

<b>M/s.B.K. Khare &amp; Co. Chartered Accountants, 706-707, Sharda Chambers, New Marine Lines, Mumbai 400 020</b>	<b>M/s. Khandelwal Kakani &amp; Co. Chartered Accountants, 55, Basant Mansion, 2<sup>nd</sup> floor, 165, RNT Marg, Indore 452 001</b>	<b>M/s. S. Jaykishan Chartered Accountants, 12, Ho Chi Min Sarani, Unit 2D &amp; E, Kolkata 700 071</b>
<b>M/s.Gandhi Minocha &amp; Co. Chartered Accountants, 82, Shakti Apartments, SFS Flats, Phase III, Ashok Vihar, Delhi 110 052</b>	<b>M/s Bhudladia &amp; Co. Chartered Accountants 12/10, East Patel Nagar, New Delhi 110 008</b>	<b>M/s Nripendra &amp;Co Ist Floor, 58/37 Birhana road Kanpur-208 001</b>

## **REPORT OF THE AUDITORS TO THE PRESIDENT OF INDIA**

1. We have audited the attached Balance Sheet of Dena Bank as at 31st March, 2005 and the Profit and Loss Account annexed thereto for the year ended on that date, in which are incorporated the returns of 20 branches and 21 administrative offices audited by us, 798 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 212 branches, which have not been subjected to audit. These unaudited branches account for 1.61% of advances, 9.85% of deposits, 1.73% of interest income and 10.47% 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 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 para 1 & 2 above, and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and subject to the limitation of disclosure required therein, we report that:
  - (i) a) There are outstanding entries in Inter-Branch Accounts which have been identified upto 31<sup>st</sup> December, 2004 and the process of their consequential adjustments 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 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 17.7(i) 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 , Note No.18.10 pertaining to write back of excess provision for income tax, Note No.18.11 pertaining to disclosure of Asset Liability Management (ALM) and Note No. 18.13 pertaining to Movement of NPA for their impact on the financial statements..

5. We further report that:

- (i) Subject to our comments in Para 4 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, 2005.
  - (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, 2005.
  - (c) The Cash Flow Statement gives the true and fair view of the cash flows for the year ended 31<sup>st</sup> March 2005.

- (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 B. K. Khare & Co  
Chartered Accountants

For S. Jaykishan  
Chartered Accountants

For Khandelwal Kakani & Co  
Chartered Accountants

**(Santosh Parab)**  
Partner

**(Sunirmal Chatterjee)**  
Partner

**(V.K.Khandelwal )**  
Partner

For Gandhi Minocha & Co.  
Chartered Accountants

For Bhudladia & Co.  
Chartered Accountants

For Nripendra & Co.  
Chartered Accountants

**(Ajay Katyal )**  
Partner

**(Gautam Jain)**  
Partner

**(Rahul Gupta)**  
Partner

Place: Mumbai  
Date: 20<sup>th</sup> May 2005