructured loans was Rs.31.08 crores. As the restructuring has to be done at each Balance Sheet date the interest element has come down to Rs.25.51 crores. Thus Rs.5.57 crores had to be written back in the current year.

VII. Assets sold to securitisation company/reconstruction company : NIL**VIII. Disclosure on risk exposure in derivatives**

Last year in 2005-06 the Bank entered into a 10 years Forward rate agreement/interest rate swap for an amount of Rs.200 crores. During the current year the above-

mentioned contract has been cancelled which has resulted in a profit of Rs.16,29,100.

The Bank does not trade in derivatives. However, it has hedged its liability towards borrowings from KfW, Germany to the extent of Euro 58.80 million and interest thereon for a period of 10 years. Consequent upon hedging of foreign currency borrowings the same is shown at contracted value as per the swap agreement.

The value of outstanding hedge contract at the year-end exchange rate stood at Rs.371.65 crores, consisting of Rs. 333.43 crores towards Euro Principal and Rs.38.22 crores towards interest liability. The value of outstanding liability in the books of account stood at contracted value, i.e., Rs.322.90 crores, consisting of Rs.289.69 crores towards Euro Principal and Rs.33.21 crores towards interest thereon.

IX. Related Party Transactions

(Rs. crore)

Name of the Party	Nature of Relationship	Nature of Transaction	Amt. of transaction during the year	Outstanding
Reserve Bank of India	Holding 72.50% of NABARD Capital	Borrowings (net of repayments)	-2,997.95	0.00
		Interest on Borrowings	(-929.30)	(2,997.95)
		Contribution Recd. in NRC Funds maintained by NABARD	95.55	
			(175.39)	
			(2.00)	
Government of India	Holding - 27.50% of NABARD Capital	Borrowings (net of repayments)	-18.00	382.00
		Interest on Borrowings	(-4.71)	(400.00)
		Guarantee Fee	28.22	19.83
			(28.89)	(20.24)
ADFT Chennai	Control 52.10% of share capital	Lending (net of repayment)	0.00	0.00
ABFL, Hyderabad	Control 47.82% of Share Capital held by NABARD	Lending (net of repayments)	(0.00)	(0.00)
		Interest on lending	0.00	0.00
KADFC, Bangalore	Control 82.41% of share capital	No transaction	0.00	0.00
NABARD Consultancy Services Pvt. Ltd.	Wholly Owned Subsidiary	Expenses incurred by NABARD	(0.00)	(0.00)
Dr. Y.S.P. Thorat	Key Management Personnel - Chairman	Remuneration including perquisites	-	2.29
Dr. K.G. Karmakar	Key Management Personnel - Managing Director	Remuneration including perquisites	0.07	-
			(0.19)*	
			0.07	-
			(0.08)*	

* Previous year figures pertain to incumbent in that year

X. Information on Business Segment

a) Brief Background:

Primary business segments recognised by the Bank are as under:

i) Direct Finance: Loans given to state governments for rural infrastructure development and loans given to voluntary agencies / non-governmental organisations for developmental activities are included in this segment.

ii) Refinance: Loans and Advances given to state

governments, Commercial Banks, Land Development Banks, State Co-operative Banks, Regional Rural Banks etc. as refinance against the loans disbursed by them to the ultimate borrowers.

iii) Treasury: The investment of funds under call money, treasury bills, short-term deposits, government securities, etc.

iv) Unallocated: This segment includes income from staff loans and other miscellaneous receipts and the expenditure

incurred for the developmental role of the bank and common administrative expenses.

RTC Bolpur, Nagaland, Sikkim, Assam, Manipur, Arunachal Pradesh and Meghalaya.

Secondary business segments identified geographically, cover the business at the following states:

i) South Zone: Karnataka, Kerala, Tamil Nadu, Andhra Pradesh and RTC, Mangalore.

ii) East Zone: Tripura, Mizoram, Orissa, West Bengal,

iii) North Zone: Madhya Pradesh, Haryana & Punjab, Bihar, New Delhi, Jharkand, Chhattisgarh, Himachal Pradesh, Uttar Pradesh, NBSC Lucknow, Jammu & Kashmir, Rajasthan and Uttarakhand.

iv) West Zone: Gujarat, Goa, Maharashtra and Head Office, Mumbai

b) Information on Primary Business Segment

(Rs. crore)

Sr. No.	Segment	Segment Revenue from External Customers	Segment Results	Segment Assets	Segment Liabilities [#]
1.	Direct Finance	1,140.48(856.74)	125.90(133.57)	20,067.75(15,206.49)	20,442.22(14,210.30)
2.	Refinance	3,036.09(2,595.20)	985.88(949.95)	50,809.53(43,893.56)	48,215.19(42,692.98)
3.	Treasury	556.98(471.55)	566.10(416.76)	9,302.57(7,448.60)	47.22(96.43)
4.	Unallocated	13.83(12.98)	-507.93(-328.79)	1,040.45(1,056.58)	3,119.07(2,697.73)
Total		4,747.38(3,936.47)	1,169.95(1,171.49)	81,220.30(67,605.23)	71,823.70(59,697.44)
<i># : Includes balances in NRC (LTO) and NRC (Stab.) Funds where there is no external obligation.</i>					

(c) Information on Secondary Segment

(Rs. crore)

Sr. No.	Geographical Segments	Segment Revenue from External Customers	Segment Assets
1.	East Zone	446.03(380.66)	7,401.82(6,567.48)
2.	North Zone	1,974.69(1,658.41)	33,257.09(28,264.06)
3.	South Zone	1,251.01(948.41)	20,907.81(17,509.72)
4.	West Zone	1,075.65(948.99)	19,653.59(15,263.97)
Total		4,747.38(3,936.47)	81,220.30(67,605.23)

As per our report attached
Sharp and 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
CASH FLOW FOR THE YEAR ENDED 31 MARCH 2007**

(Rupees)

Particulars	During 2006-07	During 2005-06	
(a) Cash flow from Operating activities			
Net profit as per P & L A/C before tax	1169,95,34,260	1171,48,99,439	
Adjustment for:			
Depreciation	22,66,32,925	22,30,95,661	
Provisions and Amortisations	(12,78,48,545)	50,70,62,073	
Provision for Non Performing Assets	3,06,72,109	(52,72,628)	
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	
Profit / Loss on sale of Fixed Assets	(14,28,657)	(25,78,799)	
Interest credited to various funds	64,79,25,885	49,03,78,018	
Other expenses	23,72,70,962	20,35,49,899	
Income from Investment	(538,24,04,117)	(470,24,51,942)	
Expenditure from various funds	(337,15,95,820)	(362,73,83,601)	
Operating profit before changes in operating assets	476,45,59,002	581,90,98,120	
Adjustment for net change in:			
Current Assets	(3087,58,73,102)	1034,44,16,246	
Current liabilities	687,86,35,524	60,13,18,291	
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 in Loans and Advances	(11532,16,29,859)	(9835,68,44,499)	
Cash generated from operating activities	(2211,85,33,363)	(2459,55,82,396)	
Payment of Income tax	(287,26,40,015)	(364,08,47,302)	
Net cash flow from operating activities (A)	(2499,11,73,378)	(2823,64,29,698)	
(b) Cash flow from Investing activities			
Income from Investment	538,24,04,117	470,24,51,942	
Increase / Decrease in Fixed Asset	(36,00,47,444)	(12,29,72,683)	
Investments in Government Securities	909,41,81,942	1812,67,73,003	
Purchase of shares	(1,00,00,000)	(1,25,00,000)	
Net cash used / generated from investing activities (B)	1410,65,38,615	2269,37,52,262	
(c) Cash flow from financing activities			
Grants / contributions received	1075,85,07,965	502,46,61,138	
Net cash raised from financing activities (C)	1075,85,07,965	502,46,61,138	
Net increase in cash and cash equivalent (A)+(B)+(C)	(12,61,26,798)	(51,80,16,298)	
Cash and Cash equivalent at the beginning of the period	200,81,39,682	252,61,55,980	
Cash and cash equivalent at the end of the period	188,20,12,884	200,81,39,682	
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.			
	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