

**63rd
ANNUAL REPORT
2000-2001**



THE JAMMU & KASHMIR BANK LIMITED

Board of Directors

: M.Y. Khan — Chairman
 : Dr. A.M. Khusro
 : J.A. Khan, IAS
 : M.S. Pandit, IAS
 : Radhey Shyam
 : G.R. Khan
 : M.I. Shahdad
 : D.S. Rana
 : H.S. Anand
 : A.M. Matto
 : R.N. Singh, IAS (Retd.)
 : Joginder Singh
 : C.K. Gulhati
 : G.M. Dug

Company Secretary : Parvez Ahmed

Auditors : Gupta Gupta & Associates
 Chartered Accountants
 : Dhar Tikku & Co.
 Chartered Accountants
 : Baweja & Kaul
 Chartered Accountants

Registered Office : Residency Road
 Srinagar-Kashmir

Central Office : Zam Zam Complex,
 Rambagh
 Srinagar-Kashmir

**Registrar & Share
 Transfer Agent** : Karvy Consultants Ltd.
 46, Avenue 4, Street No. 1
 Banjara Hills
 Hyderabad - 500 034
 Phone : (040) 3312454
 Fax : (040) 3311968

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NOTICE

Notice is hereby given that the 63rd Annual General Meeting of the shareholders of The Jammu and Kashmir Bank Limited will be held as under:

Day : Monday
Date : 11th June, 2001
Time : 11.00 Hours
Place : Sher-i-Kashmir International Conference Centre (SKICC), Srinagar.

to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2001 and the Profit and Loss Account for the Financial Year ended on that date together with the reports of the Board of Directors and the Auditors and comments of the Comptroller and Auditor General of India thereon.
2. To declare dividend on equity shares for the year ended 31st March 2001 subject to the approval of Reserve Bank of India
3. To appoint a Director in place of Shri G.R. Khan, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri A.M. Matto who retires by rotation and, being eligible, offers himself for reappointment.

SPECIAL BUSINESS:

5. AMENDMENT OF ARTICLES OF ASSOCIATION

To consider, and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities, the Articles of Association of the Bank be and are hereby amended as under: -

52A. No Transfer of Share shall be made without the Prior Approval of Reserve Bank of India where that acquisition of shares by a person/group which would take his/its holding to a level of 5% (Five percent) or more of the total Issued Capital of the Bank (or such other percentage as may be prescribed by the Reserve Bank of India from time to time)."

6. EXEMPTION FROM BRANCH AUDIT:

To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution:

"RESOLVED THAT pursuant to Section 228 of the Companies Act, 1956, the Board of Directors be and are

hereby authorised to apply to the Central Government under the Companies (Branch Audit) Exemption Rules, 1961 for exemption from the audit of accounts for the year ending 31st March, 2002 for those branches/offices as the Board may consider necessary."

Regd. Office:
Residency Road,
Srinagar - 190 001
Dated: 18th May, 2001

By Order of the Board of Directors
Sd/-
(Parvez Ahmed)
Secretary

NOTES

- a) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business under items set out above are annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The instrument appointing proxy, shall be deposited with the company at its registered office atleast 48 Hours before the time fixed for the meeting.
- c) Shareholders who have not encashed their past dividend warrants are requested to do so without any further delay. Unpaid/Unclaimed Dividends which are more than seven years old shall be transferred by Bank to the Investor Education and Protection Fund established under Sub-section (1) of Section 205C of the Companies Act, 1956 and thereafter the claim to any, money so transferred to the fund may be preferred by the shareholders to whom the money is due to the authority or the Committee as may be specified by the Central Government.

ANNEXURE TO NOTICE EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

As required by Section 173 (2) of the Companies Act, 1956 the following explanatory statement sets out material facts relating to the business under item No's 5 & 6 of the accompanying Notice dated 18th May, 2001.

ITEM NO. 05

The Reserve Bank of India vide their Letter No. DBOD.No.PSBS. BC. 182/16.13.100/99-2000 dated 31st May 2000 has advised the Bank to incorporate new clause in the Articles of Association to meet the requirements of RBI Circular DBOD. No. PSBS. BC. 349/16.13.100/99-2000 dated 21st September 1999. In terms of said circular when a Banking Company receives an application for transfer of shares which would make the holding of the proposed transferee either singly or along with companies/ concerns in the 'group' equivalent to 5% and over of the total paid up Capital of the Bank, it should, within three days of such



lodgment, advise the concerned Regional Office of Reserve Bank's Department of Banking Operations and Development (DBOD), the full particulars of the proposed transfer, such as name, address and occupation of the transferee, number of shares, paid up value of shares and percentage to the total paid up Capital, consideration etc. and if possible, purpose of investment. A declaration to the effect that the proposed transferee is not likely to acquire either singly or along with the companies and concerns in the 'group' a controlling interest in the Bank is also to be furnished to the Reserve Bank of India.

Your Directors recommend resolution as set out at item No. 05 for approval.

ITEM NO. 06

The Resolution proposed under this item is sought to be passed in order to meet the requirements of the Section 228 of the Companies Act, 1956 and the rules framed thereunder. The proposed resolution would empower the Board to consider and select the branches in respect of which it can apply to the Central Government for exemption from Branch Audit under the Companies (Branch Audit Exemption) Rules 1961. Loans and Advances at some of our Branches are small. These advances

are within the guidelines prescribed by Company Law Board while granting exemption. Other branches are located in areas which are inaccessible during audit period with the result that the audit of such branches cannot be taken up and in case exemption for such branches is not obtained, the accounts of the company cannot be finalised within the statutory period. However Section 228 of the Companies Act, 1956 also lays down that such Branches have got to be compulsorily audited once in three years. Further the Management also ensures that all branches for which exemption is obtained are compulsorily got inspected by the Bank's Inspection Department.

None of the Directors of the Company is concerned or interested in the resolution.

Your Directors recommend resolution as set out at item No. 06 for approval.

Regd. Office:

Residency Road,
Srinagar - 190 001
Dated: 18th May, 2001

By Order of the Board of Directors
Sd/-
(Parvez Ahmed)
Secretary

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DIRECTORS' REPORT

The Directors are greatly pleased to present the 63rd Annual Report of the Bank together with the Audited Balance Sheet and Profit & Loss Account for the year ended 31st March 2001 to their shareholders.

1) ECONOMIC SCENARIO:

The Indian economy has the heritage of absorbing shocks. This year also the economy successfully tackled the threat posed by the Gujarat catastrophe. Although the catastrophe caused a considerable strain, however its impact on GDP growth was very small and there was constant growth in all other sectors of the economy. The GDP growth was put at 6 per cent as compared to 6.4 per cent of previous year. The growth in agriculture showed marginal increase from 0.7 per cent of previous year to 0.9 per cent. The overall growth of the industrial sector during the year 2000-01 was lower than the previous year and was recorded at 4.9 per cent. The annual rate of inflation on point to point basis declined to 4.9% against 6.8% of the previous year. The annual growth in money supply (M3) on a point-to-point basis was higher at 16.2 per cent as against 14.6 of the last year.

The external environment witnessed significant changes during the year. The Foreign currency assets increased by US \$ 9.5 billion during the year.

2) BANKING SCENARIO:

The Indian banking system has witnessed considerable changes due to the economic and financial reforms initiated by the Government of India. Changes such as introduction of capital adequacy and income recognition norms, deregulation of interest rates and host of other measures from time to time posed serious challenges to banks. This problem compounded further in view of the growing competition within the banking system and pressure on their bottomlines.

A phase of mergers and acquisitions (M&As) was witnessed in the industry to strengthen their capital base and market reach besides increasing balance sheet size. Instead of expanding its activities, the banking industry worked overtime, particularly in the first half of the year, to arrest the menace of NPAs and concentrated more on recovering the losses which resulted out of ever growing non performing assets. The RBI directed banks to go for one time settlement of NPA's. As a result of it the Public Sector Banks were able to recover Rs. 800 crore of NPAs from 2 lakh accounts in the year 2000-01. Besides, 22 Debt Recovery Tribunals and 5 Appellate Tribunals were established to help banks to recover bad debts. The second half of the year 2000-01 saw banks in India shifting their attention from grave problem of NPAs to organizational restructuring. The banks initiated restructuring by down sizing through Voluntary Retirement Scheme (VRS) to cut costs.

In a bid to infuse more liquidity into the system, the Reserve Bank of India (RBI) reduced the Cash Reserve Ratio (CRR) of 9 per cent by 100 basis points in two phases, to 8 per cent. The Apex Bank reduced the repo (repurchase) rate

from 7 per cent to 6.5 per cent. During the year the bank rate recorded downward/upward swings. The bank rate was reduced from 8% to 7% in April 2000, but once again raised to 8% in July 2000. However, the rate was reduced to 7.5% in February 2001.

3) OPERATIONS OF THE BANK:

Our Bank continued its pace of growth and emerged as an efficient, highly profitable, financially strong, technically well equipped and customer responsive bank. The fact has been acknowledged by Business Standard in its recent performance analysis when our Bank was ranked No. 2 in safety among all Nationalised, Foreign and Private Sector Banks operating in the country. During the year under report Bank has been able to achieve all time high business turnover of Rs. 15931 crore against the target of Rs. 15000 crore. The core segment of our activities viz., Deposits, Advances, Investment and Foreign Exchange during the year 2000-01 showed spectacular growth during the period under report.

4) CAPITAL & RESERVES:

The Capital & Reserves of the Bank increased to Rs. 699.51 crore during the year as against Rs. 528.16 crore of the previous year registering a growth of 32.44%. The Statutory and other Reserves increased to Rs. 651.41 crore from Rs. 480.15 crore of the previous year, thus recording a growth of 36%.

With a view to further supporting asset growth and diversification into other areas of business such as Insurance business, the Bank came out with un-secured non-convertible, redeemable, subordinated tier-II Bond Issue of 75 crore in the month of December, 2000. The Issue received an overwhelming response and the Bank mobilised Rs. 87 crores against issue size of Rs. 75 crores at a rate of 11.75% p.a. with a tenure of 63 months.

5) WORKING RESULTS:

The Bank recorded a net profit of Rs. 167.56 crore for the financial year 2000-01 registering an increase of 39.44% over the last year figure of Rs. 120.17 crore. Our total income at Rs. 1157.28 crore for the current year recorded a growth of 16.93% over the previous year figure of Rs. 989.72 crore. The income per branch and per employee has increased to Rs. 313 lakhs and Rs. 18 lakhs, respectively from the previous year figures of Rs. 275 lakhs and Rs. 15.76 lakhs.

6) DEPOSITS:

The deposit base of the Bank touched new high at Rs. 11,168 crore at the end of financial year 2000-01 against the previous year figure of Rs. 9422 crore, recording a growth of 19% against national average of 17.8%. The average deposits per branch work out to Rs. 30.15 crore against the previous year figure of Rs. 26.17 crore. The average deposit per employee stood at Rs. 172 lakhs at the year end against the previous year figure of Rs. 150 lakhs.

**7) CREDIT DISPENSATION:**

The Bank has been successful in achieving appreciable growth in credit deployment during the year under report raising the outstanding to Rs. 4763 crore, thus recording an impressive growth of 35% over the previous year figure of Rs. 3518 crore against national average growth rate of 16.7%. Besides corporate and retail financing the Bank participated in financing of infrastructural projects relating to power, communication, railways and telecom sectors, etc. Some more prestigious national and multinational Blue Chip Companies and Government Companies have been brought into the Bank's customer fold. Besides, our Bank received overwhelming response to its new products like Personal Loans for salaried and retired persons, Educational Loan, Housing Loan and Car Loan schemes.

The Bank continued to give utmost importance to priority sector lending. The special programmes for poverty alleviation and eradication of unemployment sponsored by the J&K State and Central Government continued to receive due attention of the Bank, besides providing support and financial assistance to rebuilding of shattered infrastructure of the state.

8) NON-PERFORMING ASSETS:

The Bank continued to lay more stress on curbing non-performing assets. The strenuous efforts and enhanced recovery drive undertaken by the Bank has resulted in our bringing down the level of net NPAs to 2.45 per cent during the year under report from 3.22% of the last year. The ratio of gross NPAs to gross advances also came down to 4.98% from 6.53% of the previous year.

9) FOREIGN EXCHANGE:

The Foreign Exchange business of the Bank recorded a turnover of Rs. 2402.06 crore against the previous year figure of Rs. 1764.30 crore showing a growth of 36.15%. The export turnover of the Bank increased from Rs. 960.16 crore to Rs. 1166.89 crore registering a commendable growth of 21.53%.

10) FUNDS & INVESTMENT MANAGEMENT:

To deploy and manage its investment portfolio through a safe and liquid route has constantly remained prime concern of Bank's investment policy. The Bank's investment portfolio has depicted a steep rise of 28% at Rs. 5425 crore at the close of the financial year under review, against the previous year's figure of Rs. 4254 crore. The investment portfolio is bifurcated into categories of "held till maturity", "available for sale" and "held for trading" as per the RBI guidelines.

In the falling interest rate scenario when 10 year FIXED INCOME MONEY MARKET AND DERIVATIVES ASSOCIATION OF INDIA (FIMMDA) Bond yield curve has come down from 10.85 per cent to 10.34 per cent during the year, the Bank has recorded an overall yield of 13.49 per cent as compared to 13.38 per cent obtained during the previous year.

11) CAPITAL ADEQUACY RATIO:

The Capital Adequacy Ratio of the Bank worked out at 17.44%, which is much above the benchmark

of 9% stipulated by the Reserve Bank of India.

12) NEW PRODUCTS:

The value addition and innovation in products and services to meet the expectation of extent and new customers remained the hallmark of the Bank's business strategy. The Bank introduced various new products/schemes during the year. The Bank launched a co-branded Credit Card in alliance with American Express Bank. The Bank introduced some new deposit schemes which include Flexi Deposit Scheme, Millennium Deposit Scheme and Childcare Deposit Scheme. Our Bank's Consumer Goods Loan Scheme continues to be the forerunner in the personal segment financing. Further with the launch of Consumption and Housing Loan Schemes, we have captured substantial share in the Personal segment financing.

13) INFORMATION TECHNOLOGY:

Application of Information Technology in the Bank's operations continued to remain focussed area during the year under report. During the year 55 branches were computerised raising the total number of computerised branches to 205 against 150 of the previous year which comprises about 80% business of the Bank. The Bank installed seven new ATMs during the year raising the total number of Bank's ATMs to 14 as at the end of March 2001. All ATMs are in the process of being networked by a switch, which will enable a customer to use same ATM Card at all locations. The Bank introduced Tele Banking at 22 computerised branches. Any-Where-Banking Facility has been made available through V-SAT connectivity at Srinagar, Jammu, Delhi and Mumbai centres. The facility is in the process of being made available at other computerised branches through V-SAT and leased lines. The Bank also has signed MoU with Infosys Technologies Limited for internet banking.

14) BUSINESS PLANNING AND ORGANISATIONAL RESTRUCTURING:

In order to meet the growing needs of the organisation in tune with the changing and competitive banking environment, the Bank engaged leading consultants Price WaterHouse Coopers for review and restructuring of organisational structure of the Bank and framing of strategic business plans and HR practice and policy in the Bank. Their recommendations are in the process of implementation.

15) DEPOSITORY PARTICIPANT:

The Bank has strategically leveraged its unique strengths and resources to enter Depository Services segment by becoming the Depository Participant of National Securities Depository Limited accredited with ISO 9002 certification. The Bank is committed to provide high quality personalized services to its existing and prospective customers through an outstanding team of talented and focussed personnel. The operations of the Depository Services has been started from Delhi and will be expanded in a phased manner to other centres to leverage its vast network of branches spread across the country using unique Financial Technology's back office product DPM 2010. Bank has a vision of transforming



the depository services into a capital market bank which will provide a wide range of financial products viz. Spot sales finance, stock lending, loan against shares and other related products.

16) DEBENTURE TRUSTEES AND BANKERS TO AN ISSUE

During the year the Bank has accepted trusteeship assignments in respect of various Bond Issues aggregating to Rs. 371 Crores. The Bank has also collected funds in respect of various Issues aggregating to Rs. 400 Crores by acting as Bankers to an Issue.

17) CUSTOMER SERVICE:

Growth and strength of the Bank revolves round the customer service. While the technology is one of the important tools to improve the speed and quality of services to the customers, the main human input is the behaviour of a person who is to deliver service at the front office. The Bank has been conducting training programmes on regular basis on behavioural and customer services for the front line staff. Besides, 128 'Customer Advisory Fora' have been constituted at every major branch of the Bank which meet monthly and Branch Managers interact with customers in order to tackle customer related issues on priority basis.

18) BRANCH EXPANSION:

It has been our endeavour to consolidate the business at existing branches and expand its network to centres which offer high degree of business potential. During the year, the Bank opened 22 new branches raising the total number of branches to 426 as at the end of March 2001. Of these 5 branches were opened at metros and 11 branches at rural centres.

19) ASSET LIABILITY MANAGEMENT:

Asset Liability Management which has assumed vital significance for the efficiency and strength of banking continued to receive focussed attention of the Bank. The system has been put in place and the full fledged department set up at Central Office.

20) MARKETING & RESEARCH CELL:

In tune with the changes coupled with the recommendations of Price WaterHouse Coopers, the Bank created a Marketing and Research Cell at Central Office. The Cell will draw up marketing and publicity strategy of the Bank and will be also responsible for designing and launching of new products/schemes after assessing the market conditions and requirements of customers.

21) HUMAN RESOURCES DEVELOPMENT:

Pursuant to the Bank becoming more and more technological savvy, as also enters new fields of banking, the employees are being imparted trainings in respective disciplines at various in-house colleges and institutes of repute within and outside the country. The establishment of our own Technological Training Centres at Srinagar and Jammu has proved a water shed in grooming our staff members in I.T related services. A total staff of 1148 has

been trained at in-house colleges, 772 at different institutes of repute within the country and three executives at other institutes outside the country in various banking, economic and I.T. related fields.

In order to boost the morale of our staff members, the merit and performance has been made basis for promotions. During this year 344 promotions were effected in various cadres.

22) PARTICULARS OF EMPLOYEES:

There were no employees who were in receipt of remuneration within the limits prescribed under Section 217 (2A) of Companies Act, 1956 read with Companies (Particulars of employees) Rules 1975, as amended.

23) PREMISES:

For the better working environment, our Bank has been in constant look out for office premises with good ambience on lease as well as on ownership basis. We have already acquired and occupied premises for Zonal Offices, Delhi and Jammu on ownership basis. The Central Office building at Srinagar is slated to be ready for occupation in September 2001 where construction work is going on in full swing.

The construction work on the Zonal Office, Kashmir and International Banking Division at Srinagar is in progress. Besides, premises for a number of branches have been acquired on ownership basis. For the comforts of our staff at metropolitan and major cities, where dearth of residential accommodation is felt, properly furnished staff quarters have been acquired on outright purchase basis. The construction of flats for the staff at Delhi is nearing completion.

24) LEAD BANK RESPONSIBILITY:

Our Bank is the only Private Sector Bank entrusted with the responsibility of Convenorship of State Level Bankers' Committee (SLBC) by the Reserve Bank of India. The Bank continued to discharge Lead Bank responsibility in 8 out of 14 districts of Jammu & Kashmir State. The District Plans were prepared in time and their implementation monitored closely at the State Level.

25) REGIONAL RURAL BANKS:

The two Regional Rural Banks sponsored by our Bank have shown commendable performance during the year under review. The Deposits of Jammu Rural Bank have increased by Rs. 67.01 crore during the year from Rs. 276.58 crore of previous year to Rs. 343.59 crore as at the financial year ended 31.03.2001. Advances increased from Rs. 52.91 crore as on 31.03.2000 to Rs. 61.16 crore as on 31.03.2001. The Bank has registered an operating profit of Rs. 8.60 crore during the year under review.

The Deposits of Kamraz Rural Bank increased by Rs. 25.39 crore during the year as compared to the previous year deposit figure of Rs. 150.58 crore to Rs. 175.97 crore as on 31.03.2001. The gross advances have increased from Rs. 25.31 crore as on 31.03.2000 to Rs. 29.32 crore as on 31.03.2001. The Bank has for the first time registered an operating profit of Rs. 7.56 lacs during the year under review.

**26) SOCIAL CAUSE:**

The Bank has been supporting the social cause particularly in J & K State. The concern for social cause has earned the Bank a name of 'friend in need', be it fire victims of Batapora, Wathora, earthquake victims of Gujarat, orphanage homes or patients with serious ailments who have no means for medicare facilities for their survival, the Bank has been always on front line to adopt them.

The Bank donated Rs. 10.00 lakh to The Jammu & Kashmir Chief Minister's Relief Fund for Gujarat earthquake victims to provide timely relief to the victims of the devastating earthquake. Besides, the officers of the Bank donated their one day's salary amounting to Rs. 11.00 lakh for the victims.

The Bank donated one Gastrofiberscope (Endoscopy) machine to the Cancer Society of Kashmir.

27) PROMOTING SPORTS:

The Bank continued to support various sporting activities in the State and donated generously to various sports organizations for promotion of sports. The Bank encourages its personnel to participate in various sporting events. The Bank's football team won prestigious matches against various national teams. In recognition of the Bank's participation in All India Inter-Bank Tournaments, Regional Inter-Bank Tournaments and National Level Sports, our Bank was adjudged as Best Bank in Sports and was awarded Best Bank Rolling Trophy by Indian Banks' Association.

28) DIVIDEND:

In line with its excellent financial results, Directors are pleased to recommend payment of 40% dividend (free of tax in the hands of shareholders) for the year ended 31st March 2001 subject to approval of RBI and shareholders.

29) CRISIL RATING:

The Bank's Certificate of Deposit scheme enjoys "P1+" rating, which indicates highest degree of safety for timely payment of principal and interest.

30) BOARD OF DIRECTORS:

Dr. A. M. Khusro who held the prestigious position of Chairman, 11th Finance Commission besides holding key positions as Chairman, Aga Khan Foundation (India), President, Federation of Indo-German Societies and Chairman, Institute of Economic Growth was appointed as Director on 01-07-2000. His association with our Bank as Director has proved to be a great asset to the Bank due to his rich and varied experiences.

Shri Chander Kishore Gulhati was re-appointed as an Additional Director of the Bank with effect from 01.07.2000 and Shri G. M. Dug presently holding the position of President, Kashmir Chamber of Commerce and Industry was appointed as Director in 62nd Annual General meeting held on 01.07.2000.

Shri G. R. Khan, Director retires by rotation at the ensuing Annual General Meeting in accordance with Article 76 of the Articles of Association of the Bank and the provisions of the Companies Act, 1956 and being eligible offers himself for reappointment.

Shri A. M. Matto, Director retires by rotation at the ensuing Annual General Meeting in accordance with Article 76 of the Articles of Association of the Bank and the provisions of the Companies Act, 1956 and being eligible offers himself for reappointment.

During the year, 15 Board Meetings and 54 Committee meetings were held.

31) DIRECTORS RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF COMPANIES ACT, 1956:

The Board of Directors hereby confirm:

- i) *that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;*
- ii) *that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;*
- iii) *that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities;*
- iv) *that the Directors had prepared the annual accounts on an on going concern basis.*

32) ACKNOWLEDGEMENTS:

The Directors express their sincere thanks to the Reserve Bank of India for its guidance and support. The Directors acknowledge the assistance and co-operation extended by IDBI, NABARD, SIDBI, SEBI, IBA, Stock Exchanges, Department of Company Affairs, Registrar of Companies, Comptroller and Auditor General, Central Government and Government of Jammu & Kashmir. The Directors also thank the customers and shareholders of the Bank for their valuable support. The Directors place on record deep appreciation for the work done by the members of the staff at different levels, which made it possible for the Bank to record enviable growth and emerge as a leading Bank in the country.

FOR AND ON BEHALF OF THE BOARD

Place: Srinagar
Date: 18th May, 2001

Sd/-
(M. Y. Khan)
Chairman



AUDITORS' REPORT

TO THE SHAREHOLDERS OF THE JAMMU AND KASHMIR BANK LIMITED.

1. We have audited the annexed Balance Sheet of the Jammu and Kashmir Bank limited as of 31st March, 2001 and also the annexed Profit and Loss account of the Bank for the year ended on that date in which are incorporated the returns of (i) 48 branches/offices audited by us (ii) 355 branches/offices audited by other auditors (iii) 11 branches in respect of which exemption has been granted by the Central Govt. under rules 4 (1) (a) of the Companies (Branch audit Exemption) Rules 1961 in terms of provisions of sub section (1) and (3) of Section 226 of the Companies Act, 1956.
2. The Balance Sheet and Profit & Loss Account have been drawn up in accordance with the provision of Section 29 of The Banking Regulation Act, 1949 read with Sub Section (3C) of Section 211 of the Companies Act, 1956 subject to the limitation of disclosure required therein.
3. The report on account of the Branches audited by Branch auditors have been dealt with in preparing our report in the manner considered necessary by us.
4. On the basis of audit indicated in the paragraph (1) above and subject to the following:
 - A. The impact on accounts are not being ascertained in case of following:
 - a. Note No. 01 regarding reconciliation of Suspense, Sundry Deposit, Clearing adjustments, Inter-Branch and Inter-Bank Accounts and cash agency account.
 - b. Note No. 02 regarding revaluation of Foreign Exchange Transactions as per FEDAI Rules, which is inconsistent with AS-11 issued by the Institute of Chartered Accountants of India.
 - c. Note No. 03 regarding Non-execution/Non-Registration of Title deeds in respect of certain land/Premises.
 - d. Note No. 08 (b) regarding accounting for Leave Encashment on cash basis which is inconsistent with the Accounting Standard 15, issued by the Institute of Chartered Accountants of India.
 - e. Note No. 10 regarding reflection of Gross Investments at acquisition cost, consequential effect of which has been given to Depreciation on Investment.
 - f. Note No. 13 regarding TDS recovery from employees of amount paid to Income Tax Department for default in deduction of Tax at source from salaries of Employees for the financial year 1988-89 to 1996-97 against which suit is pending in the court of Law.
 - g. Certain Income/expenditure have been accounted for on cash basis which is not in accordance with Accounting Standard 9 (AS-9) issued by the Institute of Chartered Accountants of India and is in variance to Accounting standards notified U/S 145 (2) of the Income Tax Act, 1961, (Refer Accounting Policy 7-Schedule 17.)
 - h. Note No.20 (B) & (C) regarding disclosure of information for lending to sensitive sector and Maturity Pattern of assets/liabilities respectively.
 - B. Accounting Policy No. 05 Regarding charging of depreciation at Income Tax Rates instead of rates prescribed in Schedule XIV read with Section 205 of the Companies Act, 1956, the effect of which could not be quantified.
 - C. Prior Period Expenditure and Prior Period Income has not been disclosed separately as required by Accounting Standards 5, (AS-5 revised) issued by the Institute of Chartered Accountants of India.
 - D. Acceptance of Classification/Provisioning of Advances of un-audited branches as per Bank's decision.
 - E. The Profit for the year has increased by Rs. 5.16 crores by reversal of excess provision in earlier years [Note No. 11(ii)]
 - F. The Profit for the year has decreased by Rs. 11.58 lacs due to change in Accounting Policy for charging of depreciation on Computers as per RBI guidelines (Note No. 14.)
 - G. Capital Adequacy and Business Ratios have been calculated on the basis of data available at Bank and is subject to the effect of observations in Para (A) to (F).

WE FURTHER 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 Audit and have found them to be satisfactory.
- b) The transactions of the Bank, which have come to our notice, have been within the powers of the bank.
- c) In our opinion, proper books of accounts as required by law have been kept by the Bank so far as appears from our examination of those books and subject to our observation in Paras 1 to 4 above and acceptance of classification/ Provisioning of Advances of un-audited branches as per Bank's decision, proper returns adequate for the purpose of our audit have been received from the branches of the Bank.
- d) The Bank's Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account and their returns.
- e) None of the Directors suffers from any disqualification laid down in clause (g) of Sub Section (1) of Section 274 of Companies Act. 1956.
- f) The said accounts read together with Principal Accounting policies and notes forming integral part of Accounts give the information required by the Companies Act, 1956 in the manner so required for Banking Companies, and on such basis:-
 - i) The Balance Sheet gives a true and fair view of the state of affairs of the Bank as at 31st March, 2001 and
 - ii) The Profit and Loss Account gives a true and fair view of the Profit of the Bank for the year ended on that date.

For M/s. Gupta Gupta and Associates
Chartered Accountants

Sd/-
(Ram.Kr. Gupta)
Partner

Place: Srinagar
Dated: 18th May, 2001

For M/s. Dhar Tiku & Co.
Chartered Accountants

Sd/-
(M.S. Meher)
Partner

For M/s. Baweja & Kaul
Chartered Accountants

Sd/-
(Dalip.K. Kaul)
Partner



BALANCE SHEET AS AT 31ST MARCH, 2001

	Schedule	As at 31.03.2001 (Rs '000' Omitted)	As at 31.03.2000 (Rs. '000' Omitted)
CAPITAL AND LIABILITIES			
Capital	1	48,10,64	48,01,24
Reserves and Surplus	2	6,51,40,54	4,80,15,24
Deposits	3	1,11,68,08,26	94,22,08,80
Borrowings	4	1,76,99,24	20,53,01
Other Liabilities and Provisions	5	6,74,84,74	5,90,45,77
TOTAL :		1,27,19,43,42	1,05,61,24,06
ASSETS			
Cash and Balance with R.B.I.	6	10,87,50,29	14,02,13,85
Balance with Banks and Money at Call and Short Notice	7	9,69,69,36	8,93,68,12
Investments	8	54,24,94,68	42,54,32,09
Advances	9	47,62,89,58	35,18,06,96
Fixed Assets	10	1,30,88,50	1,07,30,92
Other Assets	11	3,43,51,01	3,85,72,12
TOTAL :		1,27,19,43,42	1,05,61,24,06
Contingent Liabilities	12	22,66,14,18	1,87,35,07
Bills for Collection		1,93,96,86	2,46,90,94

Principal Accounting Policies and Notes on Accounts Schedule Nos. 17&18
The Schedules referred to above form an Integral Part of the Balance Sheet

Sd/- (M.Y. Khan) Chairman	Sd/- (Dr. A.M. Khusro) Director	Sd/- (M.S. Pandit, IAS) Director	Sd/- (Radhey Shyam) Director	Sd/- (G.R. Khan) Director
Sd/- (H.S. Anand) Director	Sd/- (A.M. Matto) Director	Sd/- (R.N. Singh) Director	Sd/- (Joginder Singh) Director	Sd/- (C.K. Gulhati) Director
Sd/- (G.M. Dug) Director	Sd/- (Shamas Farooq) General Manager	Sd/ (Bashir Ahmad) Dy. Gen. Manager	Sd/- (Parvez Ahmed) Company Secretary	

Place : Srinagar
Dated: 18th May, 2001

In terms of our Report of date

For Gupta Gupta & Associates
Chartered Accountants

For M/s. Dhar Tikku & Co.
Chartered Accountants

For M/s. Baweja & Kaul
Chartered Accountants

Place : Srinagar
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