

17th Annual Report  
2008-2009

**SBI FUNDS MANAGEMENT PRIVATE LIMITED**  
(A joint venture between SBI and Société Générale Asset Management)

## Board of Directors of SBI Funds Management Private Limited



**Shri. O. P. Bhatt**  
Chairman



**Shri Achal Kumar Gupta**  
Managing Director



**Shri. Christian d'Allest**  
Director



**Shri. P. G. Kakodkar**  
Director



**Shri. Jayesh Gandhi**  
Director



**Shri. Rajas R. Doshi**  
Director



**Shri. H. K. Pradhan**  
Director



**Shri. Denis Lefranc**  
Director



**Shri. Didier Turpin**  
(Alternate Director to  
Shri. Christian d'Allest)

## Auditors

**Deloitte Haskins & Sells**  
Chartered Accountants  
12, Dr. Annie Besant Road  
Opp. Shiv Sagar Estate  
Worli  
Mumbai 400 018

**Khandelwal Jain & Co**  
Chartered Accountants  
6,-B, Pil Court  
111 M. K. Road  
Churchgate  
Mumbai 400 020

## Bankers

State Bank of India

## Registered Office

191, Maker Tower 'E'  
Cuffe Parade  
Mumbai - 400 005  
Tel.: (022) 22180221 - 27  
Fax. : (022) 22189663  
Website : [www.sbimf.com](http://www.sbimf.com)

**I**ndex

<b>CONTENTS</b>	<b>PAGES</b>
<b>SBI FUNDS MANAGEMENT PRIVATE LIMITED</b>	
DIRECTORS' REPORT	4
AUDITORS' REPORT	10
ANNEXURE TO THE AUDITORS' REPORT	11
BALANCE SHEET	14
PROFIT AND LOSS ACCOUNT	15
SCHEDULES	16
CASH FLOW STATEMENT	36
BALANCE SHEET ABSTRACT	38
<b>SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED</b>	
CORPORATE DATA	39
COMMENTARY OF THE DIRECTORS	40
SECRETARY'S CERTIFICATE	40
INDEPENDENT AUDITOR'S REPORT	41
BALANCE SHEET	42
INCOME STATEMENT	43
STATEMENT OF CHANGES IN EQUITY	44
CASH FLOW STATEMENT	45
NOTES TO THE FINANCIAL STATEMENTS	46

**DIRECTORS' REPORT**

TO,

**THE MEMBERS**

The Directors have pleasure in presenting the Seventeenth Annual Report together with the Profit and Loss Account of SBI Funds Management Private Limited for the year ended March 31, 2009 and the Balance Sheet as at that date.

The highlights of the financial results are as under:

**I. FINANCIAL RESULTS:***(Rs. in lacs)*

<b>PARTICULARS</b>	<b>YEAR UNDER REPORT 2008-09</b>	<b>PREVIOUS YEAR 2007-08</b>
Total Income	18,038.58	18,517.95
Profit before depreciation	9,941.13	10,849.36
Less : Depreciation	199.96	178.01
Profit before tax	9,741.17	10,671.35
Less : Provision for tax	2,846.26	3,634.08
Profit after tax	6,894.91	7,037.27
Balance brought forward from previous year (net)	6,449.13	2,092.37
Amount available for Appropriation	13,344.04	9,129.64
<b>APPROPRIATIONS:</b>		
Transfer to General Reserve	690.00	715.00
Interim Dividend/Proposed Dividend	2,000.00	1,680.00
Dividend Distribution Tax	339.90	285.51
Balance/(Loss) to be carried forward	10,314.14	6,449.13

**II. DIVIDEND:**

During the year under review, the Company has made a net profit of Rs. 6,894.91 lacs. The Directors recommend a dividend of 40% on the Paid up Equity Capital of the Company which, if approved, will amount to Rs. 2,000 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. 339.90 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. 18,466.05 lacs as at the end of March, 2009 from Rs. 13,911.04 lacs as at the end of March, 2008.

**IV BUSINESS ENVIRONMENT:****THE ECONOMY**

The Gross Domestic Product increased by 7.5 per cent, 9.5 per cent, 9.7 percent and 9 per cent in the four years from fiscal year 2004-05 to 2007-08 recording a sustained growth of over 9 per cent for three consecutive years for the first time. The growth drivers for the period were agriculture, services, manufacturing along with trade and construction.

## **SBI FUNDS MANAGEMENT PRIVATE LIMITED**

---

Fiscal deficit was brought down from 4.5 per cent in 2003-04 to 2.7 per cent in 2007-08 and Revenue deficit was also brought down from 3.6 per cent to 1.1 per cent in 2007-08. The domestic investment rate as a proportion of GDP increased from 27.6 per cent in 2003-04 to 39 per cent in 2007-08. Gross Domestic savings rate shot up from 29.8 per cent to 37.7 per cent during this period. The Gross capital formation in agriculture as a proportion of agriculture GDP increased from 11.1 per cent in 2003-04 to 14.2 per cent in 2007-08. The tax to GDP ratio increased from 9.2 per cent in 2003-04 to 12.5 per cent in 2007-08. Annual growth rate of agriculture rose to 3.7 per cent during 2003-04 to 2007-08. The foodgrain production recorded an increase of 10 million tonnes each year during this period and touched an all time high of 230 million tonnes in 2007-08. While manufacturing sector recorded growth of 9.5 per cent per annum in the period 2004-05 to 2007-08, communication and construction sectors grew at the rate of 26 per cent and 13.5 per cent per annum respectively. Exports grew at an annual average growth rate of 26.4 per cent in US dollar terms in the period 2004-05 to 2007-08. Foreign trade increased from 23.7 per cent of GDP in 2003-04 to 35.5 per cent in 2007-08.

Despite the global financial crisis which began in 2007 impacting most emerging market economies, 7.1 per cent rate of GDP growth in the current year makes India the second fastest growing economy in the world. Fallout of global slowdown on Indian economy were countered with fiscal stimulus packages announced on December 7, 2008 and January 2, 2009 providing tax relief to boost demand and increasing expenditure on public projects. In addition to RBI taking number of monetary easing and liquidity enhancing measures such as reduction in cash reserve ratio, statutory liquidity ratio and key policy rates, Government has taken specific measures which include extension of export credit for labour intensive exports, improving pre and post shipment credit availability, additional allocations for refund of Terminal Excise Duty/CST and export incentive schemes besides removal of export duty and export ban on certain items. A Committee of Secretaries has been set up to address procedural problems faced by exporters. Record US\$ 32.4 billion FDI was received in 2007-08 and financial uncertainty and slowdown notwithstanding, FDI inflows during April-November, 2008 were US\$ 23.3 billion recording a growth of 45 per cent over the same period in 2007. Fiscal Responsibility and Budget Management targets for the current year and for fiscal 2009-10 stand relaxed to provide much needed demand boost.

Inflation has come down sharply from 12.9 percent on 2<sup>nd</sup> August, 2008 to 0.28 percent on 28th March, 2009. Average inflation during April 2008-February 2009 remained higher at 9.1 percent as compared with 4.4 per cent in the corresponding period of 2007-08. We expect a real GDP growth to moderate to 6.5 percent in 2008-09.

### **CAPITAL MARKETS**

2008-09 was a difficult year full of volatility for the stock markets worldwide. The global financial crisis, which began in 2007 took a turn for the worse in September 2008, with the collapse of several international financial institutions, including investment banks, mortgage lenders and insurance companies. There has been a severe choking of access to credit since then. There was also a global crash in stock markets. The slowdown intensified with the US, Europe and Japan sliding into recession. The Bombay Stock Exchange(BSE) Sensex fell from 15,644 as at the end of March 2008 to 9,708 as at the end of March, 2009, while the National Stock Exchange (NSE) index Nifty 50 fell from 4,735 to 3,021 during the same period. The markets were volatile throughout the year. However, towards the end of the year, the negative sentiment prevailing globally seemed to be waning with investors expecting that low interest rates, stimulus plans and banking bail-outs would lead to a recovery in the world economy. In India, the economy seemed to be getting back into its faster growth lane with major sectors such as cement, steel, automobiles and tourism showing a recovery. The year saw negative FII inflows, with net sales of equities worth USD 11.8 bn(Previous Year USD 12.9 bn). The domestic mutual funds, however, net bought equities worth Rs. 6,984 crore( Previous Year Rs 13,685 crore) during the year.

### **MUTUAL FUND INDUSTRY**

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

- a) The filing fee & Registration fee payable by mutual funds were revised.
- b) SEBI enhanced the aggregate ceiling for overseas investment to US \$ 7 billion
- c) Notification on Real Estate Mutual Fund Schemes and Initial Issue Expenses was issued.

## **SBI FUNDS MANAGEMENT PRIVATE LIMITED**

---

- d) The formats of Standard Offer Document and Key Information Memorandum were revised.
- e) Existing mutual fund schemes were allowed to engage in short selling of securities as well as lending and borrowing of securities after making additional disclosures including risk factors in the Scheme Information Document.
- f) SEBI clarified that the SEBI circular no. SEBI/IMD/CIR No.1/91171/07 dated April 16, 2007 shall not apply to term deposits placed as margins for trading in cash and derivatives market.
- g) E-mailing of Abridged Scheme-wise Annual Reports was permitted, if so mandated.
- h) Valuation procedure of Debt securities was revised.
- i) In respect of purchase of units in Income/ Debt oriented schemes (other than liquid fund schemes and plans) with amount equal to or more than Rs. 1 crore, irrespective of the time of receipt of application, the closing NAV of the day on which the funds are available for utilization was made applicable.
- j) In case of Close Ended Schemes (except Equity Linked Savings Schemes) to be launched on or after December 12, 2008, (i) Mandatory listing was introduced; (ii) Listing fee was made a permissible expense to be charged under Regulation 52(4); (iii) Trustees are to ensure that before launch of the scheme the in-principle approval for listing has been obtained from the stock exchange(s) and appropriate disclosures are made in the Scheme Information Document; (iv) NAV to be computed and published on daily basis; (v) Close ended debt scheme shall invest only in such securities which mature on or before the date of the maturity of the scheme.
- k) In case of liquid schemes, the tenure of the securities held in the portfolio from the one year was reduced and SEBI directed to discontinue the nomenclature of "Liquid Plus Scheme" since it gives a wrong impression of added liquidity.
- l) SEBI also decided that the Mutual Funds shall not offer/communicate any indicative portfolio and indicative yield.
- m) Monthly Portfolio disclosure norms were introduced for debt oriented close-ended and interval schemes/plans.

During the year, the total resources mobilised by the mutual fund industry stood at Rs 54,26,353 crore (Previous year Rs. 44,64,376 crore) while the total repurchase/redemption amount was Rs. 54,54,649 crore (Previous year Rs. 43,10,575 crore) (Source : SEBI website). The industry thus saw a net outflow of Rs. 28,296 crore (Previous year net Inflow of Rs. 1,53,801 crore) during the year. Although the tax-saving funds, balanced funds, growth-oriented equity funds and fund of funds investing overseas contributed a net inflow of Rs. 4,863 crore, the net outflow of Rs. 33,159 crore in income/ debt oriented funds and exchange traded funds resulted in a net outflow of Rs. 28,296 crore.

The total Assets under management as on 31<sup>st</sup> March, 2009 stood at Rs. 4,17,300 crore (Previous year Rs. 5,05,152 crore).

## **PERFORMANCE OVERVIEW & FUTURE PLANS**

SBI Mutual Fund saw a total inflow of Rs. 2,51,548 crore (Previous year Rs. 1,12,065 crore) in the domestic open and close-ended funds during the year. The inflow took place predominantly in the liquid and debt funds. The total redemption amounted to Rs. 2,49,439 crore (Previous year Rs. 1,05,487 crore), leaving a net inflow of Rs. 2,109 crore as against a net inflow of Rs. 6,578 crore in the previous year. SBI Mutual Fund had a positive net inflow of Rs. 2,315 crore as against a net outflow of Rs. 28,296 crore for the industry during the year.

Based on average assets under management, SBI Mutual Fund had a market share of 5.15% during 2007-08 which has gone up to 5.52% during 2008-09. (Source : AMFI website). The average assets under management, which were Rs. 25,302 crore for 2007-08 increased to Rs. 27,846 crore during 2008-09.

During the year, SBI Mutual Fund launched nineteen SBI Debt Fund Series Funds. The schemes received good response from the investors and total funds mobilized under these schemes amounted to Rs 15,109 crore. The first Exchange Traded Fund by SBI Mutual Fund namely SBI Gold Exchange Traded Scheme was also launched in March, 2009 which is yet to close for subscription.

The Resurgent India Opportunities Fund, the off-shore fund managed by the Company, also witnessed a decrease in Assets under Management because of global recession. The value of assets managed as on 31st March, 2009 came down to Rs. 34 Crore from was Rs. 68 crore as on 31st March, 2008.

## **SBI FUNDS MANAGEMENT PRIVATE LIMITED**

---

The number of portfolio management service clients remained unchanged at eight during the year under review. The value of assets managed decreased to Rs. 2,685 crore as on 31<sup>st</sup> March, 2009 from Rs. 5,003 crore as on 31<sup>st</sup> March, 2008. The assets under management in respect of National Investment Fund (NIF) of the Government of India as on 31<sup>st</sup> March, 2009 were Rs. 580 crore .

During the year, the number of AMFI certified Agents selling SBI Mutual Fund products increased to 29,367 as on 31<sup>st</sup> March, 2009 from 17,109 as on 31<sup>st</sup> March, 2008. The number of AMFI certified employees in State Bank Group increased to 13,248 as on 31<sup>st</sup> March, 2009 from 6,150 as on 31<sup>st</sup> March, 2008.

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 31<sup>st</sup> March, 2009 increased to 48 as compared to 43 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 31<sup>st</sup> March, 2009, the Company operated Investor Service Centres in 30 major cities in addition to 7 Investor Service Points and two Overseas Points of presence.

### **AWARDS**

The directors are pleased to inform that SBI Mutual Fund has received the 'Best Equity Fund House-Runner up' award instituted by Outlook Money - NDTV Profit Awards 2008.

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

#### **ICRA MUTUAL FUND AWARDS 2009**

<b>Scheme Name</b>	<b>Category</b>	<b>Award</b>	<b>Period</b>
Magnum Tax Gain Scheme 93	Open Ended Equity Linked Savings Schemes (ELSS)	5 Star Fund	3 years

#### **LIPPER FUND AWARDS - INDIA 2009**

<b>Scheme Name</b>	<b>Category</b>	<b>Period</b>
Magnum Balanced Fund (Dividend)	Equity India	5 Years
Magnum Sector Funds Umbrella-Contra Fund-Dividend	Mixed Assets INR Aggressive	5 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. 1,187.79 lacs in foreign exchange as portfolio management fee. The foreign exchange outgo on account of traveling and business promotion was Rs. 90.67 lacs.

## **SBI FUNDS MANAGEMENT PRIVATE LIMITED**

---

### **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 31<sup>st</sup> March, 2009, 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:

Mr.Pradeep Mallick , Mr.Alain Clot and Mr. Ashwin Dani resigned as Directors with effect from 3<sup>rd</sup> September, 2008, 15<sup>th</sup> October, 2008 and 24<sup>th</sup> October, 2008 respectively.

Mr. Syed Shahabuddin resigned as the Managing Director on 2<sup>nd</sup> May, 2008 consequent upon his posting as the Managing Director of Clearing Corporation of India limited. In his place, Mr. Achal Kumar Gupta was appointed as the Managing Director with effect from 15<sup>th</sup> May, 2008.

Mr. Rajas R.Doshi has been appointed as Director with effect from 19<sup>th</sup> January, 2009.

The Board places on record its appreciation of the invaluable contributions made by Mr. Syed Shahabuddin, Mr. Alain Clot, Mr. Pradeep Mallick and Mr. Ashwin Dani as Directors of the Company.

The Board also extends a warm welcome to Mr. Achal Kumar Gupta and Mr. Rajas R.Doshi, who have joined the Board of the Company.

### **VII. BOARD MEETINGS:**

Five board meetings were held during the financial year under review – on 26<sup>th</sup> April, 2008, 20<sup>th</sup> May, 2008, 19<sup>th</sup> July, 2008, 20<sup>th</sup> October, 2008 and 16<sup>th</sup> January, 2009.

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

<b>Directors</b>	<b>Number of Board Meetings Attended</b>
Mr. O. P. Bhatt (Chairman)	4
Mr. Syed Shahabuddin	1
Mr. Achal Kumar Gupta	4
Mr. Alain Clot	1
Mr. Christian d'Allest	4
Mr. Jayesh Gandhi	4
Mr. Pradeep Mallick	2
Mr.Ashwin Dani	0
Mr. Didier Turpin (Alternate to Mr. Christian d'Allest)	5
Mr.P.G.Kakodkar	3
Mr. Rajas R.Doshi	0

### **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 five 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 2008-2009.

## **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**

The Comptroller and Auditor General of India, New Delhi appointed M/s. Deloitte, Haskins and Sells and M/s. Khandelwal, Jain & Co. joint Statutory Auditors of the Company, who will retire at the conclusion of the Sixteenth 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 2009-2010.

## **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:27<sup>th</sup> April, 2009

**O.P.BHATT  
CHAIRMAN**

## **AUDITORS' REPORT**

### **TO THE MEMBERS**

#### **SBI FUNDS MANAGEMENT PVT LTD**

1. We have audited the attached Balance Sheet of **SBI Funds Management Private Limited** as at March 31, 2009, 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 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - f) Without qualifying our opinion we draw attention to Note no 7. of Schedule 15 regarding the acquisition by the company of investments amounting to Rs 41.31 crores from certain schemes of SBI Mutual Fund subsequent to a restructuring scheme for debt exposure to Unitech Ltd and the valuation there of at cost for the reasons explained in the note.
  - g) 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, 2009;
    - 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

**R. Laxminarayan**  
**Partner**  
**Membership No: 33023**  
**Mumbai**  
**Dated: April 27, 2009**

**Shivratan Agarwal**  
**Partner**  
**Membership No: 104180**

## **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, 2009 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 a 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 the 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, 2009 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 31<sup>st</sup> March, 2009 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.

## **SBI FUNDS MANAGEMENT PRIVATE LIMITED**

---

- (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 has 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

**R. Laxminarayan**

**Partner**

**Membership No: 33023**

**Mumbai**

**Dated: April 27, 2009**

**Shivratan Agarwal**

**Partner**

**Membership No: 104180**

**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 2009.**

The preparation of financial statements of SBI Funds Management Private Limited for the year ended 31 March 2009 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 are 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 27 April 2009.

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 <sup>31</sup> March 2009, This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to the inquiries of the statutory auditors 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 Auditors' report under Section 619(4) of the Companies Act, 1956.

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

**Mridula Sapru**

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

Place : Mumbai

Date : 3 July 2009

**BALANCE SHEET AS AT MARCH 31, 2009**

	Schedules	Rs.	As at 31.03.2009 Rs.	Rs.	As at 31.03.2008 Rs.
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Capital	1		500,000,000		500,000,000
Reserves and Surplus	2		1,346,605,159		891,103,831
<b>TOTAL</b>			<b>1,846,605,159</b>		<b>1,391,103,831</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	3	137,114,213		116,977,961	
Less : Depreciation		85,845,316		68,159,662	
Net Block			51,268,897		48,818,299
Capital Work in Progress			7,171,864		1,392,895
<b>Investments</b>	4		724,558,371		639,781,956
<b>Deferred Tax Asset (Net)</b>			2,182,677		4,373,175
<b>Current Assets, Loans and Advances</b>					
Sundry Debtors	5	139,631,302		115,382,194	
Cash and Bank Balances	6	1,163,080,797		557,215,379	
Other Current Assets	7	26,768,038		16,980,692	
Loans and Advances	8	177,506,396		511,036,222	
		1,506,986,533		1,200,614,487	
<b>Less: Current Liabilities and Provisions</b>					
Liabilities	9	165,763,129		257,103,946	
Provisions	10	279,800,054		246,773,035	
		445,563,183		503,876,981	
<b>Net Current Assets</b>			1,061,423,350		696,737,506
<b>TOTAL</b>			<b>1,846,605,159</b>		<b>1,391,103,831</b>
<b>Significant Accounting Policies and Notes to the Accounts</b>					
	15				

As per our attached report of even date

For Deloitte Haskins & Sells  
Chartered AccountantsFor Khandelwal Jain & Co  
Chartered Accountants

For and on behalf of the Board of Directors

R. Laxminarayan  
PartnerShivratan Agrawal  
PartnerO. P. Bhatt  
ChairmanAchal Kumar Gupta  
Managing DirectorDidier Turpin  
Dy. Chief Executive OfficerVinaya Datar  
Company SecretaryPlace: Mumbai  
Dated: April 27, 2009Place: Mumbai  
Dated: April 27, 2009Place: Mumbai  
Dated: April 27, 2009

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009**

	Schedules	Current Year		Previous Year	
		Rs.	Rs.	Rs.	Rs.
<b>INCOME:</b>					
Management Fees (Gross)			<u>1,404,757,723</u>		<u>1,561,166,455</u>
[Tax deducted at source Rs.178,579,468 (Previous year Rs.185,571,462)]					
Portfolio Advisory Fee			117,716,174		101,647,064
[Tax deducted at source Rs.1,119,719 (Previous year Rs.5,044)]					
Income from Investments	11		112,568,130		25,310,791
Other Income	12		<u>168,815,664</u>		<u>163,695,783</u>
			<b><u>1,803,857,691</u></b>		<b><u>1,851,820,093</u></b>
<b>EXPENDITURE:</b>					
Employee Costs	13		400,659,338		314,191,825
Administrative and Other Expenses	14		409,084,765		452,691,416
Depreciation on Fixed Assets			<u>19,996,479</u>		<u>17,801,953</u>
			<b><u>829,740,582</u></b>		<b><u>784,685,194</u></b>
<b>Profit before tax</b>			<b><u>974,117,109</u></b>		<b><u>1,067,134,899</u></b>
<b>Provision for taxes:</b>					
Current Tax		(295,000,000)		(355,200,000)	
Deferred Tax		(2,190,498)		(407,676)	
Fringe Benefit Tax		(7,700,000)		(7,800,000)	
Excess Provision for Tax in respect of previous years written back		<u>20,264,717</u>		-	
			(284,625,781)		(363,407,676)
<b>Profit after tax</b>			<u>689,491,328</u>		<u>703,727,223</u>
Balance brought forward from previous year			644,913,270		209,237,647
<b>Profit available for appropriation</b>			<b><u>1,334,404,598</u></b>		<b><u>912,964,870</u></b>
<b>APPROPRIATIONS</b>					
Transfer to General Reserve			69,000,000		71,500,000
Proposed Dividend			200,000,000		168,000,000
Corporate Dividend Tax			33,990,000		28,551,600
Surplus carried to Balance Sheet			<u>1,031,414,598</u>		<u>644,913,270</u>
			<b><u>1,334,404,598</u></b>		<b><u>912,964,870</u></b>
Basic and diluted earnings per share [Refer note 14 of Schedule 15] (Face Value per Share Rs. 100/-)			137.90		140.75
<b>Significant Accounting Policies and Notes to the Accounts</b>					
	15				

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**

**R. Laxminarayan**  
Partner

**Shivratan Agrawal**  
Partner

**O. P. Bhatt**  
Chairman

**Achal Kumar Gupta**  
Managing Director

**Didier Turpin**

Dy. Chief Executive Officer

**Vinaya Datar**

Company Secretary

Place: Mumbai

Dated: April 27, 2009

Place: Mumbai

Dated: April 27, 2009

Place: Mumbai

Dated: April 27, 2009

**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**

	Rs.	As at 31.03.2009 Rs.	Rs.	As at 31.03.2008 Rs.
<b>SCHEDULE 1</b>				
<b>SHARE CAPITAL</b>				
Authorised				
5,000,000 Equity Shares of Rs.100 each		500,000,000		500,000,000
Issued, Subscribed and Paid Up				
5,000,000 Equity Shares of Rs. 100 each fully paid up		500,000,000		500,000,000
<b>TOTAL</b>		<b>500,000,000</b>		<b>500,000,000</b>
Notes: Out of the above shares:				
1. 31,50,000 shares (Previous Year 31,50,000) are held by State Bank of India, the Company's holding entity, and its nominees;				
2. 20,00,000 shares (Previous Year 20,00,000) are allotted as fully paid up bonus shares by capitalisation of General Reserves				
<b>SCHEDULE 2</b>				
<b>RESERVES AND SURPLUS</b>				
General Reserve				
As per last Balance Sheet	246,190,561		208,746,613	
Less: Adjustment towards provision for employee benefits as per AS-15 (Revised).	-		(34,056,052)	
Add: Transfer from Profit and Loss Account	69,000,000		71,500,000	
		315,190,561		246,190,561
Balance in profit and loss account		1,031,414,598		644,913,270
<b>TOTAL</b>		<b>1,346,605,159</b>		<b>891,103,831</b>

# 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 01.04.2008	Additions for the Year	Deductions/ Adjustment/ Written off for the year	As at 31.03.2009	Upto 01.04.2008	For the Year	Deductions/ Adjustments for theyear	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
<b>A. Intangible Assets</b>										
Computer Software (Acquired)	17,589,014	-	-	17,589,014	12,702,365	2,569,812	-	15,272,177	2,316,837	4,886,649
Website Development Cost (Self Constructed)	2,032,000	-	-	2,032,000	1,971,322	60,678	-	2,032,000	-	60,678
<b>B. Tangible Assets</b>										
Leasehold Improvement	15,766,052	9,478,206	535,304	24,708,954	5,461,812	4,793,286	103,678	10,151,420	14,557,534	10,304,240
Computers	53,691,777	7,847,741	2,249,869	59,289,649	34,540,713	9,112,784	1,903,473	41,750,024	17,539,625	19,151,064
Motor Car	2,658,053	-	-	2,658,053	1,449,488	312,898	-	1,762,386	895,667	1,208,565
Office Equipment	20,085,071	3,211,297	255,079	23,041,289	9,479,285	1,875,108	168,491	11,185,902	11,855,387	10,605,786
Furniture & Fixtures	5,155,994	2,799,327	160,067	7,795,254	2,554,677	1,271,913	135,183	3,691,407	4,103,847	2,601,317
<b>TOTAL</b>	<b>116,977,961</b>	<b>23,336,571</b>	<b>3,200,319</b>	<b>137,114,213</b>	<b>68,159,662</b>	<b>19,996,479</b>	<b>2,310,825</b>	<b>85,845,316</b>	<b>51,268,897</b>	<b>48,818,299</b>
<i>Previous Year</i>	<b>96,710,259</b>	<b>22,430,750</b>	<b>2,163,048</b>	<b>116,977,961</b>	<b>52,114,894</b>	<b>17,801,953</b>	<b>1,757,185</b>	<b>68,159,662</b>	<b>4,818,299</b>	

## SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

### SCHEDULE 4

#### INVESTMENTS

(Non-trade, unquoted, FULLY PAID)

	AS AT 31.03.2009			AS AT 31.03.2008		
	FACE VALUE (RS.)	NO. OF UNITS	RS.	FACE VALUE (RS.)	NO. OF UNITS	RS.
<b>A. LONG TERM INVESTMENTS (AT COST)</b>						
<b>IN EQUITY SHARES OF SUBSIDIARY COMPANY</b>						
SBI FUNDS MANAGEMENT (INTERNATIONAL) PVT. LTD.	US\$ 1	10,000	444,400	US\$ 1	10,000	444,400
<b>IN EQUITY SHARES OF OTHER COMPANY</b>						
SBI PENSION FUNDS PVT LTD		10 1,000,000	10,025,000	-	-	-
<b>IN SCHEMES OF SBI MUTUAL FUND</b>						
SBI DEBT FUND SERIES - 13 MONTHS-INSTITUTIONAL GROWTH MONTHS (AUG 08)	10	8,000,000	80,000,000	-	-	-
SBI DEBT FUND SERIES - 13 MONTHS GROWTH (DEC 07)	-	-	-	10	8,000,000	80,000,000
SBI DEBT FUND SERIES - 13 MONTHS GROWTH (MAR 07)	-	-	-	10	4,000,000	40,000,000
SBI DEBT FUND SERIES - 13 MONTHS GROWTH (AUG 07)	-	-	-	10	6,000,000	60,000,000
SBI DEBT FUND SERIES - 15 MONTHS GROWTH (FEB 07)	-	-	-	10	17,516,930	175,169,300
			<b>90,469,400</b>			<b>355,613,700</b>
<b>B. Current Investments (At lower of cost and fair value)</b>						
In schemes of SBI Mutual Fund						
Magnum Insta Cash Daily Dividend	10	13,189,567	220,929,210	-	-	-
SBI Arbitrage Opportunities Fund Growth	-	-	-	10	7,230,005	80,000,000
SBI Debt Fund Series - 90 Days Dividend-20- 26-FEB 08 DIV	-	-	-	10	20,416,404	204,168,256
14% PTC "RB Loan Trust Series 21* (Refer Note 7 of Schedule 15)	10,638,298	37	393,617,021	-	-	-
16% Non Convertible Debentures (Refer Note 7 of Schedule 15)	500,000	39	19,542,740	-	-	-
			<b>634,088,971</b>			<b>284,168,256</b>
<b>Total</b>			<b>724,558,371</b>			<b>639,781,956</b>

**SBI FUNDS MANAGEMENT PRIVATE LIMITED**

\* Investments acquired from Schemes of SBI Mutual Fund are in the process of getting transferred in the name of the Company

**Note: In addition to the above, following investments in units of Schemes of SBI Mutual Fund were purchased/switched in as well as sold/redeemed/switched out during the year**

<b>Name of the Scheme</b>	<b>No. of Units</b>	<b>Amount (Rs.)</b>	<b>No. of Units</b>	<b>Amount (Rs.)</b>
SBI SHF Ultra Short Term Fund IP Daily Div	88,063,551	881,075,830	-	-
Magnum Insta Cash Liquid Floater Dividend	-	-	35,825,022	367,711,674
SBI SHF LIQUID PLUS IP WEEKLY DIV	-	-	2,516,990	25,244,317
SBI PREMIER LIQ- Institutional Weekly Div	-	-	4,263,553	45,071,695
SBI PREMIER SUPER LIQ- Institutional Daily div	8,478,640	85,061,952	6,017,389	60,369,450
SBI PREMIER SUPER LIQ- Super Institutional Daily div	74,719,134	749,619,708	28,435,172	285,275,860
SBI DEBT FUND SERIES 90 DAYS 27 NOV 07 DIV	-	-	20,362,377	203,625,582
SBI DEBT FUND SERIES 90 DAYS May 07 DIV	-	-	17,000,000	170,000,000
SBI DEBT FUND SERIES 90 DAYS 13-AUG 07 DIV	-	-	17,292,893	172,928,930
SBI DEBT FUND SERIES 90 DAYS 27 MAY 08 DIV	40,993,743	409,937,434	-	-
SBI DEBT FUND SERIES 30 DAYS DIV	36,733,576	367,335,760	-	-
SBI DEBT FUND SERIES 90 DAYS 26 JULY 08 DIV	8,167,216	81,672,160	-	-
SBI DEBT FUND SERIES 90 DAYS 27 Div	37,517,985	375,179,848	-	-
SBI DEBT FUND SERIES 90 DAYS -28	41,910,036	419,100,356	-	-
SBI DEBT FUND SERIES 90 DAYS -31	48,532,636	485,326,363	-	-
SBI DEBT FUND SERIES 90 DAYS -32	42,702,387	427,023,867	-	-
SBI Magnum Insta Cash Daily DIV Option	35,163,549	589,000,000	-	-
SBI DEBT FUND SERIES 90 DAYS -20 FEB 08 DIV	360,492	3,604,924	-	-

**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**

	As at 31.03.2009		As at 31.03.2008	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 5</b>				
<b>SUNDRY DEBTORS</b>				
(Unsecured and considered good )				
Debts outstanding for a period exceeding six months		-	-	
Other Debts		139,631,302		115,382,194
<b>Total</b>		<b><u>139,631,302</u></b>		<b><u>115,382,194</u></b>
<b>SCHEDULE 6</b>				
<b>CASH &amp; BANK BALANCES</b>				
Cash on hand		5,492		23,024
Balances with scheduled banks				
in current accounts	167,440,824		13,757,811	
in fixed deposits*	995,634,481		543,434,544	
		<b><u>1,163,075,305</u></b>		<b><u>557,192,355</u></b>
<b>Total</b>		<b><u>1,163,080,797</u></b>		<b><u>557,215,379</u></b>
* includes AED 50,000 (Rs. 674,500) (Previous year - Nil) towards lien created by Bank in favour of Ministry of Economy, Dubai, UAE.				
<b>SCHEDULE 7</b>				
<b>OTHER CURRENT ASSETS</b>				
Interest Accrued On				
Fixed Deposits		26,608,694		16,980,692
Current Investments		159,344		-
<b>Total</b>		<b><u>26,768,038</u></b>		<b><u>16,980,692</u></b>
<b>SCHEDULE 8</b>				
<b>LOANS AND ADVANCES</b>				
(Unsecured, considered good, unless otherwise specified)				
Advances recoverable in cash or in kind or for value to be received		59,853,959		253,331,276
Deposits		39,625,376		14,975,226
Advance payment of taxes and tax deducted at source (net of provision for taxation of Rs 816,107,539 previous year Rs.736,891,145.)		78,027,061		242,729,720
<b>Total</b>		<b><u>177,506,396</u></b>		<b><u>511,036,222</u></b>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**

	As at 31.03.2009	As at 31.03.2008
	Rs.	Rs.
<b>Advances include the following:</b>		
<b>From companies under same Management</b>		
<b>SBI Capital Markets Ltd</b>		
Outstanding	-	2,303,564
Maximum outstanding during the year	2,303,564	2,303,564
<b>SBI Mutual Fund Trustee Company Pvt. Ltd.</b>		
Outstanding	-	1,348,949
Maximum outstanding during the year	1,352,995	1,963,002
<b>SBI General Insurance Company Ltd.</b>		
Outstanding	2,442,001	-
Maximum outstanding during the year	2,442,001	-
<b>SCHEDULE 9</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors (other than micro, small and medium enterprises)	13,601,332	68,112,822
Other Liabilities	152,161,797	188,991,124
<b>Total</b>	<b>165,763,129</b>	<b>257,103,946</b>
<b>SCHEDULE 10</b>		
<b>PROVISIONS</b>		
Proposed dividend	200,000,000	168,000,000
Tax on Proposed Dividend	33,990,000	28,551,600
Provision for Compensated Absences	44,744,115	37,721,056
Provision for Gratuity	1,065,939	12,500,379
<b>Total</b>	<b>279,800,054</b>	<b>246,773,035</b>

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

	Year Ended 31.03.2009 Rs.	Year Ended 31.03.2008 Rs.
<b>SCHEDULE 11</b>		
<b>INCOME FROM INVESTMENTS</b>		
Profit on Sale of Long Term Investments	48,474,832	7,316,473
Dividend from Current Investments	64,093,298	17,994,318
<b>Total</b>	<b>112,568,130</b>	<b>25,310,791</b>
<b>SCHEDULE 12</b>		
<b>OTHER INCOME</b>		
Interest on loans to employees	1,248,908	842,473
Interest on Bank deposits (gross) [Tax deducted at Source Rs.10,127,198 (Previous Year Rs 2,655,222 )]	54,671,713	22,960,705
Interest on current investments	159,524	-
Realisation of Devolved Investments	2,036,000	15,345,250
Interest on Income Tax refund	81,090,715	94,714,690
Miscellaneous Income	17,530,531	4,555,736
Foreign Exchange Gain (net)	1,062,380	-
Excess provision in respect of earlier years written back	11,015,893	25,276,929
<b>Total</b>	<b>168,815,664</b>	<b>163,695,783</b>
<b>SCHEDULE 13</b>		
<b>EMPLOYEE COSTS</b>		
Salaries, allowances and bonus	327,609,752	247,064,990
Contribution to Provident and Other Funds	23,996,283	26,790,110
Staff welfare expenses	49,753,303	41,036,725
	<b>401,359,338</b>	<b>314,891,825</b>
Less: Sharing of Common Establishment Expenses	(700,000)	(700,000)
<b>Total</b>	<b>400,659,338</b>	<b>314,191,825</b>

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

	Year Ended 31.03.2009		Year Ended 31.03.2008	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 14</b>				
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>				
Rent		62,793,244		44,105,334
Rates and taxes		660,123		954,347
Electricity charges		9,716,444		7,987,757
Repairs and maintenance :				
- Equipment	6,805,941		5,581,349	
(includes prior period expenditure of Rs. 51,247 Previous Year 525,759)				
- Others	5,563,572		5,212,952	
		12,369,513		10,794,301
Insurance		1,635,351		1,804,756
Travelling and Conveyance		31,927,821		32,589,097
Recruitment and Training		6,596,610		4,407,574
Printing and Stationery		10,564,515		10,721,900
Postage and Telegram		20,787,498		25,121,684
Telephone		19,492,141		17,598,909
Scheme expenses		69,780,433		80,531,913
Business Promotion		68,372,566		97,417,722
Advertising and Publicity		26,145,259		68,594,467
Legal and Professional fees		8,126,978		8,363,237
(includes prior period expenditure of Rs. 504,310 Previous Year Nil)				
Filing Fee for schemes		26,556,188		13,956,917
Membership and Subscription		22,166,592		15,324,618
Auditor's Remuneration:				
-Audit Fee *	1,500,000		1,000,000	
-Certification Fee	57,000		50,000	
-Out of pocket expenses	3,245		6,399	
Service tax on above services	160,772		124,391	
Service tax input credit	(160,772)		(124,391)	
		1,560,245		1,056,399
Directors' sitting fees		122,500		139,000
Foreign Exchange Loss (net)		-		756,533
Loss on sale of assets (net)		65,867		195,079
Loss on sale of current investment		6,446		25,081
Miscellaneous expenses		10,438,431		11,044,791
(includes prior period expenditure of Rs. 2,273 Previous Year 522,721)				
		409,884,765		453,491,416
Less: Sharing of Common Administrative Expenses		(800,000)		(800,000)
<b>Total</b>		<b>409,084,765</b>		<b>452,691,416</b>

\* Inclusive of Tax audit and Consolidation fees

## **S**SCHEDULE FORMING PART OF THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

### **SCHEDULE 15 - 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 and 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 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 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.

**(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 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 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 Provisions, Contingent Liabilities and Contingent Assets**

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.

(I) **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.

**Notes to the Financial Statements:**

**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. NIL (previous year Rs. 5,297,059). Amount paid under protest/adjusted against refund for other assessment year against the above is Rs. NIL (Previous year Rs. 5,297,059).
- ii) Claims against the Company not acknowledged as debts – Investor claims pending in consumer courts – Rs. 5,466,690 (Previous Year Rs. 7,978,912).
- 3. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 10,232,276 (Previous Year Rs. 10,000,757).

**4. Employee benefits**

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

4.1

**Rs.**

<b>Change in funded benefit obligations</b>	<b>As at 31.03.2009</b>	<b>As at 31.03.2008</b>
Present value of funded benefit obligations, 1 <sup>st</sup> April	21,090,421	15,868,513
Service cost	6,886,230	4,754,474
Interest cost	2,205,001	1,577,337
Benefits paid	(828,289)	(1,812,540)
Actuarial (gain)/loss on obligations	(6,397,622)	702,637
<b>Present value of funded benefit obligations as at 31<sup>st</sup> March</b>	<b>22,955,741</b>	<b>21,090,421</b>

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

**Rs.**

	<b>As at 31.03.2009</b>	<b>As at 31.03.2008</b>
Fair value of plan assets , 1 <sup>st</sup> April	8,590,042	6,576,541
Expected return on plan assets	1,721,126	713,408
Actuarial gain/(loss)	(931,256)	(134,691)
Employer contribution	13,338,179	3,247,324
Benefits paid	(828,289)	(1,812,540)
Settlement cost		-
Fair value of plan assets at year end	21,889,802	8,590,042

**4.3 Reconciliation of Fair Value of Assets and Obligations**

Rs.

	<b>As at 31.03.2009</b>	<b>As at 31.03.2008</b>
Present value of obligation as at 31st March,	22,955,741	21,090,421
Fair value of plan assets as at 31st March,	21,889,802	8,590,042
Amount recognized in Balance Sheet	(1,065,939)	(12,500,379)

**4.4 Expense recognized during the year ( Under the head "Employee Cost"-Refer Schedule 13)**

Rs.

	<b>As at 31.03.2009</b>	<b>As at 31.03.2008</b>
Current Service Cost	6,886,230	4,754,474
Interest Cost	2,205,001	1,577,337
Expected return on plan assets	(1,721,126)	(713,408)
Actuarial (gain) / loss	(5,466,366)	837,329
<b>Net Cost</b>	<b>1,903,739</b>	<b>6,455,732</b>

**4.5 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 :-**

Rs.

	<b>As at 31.03.2009</b>	<b>As at 31.03.2008</b>
Discount rate	7.75%	8.% p.a.
Salary escalation rate	10% p.a. for first 4 years ; 8% p.a. for next 5 years and 5% p.a. thereafter	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%	8%

**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.

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

**SBI FUNDS MANAGEMENT PRIVATE LIMITED****5. Deferred Tax Asset (net):****Rs.**

	<b>As at 31.03.2009</b>	<b>As at 31.03.2008</b>
<b>Deferred Tax Liabilities</b>		
Amortization /Depreciation on fixed assets/intangible Assets	7,874,337	6,932,934
<b>Gross Deferred Tax Liabilities</b>	7,874,337	6,932,934
<b>Deferred Tax Assets</b>		
Provision for gratuity	362,313	4,248,879
Provision for compensated absences	9,694,701	7,057,230
<b>Gross Deferred Tax Assets</b>	10,057,014	11,306,109
<b>Deferred Tax Liabilities/(Asset) (net)</b>	(2,182,677)	(43,73,175)

**6. 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:

**Rs.**

<b>Particulars</b>	<b>Year ended 31.03.2009</b>	<b>Year ended 31.03.2008</b>
Salaries and Allowances	848,340	691,253
Contribution to Provident & Pension fund	86,377	165,214
Perquisites	1,925,293	1,986,728
<b>Total</b>	2,860,010*	2,843,195

\* includes Rs. 484,595 to a Managing Director for the period from 1<sup>st</sup> April 2008 to 2<sup>nd</sup> May 2008 and Rs. 2,375,415 to another Managing Director for the period from 14<sup>th</sup> May 08 to 31<sup>st</sup> March 2009

- 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:

**Rs.**

<b>Particulars</b>	<b>Year ended 31.03.2009</b>	<b>Year ended 31.03.2008</b>
Salaries and Allowances	4,641,856	4,641,856
Contribution to Provident & Pension fund	-	-
Perquisites	279,000	279,000
<b>Total</b>	4,920,856	4,920,856

7. Some of the schemes of SBI Mutual Fund have made investments in various debt securities issued by M/s Unitech Ltd., a real estate company. A substantial part of these investments have not been paid by Unitech on maturity and have been rescheduled with maturity dates falling within the next 6 months. Given the extraordinary situation prevailing in the commercial real estate sector and the inability on the part of Unitech to honour their commitment in time, the total overdue exposure of related schemes of SBI Mutual Fund in debt securities of Unitech Ltd. was restructured and post-restructuring, an amount of Rs. 41.31 crores, represented by Pass Through Certificates (PTCs) of the value of Rs. 39.36 crores and Non-Convertible Debentures (NCDs) of the value of Rs. 1.95 crores,

## SBI FUNDS MANAGEMENT PRIVATE LIMITED

both matured but rolled over ( by way of extension in case of PTCs and conversion from commercial paper to NCDs) have been acquired by the company on 31<sup>st</sup> March, 2009 from the relevant schemes at their carrying values, considering long term and larger interests of the schemes, industry practice and for upholding the image of the group, in terms of the Circular Resolution passed by the Board of Directors of the company on the 27<sup>th</sup> March, 2009.

The aforesaid investments have been classified as current investments to be valued at lower of cost and fair value. The company is vigorously following up with Unitech and is confident of receiving the full value of its securities. In absence of specific guidelines under the Companies Act, 1956 and Accounting Standard (AS)-13 i.e. Accounting for Investments being not applicable to the company, the company has, on the basis of FIMMDA/AMFI Guidelines for valuation of similar instruments applicable to Banks/Financial Service participants, derived at the representative fair value of these investments and determined that fair value is higher than cost and accordingly the investments have been valued at cost in accordance with the company's accounting policy.

### 8. 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 General Insurance Limited SBI Commercial and International Limited State Bank of Patiala State Bank of Mysore State Bank of Hyderabad State Bank of Saurashtra ( upto 13 <sup>th</sup> August 2008) State Bank of Indore State Bank of Travancore State Bank of Bikaner & Jaipur SBI Mutual Fund Trustee Company Private Limited SBI Pension Funds Pvt. Ltd. SBI Custodial Services Pvt. Ltd.
Key Management Personnel	Mr. Syed Shahabuddin ( Managing Director upto 2 <sup>nd</sup> May 2008) Mr. Achal K. Gupta ( Managing Director from 14 <sup>th</sup> May 2008) Mr. Didier Turpin (Deputy Chief Executive Officer)
Mutual Fund managed by the company	SBI Mutual Fund

**SBI FUNDS MANAGEMENT PRIVATE LIMITED**
**List of transactions with related parties:-**
**Rs.**

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises having significant influence over the company	Mutual Fund managed by the Company
<b>During the year:</b>					
Deposits Placed with SBI Commercial and International Limited		497,458,541 (363,434,544)			
Deposits Matured with SBI Commercial and International Limited		283,434,544 (171,951,001)			
Deposits Placed with State Bank of Patiala		Nil (30,000,000)			
Deposits Matured with State Bank of Patiala		30,000,000 (Nil)			
Deposits Placed with State Bank of India	397,501,440 (30,000,000)				
Deposits Matured with State Bank of India	30,000,000 (Nil)				
Interest Income on Bank Deposit with SBI Commercial and International Limited		29,893,388 (13,962,025)			
Interest Income on Bank Deposit with State Bank of Patiala		873,808 (2,079,340)			
Interest Income on Bank Deposit with State Bank of India	9,485,679 (1,449,863)				
Advance Rent to State Bank of India	Nil (21,535)				
Recovery of Common establishment expenses from SBI Mutual Fund Trustee Company Private Ltd.		1,500,000 (1,500,000)			
SBIMF scheme expenses					69,780,433 (80,474,713)
Bank Charges paid to SBI	168,937 (252,319)				
Rent paid to SBI Capital Markets Ltd		30,457,656 (26,136,828)			
Rent paid to State Bank of India	3,671,662 (5,127,725)				
Networking charges paid to State Bank of India	1,950,000 (1,800,000)				
Reimbursement of Salary for employees on deputation from State Bank of India	11,022,790 (10,821,286)				

**SBI FUNDS MANAGEMENT PRIVATE LIMITED**

<b>Nature of Transaction</b>	<b>Holding Company</b>	<b>Fellow Subsidiaries</b>	<b>Key Management Personnel</b>	<b>Enterprises having significant influence over the company</b>	<b>Mutual Fund managed by the Company</b>
Reimbursement of Salary for employees on deputation from State Bank of Saurashtra		176,396 (412,477)			
Reimbursement of Salary for employees on deputation from State Bank of Patiala		1,039,613 (782,303)			
Reimbursement of Salary for employees on deputation from State Bank of Mysore		619,652 (549,259)			
Reimbursement of Salary for employees on deputation from State Bank of Bikaner & Jaipur		567,322 (562,035)			
Reimbursement from SBI for Salary of employees on deputation to state Bank of India	3,232,140 (Nil)				
Reimbursement of Salary for employees on deputation from State Bank of Indore		175,785 (595,293)			
Reimbursement of Salary for employees on deputation from State Bank of Hyderabad		596,901 (438,766)			
Reimbursement of Salary for employees on deputation from State Bank of Travancore		538,700 (630,101)			
Reimbursement of distribution expenses to State Bank of Bikaner & Jaipur		1,200,000 (Nil)			
Reimbursement of distribution expenses to State Bank of Indore		3,000,000 (Nil)			
Reimbursement of distribution expenses to State Bank of Mysore		1,500,000 (Nil)			
Reimbursement of distribution expenses to State Bank of Patiala		5,400,000 (Nil)			
Reimbursement of distribution expenses to State Bank of Travancore		350,000 (Nil)			
Management Fees Income					1,404,757,723 (1,561,166,455)
<b>Investments:</b>					
Units purchased in schemes of mutual fund					5,124,839,890 (1,748,636,251)
Units sold in schemes of mutual fund					5,511,716,621 (1,662,634,107)

**SBI FUNDS MANAGEMENT PRIVATE LIMITED**

<b>Nature of Transaction</b>	<b>Holding Company</b>	<b>Fellow Subsidiaries</b>	<b>Key Management Personnel</b>	<b>Enterprises having significant influence over the company</b>	<b>Mutual Fund managed by the Company</b>
Dividend Income from schemes of mutual fund					64,093,298 (17,994,318)
Investment in Pass through Certificates from schemes of mutual fund (Refer Note 7 of Schedule 15)					393,617,021 (Nil)
Investment in Non-convertible debentures from schemes of mutual fund (Refer Note 7 of Schedule 15)					19,542,740 (Nil)
Purchase of shares of SBI Pension Fund Pvt Ltd		10,025,000 (NIL)			
<b>Outstanding Receivables:</b>					
Deposits with SBI	397,501,440 (30,000,000)				
Deposits with State Bank of Patiala		Nil (30,000,000)			
Deposits with SBI Commercial and International Limited		497,458,541 (283,434,544)			
Deposit with SBI Life Insurance Ltd.		200,000 (200,000)			
Balance in Current Accounts	167,364,736 (13,757,811)				
Interest Receivable on Bank Deposit with State bank of India	7,233,965 (1,297,396)				
Interest Receivable on Bank Deposit with State Bank of Patiala		Nil (2,079,340)			
Interest Receivable on Bank Deposit with SBI Commercial and International Limited		18,164,277 (8,519,582)			
Recoverable on account of Renovation expenses - SBI Capital Markets Ltd.		Nil (2,303,564)			
SBI General Insurance Ltd (Expenses Recoverable)		2,442,001 (Nil)			
Recoverable from SBI on account of salary of employees on deputation		1,910,738 (Nil)			
Management Fees Receivable					100,717,698 (61,252,753)
Recoverable from SBI Mutual Fund Trustee Company Private Ltd. on account of common establishment expenses		Nil (1,500,000)			

**SBI FUNDS MANAGEMENT PRIVATE LIMITED**

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Enterprises having significant influence over the company	Mutual Fund managed by the Company
<b>Outstanding Payables:</b>					
Devolvement of SBIMF scheme expenses					52,058,234 (73,037,994)
Networking charges payable to SBI	1,950,000 (1,800,000)				
<b>Dividend paid/proposed :</b>					
State Bank of India	126,000,000 (105,840,000)				
Société Générale Asset Management				74,000,000 (62,160,000)	
<b>Remuneration Paid to Key Management Personnel</b>					
Mr. Syed Shahabuddin			484,596 (2,843,195)		
Mr. Achal K. Gupta			2,375,415 (Nil)		
Mr. Didier Turpin			4,920,856 (4,920,856)		

Note: Figures in the brackets represent previous year figures.

**9. 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

**10. Operating lease payments:**
**Rs.**

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
<b>Lease payments for the year</b>	69,961,741	50,270,291
Minimum Lease Payments:-		
Not later than one year	77,897,050	49,187,886
Later than one year but not later than five years	100,313,686	155,939,644
Later than five years	16,810,999	32,411,006

**SBI FUNDS MANAGEMENT PRIVATE LIMITED****11. Expenditure in Foreign Currency:**

Rs.

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
Travelling Expenses	173,930	4,791,187
Business Promotion and Advertisement	2,450,693	6,132,721
Legal and Training charges	584,270	1,620,832
Salary	3,341,531	-
Rent & Subscription	2,516,973	-

**12. Earnings in Foreign Currency:**

Rs.

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
Portfolio Advisory Fees	117,716,174	101,647,063
Exchange Gain / (Loss) on above	1,062,380	756,533

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

Particulars	Rupees	USD	AUD	South Korean Won	JPY
PMS	18,548,826	178,839	17,885	41,499,946	14,156,615
Receivable	(35,022,973)	(486,129)	(11,603)	(64,770,674)	(33,590,258)

**14. Earnings Per Share (EPS):**

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

	Particulars	31-03-2009	31-03-2008
(a)	Nominal Value of an Equity Share (Rs.)	100	100
(b)	Net profit available to Equity Shareholders (Rs.)	689,491,328	703,727,223
(c)	Weighted average number of shares outstanding	50,00,000	50,00,000
(d)	Basic and Diluted EPS (Rs.) = (b) / (c)	137.90	140.75

**15. Dividend remittances to non-resident shareholders:**

	Particulars	2008-2009	2007-2008
(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)	62,160,000	Nil
(d)	Year to which dividend relates	2007-08	-

**SBI FUNDS MANAGEMENT PRIVATE LIMITED****16. The disclosures under the Micro, Small and Medium Enterprises Development Act, 2006 have been made based on the confirmations received by the company:**

	<b>Particulars</b>	<b>Amount in Rupees</b>
1	Outstanding principal Amount & Interest as on 31st March 2009	
	- 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 15.

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

**R. Laxminarayan**  
Partner

Place: Mumbai  
Dated: April 27, 2009

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

**Shivratan Agrawal**  
Partner

Place: Mumbai  
Dated: April 27, 2009

**For and on behalf of the Board of Directors**

**O. P. Bhatt**  
Chairman

**Didier Turpin**  
Dy. Chief Executive Officer

Place: Mumbai  
Dated: April 27, 2009

**Achal Kumar Gupta**  
Managing Director

**Vinaya Datar**  
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009**

	2008-09 Rs.	2007-08 Rs.
<b>(A) Cash flow from Operating activities</b>		
Net profit Before Tax	974,117,109	1,067,134,899
<b>Adjustments for:</b>		
Depreciation and Amortisation	19,996,479	17,801,953
Loss on sale of Fixed Assets (net)	65,867	195,079
Profit on sale of investments (net)	(48,468,386)	(7,291,392)
Interest income	(55,920,621)	(118,517,868)
Dividend income	(64,093,298)	(17,994,318)
	<u>(148,419,959)</u>	<u>(125,806,546)</u>
<b>Operating profit before working capital changes</b>	<b>825,697,150</b>	<b>941,328,353</b>
Decrease / (Increase) in Sundry Debtors	(24,249,108)	(12,196,909)
(Increase) / Decrease in Loans and Advances	168,827,167	(139,141,989)
Increase / (Decrease) in Current Liabilities & Provisions	(95,752,198)	(42,442,908)
	<u>48,825,861</u>	<u>(193,781,806)</u>
<b>Net cash generated from operations</b>	<b>874,523,011</b>	<b>747,546,547</b>
Income Taxes Paid	(117,732,623)	(226,046,331)
<b>Net cash generated from Operating Activities</b>	<b>756,790,388</b>	<b>521,500,216</b>
<b>(B) Cash flows from Investing activities</b>		
Purchase of Fixed Assets(including advances for capital)	(28,683,913)	(22,430,750)
Sale of Fixed Assets	392,000	210,784
Purchase of Investments	(5,548,024,651)	(1,748,636,251)
Sale of Investments	5,511,716,621	1,669,925,496
Interest received	46,133,275	12,212,872
Dividend received	64,093,298	17,994,318
<b>Net Cash generated in Investing Activities</b>	<b>45,626,630</b>	<b>(70,723,531)</b>
<b>(C) Cash flows from Financing activities</b>		
Dividend paid	(168,000,000)	-
Tax on Dividend	(28,551,600)	-
<b>Net cash used in Financing Activities</b>	<b>(196,551,600)</b>	<b>-</b>
<b>Net Increase in Cash and Cash Equivalents ( A + B + C )</b>	<b>605,865,418</b>	<b>450,776,685</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009**

	2008-09 Rs.	2007-08 Rs.
<b>D. CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR</b>	<b>557,215,379</b>	<b>106,438,694</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>1,163,080,797</b>	<b>557,215,379</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. Components of Cash and Cash Equivalents comprises of Cash and Bank balances in current and fixed deposit accounts.
3. Cash and Cash Equivalents include fixed deposits AED 50,000 (Rs. 674,500) (Previous year - Nil) towards lien created by Bank in favour of Ministry of Economy, Dubai, UAE.
4. 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

**R. Laxminarayan**  
Partner

Place: Mumbai  
Dated: April 27, 2009

**For Khandelwal Jain & Co**  
Chartered Accountants

**Shivratan Agrawal**  
Partner

Place: Mumbai  
Dated: April 27, 2009

**For and on behalf of the Board of Directors**

**O. P. Bhatt**  
Chairman

**Didier Turpin**  
Dy. Chief Executive Officer

Place: Mumbai  
Dated: April 27, 2009

**Achal Kumar Gupta**  
Managing Director

**Vinaya Datar**  
Company Secretary

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2009

(in thousands of Rupees)

**Registration details**

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

**Capital raised during the period**

	<b>Nil</b>
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 %	40.00%

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

Item Code No.	N.A.
Product Description	Asset Management Company

For and on behalf of the Board of Directors

**O. P. Bhatt**

Chairman

**Achal Kumar Gupta**

Managing Director

**Didier Turpin**

Dy. Chief Executive Officer

**Vinaya Datar**

Company Secretary

Place: Mumbai

Dated: April 26, 2009

**SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009**

**CORPORATE DATA**

		<b>Date of appointment</b>	<b>Date of resignation</b>	
<b>Directors</b>	:			
		Ms. Pamela Balasoupramanien	17 January 2006	23 June 2008
		Mr. Sanjay Sinha	18 December 2007	12 September 2008
		Mr. V Srinivasan	05 February 2007	
		Abdool Azize Owasil	23 June 2008	
		Mr Navneet Munot	16 January 2009	
<b>Administrator &amp; Secretary</b> (With effect from 30 March 2009)	:	Multiconsult Limited Rogers House 5, President John Kennedy Street Port Louis Mauritius		
<b>(Until 29 March 2009)</b>	:	Multiconsult Limited 10, Frère Félix de Valois Street Port Louis Mauritius		
<b>Registered Office</b> (With effect from 30 March 2009)	:	C/o Multiconsult Limited Rogers House 5, President John Kennedy Street Port Louis Mauritius		
<b>(Until 29 March 2009)</b>	:	<b>C/o Multiconsult Limited</b> 10, Frère Félix de Valois Street Port Louis Mauritius		
<b>Bank</b>	:	SBI (Mauritius) Ltd 34, Sir William Newton Street Port-Louis Mauritius		
<b>Auditors</b>	:	Ernst & Young 20th Floor, Newton Tower Sir William Newton Street Port Louis Mauritius		

## **COMMENTARY OF THE DIRECTORS**

The directors are pleased to present their commentary, together with the audited financial statements of SBI Funds Management (International) Private Limited (the 'Company') for the year ended 31 March 2009.

The Company has changed its registered office from C/o Multiconsult Limited, 10, Frère Félix de Valois Street, Port Louis, Mauritius to C/o Multiconsult Limited, Rogers House, 5, President John Kennedy Street, Port Louis, Mauritius with effect from 30 March 2009.

### **PRINCIPAL ACTIVITY**

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

### **RESULTS AND DIVIDENDS**

The Company's profit for the year under review is USD 48,944 (2008: USD 96,894).

The directors do not recommend the payment of a dividend for the year under review.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the Company's balance sheet at 31 March 2009, and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and Companies Act 2001.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or 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 the business will not be a going concern in the year ahead.

### **AUDITORS**

The auditors, Ernst & Young, have indicated their willingness to continue in office and will be automatically re-appointed at the next Annual Meeting of the shareholders.

## **SECRETARY'S CERTIFICATE**

We certify that, to the best of our knowledge and belief, **SBI Funds Management (International) Private Limited** has filed with the Registrar of Companies for the financial year ended 31 March 2009, all such returns as are required of the Company under the Mauritian Companies Act 2001.

For **Multiconsult Limited**

Corporate Secretary

### **Registered Office**

C/o Multiconsult Limited

Rogers House

5, President John Kennedy Street

Port Louis

Mauritius

Date: 9 April, 2009

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS 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**, on pages 7 to 23 which comprise the balance sheet as at **31 March 2009** and the income statement, statement of changes in equity and cash flow statement 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**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 auditor's 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 auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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, the financial statements on pages 7 to 23 give a true and fair view of the financial position of the Company as at **31 March 2009**, 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 matters**

This report, including the opinion, has been prepared for and only for the Company's members, as a body, 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 with the Company 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.

ERNST & YOUNG  
PORT Louts, Mauritius  
Date : 9 April, 2009

DARYL CSIZMADIA, C.A. (S.A.)  
SIGNING PARTNER

**BALANCE SHEET**

AS AT 31 MARCH 2009

	Notes	2008 USD	2009 USD
<b>ASSETS</b>			
<i>Current assets</i>			
Trade and other receivables	5	19,460	57,337
Cash and cash equivalents			
		<b>237,941</b>	181,513
		<b>257,401</b>	238,850
<b>Total assets</b>		<b>257,401</b>	238,850
<b>EQUITY AND LIABILITIES</b>			
<i>Capital and reserves</i>			
Stated capital	6	10,000	10,000
Retained earnings		221,115	172,171
<b>Shareholders' interest</b>		<b>231,115</b>	182,171
<i>Current liabilities</i>			
Trade and other payables	7	24,843	53,794
Taxation	8	1,443	2,885
		<b>26,286</b>	56,679
<b>Total liabilities</b>		<b>26,286</b>	56,679
<b>Total equity and liabilities</b>		<b>257,401</b>	238,850

These financial statements have been approved for issue by the Board of Directors on ..... and signed on its behalf by:

**NAME OF DIRECTORS****Abdool Azize Owasil****Venkataraman Srinivasan**

The notes on pages 11 to 23 form an integral part of these financial statements.

Auditor's report on pages 5 to 6.

**INCOME STATEMENT**

FOR THE YEAR ENDED 31 MARCH 2009

	Notes	<b>2009</b> USD	<b>2008</b> USD
<b>INCOME</b>			
Investment management fees income	2	<b>113,091</b>	198,968
Bank interest income	2	<b>2,300</b>	3,599
Gain on foreign exchange		<b>1,398</b>	-
		<u><b>116,789</b></u>	<u>202,567</u>
<b>EXPENSES</b>			
Trail commission fees		<b>47,470</b>	88,617
Audit fees		<b>5,675</b>	4,525
Disbursements		<b>2,250</b>	-
Licence fees and annual registration fees		<b>3,175</b>	1,734
Accounting fees		<b>2,000</b>	1,000
Tax Filing Fees		<b>2,000</b>	-
Bank charges		<b>1,329</b>	2,412
Directors' fees		<b>750</b>	1,500
Secretarial fees		<b>1,253</b>	2,500
Other expenses		<b>500</b>	500
		<u><b>66,402</b></u>	<u>102,788</u>
<b>PROFIT BEFORE TAXATION</b>		<b>50,387</b>	99,779
Taxation	8	<b>(1,443)</b>	(2,885)
<b>PROFIT FOR THE YEAR</b>		<u><b>48,944</b></u>	<u>96,894</u>

The notes on pages 11 to 23 form an integral part of these financial statements.

Auditor's report on pages 5 to 6.

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2009

	<b>Stated capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
Issue of shares	10,000	75,277	85,277
Profit for the year	-	96,894	96,894
At 31 March 2008	<u>10,000</u>	<u>172,171</u>	<u>182,171</u>
At 01 April 2008	10,000	172,171	182,171
Profit for the year	-	48,944	48,944
At 31 March 2009	<u>10,000</u>	<u>221,115</u>	<u>231,115</u>

The notes on pages 11 to 23 form an integral part of these financial statements.

Auditor's report on pages 5 and 6

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 USD	2008 USD
<i>Cash flow from operating activities</i>			
Profit before taxation		<b>50,387</b>	99,779
Adjustments for:			
Management fees		<b>(113,091)</b>	(198,968)
Interest income		<b>(2,300)</b>	(3,599)
Operating loss before working capital changes		<b>(65,004)</b>	(102,788)
<i>Changes in working capital:</i>			
Trade and other receivables		<b>37,877</b>	(10,310)
Trade and other payables		<b>(28,951)</b>	28,618
		<b>(56,078)</b>	(84,480)
Tax paid	8	<b>(2,885)</b>	(2,438)
<b>Net cash used in operating activities</b>		<b>(58,963)</b>	(86,918)
<i>Cash flow from Investing activities</i>			
Management fees received		<b>113,091</b>	198,968
Interest received		<b>2,300</b>	3,599
<b>Net cash from investing activities</b>		<b>115,391</b>	202,567
<b>Net increase in cash and cash equivalents</b>		<b>56,428</b>	115,649
<i>Movement in cash and cash equivalents</i>			
<b>At beginning of year</b>		<b>181,513</b>	65,864
<b>Net increase in cash and cash equivalents</b>		<b>56,428</b>	115,649
<b>At end of year</b>		<b>237,941</b>	181,513

The notes on pages 11 to 23 form an integral part of these financial statements.  
Auditor's report on pages 5 and 6.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

11

### 1. GENERAL INFORMATION

The Company was incorporated as a private limited company in the Republic of Mauritius on 17 January 2006. The Company has changed its registered office from C/o Multiconsult Limited, 10, Frère Félix de Valois Street, Port Louis, Mauritius to C/o Multiconsult Limited, Rogers House, 5, President John Kennedy Street, Port Louis, Mauritius with effect from 30 March 2009.

The Company's principal activity is to provide management services.

The Company as a holder of a Category 1 Global Business Licence under the Companies Act 2001 and the Financial Services Act 2007 is required to carry on its business in a currency other than the Mauritian rupee. Since the Company operates in an international environment and conducts most of its transactions in foreign currencies, the Company has chosen to retain the United States dollar ('USD') as its reporting currency.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

#### **Statement of compliance**

The financial statements are prepared in accordance and in compliance with International Financial Reporting Standards (IFRS).

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention and are presented in United States dollar ('USD'). The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

#### **Financial instruments**

Financial instruments carried on the balance sheet trade and other receivables, cash and cash equivalents and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

#### **Trade and other receivables**

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrevocable amounts. Provision is made when there is objective evidence that the amounts will not be recovered. Bad debts are written off when identified.

#### **Cash and cash equivalents**

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

#### **Stated capital**

Ordinary shares are classified as equity.

#### **Equity instruments**

Equity instruments are recorded at the proceeds received, net of direct issue costs.

***Financial liabilities***

*Initial recognition*

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

*Derecognition of financial instruments*

*Financial assets*

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? or
- 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 the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

*Financial liabilities*

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 the income statement.

***Revenue recognition***

Investment management fees income - Based on the NAV of the fund.

Interest income is recognised on a time proportionate basis.

***Expenses***

All expenses are recognised in the income statement on an accruals basis.

***Foreign currency translation***

*Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary

economic environment in which it operates ('the functional currency'). The financial statements of the Company are presented in United States dollar ('USD'), which is the functional currency of the Company.

*Transactions and balances*

Foreign currency transactions are translated into United States dollar using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transactions at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**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, or vice versa.

**Taxation**

*Current income tax*

Current income tax assets and liabilities for the current period 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 balance sheet date.

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**Changes in accounting policy and disclosures**

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Company's operations.

IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*

IFRIC 12 – *Service Concession Arrangements*

IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

**3. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods.

IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements'(effective from 1 January 2009).

IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).

IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009).

IFRS 8, 'Operating segments' (effective from 1 January 2009).

IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009).

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).

IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009).

IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).

IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).

IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008).

**Improvements to IFRS**

IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009).

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).

IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009).

IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).

IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).

IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009).

IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).

IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).

IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).

IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009).

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).

IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).

IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).

IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).

IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009).

IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

*Critical accounting judgements in applying the Company's accounting policies*

In the process of applying the Company's accounting policies, which are described in note 2, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

## SBI FUNDS MANAGEMENT PRIVATE LIMITED

---

### *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, the directors have considered those factors described therein and have determined that the functional currency of the Company is the United States dollar.

### **5. TRADE AND OTHER RECEIVABLES**

	<u>2009</u>	<u>2008</u>
	<b>USD</b>	USD
Prepayments	<b>2,176</b>	2,958
Management fees receivable	<b>17,284</b>	54,379
	<u><b>19,460</b></u>	<u>57,337</u>

### **6. STATED CAPITAL**

	<u>2009</u>	<u>2008</u>
	<b>USD</b>	USD
Issued and fully paid up 10,000 Ordinary shares of USD 1 each	<b>10,000</b>	10,000
	<u><b>10,000</b></u>	<u>10,000</u>

### **7. TRADE AND OTHER PAYABLES**

	<u>2009</u>	<u>2008</u>
	<b>USD</b>	USD
Trail commission payable	<b>18,585</b>	42,694
Audit fees accrued	<b>4,945</b>	4,100
Other expenses accrued	<b>1,313</b>	7,000
	<u><b>24,843</b></u>	<u>53,794</u>

### **8. TAXATION**

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

It will, however, be entitled to a tax credit equivalent to the higher of the foreign taxes paid or 80% of the Mauritius tax on its foreign source income. There is no tax on capital gains in Mauritius. As at balance sheet date, the Company had tax liabilities amounting to USD 1,443.

(a) Charge	<u>2009</u>	<u>2008</u>
	<b>USD</b>	USD
Mauritian income tax, based on profit for the year as adjusted for tax purposes	<u><b>1,443</b></u>	<u>2,885</u>

**SBI FUNDS MANAGEMENT PRIVATE LIMITED**

(b) Liability	<b>2009</b>	2008
	<b>USD</b>	USD
At beginning of year	<b>2,885</b>	2,438
Charge for the year	<b>1,443</b>	2,885
Paid during the year	<b>(2,885)</b>	(2,438)
At end of year	<b>1,443</b>	2,885
(c) A reconciliation of the applicable tax rate of 15% to the effective tax rate of 3% is as follows:	<b>2009</b>	2008
	<b>USD</b>	USD
Profit before taxation	<b>50,387</b>	99,779
Tax at 15%	<b>7,558</b>	14,967
Income not subject to tax	<b>(345)</b>	(540)
Foreign tax credit	<b>(5,770)</b>	(11,542)
Tax charge	<b>1,443</b>	2,885

**9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES****Fair values**

Fair value is defined as the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledge, 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 fair value due to their nature and liquidity.

*Receivables*

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

*Accruals and payables*

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

**9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)****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 investors

The capital structure of the Company consists of equity attributable to shareholders, comprising share capital and profit and loss reserve. The Company reviews the capital structure on a regular basis. The Company is not subject to any externally imposed capital requirements.

**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. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.



*Interest rate sensitivity*

An increase of 100 basis points in interest rates as at the reporting date would have increased the profit before tax and net assets by USD 112 (2008: USD 85). A decrease of 100 basis points would have had an equal but opposite effect.

**Credit risk**

Financial assets contain an element of risk that the counterparts may be unable to meet the terms of the agreement. According to the Company's investment policy, the investment transactions are carefully allocated to counterparties reflecting the credit worthiness of the financial institution. The Investment Manager also constantly monitors the outstanding investments.

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

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

	<b>2009</b>	2008
	<b>USD</b>	USD
Trade and other receivables	<b>17,284</b>	54,379
Cash and cash equivalents	<b>237,941</b>	181,513
<b>TOTAL</b>	<b>255,225</b>	235,892

Trade and other 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>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b>2009</b>	<b>16,104</b>	<b>1,180</b>	-	-	<b>17,284</b>
2008	15,327	17,922	21,130	-	54,379

*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**

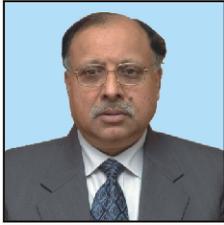
Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Prudent liquidity risk management includes maintaining sufficient cash.



# SBI Funds Management Private Limited

Top Management Team  
(As on March 31, 2008)



**Shri Achal Kumar Gupta**  
Managing Director



**Shri Didier Turpin**  
Dy. Chief Executive Officer



**Shri V. V. Anand**  
Executive Vice President



**Shri Ashwini Kumar Jain**  
Chief Operating Officer



**Shri Navneet Munot**  
Chief Investment Officer



**Shri R. S. Srinivas**  
Chief Marketing Officer