

## **SCHEDULE – 17**

### ***SIGNIFICANT ACCOUNTING POLICIES 2004-2005***

#### **17.1. BASIS OF ACCOUNTING**

These accounts are prepared by following the going concern concept on historical cost basis, consistently, and are in conformity with the statutory provisions and generally accepted accounting principles, save as otherwise stated.

#### **17.2. INVESTMENTS**

##### **i. CLASSIFICATION:**

As per Reserve Bank of India guidelines, Investments are classified in three categories viz.;

Held to Maturity

Available for Sale

Held for Trading

and are disclosed in the accounts in six classifications, net of depreciation provision.

##### **ii. VALUATION:**

Investments are valued as per Reserve Bank of India guidelines as follows:

##### **a. Basis:**

‘Held to Maturity’

Wherever the average book value is higher than the face value / redemption value, such excess amount is amortised equally over the remaining period of maturity of the security. Accordingly investments are valued at cost less amortisation.

‘Available for Sale’

These Investments are marked to market. Depreciation / appreciation for each of six classifications is aggregated; net depreciation, if any, for each classification is provided for, but net appreciation is ignored.

‘Held for Trading’

Each scrip in this category is marked to market. Net depreciation / appreciation under each scrip is recognized. At the year-end, unrealized gain, if any, is reversed.

**b. Methodology:**

The Bank follows Average Cost Method consistently. Market value of quoted securities in case of Investments included in the ‘Available for Sale’ and ‘Held for Trading’ categories is taken based on market quotations of recognized stock exchange/s or price list of Reserve Bank of India. Where market quotes are not available and in case of unquoted securities, value is determined based on:

-> Prices / Yield to Maturity declared by Primary Dealers Association Of India jointly with Fixed Income Money Market and Derivatives Association of India.

-> Treasury Bills, Commercial Papers and Investments including Deposits in Regional Rural Banks at cost.

**iii. INCOME RECOGNITION AND PRUDENTIAL NORMS :**

- a. The Bank has followed prudential norms formulated by Reserve Bank of India, from time to time, as to asset classification, Income Recognition and Provisioning of investments.
- b. Commission, brokerage, broken period interest etc. on investment transactions are debited / credited to Profit and Loss Account in the year of transaction.
- c. Profit on sale of investments pertaining to investments under “Held to Maturity” category is taken to Profit and Loss Account and thereafter appropriated to “Capital Reserve Account”.

- iv.** As per Reserve Bank of India guidelines, Investment Fluctuation Reserve equivalent to 5 percent of investments held under categories “Held for Trading” and “Available for Sale” is to be created over a period of five years, out of profits available after appropriation of Statutory Reserve as per Banking Regulation Act 1949.

### 17.3

#### **ADVANCES**

- i) The Bank has followed prudential norms formulated by Reserve Bank of India, from time to time, as to Asset Classification, Income Recognition and Provisioning of advances and has accordingly classified its advances into Standard, Sub-standard, Doubtful and Loss Assets.
- ii) Advances are shown net of Provisions for Non Performing Assets.
- iii) Prudential provision on Standard Assets and provision on account of 'Sacrifice on Restructured Standard Accounts' are included in 'Other Liabilities and Provisions –Others' in Schedule No.5 to the Balance Sheet.
- iv) Recoveries in Non Performing Advances are first appropriated towards principal outstanding and surplus if any, is recognized as interest income.

### 17.4

#### **FIXED ASSETS & DEPRECIATION**

- i) Premises (except certain premises which have been stated at revalued amount) and other fixed assets are stated at historical cost.
- ii) Premises include cost of land in respect of certain properties where the same cannot be segregated.
- iii) Depreciation is charged on Written Down Value (W.D.V.) method at the rates prescribed under the Income Tax Rules, 1962 except
  - a) Computer hardware purchased before 01.04.2000 are depreciated @ 25% p.a. on W.D.V. method and purchased on or after 01.04.2000 are depreciated @ 33.33% on Straight Line Method.
  - b) Residential premises admeasuring less than or equal to 80 sq.mts. are depreciated @ 5% p.a. on W.D.V method.
- iv) Cost of lease hold land is amortized over the period of lease.
- v) Depreciation attributable to revalued portion is charged to the Revaluation Reserve Account.
- vi) Fixed Assets include Capital Work-in-Progress.

## **17.5 INTANGIBLE ASSETS**

Computer software expenses are considered as intangible assets and are amortized over the period of five years, which is considered as the useful economic life of such assets.

## **17.6 NON BANKING ASSETS**

Non Banking Assets are stated at cost.

## **17.7 REVENUE RECOGNITION**

- i) The Bank follows mercantile system of accounting except in cases where income/expenses are recognized on cash basis i.e. interest/discount on non-performing advances/investments, commission on letters of credit, locker rent, interest on refund of taxes, dividend receipts, rental income, income on units of mutual funds and interest on overdue term deposits.
- ii) Expenses incurred on the issue of bonds are recognized in the year of incurrence.
- iii) Expenses incurred on the public issue of equity shares prior to 1.4.2003, are amortized over a period of ten years starting from the year of issue. Expenses incurred thereafter are recognized in the year of incurrence.
- iv) Unclaimed credit balances lying in Suspense Receipts for more than five years are being accounted for as 'Miscellaneous Income'.
- v) Recoveries in written off advances are being accounted for as Miscellaneous income.
- vi) In case of suit filed accounts, legal expenses are charged to Profit and loss account.

## **17.8 TREATMENT OF VRS EXPENDITURE**

Expenditure on VRS prior to 1.4.2003 has been amortised over a period of five years as per the guidelines issued by Reserve Bank of India. Expenses incurred thereafter are recognized in the year of incurrence.

## **17.9 FOREIGN EXCHANGE**

- i) The Bank revalues all foreign currency assets and liabilities including outstanding forward foreign exchange contracts except guarantees, letters of credit, acceptances, endorsements and other obligations in foreign currency at the year end free market rates issued by FEDAI and the resultant losses as well as profits arising out of such revaluation are accounted for in Profit & Loss Account.
- ii) Income and Expenditure items are recognized at the exchange rates prevailing on the date of transaction.

**17.10 STAFF BENEFITS**

Provisions for Gratuity, Pension and Leave Encashment payable on retirement are made on accrual basis as per actuarial valuation.

**17.11 TAXES ON INCOME**

- i) Current tax is measured at the amount expected to be paid to the taxation authorities, using applicable tax rates, tax laws and judicial pronouncements / legal opinions.
- ii) Deferred tax, comprising of tax effect of timing differences between taxable and accounting incomes for the period, is recognized keeping in view the consideration of prudence in respect of deferred tax assets.

**17.12 NET PROFIT**

The Net Profit is arrived at after:

- i) Provisions for income tax in accordance with the statutory requirements with adjustments for deferred tax in terms of Accounting Standards 22 issued by the Institute of Chartered Accountants of India,
- ii) Provision for wealth tax,
- iii) Provisions for advances,
- iv) Adjustments to the value of investments,
- v) Transfers to contingency funds,
- vi) Other usual and necessary provisions.

## SCHEDULE – 18

### NOTES FORMING PART OF THE ACCOUNTS

- 18.1 a) Outstanding entries in Inter-branch accounts have been identified upto 31<sup>st</sup> December, 2004 and the process of consequential adjustments is in progress.
- b) Balancing of subsidiary ledgers/registers and reconciliation with general ledgers are in progress at some branches. Outstanding entries in some heads of account including demand drafts payable, drafts paid ex-advice, suspense accounts, dividend/ interest warrants paid, clearing adjustments and reconciliation between service branches and participating branches in clearing are in the process of reconciliation/adjustments.
- c) In certain cases of Balance with Reserve Bank of India and other banks, outstanding entries have not been adjusted due to insufficient information.
- d) Pending reconciliation/ balancing/adjustment as stated above, the consequential impact on the accounts is not ascertainable at this stage.
- 18.2 a) The category wise position of holding of “Investment Portfolio” is as under:

(Rs. in Crore)

Categories	31.03.2005	31.03.2004
A. Held to Maturity	4195.45	2322.07
B. Available for Sale	5506.23	7325.17
C. Held for Trading	19.82	123.90
Total	9721.50	9771.14
Less: Depreciation	24.55	34.73
<b>Net Investment</b>	<b>9696.95</b>	<b>9736.41</b>

- b) The Bank has amortized Rs.10.51 Crore during the year (Previous year Rs.7.99 Crore) for securities classified under “Held to Maturity” category, in terms of accounting policy 17.2(ii). The amount has been charged to “Profit and Loss Account” and value of the respective securities is reduced to that extent. Rs.95.49 Crore (Previous Year Rs.68.21 crore) remains to be amortized in future.
- c) The Bank has created Investment Fluctuation Reserve of Rs. 42.70 crore(previous year Rs. Nil). during the year in terms of Accounting Policy No. 17.2.(iv)
- d) In accordance with the guidelines issued by RBI, the bank has shifted securities within the categories during the year. The consequential

depreciation on such shifting amounting to Rs.69.17 crore (previous year Nil) has been charged to Profit and Loss account by reducing book value of these securities and is included in the total depreciation on investments amounting to Rs.81.33 crore debited to Profit and Loss account.

- e) The Bank has Investment of Rs 21.72 Crore (Previous year Rs 21.72 Crore) in four Regional Rural Banks (RRBs) sponsored by the Bank, out of which investment of Rs.20.32 Crore (Previous Year Rs 20.32 Crore) is by way of Share Capital deposits, towards recapitalisation of the RRBs. Diminution in value of Investments in RRB's has not been recognized as the said investments have been valued at cost in accordance with RBI guidelines.

18.3 In the case of unaudited branches, the classification of advances and provisioning thereof has been incorporated as certified by the branches.

18.4 The Bank has transferred Rs 18.30 Crore (Previous Year Rs 69.15 Crore) to Statutory Reserves out of the profit of Rs.61.00 crore for the year.

18.5 Premises include Rs. 0.29 Crore (Previous year Rs. 0.29 Crore) in respect of properties purchased, for which the documents are pending for registration.

**18.6 Voluntary Retirement Scheme:**

-> In respect of Voluntary Retirement Scheme introduced by the bank in earlier years, the liability of the Bank was determined at Rs. 429.53 Crore. In accordance with Reserve Bank of India guidelines, ex-gratia amount is being amortized equally over a period of five years and additional contribution towards Gratuity and Pension, Net of Tax benefits is being amortized equally over a period of five years.

-> Accordingly, the Bank has charged to Profit & Loss A/c for the year Rs 72.98 Crore (Previous Year Rs 73.00 Crore)

-> There is no balance in the account of Unamortised balance of VRS expenditure of as on 31.3.05 (Previous Year Rs.72.98 crore).

18.7 Following are the significant changes in RBI guidelines which have been given effect to in the accounts.

**Investments**

- a) Securities backed by Guarantees of the Central Government are treated as performing investments, notwithstanding arrears of principal / interest payments. However, interest if not realized for more than 90 days is recognized as income only on cash basis. Securities guaranteed by the State Government, where the principal / interest is due but not received for a period of more than 180 days as on 31.03.2005, are treated as Non Performing Investments and provided for as per the RBI Guidelines. However, for

securities guaranteed by the State Governments, where the interest is due but not received for a period of more than 90 days, interest is recognized as income only on cash basis.

- b) Securities other than those backed by guarantees of the Central / State Governments, where the principal / interest is due but not received for a period of more than 90 days, are treated as Non Performing investments and income recognition and provisioning are as per the Reserve Bank of India guidelines.

### **Advances**

- a) Provision against Sub standard advances accounts which are sanctioned ab-initio as `Unsecured`, has been made at 20% of the outstanding balance.
- b) Provision on Doubtful advances has been made in the following manner:
- > 20% to 100% of the secured portion of advances, depending upon the period for which the asset has remained doubtful.
  - > 100% of the unsecured portion of the outstanding advance after netting of realizable amount under various credit guarantee schemes.
  - > Increment in provision required in the case of assets which slipped from substandard to doubtful category, consequent upon reduction in the transition period from 18 to 12 months, are phased over a period of four years subject to a minimum 20% each year.

### **18.8 Disclosures in terms of Reserve Bank of India Guidelines are as under:**

<b>Particulars</b>	<b>2004-05</b>	<b>2003-04</b>
18.9.1 Percentage of share holding of Government of India	51.19%	70.99%
18.9.2 Percentage of Net NPAs to Net Advances	5.23 %	9.40%
18.9.3 Capital Adequacy Ratio	11.91%	9.48%
Tier I	6.63%	5.19%
Tier II	5.28%	4.29%
18.9.4 Interest Income as a percentage to Working funds	7.48%	8.33%
18.9.5 Non-Interest Income as a percentage to Working funds	1.35%	2.97%
18.9.6 Operating Profit as a percentage to Working Funds	1.94%	3.41%
18.9.7 Return on Assets	0.26%	1.11%
18.9.8 Business mix (deposits plus advances) per employee (Rs. in Crore)	3.13	2.74
18.9.9 Profit per employee ( Rupees in lacs)	0.60	2.23



**18.09 Details of Provisions and Contingencies debited to the Profit and Loss Account during the year:**

<b>Particulars</b>	<b>(Rs. in Crore)</b>	
	<b>2004-05</b>	<b>2003-04</b>
(i) Provision for Non Performing Assets	275.57	306.16
(ii) Provision for Income Tax (see note 18.10 below)	-61.27	121.20
(iii) Provision for Depreciation on Investments	81.32	0.00
(iv) Provision for Standard Assets including sacrifice on restructured accounts	15.94	38.46
(v) Deferred Tax Assets (Net)	-4.50	6.33
(vi) Amortisation of premium paid on Investment	10.51	7.99
(vii) Wage Revision	65.31	0
(viii) Contingent liabilities	3.87	
(viii) Others	-0.26	- 0.05
<b>Total</b>	<b>386.49</b>	<b>480.09</b>

**18.10 Provision for Tax**

- a) Income Tax provisions relating to allowability of bad debts as per Section 36(1)(vii) have been amended by the Finance Act, 2001, retrospectively with effect from financial year 1988-89 and accordingly, the amount actually written off as bad debts shall be considered for deduction instead of provisions made for ' Bad & doubtful debts '.

The Bank has claimed Provision made for Non Performing Advances as deductions and the same has been accepted by the appellate authorities upto financial year 1995-96. However, all such assessments are at present pending before different levels of appellate authorities. In view of experts' opinions, the Bank is of the view that no additional provision for Income Tax is necessary in spite of amendments in Income Tax Act with retrospective effect.

- b) During the year, pursuant to various assessments / appellate / rectification orders excess provision for Income Tax pertaining to earlier years, no longer required, has been written back to the tune of Rs. 61.27 crore and included in the net profit for the year.

### 18.11 Maturity Pattern of Assets and Liabilities as on 31.3.2005\*

(Rs in Crore)

Particulars	1 to 14 Days	15 to 28 Days	29 Days to 3 Months	Over 3 Months to 6 Months	Over 6 Months to 12 Months	Over 1 Year to 3 Years	Over 3 Years to 5Years	Over 5 Years	Total
Loans and Advances	849.01	159.48	542.76	641.93	1099.21	4962.62	894.15	2159.43	11308.59
Investments	37.27	6.33	123.44	130.10	189.30	709.61	1337.75	7163.15	9696.95
Deposits	1283.12	621.06	1925.93	1366.79	2351.79	11380.60	727.06	439.74	20096.09
Borrowings	0.47	109.25	211.17	13.31	0.07	0.37	0.27	0.07	334.98
Foreign Currency Assets	176.47	88.45	317.38	285.41	11.89	0.00	0.00	0.00	879.60
Foreign Currency Liabilities	69.59	113.67	225.53	38.78	66.69	147.77	0.00	0.00	662.03

\*As certified by the Management.

### 18.12 Lending to Sensitive Sectors:

(Rs. In Crore)

Category	As on 31.3.2005	As On 31.3.2004
a. Capital Market Sector	26.06.	70.41
b. Real Estate Sector	393.05	95.87
c. Commodities Sector	309.40	232.62
<b>Total</b>	<b>728.51</b>	<b>398.90</b>

The above figures do not include non fund based exposure of Rs 0.19 crore towards capital market and Rs 81.23 crore towards commodities sector as on 31.3.05.

### 18.13 Movement in NPAs:

(Rs. in Crore)

Particulars	2004-05	2003-04
<b>Gross NPAs</b>		
Opening Balance *	1484.01	1,616.58
Additions during the year	263.77	458.75
Reductions during the year	600.24	591.32
Closing Balance *	1147.54	1484.01
<b>Net NPAs</b>		
Opening Balance	884.35	997.28
Additions during the year **	155.92	356.09
Reductions during the year **	449.27	469.02
Closing Balance	591.00	884.35

\* Net of Unrealized interest (except in case of suit filed accounts) reversed from gross NPA

\*\* Includes contra entries and adjustment entries debited/credited in the accounts the effect of which is not eliminated.

**18.14 Movement of Provision on NPAs:**

(Rs. in Crore)

<b>Particulars</b>	<b>2004-05</b>	<b>2003-04</b>
Opening Balance	579.45	592.43
Add: Provisions made during the year	275.57	306.16
Less: Write off, write back of excess provisions	318.85	319.14
Closing Balance	536.17	579.45

**18.15 Movement of Provision for Depreciation on Investments:**

(Rs. in Crore)

<b>Particulars</b>	<b>2004-05</b>	<b>2003-04</b>
Opening Balance	34.73	84.20
Add : Provision made during the year	81.33	0.00
	116.06	84.20
Less : Prudential write off during the year	22.34	49.47
Less depreciation adjusted by reducing book value of Investment under AFS category shifted to HTM	69.17	--
Closing Balance	24.55	34.73

**18.16 Information in respect of restructured accounts during the year\* :**

(Rs. in Crore)

<b>Particulars</b>	<b>2004-05</b>	<b>2003-04</b>
<b>a) Non CDR Scheme</b>		
Total amount of loan assets subjected to restructuring	11.30	291.98
of which		
The amount of standard assets subjected to restructuring etc	7.85	252.29
The amount of sub-standard assets subjected to restructuring etc	0	11.27
The amount of doubtful assets subjected to restructuring etc	3.45	28.42
<b>b) CDR Scheme</b>		
Total amount of loan assets subjected to restructuring under CDR	207.63	198.22
Of which		
The amount of standard assets subjected to restructuring under CDR	207.63	198.22

The amount of sub-standard assets subjected to restructuring under CDR	0	0
The amount of doubtful assets subjected to restructuring under CDR	0	0

*(Compiled by the Management and relied upon by the auditors)*

18.17 The bank has not sold any of its assets to Asset Reconstruction Companies or Securitization companies during the year.

18.18 The Bank has not undertaken the activity of financing of Margin Trading during the year.

18.19 The Bank has raised subordinated debt of Rs. 210 Crore during the year (Previous Year Rs.150 Crore). The total outstanding of subordinated debts as at 31-3-2005 Rs.707.28 Crore (Previous Year Rs.542.28 Crore) is reflected in other liabilities and provisions (Sch -5),out of which eligible portion, Rs.363.55 Crore (Previous Year Rs.248.17 Crore) is treated as Tier II capital.

18.20 Pending execution of agreement with the Workmen's Union and Officers Association,at industry level with IBA, for wage revision, the Bank has estimated a liability of Rs 65.31 crore (previous year Nil), and provided for the same in the accounts during the year.

18.21 Investment in Equity Shares and Equity oriented instruments (net of depreciation)\*  
(Rs Crore)

		As on 31.3.05	As on 31.3.04
1	Equity shares	43.17	54.55
2	Units in equity oriented mutual funds	3.28	0.15
3	Convertible Debentures and bonds	0	0
4	Regional Rural banks	1.40	1.40
5	Others	0	0
	Total	47.85	56.10
	Advances against shares	206.44	70.75

\* Excludes investment in preference shares of Rs 50.04 crore (previous year Rs. 58.87 crore ) as on 31.03.05

18.22 Non – SLR Investment portfolio:

a) Issuer Composition of Non-SLR Investment \*

(Rs. in Crore)

Sl. No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
1	PSUs	926.58	922.44	158.00	210.48	447.00
2	Fls	215.67	156.15	27.77	25.00	121.31
3	Banks	60.09	59.00	0.20	20.00	21.21
4	Private Corporates	121.40	57.62	0	41.07	101.47
5	Subsidiaries/ Joint Ventures	21.72	21.72	0	0	0
6	Others	162.65	143.65	0	0	0
	<b>Total*</b>	<b>1508.11</b>	<b>1360.58</b>	<b>185.97</b>	<b>296.55</b>	<b>690.99</b>
	provision held towards depreciation	<b>9.85</b>				
	<b>Balance as per Books</b>	<b>1498.26</b>				

\*Special Govt securities (FV Rs. 281.74 Crore )in the nature of Non-SLR securities, issued by Government of India is not included above .

18.23 Non-performing Non-SLR Investment

Particulars	Amount (Rs. in crore)
Opening balance	77.84
Additions during the year since 1st April	0.00
Reductions during the above period	43.10
Closing Balance	34.74
Total provisions held	9.13

**18.24 REPO/Reverse REPO Transactions:**

(Rs in crore)

**a.Liquidity Adjustment Facility (LAF)**

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Balance as on 31.3.05
Securities sold under repos	Nil	Nil	Nil	Nil
Securities purchased under reverse repos	Nil	1850.00	421.60	250.00

b.With Others ---- NIL

**18.25 Country wise Exposure Risk:**

The net country wise funded exposure of the Bank in respect of foreign exchange is less than 1% of banks assets , for each country and hence no provision is required in terms of RBI circular no DBOD.BPBC.71/21.04.103/02-03 DT 19.2.03 read with circular DBOD .BPBC.96/21.04.103./03-4 DT 17.6.04.

**18.26 Disclosure as per Accounting Standards (AS):**

- a) Disclosure as per AS 11-.Net income on account of exchange differences credited in the Profit and Loss account for the year is Rs.23.99 Crore.
- b) Segment Reporting under Accounting Standard 17: The Bank's operations are classified into two primary Business Segments viz. 'Treasury operations' and 'Other Banking operations' in accordance with the RBI circular dated DBOD.No.BP. BC. 89 /21.04.018/2002-03 dated March 29, 2003

The relevant information / data is given hereunder:

(Rs in Crore)

Business Segments	Treasury Operations		Other Banking Operations		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Revenue	456.73	647.78	1567.49	1,699.82	2024.22	2,347.60
Result	65.08	263.65	-3.03	171.28	62.05	434.93
Unallocated expenses	X	X	X	X	78.94	82.15
Unallocated Income	X	X	X	X	12.14	5.29
Operating Profit (Profit before Tax)	X	X	X	X	-4.75	358.07
Income Taxes (incl. DTA)	X	X	X	X	-65.75	127.57
Extraordinary Profit / Loss (unallocated income)	X	X	X	X	X	X
Net Profit	X	X	X	X	61.00	230.50
<b>OTHER INFORMATION</b>						
Segment Assets	4535.12	4944.41	18863.30	16272.73	23398.42	21217.14
Unallocated Assets	X	X	X	X	630.17	725.81
Total Assets	X	X	X	X	24028.59	21942.95
Segment Liabilities	0.00	0.00	22764.42	20704.71	22764.42	20,704.41
Unallocated Liability	X	X	X	X	1264.17	1238.24
Total Liabilities	X	X	X	X	24028.59	21942.95

The Bank does not have any secondary (geographical) segment.

**Note:**

- 1) Segment Results are after adjustment on account of Inter Segment Cost, which has been considered on the basis of Transfer Price mechanism decided by the Bank.
- 2) Assumed Inter Segment Assets, Liabilities and Revenue are ignored.
- 3) Treasury Operation consists of domestic investment portfolio of the Bank

excluding investments held for SLR requirements.

- 4) Unallocated liabilities include Capital and Reserves net of debit balance in Profit & Loss Account, if any .
- c) In compliance with Accounting Standard 18 issued by ICAI and RBI guidelines details pertaining to Related Party Transactions are disclosed as under:

**Key Management Personnel**

<b>Sr. No.</b>	<b>Name</b>	<b>Designation</b>	<b>Item</b>	<b>Period</b>	<b>Amount (in Rs.)</b>	<b>Loan Amount (in Rs.)</b>
1	Dr.Anil K. Khandelwal	CMD	Salary & Emoluments	5.2.04 to 1.3.05	600166.65	NIL
2.	Shri M V Nair	ED (Addl charge as CMD since 1.3.05)	Salary & Emoluments	27.8.04 onwards	346289.40	NIL

**d) Earning per Share - Accounting Standard 20:**

<b>Earning Per Share</b>	<b>31.3.2005</b>	<b>31.3.2004</b>
EPS Basic & Diluted* (Rs)	2.82	11.14
Net Profit as per Profit & Loss Account Considered as numerator (Rs in Crore)	61.00	230.50
Weighted average number of Equity share considered as denominator	21,60,28,679	20,68,23,200
Nominal value of share (Rs)	10/-	10/-

\*There are no diluted potential shares

**e) Taxes on Income – Accounting Standard 22:**

The Bank has complied with requirements of “AS 22 on Accounting for Taxes on Income” issued by ICAI and accordingly, deferred tax assets and liabilities are recognized.

The net balance of Deferred Tax Asset as on 31st March 2005 amounting to Rs. 215.14 Crore (Previous Year Rs 210.64 crore) consists of the following :



(Rs.in crore)

	Current Year	Previous Year
<b>Deferred Tax Assets</b>		
VRS Payments	0.92	5.54
Provision for NPAs / Bad Debts	180.47	207.88
Leave Encashment	6.50	5.83
Provision for wages	21.98	0
Eligible Loss to be carried forward for IT purpose	10.02	
Total Deferred Tax Assets	<b>219.89</b>	<b>219.25</b>
<b>Less: Deferred Tax Liabilities</b>		
Bonus (sec 43B)	0.02	0.03
Depreciation on Fixed Assets	3.80	7.08
Software Expenses & Others	0.93	1.50
Total Deferred Tax Liabilities	<b>4.75</b>	<b>8.61</b>
Net balance of DTA shown in the Schedule11 (Other Assets)	<b>215.14</b>	<b>210.64</b>

**f) Intangible Assets – Accounting Standard 26:**

Computer software expenses have been reckoned as intangible assets as per Accounting policy 17.5. The net carrying amount of computer software expenses have been included under the head “Other Assets” in Schedule 11, to the Balance Sheet. The requisite disclosures under AS 26 are as follows:

(Rs. in Crore)

Particulars	Amount
Carrying amount as on 01.04.2004(Net of Amortisation)	6.72
Add: Additions during the year	3.69
Less: Amortisation during the year debited to Profit & Loss A/C	3.72
Carrying amount as on 31.03.2005	6.69

**g) Accounting standard 28 :** In the opinion of the Management, there is no impairment to its assets, to which Accounting standard AS 28 is applicable.

h) Disclosure in terms of Accounting standard (AS 29) on provision , contingent liabilities and contingent assets.

**i) Movement of provisions for liabilities as per AS 29**

**(Rs crore)**

Particulars	Salary arrears Under negotiation
Balance as on 1.4.04	Nil
Provisions made during 04-05	65.31
Amounts used during the year	Nil
Reversed during the year	Nil
Balance as on 31.3.05	65.31
Nature of uncertainty about the outflows	Subject to wage settlement which is in progress
Assumption behind the recognition	Services already availed
Timing of outflow/uncertainties	Subject to wage settlement terms

Other provisions made in compliance with other Accounting standards and RBI guidelines towards various expenses and assets are excluded from the above

**ii) Disclosure . On contingent liabilities as per AS 29**

Item nos (i) to (v) of the Schedule 12 of the balance sheet on contingent liabilities, reflect the various types of contingent liabilities categorized according to their nature. These amounts are estimated on the basis of documents related to the basic contracts or claims made. Outflow on account of these contingent liabilities would depend upon the outcome of disposal of litigations by the respective jurisdictional authorities, execution of contracts, invocation of guarantees, devolvement of LCs, settlement of claims etc. The possibility of any reimbursement in such cases is not ascertainable at this stage.

18.27 Premises includes 1/3<sup>rd</sup> share in a property jointly owned by the bank with another Bank, is as under :

(Rs.in crore)

<b>Bank's share</b>	<b>31.03.2005</b>	<b>31.03.2004</b>
Cost	1.44	1.44
Accumulated Depreciation	0.31	0.25
Written Down Value	1.13	1.19

18.28 The Bank was not subjected to any penalty by Reserve Bank of India during the year.

18.29 In the following cases the bank has exceeded prudential exposure limits laid down by RBI. as on 31.3.2005, which was ratified by the Board of directors of the bank .

Sr. No.	Name of the borrower
1	Patel Engg ltd
2	Sanghi Industries
3	Sardar Sarovar Nigam Ltd
4	GTL ltd
5	HDFC Ltd

18.30 During the year the bank has raised Rs 216 crore through a follow on public issue of 8 crore equity shares of Rs 10.00 each at a price of Rs .27/= per share. The issue was oversubscribed by 12.14 times. Allotment was made on 19.2.2005 in consultation with designated stock exchange ie , NSE. The amount of expenses incurred towards the public issue and debited to Profit and Loss account during the year was Rs.7.21crore The main object of the issue was to augment funds for meeting the future capital adequacy requirements and for long term resources.

18.31 Previous year's figures have been regrouped/reclassified /re-arranged, wherever necessary, to make them comparable with the current year's figures.