



Independent Auditor's Report

To,
The Members of,
Kashmir Mercantile co-operative Bank Limited
Head Office: Level-1, Tehsil Road,
Sopore, 193201
Jammu & Kashmir

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of The Kashmir Mercantile co-operative Bank Limited ("the Bank") which comprise the Balance Sheet as at 31st March 2025, the Profit and Loss Account for the year then ended, summary of significant accounting policies and other explanatory information. The returns of 5 branches are incorporated in these financial statements.

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Bank as at March 31, 2025 and its profit for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Banking Regulations Act, 1949. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Bank in accordance with the Banking Regulation Act, 1949 (as applicable to cooperative societies) and guidelines issued by the Reserve Bank of India ('RBI'), & the Registrar of Cooperative Societies of UT of Jammu & Kashmir from time to time and generally accepted accounting principles in India so far as applicable to the Bank. This responsibility also includes design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.





In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Emphasis of Matter

We draw attention to Note-6, sub note-e of Annexure-I to the financial statements, which pertains to the recognition of Income.

Extraordinary Income of ₹1,18,77,800.00:

The Company has accounted for extraordinary income amounting to ₹1,18,77,800.00 on an accrual basis, under the head NCDC CBBO Service Charges, in the Profit and Loss Account. Out of the said amount, a sum of ₹71,78,600.00 remains unrealized as on the date of this report.

In our opinion, income to the extent of the unrealized amount of ₹71,78,600.00 ought to be recognized on actual receipt basis, in accordance with prudent accounting principles.

Our opinion is not modified in respect of this matter.





Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in Forms "A" & "B" respectively as per the Third Schedule of Section 29 of the Banking Regulation Act, 1949 along with accounting policies as per Annexure-I and notes to accounts as per Annexure II.
2. 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 Bank which have come to our notice have been within the powers of the Bank;
 - (c) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (d) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books;
 - (e) The Balance Sheet, and the Profit and Loss Account, dealt with by this report are in agreement with the books of account and returns after incorporating MOC as per Annexure-III.
 - (f) The accounting standards adopted by the Bank are consistent with those laid down by accounting policies generally accepted in India so far as applicable to Banks.

For M/S IMT & COMPANY

Chartered Accountants

FRN: 027497N



GOWHAR AHMAD WANI

(PARTNER)

Membership Number: 533602

Date of Report: 25/06/2025

UDIN: 25533602BMMJBZ7981