

SBI FUNDS MANAGEMENT PRIVATE LIMITED

(A joint venture between State Bank of India & AMUNDI)



**20th ANNUAL
REPORT**

2011-2012

Board of Directors of SBI Funds Management Private Limited

(As on June 30, 2012)



Mr. Pratip Chaudhuri
Chairman



Mr. Shyamal Acharya
Director



Mr. Fathi Jerfel
Director



Mr. Deepak Kumar
Chatterjee
Managing Director & CEO



Mr. Jayesh Gandhi
Director



Dr. H.K. Pradhan
Director



Smt. Madhu Dubhashi
Director



Dr. H. Sadhak
Director



Mr. Thierry
Mequillet
Director



Mr. Shishir
Joshipura
Director



Mr. Philippe
Batchevitch
Alternate Director to
Mr. Fathi Jerfel

Auditors

HARI BHAKTI & CO.
Chartered Accountants
42, Free Press House, 4th Floor,
215, Free Press Journal Marg
Nariman Point
Mumbai 400 021

Bankers

State Bank of India

Registered Office

191, Maker Tower 'E'
Cuffe Parade
Mumbai - 400 005
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DIRECTORS' REPORT

TO,

THE MEMBERS

The Directors have pleasure in presenting the twentieth annual report together with the Statement of Profit and Loss of SBI Funds Management Private Limited for the year ended March 31, 2012 and the Balance Sheet as at that date.

The highlights of the financial results are as under:

I. FINANCIAL RESULTS:*(₹ in lacs)*

PARTICULARS	YEAR UNDER REPORT 2011-12	PREVIOUS YEAR 2010-11
Total Income	24,758.25	25,524.22
Profit before depreciation	8,669.15	11,934.84
Less : Depreciation	290.21	244.37
Profit before tax	8,378.94	11,690.47
Less : Provision for tax	2,327.03	3,805.71
Profit after tax	6,051.91	7,884.76
Balance brought forward from previous year (net)	18,017.54	14,293.63
Amount available for Appropriation	24,069.45	22,178.39
APPROPRIATIONS:		
Transfer to General Reserve	605.19	788.47
Proposed Dividend	-	-
Interim Dividend	2,900.00	2,900
Dividend Distribution Tax(Net)	470.46	481.65
Excess Provision of Dividend Distribution Tax for Previous Year written-back	-	(9.27)
Balance/(Loss) to be carried forward	20,093.80	18,017.54

II. DIVIDEND:

An interim dividend of ₹ 58 per Equity Share, subject to tax, was declared on 26th March, 2012 on the paid-up equity share capital of the Company, involving a total outgo of ₹ 3,370.46 lac on account of dividend inclusive of dividend distribution tax. The Directors recommend that the interim dividend paid during the year, be declared as the final dividend for the year 2011-12.

III. CAPITAL:

During the year under review, the Company has not made any fresh issue of capital. However, consequent upon Société Générale S.A. and Credit Agricole S.A. entering into an agreement to undertake a global merger of their fundamental asset management businesses, 18,50,000 equity shares constituting 37% of the paid-up equity share capital held by Société Générale Asset Management have been transferred to Amundi India Holding, a wholly owned subsidiary of Amundi on 30th May, 2011 after obtaining relevant regulatory approvals.

The net worth of the Company increased to ₹ 30,439.37 lac as at the end of March, 2012 from ₹ 27,757.92 lac as at the end of March, 2011.

IV. BUSINESS ENVIRONMENT:

THE ECONOMY

Managing growth and price stability are the major challenges of macroeconomic policymaking. In 2011-12, India found itself in the heart of these conflicting demands. The GDP growth rate crashed to a nine-year low of 6.5% in FY 2011-12, and to 5.3% during the January-March 2012 quarter, the worst in 36 quarters. However, India did manage to stand out in global comparisons as most of the other economies are facing challenges. .

With agriculture and services continuing to perform well, India's slowdown can be attributed almost entirely to weakening industrial growth. The manufacturing sector grew by 2.7 per cent and 0.4 per cent in the second and third quarters of 2011-12, but contracted by 0.3% during the fourth quarter, confirming the apprehensions about the failure of the higher interest rates to tame price rise but having serious side-effects on growth. Inflation as measured by the wholesale price index (WPI) was high throughout the fiscal year. The year-end numbers though witnessed marginal improvements. Food inflation, in particular, came down to around zero, with most of the remaining WPI inflation being driven by non-food manufacturing products. Monetary policy was tightened by the Reserve Bank of India (RBI) during the year to control inflation and curb inflationary expectations.

The global economic environment turned sharply adverse in September 2011 owing to the turmoil in the euro zone, and questions about the outlook on the US economy provoked by rating agencies. These external factors, coupled with a lower than expected growth and sluggish policy response, did put the currency under pressure. Rupee touched a low of 54.30 against US\$, to rebound on the back of strong foreign portfolio flows. Going forward, the economic situation in Europe, global commodity prices and India's ability to calibrate its policy response remain critical levers. A strong policy response is required to address some of the structural problems like high fiscal deficit and current account deficit.

CAPITAL MARKETS

Indian equity markets ended lower in 2011-12 with the BSE Sensex losing 10% to end the year at 17404. The first nine months of the year ended negatively, with the Sensex losing 20% by the end of December 2011 at 15455 as against the Sensex level of 19455 at the end of March 2011. Most of the losses were sustained in the 3rd quarter, with FII outflows due to concerns about situation in Europe as well as high inflation, tight liquidity and elevated interest rates. However, the 4th quarter saw the Sensex rally by 13% due to renewed FII inflows on higher global risk appetite. Interest rates remained elevated due to RBI's hawkish stance and high government borrowing. The RBI seems to have changed the stance given the inflation trajectory and fall in growth momentum. They cut CRR and embarked on open market operations (OMOs) to release liquidity.

MUTUAL FUND INDUSTRY

During the year, the following important developments took place in the Mutual Fund Industry:

- a) SEBI advised the Asset Management Companies to provide an option to the investors for receiving Mutual Fund units in their demat accounts.
- b) Additional disclosures pertaining to indicative portfolio or yield for close-ended debt oriented mutual funds were introduced.
- c) SEBI liberalized the portfolio investment route by permitting the Asset Management Companies(AMCs) to accept subscriptions for equity schemes from foreign investors meeting the KYC requirements.
- d) Mutual Funds are allowed to charge a transaction charge per subscription of ₹ 10,000 and above, to be paid to the distributors for increasing the reach of mutual fund products.
- e) Norms for disclosing information on performance were prescribed for ensuring greater transparency.
- f) SEBI advised all Mutual Funds to put in place and establish a system for carrying out the due diligence process for distributors to help achieve greater investor protection.

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- g) Provisions for Infrastructure debt fund schemes were notified.
- h) Norms for issuing consolidated account statement across all mutual fund to investors in whose folios transactions have taken place were prescribed.
- i) With an objective to bring about uniformity in securities markets and in KYC requirements, SEBI permitted use of the uniform/same KYC form and supporting documents by all SEBI registered intermediaries.
- j) The Reserve Bank of India enabled mutual funds to participate in repos in corporate debt securities subject to the approval of SEBI.
- k) KYC Registration Agency (KRA) Regulations, 2011 were notified.
- l) SEBI revised the advertisement code and the investment valuation norms.
- m) SEBI advised AMCs to disclose all details of debt and money market securities transacted (including inter scheme transfers) in its schemes portfolio on AMCs' website.

During the year, the total assets mobilized by the mutual fund industry stood at ₹ 68,19,679 Crore (Previous year ₹ 88,59,515 Crore) while the total repurchase/redemption amount was ₹ 68,41,702 Crore (Previous year ₹ 89,08,921 Crore) (Source : AMFI website). The industry thus saw a net outflow of ₹ 22,023 Crore (Previous year net inflow of ₹ 49,406 Crore) during the year.

The total assets under management as on 31st March, 2012 stood at ₹ 5,87,217 crore (Previous year ₹ 592,250 Crore).

PERFORMANCE OVERVIEW

More than 70% of total assets managed by the Company were in the top two quartiles for all time periods up to 1 year.

1) Performance of Equity Schemes:

- a) 67% of our equity assets under management are in top 2 quartiles on a one year horizon
- b) Most of our equity schemes outperformed their respective benchmarks by more than 200 basis points
- c) SBI Magnum Emerging Business Fund continues its top decile performance.
- d) Most of the equity funds have shown improvement in annual rankings during the year.

2) Performance of Fixed Income Schemes:

- a) More than 90% of the fixed income AUM lies in top two quartiles across time periods up to 3 years
- b) SBI Dynamic Bond Fund remained a top Performer and attracted large inflows. AUM of SBI Dynamic Bond Fund has increased from ₹ 42.55 Crore to ₹924.53 Crore in last 5 months of the financial year.

SBI Mutual Fund saw a total inflow of ₹ 3,53,035 Crore (Previous year ₹ 4,65,364 Crore) in the domestic open and close-ended funds during the year. The inflows took place predominantly in the liquid and debt funds. The total redemption amounted to ₹ 3,51,510 Crore (Previous year ₹ 4,61,658 Crore), leaving a net inflow of ₹ 1,525 Crore (industry net outflow ₹ 22,023 Crore) as against a net inflow of ₹ 3,706 Crore (industry net outflow ₹ 49,406 Crore) in the previous year.

The closing assets under management of the domestic schemes of SBI Mutual Fund as on 31st March, 2012 were ₹ 43,449 Crore as against ₹ 42,019 Crore as on 31st March, 2011 signifying a growth of 3.40%. The average assets under management, which were ₹ 41,672 Crore for the quarter ended 31st March, 2011, increased to ₹ 42,042 Crore for the quarter ended 31st March, 2012 signifying a modest growth of 0.89% with increase in market share by 0.37% during the quarter ended 31st March, 2012 as against the market share of SBI Mutual Fund for the quarter ended 31st March, 2011.

During the year, SBI Mutual Fund launched fifty eight funds under SBI Debt Fund Series, SBI Gold Fund, SBI Capital Protection Fund Series III and SBI Tax Advantage Fund - Series II. The schemes received good response from the investors and total funds mobilized under these schemes amounted to ₹ 14,764 Crore.

The value of assets under Portfolio Management/Advisory Services went up by 25.03% in the financial year 2011-12 with

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₹ 9,467 Crore as on 31st March, 2012 as against ₹ 7,572 Crore as on 31st March, 2011. In the retail portfolio management service activity, we had 512 clients with assets under management of ₹ 56 Crores.

Resurgent India Opportunities Fund, the off-shore fund managed by the Company, witnessed a decline in the assets under management from ₹ 43 Crore as on 31st March, 2011 to ₹ 37 Crore as on 31st March, 2012 due to weakening of Indian Rupee against dollar coupled with low appetite by offshore investor for India based funds. The fund showed an improved performance during the year.

We had 31,516 AMFI certified Agents as on 31st March, 2012 as against 39,173 AMFI certificates Agents as on 31st March, 2011. The number of AMFI certified Agents had come down as the number of Agents has not renewed their ARNs and New Agents enrolment has also come down due to changed regulatory environment making retail IFA model unviable. The number of AMFI certified employees in State Bank Group, however, increased to 19,559 as on 31st March, 2012 from 18,791 as on 31st March, 2011.

During the year, 2 new Investor service Desks were added. As on 31st March, 2012, SBI Mutual Fund had 29 Investor Service Centres, 66 Investor Service Desks, 11 Investor Service Points and 1 Overseas Points of presence. As on 31st March, 2012, 34 Business Associates for improving customer service and providing more contact points to the investors were functional.

NEW INITIATIVES

To improve the quality of our customer service and operational efficiency, we have put in place the following initiatives during the year:

- a) An upgraded Online Transaction Module for investors to help them make Purchase, Switch, Redemption, source Statement of Account (SOA) and view the entire portfolio summary online.
- b) The facility of getting the valuation of folio through the interactive voice response was introduced for better investor servicing. With this facility we have NAV, SOA and Valuation through our IVR which is a 24/7 facility.
- c) Continued our efforts of contacting investors whose units are still live in redeemed schemes to send their redemption requests.
- d) Introduced outbound calling through our Customer Contact Centres to advise the reason for rejection of application to investors for better customer servicing.
- e) An engagement with Franklin Covey, a globally front running training and consultancy organization, for drawing upon their consultancy services on the subject of Execution, based upon their world famous 4 Disciplines of Execution (4DX) solution. The engagement is being implemented at three of our zones viz. Mumbai, Delhi and Pune on a pilot basis. The 4 DX principle is aimed at recording a quantum leap in our business levels during the year 2012-13.
- f) We continued our efforts to increase the volume of centralized direct debits through SBI CMP for all investors banking with the State Bank Group core banking branches to give a major boost to Systematic Investment Plans (SIP) business.
- g) Redemptions and income distribution through direct credits with forty eight banks including SBI core banking branches, which account for about 85% of daily pay-outs. We are in touch with the banks to convert investors' non-core bank mandates to core banking mandates in a phased manner on an ongoing basis.
- h) Increase in e-communication (Statement of Account, Scheme Balance Sheets, Direct Credit Confirmations and other communications) to reduce costs and to increase customer satisfaction.

FUTURE PLANS

The Mutual Industry has been in the mode of asset acquisition through payment of up-front brokerage for assets acquired, which will continue to impact the revenue of the AMCs in the first year in which the assets are acquired. As the AMCs have been paying upfront brokerages based on future management fee expectations, the additional revenue generation is getting deferred till the asset base increases to a level without impacting current year's profit. As such, in

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years of sharp AUM growth, profits will be low. Whereas, if the AUM remains flat, profits will see a rise, though at the cost of future year profits.

Abolition of entry load has made us re-think on the drivers of our business. Equity markets have been volatile for the past few months and though the investors have refrained from taking exposure to equity, the strengths of Indian economy are intact. In a shorter term, we expect bond funds to attract investments. Due to the current high interest rate regime, investors are willing to invest in a fixed income funds for a decent return at a relative low risk premium to equity. Our funds like SBI Dynamic Bond Fund and FMP's are experiencing huge inflows. Over next 3 to 5 years, Indian equity mutual funds still look attractive.

- We would like to grow our market share to 10 % in next 2 years. We have an ambition to be among top 3 players in the next 2 to 3 years.
- Our primary objective is to grow our business in retail segment by creating awareness among investors and we are investing significantly in investor awareness programmes.
- We plan to strengthen and grow our distribution base by increasing engagement with IFAs, National distributors and private banks , developing alternative distribution channels and creating products to suit wealth managers.
- We will continue to innovate in the product category to provide attractive investment opportunity across the risk and asset segments.

We plan to augment our distribution network to tier 3 towns and extend the market coverage in rural markets through SBI's business correspondents/facilitators with Micro SIP options. The other steps for improving investor services include increasing the electronic payout of redemption/ dividends to around 90%, introduction of centralized management of SIPs of all associate banks by direct debits to further increase our SIP reach and improve efficiency, increasing e-communications and fine tuning of our Contact Centre services to reduce call waiting time. We are also trying to start a campaign to popularize online investments through net banking solutions.

AWARDS AND RECOGNITIONS

- **CRISIL CNBC Award** – Magnum Emerging Businesses Fund (EBF) was among the 3 nominees in Midcap Funds category. We were nominated among 3 best funds in Ultra-short Term Fund and also in the Liquid Fund category. SBI Mutual Fund was also nominated for the Best Fund House of the year in Fixed Income category.
- **Bloomberg UTV Awards** – SBI Mutual Fund was nominated for the Best Fund House of the year in the Fixed Income category.
- A full page article on the '**Turnaround Story of SBI Mutual Fund**' in the Mint Newspaper was published in March, 2012.
- **SBI Gold Exchange Traded Scheme** was adjudged as the 4th best performer in the world on products based on Gold – Bloomberg.
- SBI Mutual Fund won five awards at the **ICRA Awards ceremony for Magnum Tax Gain Scheme, Magnum FMCG (2 awards), Magnum EBF and SBI Dynamic Bond Fund.**
- **ET Mutual Fund Tracker** – SBI Mutual Fund had 3 platinum funds and entered the list of 10 best Fund Houses at number 6, ahead of some of the larger fund houses, with 17 medallions.
- **CPR 1: SBI Dynamic Bond Fund and SBI Short Horizon Debt Fund - Ultra Short Term Fund - Institutional**, for the quarter ended December 2011. All Fixed Income Funds (**Liquid, Ultra short, Short Term, Income and Gilt** category) are now in **CPR 1 and CPR 2.**
- **Indian Express ranked our Chief Investment Officer at number 3 among the top 10 Fund Managers** in India on the basis of superior risk-adjusted returns.
- **Our Head of Equity** was ranked as the Best Fund Manager by Business Today-Value Research study.

V. COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES 1988

In terms of the above rules issued by the Central Government the following information is furnished.

i) CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION:

Since the Company does not own any manufacturing facility, the disclosure under this head is not applicable. Further, the other particulars in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 are also not applicable.

ii) FIXED DEPOSITS:

During the year, the Company has not accepted any deposits from the public under Section 58-A of the Companies Act, 1956.

iii) FOREIGN EXCHANGE EARNINGS AND OUTGO

During the financial year under review, the Company earned ₹ 1,316.15 lac in foreign exchange as portfolio management fee. The foreign exchange outgo on account of traveling and business promotion was ₹ 183.23 lac.

VI. SUBSIDIARIES

SBI Funds Management (International) Private Limited, a fully owned subsidiary of the Company provides investment management services to the SBI Resurgent Opportunities Fund.

The audited statement of accounts of SBI Funds Management (International) Private Limited for the year ended 31st March, 2012, together with the Report of Directors and Auditors, as required under Section 212 of the Companies Act, 1956, are attached.

VII. DIRECTORS

During the year under review, the following changes took place in the Board of Directors of the Company:

- a) Mr. Shyamal Acharya was appointed as an associate director on 22nd August, 2011.
- b) Mr. Didier Turpin, who had been appointed as an Alternate Director to Mr. Jean Paul Mazoyer resigned w.e.f. 20th July, 2011 consequent upon his secondment from Amundi to the Company coming to an end.
- c) Mr. Philippe Batchevitch was appointed as an alternate director to Mr. J. P. Mazoyer on 22nd August, 2011.
- d) Dr. Hira Sadhak was appointed as an independent director on 22nd September, 2011.
- e) Mr. Rajas Doshi resigned as director with effect from 30th September, 2011.
- f) Mr. Thierry Mequillet was appointed as an associate director on 12th November, 2011.
- g) Mr. Shishir Joshipura was appointed as an independent director on 12th November, 2011.
- h) Mr. Jean Paul Mazoyer resigned as Director on 5th March, 2012. Consequent to his resignation, Mr. Philippe Batchevitch also vacated the office of alternate director.
- i) Mr. Fathi Jerfel was appointed as an Associate Director on the Board and Mr. Philippe Batchevitch as an Alternate Director to Mr. Jerfel with effect from 26th March, 2012

The Board places on record its appreciation of the valuable contributions made by Mr. Jean Paul Mazoyer, Mr. Didier Turpin, and Mr. Rajas Doshi during their tenure as Directors of the Company and extends a warm welcome to all the new Directors, who have joined the Board of the Company.

BOARD MEETINGS:

Seven board meetings were held during the financial year under review – on 27th April, 2011, 11th June, 2011, 26th July, 2011, 27th August, 2011, 17th October, 2011, 23rd January, 2012 and 26th March, 2012.

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The attendance of each director at the meetings of the Board of Directors is as under:

Name /Category of Directors	Number of meetings attended
Mr.Pratip Chaudhuri, Chairman	6
Mr. Deepak Kumar Chatterjee, Managing Director	7
Mr. Jean Paul Mazoyer	2
Mr. Didier Turpin, (As alternate to Mr.J.P. Mazoyer)	2
Mr. Philippe Batchevitch, (As alternate to Mr. J.P. Mazoyer)	2
Mr.Jayesh Gandhi	6
Mr. H. K. Pradhan	4
Mrs. Madhu Dubhashi	7
Mr. Rajas R.Doshi	2
Mr. R. Sridharan	1
Mr. Shyamal Acharya	4
Mr. Thierry Mequillet	1
Mr. Shishir Joshipura	2
Dr. Hira Sadhak	3
Mr. Fathi Jerfel	Nil
Mr. Philippe Batchevitch, (As Alternate Director to Mr. Fathi Jerfel)	Nil

VIII. AUDIT COMMITTEE OF DIRECTORS:

The Committee reviews the reports of internal and statutory auditors placed before them from time to time. An independent director who is a Chartered Accountant chairs the audit committee. The Committee met seven times during the year.

IX. MODEL CODE OF CONDUCT

The Directors confirm that all Board members and Senior Management have affirmed compliance with the Company's code of conduct for the financial year 2011-12.

X. DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956.

The Directors hereby confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that reasonable and prudent accounting policies have been selected and applied consistently and reasonable and prudent judgments and estimates have been made 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 the profit or loss of the company for that period;
- (iii) that proper and sufficient care has been taken 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 fraud and other irregularities;
- (iv) that the annual accounts have been prepared on a going concern basis.

XI. PERSONNEL

Employee relations remained cordial during the year. The Directors place on record their appreciation of the dedicated work put in by all the employees.

XII. PARTICULARS OF EMPLOYEES

The details of employees covered by Section 217 (2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules 1975 are given in the annexure to the Directors' Report. In terms of the provisions of Section 219(1)(b)(iv) of the Act, the Directors' Report is being sent to the shareholders of the company excluding the annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the registered office of the Company.

XIII. AUDITORS

The Comptroller and Auditor General of India, New Delhi appointed M/s. Haribhakti & Co. as the Statutory Auditors of the Company, who will retire at the conclusion of the Twentieth Annual General Meeting.

Under Section 224(8) (aa) of the Companies Act, 1956, the remuneration of Auditors appointed under Section 619 by the Comptroller and Auditor General of India, shall be fixed by the Company in the General Meeting. Accordingly, Notice of the Annual General Meeting will include an item pertaining to remuneration of the Auditors for the year 2011-12.

XIV. ACKNOWLEDGEMENTS

The Directors take this opportunity to express their gratitude for the continued support and co-operation extended by the Securities and Exchange Board of India, Reserve Bank of India, State Bank of India, Société Générale Asset Management, Amundi, the Registrars & Transfer Agents, the Custodians, the Bankers, Market Intermediaries and Distributors, Government Agencies, Auditors, Association of Mutual Funds of India and the Boards of Directors of SBI Mutual Fund Trustee Company Private Limited and SBI Funds Management(International) Private Limited..

The Directors also express their gratitude to the large body of investors of various schemes of SBI Mutual Fund for the faith reposed in the Fund and look forward to their continued patronage.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Mumbai
Dated: 12th June, 2012

Sd/-
PRATIP CHAUDHURI
CHAIRMAN

AUDITORS' REPORT

TO THE MEMBERS OF

SBI FUNDS MANAGEMENT PVT LTD

1. We have audited the attached Balance Sheet of **SBI Funds Management Private Limited** ('the Company') as at March 31, 2012 and also the Statement of Profit and Loss and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the paragraph 3 above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012;
 - b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **HARIBHAKTI & CO.**,
Chartered Accountants,
Firm Membership No. 103523W

Sd/-

(RAKESH RATHI)

Partner

Membership No: 45228

Place : Mumbai,
Date : 26th April, 2012

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of SBI Funds Management Private Limited on the financial statements for the year ended 31st March, 2012]

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets of the company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
- (ii) The clause (ii), Para 4 of the Companies (Auditor's Report) Order, 2003 (as amended) is not reported upon as it is not applicable to the Company.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions stated in paragraph 4 (iii)(b),(c) and (d) of the order are not applicable.
- (e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions stated in paragraph 4 (iii)(f)and (g) of the order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the company.
- (v) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the Company has not entered into any transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income-tax, service tax, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, service tax, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of income tax, service tax, profession tax which have not been deposited on account of any dispute.
- (x) The company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) The Company has not taken any loan from Financial Institution, Bank and the Company has not issued any Debentures.

SBI FUNDS MANAGEMENT PRIVATE LIMITED

- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the company has not granted loans & advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) The Company has not dealt or traded in shares, securities, debentures and other investments during the year.
- (xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xvi) The Company has not obtained any term loans.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, no debentures have been issued by the company during the year.
- (xx) The Company has not raised money by way of public issue during the year.
- (xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For **HARIBHAKTI & CO.,**
Chartered Accountants,
Firm Membership No. 103523W

Sd/-
(RAKESH RATHI)
Partner

Membership No: 45228

Place : Mumbai,
Date : 26th April, 2012

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF SBI FUNDS MANAGEMENT PRIVATE LIMITED FOR THE YEAR ENDED 31 MARCH 2012.

The preparation of financial statements of SBI Funds Management Private Limited for the year ended 31 March 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India Under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 26 April 2012.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditor on the accounts of SBI Funds Management Private Limited for the year ended 31 March 2012 and as such have no comments to make under Section 619 (4) of the Companies Act, 1956.

**For and on the behalf of the
Comptroller and Auditor General of India**

Sd/-

(Parama Sen)

Principal Director of Commercial Audit and
Ex-Officio Member, Audit Board-I, Mumbai

Place : Mumbai

Date : 1 June 2012

BALANCE SHEET AS AT MARCH 31, 2012

	Notes	As at 31-Mar-2012 ₹	As at 31-Mar-2011 ₹
EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share Capital	2	500,000,000	500,000,000
(b) Reserves and Surplus	3	2,543,937,454	2,275,791,688
		3,043,937,454	2,775,791,688
2 Non-current liabilities			
(a) Other long term liabilities	4	11,296,836	7,751,558
(b) Long-term provisions	5	51,876,015	40,673,859
		63,172,851	48,425,417
3 Current liabilities			
(a) Trade payables	6	132,503,203	136,029,320
(b) Other current liabilities	7	9,912,419	7,562,168
(c) Short-term provisions	8	564,583,060	450,931,090
		706,998,682	594,522,578
TOTAL		3,814,108,987	3,418,739,683
ASSETS			
Non-current assets			
1 (a) Fixed Assets			
(i) Tangible assets	9	52,722,548	41,603,495
(ii) Intangible assets	9	15,521,798	11,005,643
(iii) Capital work-in-progress	9	3,484,830	6,786,254
(b) Long-term investments	10	97,307,200	206,469,400
(c) Deferred tax assets (Net)	11	25,667,572	17,670,855
(d) Long-term loans and advances	12	90,317,024	83,139,130
(e) Other non-current assets	13	6,472,458	5,077,142
		291,493,430	371,751,919
2 Current assets			
(a) Current investments	14	1,954,400,805	1,566,500,000
(b) Trade receivables	15	190,325,254	111,594,460
(c) Cash and bank balances	16	1,064,515,758	1,099,424,984
(d) Short-term loans and advances	17	260,112,922	229,574,732
(e) Other current assets	18	53,260,818	39,893,588
		3,522,615,557	3,046,987,764
TOTAL		3,814,108,987	3,418,739,683

Significant Accounting Policies and Notes to the Accounts 1

The notes are an intergral part of these financial statements.

As per our attached report of even date

For Haribhakti & Co.

Chartered Accountants

Firm Regn. no. 103523W

For and on behalf of the Board of Directors

Sd/-

Rakesh Rathi

Partner

Membership no. 45228

Sd/-

Pratip Chaudhuri

Chairman

Sd/-

Deepak Chatterjee

Managing Director & CEO

Place: Mumbai

Dated: April 26, 2012

Sd/-

Phillippe Batchevitch

Dy. Chief Executive Officer

Sd/-

Vinaya Datar

Company Secretary

Statement of PROFIT AND LOSS

Particulars	Notes	Year Ended	Year Ended
		31-Mar-2012	31-Mar-2011
		₹	₹
I. Revenue from operations	19	2,236,475,512	2,397,605,232
II. Other income	20	239,349,528	154,816,881
III. Total Revenue (I + II)		2,475,825,040	2,552,422,113
IV. Expenses:			
Employee benefits expense	21	807,286,186	678,305,452
Other expenses	22	801,623,813	680,632,431
Depreciation and amortization expense	23	29,020,742	24,436,883
Total Expenses		1,637,930,741	1,383,374,766
V. Profit before Tax (III-IV)		837,894,299	1,169,047,347
VI. Tax expense:			
- Current tax		240,700,000	393,420,000
- Deferred tax		(7,996,717)	(12,848,314)
VII. Profit (Loss) for the period (V - VI)		605,191,016	788,475,661
VIII. Earnings per equity share:			
(1) Basic	24	121.04	157.70
(2) Diluted		121.04	157.70

Significant Accounting Policies and Notes to the Accounts 1

The notes are an intergral part of these financial statements.

As per our attached report of even date

For Haribhakti & Co.

Chartered Accountants

Firm Regn. no. 103523W

For and on behalf of the Board of Directors

Sd/-

Rakesh Rathi

Partner

Membership no. 45228

Sd/-

Pratip Chaudhuri

Chairman

Sd/-

Deepak Chatterjee

Managing Director & CEO

Sd/-

Phillippe Batchevitch

Dy. Chief Executive Officer

Sd/-

Vinaya Datar

Company Secretary

Place: Mumbai

Dated: April 26, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	For Year end 31-Mar-2012 ₹	For Year end 31-Mar-2011 ₹
Cash Flow from Operating Activities		
Net profit Before Tax	837,894,299	1,169,047,347
Adjustments for:		
Depreciation and Amortisation	29,020,742	24,436,883
(Profit) /Loss on sale of fixed assets (Net)	384,673	(79,103)
Profit on sale of investments (Net)	(63,539,660)	(8,358,778)
Interest income	(72,112,269)	(117,031,789)
Dividend income	(69,042,364)	(13,319,526)
Operating profit before working capital changes	662,605,421	1,054,695,034
Decrease / (Increase) in trade receivables	(78,730,794)	56,319,069
Decrease / (Increase) in long term loans and advances	(7,177,894)	(32,848,367)
Decrease / (Increase) in other current assets	35,682	(212,205)
Decrease / (Increase) in Short term loans & advances	31,886,190	(64,160,804)
Decrease / (Increase) in other non-current assets	(1,395,316)	(1,123,408)
(Decrease) / Increase in trade payables	(3,526,117)	38,639,253
(Decrease) / Increase in non-current liabilities	14,747,434	20,100,402
(Decrease) / Increase in other current liabilities	2,350,251	(14,246,771)
(Decrease) / Increase in short term provisions	66,606,720	40,960,165
Net cash generated from operations	687,401,577	1,098,122,368
Income taxes paid	(303,124,380)	(432,117,575)
Net cash generated from Operating Activities (A)	384,277,197	666,004,793
Cash Flow from Investing Activities		
Purchase of Intangible Fixed Assets(including advances for capital)	(16,385,687)	(11,391,565)
Purchase of tangible Fixed Assets(including advances for capital)	(25,520,266)	(19,422,894)
Sale of Fixed Assets	166,754	808,525
Purchase of Investments (Current and long-term investments)	(3,523,389,447)	(4,929,551,527)
Sale of Investments (Current and long-term investments)	3,308,190,502	3,536,405,290
Fixed Deposits placed during the year	(709,676,998)	(773,597,319)
Fixed Deposits matured during the year	803,597,319	1,939,534,557
Interest received	58,709,357	125,601,962
Dividend received	69,042,364	13,319,526
Net Cash generated from Investing Activities (B)	(35,266,102)	(118,293,445)
Cash Flow from Financing Activities		
Dividend paid	(290,000,000)	(240,000,000)
Tax on Dividend	-	(88,026,375)
Net cash used in Financing Activities (C)	(290,000,000)	(328,026,375)
Net Increase in Cash and Cash Equivalents (A + B + C)	59,011,095	219,684,973
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	295,827,665	76,142,692
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	354,838,760	295,827,665

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	For Year end 31-Mar-2012 ₹	For Year end 31-Mar-2011 ₹
Components of Cash and Cash Equivalents		
Cash & Cash Equivalents		
Cash in hand	2,188	38,192
Cheques in hand	2,169,566	61,099
Balance with banks	-	-
- in Current Accounts	27,667,006	5,728,374
- in Current Accounts - Dividend Payable	290,000,000	290,000,000
Deposits with original Maturity	-	-
Less than 3 months	35,000,000	-
Total Cash & Cash Equivalent (Note no. 16)	354,838,760	295,827,665

- The Cash Flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
- The corresponding figures of the previous year are re-grouped wherever necessary.

As per our attached report of even date

For Haribhakti & Co.
Chartered Accountants
Firm Regn. no. 103523W

For and on behalf of the Board of Directors

Sd/-
Rakesh Rathi
Partner
Membership no. 45228

Sd/-
Pratip Chaudhuri
Chairman

Sd/-
Deepak Chatterjee
Managing Director & CEO

Sd/-
Phillippe Batchevitch
Dy. Chief Executive Officer

Sd/-
Vinaya Datar
Company Secretary

Place: Mumbai
Dated: April 26, 2012

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

SBI Funds Management Private Limited ('the Company') was incorporated on 7th February 1992 under The Companies Act, 1956 as a wholly owned subsidiary of State Bank of India (SBI) and is presently a joint venture between SBI and AMUNDI.

The Company was granted approval by Securities and Exchange Board of India (SEBI) under SEBI (Mutual Funds) Regulations, 1993, subsequently replaced by SEBI (Mutual Funds) Regulations, 1996, to act as the Investment Manager of SBI Mutual Fund ('the Fund'), which has launched various types of schemes till the date of the Balance Sheet. The Company manages the Investment Portfolios of the scheme(s) launched by the Fund and provides various administrative services to the Fund as laid down in the Investment Management Agreement dated December 29, 2004. The Company has a fully owned foreign subsidiary namely SBI Funds Management (International) Private Limited, which is based at Mauritius and manages an Off-shore Fund.

The Company is also registered under the SEBI (Portfolio Managers) Regulations, 1993 and provides Portfolio Management Services (PMS) to domestic and international clients.

Summary of Significant accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended and the other relevant provisions of the Companies Act, 1956.

Presentation and Disclosure of Financial Statements

During the year ended March 31, 2012, the revised schedule VI notified under companies act, 1956 has become applicable to the company, for preparation and presentation of its financial statements. Adoption of Revised Schedule VI does not impact the recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. Previous years are reclassified in accordance with Revised Schedule VI.

1.2 Use of Estimates:

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reported period. The estimates and assumptions used in the accompanying financial statements are based upon the Management's evaluation of the relevant facts and circumstances as on the date of financial statements. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to the accounting estimates will be recognised prospectively in the current and future periods.

1.3 Fixed Assets and Capital Advances

Tangible Fixed Assets

Tangible Fixed Assets are stated at their cost of acquisition less accumulated depreciation, and impairment losses, if any. The cost of acquisition is inclusive of taxes, duties (other than cenvat credit, if any), freight and other incidental expenses related to acquisition and installation of the assets.

Subsequent expenditure related to an item of fixed asset is added to its book value, only if it increases the future benefits from existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day to day repair and maintenance expenditure and cost of replacing parts, are charged to Profit and Loss Account during the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

The capital advances includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Gains or Losses arising from disposal of fixed assets are measured as the difference between the net disposal proceeds and carrying amount of asset and are recognised in the statement of Profit and Loss when the asset is disposed.

Intangible Fixed Assets

Intangible assets are recognized at cost (excluding Cenvat credit, if any) less accumulated amortization and impairment losses, if any.

Intangible assets are amortised on straight line basis over a period of three years (the estimated useful economic life). The company uses rebuttable presumption that the useful life of an intangible asset will not exceed three years from the date when the asset is available for use.

Gains or Losses arising from the disposal of intangible assets are measured as the difference between the net disposal proceeds and carrying amount of asset and are recognised in the statement of Profit and Loss, when the asset is disposed.

1.4 Depreciation on Tangible and Intangible Fixed Assets

Depreciation is provided on a pro-rata basis on the written down value method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956, except in the case of mobile phones. Mobile phones are depreciated over a period of three years. Assets costing ₹ 5,000 or less individually, are fully depreciated in the year of purchase and mobile phones are depreciated over the period of three years.

Asset	Method of Depreciation	Rate of Depreciation (%)
Tangible assets		
- Computers	WDV	40.00
- Furniture & fixtures	WDV	18.10
- Office Equipments		
- Mobile Phones	SLM	33.33
- Others	WDV	13.91
- Motor Car	WDV	25.89
Intangible Assets		
- Computer software	SLM	33.33
- Web Site	SLM	33.33

Leasehold improvements are amortised over the primary period of lease subject to a maximum period of 5 years.

All fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of purchase/acquisition.

Depreciation on assets sold during the year is recognized in the Profit and Loss Account on a pro-rata basis till the date of sale.

1.5 Impairment of Tangible and Intangible Fixed Assets

An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment

NOTES TO THE FINANCIAL STATEMENTS

loss recognized in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life

1.6 Investments

Investments which are readily realizable and are intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognize a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

Purchase and sale of Investment is recorded on the trade date basis.

Investments include investments in shares of a subsidiary company registered outside India. They are stated at cost by converting at the rate of exchange prevalent at the time of acquisition thereof

1.7 Revenue Recognition

(a) Revenue from operations

Management fee is recognized at specific rates agreed with the relevant schemes, applied on the average daily net assets of each scheme (excluding inter-scheme investments, wherever applicable, and investments made by the Company in the respective scheme), and are in conformity with the limits specified under SEBI (Mutual Funds) Regulations, 1996.

Portfolio Advisory Service and Portfolio Management services income is recognized on accrual basis as per the terms of the contract.

(b) Other Income

Gains and losses on sale of investments are determined using the weighted average cost method.

Revenue is recognized only when it is reasonably certain that the ultimate collection will be made.

Dividend income is recognized when the right to receive the same is established. Recovery, if any, on realization of devolved investments of schemes acquired by the Company, in terms of the right of subrogation, is accounted on the basis of receipts. Recovery from funded guarantee schemes is recognized as income in the year of receipt.

1.8 Employee Benefits:

a) Provident Fund

Provident fund is a defined contribution scheme and the contributions as required by the statute paid to Government Provident Fund are charged to profit and loss account.

b) Gratuity

Gratuity liability is a defined benefit obligation and is funded through a Gratuity Fund administered by trustees and managed by the Life Insurance Corporation of India. The Company accounts for liability for future gratuity benefits based on the actuarial valuation using Projected Unit Credit Method carried out as at the end of each financial year.

c) Superannuation

Superannuation fund is a defined contribution scheme. The Company contributes a sum equivalent to 15% of basic salary plus dearness pay of the eligible managerial cadre employees' salary to the Superannuation Fund administered by trustees and managed by the Life Insurance Corporation of India. The Company

NOTES TO THE FINANCIAL STATEMENTS

recognizes such contribution as an expense as and when incurred.

d) Leave Encashment

The company provides for the encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation carried out as at the end of each financial year.

1.9 Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing at the time of occurrence of the transactions. Monetary items denominated in foreign currency remaining unsettled at the end of the year, are translated at the exchange rates as at the last day of the year.

Any gains or losses on account of exchange difference either on settlement or translation are recognized in the Profit and Loss Account.

1.10 Scheme Expenses

(a) Recurring Expenses

Expenses of schemes of SBI Mutual Fund in excess of the stipulated rates are required to be borne by the Company, in accordance with the requirements of SEBI (Mutual Fund) Regulations, 1996, and as such, are charged to the Profit and Loss Account.

(b) New Fund Offer Expenses

Expenses relating to new fund offer of SBI Mutual Fund are charged to the Profit and Loss Account in the year in which they are incurred, in accordance with the requirements of SEBI (Mutual Fund) Regulations, 1996.

(c) Brokerage

Upfront Brokerage paid on investments in Equity Linked Saving (Tax saving) Schemes is amortized over a period of 36 months. In case of Close ended schemes, one time brokerage is amortized over the tenure of schemes.

1.11 Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year in accordance with Income Tax Act, 1961. Deferred tax is recognized subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent years.

Deferred tax adjustments comprise of changes in the deferred tax assets and liabilities. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax asset is recognized subject to prudence and judgment that realization is more likely than not. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted before the Balance Sheet date. Changes in deferred tax assets/ liabilities on account of changes in enacted tax rates are given effect to in the Profit and Loss Account in the period of the change.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are also disclosed on net basis.

NOTES TO THE FINANCIAL STATEMENTS

1.12 Operating Lease

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term, are classified as operating leases. Operating lease rentals are recognized as an expense in the Profit and Loss Account.

1.13 Earnings per Share

The Company reports the basic and diluted earnings per share in accordance with AS-20, Earnings per Share, notified Accounting Standard by Institute of Chartered Accountants of India. The basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the period/year. Diluted earning per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at period/year end.

1.14 Provisions and Contingencies

Provisions are recognized when the Company has a present obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

A disclosure of a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

1.15 Cash and Cash Equivalents

Cash and Cash Equivalents comprise of Cash/Cheques-in-hand and bank balances in Current and Fixed Deposit Accounts with maturity of less than three months or less from date of acquisition.

2. SHARE CAPITAL

	31-Mar-2012 ₹	31-Mar-2011 ₹
Authorised		
5,000,000 Equity Shares of ₹100 each (Previous year 5,000,000 Equity Share of ₹ 100 each)	500,000,000	500,000,000
Issued, Subscribed and Paid Up		
5,000,000 Equity Shares of ₹100 each (Previous year 5,000,000 Equity Share of ₹ 100 each)	500,000,000	500,000,000

NOTES TO THE FINANCIAL STATEMENTS

2.1 Reconciliation of number of shares

Particulars	31-Mar-2012		31-Mar-2011	
	No of Shares	₹	No of Shares	₹
Balance at the beginning of the year	5,000,000	500,000,000	5,000,000	500,000,000
Add : Shares issued during the year	-	-	-	-
Balance at the end of the year	5,000,000	500,000,000	5,000,000	500,000,000

2.2 The rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital

The company has only one class of equity shares having a par value of ₹100 per share. Each shareholder is eligible for one vote per share held. However, the shareholders are restricted from selling their shares for a period of five years from the date of the joint venture agreement. The transfer of shares by either shareholder to its approved group company is permitted subject to thirty days prior written notice and written approval of the other shareholder. Each shareholder has the right of first refusal in the event of any shareholder wishing to sell the whole or part of its shareholding. The dividend proposed by the Board of Directors is subject to the approval of both the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

2.3 Details of Shares held by Holding Company

Particulars	31-Mar-2012		31-Mar-2011	
	No of Shares	% of Holding	No of Shares	% of Holding
State Bank of India	3,150,000	63%	3,150,000	63%

2.4 Details of share holders holding more than 5% shares

Particulars	31-Mar-2012		31-Mar-2011	
	No of Shares	% of Holding	No of Shares	% of Holding
State Bank of India	3,150,000	63%	3,150,000	63%
Société Générale Asset Management	-	-	1,850,000	37%
Amundi India Holding, a wholly owned subsidiary of Amundi	1,850,000	37%		

The Company was a joint venture between State Bank of India and Société Générale Asset Management. However, consequent upon Société Générale S.A. and Credit Agricole S.A. entering into an agreement to undertake a global merger of their fundamental asset management businesses, 18,50,000 equity shares constituting 37% of the paid-up equity share capital held by Société Générale Asset Management have been transferred to Amundi India Holding, a wholly owned subsidiary of Amundi on 30th May, 2011 after obtaining relevant regulatory approvals. The company has only one class of equity shares having a par value of ₹100 per share. Each shareholder is eligible for one vote per share held.

NOTES TO THE FINANCIAL STATEMENTS

3 RESERVES AND SURPLUS

	31-Mar-2012 ₹	31-Mar-2011 ₹
General Reserve		
Balance at the beginning of the year	474,038,127	395,190,561
Add: Transfer from profit and loss account	60,519,102	78,847,566
Balance at the end of the year (A)	534,557,229	474,038,127
Surplus in profit and loss account		
Balance at the beginning of the year	1,801,753,561	1,429,363,841
Add: Profit for the period	605,191,016	788,475,661
Less: Transfer to general reserve	60,519,102	78,847,566
Less: Interim dividend	290,000,000	290,000,000
Less: Tax on interim dividend	47,045,250	48,165,375
Add: Excess provision for dividend distribution tax written back	-	927,000
Balance at the end of the year (B)	2,009,380,225	1,801,753,561
Total (A+B)	2,543,937,454	2,275,791,688

4 OTHER LONG TERM LIABILITIES

	31-Mar-2012 ₹	31-Mar-2011 ₹
Others :-		
Rent payables	11,046,886	7,751,558
Retention money payable	249,950	-
Total	11,296,836	7,751,558

5 LONG TERM PROVISIONS

	31-Mar-2012 ₹	31-Mar-2011 ₹
Provision for employee benefits		
- Provision for compensated absences	51,876,015	40,673,859
Total	51,876,015	40,673,859

6 TRADE PAYABLES

	31-Mar-2012 ₹	31-Mar-2011 ₹
Trade Payables	132,503,203	136,029,320
Total	132,503,203	136,029,320

(Refer note no.28 for related party & 35 for MSME disclosures)

NOTES TO THE FINANCIAL STATEMENTS**7 OTHER CURRENT LIABILITIES**

	31-Mar-2012	31-Mar-2011
	₹	₹
(a) Statutory dues	7,742,374	5,746,029
(b) Income received in advance	88,674	157,568
(c) Other payable		
- Earnest money deposit	114,811	114,811
- Retention money	1,966,560	890,319
(d) Provision for employee benefits		
- Provision for gratuity (unfunded amount)	-	653,441
Total	9,912,419	7,562,168

8 SHORT TERM PROVISIONS

	31-Mar-2012	31-Mar-2011
	₹	₹
(a) Provision for employee benefits		
- Performance linked incentive	150,000,000	100,000,000
- Provision for compensated absences	32,409,916	27,881,231
- Salaries & other reimbursements	3,290,336	7,967,234
(b) Others		
- Proposed interim dividend *	290,000,000	290,000,000
- Tax on proposed interim dividend	47,045,250	-
- Provision for expenses	41,837,558	25,082,625
Total	564,583,060	450,931,090

*Refer note no 28 for related party disclosures

NOTES TO THE FINANCIAL STATEMENTS**9 FIXED ASSETS****9.1 Tangible Assets**

(₹)

Particulars	GROSS BLOCK (At Cost)			DEPRECIATION / AMORTISATION			NET BLOCK			
	As at 01.04.2011	Additions for the Year	Deductions/ Adjustments for the year	As at 31.03.2012	Upto 01.04.2011	For the Year	Deductions/ Adjustments for the year	Upto 31.03.2012	As at 31.03.2012	As at 31.03.2011
Leasehold Improvement	22,533,997	2,422,389	-	24,956,386	19,337,775	1,992,231	-	21,330,006	3,626,380	3,196,222
Computers	74,944,068	24,686,477	4,231,817	95,398,728	56,385,413	12,292,202	3,959,098	64,718,517	30,680,211	18,558,655
Motor Car	3,580,718	-	-	3,580,718	1,151,949	628,808	-	1,780,757	1,799,961	2,428,769
Office Equipment	27,079,587	1,914,409	726,380	28,267,616	13,898,751	2,240,606	462,677	15,676,680	12,590,936	13,180,836
Furniture & Fixtures	9,887,119	85,394	129,348	10,943,165	5,648,106	1,384,336	114,337	6,918,105	4,025,060	4,239,013
Total Tangible Assets	138,025,489	30,208,669	5,087,545	163,146,613	96,421,994	18,538,183	4,536,112	110,424,065	52,722,548	41,603,495
Previous Year	123,491,995	19,203,571	4,670,077	138,025,489	82,401,155	17,774,895	3,754,056	96,421,994	41,603,495	-

9.2 Intangible Assets

(₹)

Particulars	GROSS BLOCK (At Cost)			DEPRECIATION / AMORTISATION			NET BLOCK			
	As at 01.04.2011	Additions for the Year	Deductions/ Adjustments for the year	As at 31.03.2012	Upto 01.04.2011	For the Year	Deductions/ Adjustments for the year	Upto 31.03.2012	As at 31.03.2012	As at 31.03.2011
Computer Software (Acquired)	36,999,110	10,427,314	-	47,426,424	25,993,467	9,085,035	-	35,078,502	12,347,922	11,005,643
Website Development Cost	2,032,000	4,571,400	-	6,603,400	2,032,000	1,397,524	-	3,429,524	3,173,876	-
Total Intangible Assets	39,031,110	14,998,714	-	54,029,824	28,025,467	10,482,559	-	38,508,026	15,521,798	11,005,643
Previous Year	28,502,572	10,528,538	-	39,031,110	21,363,479	6,661,988	-	28,025,467	11,005,643	-

NOTES TO THE FINANCIAL STATEMENTS

9.3 Capital Work in Progress

Particulars	NET BLOCK	
	As at 31-Mar-2012 ₹	As at 31-Mar-2011 ₹
- Intangible Assets	2,250,000	863,027
- Tangible Assets	1,234,830	5,923,227
Total	3,484,830	6,786,254

10 LONG-TERM INVESTMENTS

Particulars	31-Mar-2012		31-Mar-2011	
	No of Units	₹	No of Units	₹
Investment in Equity (Valued at cost unless stated otherwise)				
Investment in subsidiaries				
Equity shares of \$1/- held in SBI Funds Management (International) Pvt. Ltd.(100%Holding)	50,000	444,400	50,000	444,400
Investments in Associates/Fellow Subsidiary				
Equity shares of ₹ 10/- each held in SBI Pension Funds Pvt. Ltd. (Strategic Investment of 5% in SBI Pension Fund)	1,000,000	10,025,000	1,000,000	10,025,000
Investment in Mutual Fund (Valued at cost unless stated otherwise)				
Quoted Investments : Units of SBI Mutual Fund				
SBI Debt Fund Series (SDFS)				
SDFS 36 Months - 1 (Growth) face value of ₹ 10 per unit	6,183,780	61,837,800	-	-
SDFS 15 months - 10 (Growth) face value of ₹ 10 per unit	2,500,000	25,000,000	-	-
SDFS 18 months - 4 (Growth) face value of ₹ 10 per unit	-	-	13,600,000	136,000,000
SDFS 18 months - 5 (Growth) face value of ₹ 10 per unit	-	-	6,000,000	60,000,000
Total		97,307,200		206,469,400
Aggregate amount of quoted investments		86,837,800		196,000,000
Market value/NAV of quoted investments		92,057,558		199,516,880
Aggregate amount of unquoted investments		10,469,400		10,469,400

NOTES TO THE FINANCIAL STATEMENTS

11 DEFERRED TAX ASSETS

	31-Mar-11	Movement	31-Mar-12
(a) Deferred tax assets			
- Provision for compensated absences	22,242,699	5,103,871	27,346,570
Gross deferred tax assets (a)	22,242,699	5,103,871	27,346,570
(b) Deferred tax liabilities			
- Provision for gratuity	212,009	(268,003)	(55,994)
- Amortization /Depreciation on fixed assets/intangible Assets	(4,783,853)	3,160,849	(1,623,004)
Gross deferred tax assets (b)	(4,571,844)	2,892,846	(1,678,998)
Deferred tax liabilities/(assets) (net) (a+b)	17,670,855	7,996,717	25,667,572

12 LONG TERM LOANS & ADVANCES

	31-Mar-2012 ₹	31-Mar-2011 ₹
Secured , Considered good		
Loans to employees against hypothecation of property	13,116,323	12,673,390
Unsecured, Considered good unless stated otherwise		
Security deposits	26,961,523	29,259,646
Advance for expenses	1,845,869	-
Balance with Statutory/Government Authorities	-	-
Unamortised brokerage	27,907,772	35,695,606
Prepaid expenses	434,210	182,880
Advance trail brokerage	20,051,327	5,327,608
Total	90,317,024	83,139,130

13 OTHER NON- CURRENT ASSETS

	31-Mar-2012 ₹	31-Mar-2011 ₹
Unsecured, Considered good unless stated otherwise		
Interest accrued on loans to employees	6,472,458	5,077,142
Total	6,472,458	5,077,142

NOTES TO THE FINANCIAL STATEMENTS

14 CURRENT INVESTMENTS

Particulars	31-Mar-2012		31-Mar-2011	
	No of units	₹	No of units	₹
Investment in Mutual Fund (Valued at cost unless stated otherwise)				
Quoted Investments : Units of SBI Mutual Fund				
a) SBI Debt Fund Series (SDFS)				
SDFS 18 months - 4 (Growth) face value of ₹ 10 per unit	13,600,000	136,000,000		
SDFS 18 months - 5 (Growth) face value of ₹ 10 per unit	6,000,000	60,000,000		
SDFS 15 months - 5 (Growth) face value of ₹ 10 per unit	-	-	10,000,000	100,000,000
SDFS 370 Days - 5 (Growth) face value of ₹ 10 per unit	-	-	8,500,000	85,000,000
SDFS 370 Days - 6 (Growth) face value of ₹ 10 per unit	-	-	12,000,000	120,000,000
SDFS 370 Days - 7 (Growth) face value of ₹ 10 per unit	-	-	23,250,000	232,500,000
SDFS 370 Days - 8 (Growth) face value of ₹ 10 per unit	-	-	14,500,000	145,000,000
SDFS 370 Days - 15 (Growth) face value of ₹ 10 per unit	60,000,000	600,000,000	-	-
SDFS 180 Days - 12 (Growth) face value of ₹ 10 per unit	-	-	400,000	4,000,000
SDFS 180 Days - 13 (Growth) face value of ₹ 10 per unit	-	-	6,000,000	60,000,000
SDFS 180 Days - 16 (Growth) face value of ₹ 10 per unit	-	-	17,000,000	170,000,000
SDFS 180 Days - 23 (Dividend) face value of ₹ 10 per unit	3,000,000	30,000,000	-	-
SDFS 90 Days - 40 (Growth) face value of ₹ 10 per unit			60,000,000	600,000,000
b) SBI Mutual Funds - Others				
SBI SHF Ultra Short Term Institutional Plan Daily Dividend face value of ₹ 1000 per unit	677,994	678,400,805	-	-
SBI Arbitrage Opportunities Fund - Growth face value of ₹ 10 per unit	31,065,169	450,000,000	3,712,311	50,000,000
Total		1,954,400,805		1,566,500,000
Aggregate amount of quoted investments		1,954,400,805		1,566,500,000
Market value/NAV of quoted investments		2,032,380,565		1,599,307,957
Aggregate provision for dimunition in value of investment		-		-

NOTES TO THE FINANCIAL STATEMENTS**15 TRADE RECEIVABLES - CURRENT**

	31-Mar-2012 ₹	31-Mar-2011 ₹
Unsecured, Considered good unless stated otherwise		
Management fee receivable	144,156,058	59,932,624
Portfolio Management fee receivables	19,787,820	16,367,386
Portfolio Advisory fee receivables	26,381,376	34,934,895
Outstanding for more than six months		
PMS fee receivables	-	359,555
Total	190,325,254	111,594,460

16 CASH & BANK BALANCES

	31-Mar-2012 ₹	31-Mar-2011 ₹
Cash & Cash Equivalents		
Cash on hand	2,188	38,192
Cheques in hand	2,169,566	61,099
Balance with banks *		
-in Current accounts	27,667,006	5,728,374
-in Current accounts - dividend payable	290,000,000	290,000,000
Deposits with original maturity		
Less than 3 months	35,000,000	-
	354,838,760	295,827,665
Other Bank Balance *		
Deposits with original maturity		
more than 3 months and less than 12 months	219,901,998	754,597,319
more than 12 months	489,775,000	49,000,000
	709,676,998	803,597,319
Total	1,064,515,758	1,099,424,984

*Refer note no. 28 for related party disclosures

NOTES TO THE FINANCIAL STATEMENTS**17 SHORT TERM LOANS & ADVANCES**

	31-Mar-2012 ₹	31-Mar-2011 ₹
Secured , Considered good		
Loans to employees against hypothecation of property	3,903,478	3,346,320
Unsecured, Considered good unless stated otherwise		
Security deposits	9,455,641	11,703,650
Advance for expenses	5,470,242	4,305,084
Loans to employees	2,309,100	1,789,850
Balance with statutory/Government authorities	936,759	3,180,091
Unamortised brokerage	46,337,009	47,885,742
Prepaid expenses	28,091,952	9,534,876
Advance trail brokerage	15,012,839	2,906,130
Advance Income tax (net of provisions)	143,907,695	81,483,315
Expenses recoverable*	4,688,207	63,439,674
Total	260,112,922	229,574,732

*Refer note no 28 for related party disclosures

18 OTHER CURRENT ASSETS

	31-Mar-2012 ₹	31-Mar-2011 ₹
Secured , Considered good		
Interest accrued on loans to employees	186,643	222,325
Unsecured, Considered good unless stated otherwise		
Interest accrued on bank fixed deposits*	52,397,175	39,081,263
Other Bank Balance **		
Deposit (Security against bank guarantee)	677,000	590,000
Total	53,260,818	39,893,588

*Refer note no 28 for related party disclosures

** includes AED 50,000 (₹ 677,000) [Previous year AED 50,000(₹ 590,000)] towards lien created in favour of Ministry of Economy, Dubai, UAE., for operation of our branch at Dubai

NOTES TO THE FINANCIAL STATEMENTS

19 REVENUE FROM OPERATIONS

	31-Mar-2012 ₹	31-Mar-2011 ₹
Management fees (gross) [Tax deducted at source ₹228,226,174 (previous year ₹243,393,103)]	2,075,722,037	2,206,646,200
Portfolio advisory fee	134,053,030	160,936,141
Portfolio management fee	26,700,445	30,022,891
Total	2,236,475,512	2,397,605,232

20 OTHER INCOME

	31-Mar-2012 ₹	31-Mar-2011 ₹
Gains on sale /redemption current investments	63,539,660	8,358,778
Dividend from current investments	69,042,364	13,319,526
Interest on banks deposits	72,112,269	113,661,078
Interest on loans to employees(current)	302,838	480,120
Interest on loans to employees(non-current)	1,395,314	1,123,408
Interest on pass through certificates (PTC's)	-	3,370,711
Realisation of devolved investments	6,882,000	1,422,600
Foreign Exchange Gain (Net)	1,929,653	1,762,528
Profit on sales of Assets(Net)	-	79,103
Excess provision in respect of earlier years written back	8,972,912	2,805,805
Miscellaneous Income	15,172,518	8,433,224
Total	239,349,528	154,816,881

21 EMPLOYEE BENEFITS EXPENSES

	31-Mar-2012 ₹	31-Mar-2011 ₹
Salaries & allowances	666,881,330	554,749,757
Contribution to provident and other funds	51,990,140	45,818,533
Staff welfare expenses	88,414,716	77,737,162
Total	807,286,186	678,305,452

NOTES TO THE FINANCIAL STATEMENTS**22 ADMINISTRATIVE AND OTHER EXPENSES**

	31-Mar-2012	31-Mar-2011
	₹	₹
Rent	85,724,474	77,670,219
Rates and taxes	4,489,234	7,813,156
Electricity charges	11,592,121	11,549,907
Repairs and maintenance		
- Equipment	10,900,292	9,291,007
- Others	11,081,133	9,751,508
Insurance	3,330,321	1,846,055
Travelling and conveyance	44,873,528	38,945,488
Recruitment and training	4,689,491	2,258,586
Printing and stationery	12,004,944	11,789,726
Postage and courier	14,669,708	15,671,113
Communication	25,730,234	24,067,224
Scheme expenses	42,321,731	50,653,580
Brokerage	215,119,407	146,148,771
Business promotion	181,126,575	145,147,152
Advertising and publicity	27,909,305	56,754,852
Legal and professional fees	39,749,716	26,329,836
Filing Fee for schemes	9,024,103	5,475,228
Auditor's remuneration:		
-Audit fee	1,650,000	1,500,000
-Tax audit fee	150,000	150,000
-Certification fee	150,000	150,000
Directors' sitting fees	370,000	225,000
Royalty to SBI for logo	13,141,667	-
Loss on sale of assets/discarded (Net)	384,673	-
Leasehold improvements written off	-	186,600
Loss on sale of current investment	-	22,450
Membership and subscription	28,630,773	25,361,658
Miscellaneous expenses	12,810,383	11,873,315
Total	801,623,813	680,632,431

23 DEPRECIATION AND AMORTISATION EXPENSES

	31-Mar-2012	31-Mar-2011
	₹	₹
Depreciation on Tangible Assets	18,538,183	17,774,895
Amortisation of Intangible Assets	10,482,559	6,661,988
Total	29,020,742	24,436,883

NOTES TO THE FINANCIAL STATEMENTS

24 EARNING PER SHARE

	31-Mar-2012 ₹	31-Mar-2011 ₹
(a) Nominal Value of an Equity Share (₹)	100	100
(b) Net profit available to Equity Shareholders (₹)	605,191,016	788,475,661
(c) Number of shares outstanding	5,000,000	5,000,000
(d) Basic and Diluted EPS (₹) = (b) / (c)	121.04	157.70

25. Contingent Liabilities (not provided for):

Claims against the Company not acknowledged as debts – Investor claims pending in consumer courts ₹ 10,124,604 (Previous Year ₹ 7,589,326) and disputed tax liability ₹ Nil (Previous Year ₹ 11,411,935).

26. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 10,650,638 (Previous Year ₹ 11,401,298).

27. Employee benefits

In accordance with the Accounting Standard on “Employee Benefits” (AS–15) (Revised 2005) issued by the Institute of Chartered Accountants of India, the Company has classified the various benefits provided to the employees as under:

(27.1) Defined Contribution Plan - Provident Fund

The Company has recognised the following amounts in Profit and Loss Account, which are included under Contributions to Provident & Other Funds:

(₹)

Particulars	As at 31.03.2012	As at 31.03.2011
Employer's contribution to Provident Fund	35,467,108	29,260,032

(27.2) Defined Benefit Plan - Gratuity and disclosures

In accordance with Payment of Gratuity Act, the Company provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Company.

The gratuity benefit is provided through a Gratuity Fund administered by trustees and managed by the Life Insurance Corporation of India. The annual contributions are charged to profit and loss account. Under the scheme, the settlement obligation remains with the Company.

In the absence of detailed information regarding plan assets from Life Insurance Corporation of India, the same has not been disclosed by the Company.

NOTES TO THE FINANCIAL STATEMENTS

(27.2.1) Reconciliation of opening and closing balance of the present value of defined benefit obligation for gratuity benefits is given below:

(₹)

Change in funded benefit obligations	As at 31.03.2012	As at 31.03.2011
Present value of funded benefit obligations, 1 st April	38,808,007	26,761,993
Service cost	8,732,781	6,064,509
Interest cost	4,021,019	2,698,415
Liability Transfer out	(1,307,380)	Nil
Benefits paid	(469,354)	(236,872)
Actuarial (gain)/loss on obligations	(128,465)	3,519,962
Present value of funded benefit obligations as at 31st March	49,656,608	38,808,007

(27.2.2) Reconciliation of opening and closing Balance of Fair Value of Plan Assets

(₹)

Particulars	As at 31.03.2012	As at 31.03.2011
Fair value of plan assets ,as at beginning of the year	38,154,566	23,482,188
Expected return on plan assets	3,833,591	2,885,096
Actuarial gain/(loss)	(382,234)	(675,800)
Employer contribution	10,000,000	12,699,954
Benefits paid	(469,354)	(236,872)
Transfer to other company	(1,307,380)	-
Fair value of plan assets at the year end	49,829,189	38,154,566

(27.2.3) Reconciliation of Fair Value of Assets and Obligations

(₹)

Particulars	As at 31.03.2012	As at 31.03.2011
Present value of obligation	49,656,608	38,808,007
Fair value of plan assets	49,829,189	38,154,566
Amount recognized in Balance Sheet	172,581	(653,441)

NOTES TO THE FINANCIAL STATEMENTS

(27.2.4) Expense recognized during the year (Under the head "Employee Cost"-Refer notes to financial statements 21)

(₹)

Particulars	As at 31.03.2012	As at 31.03.2011
Current Service Cost	8,732,781	6,064,509
Interest Cost	4,021,019	2,698,415
Expected return on plan assets	(3,833,591)	(2,885,096)
Actuarial (gain) / loss	253,769	4,195,762
Net Cost	9,173,978	10,073,590

(27.2.5) Experience Adjustments

(₹)

Experience Adjustments	As at 31.03.2012	As at 31.03.2011
(Gains) / Losses on Plan Liabilities	(128,465)	3,519,962
Gains / (Losses) on Plan Assets	(382,234)	(675,800)
Estimated Contribution for next year	11,008,774	12,088,308

Experience adjustments details for financial years earlier than 2010-11 are not disclosed as these are not available.

(27.2.6) The assumptions of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment. Actuarial assumptions used are:-

Particulars	As at 31.03.2012	As at 31.03.2011
Discount rate	8.50%	8.50%
Salary escalation rate	10% p.a. for first 4 years; 8% p.a. for next 5 years and 5% p.a. thereafter	10% p.a. for first 4 years ; 8% p.a. for next 5 years and 5% p.a. thereafter
Expected return on plan assets	8%	8%

28. Related Party Disclosure:

Parties where control exists:

Holding Company	State Bank of India holds 63% of the share capital
Enterprise having significant influence	Amundi India Holding, a wholly owned subsidiary of Amundi holds 37% of the share capital *
Enterprise over which the company has control	SBI Funds Management (International) Private Limited (100% subsidiary) (SBIFMIP Ltd.)

NOTES TO THE FINANCIAL STATEMENTS

- * Consequent upon Société Générale S.A. and Credit Agricole S.A. entered into an agreement to undertake a global merger of their fundamental asset management businesses, 1,850,000 equity shares constituting 37% of the paid-up equity share capital held by Société Générale Asset Management have been transferred to Amundi India Holding, a wholly owned subsidiary of Amundi on 30th May, 2011 after obtaining relevant regulatory approvals.

Other Related parties:-

Fellow Subsidiaries	<ul style="list-style-type: none"> · SBI Capital Markets Limited (SBICAPS.) · SBI Life Insurance Company Limited (SBI LIC Ltd.) · SBI General Insurance Limited (SBI GI Ltd.) · SBI Commercial and International Bank Limited (SBI C&I Ltd.) up to 28th July 2011 · State Bank of Patiala (SBOP) · State Bank of Mysore (SBM) · State Bank of Hyderabad (SBH) · State Bank of Travancore (SBT) · State Bank of Bikaner & Jaipur (SBBJ) · SBI Mutual Fund Trustee Company Private Limited (SBI MFTCP Ltd.) · SBI Pension Funds Pvt. Ltd. (SBI PFP Ltd.) · SBI-SG Global Securities Services Pvt. Ltd. · SBI Global Factors Ltd.
Key Management Personnel	<ul style="list-style-type: none"> · Mr. Deepak Chatterjee (Managing Director) · Mr. Didier Turpin (Deputy Chief Executive Officer up to 31st August, 2011) · Mr. Philippe Batchevitch (Deputy Chief Executive Officer) from 20th July 2011
Mutual Fund managed by the company	<ul style="list-style-type: none"> · SBI Mutual Fund

Transactions with related parties:

(₹)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
During the Year					
Deposits Placed with SBOP		89,775,000 (243,500,000)			
Deposits Matured with SBOP		243,500,000 (472,900,000)			
Deposits Placed with SBI (Dividend Account) (Earlier SBICI before merger with SBI w.e.f. 29th July, 2011)	290,000,000 (290,000,000)				
Deposits Placed with SBI	105,000,000 (410,397,319)				

NOTES TO THE FINANCIAL STATEMENTS

(₹)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
Deposits Matured with SBI	410,397,319 (1,166,934,557)				
Interest Income on Bank Deposit with SBOP		11,732,171 (23,860,565)			
Interest Income on Bank Deposit with SBI	13,055,209 (66,475,039)				
Recovery of expenses from SBI MFTCP Ltd.		1,500,000 (1,500,000)			
Recovery of expenses from SBI Life Insurance Co. Ltd.		182,988 (Nil)			
PMS fees from Manulife Global Fund (Amundi HK)				26,258,853 (28,493,047)	
PMS fees from SGAM Equities India (Amundi Singapore Ltd.)				27,017,697 (37,297,343)	
PMS fees from India Infra Equity Fund (Amundi Singapore Ltd.)				Nil (1,538,902)	
PMS fees from SGAM India Infra (Amundi Singapore Ltd.)				Nil (393,879)	
PMS fees from Amundi Opportunity India Infra (Amundi Singapore Ltd.)				474,859 (691,703)	
Income - SBISG Global Securities Pvt. Ltd.		Nil (5,707,323)			
SBIMF scheme expenses					257,441,138 (196,802,351)
Bank Charges	274,071 (215,162)				
Rent paid to SBI Capital Market Ltd.		30,457,656 (30,457,656)			
Rent paid	5,157,627 (2,865,823)				
Rent paid to SBH		78,000 (78,000)			
Networking charges reimbursement	2,050,000 (2,050,000)				
Royalty paid	13,141,667 (Nil)				
Premium paid to SBI General insurance		32,590 (Nil)			
Fund Accounting charges paid to SBISG Global Securities Services Pvt. Ltd		25,000,000 (17,030,554)			

NOTES TO THE FINANCIAL STATEMENTS

(₹)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
Reimbursement of Salary of employees on deputation from SBI	38,382,587 (24,709,512)				
Reimbursement of Salary for employees on deputation from SBOP		1,920,656 (1,207,125)			
Reimbursement of Salary for employees on deputation from SBM		676,330 (1,127,377)			
Reimbursement of Salary for employees on deputation from SBBJ		902,469 (1,133,152)			
Reimbursement of Salary of employees on deputation to SBI	5,426,190 (7,030,472)				
Reimbursement of Salary for employees on deputation from SBH		931,695 (932,704)			
Reimbursement of Salary for employees on deputation from SBT		881,581 (783,401)			
Reimbursement of rent received from SBI Global Factors		973,333 (Nil)			
Reimbursement of Expenses from Amundi India Holding (Wholly owned subsidiary of Amundi S A)				63,849,426 (Nil)	
Management Fees earned					2,075,722,037 (2,206,646,200)
Investments:					
Units purchased in schemes of SBI MF					3,523,389,447 (4,929,551,527)
Units sold in schemes of SBI MF					3,244,650,842 (3,427,905,290)
Dividend on investment in units of SBI MF schemes					69,042,364 (13,319,526)
Outstanding Receivables:					
Term Deposits	105,000,000 (410,397,319)				
Term Deposits with State Bank of Patiala		89,775,000 (243,500,000)			
Balance in Dividend Account (Earlier SBICI before merger on 29th July, 2011)	290,000,000 (290,000,000)				

NOTES TO THE FINANCIAL STATEMENTS

(₹)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
Other Deposit with SBI Life Insurance Ltd.		200,000 (200,000)			
Balance in Current Accounts	27,188,940 (4,208,263)				
Interest Receivable on Bank Deposit with SBI	5,899,908 (19,592,756)				
Interest Receivable on Bank Deposit with SBOP		6,986,543 (11,992,291)			
Receivable from SBI	14,004 (Nil)				
Recoverable from Mutual Fund					402,007 (298,654)
Management Fees Receivable					127,642,439 (43,338,432)
PMS Fees receivable from SGAM Equities India (Amundi Singapore Ltd.)				5,473,068 (8,555,199)	
PMS Fees receivable from Manulife Global Fund (Amundi HK)				6,472,717 (7,059,720)	
PMS Fees receivable from Amundi Opportunity India Infra (Amundi Singapore Ltd.)				104,641 (163,786)	
Amount receivable from Amundi India Holding (Wholly owned subsidiary of Amundi S A)				1,779,192 (Nil)	
Outstanding Payables:					
SBIMF scheme expenses					105,742,916 (16,431,961)
Networking charges payable	6,050,000 (4,000,000)				
Amount payable to SBI	Nil (1,537,862)				
Dividend paid/proposed :					
State Bank of India	182,700,000 (182,700,000)				
Amundi India Holding (PY Société Générale Asset Management)				107,300,000 (107,300,000)	
Remuneration Paid to Key Management Personnel:					
Mr. Achal K. Gupta			Nil (1,896,906)		

NOTES TO THE FINANCIAL STATEMENTS

(₹)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
Mr. Deepak Chatterjee			2,248,498 (457,776)		
Mr. Didier Turpin (Up to 31st August, 2011)			2,951,440 (5,208,856)		
Mr. Philippe Batchevitch (w.e.f. 20th July, 2011)			3,846,814 (Nil)		

Note: Figures in the brackets represent previous year figures.

29. Segmental Reporting:

The segmental reporting disclosure as required by Accounting Standard (AS) – 17 on “Segment Reporting”, issued by the Institute of Chartered Accountants of India is not applicable, since the company has a single reportable business segment of providing asset management services to the schemes floated by SBI Mutual Fund.

30. Operating lease payment:

(Includes lease rentals for residential accommodation provided to staff and guest houses)

(₹)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Lease expense for the year	94,744,193	86,832,175
Minimum Lease Payments:		
Not later than one year	89,152,791	87,357,473
Later than one year but not later than five years	86,448,095	138,990,153
Later than five years	6,066,919	10,182,966

31. Expenditure in Foreign Currency:

(₹)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Travelling Expenses	5,198,749	2,279,950
Business Promotion and Advertisement	2,643,365	8,941,796
Legal and Training charges	Nil	133,850
Salary	5,243,546	4,342,240
Rent & Subscription	3,323,835	1,203,962
Professional Fees & others	1,913,475	954,816

NOTES TO THE FINANCIAL STATEMENTS

32. Earnings in Foreign Currency:

(₹)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Portfolio Advisory Fees	131,614,644	171,373,027

33. The year-end foreign currency exposures that have not been hedged by derivative instruments or otherwise are detailed below:

Particulars	Rupees	USD	AUD	South Korean Won	JPY
PMS Receivable	29,862,922 (39,500,159)	237,822 (356,984)	15,934 (17,817)	10,824,925 (15,491,601)	262,956 (435,257)

34. Dividend remittances to non-resident shareholders:

	Particulars	2011-2012	2010-2011
(a)	Number of non-resident shareholders	1	1
(b)	Number of equity shares held by them	1,850,000	1,850,000
(c)	Amount of dividend paid (R)	107,300,000	88,800,000
(d)	Year to which dividend relates	2010-11	2009-10

35. Sundry Creditors

Sundry Creditors do not include any amount payable to Small Scale Industrial Undertakings and Micro, Small and Medium Enterprises. Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMEDA) which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with the management, the following disclosures are made for the amounts due to the Micro, Small and Medium enterprises, who have registered with the competent authorities.

(₹)

Particulars	For year ended 31.03.2012	For year ended 31.03.2011
Principal amount remaining unpaid to any supplier as at the year end	Nil	Nil
Interest due thereon	Nil	Nil
Amount of interest paid by the company in terms of section 16 of the MSMEDA, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	Nil	Nil
Amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMEDA	Nil	Nil
Amount of interest accrued and remaining unpaid at the end of the accounting year	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS

36. Previous year's figures have been regrouped/reclassified, wherever necessary, to conform to the current year's classification.

For and on behalf of the Board of Directors

Sd/-
Pratip Chaudhuri
Chairman

Sd/-
Deepak Chatterjee
Managing Director & CEO

Place: Mumbai
Dated: April 26, 2012

Sd/-
Philippe Batchevitch
Dy. Chief Executive Officer

Sd/-
Vinaya Datar
Company Secretary

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

CORPORATE DATA

Date of appointment

Directors : Mr. Abdool Azize Owasil 23 June 2008
Mr. Navneet Munot 16 January 2009
Mr. Jagadish Hiremath 11 January 2011

Administrator & Secretary : *(Up to 22 December 2011)*
Multiconsult Limited
Rogers, House
5, President John Kennedy Street
Port Louis,
Mauritius

(With effect from 22 December 2011)
Cim Fund Services Ltd
3rd Floor, Rogers House
5 President John Kennedy Street
Port Louis, Mauritius

Registered Office : *(Up to 20 January 2012)*
C/o Multiconsult Limited
Rogers House
5, President John Kennedy Street
Port Louis, Mauritius

(With effect from 20 January 2012)
C/o Cim Fund Services Ltd
3rd Floor, Rogers House
5 President John Kennedy Street
Port Louis, Mauritius

Banker : SBI (Mauritius) Ltd
SBI Tower Mindspace
Bhumi Park, 45, Ebene Cybercity
Ebène, Mauritius

Auditors : Ernst & Young
Level 9, Tower 1
NeXTeracom, Cybercity
Ebène
Mauritius

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 MARCH 2012

General Information

SBI Funds Management (International) Private Limited (the "Company") was incorporated in Mauritius on 17 January 2006 as a private company limited by shares. The Company's principal activity is investment management and is licensed by the Financial Services Commission to operate as a CIS Manager.

The Company provides investment management services to SBI Resurgent India Opportunities Fund, a fund incorporated in Mauritius.

The Company holds standards of corporate governance through awareness of business ethics and supervision of its management team by the Board of Directors.

The main objects and functions of the Board as regards Corporate Governance are to:

- determine, agree and develop the Company's general policy on corporate governance in accordance with the applicable Code of Corporate Governance;
- select candidates for eventual Board appointments; and
- review the terms and conditions of all service agreements between the Company and service providers.

The Board is satisfied that it has discharged its responsibilities for the year in respect of Corporate Governance.

The Board of Directors

The Board is composed of directors coming from different sectors. The directors have been selected based on their professional background and expertise to positively contribute to the Board's activities. The Board is currently made up of one non-resident director and two resident directors.

Directors

Non-Resident

Mr. Navneet Munot

Resident

Mr. Abdool Azize Owasil

Mr. Jagadish Shivalingayya Hiremath

The Board is responsible for directing the affairs of the Company in the best interests of shareholders, in conformity with legal and regulatory framework, and consistent with the Companies Act 2001 and best governance practices.

The Directors' Profile

Mr. Navneet Munot

Mr. Navneet Munot was appointed as Director of the Company on 16 January 2009. Mr. Munot joined SBI Funds Management Pvt. Ltd. as Chief Investment Officer in December 2008. Most recently he was the Head of Multi Strategies Fund at Morgan Stanley Investment Management. Prior to joining Morgan Stanley Investment Management, he worked as the Chief Investment Officer (Fixed Income and Hybrid Funds) of Birla Sun Life Asset Management Company Ltd. Several funds managed by Mr. Munot got recognition for their consistent superior risk-adjusted performance and won several awards from independent agencies such as CRISIL, CNBC TV 18, ICRA, Reuters Lipper and got top ranking in Value Research.

Mr. Munot has been associated with the financial services business of the Birla group for over 13 years and worked in various areas such as fixed income, equities and foreign exchange. His articles on matters related to financial markets have widely been published. Mr. Munot holds a Masters in Commerce and is also a rank holder Chartered Accountant. He is a charter holder of Chartered Financial Analyst Institute, US and Chartered Alternative Analyst Institute, US. He has also done Financial Risk Management, FRM from Global Association of Risk Professionals (GARP).

Mr. Abdool Azize Owasil

Mr. Abdool Azize Owasil is the Director of Fund Services of Cim Global Business companies which include Cim Fund Services Ltd, Cim Trustees Limited, International Management (Mauritius) Ltd and Multiconsult Limited. He was previously the Head of Finance of Cim Global Business companies and the General Manager – Fund Administration and was in charge of the operations of the Fund Administration department at Multiconsult Limited. Prior to that, he has been working for International Financial Services Limited, PricewaterhouseCoopers and KPMG. He is a fellow member of the Association of Chartered Certified Accountants, member of the Chartered Institute for Securities & Investment, member of the Mauritius Institute of Professional Accountants and member of the Mauritius Institute of Directors. He has over 18 years of professional experience in the fields of global business (including fund/company setup and structuring, setting up of trusts and international tax planning), taxation, auditing and consulting.

Abdool Azize has participated in offshore international investment funds and tax conferences. He acts as director for several client companies of Cim Global Business including collective investment schemes and asset management companies as well as listed entities.

Mr. Jagadish Shivalingayya Hiremath

Mr. Jagadish Shivalingayya Hiremath was appointed as Director of the Company on 11 January 2011. Mr Hiremath has over 26 years of experience in banking sector. Mr Hiremath joined the State Bank of India as a probationary Officer in December 1984. Over the years, Mr Hiremath has worked as the Branch Head, Corporate Banking, Personal and Retail Banking, Credit Management, Forex and Trade Finance Operations with India's largest Bank. He is currently the managing director and chief executive officer of SBI (Mauritius) Limited. Mr Hiremath also has experience in Life Insurance Industry as a Regional Head / Regional Director for South 1 Region of SBI Insurance Co Ltd.

Constitution

The Company currently does not have any constitution and is presently governed by the provisions of the Mauritian Companies Act 2001. The Company is currently in the process of adopting a constitution in line with the Companies Act 2001.

Board Meetings

The Board have at least 4 quarterly meetings, one of which is a physical meeting. In addition, Board meetings are being convened as and when required. The matters being considered at the meetings are as follows:

1. to examine all statutory matters;
2. to approve the audited financial statements and reviews important accounting issues;
3. to review the Fund's performance;
4. to ensure compliance of the Fund with the legislations;
5. to take note of changes in the legislations which may affect the Fund;
6. to approve the quarterly management accounts; and
7. to discuss any other business.

The Board papers are usually sent to the directors one week in advance, except where urgent meetings are convened.

The Board promotes, encourages and expects open and frank discussions at meetings. Board meetings provide a forum for challenging and constructive debate.

During the year under review, the Board met four times and the table below shows the attendance of directors either physically or by alternates at meetings held from 01 April 2011 to 31 March 2012:

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 MARCH 2012

Directors	Attendance at Board
Navneet Munot	4/4
Abdool Azize Owasil	4/4
Jagadish Shivalingayya Hiremath	4/4

Board Committees

The Board of Directors collectively consider the measures in respect of the Code of Corporate Governance issues. Due to the size of the Board, no sub-committees (Audit Committees, the Corporate Governance Committee, Board Risk Committee, Remuneration Committee and the Nomination Committee) have been established.

Statement of Remuneration Policy

Mr. Abdool Azize Owasil, one of the resident directors is paid USD 1,250 per annum.

Identification of Key Risks for the Company

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. The Board confirms that there is an ongoing process for identifying, evaluating and managing the various risks faced by the Company.

Financial Risk Factors

The financial risk factors have been set out in note 9 of these financial statements.

Related Party Transactions

The related party transactions have been set out in note 10 of these financial statements.

Code of Ethics, Health and Safety and Social issues

These issues are not applicable to the Company given the nature of activities of the Company and the Company has no employees. The Company is managed under service agreements with third parties detailed in the Corporate Data section.

Environment

Due to the nature of its activities, the Company has no adverse impact on the environment.

Corporate Social Responsibility and Donations

During the year, the Company has not made any donations (2010: Nil).

Nature of Business

The principal activity of the Company is to provide management services.

Auditor's Report and Financial Statements

The auditor's report is set out on pages 8 and 9 and the statement of comprehensive income is set out on page 11 of this financial statements.

Audit fees

Audit fees payable to Ernst & Young (Mauritius) for the year amounted to USD 4,500 (2010: USD 4,300).

Appreciation

The Board expresses its appreciation and gratitude to all those involved for their contribution during the year.

COMMENTARY OF THE DIRECTORS

The Directors present their commentary, together with the audited financial statements of SBI Funds Management (International) Private Limited for the year ended 31 March 2012.

PRINCIPAL ACTIVITY

The principal activity of the Company is to provide management services.

RESULTS AND DIVIDENDS

The Company's profit for the year under review is USD 38,768 (2011: USD 50,013).

The Directors do not recommend the payment of a dividend for the year under review (2011: USD Nil).

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards (IFRS) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors' responsibilities include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud and error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern on the year ahead.

AUDITORS

The auditors, Ernst & Young, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the next Annual Meeting of the shareholders.

SECRETARY'S CERTIFICATE

As per Section 166(d) of Companies Act 2001

We certify, to the best of our knowledge and belief, that:

1. Multiconsult Limited (the then appointed Secretary) has filed with the Registrar of Companies all such returns as are required of SBI Funds Management (International) Private Limited under the Companies Act 2001 for the financial period from 1 April 2011 to 22 December 2011; and
2. as the current Secretary, we have filed with the Registrar of Companies all such returns as are required of SBI Funds Management (International) Private Limited under the Companies Act 2001 for the financial period from 23 December 2011 to 31 March 2012.

Sd/-

For Clim Fund Services Ltd.

Secretary

Date : 10 April, 2012

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SBI FUNDS MANAGEMENT
(INTERNATIONAL) PRIVATE LIMITED**

Report on the Financial Statements

We have audited the financial statements of SBI Funds Management (International) Private Limited (the "Company") on pages 9 to 24 which comprise the statement of financial position as at 31 March 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 auditors consider internal control relevant to the company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements on pages 9 to 24 give a true and fair view of the financial position of the Company as at 31 March 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Other matter

This report, including the opinion, has been prepared for and only for the Company's member, in accordance with Section 205 of the Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Company other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Sd/-

ERNST & YOUNG
Ebène, Mauritius

Date : April 10, 2012

Sd/-

PATRICK NG TSEUNG, A.C.A.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

	Notes	2012 USD	2011 USD
ASSETS			
<i>Current assets</i>			
Current assets			
Trade and other receivables	5	8,070	9,844
Prepayments		1,056	5,146
Cash and cash equivalents		396,353	352,065
Total assets		405,479	367,055
EQUITY AND LIABILITIES			
Equity			
Stated capital	6	50,000	50,000
Retained earnings		325,241	286,473
Total equity		375,241	336,473
<i>Current liabilities</i>			
Trade and other payables	7	29,999	30,327
Income tax payable	8	239	255
Total liabilities		30,238	30,582
Total equity and liabilities		405,479	367,055

Approved by the Board of Directors on 10 April 2012 and signed on its behalf by:

NAME OF DIRECTORS

Sd/-

Mr. Sahjahan Ally Nauthoo

(As alternate director for Mr. Abdool Azize Owasil)

Sd/-

Mr. Jagadish Shivalingayya Hiremath

The notes on pages 13 to 24 form an integral part of these financial statements.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 USD	2011 USD
INCOME			
Management fee		81,032	116,112
Finance income		4,240	3,599
Foreign exchange gain		5	85
		<u>85,277</u>	<u>119,796</u>
EXPENSES			
Trail commission fees		24,211	43,098
Professional fees		4,801	1,621
Audit fees		4,040	6,050
Licence fees and annual registration fees		3,740	3,725
Bank charges		2,156	2,870
Secretarial fees		1,500	1,250
Accounting fees		1,500	1,000
Administration fees		1,500	-
Directors' fees		1,250	750
Disbursements		554	250
Other expenses		-	1,000
Insurance premium		190	6,736
		<u>45,442</u>	<u>68,350</u>
PROFIT BEFORE TAX		39,835	51,446
Income tax expense	8	(1,067)	(1,433)
PROFIT FOR THE YEAR		38,768	50,013
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		38,768	50,013

The notes on pages 13 to 24 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012**

	Stated capital	Retained earnings	Total
	<u>USD</u>	<u>USD</u>	<u>USD</u>
At 01 April 2010	10,000	276,460	286,460
Bonus issue made during the year	40,000	(40,000)	-
Total comprehensive income for the year	-	50,013	50,013
At 31 March 2011	50,000	286,473	336,473
Total comprehensive income for the year	-	38,768	38,768
At 31 March 2012	50,000	325,241	375,241

The notes on pages 13 to 24 form an integral part of these financial statements.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 USD	2011 USD
Operating activities			
Profit before tax		39,835	51,446
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Finance income		(4,240)	(3,599)
Operating profit before working capital changes		35,595	47,847
<i>Changes in working capital:</i>			
Trade and other receivables		1,774	23,140
Prepayments		4,090	(606)
Trade and other payables		(328)	(12,800)
		41,131	57,581
Tax paid	8	(1,083)	(1,650)
Finance income received		4,240	3,599
Net cash flows from operating activities		44,288	59,530
Net increase in cash and cash equivalents		44,288	59,530
Cash and cash equivalents at 1 April		352,065	292,535
Cash and cash equivalents at 31 March		396,353	352,065

The notes on pages 13 to 24 form an integral part of these financial statements.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

1. GENERAL INFORMATION

SBI Funds Management (International) Private Limited (the "Company") is a private company limited by shares, incorporated in Mauritius on 17 January 2006. The Company's principal activity is investment management and is licence by the Financial Services Commission to operate as a CIS Manager. The Company's registered address is C/o Cim Fund Services Ltd, 3rd Floor, Rogers House, 5 President John Kennedy Street, Port Louis, Mauritius effective from 20 January 2012.

2. BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention and are presented in United States Dollar.

2.1 STATEMENT OF COMPLIANCE

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

	Effective for accounting period beginning on or after
- IAS 24 Related Party Disclosures (amendment)	1 January 2011
- IAS 32 Financial Instruments: Presentation (amendment)	1 February 2010
- Improvement to IFRS (May 2010)	1 July 2010
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment)	1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The adoption of the above standard or interpretation did not have impact on the financial position or performance of the Company.

Improvements of IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

IFRS 7 Financial Instruments - Disclosures: The amendment was intended to simplify the disclosures provided, by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

Other amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company

- IAS 1 Presentation of Financial Statements
- IFRS 3 Business Combinations
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statement
- IFRIC 13 Customer Loyalty Programmes

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) *Foreign currency transactions*

(a) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollar, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Company at its functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value is determined.

(ii) **Financial assets**

(a) *Initial recognition and measurement*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way purchases) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalents and trade and other receivables.

(b) *Subsequent measurement*

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) *Derecognition*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

(iii) **Cash and cash equivalents**

Cash comprises of cash at bank and short-term deposits in banks. Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(iv) **Impairment of financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

(v) **Financial liabilities**

(a) *Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Company's current financial liabilities consist of trade and other payables and accruals only.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(vi) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(vii) **Stated capital**

Ordinary shares are classified as equity.

(viii) **Taxes**

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit, nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;
- Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except;
- Where the deferred income tax assets relating to the deductible temporary difference arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(ix) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received.

Investment management fees are accounted for on an accruals basis, and the calculation is based on the NAV of SBI Resurgent India Opportunities Fund ("the Fund") which is computed twice weekly. Effective as from 01 March 2011, the NAV of the Fund was computed on a daily basis.

Interest income is recognised in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

(x) Expense recognition

All expenses are accounted for in profit or loss on an accrual basis.

(xi) Related parties

Related parties are individuals and companies where the related party or the Company has the ability directly or indirectly to control the other party or exercise significant influence over the other party in making financial and operating decisions.

(xii) Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and Interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

	Effective for accounting period beginning on or after
- <i>IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income</i>	1 July 2012
- <i>IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements</i>	1 July 2011
- <i>IFRS 9 Financial Instruments – Classification and Measurement</i>	1 January 2013

The amendments listed below are not expected to have any significant impact on the financial position and financial performance of the Company:

- IAS 27 Separate Financial Statements (as revised in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
- IFRS 10 Consolidated Financial Statements
- IFRS 12 Disclosure of Involvement with Other Entities
- IFRS 13 Fair Value measurement

The Company is still considering the impact of the adoption of the pronouncements listed above on the Company's financial statements in the period of initial application but additional disclosures will be required where applicable.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical accounting judgements in applying the Company's accounting policies

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Company's accounting policies, which are described in Note 2.3, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

Determination of functional currency

The determination of the functional currency of the Company is critical since recording of transactions and exchange differences arising therefrom are dependent on the functional currency selected. As described in Note 2.3, the directors have considered those factors described therein and have determined that the functional currency of the Company is the United States Dollar.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

5. TRADE AND OTHER RECEIVABLES

	<u>2012</u>	<u>2011</u>
	USD	USD
Management fees receivable	6,215	8,077
Interest receivable	1,855	1,767
	<u>8,070</u>	<u>9,844</u>

Management fees receivable are non-interest bearing and are generally on 30-90 days term.

6. STATED CAPITAL

	<u>2012</u>	<u>2011</u>
	USD	USD
<i>Issued and fully paid up</i>		
At 1 April	50,000	10,000
Bonus issue made during the year	-	40,000
50,000 Ordinary shares of USD 1 each	<u>50,000</u>	<u>50,000</u>

7. TRADE AND OTHER PAYABLES

	<u>2012</u>	<u>2011</u>
	USD	USD
Trail commission fees payables	23,288	23,427
Audit fees accrued	4,500	5,175
Other payables	2,211	1,725
	<u>29,999</u>	<u>30,327</u>

Trail commission payables are non-interest bearing and are normally settled on 30-90 day terms.

8. TAXATION

The Company is a "Category 1 Global Business Licence Company" for the purpose of the Financial Services Act 2007. The profit of the Company, as adjusted for tax purposes, is subject to income tax in Mauritius at the rate of 15%.

It will, however, be entitled to a tax credit equivalent to the higher of the foreign taxes paid or 80% of the Mauritius tax on its foreign source income. There is no tax on capital gains on disposal of securities in Mauritius. As at reporting date, the Company had tax liability amounting to **USD 239** (2010: USD 255).

(a) Statement of comprehensive income

	<u>2012</u>	<u>2011</u>
	USD	USD
Mauritian income tax, based on profit for the year as adjusted for tax purposes	<u>1,067</u>	<u>1,433</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

8. TAXATION (CONTINUED)

(b) *Statement of financial position*

	2012	2011
	USD	USD
At 1 April	255	472
Charge for the year	1,067	1,433
Paid during the year	(1,083)	(1,650)
Income tax payable	239	255

(c) *A reconciliation of the applicable tax rate of 15% to the effective tax rate of 3% is as follows:*

	2012	2011
	USD	USD
Profit before tax	39,835	51,446
Tax at 15%	5,975	7,717
Income not subject to tax	(637)	(553)
	5,338	7,164
Foreign tax credit	(4,271)	(5,731)
Tax charge	1,067	1,433

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Fair values

Fair value is defined as the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction. The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value:

Cash and cash equivalents

The carrying amount approximates its fair value due to their nature and liquidity.

Trade and other receivables

The carrying amount of trade and other receivables approximates their fair value due to their nature.

Trade and other payables

The carrying amount of these balances approximates fair value as they are of short-term nature.

Capital risk management policies and objectives

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to the shareholder.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The capital structure of the Company consists of equity attributable to shareholders, comprising stated capital and reserves. The Company reviews the capital structure on a regular basis. As per Regulation 38(1) of the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008, the Company is required to maintain an unimpaired stated capital of MUR1,000,000 (approx. USD35,000).

Associated risk

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Since the Company does not hold any investment, it does not face any market risk.

Foreign currency risk

All the Company's financial assets and liabilities are denominated in United States dollars. Hence, the Company is not subject to foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the Company's financial assets and liabilities are non-interest bearing. As a result, the Company is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Credit risk

Credit risk represents the potential loss that the Company would incur if counter parties fail to perform pursuant to the terms of their obligations to the Company. At the reporting date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the financial position date. At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	<u>2012</u>	<u>2011</u>
	USD	USD
Trade and other receivables	8,070	9,844
Cash and cash equivalents	396,353	352,065
TOTAL	<u>404,423</u>	<u>361,909</u>

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Trade receivables have the following ageing:

	<u>< 30 days</u>	<u>30- 60 days</u>	<u>60- 90 days</u>	<u>> 90 days</u>	<u>Total</u>
	USD	USD	USD	USD	USD
2012	<u>6,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,215</u>
2011	<u>8,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,077</u>

Financial assets that are neither past due nor impaired

Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit rating risk and no history of default.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they become due without incurring unacceptable losses or risking damage to the Company's reputation.

Prudent liquidity risk management includes maintaining sufficient cash.

Residual contractual maturities of financial liabilities are presented below (in USD):

	2012				
Total	Less than 1 month	1 to 3 months	3 months to 1 year	No stated maturity	
	USD	USD	USD	USD	USD
Financial liabilities					
Trade and other payables	<u>29,999</u>	<u>-</u>	<u>29,999</u>	<u>-</u>	<u>-</u>
	<u>29,999</u>	<u>-</u>	<u>29,999</u>	<u>-</u>	<u>-</u>
	2011				
Total	Less than 1 month	1 to 3 months	3 months to 1 year	No stated maturity	
	USD	USD	USD	USD	USD
Financial liabilities					
Trade and other payables	<u>30,327</u>	<u>-</u>	<u>30,327</u>	<u>-</u>	<u>-</u>
	<u>30,327</u>	<u>-</u>	<u>30,327</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

10. RELATED PARTY DISCLOSURES

During the year ended 31 March 2012, the Company traded with related parties. The nature, volume and type of transactions with the related parties were as follows:

<u>Years</u>	<u>Name of company</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Amount transacted</u>	<u>Amount due at year end</u>
				USD	USD
2012	SBI Resurgent India Opportunities Fund	Investment manager and Company holds management shares	Investment management fee	<u>81,032</u>	<u>6,215</u>
2011	SBI Resurgent India Opportunities Fund	Investment manager and Company holds management shares	Investment management fee	<u>116,112</u>	<u>8,077</u>

Terms and conditions for related party transactions

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2012, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2011: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

11. HOLDING COMPANY

SBI Funds Management Private Limited, a company incorporated in India, is regarded as the Company's holding company.

12. EVENTS AFTER THE REPORTING DATE

There have been no material events after the reporting date which would require disclosure or adjustment to the financial statements for the year ended 31 March 2012.

SBI Funds Management Private Limited

Top Management Team

(As on June 30, 2012)



Mr. Deepak Kumar Chatterjee
Managing Director & CEO



Mr. Philippe Batchevitch
Dy. Chief Executive Officer



Mr. K. T. Ravindran
Chief Operating Officer



Mr. Navneet Munot
Chief Investment Officer



Mr. R. S. Srinivas
Chief Marketing Officer



Mr. D. P. Singh
National Head - Sales

