

# 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, 2006 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 **15** Regional Offices and **1** Training Centre audited by us. These Offices/ Training Centres have been selected by us in consultation with the Bank in terms of notification no. 1/4/2004-BOA dated 7th December 2005 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 **13** Regional Offices, **1** Sub-Office and **2** Training Centres which have not been subjected to audit. These unaudited offices account for **27.53** % of advances, **2.39**% of deposits, **27.43** % 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 2006; 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 2006; 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: 15 June 2006

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 2006**

(Rupees)

Sr. No.	FUNDS AND LIABILITIES	SCHEDULE	AS ON 31.03.2006	AS ON 31.03.2005	
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	6974,47,24,916	6198,94,00,834	
3.	National Rural Credit (Long Term Operations) Fund	2	13183,00,00,000	13152,00,00,000	
4.	National Rural Credit (Stabilisation) Fund	2	1522,00,00,000	1511,00,00,000	
5.	Funds out of grants received from International Agencies	3	187,12,23,936	191,00,38,418	
6.	Gifts, Grants, Donations and Benefactions	4	145,70,11,072	104,58,38,888	
7.	Other Funds	5	860,22,46,840	648,61,23,731	
8.	Deposits	6	14051,71,86,003	9224,92,01,649	
9.	Bonds and Debentures	7	20812,95,91,000	17203,92,01,000	
10.	Borrowings	8	6192,19,88,010	8928,39,32,918	
11.	Current Liabilities and Provisions	9	1675,83,02,643	1615,69,84,351	
	<b>Total</b>		<b>67605,22,74,420</b>	<b>60779,07,21,789</b>	
	Forward Foreign Exchange Contracts (Hedging) as per contra		315,91,70,276	334,64,42,621	
	Commitment and Contingent Liabilities	17			
	Significant Accounting Policies and Notes forming part of the Accounts	18			
Sr.No.	PROPERTY AND ASSETS	SCHEDULE	AS ON 31.03.2006	AS ON 31.03.2005	
1.	Cash and Bank Balances	10	4295,81,39,683	5477,61,55,980	
2.	Investments	11	3276,15,93,655	5137,86,30,601	
3.	Advances	12	58087,93,96,722	48354,74,90,510	
4.	Fixed Assets	13	225,20,30,665	234,95,74,844	
5.	Other Assets	14	1720,11,13,695	1573,88,69,854	
	<b>Total</b>		<b>67605,22,74,420</b>	<b>60779,07,21,789</b>	
	Forward Foreign Exchange Contracts (Hedging) as per contra		315,91,70,276	334,64,42,621	
	Commitment and Contingent Liabilities	17			
	Significant Accounting Policies and Notes forming part of the Accounts	18			
<p>P. Satish Chief General Manager Finance and Accounts Department Mumbai, 15 June 2006</p>			<p>As per our report attached Sharp &amp; Tannan Chartered Accountants by the hand of</p> <p>Milind P. Phadke Partner Membership No. 33013 Mumbai, 15 June 2006</p>		
<p>Dr. Y. S. P. Thorat Chairman</p>		<p>Dr. K. G. Karmakar Managing Director</p>		<p>Usha Thorat Director</p>	
				<p>Amitabh Verma Director</p>	

**NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006**

(Rupees)

Sr.No.	INCOME	SCHEDULE	During 2005-06	During 2004-05
1.	Interest received on Loans and Advances		3413,59,20,826	3484,23,02,729
2.	Income from Investment Operations		470,24,51,942	432,08,77,974
3.	Discount and Commission		1,30,83,014	1,28,42,466
4.	Other Receipts		51,32,80,007	21,14,17,445
	<b>Total 'A'</b>		<b>3936,47,35,789</b>	<b>3938,74,40,614</b>

Sr.No.	EXPENDITURE	SCHEDULE	During 2005-06	During 2004-05
1.	Interest and Financial Charges	15	2196,35,68,985	2113,59,30,085
2.	Establishment and Other Expenses	16	394,35,82,259	362,85,04,649
3.	Depreciation (Refer Notes B - 11 & B - 14 of Schedule 18)		22,30,95,662	26,14,95,776
4.	Provision for			
	(a) Amortisation of G.Sec		18,18,15,952	0
	(b) Standard Assets		70,70,00,000	0
	(c) Non-Performing Assets		(52,72,628)	26,11,886
	(d) Provision for NB Gen. Advices		42,98,129	2,60,000
	(e) Depreciation in Investments G.Sec		31,27,81,991	102,89,14,721
	(f) Depreciation in Value of Investment Account Equity		81,66,000	35,36,000
	(g) Sacrifice in Interest element of restructured Account		31,08,00,000	0
	<b>Total 'B'</b>		<b>2764,98,36,350</b>	<b>2606,12,53,117</b>
5.	<b>Profit before Income Tax (A - B)</b>		<b>1171,48,99,439</b>	<b>1332,61,87,497</b>
6.	(a) Provision for Income Tax		325,00,00,000	357,00,00,000
	(b) Deferred Tax -Asset (Adjustment)		(13,97,00,000)	(57,80,00,000)
	(c) Provision for Fringe Benefit Tax		3,20,00,000	0
7.	<b>Profit after Income Tax</b>		<b>857,25,99,439</b>	<b>1033,41,87,497</b>

**PROFIT AND LOSS APPROPRIATION ACCOUNT**

(Rupees)

Sr.No.	APPROPRIATIONS/WITHDRAWALS	AS ON 31.03.2006	AS ON 31.3.2005
1.	Profit for the year brought down	857,25,99,439	1033,41,87,497
	Add: Withdrawals from funds against expenditure debited to Profit & Loss A/c		
	i. Co-operative Development Fund (Refer Schedule 1)	6,06,79,935	5,49,92,870
	ii. Research and Development Fund (Refer Schedule 1)	6,01,45,321	5,78,43,807
	iii. Watershed Development Fund (Refer Schedule 5)	3,77,98,262	2,77,14,858
	iv. Micro Finance Development and Equity Fund (Refer Schedule 5)	4,49,26,381	2,85,12,992
	v. Investment Fluctuation Reserve (Refer Schedule 1)	141,34,55,000	65,24,09,102
2.	<b>Profit available for Appropriation</b>	<b>1018,96,04,338</b>	<b>1115,56,61,126</b>
	Less: Transferred to:		
	i. Special Reserves u/s 36(i) (viii) of I T Act, 1961	450,00,00,000	575,00,00,000
	ii. NRC (LTO) Fund	30,00,00,000	81,00,00,000
	iii. NRC (Stabilisation) Fund	10,00,00,000	10,00,00,000
	iv. Co-operative Development Fund	6,06,79,935	5,49,92,870
	v. Research and Development Fund	6,01,45,321	5,78,43,807
	vi. Micro Finance Development and Equity Fund	0	40,00,00,000
	vii. Foreign Currency Risk Fund	13,62,29,603	13,62,29,603
	viii. Investment Fluctuation Reserve	0	189,46,39,102
	ix. Farm Innovation and Promotion Fund	0	5,00,00,000
	x. Reserve Fund	503,25,49,479	190,19,55,744
	<b>Total</b>	<b>1018,96,04,338</b>	<b>1115,56,61,126</b>

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

P. Satish  
Chief General Manager  
Finance and Accounts Department  
Mumbai, 15 June 2006

Milind P. Phadke  
Partner  
Membership No. 33013  
Mumbai, 15 June 2006

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 01.04.2005	Additions/ adjustments during the year	Transferred From P&L Appropriation	Transferred to P&L Appropriation	Balance as on 31.03.2006
1.	Reserve Fund	3356,54,72,896	0	503,25,49,479	0	3859,80,22,375
2.	Research and Development Fund	50,00,00,000	0	6,01,45,321	6,01,45,321	50,00,00,000
3.	Capital Reserve	74,80,53,208	0	0	0	74,80,53,208
4.	Investment Fluctuation Reserve	237,77,30,000	0	0	141,34,55,000	96,42,75,000
5.	Co-operative Development Fund	75,00,00,000	0	6,06,79,935	6,06,79,935	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	119,81,44,730	0	13,62,29,603	0	133,43,74,333
9.	Special Reserves Created & Maintained u/s 36(i) (viii) of Income Tax Act, 1961	2215,00,00,000	0	450,00,00,000	0	2665,00,00,000
10.	Farm Innovation & Promotion Fund	5,00,00,000	0	0	0	5,00,00,000
11.	Tribal Development Fund*	50,00,00,000	(50,00,00,000)	0	0	0
	<b>Total</b>	<b>6198,94,00,834</b>	<b>(50,00,00,000)</b>	<b>978,96,04,338</b>	<b>153,42,80,256</b>	<b>6974,47,24,916</b>
	Previous year	5290,89,85,487	0	984,56,61,126	76,52,45,779	6198,94,00,334

\* Shifted to Schedule-5-Other Funds

### Schedule 2 - National Rural Credit Funds

(Rupees)

Sr. No.	Particulars	Opening Balance as on 01.04.2005	Contribution by RBI	Transferred from P&L Appropriation	Balance as on 31.03.2006
1.	NRC (Long Term Operations) Fund	13152,00,00,000	1,00,00,000	30,00,00,000	13183,00,00,000
2.	NRC (Stabilisation) Fund	1511,00,00,000	1,00,00,000	10,00,00,000	1522,00,00,000
	<b>Total</b>	<b>14663,00,00,000</b>	<b>2,00,00,000</b>	<b>40,00,00,000</b>	<b>14705,00,00,000</b>
	Previous year	14570,00,00,000	2,00,00,000	91,00,00,000	14663,00,00,000

### Schedule 3 - Funds Out of Grants received from International Agencies

(Rupees)

Sr. No.	Particulars	Opening Grants received/ Balance as on 01.04.2005	Grants received/ adjusted during the year	Interest credited to the Fund	Exp./Disb./ adjust. during the year	Balance as on 31.03.2006
1.	National Bank - Swiss Development Coop. Project	42,45,66,374	5,29,98,400	0	0	47,75,64,774
2.	Rural Promotion Corpus Fund (Refer Note B-3 & B-4 of Schedule 18)	61,80,70,668	0	0	61,80,70,668	0
3.	Interest on RPCF (Refer Note B-3 & B-4 of Schedule 18)	10,70,51,615	0	1,85,42,120	12,55,93,735	0
4.	Credit and Financial Services Fund (Refer Note B-3 & B-4 of Schedule 18)	72,18,63,988	0	2,00,14,102	74,18,78,090	0
5.	Rural Innovation Fund (Refer Note B-3 & B-4 of Schedule 18)	0	139,90,05,275	3,88,34,081	10,45,35,904	133,33,03,452
6.	KfW Fund for Watershed Development (Refer Note B-4 of Schedule 18)	3,50,65,543	2,34,87,931	11,53,001	1,25,77,251	4,71,29,224
7.	KfW - NABARD V Fund for Adivasi Programme	33,58,153	6,09,38,286	0	5,89,66,425	53,30,014
8.	CEC-BAIF Project Fund	62,077	2,21,86,874	0	2,22,48,951	0
9.	Rural Promotion Fund	0	78,96,472	0	0	78,96,472
	<b>Total</b>	<b>191,00,38,418</b>	<b>156,65,13,238</b>	<b>7,85,43,304</b>	<b>168,38,71,024</b>	<b>187,12,23,936</b>
	Previous year	184,59,22,256	24,05,02,935	7,91,97,284	25,55,84,057	191,00,38,418

**Schedule 4 - Gifts, Grants, Donations and Benefactions**

(Rupees)

Sr. No.	Particulars	Opening Balance as on 01.04.2005	Grant received during the year	Interest Credited to the Fund	Adjusted against the expenditure	Closing Balance 31.03.2006
<b>A.</b>						
i.	KfW - NB - IX Adivasi Development Programme (Refer Note B-4 of Schedule 18)	1,33,07,762	9,20,01,220	2,97,867	9,66,13,790	89,93,059
ii.	NB-V Adivasi Special Development Programme, Gujarat	39,765	0	0	39,765	0
iii.	KfW-NB-IGWDP - Phase III - Maharashtra	0	3,17,04,000	7,62,854	3,22,54,375	2,12,479
iv.	IGWDP - Andhra Pradesh (Refer Note B-4 of Schedule 18)	15,93,541	34,76,375	43,299	50,63,998	49,217
v.	NABARD Grant for Fixed Assets under NB-SDC-HID Project	24,87,595	0	0	9,99,829	14,87,766
<b>B.</b>						
i.	Capital Investment Subsidy for Cold Storage Projects	18,10,86,760	41,28,43,000	0	54,35,03,550	5,04,26,210
ii.	Credit Linked Cap. Subsidy for Tech. Upgradation of SSIs	2,88,30,880	0	0	1,67,62,213	1,20,68,667
iii.	Capital Investment Subsidy for Rural Godowns	26,03,26,451	91,23,00,000	0	75,16,38,950	42,09,87,501
iv.	On-farm Water Management for Crop Production	53,87,510	0	0	(-)4,23,47,996	4,77,35,506
v.	Million Shallow Tubewell Programme	38,54,17,304	144,57,00,000	0	142,93,68,325	40,17,48,979
vi.	Cattle Development Programme - Uttar Pradesh (Refer Note B-4 of Schedule 18)	2,61,80,660	0	14,86,752	86,63,000	1,90,04,412
vii.	Cattle Development Programme - Bihar (Refer Note B-4 of Schedule 18)	2,61,80,660	0	15,04,689	68,15,000	2,08,70,349
viii.	National Project on Organic Farming	1,50,00,000	6,32,50,000	0	58,33,960	7,24,16,040
ix.	Integrated Watershed Development Programme - RSVY	10,00,00,000	0	0	7,17,674	9,92,82,326
x.	CIS - Horticulture Development - Bihar	0	18,00,00,000	0	6,64,92,792	11,35,07,208
xi.	Kutch Drought Proofing Project	0	3,54,54,173	0	79,42,842	2,75,11,331
xii.	Dairy & Poultry Venture Capital Fund	0	12,00,00,000	0	11,92,03,828	7,96,172
xiii.	Capital Subsidy for Agri. Marketing Infrastructure, Grading and Standardisation	0	20,00,00,000	0	4,00,86,150	15,99,13,850
<b>Total</b>		<b>104,58,38,888</b>	<b>349,67,28,768</b>	<b>40,95,461</b>	<b>308,96,52,045</b>	<b>145,70,11,072</b>
	Previous year	103,54,80,564	265,15,84,781	44,59,833	264,56,86,290	104,58,38,888

	As on 31.03.2006	As on 31.03.2005
<b>C.</b> Grants to RRBs/SCBs/SLDBs under ARDR Scheme, 1990	2695,37,95,937	2695,92,36,175
Less : Grants Released to RRBs/SCBs/SLDBs under ARDR Scheme, 1990	2695,37,95,937	2695,92,36,175
	0	0

**Schedule 5 - Other Funds**

(Rupees)

Sr. No.	Particulars	Opening Balance as on 01.04.2005	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 31.03.2006
1.	Watershed Development Fund	429,14,02,507	132,07,53,434	0	25,29,48,359	3,77,98,262	3,77,98,262	578,95,07,776
2.	Micro Finance Development and Equity Fund (MFDEF)	138,42,79,292	0	0	4,44,78,313	3,15,43,966	4,49,26,381	135,22,87,258
3.	Interest Differential Fund - (Forex Risk)	73,38,39,550	14,88,68,804	0	0	0	0	88,27,08,354
4.	Interest Differential Fund - (Tawa) (Refer Note B-1of Schedule 18)	5,53,14,936	59,87,044	0	0	55,00,000	0	5,58,01,980
5.	Medical Assistance Fund-(MAF)*	2,96,970	66,23,725	0	0	69,20,695	0	0
6.	Adivasi Development Fund	2,09,90,476	70,10,204	0	0	0	0	2,80,00,680
7.	Tribal Development Fund#	0	50,00,50,000	0	0	61,09,208	0	49,39,40,792
<b>Total</b>		<b>648,61,23,731</b>	<b>198,92,93,211</b>	<b>0</b>	<b>29,74,26,672</b>	<b>8,78,72,131</b>	<b>8,27,24,643</b>	<b>860,22,46,840</b>
	Previous year	510,56,67,247	85,87,76,732	40,00,00,000	25,09,88,226	7,30,80,624	5,62,27,850	648,61,23,731

\* Expenditure under MAF is restricted to the balance available in the fund and the excess expenditure is carried to Sundry Advances Account - Medical Advance under 'other Assets.  
#Shifted from schedul 1-Reserve Fund and Other Reserves.

**Schedule 6 - Deposits**

(Rupees)

Sr. No.	Particulars	Balance as on 31.03.2006	Balance as on 31.03.2005
1.	Central Government	17,26,000	58,17,000
2.	State Governments	78,22,550	1,55,65,900
3.	Tea/Rubber/Coffee Deposits	76,39,44,170	53,54,37,749
4.	Commercial Banks (Deposits under RIDF)	13974,36,93,283	9169,23,81,000
<b>Total</b>		<b>14051,71,86,003</b>	<b>9224,92,01,649</b>

**Schedule 7 - Bonds and Debentures**

(Rupees)

Sr. No.	Particulars	Balance as on 31.03.2006	Balance as on 31.03.2005
1.	SLR Bonds	708,80,11,000	792,30,11,000
2.	Tax Free Bonds	1000,00,00,000	1050,00,00,000
3.	Priority Sector Taxable Bonds	5605,50,00,000	5435,60,00,000
4.	Non-Priority Sector Bonds	4334,00,00,000	3925,00,00,000
5.	Capital Gains Bonds	9164,65,80,000	6001,01,90,000
<b>Total</b>		<b>20812,95,91,000</b>	<b>17203,92,01,000</b>

**Schedule 8 - Borrowings**

(Rupees)

Sr. No.	Particulars	Balance as on 31.03.2006	Balance as on 31.03.2005
1.	From Central Government	399,83,07,833	404,12,91,003
2.	From RBI under General Line of Credit	2997,95,20,000	3927,25,37,000
3.	From Others :		
	(a) In India		
	From Commercial Banks	2500,00,00,000	4300,00,00,000
	(b) Outside India		
	From International Agencies	294,41,60,177	297,01,04,915
<b>Total</b>		<b>6192,19,88,010</b>	<b>8928,39,32,918</b>

**Schedule 9 - Current Liabilities and Provisions**

(Rupees)

<b>Sr. No.</b>	<b>Particulars</b>	<b>Balance as on 31.03.2006</b>	<b>Balance as on 31.03.2005</b>
1.	Interest Accrued but not due on		
	(a) Loans from Central Government	20,23,56,503	20,24,96,006
	(b) Bonds	532,36,09,331	468,69,42,786
	(c) Tea / Rubber/Coffee Deposits	2,71,91,661	2,34,51,725
	(d) Deposits from Central and State Governments (SLA)	1,64,804	3,69,071
	(e) Borrowings from International Agencies	55,20,300	49,43,545
	(f) Deposits under RIDF	160,92,82,697	136,80,37,243
	(g) Commercial Bank Borrowings	41,08,219	66,97,540
	<b>Sub-Total</b>	<b>717,22,33,515</b>	<b>629,29,37,916</b>
2.	Sundry Creditors	34,64,12,171	2,21,05,56,099
3.	Provision for Gratuity	164,32,55,000	147,45,40,000
4.	Provision for Pension (Refer Note B-6 of Schedule 18)	321,29,32,255	248,12,15,399
5.	Provision for Encashment of Ordinary Leave	58,57,44,000	48,38,79,000
6.	Unclaimed Interest on Bonds with RBI	18,31,586	1,22,676
7.	Unclaimed Interest on Bonds – Others	1,97,94,173	1,63,31,540
8.	Bonds matured but not claimed (Refer Note B-7 of Schedule 18)	24,55,00,000	15,84,51,000
9.	Provisions and Contingencies		
	(a) Amortisation of G.Sec	18,18,15,952	0
	(b) For Standard Assets	270,70,00,000	200,00,00,000
	(c) Depreciation in value of Investments	33,09,83,991	1,03,89,50,721
	(d) Sacrifice in Interest element of restructured Accounts	31,08,00,000	0
	<b>Total</b>	<b>1675,83,02,643</b>	<b>1615,69,84,351</b>

**Schedule 10 - Cash and Bank Balances**

(Rupees)

<b>Sr. No.</b>	<b>Particulars</b>	<b>Balance as on 31.03.2006</b>	<b>Balance as on 31.03.2005</b>
1.	Cash in hand	34,034	35,940
2.	Balance with Reserve Bank of India	103,66,96,888	42,44,76,370
3.	Balances with other Banks in India		
	(a) On Current Account	27,72,31,733	174,71,29,304
	(b) Deposits with Banks	4095,00,00,000	5225,00,00,000
4.	Remittances in Transit	69,41,77,028	35,45,14,366
	<b>Total</b>	<b>4295,81,39,683</b>	<b>5477,61,55,980</b>

**Schedule 11 - Investments**

(Rupees)

<b>Sr. No.</b>	<b>Particulars</b>	<b>Balance as on 31.03.2006</b>	<b>Balance as on 31.03.2005</b>
1.	Government Securities		
	Securities of Central Government*	2471,89,73,220	4755,46,12,905
	Face Value Rs. 2229,21,30,000		
	(Previous year - Rs. 4153,21,30,000)		
	Market Value Rs. 2403,48,61,549		
	(Previous year - Rs. 4652,56,98,184)		
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	0
	Face Value Rs. 1,25,00,000		
	(Previous year - Rs. 0.00)		
(4)	Others		
(a)	Mutual Funds	450,38,05,641	246,30,17,696
	Face Value Rs. 450,00,00,000		
	(Previous year - Rs. 245,00,00,000)		
(b)	BVF-APIDC-V Investment	2,00,00,000	2,00,00,000
(c)	Bills Rediscounted	216,53,14,794	0
	<b>Total</b>	<b>3276,15,93,655</b>	<b>5137,86,30,601</b>

\* Balance as on 31 March 2006 includes securities for Rs.10,00,00,000 (Book Value Rs. 12,90,08,500) pledged with CCIL.

**Schedule 12 - Advances**

(Rupees)

<b>Sr. No.</b>	<b>Particulars</b>	<b>Balance as on 31.03.2006</b>	<b>Balance as on 31.03.2005</b>
1.	Refinance Loans:		
(a)	Production & Marketing Credit	9421,15,12,200	8185,02,80,135
(b)	NABARD Line of Credit	196,20,00,000	122,00,00,000
(c)	Conversion Loans for Production Credit	267,02,04,200	364,72,28,201
(d)	Medium Term Investment Credit- Non-Project loans	83,20,000	2,59,07,800
(e)	Liquidity Support	2491,79,90,000	808,10,61,000
(f)	Other Investment Credit :		
i.	Medium Term and Long Term Project Loans (Refer Note B-10 of Schedule 18)	30156,51,18,634	27937,82,64,790
ii.	Long Term Non-Project Loans	387,48,60,498	405,99,64,466
iii.	Interim Finance	90,00,000	46,65,200
2.	Direct Loans:		
(a)	Loans under Rural Infrastructure Development Fund	15142,41,48,024	10513,14,27,950
(b)	Other Loans:		
i.	Co-operative Development Fund	1,11,47,598	1,53,85,796
ii.	Micro Finance Development and Equity Fund	8,57,50,000	7,29,95,900
iii.	Watershed Development Fund	5,00,38,150	1,96,18,550
iv.	Rural Promotion Corpus Fund	0	53,724
v.	Credit & Financial Services Fund	0	24,85,000
(c)	Co-Finance Loans	8,93,07,418	3,81,51,998
	<b>Total</b>	<b>58087,93,96,722</b>	<b>48354,74,90,510</b>

**Schedule 13 - Fixed Assets**

(Rupees)

Sr. No.	Particulars	Balance as on 31.03.2006	Balance as on 31.03.2005
1.	LAND : Freehold & Leasehold (Refer Note B- 9 of Schedule 18)		
	Opening Balance a/c - Land (for the year)	117,63,91,682	117,69,33,140
	Additions/adjustments during the year	37,25,531	(-) 5,41,458
	Closing Balance (at cost)	1,18,01,17,213	117,63,91,682
	Less Amortization of Lease Premia	25,10,63,713	22,55,83,782
	Book Value	92,90,53,500	95,08,07,900
2.	PREMISES : (Refer Note B- 9 of Schedule 18)		
	Opening Balance a/c - Premises (for the year)	2,16,50,78,981	215,47,55,385
	Additions/adjustments during the year	2,90,22,923	1,03,23,596
	Closing Balance (at cost)	2,19,41,01,904	216,50,78,981
	Less: Depreciation to date	1,05,03,95,207	96,09,33,989
	Book Value	1,14,37,06,697	120,41,44,992
3.	FURNITURE & FIXTURES		
	Opening Balance a/c - Furniture & Fixture (for the year)	52,08,92,637	50,35,89,969
	Additions/adjustments during the year	4,15,63,227	6,73,94,029
	Sub-Toal	56,24,55,864	57,09,83,998
	Less: Cost of assets sold/written off	1,22,54,367	5,00,91,361
	Closing Balance (at cost)	55,02,01,497	52,08,92,637
	Less: Depreciation to date	46,49,71,459	42,76,71,533
	Book Value	8,52,30,038	9,32,21,104
4.	COMPUTER INSTALLATIONS & OFFICE EQUIPMENTS		
	Opening Balance a/c - CIOE (for the year)	57,96,67,344	53,19,43,041
	Additions/adjustments during the year	5,07,93,134	8,67,38,592
	Sub-Total	63,04,60,478	61,86,81,633
	Less: Cost of assets sold/written off	1,84,71,816	3,90,14,289
	Closing Balance (at cost)	61,19,88,662	57,96,67,344
	Less: Depreciation to date	52,35,86,535	48,45,07,043
	Book Value	8,84,02,127	9,51,60,301
5.	VEHICLES		
	Opening Balance a/c - Vehicles (for the year)	2,55,91,736	2,62,31,679
	Additions/adjustments during the year	22,32,106	18,87,818
	Sub-Total	2,78,23,842	2,81,19,497
	Less: Cost of assets sold/written off	43,56,652	25,27,761
	Closing Balance (at cost)	2,34,67,190	2,55,91,736
	Less: Depreciation to date	1,78,28,887	1,93,51,189
	Book Value	56,38,303	62,40,547
	<b>Total</b>	<b>225,20,30,665</b>	<b>234,95,74,844</b>

**Schedule 14 - Other Assets**

(Rupees)

<b>Sr. No.</b>	<b>Particulars</b>	<b>Balance as on 31.03.2006</b>	<b>Balance as on 31.03.2005</b>
1.	Accrued Interest	1141,12,54,737	1057,63,72,830
2.	Deposits with Landlords	1,17,32,370	1,18,44,660
3.	Deposits with Government Departments and Other Institutions	2,45,24,630	2,16,30,022
4.	Housing loan to staff	81,80,46,741	84,96,21,639
5.	Other Advances to staff	53,28,80,641	49,31,92,958
6.	Advances to Landlords	1,03,025	15,06,141
7.	Advance for Construction/Purchase of Staff Quarters & Office Premises	28,87,87,188	21,24,60,255
8.	Sundry Advances	26,91,42,791	27,92,13,313
9.	Advance Tax (Net of Provision for Income Tax)	152,24,05,729	116,35,58,427
10.	Deferred Tax Assets (Refer Note B-8 of Schedule 18)	225,17,00,000	211,20,00,000
11.	Expenditure recoverable from Government of India/International Agencies	5,74,52,829	1,74,69,609
12.	Discount Receivable	1,30,83,014	0
	<b>Total</b>	<b>1720,11,13,695</b>	<b>1573,88,69,854</b>

**Schedule 15 - Interest and Financial Charges**

(Rupees)

<b>Sr. No.</b>	<b>Particulars</b>	<b>Balance as on 31.03.2006</b>	<b>Balance as on 31.03.2005</b>
1.	Interest Paid on		
	i. Loans from Central Government	28,85,21,779	39,26,42,825
	ii. Borrowings from Reserve Bank of India	175,39,12,774	139,54,55,630
	iii. Bonds	1017,37,41,165	873,09,55,120
	iv. Special Loan Deposits from Central and State Governments	13,24,296	25,18,247
	v. Tea/Coffee/Rubber Deposits	3,41,25,547	2,90,42,435
	vi. Gratuity & Medical Fund	11,47,72,737	9,30,43,594
	vii. Borrowings from International Agencies	20,65,94,819	18,27,93,792
	viii. Deposits under RIDF	692,93,84,890	802,58,65,831
	ix. Rural Promotion Corpus Fund	1,85,42,120	3,70,84,240
	x. Credit and Financial Services Fund	2,00,14,102	4,08,60,226
	xi. Cattle Development Programme (UP & Bihar)	29,91,441	35,41,320
	xii. Watershed Development Fund	25,29,48,359	20,25,33,246
	xiii. Micro Finance Development and Equity Fund	4,44,78,313	4,82,07,688
	xiv. CEC-BAIF Project Fund	0	4,147
	xv. Indo-German Watershed Development Programme - Andhra Pradesh	43,299	1,03,821
	xvi. KfW - NB - IGWDP Phase III - Maharashtra	7,62,854	0
	xvii. KfW - NB - IX Adivasi Development Programme	2,97,867	7,74,927
	xviii. NB - V Adivasi Special Development Prog. - Gujarat	0	39,765
	xix. KfW Fund for Watershed Development (IGWDP)	11,53,001	12,48,671
	xx. Corporate Borrowings from Banks and FIs in India	193,55,24,374	186,44,97,254
	xxi. Rural Innovation Fund	3,88,34,081	0
2.	Swap Charges	3,37,02,553	3,42,17,443
3.	Discount, Brokerage, Commission & Issue exp. on Bonds and Securities	8,87,91,978	5,04,99,863
4.	Repo Interest Expenditure	2,31,06,636	0
	<b>Total</b>	<b>2196,35,68,985</b>	<b>2113,59,30,085</b>

**Schedule 16 - Establishment and Other Expenses**

(Rupees)

Sr. No.	Particulars	Balance as on 31.03.2006	Balance as 31.03.2005
i.	Salaries and Allowances	184,48,10,670	155,87,94,371
ii.	Contribution to Staff Superannuation Funds	95,78,83,568	104,95,86,190
iii.	Travelling & Other allowances in connection with Directors' & Committee Members' Meetings	10,00,918	6,01,515
iv.	Directors' & Committee Members' Fees	2,500	23,500
v.	Rent, Rates, Insurance, Lighting, etc.	17,38,37,963	16,96,91,368
vi.	Travelling Expenses	17,13,74,535	16,45,47,570
vii.	Printing & Stationery	2,61,66,131	2,50,87,913
viii.	Postage, Telegrams & Telephones	5,66,78,077	4,59,31,002
ix.	Repairs	2,88,24,941	2,07,35,916
x.	Auditors' Fees	7,09,414	7,18,400
xi.	Legal Charges	14,18,954	13,98,038
xii.	Miscellaneous Expenses	33,52,64,172	29,84,49,601
xiii.	Expenditure on Miscellaneous Assets	91,02,168	0
xiv.	Expenditure on Study & Training [Including Rs.3,50,43,730 (Rs.2,86,03,782) pertaining to establishment expenses of Regional Training Colleges]	18,72,05,612	17,66,41,194
xv.	Expenditure on promotional activities under		
	a. Co-operative Development Fund	6,06,79,935	5,49,92,870
	b. Micro Finance Development and Equity Fund	4,49,26,381	2,85,12,992
	c. Watershed Development Fund	3,77,98,262	2,77,14,858
xvi.	Wealth Tax (Refer Note B-14 of Schedule 18)	58,98,058	50,77,351
	<b>Total</b>	<b>394,35,82,259</b>	<b>362,85,04,649</b>

**Schedule 17- Commitments and Contingent Liabilities**

(Rupees)

Sr. No.	Particulars	As on 31.03.2006	As on 31.03.2005
1.	Commitments on account of capital contracts remaining to be executed	9,45,60,000	21,76,56,000
2.	Contingent Liabilities		
	(i) Disputed claims for additional payments towards construction of premises	27,30,85,000	60,01,19,000
	(ii) Income tax matters in appeal	39,90,00,000	23,52,00,000

## Schedule -18

### 1. General

The accounts are prepared on the historical cost convention in accordance with generally accepted accounting principles.

### A. Significant Accounting Policies

#### 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 and interest in case of Government guaranteed advances that are in arrears for more than 90 days.
- (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 Rural Promotion Corpus Fund (RPCF), Credit and Financial Services Fund (CFSF) and Rural Innovation Fund (RIF). However, the Service Charges are credited to the Rural Promotion Fund (RPF) and do not constitute the income of NABARD.
- (iv) Service Charges on loans given out of Agriculture and Rural Enterprises Incubation Fund (AREIF) and KfW-NABARD V Fund for Adivasi Programme.
- (v) 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.

#### 3. Fixed Assets and Depreciation

- 3.1. Fixed assets are stated at cost.
- 3.2. Land includes free hold and leasehold land.
- 3.3. Premises include value of land where segregated values are not readily available.
- 3.4 Depreciation on premises situated on free hold land is charged on written down value basis.
- 3.5 Depreciation on premises situated on leasehold land is computed and charged at higher of 5 percent 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.

3.6 Depreciation is charged at the prescribed rates, for the full year irrespective of the date of purchase of the asset.

3.7 Depreciation on computers, motor vehicles, office equipments, furniture and fixtures, and electrical fittings is charged on straight-line basis.

3.8 Expenditure incurred on capital items purchased for the Office upto Rs.5,000/- is charged to Profit and Loss Account.

#### Intangible Assets and Amortisation

3.9 Amortisation of lease premium paid on leasehold land is computed and charged at higher of 5 per cent 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.

3.10 Amount expended on purchase of software is treated as revenue expenditure other than pre-loaded software purchased with Computers.

#### 4. Investments

4.1 In terms of RBI guidelines the investment portfolio is categorised as 'Held to Maturity', 'Available for Sale' and 'Held for Trading'. The investments under each category are classified as (i) Government securities (ii) other approved securities (iii) shares and (iv) others.

4.2 Investments categorised 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.

4.3 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 each category classified as 'Available for Sale', depreciation or appreciation is recognised in each category for investments classified as 'Held for Trading'.

4.4 The provision for diminution, other than temporary, in the value of investments in subsidiaries under the category 'Held to Maturity' is made, wherever necessary.

4.5 Brokerage, commission, etc., paid at the time of acquisition, is treated as revenue item.

4.6 Broken period interest on debt instruments is treated as a revenue item.

## **5. Advances and Provisions thereon**

5.1 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.

5.2 Government Guaranteed Advances and Advances to State Governments are treated as Standard Assets.

5.3 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.

## **6. Foreign Currency Transactions**

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

6.2 Profit/loss on cancellation of or renewal of currency SWAP agreement is accounted for on the final settlement of agreement.

## **7. Retirement Benefits**

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

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

7.3 Provision for Pension is made based on actuarial valuation.

7.4 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.

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

## **8. Taxes on Income**

8.1 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.

8.2 Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantially enacted as on Balance Sheet date.

8.3 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.

## **9. Policy on Segment Reporting**

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

9.2 Expenditure 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 are included under 'Other unallocable Expenditure'.

9.3 Income, which relates to Bank as a whole and not allocable are included under 'Other unallocable Bank Income'.

9.4 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.

## **10. Impairment of Assets**

10.1 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.

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

## **11. Provisions, Contingent Liabilities and Contingent Assets**

11.1 Provision is 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 liability that can be reliably estimated.

11.2 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.

11.3 Contingent liability is disclosed in the case of:

- a. Present obligation arising from past event, when it is not probable that an outflow of resources will be required to settle the obligation.
- b. A possible obligation, unless the probability of outflow is remote.

11.4 Contingent assets are neither recognised nor disclosed.

11.5 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 cent per annum has been accounted to the extent of 4.5 per cent by credit to the 'Interest Differential Fund' to be utilised for certain specified purposes and the balance of 2 per cent has been paid to Government of India.

2. An amount of Rs.37.50 crore representing the Interest Subvention received from Government of India for providing assistance under Liquidity Support to SCBs / RRBs has been included in the miscellaneous income of the bank.

3. During the year, the corpus of RPCF, interest on RPCF and CFSF as on 30 September 2005 has been transferred to the Rural Innovation Fund (RIF) constituted with effect from 1 October 2005. In accordance with the Memorandum of Understanding entered into with the Swiss Development Corporation, the repayments of loan made out of RIF are being credited to the Rural Promotion Fund

(RPF) constituted with effect from 1 October 2005.

4. Interest at the rate 6 per cent per annum for the year on unutilised balances of RIF, KfW fund for Watershed Development, KfW-NB-IGWDP - Andhra Pradesh, KfW-NB-IX Adivasi Development Programme, Cattle Development Programme (Uttar Pradesh), and Cattle Development Programme (Bihar) have been credited to the respective funds based on the respective agreements.

5. As per the Agricultural and Rural Debt Relief Scheme 1990, the Bank is acting as a channelising agent for disbursing the funds received from RBI towards grants to RRBs and loans/grants to State Co-operative Banks and State Land Development Banks.

6. The Bank has not received the confirmation of balance of Pension fund as on 31 March 2006 maintained with RBI. Pending receipt of such confirmation, provision for pension is made after considering the balance of pension fund maintained with RBI as per the books of the Bank.

7. The SLR Bonds issued by the Bank were serviced/ managed earlier by RBI. From 1 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 1 October 2003 onwards.

8. 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, recognised in the Profit & Loss Account the difference of Rs.13.97 crore between net deferred tax assets of Rs.225.17 crore as at 31 March 2006 and net deferred tax assets of Rs.211.20 crore as at 31 March 2005.

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

(Rs. crore)

Sr. No.	Deferred Tax Assets	31 March 2006	31 March 2005
1.	Provision for Retirement Benefits made in the books but allowable for tax purposes on payment basis	183.18	149.36
2.	Depreciation on Fixed Assets	25.58	26.34
3.	Broken period interest on Gov securities in stock	12.33	35.50
4.	Amortisation of G. Sec	4.08	0.00
	<b>Total</b>	<b>225.17</b>	<b>211.20</b>

9. 'Land' and 'Premises' includes Rs.41.14 crore (Rs. 43.77 crore) paid towards Office Premises and Staff Quarters for which conveyance is yet to be completed.

10. The Bank has subscribed to debentures issued by various State Land Development Banks/State Co-operative Agriculture and 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.114.65 crore (Rs.183.04 crore).

11. Depreciation charged in Profit & Loss Account is net of SDC's share of depreciation amounting to Rs.0.09 crore (Rs.0.24 crore) on assets purchased under SDC- HID project.

12. 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.

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

(Rs. crore)

Particulars	2005-06	2004-05
Opening Balance	83.53	65.48
Provided during the year	17.50	23.52
Reversed during the year	33.82	5.47
Closing Balance	67.21	83.53

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

(Rs. crore)

Sr. No.	Particulars	2005-06	2004-05
1.	Depreciation	0.52	0.04
2.	Other Expenses	0.00	0.03
3.	Wealth Tax	0.06	0.18

15. Capital adequacy ratio of the Bank as on 31 March 2006 is 34.44 per cent as against a minimum of 9 per cent as stipulated by RBI.

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

17. The figures in brackets pertain to previous year.

18. The following additional information is disclosed in terms of RBI circular No.RBI/2005-06/122 (Ref.No.DBOD.FID.FIC.2/01.02.00/2005-06) dated 13 August 2005.

## I. Capital

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

(Per cent)

Particulars	31 March 2006	31 March 2005
CRAR	34.44	38.78
Core CRAR	33.10	36.77
Supplementary CRAR	1.34	2.01

### (b) Subordinated Debt

(Rs. crore)

Particulars	31 March 2006	31 March 2005
Amount of subordinated debt raised and outstanding	Nil	Nil

### (c) Risk-weighted Assets

(Rs. crore)

Particulars	31 March 2006	31 March 2005
On - Balance Sheet Items	27,279.12	21,687.67
Off - Balance Sheet Items	67.21	83.53

### (d) Pattern of Capital Contribution as on the date of the Balance Sheet

(Rs. crore)

Contributor	31 March 2006	31 March 2005
Reserve Bank of India	1,450	1,450
Government of India	550	550
<b>Total</b>	<b>2,000</b>	<b>2,000</b>

## II. Asset quality and Credit Concentration (Excluding Staff Advances)

### (a) Net NPA position

Particulars	31 March 2006	31 March 2005
Percentage of Net NPAs to Net Loans & Advances	0.000000	0.000004

### (b) Asset Classification (Excluding Staff Advances)

(Rs. crore)

Classification	2005-06		2004-05	
	Amount	(%)	Amount	(%)
Standard	58,087.94	100.00	48,354.042	99.998538
Sub-standard	0.000	0	0.002	0.000004
Doubtful	0.000	0	0.705	0.001458
Loss	0.000	0	0.000	0.000000
<b>Total</b>	<b>58,087.94</b>	<b>100.00</b>	<b>48,354.749</b>	<b>100.000000</b>

### (c) Provisions made during the year

(Rs. crore)

Provisions against	2005-06	2004-05
Standard assets	70.70	0.00
Non-Performing Assets	0.00	0.26
Investments	32.09	103.24
Income Tax (including Fringe Benefit Tax)	328.20	357.00
<b>Total</b>	<b>430.99</b>	<b>460.50</b>

### (d) Movement in Net NPAs

(Rs. crore)

Particulars	2005-06	2004-05
A. Net NPAs as at beginning of the year	0.24	0.93
B. Add: Additions during the year	0.00	0.01
C. Sub-total (A+B)	0.24	0.94
D. Less: Reductions during the year	0.10	0.70
E. Net NPAs as at the end of the year (C-D)	0.14	0.24

### (e) Issuer categories in respect of Investments made

(Rs. crore)

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	0.00	0.00	0.00	0.00	0.00
2.	FIs	48.00	48.00	-	-	48.00
3.	Banks	-	-	-	-	-
4.	Private corporates	-	-	-	-	-
5.	Subsidiaries/ Joint ventures	20.60	20.60	0	20.60	20.60
6.	Others	519.14	519.14			7.75
7.	Provision held towards depreciation #	1.82	-	-	-	-
<b>Total</b>		<b>587.74</b>	<b>587.74</b>	<b>0</b>	<b>20.60</b>	<b>76.35</b>

# Only aggregate amount of provision held to be disclosed in column (3).

### (f) Non Performing Investments : Nil

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

Category	2005-06		2004-05	
	Credit Exposure (as % to)			
	Capital Funds	Total Assets	Capital Funds	Total Assets
I. Largest Single Borrower	36.70	5.11	33.28	4.49
II. Largest Borrower Group	NA	NA	-	-
III. Ten Largest Single Borrowers for the year				
1. Andhra Pradesh Co-operative Bank	36.70	5.11	33.28	4.49
2. UP State Land Development Bank	31.01	4.32	37.16	5.01
3. Punjab State Co-operative Bank	29.02	4.04	29.76	4.01
4. State Bank of India	24.60	3.43	6.49	0.88
5. Haryana State Land Development Bank	19.66	2.74	22.71	3.06
6. Punjab State Land Development Bank	19.31	2.69	19.70	2.66
7. Gujarat State Government	18.31	2.55	12.45	1.68
8. Andhra Pradesh State Government	17.91	2.50	10.92	1.47
9. UP State Government	15.94	2.22	16.34	2.20
10. Kerala State Land Development Bank	15.22	2.12	16.48	2.22
IV. Ten Largest Borrower Groups	NA	NA	NA	NA
<i>NA: Not applicable</i>				

**(h) 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	22,750.18 (22,339.00)	18,214.06 (13,932.92)	12,241.98 (10,001.17)	8,260.35 (6,705.79)	5,866.14 (7,599.20)	67,332.71 (60,578.08)
2.	Rupee Liabilities	8,312.19 (12,481.13)	22,200.01 (11,692.92)	5,944.65 (8,105.34)	3,089.60 (2,903.37)	27,491.84 (25,098.31)	67,038.29 (60,281.07)
<p># 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.</p>							

**(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	4.73 (2.58)	16.73 (11.62)	19.69 (18.21)	19.69 (19.69)	233.58 (211.91)	294.42 (297.01)

#### IV. Operating Results

Sr. No.	Particulars	For the year ended	
		31.3.06	31.3.05
1.	Interest income as a percentage to average working funds	6.28	6.90
2.	Non interest income as a percentage to average working funds	-0.14	0.04
3.	Operating profit as a percentage to average working funds	2.06	3.22
4.	Return on average Assets (%)	1.83	1.82
5.	Net Profit per Employee (Rs. crore)	0.17	0.20

#### (b) Provision for Depreciation in Investments

(Rs. crore)

Particulars		2005-06	
A.	Opening balance as at the beginning of the financial year		103.89 (0.65)
B.	Add		
i.	Provisions made during the year		
a.	Provision for depreciation for investment G-Sec-AFS	31.28	
b.	Provision for depreciation-ADFC-AP	0.07	
c.	Provision for depreciation-NCDEX	0.63	
d.	Provision for depreciation-APIDC-Bio Tech	0.11	32.09 (38.00)
ii.	Appropriation, if any, from Investment Fluctuation Reserve Account during the year		0.00 (65.24)
C.	Sub-Total (A+B.i+B.ii)		135.98
D.	Less		(103.89)
i.	Write off during the year	0.00 (0.00)	
ii.	Provision utilized for meeting loss on shifting of securities in AFS to HTM on 14 June 2005	102.89	
ii.	Transfer, if any, to Investment Fluctuation Reserve Account	0.00 (0.00)	
			102.89
E.	Closing balance as at the close of the Financial Year (C-D.i-D.ii)		33.09 (103.89)

#### VI. Restructured Accounts

During the year, interest on standard refinance loan assets aggregating to Rs.201.67 crore was restructured. The sacrifice in the interest element of these restructured loans amounting to Rs. 31.08 crore has been provided for.

#### VII. Assets sold to Securitisation Company / Reconstruction Company : NIL during the year.

#### V. Movement in the Provisions

##### (a) Provision for Non-Performing Assets

(Rs. crore)

Particulars		2005-06	2004-05
(a)	Opening balance as at the beginning of the financial year	0.75	0.49
	Add Provision made during the year	0.18	0.26
	Less Write off, write back of excess provision	0.71	0.00
(b)	Closing balance at the close of the financial year	0.22	0.75

#### VIII. Disclosure on Risk exposure in Derivatives

During the year, the Bank entered into a Forward rate agreement / interest rate SWAP for an amount of Rs.200 crore. The coupon of 7.60 per cent p.a. payable in INR was swapped with 12 month JPY Libor + 4.70 per cent with a cap of 2 per cent payable for entire tenure of bonds (10 years).

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.353.91 crore consisting of

Rs.315.91 crore towards Euro Principal and Rs.38 crore towards interest liability. The value of outstanding liability in the books of account stood at contracted value, i.e., Rs.329.84 crore consisting of Rs.294.42 crore towards Euro Principal and Rs.35.42 crore towards interest thereon.

Interest cost for the period from 27 March 2006 (SWAP start date) to 14 January 2007 (first interest reset date) on JPY Libor linked swap as per exchange rate of 31 March 2006 stood at Rs.7.95 crore.

## 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)	(-)929.30	2,997.95
		Interest on Borrowings	(-266.35)	(3927.25)
		Contribution Recd. in NRC Funds maintained by NABARD	175.39	
			(139.55)	
Government of India	Holding - 27.50% of NABARD Capital	Borrowings (net of repayments)	(-)4.71	400.00
		Interest on Borrowings	(-160.48)	(404.71)
		Guarantee Fee	28.89	20.24
			(39.41)	(20.25)
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
			(0.09)	(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)
Smt. Ranjana Kumar	Key Management Personnel - Chairperson	Remuneration including perquisites	0.19	1.47
Dr. Y.S.P. Thorat	Key Management Personnel - Managing Director	Remuneration including perquisites	(0.24)	(0.82)
			0.08	
			(0.07)	

## 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.

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

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

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

**b) Information on Primary Business Segments**

(Rs. crore)

Sr. No.	Segment	Segment Revenue from External Customers	Segment Results	Segment Assets	Segment Liabilities#
1.	Direct Finance	856.74(1,167.94)	133.57(331.73)	15,206.49(10,569.79)	14,210.30(9,388.93)
2.	Refinance	2,595.20(2,323.86)	949.95(960.39)	43,893.55(38,666.16)	42,692.98(41,389.79)
3.	Treasury	471.55(433.37)	416.76(328.32)	7,448.60(5,260.06)	96.43(0.00)
4.	Unallocated	12.98(13.58)	(328.79)(-287.83)	1,056.58(6,283.05)	2,697.73(4,144.18)
<b>Total</b>		<b>3,936.47</b>	<b>1,171.49</b>	<b>67,605.23</b>	<b>59,697.44</b>
# Includes balances in NRC (LTO) and NRC (Stab.) Funds where there is no external obligation.					

**c) Information on Secondary Segment**

(Rs. crore)

Sr. No.	Geographical Segments	Segment Revenue from External Customers	Segment Assets
1.	East Zone	380.66(416.93)	6,567.48(5,443.41)
2.	North Zone	1,658.41(1,675.16)	28,264.06(23,847.89)
3.	South Zone	948.41(925.03)	17,509.72(14,036.08)
4.	West Zone	948.99(921.63)	15,263.97(17,451.68)
<b>Total</b>		<b>3,936.47</b>	<b>67,605.23</b>

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

P. Satish  
Chief General Manager  
Finance and Accounts Department  
Mumbai, 15 June 2006

Milind P. Phadke  
Partner  
Membership No. 33013  
Mumbai, 15 June 2006

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 2006**

(Rupees)

Particulars	During 2005-06	During 2004-05
<b>(a) Cash flow from Operating activities</b>		
Net profit as per P & L A/C before tax	1171,48,99,439	1332,61,87,497
Adjustment for:		
Depreciation	22,30,95,661	26,14,95,776
Provisions and Amortisations	50,70,62,073	103,27,10,721
Provision for Non performing Assets	(52,72,628)	26,11,886
Provision for Standard Assets	70,70,00,000	0
Provision for Sacrifice interest on restructured loan	31,08,00,000	0
Profit / Loss on sale of Fixed Assets	(25,78,799)	(11,69,158)
Interest credited to various funds	49,03,78,018	33,46,45,343
Other expenses	20,35,49,899	16,90,64,527
Income from Investment	(470,24,51,942)	(432,08,77,974)
Expenditure from various funds	(362,73,83,601)	(314,34,15,498)
<b>Operating profit before changes in operating assets</b>	<b>581,90,98,120</b>	<b>766,12,53,120</b>
Adjustment for net change in:		
Current Assets	1034,44,16,246	(3364,42,33,952)
Current liabilities	60,13,18,291	9,62,28,966
Proceeds of Bonds	3609,03,90,000	5320,59,80,000
Increase / Decrease in Borrowings	(2736,19,44,908)	1374,73,21,456
Increase / Decrease in Deposits	4826,79,84,354	(2926,08,40,881)
Increase in Loans and Advances	(9835,68,44,499)	436,70,74,531
<b>Cash generated from operating activities</b>	<b>(2459,55,82,396)</b>	<b>1617,27,83,240</b>
Payment of Income tax	(364,08,47,302)	(508,29,25,578)
<b>Net cash flow from operating activities (A)</b>	<b>(2823,64,29,698)</b>	<b>1108,98,57,662</b>
<b>(b) Cash flow from Investing activities</b>		
Income from Investment	470,24,51,942	328,84,27,253
Increase / Decrease in Fixed Asset	(12,29,72,683)	(16,17,51,104)
Investments in Government Securities	1812,67,73,003	(2705,87,73,041)
Purchase of shares	(1,25,00,000)	(20,11,10,000)
<b>Net cash used / generated from investing activities (B)</b>	<b>2269,37,52,262</b>	<b>(2413,32,06,892)</b>
<b>(c) Cash flow from financing activities</b>		
Grants / contributions received	502,46,61,138	377,08,64,449
<b>Net cash raised from financing activities (C)</b>	<b>502,46,61,138</b>	<b>377,08,64,449</b>
Net increase in cash and cash equivalent (A)+(B)+(C)	(51,80,16,298)	(927,24,84,781)
Cash and Cash equivalent at the beginning of the period	252,61,55,980	1179,86,40,761
<b>Cash and cash equivalent at the end of the period</b>	<b>200,81,39,682</b>	<b>252,61,55,980</b>
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, 15 June 2006	Milind P Phadke Partner Membership No. 33013 Mumbai, 15 June 2006	
Dr. Y. S. P. Thorat Chairman	Dr. K. G. Karmakar Managing Director	Usha Thorat Director
		Amitabh Verma Director

**Consolidated Balance Sheet**

**Profit & Loss Account**

**&**

**Cash Flow**

**of**

**National Bank for Agriculture and Rural Development**

**&**

**Its Subsidiaries**

**2005-06**

# Sharp & Tannan

Chartered Accountants

## Consolidated Financial Statements 2005-2006 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 31st March 2006, 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 misstatements. 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.43.50 crores and Rs.8.16 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 31st March 2006, which were compiled by the management of these companies 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 31st March, 2006;
- 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: 15 June 2006

Sharp & Tannan  
Chartered Accountants  
by the hand of

Milind P. Phadke  
Partner

Membership No.33013

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L. Vaidyanathan  
Thirtharaj A. Khot

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

**NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT**  
**CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2006**

(Rupees)

Particulars	31.03.2006	31.03.2005	
<b>LIABILITIES</b>			
Capital	2000,00,00,000	2000,00,00,000	
Reserve Fund and Other Reserves	6979,61,77,808	6202,07,80,274	
National Rural Credit (Long Term Operation) Fund	13183,00,00,000	13152,00,00,000	
National Rural Credit (Stabilisation) Fund	1522,00,00,000	1511,00,00,000	
Funds Out of Grants received from International Agencies	187,12,23,937	191,00,38,418	
Gifts, Grants and Donations	145,70,11,073	104,58,38,888	
Other Funds	860,22,46,839	648,61,23,731	
Minority Interest	11,62,53,462	12,03,51,668	
Deposits	14051,71,86,003	9224,92,01,649	
Bonds and Debentures	20812,95,91,000	17203,92,01,000	
Borrowings	6192,19,88,010	8928,39,32,918	
Current Liabilities and Provisions	1680,48,31,975	1620,77,37,222	
<b>TOTAL LIABILITIES</b>	<b>67626,65,10,107</b>	<b>60799,32,05,768</b>	
<b>ASSETS</b>			
Cash and Bank Balances	4323,54,06,272	5500,17,23,001	
Investments	3255,55,93,655	5117,26,30,601	
Advances	58100,44,48,382	48371,69,60,781	
Fixed Assets	225,27,25,819	235,03,83,048	
Other Assets	1721,63,99,796	1574,96,44,635	
Miscellaneous Expenses not Written off	19,36,183	18,63,702	
<b>TOTAL ASSETS</b>	<b>67626,65,10,107</b>	<b>60799,32,05,768</b>	
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>P. Satish Chief General Manager Finance and Accounts Department Mumbai, 15 June 2006</p> </div> <div style="width: 45%; text-align: center;"> <p>As per our report attached Sharp &amp; Tannan Chartered Accountants by the hand of</p> <p>Milind P. Phadke Partner Membership No. 33013 Mumbai, 15 June 2006</p> </div> </div>			
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 2006**

(Rupees)

Particulars	During 2005-06	During 2004-05
<b>Income:</b>		
Interest Received on Loans and Advances	3413,99,13,524	3484,70,55,434
Income from Investment operations	471,64,08,439	432,08,77,974
Discount Received	130,83,014	1,28,42,466
Other Receipts	57,69,44,541	26,50,03,796
<b>TOTAL INCOME</b>	<b>3944,63,49,518</b>	<b>3944,57,79,670</b>
<b>Expenditure:</b>		
Interest and Financial Charges	2196,37,69,257	2113,72,69,284
Establishment and other expenses	397,22,98,473	365,37,74,798
Depreciation	22,32,42,731	26,16,88,783
Provision for Bad and Doubtful Debts	103,18,91,191	1,01,79,141
Depreciation in Investment	32,09,47,991	103,24,50,721
Amortisation of G-Sec	18,18,15,952	0
Preliminary expenses written off	9,43,590	7,40,051
<b>TOTAL EXPENDITURE</b>	<b>2769,49,09,185</b>	<b>2609,61,02,778</b>
Profit before Income Tax	1175,14,40,333	1334,96,76,892
Provision for Taxation	329,84,58,707	358,07,38,219
Deferred Tax (adjustment)	14,21,07,842	(57,89,35,068)
Profit after Tax	859,50,89,468	1034,78,73,741
Share of Loss in Subsidiaries attributable to Minority Interest	(40,98,310)	(14,77,782)
<b>Profit available for Appropriation</b>	<b>859,91,87,778</b>	<b>1034,93,51,523</b>
<b>Appropriations:</b>		
Profit as above	859,91,87,778	1034,93,51,523
Add: Withdrawals from various funds against expenditure debited to Profit and Loss account.	161,70,04,899	82,14,73,629
<b>Total Profit available for Appropriation</b>	<b>1021,61,92,677</b>	<b>1117,08,25,152</b>
<b>Transferred to:</b>		
Special Reserve u/s 36 (i) (viii) of the Income Tax Act, 1961	450,00,00,000	575,00,00,000
NRC (LTO) Fund	30,00,00,000	81,00,00,000
NRC (Stabilisation) Fund	10,00,00,000	10,00,00,000
Cooperative Development Fund	6,06,79,935	5,49,92,870
Research and Development Fund	6,01,45,321	5,78,43,807
Micro Finance Development and Equity Fund	0	40,00,00,000
Foreign Currency Risk Fund	13,62,29,603	13,62,29,603
Investment Fluctuation Reserve	0	189,46,39,102
Farm Innovation and Promotion Fund	0	5,00,00,000
Reserve Fund	505,91,37,818	191,71,19,770
	<b>1021,61,92,677</b>	<b>1117,08,25,152</b>

### Additional Notes to Consolidated Accounts

1. Consolidation has been done pursuant to the listing agreement with stock exchange.
2. Financial statement in respect of all the subsidiaries are unaudited.
3. Details of the subsidiaries:

Name of the Subsidiary	Country of Incorporation	Proportion of Ownership
Agri Development Finance (Tamil Nadu) Ltd.	India	52.10
Agri Business Finance (A.P.) 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 (A.P.) 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.22.23 crore included in the consolidated financial statement, 0.07 per cent of that amount is determined based on depreciation provided by following WDV / Straight line method at the rates as specified in schedule xiv to the Companies Act, 1956.

P. Satish  
Chief General Manager  
Finance and Accounts Department  
Mumbai, 15 June 2006

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

Milind P. Phadke  
Partner  
Membership No. 33013  
Mumbai, 15 June 2006

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 2006**

(Rupees)

Particulars	During 2005-06	During 2004-05	
<b>(a) Cash Flow from Operating activities</b>			
Net profit as per P & L A/C before tax	1175,14,40,335	1334,96,76,893	
Depreciation	22,32,42,730	26,16,88,783	
Ammortisation and Provision for investment	50,70,62,073	103,24,50,721	
Provision for Non performing Assets	97,93,062	28,71,886	
Provision for Standard Assets	70,70,00,000	0	
Provision for Sacrifice interest on restructured loan	31,08,00,000	0	
Interest credited to various funds	49,03,78,019	33,46,45,343	
Other expenses	20,36,79,756	16,98,04,578	
Income from Investment	(470,24,51,942)	(432,08,77,974)	
Profit / Loss on sale of Fixed Asset	(25,79,992)	16,738	
Expenditure from various funds	(362,73,83,602)	(314,34,15,498)	
<b>Operating profit before changes in operating assets</b>	<b>587,09,80,439</b>	<b>768,68,61,470</b>	
<b>Adjustment for net change in:</b>			
Current Assets	1033,80,37,852	(3364,99,53,568)	
Current liabilities	60,09,03,439	10,50,40,297	
Proceeds of Bonds	3609,03,90,000	5320,59,80,000	
Increase / Decrease in Borrowings	(2736,19,44,908)	1373,37,51,556	
Increase / Decrease in Deposits	4826,79,84,354	(2926,08,40,881)	
Increase/Decrease in Loans and Advances	(9832,74,13,808)	439,27,05,553	
Cash generated from operating activities	(2452,10,62,632)	1621,35,44,427	
Payment towards Income tax	(365,96,18,599)	(508,73,69,505)	
<b>Net Cash Flow from Operating Activities (A)</b>	<b>(2818,06,81,231)</b>	<b>1112,61,74,922</b>	
<b>(b) Cash Flow from Investing Activities</b>			
Dividend paid	(30,00,000)	0	
Income from Investment	470,24,51,942	432,08,77,974	
Increase / Decrease of Fixed Assets	(12,40,21,579)	(16,29,70,901)	
Investments in Government Securities	1812,67,73,003	(2809,12,23,762)	
Investments in Shares / Others	(6,28,61,000)	(23,50,60,000)	
Preliminary Expenses	0	0	
<b>Net Cash used in Investing Activities (B)</b>	<b>2263,93,42,366</b>	<b>(2416,83,76,689)</b>	
<b>(c) Cash Flow from Financing Activities</b>			
Grants / contributions received	502,46,61,138	377,08,64,449	
<b>Net Cash raised from Financing Activities (C)</b>	<b>502,46,61,138</b>	<b>377,08,64,449</b>	
<b>Net increase in Cash and Cash Equivalent (A)+(B)+(C)</b>	<b>(51,66,77,727)</b>	<b>(927,13,37,318)</b>	
<b>Cash and Cash Equivalent at the beginning of the period</b>	<b>252,81,53,000</b>	<b>1179,94,90,318</b>	
<b>Cash and Cash Equivalent at the end of the period</b>	<b>201,14,75,273</b>	<b>252,81,53,000</b>	
Note: Cash and Cash equivalent includes Cash on Hand, Balance with RBI, Balances with other banks in India on Current Account on 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, 15 June 2006			
Milind P. Phadke Partner Membership No. 33013 Mumbai, 15 June 2006			
Dr. Y. S. P. Thorat Chairman	Dr. K. G. Karmakar Managing Director	Usha Thorat Director	Amitabh Verma Director