

**M/s. Khandelwal Kakani & Co.**  
Chartered Accountants,  
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Indore - 452 001

**M/s Gandhi Minocha & Co.**  
Chartered Accountants  
82, Shakti Appartments,  
SFS Flats, Phase III,  
Ashok Vihar, Delhi - 110052

**M/s. S. Jaykishan**  
Chartered Accountants,  
12 Ho Chi Minh Sarani  
Unit 2D & E,  
Kolkata -700 071

**M/s. Bhudladia & CO.**  
Chartered Accountants,  
12/10, East Patel Nagar  
New Delhi 110 008

**M/s Nripendra & Co.**  
Chartered Accountants,  
58/37, First Floor, Birhana Road,  
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## **REPORT OF THE AUDITORS TO THE PRESIDENT OF INDIA**

1. We have audited the attached Balance Sheet of Dena Bank as at 31st March, 2007 and the Profit and Loss Account annexed thereto for the year ended on that date, in which are incorporated the returns of 25 branches and 26 administrative offices audited by us, 669 branches audited by other auditors. The Branches audited by us and those audited by other auditors have been selected by the bank in accordance with the guidelines issued to the bank by the Reserve Bank of India. Also incorporated in the balance Sheet and the profit & loss account are the returns from 342 branches, which have not been subjected to audit. These unaudited branches account for 4% of advances, 16.05% of deposits, 2.88% of interest income and 15.18% of interest expenses. We have also audited the cash flow statement annexed to the balance sheet for the year ended on that date. These financial statements are the responsibility of the bank's management. Our responsibility is to express our opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material mis-statements. An audit includes examining on a test basis, evidence supporting the amounts and disclosure 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 presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Balance Sheet and the Profit and Loss Account have been drawn up in Forms "A" and "B" respectively, of the Third Schedule to the Banking Regulation Act, 1949.
4. Subject to the limitations of the audit indicated in paragraphs 1 & 2 above, and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 / 1980 and subject to the limitation of disclosures required therein, we report that:
  - (i) a) Initial matching of entries in Inter-Branch Accounts has been done up to 28<sup>th</sup> February, 2007 and the process of reconciliation is in progress.
  - b) Balancing of subsidiary ledgers / registers and reconciliation with general ledgers is in progress at some branches.

- c) As referred to in Note No.18.1 of Schedule 18 to the Accounts, there are outstanding entries in the accounts of demand drafts payable, drafts paid ex-advice, suspense accounts, dividend / interest warrants, refund orders paid, clearing adjustments, reconciliation between the service branches and participating branches in respect of clearing, balances with Reserve Bank of India and other banks which are in the process of reconciliation / balancing / adjustments. Impact of the above, as also on the other disclosures / ratios is not ascertained.
- (ii) Certain income / expenditure have been accounted for on cash basis instead of accrual basis as mentioned in Para 17.6(i) & 17.6(ii) of Schedule 17 to the Accounts, the same being not in accordance with the Accounting Standard-9 'Revenue Recognition' issued by The Institute of Chartered Accountants of India (ICAI). The impact of the same, as also on the other disclosures / ratios is not ascertained.
- (iii) Attention is drawn to Notes on Accounts point 18.19 (a) (i) regarding Change in Accounting Policy for Recognition of Income in respect of Commission on Bank Guarantee, Income from Government Business and Insurance Business. The revised policy is not in accordance with AS – 9 of ICAI.
- (iv) Attention is drawn to Notes on Accounts: - Note No. 18.9 (a) pertaining to movement of NPA, Note No. 18.12 pertaining to disclosure of Asset Liability Management (ALM), Note No. 18.16 pertaining to Provision for Income Tax and 18.19 (a) (iii) regarding the Income recognized on Sale of Non Performing Assets to ARC, for their impact on the financial statements.

5. We further report that:

- (i) Subject to our comments in paragraphs 4(i) to (iv) above, read with the Notes on the Accounts and Schedules mentioned therein, 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:
- (a) The Balance Sheet read with the Significant Accounting Policies and the Notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st March 2007.
- (b) The Profit and Loss Account read with the Significant Accounting Policies and the Notes thereon shows a true balance of profit for the year ended 31st March 2007.
- (c) The Cash Flow Statement gives the true and fair view of the cash flows for the year ended 31<sup>st</sup> March 2007.

- (ii) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory.
- (iii) The transactions of the bank, which have come to our notice, have been within the powers of the bank.

**For Khandelwal Kakani & Co.  
Chartered Accountants**

**For Gandhi Minocha & Co.  
Chartered Accountants**

**For S. Jaykishan  
Chartered Accountants**

**( Garjana Rathore)  
Membership No 78147  
Partner**

**(Ajay Katyal)  
Membership No. 87915  
Partner**

**(S. Chatterjee)  
Membership No. 17361  
Partner**

**For Bhudladia & CO .  
Chartered Accountants**

**M/s Nripendra & Co.  
Chartered Accountants**

**(Sajan C.V.)  
Membership No.92146  
Partner**

**(Rahul Gupta)  
Membership No. 77811  
Partner**

Place: Mumbai

Date: 25<sup>th</sup> April 2007