

# SBI FUNDS MANAGEMENT PRIVATE LIMITED

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



**21<sup>st</sup> Annual Report  
2012-13**

## Board of Directors of SBI Funds Management Private Limited

(As on June 30, 2013)



Mr. Pratip Chaudhuri  
Chairman



Mr. Fathi Jerfel  
Director



Mr. Deepak Kumar  
Chatterjee  
Managing Director & CEO



Mr. Jashvant Raval  
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

9<sup>th</sup> Floor, Crescenzo, C-38 & 39,  
G Block, Bandra-Kurla Complex,  
Bandra (East), Mumbai 400 051  
Tel.: +91 22 61793000  
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## DIRECTORS' REPORT

TO,

### THE MEMBERS

The Directors have pleasure in presenting the twenty first annual report together with the Statement of Profit and Loss of SBI Funds Management Private Limited for the year ended March 31, 2013 and the Balance Sheet together with the Cash Flow Statement as at that date.

The highlights of the financial results are as under:

### I. FINANCIAL RESULTS:

PARTICULARS	(₹ in lacs)	
	YEAR UNDER REPORT 2012-13	PREVIOUS YEAR 2011-12
Total Income	30,501.52	24,758.25
Profit before depreciation	12,449.78	8,669.15
Less : Depreciation	396.79	290.21
Profit before tax	12,052.99	8,378.94
Less : Provision for tax	3484.70	2,327.03
Profit after tax	8,568.29	6,051.91
Balance brought forward from previous year (net)	20,093.80	18,017.54
Amount available for Appropriation	28,662.09	24,069.45
<b>APPROPRIATIONS:</b>		
Transfer to General Reserve	856.83	605.19
Interim Dividend	3,800.00	2,900
Dividend Distribution Tax(Net)	616.45	470.46
Balance/(Loss) to be carried forward	23,388.81	20,093.80

### II. DIVIDEND:

An interim dividend of ₹ 76 per Equity Share, subject to tax, was declared on 25th March, 2013 on the paid-up equity share capital of the Company, involving a total outgo of ₹ 4,416.45 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 2012-13.

### III. CAPITAL:

During the year under review, the Company has not made any fresh issue of capital. The net worth of the Company increased to ₹ 34,591.21 lac as at the end of March, 2013 from ₹ 30,439.37 lac as at the end of March, 2012.

### IV. BUSINESS ENVIRONMENT:

#### THE ECONOMY

The moderation in growth is primarily attributable to weakness in industry (comprising the mining and quarrying, manufacturing, electricity, gas and water supply, and construction sectors), which registered a growth rate of only 3.5 per cent and 3.1 per cent in 2011-12 and 2012-13 respectively. The rate of growth of the manufacturing sector was even lower at 2.7 per cent and

1.9 per cent for these two years respectively. Growth in agriculture has also been weak in 2012-13, following lower-than-normal rainfall, especially in the initial phases (months of June and July) of the south-west monsoon.

WPI inflation remained relatively sticky around 7 to 8 per cent in the current financial year and moderated to a three-year low of 7.18 per cent in December 2012. Average headline WPI inflation in 2012 (April-December) moderated to 7.55 per cent from 9.35 per cent in the corresponding period of the previous year.

## **CAPITAL MARKETS**

Indian equity markets moved up in 2012-13, with the BSE Sensex gaining 8.2% to end the year at 18836. Most of the market gains were seen in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters, when the Sensex moved up from 17430 in June 2012 to 18763 in September 2012 and 19427 in Dec 2012, on the back of economic reforms announced by the Government. However, the Sensex corrected to 18836 during the fourth quarter due to worries on current account deficit and slowing economic growth. FIIs pumped in USD 25.6 Bn during the financial year, with almost 75% of the flows coming in the third and fourth quarters. During the year, RBI cut repo rate by 100 bps to 7.5% and CRR by 75 bps to 4%.

## **MUTUAL FUND INDUSTRY**

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

- 1) Mutual Funds were allowed by SEBI to launch Infrastructure Debt Funds.
- 2) Alternative Investment Funds Regulations announced by SEBI allowing AMCs to engage into Real Estate, Private Equity, Venture Capital, Hedge Funds space subject to specific criteria and license.
- 3) SEBI announced Regulations regarding Rajiv Gandhi Equity Savings Scheme (RGESS). The Finance Act 2012 introduced a new section 80CCG in the Income tax Act, 1961 on 'Deduction in respect of investment made under an RGESS to give tax benefits upto 50% of maximum ₹ 50,000 investment and whose gross total annual income is less than or equal to ₹ 12 lakhs for three consecutive assessment years, beginning with the assessment year relevant to the previous year in which the listed units were first acquired by the new retail investor.
- 4) SEBI announced new Regulations regarding Valuation of Money Market Securities.
- 5) SEBI advised Mutual funds, to launch schemes under a Single Plan with a single expense structure and also advised that the existing schemes with multiple plans based on the amount of investment (i.e. retail, institutional, super-institutional, etc) should accept fresh subscriptions only under one plan with effect from October 01, 2012.
- 6) Mutual funds are required to provide a separate plan for direct investments under all the mutual fund Schemes i.e., investments not routed through a distributor, in existing as well as new schemes and Direct Investment option will have lower expense ratio excluding distribution expenses, commission, etc., and no commission shall be paid from such plans
- 7) SEBI vide its Gazette Notification dated September 26, 2012 brought in significant changes in charging the scheme with investment and advisory fees and total expense ratio.
- 8) Mutual funds were allowed to charge additional expenses of 20bps in addition to the Total Expense Ratio as prescribed by the Regulations. The Service tax on Investment and Advisory fees is allowed to be charged over and above the Total Expense Ratio.
- 9) To increase penetration of Mutual funds, SEBI allowed Mutual funds to charge an additional Total expense ratio upto 30bps, in case of inflows received from beyond top 15 cities;
- 10) To broaden the distributor base, a new cadre of distributors was introduced by SEBI such as postal agents, retired government and semi-government officials (class III and above or equivalent) with a service of at least 10 years, retired teachers with a service of at least 10 years, retired bank officers with a service of at least 10 years, and other similar persons (such as Bank correspondents) as may be notified by AMFI/AMC from time to time to sell units of simple and performing mutual fund schemes.
- 11) To promote investor education and awareness, Mutual funds to set aside at least 2 bps of daily net asset for Investor education.

## SBI FUNDS MANAGEMENT PRIVATE LIMITED

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- 12) Cash transactions in mutual funds allowed to the extent of ₹ 20,000/- per investor, per mutual fund, per financial year subject to compliance with Anti Money Laundering guidelines.
- 13) SEBI allowed Mutual funds to participate in Credit Default Swaps market subject to certain conditions.
- 14) SEBI allowed Gold Deposit Schemes (GDS) of Banks as one of the eligible Gold related instrument for investment under Gold Exchange Traded Scheme.
- 15) Alternative Investment Funds regulations announced by SEBI allowing AMCs to engage into Real Estate, Private Equity, Venture Capital, Hedge Funds space subject to specific criteria and license.
- 16) To address the issue of mis-selling, SEBI decided that all the mutual funds shall 'Label' their schemes on the parameters as prescribed by SEBI to provide an easy understanding of the kind of product/scheme and its suitability to investors.

During the year, the total assets mobilized by the mutual fund industry stood at ₹ 72,67,885 Crore (Previous year ₹ 68,19,679 Crore) while the total repurchase/redemption amount was ₹ 71,91,346 Crore (Previous year ₹ 68,41,702 Crore). The industry, thus saw a net inflow of ₹ 76,539 Crore (Previous year net outflow of ₹ 22,023 Crore) during the year (Source: AMFI website).

The total assets under management as on 31<sup>st</sup> March, 2013 stood at ₹ 7,01,443 Crore (Previous year ₹ 5,87,217 Crore).

### PERFORMANCE OVERVIEW

#### Performance of Equity Schemes:

##### 1) 1 Year Performance:

92% of Equity AUM and 87% of Fixed Income AUM were in top two quartiles as on 31<sup>st</sup> March 2013 as against 67% of Equity AUM and 89% of Fixed Income AUM in top two quartiles as on 31<sup>st</sup> March 2012.

- 2) SBI Magnum Blue-chip, SBI Magnum Equity Fund, SBI Contra Fund, SBI Midcap Fund and SBI Emerging Business Fund were in top quartiles on one year performance
- 3) SBI Emerging Business Fund, SBI FMCG Fund and SBI Pharma Fund were the best performing funds in their categories on one year horizon.

#### Performance of Fixed Income Schemes:

- 4) We have maintained our performance standard in fixed income over last one year. 87% of the funds managed by the Company continue to be in top two quartiles.
- 5) SBI Balanced Fund and SBI MIP were in top quartile in the hybrid category on a one year horizon.
- 6) Our three duration products were on the longer end of the curve; SBI Dynamic Bond, SBI Short Term Debt Fund and SBI Income Fund were in top quartile on a one year horizon.
- 7) On the Sovereign side, both our GILT long term and GILT short term funds were in top quartile.

Over all, there was a significant improvement in the performance of the schemes managed by the Company. We have schemes across assets and fund styles which have delivered top quartile performance.

SBI Mutual Fund saw a total inflow of ₹ 412,850 Crore (Previous year ₹ 353,035 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 ₹ 407,344 Crore (Previous year ₹ 351,510 Crore), leaving a net inflow of ₹ 5,506 Crore (industry net inflow ₹ 76,539 Crore) as against a net inflow of ₹ 1,525 Crore (industry net outflow ₹ 22,023 Crore) in the previous year.

The average domestic AUM during the quarter ended March, 2013 was ₹ 54,905 Crore with a market share of 6.72% whereas the average domestic AUM during the quarter ended March, 2012 was ₹ 42,042 Crore with 6.32% market share. During the quarter ended March, 2013, SBIMF achieved 30.60% growth in average AUM amounting ₹ 12,863 Crore vis-à-vis the quarter ended March, 2012, which was the highest among the largest seven Asset Management Companies.

In terms of market share, SBIMF increased its market share by 0.40% (Previous year 0.37%) which was the second highest among the top seven AMCs.

## SBI FUNDS MANAGEMENT PRIVATE LIMITED

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The closing assets under management of the domestic schemes of SBI Mutual Fund as on 31<sup>st</sup> March, 2013 were ₹ 51,614 Crore as against ₹ 43,449 Crore as on 31<sup>st</sup> March, 2012 signifying a growth of 18.79%.

During the year, SBI Mutual Fund launched forty eight funds under SBI Debt Fund Series. The schemes received good response from the investors and total funds mobilized under these schemes amounted to ₹ 7,527 Crore. In addition to the existing SBI Gold ETF, SBI FM expanded its product array in to the passive investment space. SBI FM launched SBI Sensex Exchange Traded Fund (ETF) which mobilized ₹ 22 Crore. This ETF serves a dual purpose. It gives access to investors for sensex tracker and this fund is also eligible as a tax saving instrument for investors under RGESS guidelines.

We registered SBI Funds Management International Private Limited, a wholly owned subsidiary of SBI Funds Management, India with SEBI, as an FII. Under this FII license, we registered SBI India Access (a fund company in Mauritius) as a Sub Account in India. We have already launched our first buy and hold fixed income portfolio for offshore investors.

To capitalise on high interest rate scenario, we have launched a series of FMP's with various maturities.

During the year, we also restructured SBI Magnum MIP Savings Fund into SBI EDGE Fund, which gives investors an access to three asset classes; equity, fixed income and gold under one product. This is one of the very few offerings in the market.

The value of assets under Portfolio Management/Advisory Services went up by 17.23% during the financial year 2012-13 with ₹ 11,098 Crore as on 31<sup>st</sup> March, 2013 as against ₹ 9,467 Crore as on 31<sup>st</sup> March, 2012.

Resurgent India Opportunities Fund, the off-shore fund managed by the Company, witnessed a decline in the assets under management from ₹ 37 Crore as on 31<sup>st</sup> March, 2012 to ₹ 28 Crore as on 31<sup>st</sup> March, 2013 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 31,083 AMFI certified Agents as on 31<sup>st</sup> March, 2013 as against 31,516 AMFI certificates Agents as on 31<sup>st</sup> March, 2012. The number of AMFI certified Agents had come down as several Agents have 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 20,166 as on 31<sup>st</sup> March, 2013 from 19,559 as on 31<sup>st</sup> March, 2012.

As on 31<sup>st</sup> March, 2013, SBI Mutual Fund had 29 Investor Service Centres, 68 Investor Service Desks, 11 Investor Service Points and 1 Overseas Points of presence. As on 31<sup>st</sup> March, 2013, 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, operational efficiency and penetrate new markets, we put in place the following initiatives during the year:

- 1) To widen the coverage of mutual fund industry in the smaller centres (Below top 15 cities) in the country. The company sponsored a strategic alliance between State Bank of India and National Institute of Securities Markets (NISM) for conducting Mutual Fund Distributors' Certification Examinations at select State Bank Learning Centres (SBLC) of SBI Group. This initiative will widen the reach in terms of creating capabilities for distribution of mutual fund products in different parts of the country.
- 2) We implemented new MPLS Wide Area Network for all the offices of SBIFM across the country, including our DR site, Registrars & Contact Centre. This has immensely benefited the employees and customers
- 3) Major enhancements of online investor portal of SBI MF website were carried out and this benefited the customers in terms of seamless online transactions, updated portfolio & statement of accounts, etc. Also, a Distributor section in the web site was introduced for the benefit of the Distributors, selling SBIMF products.
- 4) We implemented "m-Easy", an SMS based mobile transaction system for investors which helps them to invest conveniently & securely through the mobile platform.

## **FUTURE PLANS**

There have been significant regulatory changes during the year. With the concept of T-15 and B-15 (Top 15 Cities and Beyond Top 15 Cities) and the introduction of differential TER (Total Expense Ratio) by SEBI coming in place, the whole dynamics of business has under gone a sea change in the new environment.

- 1) 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
- 2) 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
- 3) We will continue to strengthen and grow our distribution base by increasing engagement with IFA, developing alternative distribution channels and creating products to suit wealth managers.
- 4) 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 smaller towns and extend the market coverage. 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 the call waiting time. We also plan to start a campaign to popularize online investments through net banking solutions.

## **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.

### **1) 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.

### **2) FIXED DEPOSITS:**

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

### **3) FOREIGN EXCHANGE EARNINGS AND OUTGO**

During the financial year under review, the Company earned ₹ 917.70 lac in foreign exchange as portfolio management fee. The foreign exchange outgo on account of traveling and business promotion was ₹ 187.28 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, 2013, 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:

- 1) Mr. Jayesh Gandhi resigned as director with effect from August 28, 2012.
- 2) Mr. Jashvant Raval was appointed as Independent Director on September 28, 2012.
- 3) Mr. Shyamal Acharya resigned as Director on November 29, 2012.

## **SBI FUNDS MANAGEMENT PRIVATE LIMITED**

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The Board places on record its appreciation of the valuable contributions made by Mr. Jayesh Gandhi and Mr. Shyamal Acharya during their tenure as Directors of the Company and extends a warm welcome to Mr. Jashvant Raval, who has joined the Board of the Company.

### **VIII. BOARD MEETINGS:**

Ten Board meetings were held during the financial year under review – on 26<sup>th</sup> April, 2012, 12<sup>th</sup> June, 2012, 1<sup>st</sup> August, 2012, 27<sup>th</sup> August, 2012, 4<sup>th</sup> October, 2012, 27<sup>th</sup> October, 2012, 4<sup>th</sup> December, 2012, 17<sup>th</sup> January, 2013, 21<sup>st</sup> February, 2013 and 25<sup>th</sup> March, 2013.

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

<b>Name /Category of Directors</b>	<b>Number of meetings attended</b>
Mr.Pratip Chaudhuri, Chairman	4
Mr. Deepak Kumar Chatterjee, Managing Director & CEO	10
Mr. Jayesh Gandhi	4
Mr. H. K. Pradhan	9
Mrs. Madhu Dubhashi	10
Mr. Shyamal Acharya	6
Mr. Thierry Mequillet	7
Mr. Shishir Joshipura	6
Dr. Hira Sadhak	10
Mr. Fathi Jerfel	2
Mr. Philippe Batchevitch, (As Alternate Director to Mr. Fathi Jerfel)	8
Mr. Jashvant Raval	5

### **IX. 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 nine times during the year.

### **X. 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 2012-13.

### **XI. DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956:**

The Directors confirm that all Board members and Senior Management have affirmed compliance with the Company's code of conduct for the financial year 2012-13.

The Directors hereby confirm:

- 1) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 2) 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;
- 3) 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;

4) that the annual accounts have been prepared on a going concern basis.

## **XII. 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.

## **XIII. 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.

## **XIV. 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 2013-14.

## **XV. 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, 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: 3rd June, 2013

Sd/-  
**PRATIP CHAUDHURI**  
**CHAIRMAN**

## **I**NDPENDENT **AUDITORS' R**EPORT

TO THE MEMBERS OF

**SBI FUNDS MANAGEMENT PVT LTD**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of SBI Funds Management Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

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

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' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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, 2013;
- (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 the Cash Flow Statement, of the cash flows for the year ended on that date.

#### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditors' Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

**SBI FUNDS MANAGEMENT PRIVATE LIMITED**

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- b. 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;
- c. 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;
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

Sd/-  
**(RAKESH RATHI)**

Place : Mumbai,  
Date : April 22, 2013

Partner  
Membership No: 45228

## ANNEXURE TO AUDITORS' REPORT

**[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the members of SBI Funds Management Private Limited on the financial statements for the year ended March 31, 2013]**

- (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 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.

**SBI FUNDS MANAGEMENT PRIVATE LIMITED**

- (c) According to the records of the Company, the dues outstanding of income-tax and service tax on account of any dispute are as follows:

Name of the Statute	Nature of the Dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	39,55,499/-	A.Y. 2005-2006	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	21,11,228/-	A.Y. 2006-2007	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	13,73,194/-	A.Y. 2008-2009	Income Tax Appellate Tribunal
Service Tax Rules	Cenvat	16,44,477/-	F.Y. 2006-07 to 2008-09	Commissioner (Appeals)

- (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.
- (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 : April 22, 2013

**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 2013.**

The preparation of financial statements of SBI Funds Management Private Limited for the year ended 31 March 2013 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 22 April 2013.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of SBI Funds Management Private Limited for the year ended 31 March 2013. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619 (4) of the Companies Act, 1956.

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

Sd/-

**(Y. N. Thakare)**

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

Place : Mumbai

Date : 12 June, 2013

**BALANCE SHEET AS AT MARCH 31, 2013**

	Notes	As at 31-Mar-2013 ₹	As at 31-Mar-2012 ₹
<b>EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
(a) Share Capital	2	500,000,000	500,000,000
(b) Reserves and Surplus	3	2,959,120,963	2,543,937,454
		<u>3,459,120,963</u>	<u>3,043,937,454</u>
<b>2 Non-current liabilities</b>			
(a) Other long term liabilities	4	19,323,740	11,296,836
(b) Long-term provisions	5	63,624,681	51,876,015
		<u>82,948,421</u>	<u>63,172,851</u>
<b>3 Current liabilities</b>			
(c) Trade payables	6	175,387,981	132,503,203
(d) Other current liabilities	7	23,234,472	9,912,419
(e) Short-term provisions	8	702,603,675	564,583,060
		<u>901,226,128</u>	<u>706,998,682</u>
<b>TOTAL</b>		<b><u>4,443,295,512</u></b>	<b><u>3,814,108,987</u></b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>1 (a) Fixed Assets</b>			
(i) Tangible assets	9	46,263,025	52,722,548
(ii) Intangible assets	9	12,181,989	15,521,798
(iii) Capital work-in-progress	9	1,640,255,902	3,484,830
(b) Long-term investments	10	182,307,200	97,307,200
(c) Deferred tax assets (Net)	11	27,197,541	25,667,572
(d) Long-term loans and advances	12	66,582,438	90,317,024
(e) Other non-current assets	13	7,777,012	6,472,458
		<u>1,982,565,107</u>	<u>291,493,430</u>
<b>2 Current assets</b>			
(a) Current investments	14	1,200,000,000	1,954,400,805
(b) Trade receivables	15	191,383,189	190,325,254
(c) Cash and bank balances	16	836,653,156	1,064,515,758
(d) Short-term loans and advances	17	188,570,212	260,112,922
(e) Other current assets	18	44,123,848	53,260,818
		<u>2,460,730,405</u>	<u>3,522,615,557</u>
<b>TOTAL</b>		<b><u>4,443,295,512</u></b>	<b><u>3,814,108,987</u></b>

**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 22, 2013

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-2013	31-Mar-2012
		₹	₹
I. Revenue from operations	19	2,763,436,285	2,236,475,512
II. Other income	20	286,716,085	239,349,528
<b>III. Total Revenue (I + II)</b>		<b>3,050,152,370</b>	<b>2,475,825,040</b>
<b>IV. Expenses:</b>			
Employee benefits expense	21	893,343,853	807,286,186
Administrative and Other Expenses	22	911,830,113	801,623,813
Depreciation and amortization expense	23	39,679,364	29,020,742
<b>Total Expenses</b>		<b>1,844,853,330</b>	<b>1,637,930,741</b>
<b>V. Profit before Tax (III-IV)</b>		<b>1,205,299,040</b>	<b>837,894,299</b>
<b>VI. Tax expense:</b>			
- Current tax		350,000,000	240,700,000
- Deferred tax		(1,529,969)	(7,996,717)
<b>VII. Profit (Loss) for the period (V - VI)</b>		<b>856,829,009</b>	<b>605,191,016</b>
<b>VIII. Earnings per equity share:</b>			
(1) Basic	24	171.37	121.04
(2) Diluted		171.37	121.04

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 22, 2013

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013**

	For Year end 31-Mar-2013 ₹	For Year end 31-Mar-2012 ₹
<b>Cash Flow from Operating Activities</b>		
Net profit Before Tax	1,205,299,040	837,894,299
<b>Adjustments for:</b>		
Depreciation and Amortisation	39,679,364	29,020,742
(Profit) /Loss on sale of fixed assets (Net)	1,532,660	384,673
Profit on sale of investments (Net)	(97,090,017)	(63,539,660)
Interest income	(47,008,317)	(72,112,269)
Dividend income	(64,924,300)	(69,042,364)
Operating profit before working capital changes	1,037,488,430	662,605,421
Decrease / (Increase) in trade receivables	(1,057,935)	(78,730,794)
Decrease / (Increase) in long term loans and advances	23,734,586	(7,177,894)
Decrease / (Increase) in other current assets	(61,147)	35,682
Decrease / (Increase) in Short term loans & advances	28,398,488	31,886,190
Decrease / (Increase) in other non-current assets	(1,304,554)	(1,395,316)
(Decrease) / Increase in trade payables	42,884,778	(3,526,117)
(Decrease) / Increase in non-current liabilities	19,775,570	14,747,434
(Decrease) / Increase in other current liabilities	13,322,053	2,350,251
(Decrease) / Increase in short term provisions	33,420,365	66,606,720
Net cash generated from operations	1,196,600,634	687,401,577
Income taxes paid	(306,855,778)	(303,124,380)
<b>Net cash generated from Operating Activities (A)</b>	<b>889,744,856</b>	<b>384,277,197</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of Intangible Fixed Assets(including advances for capital)	(8,309,244)	(16,385,687)
Purchase of tangible Fixed Assets(including advances for capital)	(1,660,026,673)	(25,520,266)
Sale of Fixed Assets	152,153	166,754
Purchase of Investments (Current and long-term investments)	(6,782,389,343)	(3,523,389,447)
Sale of Investments (Current and long-term investments)	7,548,880,165	3,308,190,502
Fixed Deposits placed during the year	(104,000,000)	(709,676,998)
Fixed Deposits matured during the year	480,776,998	803,597,319
Interest received	56,206,434	58,709,357
Dividend received	64,924,300	69,042,364
<b>Net Cash generated from Investing Activities (B)</b>	<b>(403,785,210)</b>	<b>(35,266,102)</b>
<b>Cash Flow from Financing Activities</b>		
Dividend paid	(290,000,000)	(290,000,000)
Tax on Dividend	(47,045,250)	-
<b>Net cash used in Financing Activities (C)</b>	<b>(337,045,250)</b>	<b>(290,000,000)</b>
<b>Net Increase in Cash and Cash Equivalents (A + B + C)</b>	<b>148,914,396</b>	<b>59,011,095</b>
<b>CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR</b>	<b>354,838,760</b>	<b>295,827,665</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>503,753,156</b>	<b>354,838,760</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013**

	For Year end 31-Mar-2013 ₹	For Year end 31-Mar-2012 ₹
<b>Components of Cash and Cash Equivalents</b>		
<b>Cash &amp; Cash Equivalents</b>		
Cash in hand	16,866	2,188
Cheques in hand	644,877	2,169,566
Balance with banks	-	-
- in Current Accounts	23,091,413	27,667,006
- in Current Accounts - Dividend Payable	380,000,000	290,000,000
Deposits with original Maturity Less than 3 months	-	-
	100,000,000	35,000,000
<b>Total Cash &amp; Cash Equivalent (Note no. 16)</b>	<b>503,753,156</b>	<b>354,838,760</b>

1. 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.
2. 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 22, 2013

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

SBI Funds Management Private Limited ('the Company') was incorporated on 7<sup>th</sup> 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.

#### 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 Statement of Profit and Loss during the period in which they are incurred.

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.

## NOTES TO THE FINANCIAL STATEMENTS

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/ Straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. However, in case of Computer software, Web Site and Mobile phones are depreciated over a 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 R 5,000 are fully depreciated in the year of purchase/acquisition.

Depreciation on assets sold during the year is recognized in the Statement of Profit and Loss 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 Statement of Profit and Loss in the year in which an asset is identified as impaired. An impairment 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 Statement of Profit and Loss.

#### 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 Statement of Profit and Loss.

#### (b) New Fund Offer Expenses

Expenses relating to new fund offer of SBI Mutual Fund are charged to the Statement of 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 Statement of Profit and Loss 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.

### 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 Statement of Profit and Loss on a straight-line basis over the initial lease term.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

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-2013 ₹	31-Mar-2012 ₹
<b>Authorised</b>		
5,000,000 Equity Shares of ₹100 each (Previous year 5,000,000 Equity Share of ₹ 100 each)	500,000,000	500,000,000
<b>Issued, Subscribed and Paid Up</b>		
5,000,000 Equity Shares of ₹100 each (Previous year 5,000,000 Equity Share of ₹ 100 each)	500,000,000	500,000,000

### 2.1 Reconciliation of number of shares

Particulars	31-Mar-2013		31-Mar-2012	
	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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.3 Details of Shares held by Holding Company

Particulars	31-Mar-2013		31-Mar-2012	
	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-2013		31-Mar-2012	
	No of Shares	% of Holding	No of Shares	% of Holding
State Bank of India	3,150,000	63%	3,150,000	63%
Amundi India Holding, a wholly owned subsidiary of Amundi	1,850,000	37%	1,850,000	37%

### 3 RESERVES AND SURPLUS

	31-Mar-2013 ₹	31-Mar-2012 ₹
<b>General Reserve</b>		
Balance at the beginning of the year	534,557,229	474,038,127
Add: Transfer from profit and loss account	85,682,901	60,519,102
<b>Balance at the end of the year (A)</b>	<b>620,240,130</b>	<b>534,557,229</b>
<b>Surplus in profit and loss account</b>		
Balance at the beginning of the year	2,009,380,225	1,801,753,561
Add: Profit for the period	856,829,009	605,191,016
Less: Transfer to general reserve	85,682,901	60,519,102
Less: Interim dividend	380,000,000	290,000,000
Less: Tax on interim dividend	61,645,500	47,045,250
<b>Balance at the end of the year (B)</b>	<b>2,338,880,833</b>	<b>2,009,380,225</b>
<b>Total (A+B)</b>	<b>2,959,120,963</b>	<b>2,543,937,454</b>

### 4 OTHER LONG TERM LIABILITIES

	31-Mar-2013 ₹	31-Mar-2012 ₹
Others :		
Rent payables	16,947,388	11,046,886
Retention money payable	2,376,352	249,950
<b>Total</b>	<b>19,323,740</b>	<b>11,296,836</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 5 LONG TERM PROVISIONS

	31-Mar-2013 ₹	31-Mar-2012 ₹
Provision for employee benefits	63,624,681	51,876,015
<b>Total</b>	<b>63,624,681</b>	<b>51,876,015</b>

### 6 TRADE PAYABLES

	31-Mar-2013 ₹	31-Mar-2012 ₹
Trade Payables	175,387,981	132,503,203
<b>Total</b>	<b>175,387,981</b>	<b>132,503,203</b>

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

### 7 OTHER CURRENT LIABILITIES

	31-Mar-2012 ₹	31-Mar-2011 ₹
(a) Statutory dues	18,553,453	7,742,374
(b) Income received in advance	188,565	88,674
(c) Other payable		
- Earnest money deposit	1,669,196	114,811
- Retention money	319,356	1,966,560
(d) Provision for employee benefits		
- Provision for gratuity (unfunded amount)	2,503,902	-
<b>Total</b>	<b>23,234,472</b>	<b>9,912,419</b>

### 8 SHORT TERM PROVISIONS

	31-Mar-2012 ₹	31-Mar-2011 ₹
(a) Provision for employee benefits	200,937,317	185,700,252
(b) Others		
- Proposed interim dividend *	380,000,000	290,000,000
- Tax on proposed interim dividend	61,645,500	47,045,250
- Provision for expenses	60,020,858	41,837,558
<b>Total</b>	<b>702,603,675</b>	<b>564,583,060</b>

\*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 01.04.2012	Additions for the Year	Deductions/ Adjustments Reclassification for the year	As at 31.03.2013	Upto 01.04.2012	For the Year	Deductions/ Adjustments Reclassification for the year	Upto 31.03.2013	As at 31.03.2013	As at 31.03.2012
Leasehold Improvement	24,956,386	1,687,847	-	26,644,233	21,330,006	1,788,450	-	23,118,456	3,525,777	3,626,380
Computers	95,398,728	17,568,562	12,190,098	100,777,192	64,718,517	21,000,153	12,342,275	73,376,395	27,400,797	30,680,211
Motor Car	3,580,718	-	-	3,580,718	1,780,757	466,010	-	2,246,767	1,333,951	1,799,961
Office Equipment	28,267,616	1,833,405	6,586,117	23,514,904	15,676,680	2,235,191	4,992,146	12,919,725	10,595,179	12,590,936
Furniture & Fixtures	10,943,165	477,677	799,679	10,621,163	6,918,105	926,808	631,071	7,213,842	3,407,321	4,025,060
<b>Total Tangible Assets</b>	<b>163,146,613</b>	<b>21,567,491</b>	<b>19,575,894</b>	<b>165,138,210</b>	<b>110,424,065</b>	<b>26,416,612</b>	<b>17,965,492</b>	<b>118,875,185</b>	<b>46,263,025</b>	<b>52,722,548</b>
Previous Year	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	

**9.2 Intangible Assets**

Particulars	GROSS BLOCK (At Cost)			DEPRECIATION / AMORTISATION			NET BLOCK			
	As at 01.04.2012	Additions for the Year	Deductions/ Adjustments for the year	As at 31.03.2013	Upto 01.04.2012	For the Year	Deductions/ Adjustments for the year	Upto 31.03.2013	As at 31.03.2013	As at 31.03.2012
Computer Software (Acquired)	47,426,424	6,754,626	749,244	53,431,806	35,078,502	10,386,650	724,625	44,740,527	8,691,279	12,347,922
Website Development Cost	6,603,400	3,192,936	-	9,796,336	3,429,524	2,876,102	-	6,305,626	3,490,710	3,173,876
<b>Total Intangible Assets</b>	<b>54,029,824</b>	<b>9,947,562</b>	<b>749,244</b>	<b>63,228,142</b>	<b>38,508,026</b>	<b>13,262,752</b>	<b>724,625</b>	<b>51,046,153</b>	<b>12,181,989</b>	<b>15,521,798</b>
Previous Year	39,031,110	14,998,714	-	54,029,824	28,025,467	10,482,559	-	38,508,026	15,521,798	

## NOTES TO THE FINANCIAL STATEMENTS

### 9.3 Capital Work in Progress

Particulars	NET BLOCK	
	As at 31-Mar-2013 ₹	As at 31-Mar-2012 ₹
- Intangible Assets	660,920	2,250,000
- Tangible Assets	1,639,594,982	1,234,830
<b>Total</b>	<b>1,640,255,902</b>	<b>3,484,830</b>

### 10 LONG-TERM INVESTMENTS

Particulars	31-Mar-2013		31-Mar-2012	
	No of Units	₹	No of Units	₹
<b>Investment in Equity (Valued at cost unless stated otherwise)</b>				
<b>Investment in subsidiaries</b>				
Equity shares of \$1/- held in SBI Funds Management (International) Pvt. Ltd. (100% Holding)	50,000	444,400	50,000	444,400
<b>Investments in Associates/Fellow Subsidiary</b>				
Equity shares of ₹ 10/- each held in SBI Pension Funds Pvt. Ltd.	6,000,000	60,025,000	1,000,000	10,025,000
<b>Investment in Mutual Fund (Valued at cost unless stated otherwise)</b>				
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	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 - 11 (Growth) face value of ₹ 10 per unit	6,000,000	60,000,000		
<b>Total</b>		<b>182,307,200</b>		<b>97,307,200</b>
<b>Aggregate amount of quoted investments</b>		<b>121,837,800</b>		<b>86,837,800</b>
<b>Market value/NAV of quoted investments</b>		<b>135,857,513</b>		<b>92,057,558</b>
<b>Aggregate amount of unquoted investments</b>		<b>60,469,400</b>		<b>10,469,400</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 11 DEFERRED TAX ASSETS

	31-Mar-12 ₹	Movement ₹	31-Mar-13 ₹
(a) Deferred tax assets			
- Provision for compensated absences	27,346,570	(1,397,128)	25,949,442
- Provision for gratuity	(55,994)	868,385	812,391
<b>Gross deferred tax assets (a)</b>	<b>27,290,576</b>	<b>(528,743)</b>	<b>26,761,833</b>
(b) Deferred tax liabilities			
- Amortization /Depreciation on fixed assets/ intangible Assets	(1,623,004)	2,058,712	435,708
<b>Gross deferred tax assets (b)</b>	<b>(1,623,004)</b>	<b>2,058,712</b>	<b>435,708</b>
<b>Deferred tax liabilities/(assets) (net) (a+b)</b>	<b>25,667,572</b>	<b>1,529,969</b>	<b>27,197,541</b>

### 12 LONG TERM LOANS & ADVANCES

	31-Mar-2013 ₹	31-Mar-2012 ₹
<b>Secured , Considered good</b>		
Loans to employees against hypothecation of property	13,767,087	13,116,323
<b>Unsecured, Considered good unless stated otherwise</b>		
Security deposits	19,409,405	26,961,523
Advance for expenses	755,255	1,845,869
Unamortised brokerage	22,473,711	27,907,772
Prepaid expenses	270,683	434,210
Advance trail brokerage	9,906,297	20,051,327
<b>Total</b>	<b>66,582,438</b>	<b>90,317,024</b>

### 13 OTHER NON- CURRENT ASSETS

	31-Mar-2013 ₹	31-Mar-2012 ₹
<b>Secured, Considered good unless stated otherwise</b>		
Interest accrued on loans to employees	7,777,012	6,472,458
<b>Total</b>	<b>7,777,012</b>	<b>6,472,458</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 14 CURRENT INVESTMENTS

Particulars	31-Mar-2013		31-Mar-2012	
	No of units	₹	No of units	₹
<b>Investment in Mutual Fund (Valued at cost unless stated otherwise)</b>				
<b>Quoted Investments : Units of SBI Mutual Fund</b>				
<b>a) <u>SBI Debt Fund Series (SDFS)</u></b>				
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 - 10 (Growth) face value of ₹ 10 per unit	2,500,000.00	25,000,000.00		
SDFS 370 Days - 15 (Growth) face value of ₹ 10 per unit	-	-	60,000,000	600,000,000
SDFS 366 Days - 7 (Growth) face value of ₹ 10 per unit	20,000,000	200,000,000	-	-
SDFS 366 Days - 12 (Growth) face value of ₹ 10 per unit	10,000,000	100,000,000	-	-
SDFS 366 Days - 16 (Growth) face value of ₹ 10 per unit	10,500,000	105,000,000	-	-
SDFS 366 Days - 17 (Growth) face value of ₹ 10 per unit	12,000,000	120,000,000	-	-
SDFS 366 Days - 18 (Growth) face value of ₹ 10 per unit	40,000,000	400,000,000	-	-
SDFS 180 Days - 19 (Growth) face value of ₹ 10 per unit	10,000,000	100,000,000	-	-
SDFS 180 Days - 21 (Growth) face value of ₹ 10 per unit	5,000,000	50,000,000	-	-
SDFS 180 Days - 24 (Growth) face value of ₹ 10 per unit	10,000,000	100,000,000	-	-
SDFS 180 Days - 23 (Dividend) face value of ₹ 10 per unit	-	-	3,000,000	30,000,000
<b>b) <u>Mutual Funds - Others</u></b>				
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
<b>Total</b>	<b>1,200,000,000</b>		<b>1,954,400,805</b>	
<b>Aggregate amount of quoted investments</b>	<b>1,200,000,000</b>		<b>1,954,400,805</b>	
<b>Market value/NAV of quoted investments</b>	<b>1,243,661,450</b>		<b>2,032,380,565</b>	
<b>Aggregate provision for dimunition in value of investment</b>	-	-	-	-

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

	31-Mar-2013 ₹	31-Mar-2012 ₹
<b>Unsecured, Considered good unless stated otherwise</b>		
Management fee receivable	145,415,079	144,156,058
Portfolio Management fee receivables	27,823,533	19,787,820
Portfolio Advisory fee receivables	18,144,577	26,381,376
Outstanding for more than six months	-	-
<b>Total</b>	<b>191,383,189</b>	<b>190,325,254</b>

**16 CASH & BANK BALANCES**

	31-Mar-2013 ₹	31-Mar-2012 ₹
<b>Cash &amp; Cash Equivalents</b>		
Cash on hand	16,866	2,188
Cheques in hand	644,877	2,169,566
Balance with banks *		
- in Current accounts	23,091,413	27,667,006
- in Current accounts - dividend payable	380,000,000	290,000,000
Deposits with original maturity		
Less than 3 months	100,000,000	35,000,000
	<b>503,753,156</b>	<b>354,838,760</b>
<b>Other Bank Balance *</b>		
Deposits with original maturity		
more than 3 months and less than 12 months	104,000,000	219,901,998
more than 12 months	228,900,000	489,775,000
	<b>332,900,000</b>	<b>709,676,998</b>
<b>Total</b>	<b>836,653,156</b>	<b>1,064,515,758</b>

\*Refer note no. 28 for related party disclosures

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

	31-Mar-2013 ₹	31-Mar-2012 ₹
<b>Secured, Considered good</b>		
Loans to employees against hypothecation of property	4,265,528	3,903,478
<b>Unsecured, Considered good unless stated otherwise</b>		
Security deposits	17,789,928	9,455,641
Advance for expenses	2,921,308	5,470,242
Loans to employees	2,104,400	2,309,100
Balance with statutory/Government authorities	5,236,808	936,759
Unamortised brokerage	19,133,642	46,337,009
Prepaid expenses	13,461,287	28,091,952
Advance trail brokerage	20,161,036	15,012,839
Advance Income tax (net of provisions)	100,763,473	143,907,695
Advance for capital expenses	1,685,400	-
Expenses recoverable*	1,047,402	4,688,207
<b>Total</b>	<b>188,570,212</b>	<b>260,112,922</b>

\*Refer note no 28 for related party disclosures

**18 OTHER CURRENT ASSETS**

	31-Mar-2013 ₹	31-Mar-2012 ₹
<b>Secured, Considered good</b>		
Interest accrued on loans to employees	185,290	186,643
<b>Unsecured, Considered good unless stated otherwise</b>		
Interest accrued on bank fixed deposits*	43,199,058	52,397,175
<b>Other Bank Balance **</b>		
Deposit ( Security against bank guarantee)	739,500	677,000
<b>Total</b>	<b>44,123,848.00</b>	<b>53,260,818</b>

\*Refer note no. 28 for related party disclosures

\*\* includes AED 50,000 (₹739,500) [Previous year AED 50,000 (₹ 677,000)] 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-2013 ₹	31-Mar-2012 ₹
Management fee (gross)	2,637,490,608	2,075,722,037
Portfolio management fee	45,761,424	42,862,501
Portfolio advisory fee	80,184,253	117,890,974
<b>Total</b>	<b>2,763,436,285</b>	<b>2,236,475,512</b>

### 20 OTHER INCOME

	31-Mar-2013 ₹	31-Mar-2012 ₹
Gains on sale /redemption current investments	97,090,017	63,539,660
Dividend from current investments	64,924,300	69,042,364
Interest on banks deposits	47,008,317	72,112,269
Interest on loans to employees (current)	1,120,969	302,838
Interest on loans to employees (non-current)	830,171	1,395,314
Realisation of devolved investments	4,038,687	6,882,000
Foreign Exchange Gain (Net)	-	1,929,653
Excess provision in respect of earlier years written back	64,106,956	8,972,912
Miscellaneous Income	7,596,668	15,172,518
<b>Total</b>	<b>286,716,085</b>	<b>239,349,528</b>

### 21 EMPLOYEE BENEFITS EXPENSES

	31-Mar-2013 ₹	31-Mar-2012 ₹
Salaries & allowances	750,433,364	666,881,330
Contribution to provident and other funds	56,144,698	51,990,140
Staff welfare expenses	86,765,791	88,414,716
<b>Total</b>	<b>893,343,853</b>	<b>807,286,186</b>

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

	<b>31-Mar-2013</b>	<b>31-Mar-2012</b>
	₹	₹
Rent	90,309,410	85,724,474
Rates and taxes	5,014,333	4,489,234
Electricity charges	15,592,295	11,592,121
Repairs and maintenance		
- Equipment	13,830,142	10,900,292
- Others	12,856,901	11,081,133
Insurance	1,486,313	3,330,321
Travelling and conveyance	41,407,998	44,873,528
Recruitment and training	2,066,866	4,689,491
Printing and stationery	10,733,708	12,004,944
Postage and courier	8,545,315	14,669,708
Communication	38,583,513	25,730,234
Scheme expenses	95,934,117	42,321,731
Brokerage	335,259,150	215,119,407
Business promotion	118,686,927	181,126,575
Advertising and publicity	6,245,406	27,909,305
Legal and professional fees	46,457,559	39,749,716
Filing Fee for schemes	5,038,142	9,024,103
Auditor's remuneration:		
- Audit fee	1,700,000	1,650,000
- Tax audit fee	150,000	150,000
- Certification fee	150,000	150,000
Directors' sitting fees	1,047,500	370,000
Royalty to SBI for logo	12,103,820	13,141,667
Loss on sale of assets/discarded (Net)	1,532,660	384,673
Foreign Exchange Loss (Net)	132,237	-
Membership and subscription	31,243,227	28,630,773
Miscellaneous expenses	15,722,574	12,810,383
<b>Total</b>	<b>911,830,113</b>	<b>801,623,813</b>

**23 DEPRECIATION AND AMORTISATION EXPENSES**

	<b>31-Mar-2013</b>	<b>31-Mar-2012</b>
	₹	₹
Depreciation on Tangible Assets	26,416,612	18,538,183
Amortisation of Intangible Assets	13,262,752	10,482,559
<b>Total</b>	<b>39,679,364</b>	<b>29,020,742</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 24 EARNING PER SHARE

	31-Mar-2013 ₹	31-Mar-2012 ₹
(a) Nominal Value of an Equity Share (₹)	100	100
(b) Net profit available to Equity Shareholders (₹)	856,829,009	605,191,016
(c) Number of shares outstanding	5,000,000	5,000,000
(d) Basic and Diluted EPS (₹) = (b) / (c)	171.37	121.04

### 25. Contingent Liabilities (not provided for):

Claims against the Company not acknowledged as debts – Investor claims pending in consumer courts ₹ 18,488,087 (Previous Year ₹ 10,124,604) and disputed tax liability ₹ 9,084,398 (Previous Year ₹ Nil).

### 26. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 70,481,886 (Previous Year ₹ 10,650,638).

### 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 the Statement of Profit and Loss, which are included under Contributions to Provident & Other Funds:

(₹)

Particulars	As at 31.03.2013	As at 31.03.2012
Employer's contribution to Provident Fund	35,921,033	35,467,108

#### (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 Statement of Profit and Loss. 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 31.03.2013	As at 31.03.2012
Present value of funded benefit obligations, 1 <sup>st</sup> April	49,656,608	38,808,007
Service cost	7,177,325	8,732,781
Interest cost	4,220,812	4,021,019
Liability Transfer out	(Nil)	(1,307,380)
Benefits paid	(3,266,590)	(469,354)
Actuarial (gains)/losses on obligations	3,591,943	(128,465)
<b>Present value of funded benefit obligations as at 31<sup>st</sup> March</b>	<b>61,380,098</b>	<b>49,656,608</b>

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

(₹)

Particulars	As at 31.03.2013	As at 31.03.2012
Fair value of plan assets ,as at beginning of the year	49,829,189	38,154,566
Expected return on plan assets	4,384,969	3,833,591
Actuarial gains/(losses)	78628	(382,234)
Employer contribution	7,850,000	10,000,000
Benefits paid	(3,266,590)	(469,354)
Transfer to other company	(Nil)	(1,307,380)
Fair value of plan assets at the year end	58,876,196	49,829,189

(27.2.3) Reconciliation of Fair Value of Assets and Obligations

(₹)

Particulars	As at 31.03.2013	As at 31.03.2012
Present value of obligation	61,380,098	49,656,608
Fair value of plan assets	58,876,196	49,829,189
Amount recognized in Balance Sheet	2,503,902	172,581

## 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 31.03.2013	As at 31.03.2012
Current Service Cost	7,177,325	8,732,781
Interest Cost	4,220,812	4,021,019
Expected return on plan assets	(4,384,969)	(3,833,591)
Actuarial (gains) / losses	3,513,315	253,769
<b>Net Cost</b>	<b>10,526,483</b>	<b>9,173,978</b>

(27.2.5) Experience Adjustments

(₹)

Experience Adjustments	As at 31.03.2013	As at 31.03.2012	As at 31.03.2011
(Gains) / Losses on Plan Liabilities	2,388,412	(128,465)	3,519,962
Gains / (Losses) on Plan Assets	78,628	(382,234)	(675,800)
Estimated Contribution for next year	9,540,219	11,008,774	12,088,308

Experience adjustment details for financials years earlier than 2010-11 are not disclosed as it was 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 31.03.2013	As at 31.03.2012
Discount rate	8.25%	8.50%
Salary escalation rate	10% p.a. for first 2 years ; 8% p.a. for next 2 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 Indian Assured Lives Mortality (2006-08) ultimate	8.70%	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

### Other Related parties:-

Fellow Subsidiaries	<ul style="list-style-type: none"> <li>● SBI Capital Markets Limited (SBICAPS.)</li> <li>● SBI Life Insurance Company Limited (SBI LIC Ltd.)</li> <li>● SBI General Insurance Limited (SBI GI Ltd.)</li> <li>● State Bank of Patiala (SBOP)</li> <li>● State Bank of Mysore (SBM)</li> <li>● State Bank of Hyderabad (SBH)</li> <li>● State Bank of Travancore (SBT)</li> <li>● State Bank of Bikaner &amp; Jaipur (SBBJ)</li> <li>● SBI Mutual Fund Trustee Company Private Limited (SBI MFTCP Ltd.)</li> <li>● SBI-SG Global Securities Services Pvt. Ltd.</li> <li>● SBI Global Factors Ltd.</li> </ul>
Associates	<ul style="list-style-type: none"> <li>● SBI Pension Funds Pvt. Ltd. (SBI PFP Ltd.)</li> </ul>
Key Management Personnel	<ul style="list-style-type: none"> <li>● Mr. Deepak Chatterjee (Managing Director &amp; Chief Executive Officer)</li> <li>● Mr. Philippe Batchevitch (Deputy Chief Executive Officer)</li> </ul>
Mutual Fund managed by the company	<ul style="list-style-type: none"> <li>● SBI Mutual Fund</li> </ul>

### Transactions with related parties:

(₹)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
<b>During the Year</b>					
Deposits Placed with SBOP		(Nil) (89,775,000)			
Deposits Matured with SBOP		89,775,000 (243,500,000)			
Deposits Placed with SBI (Dividend Account)	380,000,000 (290,000,000)				
Deposits Placed with SBI	100,000,000 (105,000,000)				
Deposits Matured with SBI	105,000,000 (410,397,319)				
Interest Income on Bank Deposit with SBOP		6,292,472 (11,732,171)			
Interest Income on Bank Deposit with SBI	351,558 (13,055,209)				
Recovery of expenses from SBI MFTCP Ltd.		1,500,000 (1,500,000)			
Recovery of expenses from SBI Life Insurance Co. Ltd.		Nil (182,988)			
PMS fees from (Amundi HK)				4,941,448 (26,258,853)	

## NOTES TO THE FINANCIAL STATEMENTS

(₹)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
PMS fees from Amundi Equities India (Amundi Singapore Ltd.)				18,450,518 (27,017,697)	
PMS fees from Amundi India Bond Fund (Amundi Singapore Ltd.)				886,417 (Nil)	
PMS fees from Amundi Opportunity India Infra (Amundi Singapore Ltd.)				384,658 (474,859)	
SBIMF scheme expenses					431,193,267 (257,441,138)
Bank Charges	147,733 (274,071)				
Rent paid to SBI Capital Market Ltd.		30,457,656 (30,457,656)			
Rent paid to State Bank of India	2,895,772 (5,157,627)				
Rent paid to SBH		78,000 (78,000)			
Networking charges reimbursement	Nil (2,050,000)				
Royalty paid	12,103,820 (13,141,667)				
Premium paid to SBI General insurance		312,055 (32,590)			
Premium paid to SBI Life Insurance Company Ltd.		696,284 (Nil)			
Fund Accounting charges paid to SBISG Global Securities Services Pvt. Ltd		31,500,000 (25,000,000)			
Advisory Fees paid to SBI Capital Market Ltd.		1,500,000 (Nil)			
Processing Fee	1,200,000				
Reimbursement of Salary of employees on deputation from SBI	35,549,108 (38,382,587)				
Reimbursement of Salary for employees on deputation from SBOP		2,302,805 (1,920,656)			
Reimbursement of Salary for employees on deputation from SBM		768,880 (676,330)			
Reimbursement of Salary for employees on deputation from SBBJ		988,337 (902,469)			

## 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 to SBI	3,967,578 (5,426,190)				
Reimbursement of Salary for employees on deputation from SBH		970,433 (931,695)			
Reimbursement of Salary for employees on deputation from SBT		1,004,808 (881,581)			
Reimbursement of rent received from SBI Global Factors		750,000 (973,333)			
Reimbursement of Expenses from Amundi India Holding (Wholly owned subsidiary of Amundi S A)				Nil (63,849,426)	
Management Fees earned					2,637,490,608 (2,075,722,037)
<b>Investments:</b>					
Units purchased in schemes of SBI MF					6,732,389,343 (3,523,389,447)
Units sold in schemes of SBI MF					7,548,880,165 (3,244,650,842)
Dividend on investment in units of SBI MF schemes					64,924,300 (69,042,364)
<b>Outstanding Receivables:</b>					
Term Deposits with State Bank of India	100,000,000 (105,000,000)				
Term Deposits with State Bank of Patiala		Nil (89,775,000)			
Balance in Dividend Account	380,000,000 (290,000,000)				
Other Deposit with SBI Life Insurance Ltd.		60,000 (200,000)			
Balance in Current Accounts	22,952,415 (27,188,940)				
Interest Receivable on Bank Deposit with SBI	36,986 (5,899,908)				
Interest Receivable on Bank Deposit with SBOP		Nil (6,986,543)			
Receivable from SBI	Nil (14,004)				
Recoverable from Mutual Fund					Nil (402,007)

## NOTES TO THE FINANCIAL STATEMENTS

(₹)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
Management Fees Receivable					112,729,957 (127,642,439)
PMS Fees receivable from Amundi Equities India (Amundi Singapore Ltd.)				4,261,430 (5,473,068)	
PMS Fees receivable from Amundi HK				Nil (6,472,717)	
PMS Fees receivable from Amundi Opportunity India Infra (Amundi Singapore Ltd.)				88,852 (104,641)	
PMS Fees receivable from Amundi India Bond Fund (Amundi Singapore Ltd.)				273,072 (Nil)	
Amount receivable from Amundi India Holding (Wholly owned subsidiary of Amundi S A)				Nil (1,779,192)	
<b>Outstanding Payables:</b>					
SBIMF scheme expenses					100,039,641 (105,742,916)
SBISG Global Securities Services Pvt. Ltd		2,654,505 (Nil)			
Networking charges payable	Nil (6,050,000)				
<b>Dividend paid/proposed :</b>					
State Bank of India	239,400,000 (182,700,000)				
Amundi India Holding				140,600,000 (107,300,000)	
<b>Remuneration Paid to Key Management Personnel:</b>					
Mr. Deepak Chatterjee			2,910,302 (2,248,498)		
Mr. Philippe Batchevitch			4,966,000 (3,846,814)		

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 30. Operating lease payment:

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

(₹)

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
<b>Lease expense for the year</b>	97,782,698	94,744,193
Minimum Lease Payments:		
Not later than one year	94,873,440	89,152,791
Later than one year but not later than five years	65,077,975	86,448,095
Later than five years	16,65,486	6,066,919

### 31. Expenditure in Foreign Currency:

(₹)

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
Travelling Expenses	3,401,151	5,198,749
Business Promotion and Advertisement	3,227,568	2,643,365
Salary	7,156,847	5,243,546
Rent & Subscription	3,258,221	3,323,835
Professional Fees & others	1,684,995	1,913,475

### 32. Earnings in Foreign Currency:

(₹)

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
Portfolio Advisory /Management fees	91,769,940	131,614,644

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

(₹)

Particulars	Rupees	USD	AUD	JPY	SGD
PMS Receivable	21,619,637 ( 29,862,922)	85,108 (237,822)	16,598 (15,934)	10,292,883 (10,824,925)	231,379 (262,956)

## NOTES TO THE FINANCIAL STATEMENTS

### 34. Dividend remittances to non-resident shareholders:

Sr. No	Particulars	2012-2013	2011-2012
(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 (₹)	107,300,000	107,300,000
(d)	Year to which dividend relates	2011-12	2010-11

### 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 31.03.2013	For year ended 31.03.2012
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

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 22, 2013

Sd/-  
**Philippe Batchevitch**  
Dy. Chief Executive Officer

Sd/-  
**Vinaya Datar**  
Company Secretary

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

**CORPORATE DATA**

		<b>Date of appointment</b>	<b>Date of resignation</b>
<b>Directors</b>	: Mr Abdool Azize Owasil	23 June 2008	-
	Mr Navneet Munot	16 January 2009	13 July 2012
	Mr Jagadish Shivalingayya Hiremath	11 January 2011	-
<b>Administrator &amp; Secretary</b>	: Cim Fund Services Ltd 33, Edith Cavell Street Port Louis, Mauritius		
<b>Registered office</b>	: <i>(With effect from 01 January 2013)</i> C/o Cim Fund Services Ltd 33, Edith Cavell Street Port Louis, Mauritius		
	<i>(Until 31 December 2012)</i> C/o Cim Fund Services Ltd 3rd Floor, Rogers House 5 President John Kennedy Street Port Louis, Mauritius		
<b>Banker</b>	: SBI (Mauritius) Ltd SBI Tower Mindspace Bhumi Park, 45, Ebene Cybercity Ebène, Mauritius		
<b>Auditors</b>	: Ernst & Young Level 9, Tower 1 NeXTeracom, Cybercity Ebène, Mauritius		
<b>FII sub accounts</b>	: SBI India Access Fixed Tenure Debt Fund Suite 450, Barkly Wharf East Le Caudan Waterfront Port Louis, Mauritius		
	SBI India Opportunities Fund Suite 450, Barkly Wharf East Le Caudan Waterfront Port Louis, Mauritius		
<b>Custodian</b>	: Deutsche Bank AG Ground Floor, Kodak House 222 Dr. D.N.Road, Fort Mumbai – 400 001 India		
<b>Investment advisor</b>	: SBI Funds Management Private Limited 9th Floor, Crescenzo, C-38 & 39, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051 India		

**SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED**

**CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 MARCH 2013**

**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 has obtained a Foreign Institutional Investor ("FII") licence from the Securities and Exchange Board of India ("SEBI") on 22 June 2012.

The Company provides investment management services to SBI Resurgent India Opportunities Fund, a fund incorporated in Mauritius. During the year under review, the Company has set up two entities in Mauritius namely SBI India Access Fixed Tenure Debt Fund and SBI India Opportunities Fund, for which it is acting as promoter and investment manager. These two new entities have already obtained FII sub-accounts licences based on the FII licence of the Company.

The Company holds standards of corporate governance through awareness of business ethics and supervision of its operations 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 who 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 two resident directors.

**Directors**

***Non - resident***

Mr. Navneet Munot (resigned on 13 July 2012)

**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 its shareholders, in conformity with legal and regulatory frameworks, and consistent with its constitution, the Companies Act 2001 and best governance practices.

**The Directors' Profile**

***Mr. Navneet Munot (resigned on 13 July 2012)***

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

**SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED**

**CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 MARCH 2013**

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 Head of Fund Services at Cim Global Management Services Ltd and was a director of Cim Fund Services Ltd and Multiconsult Limited until August 2012. 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 Fund Services Ltd including collective investment schemes and asset management companies as well as listed entities.

Directorship in listed entities:

- Global Investment Opportunities Fund Limited (Stock Exchange of Mauritius)
- Kotak Investment Opportunities Fund Limited (Stock Exchange of Mauritius)
- Threadneedle India Fund Limited (Irish Stock Exchange)

***Mr. Jagadish Shivalingayya Hiremath***

Mr. Jagadish Shivalingayya Hiremath was appointed as Director of the Company on 11 January 2011. Mr Hiremath has over 28 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 Constitution of the Company was adopted on 01 June 2012 through a special resolution of shareholder. It is in line with the Mauritius Companies Act 2001.

**Board Meetings**

The Board has 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 Company's performance;
4. to ensure compliance of the Company with the legislations;
5. to take note of changes in the legislations which may affect the Company;
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.

**SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED**

**CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 MARCH 2013**

During the year under review, the Board met six times and the table below shows the attendance of directors either physically or by alternates at meetings held during the year ended 31 March 2013:

<b>Directors</b>	<b>Attendance at Board</b>
Navneet Munot (resigned on 13 July 2012)	1/1
Abdool Azize Owasil	6/6
Jagadish Shivalingayya Hiremath	6/6

**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 10 of these financial statements.

**Related Party Transactions**

The related party transactions have been set out in note 11 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 (2012: 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 (2012: USD 4,500).

**Appreciation**

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

**SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED**

**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 2013.

**PRINCIPAL ACTIVITY**

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

**RESULTS AND DIVIDENDS**

The Company's loss for the year under review is USD 29,854 (2012: USD 38,768).

The Directors do not recommend the payment of a dividend for the year under review (2012: 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 controls 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.

SBI FUNDS MANAGEMENT PRIVATE LIMITED

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SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

## SECRETARY'S CERTIFICATE

**As per Section 166(d) of Companies Act 2001**

We certify, to the best of our knowledge and belief, that we have filed with the Registrar of Companies all such returns as are required of SBI Funds Management (International) Private Limited under the Mauritius Companies Act 2001 during the financial year ended 31 March 2013.

Sd/-

For Clim Fund Services Ltd.

Secretary

Date : 10 April, 2013

**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 10 to 24 which comprise the statement of financial position as at 31 March 2013 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 10 to 24 give a true and fair view of the financial position of the Company as at 31 March 2013 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, 2013

Sd/-

**ANDRE LAI WAN LOONG. A.C.A.**

Licensed by FRC

## SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

# STATEMENT OF FINANCIAL POSITION

## AS AT 31 MARCH 2013

	Notes	2013 USD	2012 USD
<b>ASSETS</b>			
<i>Non current assets</i>			
Investment in financial assets	5	2	-
<i>Current assets</i>			
Trade and other receivables	6	2,560	8,070
Prepayments		1,170	1,056
Cash and cash equivalents		380,066	396,353
Income tax receivable		263	-
<b>Total current assets</b>		<b>384,059</b>	405,479
<b>Total assets</b>		<b>384,061</b>	405,479
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	7	50,000	50,000
Retained earnings		295,387	325,241
<b>Total equity</b>		<b>345,387</b>	375,241
<i>Current liabilities</i>			
Trade and other payables	8	38,674	29,999
Income tax liability	9	-	239
<b>Total liabilities</b>		<b>38,674</b>	30,238
<b>Total equity and liabilities</b>		<b>384,061</b>	<b>405,479</b>

Approved by the Board of Directors on 10 April 2013 and signed on its behalf by:

**NAME OF DIRECTORS**

Sd/-

**Mr. Sahjahan Ally Naughoo**

(As alternate director for Mr. Abdool Azize Owasil)

Sd/-

**Mr. Raid Aubdool**

(As permanent alternate director for Mr. Jagadish Shivalingayya Hiremath)

The notes on pages 14 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 2013**

	Notes	2013 USD	2012 USD
<b>INCOME</b>			
Management fee		48,806	81,032
Finance income		5,938	4,240
Foreign exchange gain		6	5
		<u>54,750</u>	<u>85,277</u>
<b>EXPENSES</b>			
Expenses on behalf of investee companies		28,345	-
Trail commission fees		14,145	24,211
Deficit reimbursed to SBI Resurgent India Opportunities Fund		9,734	-
Professional fees		8,550	4,801
Audit fees		6,080	4,040
FII application fee		5,000	-
Licence fees and annual registration fees		3,945	3,740
Bank charges		2,455	2,156
Secretarial fees		1,500	1,500
Accounting fees		1,500	1,500
Administration fees		1,500	1,500
Directors' fees		1,250	1,250
Disbursements		600	554
Insurance premium		-	190
		<u>84,604</u>	<u>45,442</u>
<b>(LOSS) / PROFIT BEFORE TAX</b>		<b>(29,854)</b>	39,835
Income tax expense	9	-	(1,067)
<b>(LOSS) / PROFIT FOR THE YEAR</b>		<b>(29,854)</b>	38,768
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(29,854)</b>	<b>38,768</b>

The notes on pages 14 to 24 form an integral part of these financial statements.

## SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2013

	Stated capital	Retained earnings	Total
	USD	USD	USD
At 01 April 2011	50,000	286,473	336,473
Profit / Total comprehensive income for the year	-	38,768	38,768
<b>At 31 March 2012</b>	<b>50,000</b>	<b>325,241</b>	<b>375,241</b>
Loss / Total comprehensive income for the year	-	(29,854)	(29,854)
<b>At 31 March 2013</b>	<b>50,000</b>	<b>2,95,387</b>	<b>3,45,387</b>

The notes on pages 14 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 2013**

	Notes	2013 USD	2012 USD
<b>Operating activities</b>			
Profit before tax		(29,854)	39,835
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Finance income		(5,938)	(4,240)
<b>Operating profit before working capital changes</b>		<b>(35,792)</b>	<b>35,595</b>
<i>Changes in working capital:</i>			
Trade and other receivables		5,510	1,774
Prepayments		(114)	4,090
Trade and other payables		8,675	(328)
<b>Cash used in operations</b>		<b>(21,721)</b>	<b>41,131</b>
Income tax paid	8	(502)	(1,083)
Finance income received		5,938	4,240
<b>Net cash flows (used in) / from operating activities</b>		<b>(16,285)</b>	<b>44,288</b>
Investment available for sale of financial assets		(2)	-
<b>Net increase in cash and cash equivalents</b>		<b>(16,287)</b>	<b>44,288</b>
Cash and cash equivalents at 1 April		396,353	352,065
<b>Cash and cash equivalents at 31 March</b>		<b>380,066</b>	<b>396,353</b>

The notes on pages 14 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 2013**

**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 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. During the year under review, the Company has set up two entities in Mauritius namely SBI India Access Fixed Tenure Debt Fund and SBI India Opportunities Fund, for which it is acting as promoter and investment manager.

**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**

**New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations adopted in the year commencing 1 April 2012:

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters IFRS 7 Financial Instruments: Disclosures (Amendments)
- IFRS 7 Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements

The adoption of the standards or interpretations is described below:

**IAS 12 Income Taxes (Amendments) - Deferred Taxes: Recovery of Underlying Assets**

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and had no effect on the Company's financial position, performance or its disclosures.

**IFRS 1 First-time Adoption of International Financial Reporting Standards**

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact on the Company.

**IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition**

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### 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. The Company currency is in USD and the performance is evaluated in USD.

(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 available-for-sale assets, cash and cash equivalents and trade and other receivables.

For available-for-sale financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

(b) **Subsequent measurement**

*Receivables*

Receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Receivables form part of financial assets categorized as loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### 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) **Available-for-sale financial assets**

Available-for-sale financial assets include equity investments. Equity investments classified as available-for-sale are those that are neither held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the fair value reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the fair value reserve to profit or loss in finance costs. The Company evaluates whether the ability and intention to sell its available-for-sale financial assets in the near future is still appropriate.

#### (v) **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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(vi) **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.

(b) ***Subsequent measurement***

*Other payables*

Other payables are stated at their nominal value.

(c) ***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.

(vii) **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.

(viii) **Stated capital**

Ordinary shares are classified as equity.

(ix) **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**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

## SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2013

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred income tax is determined using tax rates that have been enacted by the end of the reporting date and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

**(x) 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 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.

**(xi) Expense recognition**

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

**(xii) 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.

**(xiii) Dividend distribution**

Dividends are recognised as distributions within equity upon approval by the Company's board of directors.

**(xiv) 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 Company intends to adopt applicable standards when they become effective.

At the reporting date of these financial statements, the following were in issue but not yet effective:

	<b>Effective date</b>
IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1	01 July 2012
IAS 19 Employee Benefits (Revised)	01 January 2013
IAS 27 Separate Financial Statements (As revised in 2011)	01 January 2013
IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)	01 January 2013
IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32	01 January 2014
IFRS 1 Government Loans – Amendments to IFRS 1	01 January 2013
IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities	01 January 2013

## SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 7	Mandatory Effective Date and Transaction Disclosures — Amendments to IFRS 7	01 January 2015
IFRS 9	Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10	Consolidated Financial Statements — Replacement of consolidated financial statement accounting — IAS 27 Separate Financial Statements	01 January 2013
IFRS 10	Consolidated Financial Statements — Investment Entities Consolidation Exemption	01 January 2014
IFRS 11	Joint Arrangements	01 January 2013
IFRS 12	Disclosure of Interests in Other Entities	01 January 2013
IFRS 13	Fair Value Measurement	01 January 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

#### Annual Improvements May 2012

These improvements will not have an impact on the Company, but include:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IAS 1	Presentation of Financial Statements
IAS 16	Property Plant and Equipment
IAS 32	Financial Instruments, Presentation
IAS 34	Interim Financial Reporting

These improvements are effective for annual periods beginning on or after 1 January 2013. Standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosure, financial position or performance when applied at a future date. The Company intend to adopt these standards when they become effective.

### 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 (USD).

#### *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 2013

## 5. AVAILABLE FOR SALE FINANCIAL ASSETS

	<u>2013</u>	<u>2012</u>
	USD	USD
SBI India Access Fixed Tenure Debt Fund	1	-
SBI India Opportunities Fund	1	-
	<u>2</u>	<u>-</u>

During the year under review, the Company has set up two entities in Mauritius namely SBI India Access Fixed Tenure Debt Fund and SBI India Opportunities Fund, for which it is acting as promoter and investment manager. These two new entities have the intention to operate as FII sub-accounts based on the FII licence of the Company. The Company is the management shareholder of SBI India Access Fixed Tenure Debt Fund and SBI India Opportunities Fund.

## 6. TRADE AND OTHER RECEIVABLES

	<u>2013</u>	<u>2012</u>
	USD	USD
Management fees receivable	-	6,215
Interest receivable	2,560	1,855
	<u>2,560</u>	<u>8,070</u>

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

## 7. STATED CAPITAL

	<u>2013</u>	<u>2012</u>
	USD	USD
<i>Issued and fully paid up</i>		
50,000 Ordinary shares of USD 1 each	<u>50,000</u>	<u>50,000</u>

The ordinary share is issued at par value of US\$ 1 each and is not redeemable. The holder of ordinary share have the rights to attend and exercise one vote at any shareholder meeting, the right to dividend or any other form of distributions and in case of liquidation, dissolution or winding up of the Company, is entitled to an equal share of any surplus assets attributable to that class of shares.

## 8. TRADE AND OTHER PAYABLES

	<u>2013</u>	<u>2012</u>
	USD	USD
Trail commission fees payables	21,191	23,288
Deficit reimbursed SBI Resurgent India Opportunities Fund	9,734	-
Audit fees accrued	5,290	4,500
Other payables	2,459	2,211
	<u>38,674</u>	<u>29,999</u>

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

## SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2013

### 9. INCOME TAX

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 refund amounting to **USD 263** (2012: Tax liability of USD 239).

(a) **Statement of comprehensive income**

	<u>2013</u>	<u>2012</u>
	USD	USD
Mauritian income tax, based on profit for the year as adjusted for tax purposes	-	1,067

(b) **Statement of financial position**

	<u>2013</u>	<u>2012</u>
	USD	USD
At 1 April	239	255
Charge for the year	-	1,067
Paid during the year	(502)	(1,083)
<b>Income tax (receivable) / payable</b>	<b>(263)</b>	<b>239</b>

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

	<u>2013</u>	<u>2012</u>
	USD	USD
Profit before tax	(29,854)	39,835
Tax at 15%	(4,478)	5,975
Expenses incurred in the production of exempt income	916	-
Income not subject to tax	(892)	(637)
Expenses paid on behalf of investee companies	4,252	-
	(202)	5,338
Foreign tax credit	202	(4,271)
<b>Tax charge</b>	<b>-</b>	<b>1,067</b>

### 10. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### 10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### *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.

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.

## SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2013

**10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

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>2013</u>	<u>2012</u>
	USD	USD
Available-for-sale financial assets	2	2
Trade and other receivables	2,560	8,070
Cash and cash equivalents	380,066	396,353
<b>TOTAL</b>	<b><u>382,628</u></b>	<b><u>404,425</u></b>

Trade receivables have the following ageing:

	<u>&lt; 30 days</u>	<u>30- 60 days</u>	<u>60- 90 days</u>	<u>&gt; 90 days</u>	<u>Total</u>
	USD	USD	USD	USD	USD
<b>2013</b>	<b><u>2,560</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,560</u></b>
2012	<u>6,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,215</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):

	<u>2013</u>				
	<u>Total</u>	<u>Less than 1 month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>No stated maturity</u>
		USD	USD	USD	USD
<b>Financial liabilities</b>					
Trade and other payables	38,674	-	38,674	-	-
	<u>38,674</u>	<u>-</u>	<u>38,674</u>	<u>-</u>	<u>-</u>

## SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2013

## 10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Total	2012			
		Less than 1 month	1 to 3 months	3 months to 1 year	No stated maturity
		USD	USD	USD	USD
Financial liabilities					
Trade and other payables	29,999	-	29,999	-	-
	29,999	-	29,999	-	-

## 11. RELATED PARTY DISCLOSURES

During the year ended 31 March 2013, the Company traded with related parties. The nature, volume and type of transactions with the related parties were as follows:

Years	Name of company	Relationship	Nature of transaction	Amount transacted	Amount due at year end
				USD	USD
2013	SBI Resurgent India Opportunities Fund	Investment manager and Company holder of management shares	Investment management fee	48,806	-
			Deficit recharged to the Company	9,734	9,734
	SBI India Access Fixed Tenure Debt Fund	Promoter and Investment manager	Expenses Paid on behalf of Investee Company	20,610	-
	SBI India Opportunities Fund	Promoter and Investment manager	Expenses Paid on behalf of Investee Company	7,735	-
2012	SBI Resurgent India Opportunities Fund	Investment manager and Company holds management shares	Investment management fee	81,032	6,215

**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 2013, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2012: 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.

**SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

**12. MANAGEMENT FEES**

The Company previously used to receive management fee from SBI Resurgent India Opportunities Fund at the maximum rate of 1.5% per annum of the daily net assets under the retail plan of both USD Class and EUR Class and 0.75% per annum of the daily net assets under the institutional plan of both USD Class and EUR Class. Effective from 18 January 2013, the management fee rate for retail and institutional plan of both USD Class and EUR Class was reduced to Nil. At 31 March 2013, investment management fees receivable were NIL (31 March 2012: USD 6,215).

Effective from 01 April 2013, following assessment done by the Company, the management fee rate for retail and institutional plan of both USD Class and EUR Class was changed to 1.00% and 0.50% respectively.

**13. HOLDING COMPANY**

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

**14. 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 2013.

# SBI Funds Management Private Limited

Top Management Team  
(As on June 30, 2013)



Mr. Deepak Kumar Chatterjee  
Managing Director & CEO



Mr. Philippe Batchevitch  
Dy. Chief Executive Officer



Mr. K. T. Ravindran  
Executive Director &  
Chief Operating Officer



Mr. Navneet Munot  
Executive Director &  
Chief Investment Officer



Mr. R. S. Srinivas  
Executive Director &  
Chief Marketing Officer  
(Strategy & International Business)



Mr. D. P. Singh  
Executive Director &  
Chief Marketing Officer  
(Domestic Business)

