



INDEPENDENT AUDITOR'S REPORT

To
The Members,
Uttarakhand Gramin Bank
Dehradun

Report on Financial Statements

1. We have audited the accompanying Financial Statements of Uttarakhand Gramin Bank which comprises of Balance Sheet as at 31st March 2016, the Statement of Profit & Loss for the year then ended and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of
 - i) The head office and 20 Branches audited by us.
 - ii) 249 Branches audited by other auditors
 - iii) 17 unaudited branches.

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 NABARD. Unaudited branches account for 0.99% of Advances; 0.85% of Deposits; 0.37% of Interest Income; 0.39% of interest expenses of the Bank.

Management's Responsibility for the Financial Statements

2. Management of the bank is responsible for the preparation of these financial statements that give true and fair view of the financial position and financial performance and cash flows of the Bank in accordance with the Banking Regulation Act, 1949 complying with requirement of Reserve Bank of India guidelines, RRB Act 1976 and recognized accounting policies and practices, including the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In making those risk assessments the management has implemented such internal control that are relevant to the preparation of Financial Statements and designed procedure that are appropriate in the circumstances so that the internal control with regard to all the activities of the bank is effective.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, as shown by books of bank and to the best of our information and according to explanation given to us the financial statements represent a true and fair view in conformity the framework under which these have been prepared:
 - a) In the case of Balance Sheet, read with significant accounting policies and the notes thereon, of the state of affairs of the Bank as at March 31, 2016 and;
 - b) In the case of statement of Profit & Loss of the profit for the year ended on that date.

Emphasis of Matter

7. We draw attention:

- a) In terms of circular No. 1637/316Gen/15-16 dated 30.03.2016, the bank is required to increase authorized capital to 2000 Crores. Share capital Deposit account is required to transfer to share capital and to issue fresh share certificate at the face value of Rs. 10/- each for the entire paid up capital with the approval of board of directors before 31.03.2016
- i) Bank has not issued share certificate to Central Government and Government of Uttarakhand for their respective shareholding as on 01.04.2015.
- ii) Old Shares of Rs. 100/- each were not converted into shares of Rs. 10/- each.
- iii) Share certificate for the amount of Rs. 38, 14, 86,600/- transferred from share capital deposit account are not issued by the bank.
- b) Our test check reveals that the bank has not meticulously complied with the income recognition and Assets classification norm prescribed by the RBI. Several borrower accounts have been classified as standard assets instead of non-performing assets (NPA) hence unrealized interest for the current as well as prior periods have been accounted for in the accounts which is not in conformity with prudential norms prescribed by RBI. Our test check identified 85 such borrower accounts amounting to Rs. 8.94 Crores which indicates that the system for classification of advances including recognition of NPA is not satisfactory. The bank could not ascertain the amount of NPA categorized into performing assets and the interest reversal of the current as well as prior periods. Moreover, the accounts recognized as NPA are classified as Sub standard despite being doubtful/loss since being older than 12 months in SS category and no tangible security.
- c) Note No. 14 (III) of the schedule 17, accounting policies and notes to accounts, - wherein the bank has disclosed that a provision of Rs. 10 Lac towards the liability of Leave Encashment has been made which is not in accordance with the requirement of AS-15 "Employees Benefit"
- d) As per the KCC Subvention guidelines, Subvention will be payable only to regular accounts up to limit of Rs. 3 Lacs and the bank is charging the interest of 7% at ground level. However the interest on irregular short term crop loan (KCC) accounts is also being charged @ 7% instead of higher rates of interest.
- e) The bank has created dummy ID's for its use in case some employee is on leave. In such case the other employee's uses these dummy ID's for carrying out business transactions apart from his own ID. In such cases maker & checker principle is violated. This practice may have serious consequences as basis of strong internal control system is violated. Though we have not come across any fraudulent transactions



reported during the period under audit.

- f) Customer Identification File is not mapped invariably as required by the RBI.
- g) Considering the nature and size of the business of the bank, internal control with regards to data security and compliances of KYC norms are inadequate.
- h) The Bank has not introduced the system of IS Audit in terms of circular No. 33/Dos-I/2015 dated 25.02.2015 issued by the NABARD.
- i) The bank has not meticulously followed the guidelines contained under the uniform code for interbank participation issued by IBA. The agreement entered into by the bank with the borrowers does not contain the clause relating to the right of the bank to shift, at its discretion, without the notice to the borrower, from time to time during the subsistence of the credit limit/ the loan a part or portion of the outstanding in the said credit limit or the said loan to another bank or banks participating in the scheme.

Our opinion is not qualified in respect of the above stated matters.

Report on Other Legal and Regulatory Requirements

- 8. The Balance Sheet and the statement of Profit & Loss have been drawn up in the Form “A” and “B” respectively of the third Schedule to the Banking Regulation Act, 1949.
- 9. Subject to the limitations of the audit as indicated in the Paragraphs 1 to 5 above and subject also to the limitations of disclosure required therein, 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 purpose of the audit and have found them to be satisfactory.
 - b) The transactions of the branch which have come to our notice have been within the powers of the bank.
 - c) The returns received from the branches of the Bank have been found adequate for the purpose of our audit.
- 10. In our opinion, the Balance Sheet, Statement of Profit & Loss complies with the applicable accounting standards except AS-3 pertaining to Cash Flow Statements and AS-15 pertaining to Employees Benefits.

For RAG & Associates
Chartered Accountants
FRN No. 008653C

Raghvendera
(Partner)
M.No- 089757

Place: - Dehradun
Date :- 31.05.2016



UTTARAKHAND GRAMIN BANK
HEAD OFFICE: DEHRADUN
BALANCE SHEET AS ON 31st MARCH 2016

FORM 'A'
(Amt. In Rs.)

CAPITAL AND LIABILITIES		SCHEDULE	AS ON 31.03.2016	AS ON 31.03.2015
1	CAPITAL	1	42,14,86,600.00	4,00,00,000.00
2	SHARE CAPITAL DEPOSIT		0.00	38,14,86,600.00
3	RESERVES & SURPLUS	2	1,46,96,38,235.76	1,45,38,43,684.25
4	DEPOSITS	3	33,50,05,11,633.66	31,42,62,19,644.32
5	BORROWINGS	4	2,59,78,66,473.00	2,75,62,84,713.00
6	OTHER LIABILITIES AND PROVISIONS	5	1,69,38,85,855.33	1,87,78,43,503.59
TOTAL			39,68,33,88,797.75	37,93,56,78,145.16
ASSETS				
1	CASH & BALANCES WITH RESERVE BANK OF INDIA	6	1,58,29,02,915.13	1,42,65,43,513.15
2	BALANCE WITH BANKS AND MONEY AT CALL & SHORT NOTICE	7	8,13,55,93,487.47	11,67,84,89,837.92
3	INVESTMENTS	8	9,90,56,88,090.65	6,92,80,59,282.94
4	ADVANCES	9	18,67,50,71,369.49	16,80,68,90,692.32
5	FIXED ASSETS	10	14,45,31,887.15	13,96,54,429.82
6	OTHER ASSETS	11	1,23,96,01,047.86	95,60,40,389.01
TOTAL			39,68,33,88,797.75	37,93,56,78,145.16
CONTINGENT LIABILITIES		12	14,21,12,872.15	8,47,05,958.00
NOTES TO ACCOUNTS (FORMING PART OF ACCOUNTS)		17		

Place: Dehradun
Dated: 31.05.2016

(Jagdish Kumar)
General Manager

(Sanjay Aggarwal)
Chairman

(M. B. Diwakar)
Director

(Bhagwat Singh)
Director

(Abhishek Swami)
Director

(Manoj Kumar)
Director

(Arjun Singh)
Director

(A. Rastogi)
Director

Auditors Report

As per our separate report of even date attached

For RAG & ASSOCIATES
Chartered Accountants
Firm Reg.No 008653C

(RAGHVENDERA)
Partner
M.No-089757
FCA



UTTARAKHAND GRAMIN BANK
HEAD OFFICE: DEHRADUN
STATEMENT OF PROFIT & LOSS FOR THE PERIOD 01.04.2015 TO 31.03.2016

FORM 'B'
(Amt. In Rs.)

PARTICULARS	SCHEDULE	FOR THE PERIOD 01.04.2015 TO 31.03.2016	FOR THE PERIOD 01.04.2014 TO 31.03.2015
1. INCOME			
INTEREST EARNED	13	3,33,97,59,884.19	2,99,54,16,292.39
OTHER INCOME	14	15,80,77,167.69	11,55,34,076.67
TOTAL		3,49,78,37,051.88	3,11,09,50,369.06
2. EXPENDITURE			
INTEREST EXPENDED	15	2,28,22,23,657.34	2,09,90,35,233.87
OPERATING EXPENSES	16	1,07,43,14,682.33	90,15,26,586.80
PROVISIONS AND CONTINGENCIES		12,64,90,633.18	4,13,42,686.02
TOTAL		3,48,30,28,972.85	3,04,19,04,506.69
3. PROFIT/LOSS			
NET PROFIT FOR THE YEAR (BEFORE TAX)		1,48,08,079.03	6,90,45,862.37
LOSS BROUGHT FORWARD (DEBIT)		-	-
Less :Provision for Deffered Tax (Liability)		2,93,112.00	17,09,511.00
less :Provision for Income Tax		16,45,881.76	4,08,12,686.24
TOTAL		1,28,69,085.27	2,65,23,665.13
4. APPROPRIATION			
NET PROFIT FOR THE YEAR (AFTER TAX)		1,28,69,085.27	2,65,23,665.13
TRANSFER FROM /(TO) INVESTMENT FLUCTUATION RESERVE			
BALANCE PROFIT		1,28,69,085.27	2,65,23,665.13
TRANSFER TO STATUTORY RESERVES		38,60,725.58	79,57,099.54
TRANSFER TO OTHER RESERVES		90,08,359.69	1,85,66,565.59
TRANSFER TO GOVT./PROPOSED DIVIDEND		-	-
BALANCE CARRIED OVER TO BALANCE SHEET			
TOTAL		1,28,69,085.27	2,65,23,665.13

Place: Dehradun
Dated: 31.05.2016

(Jagdish Kumar)
General Manager

(Sanjay Aggarwal)
Chairman

(M. B. Diwakar)
Director

(Bhagwat Singh)
Director

(Abhishek Swami)
Director

(Manoj Kumar)
Director

(Arjun Singh)
Director

(A. Rastogi)
Director

Auditors Report
As per our separate report of even date attached
For RAG & ASSOCIATES
Chartered Accountants
Firm Reg.No 008653C

(RAGHVENDERA)
Partner
M.No-089757
FCA



UTTARAKHAND GRAMIN BANK
HEAD OFFICE: DEHRADUN
NOTES FORMING PART OF BALANCE SHEET AS ON 31 MARCH 2016
NOTE : 1 CAPITAL

PARTICULARS	AS ON 31.03.2016	AS ON 31.03.2015
1. FOR NATIONALISED BANKS (Fully owned by Central Government)	-	-
2. FOR BANKS INCORPORATED OUTSIDE INDIA		
(I) CAPITAL (The amount brought in by Banks by way of start up Capital as prescribed by RBI should by shown under this head)	-	-
(ii) Amount of Deposit kept with the Reserve Banks of India under Section II (2) of the Banking Regulation Act 1949	-	-
TOTAL		
3. FOR OTHER BANKS AUTHORISED CAPITAL	200,000,00,000	5,00,00,000.00
(200,000,00,000 Shares of Rs.10/ each)		
Subscribed Capital	42,14,86,600.00	4,00,00,000.00
(4,21,48,660 Shares of Rs.10/- each)		
Issued & Paid up Capital		
(4,21,48,660 Shares of Rs.10/- each)	42,14,86,600.00	4,00,00,000.00
(Previous year 4,00,000/- shares of Rs 100 each)		
TOTAL	42,14,86,600.00	4,00,00,000.00

Place: Dehradun
Dated: 31.05.2016

(Jagdish Kumar)
General Manager

(Sanjay Aggarwal)
Chairman



UTTARAKHAND GRAMIN BANK
HEAD OFFICE: DEHRADUN
NOTES FORMING PART OF BALANCE SHEET AS ON 31 MARCH 2016
NOTE : 2 RESERVES & SURPLUS

PARTICULARS	AS ON 31.03.2016	AS ON 31.03.2015
<u>STATUTORY RESERVES</u>		
Opening Balance	37,77,28,306.78	36,97,71,207.24
Additions during the year	38,60,725.58	79,57,099.54
Deductions during the year		
TOTAL (A)	38,15,89,032.36	37,77,28,306.78
<u>CAPITAL RESERVES</u>		
Opening Balance	-	-
Additions during the year	-	-
Deductions during the year	-	-
<u>SHARE PREMIUM</u>		
Opening Balance	-	-
Additions during the year	-	-
Deductions during the year	-	-
<u>REVENUE AND OTHER RESERVES</u>		
Opening Balance	1,07,61,15,377.47	1,06,54,90,486.46
Additions during the year	90,08,359.69	1,85,66,565.59
Add: Provision for Income Tax 2014-15(NET)	4,08,12,686.24	4,72,25,409.42
Add: Income Tax refund 2013-14	29,25,466.00	85,50,080.00
Less: Advance Tax Paid 2014-15	3,71,00,000.00	5,56,00,000.00
Less Self Assesment Tax FY 2014-15	37,12,686.00	
less: Tax Paid Previous years(NAKGB FY 2011-12)		74,81,230.00
less: Tax Paid Previous years(NAKGB FY 2012-13)		6,35,934.00
TOTAL (B)	1,08,80,49,203.40	1,07,61,15,377.47
<u>INVESTMENT FLUCTUATION RESERVES</u>	0.00	0.00
TOTAL (C)	0.00	0.00
Balance in Profit& Loss A/C (D)	0.00	0.00
TOTAL (A+B+C+D)	1,46,96,38,235.76	1,45,38,43,684.25

Place: Dehradun
Dated: 31.05.2016

(Jagdish Kumar)
General Manager

(Sanjay Aggarwal)
Chairman



UTTARAKHAND GRAMIN BANK
HEAD OFFICE: DEHRADUN
NOTES FORMING PART OF BALANCE SHEET AS ON 31 MARCH 2016
NOTE : 3 DEPOSITS

PARTICULARS	AS ON 31.03.2016	AS ON 31.03.2015
A.1. Demand Deposit		
i) From Banks	7,50,614.04	8,80,748.04
ii) From Other (C/A.,Sundry)	79,70,83,881.98	91,60,29,981.22
2. Savings Bank Deposits	15,63,74,26,202.34	13,87,03,98,068.37
3. Term Deposits		
i) From Banks	1,48,64,47,091.00	2,46,19,33,678.00
ii) From Others	15,57,88,03,844.30	14,17,69,77,168.69
TOTAL (1+2+3)	33,50,05,11,633.66	31,42,62,19,644.32
B.1. Deposits of Branches in India	33,50,05,11,633.66	31,42,62,19,644.32
2. Deposits of Branches outside India	-	-
TOTAL	33,50,05,11,633.66	31,42,62,19,644.32

Place: Dehradun
Dated: 31.05.2016

(Jagdish Kumar)
General Manager

(Sanjay Aggarwal)
Chairman



UTTARAKHAND GRAMIN BANK
HEAD OFFICE: DEHRADUN
NOTES FORMING PART OF BALANCE SHEET AS ON 31 MARCH 2016
NOTE : 4 BORROWINGS

PARTICULARS	AS ON 31.03.2016	AS ON 31.03.2015
I. Borrowings in India		
i) Reserve Bank of India	-	-
ii) Other Banks	-	-
iii) Other Institution & Agencies (NABARD&NHFDC)	2,59,78,66,473.00	2,75,62,84,713.00
II. Borrowings Outside India		
TOTAL	2,59,78,66,473.00	2,75,62,84,713.00
Secured borrowings included in I & II above	2,59,78,66,473.00	2,75,62,84,713.00

Place: Dehradun
Dated: 31.05.2016

(Jagdish Kumar)
General Manager

(Sanjay Aggarwal)
Chairman



UTTARAKHAND GRAMIN BANK
HEAD OFFICE: DEHRADUN
NOTES FORMING PART OF BALANCE SHEET AS ON 31 MARCH 2016
NOTE -5 OTHER LIABILITIES & PROVISIONS

PARTICULARS	AS ON 31.03.2016	AS ON 31.03.2015
i) Bills payable	-	-
ii) Inter Office adjustment (HO) (Net)	0.00	5,72,095.27
iii) Branch Clearing Adjustment (Net)	-	-
iv) Core Inter Branch (Net)	-	-
v) Interest Accrued	1,48,10,05,694.48	1,36,56,47,701.64
vi) Other (Including Provisions)	17,13,46,600.09	43,88,17,201.32
vii) Provision for Income Tax	16,45,881.76	4,08,12,686.24
viii) Tax Deducted at Source	3,95,20,443.00	3,19,48,002.12
ix) Deffered Tax Liability	3,07,236.00	14,124.00
x) Other Suspense A/C	60,000.00	31,693.00
TOTAL	1,69,38,85,855.33	1,87,78,43,503.59

Place: Dehradun
Dated: 31.05.2016

(Jagdish Kumar)
General Manager

(Sanjay Aggarwal)
Chairman