

PEOPLE'S URBAN CO-OPERATIVE BANK LTD.

Notes on Accounts for the Year 2015-16

A. Significant Accounting Policies

1. GENERAL

The Financial Statements have been prepared under the historical cost convention on accrual basis of accounting except for items recognized on cash basis and according to relevant requirements prescribed under Banking Regulation Act, 1949.

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosures of contingent liabilities at the date of the financial statements. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

2. INVESTMENTS

a) In terms of RBI guidelines, the entire investments portfolio has been classified under three categories for valuation purpose, viz., “Held to Maturity”, “Available for sale” and “Held for Trading”.

b) Valuation of Securities:

- i) Investments in “Held to Maturity” category are accounted for at acquisition cost. In case the cost is higher than the face value, the premium is amortised over the period remaining to maturity using Constant Yield Method.
- ii) Securities classified as “Available for Sale” are valued scrip-wise on a quarterly basis and net depreciation is provided for, while net appreciation is ignored.
- iii) Securities in “Held for Trading” category are revalued as on the last day of every month at the market price and the depreciation, if any, is provided for.

3. ADVANCES

Provision for Non-Performing Assets has been made based on asset classification and provisioning requirement under the prudential accounting norms laid down by the RBI and the same is included under Other Liabilities.

Contingent Provision against Standard Assets is maintained as per RBI guidelines and the same is included under Reserve fund and other reserves

4. FIXED ASSETS

Premises and other fixed assets are stated at historical cost.

- a) Depreciation on Buildings is provided at a flat rate of 2.50% on Straight Line Method.
- b) Depreciation on Furniture and Fixtures is provided at a flat rate of 10% on Straight Line Method.
- c) Depreciation on Computer & Computer Software is provided at a flat rate of 33.33% on Straight Line Method.
- d) Depreciation on Motor Vehicles is provided at a flat rate of 30% in the year of addition, 25% for the second year, 20% for the third year, 15% for the fourth year and 10% for the fifth year on Straight Line Method.

5. STAFF BENEFITS

- a) Defined Contribution Plan Employees of the Bank are covered by Provident Fund to which bank makes a defined contribution measured as a fixed percentage of Basic Salary and Dearness Allowance.
- b) Defined Benefit Plans
 - (i) Gratuity to Employees is covered under The Group Gratuity Scheme of LIC of India and the premium paid is charged to Profit and Loss Account
 - (ii) Leave benefits to employees is provided on the basis of accumulated leave to the credit of the employees on the basis of eligible salary at the year end.
 - (iii) Provision made in account for Gratuity during the year was Rs. 62,745/- (Previous year Rs. 20,718/-) in respect of employees not covered under the Group Gratuity Scheme of LIC of India.

6. INCOME RECOGNITION

- a) Interest / discount on advances / bills are recognized on accrual basis except on non- performing assets where the income is recognized only on realization.
- b) Exchange, Brokerage, Commission & Rent on lockers are recognized on cash basis.
- c) Income from Investments (other than income from mutual funds and income from non performing investments) is recognized on accrual basis.

7. PROVISION FOR TAXATION

- a) Provision for Income Tax represents Current year provision for income tax liability of Rs.2,62,32,020/- and income tax paid for previous years of Rs.52,36,347/-

- b) Deferred Tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred Tax assets arising from timing differences are recognized to the extent there is reasonable certainty that these would be realized in future.

8. AMOUNT TRANSFERRED TO DEAF

(Amount in Lakhs)

	2015-16	2014-15
Opening balance of amounts transferred to DEAF	9.14	-
Add: Amounts transferred to DEAF during the year	1.07	9.14
Less: Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	10.21	9.14

B. OTHER NOTES ON ACCOUNTS

1. Reconciliation

Initial reconciliation of the inter-branch/office accounts has been completed as on 31.03.2016. Steps have been taken to eliminate the outstanding entries and in the bank's opinion, consequential impact on Profit and Loss Account will not be material.

2. Investments

In respect of Investments in Held to Maturity category, the amount of amortization of excess of acquisition cost over face value for the year is Rs.7.72 lakhs (previous year Rs. 7.72 lakhs) and is netted against Income on investment, grouped under the head "Interest and discount" income.

3. Expenditure includes Rs.65.00 lakhs, (previous years.49.11 lakhs) being expenses incurred during the year under various expenditure heads exceeding the approved annual budget and hence objected to by the Registrar of Co-Operative societies.

4. Earning per share (AS – 20)

The numerators and denominators used to calculate the earning per share as per Accounting Standard – 20 issued by the Institute of Chartered Accountants of India are as under:

	Year ended 31.03.2016	Year ended 31.03.2015
Net profit as reported (Rs. In Lakhs)	290.89	268.10
Average number of shares outstanding 'A' class shares of Rs. 25/- each and 'B' class shares of Rs. 1,000/- each (converted to Common Denomination of Rs. 25/- each)	6241027	5026634
Basic Earnings per share (Rs.)	4.66	5.33
Diluted Earnings Per Share (Rs.)	4.66	5.33

5. AS 22 – Accounting for Taxes on Income

a) The components of Deferred Tax Assets and Deferred Tax Liability arising out of timing difference are as follows:

Particulars	As on 31.03.2016 (Rs.)	As on 31.03.2015 (Rs.)
Deferred Tax Liability (DTL) /(Assets) –(DTA)		
Opening Balance	12,22,158	2,84,658
Provision made During the Year		
i) On difference between book depreciation and depreciation as per Income tax	(3,27,778)	7,16,800
ii) On deduction u/s 36(1)(viii) of the Income Tax Act, 1961	15,30,952	2,20,700
Closing DTL /- (DTA) (Net)	24,25,332	12,22,158

Deferred Tax Liability (Net) of Rs.12,03,174/- is debited to Profit& Loss Account.

b) Pursuant to Reserve Bank of India (RBI) Circular No. DBOD No. BP.BC.77/21.04.018/2013-14 dated 20th December, 2013, the bank has created during the year, deferred tax liability of Rs. 15,30,952/- on special reserve under section 36(1)(viii) of the Income Tax Act, 1961.

6. Ernakulam Branch of the bank had extended a Term Loan and a Cash credit of Rs. 25.00 lakhs each against mortgage of property. Due to defaults in loan repayments, the bank had initiated securitisation procedure under SARFAESI Act for recovery of the loan amount against the borrower and the bank had sold the property by way of auction and closed the loans with the proceeds. The borrower had filed a petition in DRT against the action of the bank and obtained decree in favour of him. As per the order of DRT dated 24-05-2016, the entire auction procedure was nullified and ordered to refund the sale amount of Rs. 61.65 lakhs to the purchaser with 9.00% interest p.a. However, the purchaser has declined to

accept the amount with 9.00% interest as ordered by the DRT, raised a demand of Rs. 40.00 lakhs, claiming a higher rate of interest, which he had incurred on the amount raised for the purchase and also to cover the cost of registration.

Based on the legal opinion received from bank's panel advocate, the bank decided not to go for an appeal to the appellate tribunal against the order of DRT but to move forward with the auction procedure of the property as envisaged in Rule 5 (C) of the Security Interest (Enforcement) Rules.

The security with the bank was valued for Rs. 164.22 lakhs as per the bank valuation dated 30.07.2010 and as the bank is confident of recovering the loan amount together with interest and other charges by disposing the property, no provision is made in the books but shown as a contingent liability.

7. Previous year's figures have been re-grouped /recast, wherever necessary, to conform to the current year's presentation.

8. Disclosures as per RBI guidelines

i) Capital to Risk Weight Asset Ratio(CRAR)

ii) Movement of CRAR

	31.03.2016	31.3.2015
i. CRAR (%) - Basel II	12.93	12.82
ii. CRAR - Tier I Capital (%)	10.61	10.43
iii. CRAR - Tier II Capital (%)	2.32	2.39

iii) Investments

(Rs. in Lakhs)

<u>SLR Investment-</u>		
a. Book Value and Face value		
i) Book value	10,368.72	8,918.32
ii) Face Value	10,521.85	9,021.85
b. Market Value	10,712.58	9,160.23
i) Depreciation	25.50	25.50
ii) Provisions Held	193.61	174.49

b. Details of Issuer Composition of Non-SLR Investments and non performing Non-SLR

Investment

Issuer	Amount Rs.	Extent of 'below invest- ment grade' Securities	Extent of unrated Securities	Extent of unlisted Securities
1. PSU	-	}	-	
2. FIS	-			
3. Public Sector Banks	-			
4. Mutual Funds	-			
5. Others	-			
6. Provision held towards depreciation	-			
ii. <u>Non performing Non SLR Investments (Rs. Lakhs)</u>		}	-	
Opening Balance	-			
Additions during the year since 1st April	-			
Reductions during the above period	-			
Closing Balance	-			
Total provisions held	-			

iv. Advances against Real Estate, Construction Business, Housing	5,741.54	3,280.06
v. Advances against Shares and Debentures etc.	-	-
vi. Advances to Directors, their Relatives, Companies/ Firms in which they are interested :		
a. Fund Based	-	-
b. Non Fund Based(Guarantees , L/C , etc)	-	-

vii. Cost of Deposit		
Average Cost of Deposits	8.30	8.35

viii Non Performing Advances		
ix Movement in NPAs		
a. Gross Non-Performing Assets (Rs in Lakhs)	1,061.16	834.09
b. Gross Non-Performing Assets (%)	3.82	3.38
c. Provisions Held (Rs in Lakhs)	770.46	655.28
d. Net Non-Performing Assets(Rs in Lakhs)	290.70	178.81
e. Net Non-Performing Assets (%)	1.04	0.72

<u>x. Profitability</u>		
a. Interest Income as a percentage of Working Funds (%)	9.78	10.87
b. Non Interest Income as a percentage of Working Funds (%)	0.29	0.77
c. Operating Profit as a percentage of Working Funds (%)	1.47	1.25
d. Return on Assets (%)	0.56	0.55
e. Business (Deposits + Advances) per Employee (Rs. Lakhs)	780.62	687.24
f. Profit per Employee (Rs. Lakhs)	3.03	2.82

xi. Provisions made towards NPAs, Depreciation in Investments, Standard Assets		
xii. Movement in Provisions		
a. Towards NPAs	770.46	655.28
b. Towards Depreciation on Investments	25.50	25.50
c. Towards standard assets	272.47	239.01

xiii. Foreign Currency Assets and Liabilities

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xiv. Payment of D.I.C.G.C Insurance Premium (Rs. in Lakhs)

 a. Insurance Premium Paid (up to date)

42.31 38.78

 b. Of the above arrears

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xv. Penalty Imposed by RBI

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(UBD. PCB Cir No 40/16.45.00/2004-05DT 01-03-2005)

xvi. Restructured Accounts:

Particulars of Accounts Restructured				
		Housing Loan	SME Debt Restructuring	Others
	Number of Borrowers	Nil	Nil	Nil
Standard Advances Restructured	Amount Outstanding	Nil	Nil	Nil
	Sacrifice (diminution in the fair value)	Nil	Nil	Nil
Sub-standard advances restructured	Number of Borrowers	Nil	Nil	Nil
	Amount Outstanding	Nil	Nil	Nil
	Sacrifice (diminution in the fair value)	Nil	Nil	Nil
Doubtful Advances	Number of Borrowers	Nil	Nil	Nil
	Amount Outstanding	Nil	Nil	Nil

Restructured	Sacrifice (diminution in the fair value)	Nil	Nil	Nil
Total	Number of Borrowers	Nil	Nil	Nil
	Amount Outstanding	Nil	Nil	Nil
	Sacrifice (diminution in the fair value)	Nil	Nil	Nil

(a) The amount and number of accounts in respect of which applications for restructuring are under process, but the restructuring packages have not yet been approved. Nil
 (UBD,PCB, BPD.No. 53/13.05.000/2008-09 Nil dated March 06, 2009 and UBD, PCB, BPD.60/13.05.000/2008-09 dated April 20.2009)

xvii)Fixed Assets Valuation /Revaluation of Asset

The value of land was revalued in the year 2012-13. Original cost of 50 cents of land is Rs. 9,576.95. The revalued amount is Rs.2,15,20,182.50.

Chairman

Director

For N.Satheesan & Co.
Chartered Accountants
Firm's Reg. No.014973S

Director

General Manager

N. Satheesan
(M.No.027736)
Proprietor.

Place: Tripunithura
Date: 24/08/2016

Place: Ernakulam
Date: 24/08/2016