

16TH ANNUAL REPORT

2007-08

SBI FUNDS MANAGEMENT PRIVATE LIMITED

DIRECTORS' REPORT

TO,

THE MEMBERS

The Directors have pleasure in presenting the Sixteenth Annual Report together with the Profit and Loss Account of SBI Funds Management Private Limited for the year ended March 31, 2008 and the Balance Sheet as at that date.

The highlights of the financial results are as under:

I. FINANCIAL RESULTS:

(Rs. in lacs)

PARTICULARS	YEAR UNDER REPORT	PREVIOUS YEAR
	2007-08	2006-07
Total Income	18,517.95	11,365.05
Profit before depreciation	10,849.36	4,624.91
Less : Depreciation	178.01	135.81
Profit before tax	10,671.35	4,489.10
Less : Provision for tax	3,634.08	1,511.48
Profit after tax	7,037.27	2,977.62
Balance brought forward from previous year (net)	2,092.37	1,111.10
Amount available for Appropriation	9,129.64	4,088.72

APPROPRIATIONS:

Transfer to General Reserve	715.00	400.00
Interim Dividend/Proposed Dividend	1,680.00	1,400.00
Dividend Distribution Tax	285.51	196.35
Balance/(Loss) to be carried forward	6,449.13	2,092.37

II DIVIDEND:

During the year under review, the Company has made a net profit of Rs. 7,037.27 lacs. The Directors recommend a dividend of 33.6% on the Paid up Equity Capital of the Company which, if approved, will amount to Rs. 1,680 lacs. Under the Income Tax Act 1961, the receipt of dividend is tax-free in the hands of the shareholders. The tax on the distributed profits, payable by the company, amounts to Rs. 285.51 lacs.

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 Rs. 13,911.04 lacs as at the end of March, 2008 from Rs. 9,179.84 lacs as at the end of March, 2007.

IV BUSINESS ENVIRONMENT:

THE ECONOMY

India's economy is on the fulcrum of an ever increasing growth curve. With positive indicators such as a stable 8-9 per cent annual growth, rising foreign exchange reserves, a booming capital market and a rapidly expanding FDI inflows, India has emerged as the second fastest growing major economy in the world.

The economy has been growing at an average growth rate of 8.8 per cent in the last four fiscal years (2003-04 to 2006-07), with the 2006-07 growth rate of 9.6 per cent being the highest in the last 18 years. Significantly, the industrial and service sectors have been contributing a major part of this growth, suggesting the structural transformation underway in the Indian economy.

The process continues in the current fiscal year. On the back of 9.9 per cent growth in the first half of 2006-07, GDP grew by 9.1 per cent during April-September 2007. The advance estimates of the Central Statistical Organisation expect the economy to grow by 8.7 per cent in 2007-08. However, since August 2007, the financial markets in the developed countries have witnessed considerable turbulence that has not yet abated. The consequences for developing countries are also not yet clear. World prices of crude oil, commodities and food grains have risen sharply in the period April 2007 to January 2008. The prices of iron ore, copper, lead, tin, urea increased. The prices of wheat and rice have increased in the world market by 88 per cent and 15 per cent, respectively. All these factors have put pressure on domestic prices, especially on the prices of food articles. Consequently, the management of the supply side of food articles will be the most crucial task in the ensuing year.

India's per capita income has increased at a rapid pace. In 2007-08, India's per capita income is estimated to be over US\$ 825.07, according to the advance estimates of the Central Statistical Organisation. Further, India's per capita income is expected to increase to US\$ 2000 by 2016-17 and US\$ 4000 by 2025. This growth rate will, consequently, propel India into the middle-income category.

India is among the five countries sharing 50 per cent of the world production (or GDP). India's National Stock Exchange (NSE) ranks first in the stock futures and second in index futures trade in the world.

Another significant aspect has been the broad-based nature of the growth process. While new economy industries like Information Technology and biotechnology have been growing around 30 per cent, significantly old economy sectors like steel have also been major contributors in the Indian growth process. For example, India has moved up two places to become the fifth largest steel producer in the world.

And with its manufacturing and service sectors on a searing growth path, India is expected to grow by as much as 10 per cent every year in the next decade.

CAPITAL MARKETS

The stock markets saw increased activity in 2007-08. Primary market issues of debt and equity increased along with private placement. The secondary market too showed a rising trend, notwithstanding intermittent ups and downs in the stock prices responding mainly to global developments. The Bombay Stock Exchange(BSE) Sensex rose from 13,072 at end-March 2007 to 15,644 as on 31st March, 2008, while the National Stock Exchange (NSE) index Nifty 50 rose from 3,822 to 4,735 during the same period. The year saw strong FII inflows, with net purchases of equities worth USD 12.9 bn. The market also saw good participation from domestic mutual funds, who net bought equities worth Rs 13,685 crores during the year.

The higher net mobilization of resources by mutual funds showed that investors were realising the importance of using intermediaries in risky markets. All the other indicators of capital market such as market capitalization, turnover and price-earning ratio remained strong. The commodity market also showed signs of expansion in terms of turnover and number of transactions during the year. However, the markets started correcting towards the beginning of the year 2008 in view of the global meltdown in stock prices due to the sub-prime crisis and fear of recession.

MUTUAL FUND INDUSTRY

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

- a) SEBI issued guidelines for investments in short term deposits of scheduled commercial banks pending deployment of funds as per investment objective of a scheme/plan.
- b) With effect from July 2, 2007, Income Tax Permanent Account Number (PAN) became the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction.
- c) Fresh upper limits on expenses charged by Index Fund Scheme were introduced.
- d) Mutual Funds were allowed to engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by the Board. A detailed guideline is awaited from SEBI.
- e) SEBI directed that with effect from January 04, 2008, no entry load shall be charged on direct applications received by the Asset Management Company, which are not routed through any distributor/agent/broker.
- f) SEBI prohibited charging Initial Issue Expenses & amortization of the same from close ended scheme also and directed that all mutual fund schemes shall now meet the sales, marketing and other such expenses connected with sales and distribution of schemes from the entry load.
- g) SEBI directed that AMCs shall not charge entry as well as exit load on Bonus units and of units allotted on reinvestment of Dividend.
- h) SEBI enhanced the aggregate ceiling for overseas investment to US \$ 7 billion.

During the year, the total resources mobilised by the mutual fund industry stood at Rs 44,64,376 crores (Previous year Rs. 19,38,493 crores) while the total repurchase/redemption amount was Rs. 43,10,575 crores (Previous year Rs. 18,44,508 crores) (Source : SEBI website). The industry thus saw a net inflow of Rs. 1,53,801 crores (Previous year Rs. 93,985 crores) during the year. Out of the total net inflow of Rs.

1,53,801 crores, the share of tax-saving and growth-oriented equity funds was Rs. 46,933 crores. Income/Debt oriented Funds and Balanced Funds contributed Rs. 1,03,867 crores, Rs. 5,768 crores respectively. Exchange traded Funds had a net outflow of Rs. 2,767 crores.

The total Assets under management as on 31st March, 2008 stood at Rs. 5,05,152 crores (Previous year Rs. 3,26,292 crores).

PERFORMANCE OVERVIEW & FUTURE PLANS

SBI Mutual Fund saw a total inflow of Rs. 1,12,065 crores (Previous year Rs. 52,512 crores) in the domestic open and close-ended funds during the year. The inflow took place predominantly in the equity-oriented funds. The total redemption amounted to Rs. 1,05,487 crores (Previous year Rs. 48,942 crores), leaving a net inflow of Rs. 6,578 crores as against a net inflow of Rs. 3,570 crores in the previous year. SBI Mutual Fund had a market share of 4.28 % out of the net inflow of Rs. 1,53,801 crores during the year.

On 31st March, 2007, SBI Mutual Fund had a market share of 5.21% which stands at 5.24% as on 31st March 2008. The Assets under Management, which were at Rs. 17,016 crores as on 31st March, 2007; rose to Rs. 26,490 crores as at the end of March, 2008 marking an increase of 55.67%. The contribution of equity funds in the overall growth was 49% because of superior performance during the year. This was followed by 41% growth of debt funds and 10% for liquid Funds. We are targeting at a market share of 7.10% by 31st March, 2009. However, we expect a higher growth in liquid/debt category assets during the year 2008-09 because of the uncertain capital market conditions since the beginning of 2008.

During the year, SBI Mutual Fund launched twenty-five SBI Debt Fund Series Funds, SBI Infrastructure Fund, SBI Capital Protection Fund and SBI Tax Advantage Fund. The schemes received good response from the investors and total funds mobilized under these schemes amounted to Rs 11,839 crores.

The Resurgent India Opportunities Fund—the off-shore fund managed by the Company performed consistently well during the year and the value of assets managed as on 31st March, 2008 was Rs. 68 crores.

The portfolio management service offered by the Company received mandates from new clients from various parts of the world such as Japan, Europe, Australia & South East Asia during the year for managing their portfolio, taking the number of clients from three to eight. The value of assets managed increased to Rs. 5,003 crores as on 31st March, 2008 from Rs. 1,372 crores as on 31st March, 2007. During the year, the Company was also entrusted the prestigious mandate of managing the National Investment Fund (NIF) of the Government of India.

During the year, the number of AMFI certified Agents increased to 17,109 as on 31st March, 2008 from 14,019 as on 31st March, 2007. Further thrust is being made to increase this number constantly.

The Fund has set a net mobilisation target of Rs. 33,596 crores from domestic schemes for the financial year 2008-09.

As a result of the Joint Venture Agreement with Société Générale Asset Management (SGAM) which was entered into in December, 2004, the Company was able to improve its investment risk and process controls, research and systems and was successful in getting business from Multinationals. We plan to utilize their expertise for launching new innovative products and for mobilizing fresh funds for our off-shore fund in future.

The total number of Investor Service Desks as on 31st March, 2008 increased to 43 as compared to 31 in the previous year. The number of Investor Service Agents was also increased to improve customer service and provide a contact point to the investors. As on 31st March, 2008, the Company operated Investor Service Centres in 28 major cities in addition to 3 Investor Service Points and two Overseas Points of presence.

AWARDS

The directors are pleased to inform that SBI Mutual Fund has been voted as the 'Best Fund House' & 'Best Equity fund House' in the country by Outlook Money - NDTV Profit Awards 2007.

SBI Mutual Fund was also voted as the 'Most Preferred Mutual Fund Brand' in the country for the second year in a row. The Most preferred brands were arrived at by an exhaustive consumer preference survey conducted by AC Nielsen on behalf of CNBC Awaaz.

During the year , Magnum Taxgain Scheme was rated the Best Performing Fund from India and ranked 3rd (out of 14952 funds) from the World on 5 year performance analysed by Lipper. The Magnum Comma Fund was also ranked 18th in India and 69th in the World (out of 24887 funds) analysed by Lipper.

In addition, the various schemes of SBI Mutual Fund won nine awards for their performance during the year as follows:

ICRA MUTUAL FUND AWARDS 2008

Scheme Name	Category	Award	Period
Magnum Balanced Fund	Open Ended Balanced Scheme	7 Star Fund Gold award	3 years
Magnum Sector Funds Umbrella – Contra Fund	Open Ended Diversified Equity – Defensive	7 Star Fund Gold award	3 years
Magnum Tax Gain Scheme 93	Open Ended Equity Linked Savings Schemes (ELSS)	7 Star Fund Gold award	3 years
Magnum Equity Fund	Open Ended Diversified Equity – Defensive	5 Star Fund	1 Year
Magnum Gilt Fund-Short-Term Plan	Open Ended Gilt	5 Star Fund	3 Years
Magnum Gilt Fund-Short-Term Plan	Open Ended Gilt	5 Star Fund	1 Year
Magnum Multiplier Plus 1993	Open Ended Diversified Equity – Aggressive	5 Star Fund	3 Years
Magnum Sector Funds Umbrella – Contra Fund	Open Ended Diversified Equity – Defensive	5 Star Fund	1 Year

LIPPER FUND AWARDS - INDIA 2008

Scheme Name	Category	Period
Magnum Balanced Fund (Dividend)	Mixed Assets INR Aggressive	3 Years

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

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

i) CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION:

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

ii) FIXED DEPOSITS:

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

iii) FOREIGN EXCHANGE EARNINGS AND OUTGO

During the financial year under review, the Company earned Rs. 1,016.47 lacs in foreign exchange as portfolio management fee. The foreign exchange outgo on account of traveling and business promotion was Rs. 209.24 lacs.

VI SUBSIDIARIES

During the year under review, SBI Funds Management (International) Private Limited, a fully owned subsidiary of the Company commenced operations. 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, 2008, 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, no changes took place in the Board of Directors of the Company.

VII BOARD MEETINGS:

Seven board meetings were held during the financial year under review – on 23rd April, 2007, 30th April, 2007, 21st July, 2007, 15th October, 2007, 29th October, 2007, 17th January, 2008 and 14th February, 2008.

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

Directors	Number of Board Meetings Attended
Mr. O. P. Bhatt (Chairman)	6
Mr. Syed Shahabuddin	6
Mr. Alain Clot	1
Mr. Christian d'Allest	1
Mr. Jayesh Gandhi	5
Mr. Pradeep Mallick	3
Mr. Ashwin Dani	3
Mr. Didier Turpin (Alternate to Mr. Christian d'Allest)	7
Mr. P. G. Kakodkar	3

VIII AUDIT COMMITTEE OF DIRECTORS:

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

IX MODEL CODE OF CONDUCT

The Directors confirm that all Board members and Senior Management have affirmed compliance with the Company's code of conduct for the financial year 2007-2008.

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

The Directors hereby confirm:

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

XI PERSONNEL

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

XII PARTICULARS OF EMPLOYEES

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

XIII AUDITORS

M/s. Deloitte, Haskins and Sells and M/s. Khandelwal, Jain & Co. joint Statutory Auditors of the Company, retire at the conclusion of the Sixteenth Annual General Meeting and being eligible offer themselves for re-appointment.

M/s. Deloitte, Haskins and Sells and M/s. Khandelwal, Jain & Co. have given their consent to act as our Statutory Auditors and have also certified that their appointment would be within the limits specified under Section 224(1B) of the Companies Act, 1956.

XIV ACKNOWLEDGEMENTS

The Directors take this opportunity to express their gratitude for the continued support and co-operation extended by the Securities and Exchange Board of India, Reserve Bank of India, State Bank of India, Société Générale Asset Management, 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:26th April, 2008

Sd/-
O.P.BHATT
CHAIRMAN

AUDITORS' REPORT TO THE SHAREHOLDERS.

1. We have audited the attached Balance Sheet of **SBI Funds Management Private Limited** as at March 31, 2008, the Profit and Loss account and also the Cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we give in Annexure, a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, 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 purposes of our audit;
 - 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 , Profit and Loss account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors, as on March 31 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
 - ii) in the case of the Profit and Loss account, of the profit for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For Deloitte Haskins & Sells.
Chartered Accountants**

**For Khandelwal Jain & Co
Chartered Accountants**

**Sd/-
R. LAXMINARAYAN
Partner
Membership No: 33023**

**Sd/-
PANKAJ JAIN
Partner
Membership No: 048850**

**Mumbai
Dated: April 26, 2008**

ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph 3 of our report of even date on the accounts for the year ended March 31, 2008 of **SBI Funds Management Private Limited**.

The nature of the Company's activities during the year has been such that clauses (ii), (viii) and (xiii) of Paragraph 4 of the Order are not applicable to the Company for the year.

- (i) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) Fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - (c) The Company has not disposed off substantial part of its fixed assets during the year.
- (ii) According to the information and explanations given to us the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956.

In view of what has been stated above, reporting requirements under sub-clauses (b), (c), (d), (f) and (g) of clause (iii) of paragraph 4 of the Order are not applicable to the Company for the year.

- (iii) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the aforesaid internal control systems.
- (iv) To the best of our knowledge and belief and according to the information and explanations given to us, we report that there are no particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- (v) The Company has not accepted any deposits from the public during the year.

- (vi) In our opinion, the internal audit function carried out during the year by a firm of Chartered accountants is commensurate with the size of the Company and the nature of its business.
- (vii) According to the information and explanations given to us in respect of statutory and other dues:
 - (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax Custom Duty, Excise Duty, cess and any other material statutory dues as applicable with the appropriate authorities during the year.
 - (b) No undisputed amounts payable in respect of Income Tax ,Wealth Tax, Service Tax, Investor Education and Protection Fund, Sales Tax were outstanding as at March 31, 2008 for a period of more than six months from the date they became payable.
 - (c) There are no dues of Income tax, Sales Tax, Wealth Tax, Service Tax, Customs duty, Excise duty and Cess, which have not been deposited on account of any dispute.
- (viii) The company has no accumulated losses as at 31st March, 2008 and has not incurred any cash loss during the financial year ended on that date and in the immediately preceding financial year.
- (ix) In our opinion and according to the information and explanations given to us, the company did not have any dues to a financial institution or bank or debenture holders.
- (x) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xi) Based on our examination of the records and evaluation of the related internal controls, the Company has maintained proper records of transactions and contracts in respect of its dealing in shares, securities, debentures and other investments and timely entries have been made therein. The aforesaid securities have been held by the Company in its own name, except to the extent of the exemption granted under Section 49 of the Companies Act, 1956.
- (xii) 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.

- (xiii) To the best of our knowledge and belief and according to the information and explanations given to us, there have been no term loans availed during the year.
- (xiv) According to the information and explanations given to us and on an overall examination of the Balance sheet and other records of the company, we report that no funds raised on short-term basis have been used for long term investment.
- (xv) The Company has not made any preferential allotment of shares during the year.
- (xvi) The company has not issued any debentures during the year.
- (xvii) The Company has not raised any money by public issues during the year.
- (xviii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

**For Deloitte Haskins & Sells.
Chartered Accountants**

**For Khandelwal Jain & Co
Chartered Accountants**

**Sd/-
R. Laxminarayan
Partner
Membership No: 33023**

**Sd/-
Pankaj Jain
Partner
Membership No: 048850**

**Mumbai
Dated: April 26, 2008**

SBI FUNDS MANAGEMENT PRIVATE LIMITED

BALANCE SHEET AS AT MARCH 31, 2008

	<u>Schedules</u>	<u>Rs.</u>	<u>As at 31.03.2008 Rs.</u>	<u>Rs.</u>	<u>As at 31.03.2007 Rs.</u>
<u>SOURCES OF FUNDS</u>					
Shareholders' Funds					
Capital	1	500,000,000		500,000,000	
Reserves and Surplus	2	<u>891,103,831</u>		<u>417,984,260</u>	
			1,391,103,831		917,984,260
Deferred Tax Liability (Net)			-		4,626,572
TOTAL			<u><u>1,391,103,831</u></u>		<u><u>922,610,832</u></u>
<u>APPLICATION OF FUNDS</u>					
Fixed Assets					
Gross block	3	116,977,961		96,710,259	
Less : Depreciation		<u>68,159,662</u>		<u>52,114,894</u>	
Net block			48,818,299		44,595,365
Deferred Tax Asset (Net)			4,373,175		-
Investments	4		639,781,956		553,779,809
Current Assets, Loans and Advances					
Sundry debtors	5	115,382,194		104,292,899	
Cash and bank balances	6	557,215,379		106,438,695	
Other Current Assets	7	16,980,692		5,390,386	
Loans and advances	8	<u>512,429,117</u>		<u>423,825,915</u>	
		<u>1,202,007,382</u>		<u>639,947,895</u>	
Less: Current Liabilities and Provisions					
Liabilities	9	257,103,946		312,156,053	
Provisions	10	<u>246,773,035</u>		<u>3,556,184</u>	
		<u>503,876,981</u>		<u>315,712,237</u>	
Net Current Assets			698,130,401		324,235,658
TOTAL			<u><u>1,391,103,831</u></u>		<u><u>922,610,832</u></u>
Significant Accounting Policies and Notes to the Accounts	16				

As per our attached report of even date

**For Deloitte Haskins & Sells
Chartered Accountants**

**For Khandelwal Jain & Co
Chartered Accountants**

For and on behalf of the Board of Directors

Sd/-
R. Laxminarayan
Partner

Sd/-
Pankaj Jain
Partner

Sd/-
O. P. Bhatt
Chairman

Sd/-
Syed Shahabuddin
Managing Director

**Place: Mumbai
Dated: April 26, 2008**

Sd/-
Didier Turpin
Dy. Chief Executive Officer

Sd/-
Ashutosh Vaidya
Company Secretary

**Place: Mumbai
Dated: April 26, 2008**

SBI FUNDS MANAGEMENT PRIVATE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Schedules	Rs.	Current Year Rs.	Rs.	Previous Year Rs.
INCOME:					
Management Fees (Gross)			1,561,166,455		1,015,289,206
[Tax deducted at source Rs.185,571,462 (Previous year Rs.56,957,732)]					
Portfolio Advisory Fee			101,647,064		20,960,269
[Tax deducted at source Rs.5,044 (Previous year Rs.2,260)]					
Income from Investments	11		25,285,710		37,710,976
Other Income	12		163,695,783		62,545,075
			<u>1,851,795,012</u>		<u>1,136,505,526</u>
EXPENDITURE:					
Employee Costs	13		313,700,649		237,298,249
Administrative and other Expenses	14		450,815,241		433,656,414
Depreciation on fixed assets			17,801,953		13,580,763
Prior period expenditure	15		2,342,270		3,060,189
			<u>784,660,113</u>		<u>687,595,615</u>
Profit before tax			1,067,134,899		448,909,911
Provision for taxes:					
Current Tax		(355,200,000)		(145,000,000)	
Deferred tax		(407,676)		(547,718)	
Fringe Benefit Tax		<u>(7,800,000)</u>		<u>(5,600,000)</u>	
			<u>(363,407,676)</u>		<u>(151,147,718)</u>
Profit after tax			703,727,223		297,762,193
Balance brought forward from previous year			209,237,647		111,110,454
Profit available for appropriation			<u>912,964,870</u>		<u>408,872,647</u>
APPROPRIATIONS					
Transfer to general reserve			71,500,000		40,000,000
Proposed Dividend			168,000,000		-
Interim Dividend paid			-		140,000,000
Corporate Dividend Tax			28,551,600		19,635,000
Surplus carried to Balance Sheet			644,913,270		209,237,647
			<u>912,964,870</u>		<u>408,872,647</u>
Basic and diluted earnings per share [Refer note 14 of Schedule 16] (Face Value per Share Rs. 100/-)			140.75		59.55
Significant Accounting Policies and Notes to the Accounts	16				

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

For Khandelwal Jain & Co
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-
R. Laxminarayan
Partner

Sd/-
Pankaj Jain
Partner

Sd/-
O. P. Bhatt
Chairman
Sd/-
Syed Shahabuddin
Managing Director

Place: Mumbai
Dated: April 26, 2008

Sd/-
Didier Turpin
Dy. Chief Executive Officer
Sd/-
Ashutosh Vaidya
Company Secretary

Place: Mumbai
Dated: April 26, 2008

SBI FUNDS MANAGEMENT PRIVATE LIMITED**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**

	Rs.	As at 31.03.2008 Rs.	Rs.	As at 31.03.2007 Rs.
SCHEDULE 1				
SHARE CAPITAL				
<u>Authorised</u>				
5,000,000 Equity Shares of Rs.100 each		500,000,000		500,000,000
<u>Issued, Subscribed and Paid Up</u>				
5,000,000 Equity Shares of Rs. 100 each fully paid up		500,000,000		500,000,000
TOTAL		500,000,000		500,000,000
<u>Notes: Out of the above shares:</u>				
1. 31,50,000 shares are held by State Bank of India, the Company's holding entity, and its nominees;				
2. 20,00,000 shares are allotted as fully paid up bonus shares by capitalisation of General Reserves				
SCHEDULE 2				
RESERVES AND SURPLUS				
General Reserve				
As per last Balance Sheet	208,746,613		168,746,613	
Less: Adjustment towards provision for employee benefits as per AS-15 (Revised). Refer note 4 of Schedule 16	34,056,052		-	
Add: Transfer from Profit and Loss Account	71,500,000		40,000,000	
		246,190,561		208,746,613
Balance in profit and loss account		644,913,270		209,237,647
TOTAL		891,103,831		417,984,260

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

SCHEDULE 3

FIXED ASSETS

(Amount in Rupees)

Particulars	GROSS BLOCK (At Cost)				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01.04.2007	Additions for the year	Deductions for the year	As at 31.03.2008	Upto 01.04.2007	For the Year	Deductions for the year	Upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
A. Intangible Assets										
Computer Software	15,243,626	2,345,388	-	17,589,014	9,757,416	2,944,949	-	12,702,365	4,886,649	5,486,210
Website Development Cost	2,032,000	-	-	2,032,000	1,910,661	60,661	-	1,971,322	60,678	121,339
B. Tangible Assets										
Leasehold Improvement	10,252,093	5,513,959	-	15,766,052	2,326,272	3,135,540	-	5,461,812	10,304,240	7,925,821
Computers	43,791,983	11,058,889	1,159,095	53,691,777	26,898,578	8,681,488	1,039,353	34,540,713	19,151,064	16,893,405
Motor Car	2,658,053	-	-	2,658,053	1,027,282	422,206	-	1,449,488	1,208,565	1,630,771
Office Equipment	17,634,695	2,704,941	254,565	20,085,071	7,921,898	1,694,767	137,380	9,479,285	10,605,786	9,712,797
Furniture & Fixtures	5,097,809	807,573	749,388	5,155,994	2,272,787	862,342	580,452	2,554,677	2,601,317	2,825,022
TOTAL	96,710,259	22,430,750	2,163,048	116,977,961	52,114,894	17,801,953	1,757,185	68,159,662	48,818,299	44,595,365
<i>Previous Year</i>	<i>72,588,851</i>	<i>26,256,797</i>	<i>2,135,389</i>	<i>96,710,259</i>	<i>40,523,515</i>	<i>13,580,763</i>	<i>1,989,384</i>	<i>52,114,894</i>	<i>44,595,365</i>	

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	Rs.	As at 31.03.2008 Rs.	Rs.	As at 31.03.2007 Rs.
SCHEDULE 5				
SUNDRY DEBTORS				
(Unsecured and considered good)				
Debts outstanding for a period exceeding six months		-		349,532
Other Debts		115,382,194		103,943,367
Total		<u>115,382,194</u>		<u>104,292,899</u>

SCHEDULE 6

CASH & BANK BALANCES

Cash on hand		23,024		12,442
Balances with scheduled banks				
in current accounts	13,757,811		14,475,252	
in fixed deposits	<u>543,434,544</u>		<u>91,951,001</u>	
		557,192,355		106,426,253
Total		<u>557,215,379</u>		<u>106,438,695</u>

SCHEDULE 7

OTHER CURRENT ASSETS

Interest Accrued On				
Fixed Deposits		16,980,692		5,390,386
Total		<u>16,980,692</u>		<u>5,390,386</u>

SCHEDULE 8

LOANS AND ADVANCES

(Unsecured, considered good, unless otherwise specified)

Advances recoverable in cash or in kind or for value to be received		254,724,171		22,886,598
Deposits		14,975,226		11,848,506
Advance payment of taxes and tax deducted at source (net of provision for taxation of Rs 736,891,145 previous year Rs.423,495,898.)		242,729,720		389,090,811
Total		<u>512,429,117</u>		<u>423,825,915</u>

Advances include the following:

From companies under same Management

SBI Capital Markets Ltd

Outstanding		2,303,564		28,660
Maximum outstanding during the year		2,303,564		2,981,933

SBI Mutual Fund Trustee Company Pvt. Ld

Outstanding		1,348,949		1,500,000
Maximum outstanding during the year		1,963,002		1,500,000

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
SCHEDULE 9		
CURRENT LIABILITIES		
Sundry Creditors (other than micro, small and medium enterprises)	68,112,822	129,081,314
Other Liabilities	188,991,124	183,074,739
Total	<u>257,103,946</u>	<u>312,156,053</u>

SCHEDULE 10

PROVISIONS

Proposed dividend	168,000,000	-
Provision for compensated absences	37,721,056	-
Tax on proposed dividend	28,551,600	-
Gratuity	12,500,379	3,556,184
Total	<u>246,773,035</u>	<u>3,556,184</u>

SBI FUNDS MANAGEMENT PRIVATE LIMITED**SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
SCHEDULE 11		
INCOME FROM INVESTMENTS		
Profit on Sale of Current Investments (net)	7,291,392	18,425,913
Dividend from Current Investments	17,994,318	19,285,063
Total	<u>25,285,710</u>	<u>37,710,976</u>

SCHEDULE 12**OTHER INCOME**

Interest on loans to employees	842,473	387,337
Interest on Bank deposits (gross) [Tax deducted at Source Rs.2,655,222 (Previous Year Rs 2,781,642)]	22,960,705	11,861,635
Realisation of Devolved Investments	15,345,250	40,140,289
Recovery of Funded guarantee from Schemes	-	2,327,509
Interest on Income tax refund	94,714,690	-
Miscellaneous Income	4,555,736	559,045
Excess provision in respect of earlier years written back	25,276,929	7,269,260
Total	<u>163,695,783</u>	<u>62,545,075</u>

SCHEDULE 13**EMPLOYEE COSTS**

Salaries, allowances and bonus	246,573,814	191,017,867
Contribution to provident and other funds	26,790,110	19,335,260
Staff welfare expenses	41,036,725	27,645,122
	<u>314,400,649</u>	<u>237,998,249</u>
Less: Sharing of Common Establishment Expenses	(700,000)	(700,000)
Total	<u>313,700,649</u>	<u>237,298,249</u>

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT

SCHEDULE 14

ADMINISTRATIVE AND OTHER EXPENSES

	Rs.	Year Ended 31.03.2008 Rs.	Rs.	Year Ended 31.03.2007 Rs.
Rent		43,711,790		34,239,682
Rates and taxes		954,347		266,562
Electricity charges		7,987,757		5,012,343
Repairs and maintenance :				
- Equipment	6,855,590		3,526,342	
- Others	<u>5,212,952</u>		<u>4,373,482</u>	
		12,068,542		7,899,824
Insurance		1,804,756		984,564
Doubtful advances written off		-		1,333,993
Travelling and conveyance		32,589,097		20,799,339
Recruitment and Training		4,407,574		3,420,358
Printing and stationery		10,721,900		7,779,765
Postage and telegram		24,990,718		19,733,124
Telephone		15,786,092		11,819,129
Scheme expenses		80,531,913		178,079,145
Business Promotion		97,216,528		69,059,222
Reimbursement of unit capital reconciliation difference		-		36,349,025
Advertising and publicity		68,594,467		13,789,766
Legal and professional fees		8,299,144		2,977,406
Membership and subscription		15,324,618		13,143,334
Auditor's Remuneration:				
-Audit fee *	1,050,000		600,000	
-Out of pocket expenses	6,399		5,341	
Service tax on above services	130,571		73,440	
Service tax input credit	<u>(130,571)</u>		<u>(73,440)</u>	
		1,056,399		605,341
Directors' sitting fees		139,000		144,500
Loss on sale of assets (net)		195,079		62,942
Miscellaneous expenses		<u>25,235,520</u>		<u>6,957,050</u>
		451,615,241		434,456,414
Less: Sharing of Common Administrative Expenses		(800,000)		(800,000)
Total		<u>450,815,241</u>		<u>433,656,414</u>

* Inclusive of Tax audit, Consolidation and Certification fees

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS

	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
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SCHEDULE 15

PRIOR PERIOD EXPENDITURE

Salaries and allowances	491,176	277,418
Telephone and telex	12,817	7,018
Printing and stationery	-	165,375
Postage and telegram	130,966	177,631
Business Promotion	201,194	218,061
Miscellaneous expenses	522,721	71,664
Office Rent	393,544	-
Professional Fees	64,093	15,000
Repairs & Maintenance	525,759	2,128,022
Total	2,342,270	3,060,189

SBI FUNDS MANAGEMENT PRIVATE LIMITED
Cash Flow Statement for the year ended March 31, 2008

	2007-08 RS.	2006-07 RS.
A. CASH FLOW FROM OPERATING ACTIVITIES	521,500,215	364,821,801
B. CASH FLOW FROM INVESTING ACTIVITIES	(70,723,531)	(119,896,333)
C. CASH FLOW FROM FINANCING ACTIVITIES	-	(273,660,000)
NET CHANGE IN CASH & CASH EQUIVALENTS	450,776,684	(28,734,532)
D. CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	106,438,695	135,173,227
E. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	557,215,379	106,438,695
(A) Cash flow from Operating activities		
Net profit before taxation	1,067,134,899	448,909,911
Adjustments for:		
Depreciation on fixed assets	17,801,953	13,580,763
Loss on sale of fixed assets	195,079	62,942
Profit on sale of investments	(7,291,392)	(18,425,913)
Interest income	(118,517,868)	(12,248,972)
Dividend income	(17,994,318)	(19,285,063)
Provision for Gratuity	8,944,195	1,484,023
Operating profit before working capital changes	950,272,548	414,077,691
Decrease / (Increase) in sundry debtors	(12,196,909)	(13,999,596)
(Increase) / Decrease in Loans and Advances	(139,141,989)	467,446
Increase / (Decrease) in Current Liabilities & Provisions	(51,387,103)	164,102,044
Cash generated from operations	747,546,547	564,647,585
Income taxes paid	(226,046,331)	(199,825,784)
A. CASH FLOW FROM OPERATING ACTIVITIES	521,500,215	364,821,801
Cash flows from Investing activities		
Purchase of fixed assets	(22,430,750)	(26,256,797)
Proceeds from sale of fixed assets	210,784	83,063
Purchase of investments	(1,748,636,251)	(2,116,306,143)
Proceeds from sale of investments	1,669,925,496	1,982,450,424
Interest received	12,212,872	20,848,057
Dividends received	17,994,318	19,285,063
B. CASH FLOW FROM INVESTING ACTIVITIES	(70,723,531)	(119,896,333)
Cash flows from Financing activities		
Dividends paid	-	(240,000,000)
Tax on dividend paid	-	(33,660,000)
C. CASH FLOW FROM FINANCING ACTIVITIES	-	(273,660,000)
NET CHANGE IN CASH & CASH EQUIVALENTS	450,776,684	(28,734,532)
D. CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		
Cash in hand	12,442	6,143
Balances with Banks and Money at Call and Short Notice	106,426,253	135,167,084
	106,438,695	135,173,227
E. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Cash in hand	23,024	12,442
Balances with Banks and Money at Call and Short Notice	557,192,355	106,426,253
	557,215,379	106,438,695

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 Deloitte Haskins & Sells

Chartered Accountants

Sd/-
R Laxminarayan
Partner

Mumbai
Dated: April 26, 2008

For Khandelwal Jain & Co

Chartered Accountants

Sd/-
Pankaj Jain
Partner

For and on behalf of the
Board of Directors

Sd/-
O. P. Bhatt
Chairman

Sd/-
Didier Turpin
Dy. Chief Executive Officer

Place: Mumbai
Dated: April 26, 2008

Sd/-
Syed Shahabuddin
Managing Director

Sd/-
Ashutosh Vaidya
Company Secretary

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

SCHEDULE 16 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting.

(b) 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 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.

(c) Revenue Recognition

- Management fee is recognised at specific rates agreed with the relevant schemes, applied on the average daily net assets of each scheme (excluding inter-scheme investments, where 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 income is recognized on accrual basis as per the terms of the contract.
- Gains and losses on sale of investments are determined using the weighted average cost method.
- Revenue is recognised only when it is reasonably certain that the ultimate collection will be made.
- Dividend income is recognised when the right to receive the same is established.
- Recovery, if any, on realisation 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 recognised as Income in the year of receipt.

(d) Fixed Assets:

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is provided on the written down value method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. Assets costing individually Rs.5,000 or less are fully depreciated in the

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

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

Intangible Assets:

Intangible Assets (Software & Website Development Cost) are amortised over a period of three years, on a Straight Line Method.

(e) Impairment Of Assets

An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. An Impairment loss is charged to the Profit and Loss account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

(f) Investments:

Investments are classified into long term investments and current investments. Investments which are intended to be held for more than one year, are classified as long term investments and investments, which are intended to be held for less than one year are classified as current investments. Long term investments are accounted at cost and any decline in value, other than temporary is provided for. Current investments are valued at cost or fair value whichever is lower.

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.

(g) Employee Benefits:

- I. Provident fund is a defined contribution scheme and the contributions as required by the statute paid to Government Provident Fund are charged to profit and loss account.
- II. Gratuity liability is 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 actuarial valuation carried out as at the end of each financial year.
- III. 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 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.
- IV. 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

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

(h) **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 buying 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 Profit and Loss Account.

(i) **Scheme Expenses**

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

(j) **Treatment of Contingent Liabilities**

Provision 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.

(k) **Taxes on Income**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. 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. Provision for Fringe Benefit Tax is made in accordance with Chapter XII-H of the Income Tax Act, 1961.

(l) **Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term, are classified as operating leases. Operating lease rentals are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

Notes to the Accounts

2. **Contingent Liabilities(not provided for):**

- i) Demands raised by the Income Tax Authorities against which the company has preferred appeals to the Appellate Authorities are Rs. 5,297,059(previous year Rs. 322,418,339). Amount paid under protest/adjusted against refund for other assessment year against the above is Rs. 5,297,059(previous year Rs. 317,121,280).
- ii) Claims against the company not acknowledged as debts – Investor claims pending in consumer courts – Rs. 7,978,912 (Previous Year Rs. 4,324,408).

3. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 10,000,757 (Previous Year Rs. 3,879,038).

4. Consequent to the Accounting Standard on Employee Benefits becoming mandatory, the Company has accounted for the liability on account of Long Term Compensated balances in respect of leave outstanding to the credit of its employees and in respect of gratuity. The liability determined on the basis of the actuarial valuation as on April, 1 2007 of Rs 340 lacs (net of deferred tax of Rs 94 lacs) has been adjusted to the General Reserve account of the Company as per the transitional provision of the Standard.

5. The company has adopted the revised AS 15 – Employee benefits issued by the Institute of Chartered Accountants of India during the current financial year. Previous years figures have not been disclosed as this is the first year of implementation of this Accounting standard and comparable data is not available.

6. Reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity benefits is given below:-

Rs.

	As of 31st March, 2008
<i>Change in funded benefit obligations</i>	
Present value of funded benefit obligations, 1 st April 2007	15,868,513
Service cost	4,754,474
Interest cost	1,577,337
Benefits paid	(1,812,540)
Actuarial (gain)/loss on obligations	702,637
Present value of funded benefit obligations as at 31st March, 2008	21,090,421

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

Reconciliation of opening and closing Balance of Fair Value of Plan Assets

Rs. in lakhs

	Gratuity (Funded)
Fair value of plan assets at beginning of the year	6,576,541
Expected return on plan assets	713,408
Actuarial gain/(loss)	(134,691)
Employer contribution	3,247,324
Benefits paid	(1,812,540)
Settlement cost	-
Fair value of plan assets at year end	8,590,042

Reconciliation of Fair Value of Assets and Obligations

Rs..

	Gratuity (Funded)
Present value of obligation as at 31st March, 2008	21,090,421
Fair value of plan assets as at 31st March, 2008	8,590,042
Amount recognized in Balance Sheet	(12,500,379)

Expense recognized during the year (Under the head "Payments to and Provisions for Employees" - Refer Schedule 13)

Rs.

	Gratuity (Funded)
Current Service Cost	4,754,474
Interest Cost	1,577,337
Expected return on plan assets	(713408)
Actuarial (gain) / loss	837,329
Net Cost	6,455,732

- I. 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

Discount rate	8. % p.a.
Salary escalation rate	15% p.a. for first 4 years ; 10% p.a. for next 5 years and 7% p.a. thereafter
Expected return on plan assets	8%

The estimates 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 market.

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

Gratuity

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

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

7. Deferred Tax Liability (net):

	As at 31.03.2008 (Rs.)	As at 31.03.2007 (Rs.)
Deferred Tax Liabilities		
Amortization /Depreciation on fixed assets/intangible Assets	6,932,934	58,35,319
Gross Deferred Tax Liabilities	6,932,934	58,35,319
Deferred Tax Assets		
Provision for gratuity	4,248,879	1,208,747
Provision for compensated absences	7,057,230	-
Gross Deferred Tax Assets	11,306,109	1,208,747
Deferred Tax Liabilities/(Asset) (net)	(43,73,175)	4,626,572

8. Managerial Remuneration:

- i) The Managing Director is on deputation from State Bank of India and his remuneration is in accordance with the Service Rules of the Bank. The particulars of the remuneration of the Managing Director are as under:

Particulars	Year ended 31.03.2008 (Rs.)	Year ended 31.03.2007 (Rs.)
Salaries and Allowances	6,52,353	6,42,324
Contribution to Provident & Pension fund	1,65,214	46,129
Perquisites	710,126	318,872
Total	1,527,653	1,007,325

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

- ii) The Deputy Chief Executive Officer is an employee of the Company and also an Alternate Director and his remuneration has been approved by the Board of Directors. The particulars of the remuneration of the Deputy Chief Executive Officer are as under:

Particulars	Year ended 31.03.2008 (Rs.)	Year ended 31.03.2007 (Rs.)
Salaries and Allowances	4,641,856	4,641,856
Contribution to Provident & Pension fund	-	-
Perquisites	279,000	279,000
Total	4,920,856	4,920,856

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

9. Related Party Disclosure:

Parties where control exists:

Holding Company	State Bank of India holds 63% of the share capital
Enterprise having significant influence	Société Générale Asset Management holds 37% of the share capital
Enterprise over which the company has control	SBI Funds Management (International) Private Limited (100% subsidiary)

Other Related parties:

Fellow Subsidiaries	SBI Capital Markets Limited SBI Life Insurance Company Limited SBI Commercial and International Limited State Bank of Patiala State Bank of Mysore State Bank of Hyderabad State Bank of Saurashtra State Bank of Indore State Bank of Travancore State Bank of Bikaner & Jaipur SBI Mutual Fund Trustee Company Private Limited
Key Management Personnel	Mr. Syed Shahabuddin Mr. Didier Turpin (Deputy Chief Executive Officer)
Mutual Fund managed by the company	SBI Mutual Fund

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

List of transactions with related parties:-

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises having significant influence over the company	Mutual Fund managed by the Company
Finance:					
Bank Deposit -					
Deposits Placed with SBI Commercial and International Limited		363,434,544			
		(313,319,849)			
Deposits Matured with SBI Commercial and International Limited		171,951,001			
		(442,377,863)			
Deposits Placed with State Bank of Patiala		3,000,000			
		(70,000,000)			
Deposits Matured with State Bank of Patiala		Nil			
		(70,000,000)			
Deposits Placed with State Bank of India	30,000,000				
	Nil				
Deposits with SBI	30,000,000				
	Nil				
Deposits with State Bank of Patiala		30,000,000			
		Nil			
Deposits with SBI Commercial and International Limited		283,434,544			
		(91,951,001)			
Deposit with SBI Life Insurance Ltd.		200,000			
		(200,000)			
Balance in Current Accounts	13,757,811				
	(14,475,252)				
Advance Rent to State Bank of India	21,535				
	(1800)				
Interest Income on Bank Deposit with SBI Commercial and International Limited		13,962,025			
		(9,310,279)			
Interest Income on Bank Deposit with State Bank of Patiala		2,079,340			
		(2,551,356)			

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises having significant influence over the company	Mutual Fund managed by the Company
Interest Income on Bank Deposit with State Bank of India	1,449,863				
	Nil				
Outstanding Receivables:					
Interest Receivable on Bank Deposit with State bank of India	1,297,396				
	Nil				
Interest Receivable on Bank Deposit with State Bank of Patiala		2,079,340			
		Nil			
Interest Receivable on Bank Deposit with SBI Commercial and International Limited		8,519,582			
		(13,989,472)			
Recovery of Common establishment expenses from SBI Mutual Fund Trustee Company Private Ltd.		1,500,000			
		(1,500,000)			
Recoverable on account of Renovation expenses – SBI Capital Markets Ltd.		2,303,564			
		(28,660)			
Outstanding Payables:					
Devolvement of SBIMF scheme expenses					73,037,994
					(163,871,777)
Networking charges payable to SBI	1,800,000				
	(1,950,000)				
Investments:					
Purchases					1,748,636,251
					(2,116,306,143)
Sales					1,662,634,107
					(1,964,024,508)
Dividend Income					17,994,318
					(1,92,85,063)

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises having significant influence over the company	Mutual Fund managed by the Company
Dividend paid/proposed :					
State Bank of India	105,840,000				
	(88,200,000)				
Société Générale Asset Management				62,160,000	
				(51,800,000)	
Outstanding:					
SBIMF scheme expenses					80,474,713
					(178,079,145)
Rent Paid -					
SBI Capital Markets Ltd		26,136,828			
		(21,816,000)			
State Bank of India	5,127,725				
	(4,128,156)				
Miscellaneous Payments :					
Networking charges paid to State Bank of India	1,800,000				
	(1,950,000)				
Reimbursement of Salary for employees on deputation from State Bank of India	10,821,286				
	(10,179,172)				
Reimbursement of Salary for employees on deputation from State Bank of Saurashtra		412,477			
		(480,912)			
Reimbursement of Salary for employees on deputation from State Bank of Patiala		782,303			
		(408,476)			
Reimbursement of Salary for employees on deputation from State Bank of Mysore		549,259			
		(514,747)			
Reimbursement of Salary for employees on deputation from State Bank of Bikaner & Jaipur		562,035			
		(483,528)			

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SCHEDULE FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises having significant influence over the company	Mutual Fund managed by the Company
Reimbursement of Salary for employees on deputation from State Bank of Indore		595,293			
		(511,415)			
Reimbursement of Salary for employees on deputation from State Bank of Hyderabad		438,766			
		(498,514)			
Reimbursement of Salary for employees on deputation from State Bank of Travancore		630,101			
		(7,24,493)			
Insurance Premium Paid -					
SBI Life Insurance Co Ltd		NIL			
		(NIL)			
Bank Charges paid	252,319				
	(562,835)				
Management Fees Income					1,561,166,455
					(1,015,289,206)
Recovery of Common establishment expenses from SBI Mutual Fund Trustee Company Private Ltd.		15,00,000			
		(15,00,000)			
Management Fees Receivable					61,252,753
					(93,197,444)
Remuneration Paid to Key Management Personnel					
Mr. Syed Shahabuddin			1,527,653		
			(419,708)		
Mr. Didier Turpin			4,920,856		
			(4,920,856)		

Note: Figures in the brackets represent previous year figures.

SBI FUNDS MANAGEMENT PRIVATE LIMITED**SCHEDULE FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT****10. 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

11. Operating lease payments:

Particulars	Year ended 31.03.2008 (Rs.)	Year ended 31.03.2007 (Rs.)
Lease payments for the year	50,270,291	39,340,750
Minimum Lease Payments:-		
Not later than one year	49,187,886	39,236,903
Later than one year but not later than five years	155939,644	134,219,791
Later than five years	32,411,006	49,695,609

12. Expenditure in Foreign Currency:

Particulars	Year ended 31.03.2008 (Rs.)	Year ended 31.03.2007 (Rs.)
Travelling Expenses	4,791,187	2,372,868
Business Promotion and Advertisement	6,132,721	3,546,778
Legal and Training charges	1,620,832	1,464,981

13. Earnings in Foreign Currency:

Particulars	Year ended 31.03.2008 (Rs.)	Year ended 31.03.2007 (Rs.)
Portfolio Advisory Fees	101,647,063	20,924,386
Exchange Gain / (Loss) on above	756,533	(69,712)

14. Earnings Per Share (EPS):

Earnings per Share ('EPS') – The numerators and denominators used to calculate Basic and Diluted Earnings Per Share:

Particulars	31-03-2008	31-03-2007
(a) Nominal Value of an Equity Share (Rs.)	100	100
(b) Net profit available to Equity Shareholders (Rs.)	703,727,223	297,762,193
(c) Weighted average number of shares outstanding	50,00,000	50,00,000
(d) Basic and Diluted EPS (Rs.) = (b) / (c)	140.75	59.55

SBI FUNDS MANAGEMENT PRIVATE LIMITED**SCHEDULE FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT****15. Dividend remittances to non-resident shareholders:**

Particulars	2007-2008	2006-2007	
(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 (Rupees)	Nil	37,000,000	*51,800,000
(d) Year to which dividend relates	-	2005-2006	2006-2007

*** Interim Dividend****16. The disclosures under the Micro, Small and Medium Enterprises Development Act, 2006 have been made based on the confirmations received by the company:**

	Particulars	Amount in Rupees
1	Outstanding principal Amount & Interest as on 31st March 2008	
	- Principal Amount	Nil
	- Interest due thereon	Nil
2	Amount of interest paid along with the amounts of payment made beyond the appointed day	Nil
3	Amount of interest due and payable (where the principal has already been paid but interest has not been paid)	Nil
4	The amount of interest accrued and remaining unpaid at the end of each accounting year.	Nil
5	The amount of further interest remaining due and payable even in succeeding years, until such date when the interest dues as above are actually paid for the purpose of disallowance as a deductible expenditure under section 23 of MSMED Act	Nil

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

As per our attached report of even date

Signatories to schedules 1 to 16.

**For Deloitte, Haskins & Sells
Chartered Accountants**

**For Khandelwal Jain & Co.
Chartered Accountants**

For and on behalf of the Board of Directors

Sd/-
R. Laxminarayan
Partner

Sd/-
Pankaj Jain
Partner

Sd/-
O.P. Bhatt
Chairman

Sd/-
Syed Shahabuddin
Managing Director

Place: Mumbai,
Dated: April 26, 2008

Sd/-
Didier Turpin
**Dy. Chief Executive
Officer**

Sd/-
Ashutosh Vaidya
Company Secretary

SBI FUNDS MANAGEMENT PRIVATE LIMITED

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS
PROFILE FOR THE YEAR ENDED 31ST MARCH 2008**

(in thousands of Rupees)

Registration details

Registration number	11-65289
State code	11
Balance Sheet date	31.03.2008

Capital raised during the period

Public issue	Nil
Rights issue	Nil
Private Placement	Nil

Position of Mobilisation and Deployment of funds:

Total liabilities and shareholders' funds	1,391,104
Total assets	1,391,104

Sources of funds:

Paid -up capital	500,000
Reserves and surplus	891,104
Deferred Tax Liability (Net)	Nil
Secured loans	Nil
Unsecured loans	Nil

Application of funds:

Fixed Assets	43,871
Intangible Assets	4,948
Deferred Tax Asset (Net)	4,373
Investments	639,782
Net current assets	698,130
Miscellaneous expenditure	Nil
Accumulated losses	Nil

Performance of the Company :

Turnover	1,851,795
Total expenditure	784,660
Profit /(loss) before tax	1,067,135
Profit /(loss) after tax	703,727
EPS (in Rupees)	140.75
Dividend rate %	33.60%

Generic names of three principal services of the
Company (as per Monetary Terms):

Item Code No.
Product Description

N.A.
Asset Management Company

For and on behalf of the Board of Directors

Sd/-
O.P. Bhatt
CHAIRMAN

Sd/-
Syed Shahabuddin
MANAGING DIRECTOR

Sd/-
Didier Turpin
DY. CHIEF EXECUTIVE OFFICER
Mumbai
Dated: April 26, 2008

Sd/-
Ashutosh Vaidya
COMPANY SECRETARY