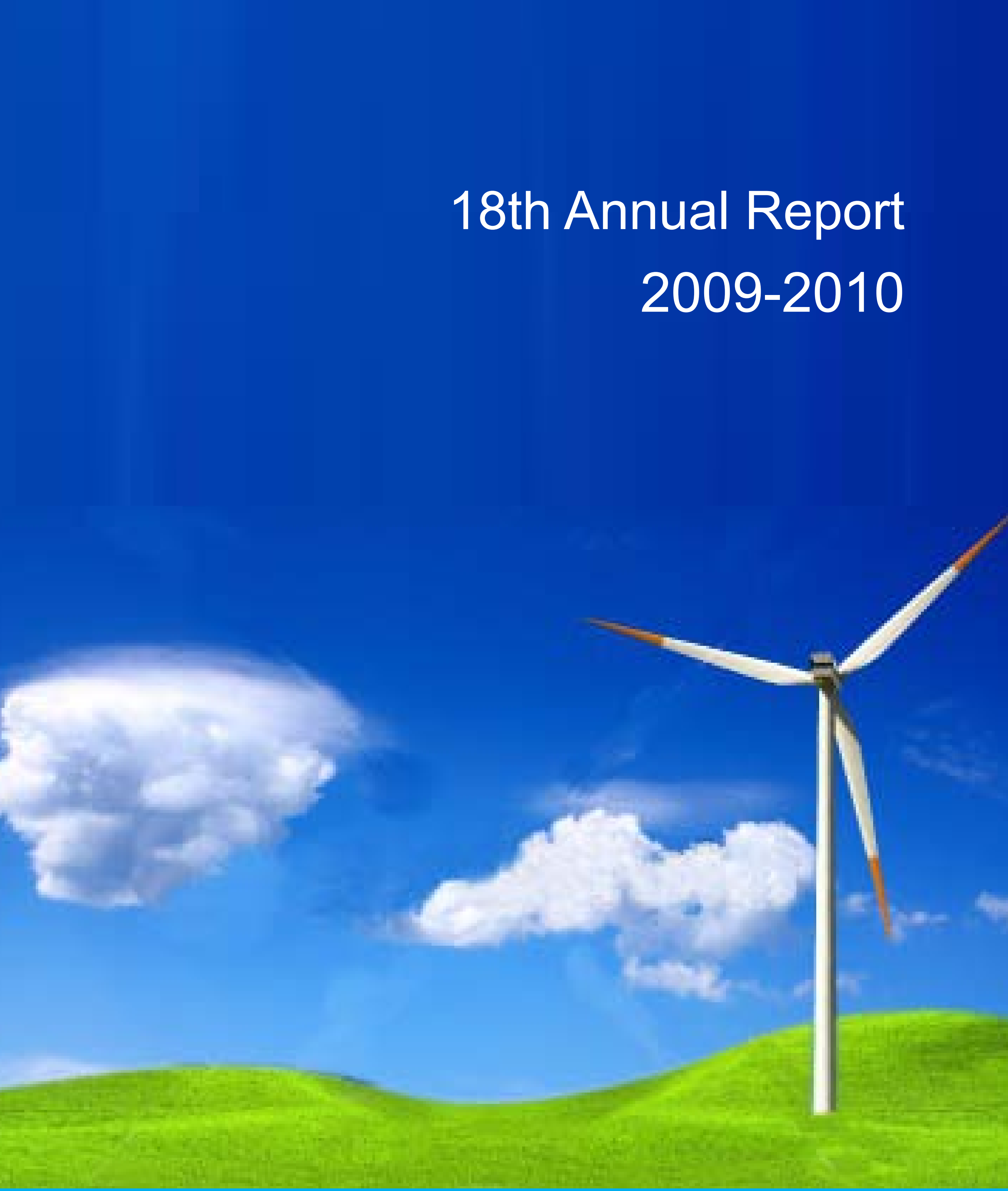
18th Annual Report
2009-2010



SBI FUNDS MANAGEMENT PRIVATE LIMITED

(A joint venture between SBI and Society Generale Asset Management)

Board of Directors of SBI Funds Management Private Limited

Shri. O. P. Bhatt
Chairman

Shri Achal Kumar Gupta
Managing 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. Denis Lefranc)

Auditors

M/s. HARI BHAKTI & CO.
Chartered Accountants
42, Free Press House
215, Free Press Journal Marg
Nariman Point
Mumbai 400 021

Bankers

State Bank of India

Registered Office

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

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DIRECTORS' REPORT

TO,

THE MEMBERS

The Directors have pleasure in presenting the Eighteenth Annual Report together with the Profit and Loss Account of SBI Funds Management Private Limited for the year ended March 31, 2010 and the Balance Sheet as at that date.

The highlights of the financial results are as under:

I. FINANCIAL RESULTS:

(Rs. in lacs)

PARTICULARS	YEAR UNDER REPORT 2009-10	PREVIOUS YEAR 2008-09
Total Income	21,574.06	18,038.58
Profit before depreciation	11,606.52	9,941.13
Less : Depreciation	221.96	199.96
Profit before tax	11,384.56	9,741.17
Less : Provision for tax	3,797.19	2,846.26
Profit after tax	7,587.37	6,894.91
Balance brought forward from previous year (net)	10,314.14	6,449.13
Amount available for Appropriation	17,901.51	13,344.04
APPROPRIATIONS:		
Transfer to General Reserve	800.00	690.00
Proposed Dividend	2400.00	2,000.00
Dividend Distribution Tax	407.88	339.90
Balance/(Loss) to be carried forward	14,293.63	10,314.14

II. DIVIDEND:

During the year under review, the Company has made a net profit of Rs. 7,587.37 lacs. The Directors recommend a dividend of 48% on the Paid up Equity Capital of the Company. Under the Income Tax Act 1961, the receipt of dividend is tax-free in the hands of the shareholders. The total outgo on account of dividend inclusive of tax on the distributed profits will be Rs. 2,807.88 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. 23,245.54 lacs as at the end of March, 2010 from Rs. 18,466.05 lacs as at the end of March, 2009.

IV. BUSINESS ENVIRONMENT:

THE ECONOMY

The fiscal year 2009-10 began as a difficult one as there had been a significant slowdown in the growth rate in the second half of 2008-09, following the financial crisis that began in the industrialized nations in 2007 and spread to the real economy across the world.

A delayed and subnormal monsoon added to the overall uncertainty. The continued recession in the developed world, for the better part of 2009-10, meant a sluggish export recovery and a slowdown in financial flows into the economy. Yet, over the span of the year, the economy posted a remarkable recovery, not only in terms of overall growth figures but, more importantly, in terms of certain fundamentals, which justify optimism for the Indian economy in the medium to long term. The double digit industrial growth saw the Indian economy expanding 7.4 per cent in 2009-10, despite drought and global slowdown. The gross domestic product(GDP) was Rs. 44,64,081 crore(at 2004-05 prices), bettering the earlier government estimate of 7.2 per cent growth over the previous year's Rs. 41,54,973 crore.

CAPITAL MARKETS

The Indian equity markets began the year 2009 on a subdued note. The market remained range bound during January-March 2009 but exhibited signs of recovery from April 2009. With the revival of foreign institutional investors' (FIIs) interest in emerging market economies including India, the equity markets gained strength during May-July 2009. There was a fresh spell of bullish sentiment in September 2009, with the Bombay Stock Exchange (BSE) Sensex recording a high of 17,126.84 during the month. The Indian equity markets closed lower at 15,896.28 in end-October 2009, before showing an improvement during November-December 2009. The equity markets corrected in January 2010, remained flat in February 2010 as the market participants waited for the budget 2010 moved up in March 2010. The BSE Sensex gained over 1000 points or 6.7% to end the month at 17528. The movement in equity indices in the Indian capital market was in line with trends in major international equity markets, a sign of increasing integration. Against the backdrop of these trends in Indian equity markets, the regulatory measures initiated during the year were clearly in the direction of introducing greater transparency, protecting investors' interests and improving efficiency in the working of Indian equity markets, while also ensuring the soundness and stability of the Indian capital market.

MUTUAL FUND INDUSTRY

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

1. Filing fee for scheme(s) whose scheme information document(s) has been filed with SEBI on or after July 1, 2009 was revised.
2. Every close ended scheme, other than an equity linked savings scheme, launched after commencement of the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2009 is to be listed on a recognized stock exchange within such time period and subject to such conditions as specified by the Board.
3. No mutual fund scheme is allowed to invest more than thirty percent of its net assets in money market instruments of an issuer. The restriction is not to be applicable for investments in Government securities, treasury bills and collateralized borrowing and lending obligations.
4. With a view to ensure that the value of debt securities reflects the current market scenario in calculation of net asset value, SEBI decided that discretionary mark up and mark down shall be brought to the level as detailed in SEBI Circulars.
5. Entry load for all mutual fund schemes has been abolished and the upfront commission to distributors will be paid by the investor directly to the distributor, based on his assessment of various factors including the service rendered by the distributor.
6. No distinction among unit holders is to be made based on the amount of subscription while charging exit loads.
7. Code of conduct for intermediaries of Mutual Funds was introduced.
8. System audit of Mutual Funds every two years was introduced.
9. Facilitating transactions in Mutual Fund schemes through the Stock Exchange infrastructure.
10. Units of mutual fund schemes may be permitted to be transacted through registered stock brokers of recognized stock exchanges.
11. AMCs are required to ensure that all the investor related documents are maintained/available with them.

12. The practice of obtaining 'No Objection Certificate' from the existing distributor for switchover was prohibited.
13. Disclosure norms for Brokerage and commission paid to associates were prescribed.
14. Mutual Funds/ AMCs are required to use the NFO proceeds only on or after the closure of the NFO period and can allot units/ refund of money and dispatch statements of accounts within five business days from the closure of the NFO. All the schemes (except ELSS) are also to be made available for ongoing repurchase/sale/ trading within five business days of allotment.
15. The AMC shall not collect any additional management fees referred to in Regulation 52(3) of SEBI.
16. The Unit Premium Reserve is not available for dividend distribution.
17. The up-front brokerages may not be charged to the schemes with effect from 1st April, 2010.

During the year, the total resources mobilized by the mutual fund industry stood at Rs 100,19,023 crore (Previous year Rs. 54,26,353 crore) while the total repurchase/redemption amount was Rs. 99,35,942 crore (Previous year Rs. 54,54,649 crore) (Source : SEBI website). The industry thus saw a net inflow of Rs. 83,081 crore (Previous year net outflow of Rs. 28,296 crore) during the year.

The total Assets under management as on 31st March, 2010 stood at Rs. 6,13,979 crore (Previous year Rs. 4,17,300 crore).

PERFORMANCE OVERVIEW

As on 31st March, 2010, out of the total sixteen diversified, balanced and sector fund equity schemes of SBI Mutual Fund, two scheme in one month, one scheme in three months, one scheme in six months, three schemes in one year, one scheme in two years and one scheme in three years period were the top performers. Four debt schemes were also the top performers in one month and three month period category.

SBI Mutual Fund saw a total inflow of Rs. 2,86,966 crore (Previous year Rs. 2,51,548 crore) in the domestic open and close-ended funds during the year. The inflows took place predominantly in the liquid and debt funds. The total redemption amounted to Rs. 2,83,692 crore (Previous year Rs. 2,49,439 crore), leaving a net inflow of Rs. 3,274 crore (industry net inflow Rs. 83,081 crore) as against a net inflow of Rs. 2,109 crore (industry net outflow Rs. 28,296 crore) in the previous year.

The closing assets under management of the domestic schemes of SBI Mutual Fund as on 31st March, 2010 were Rs. 36,360.08 crore as against Rs. 22,215.17 crore as on 31st March, 2009 signifying a growth of 63.67%. The average assets under management, which were Rs. 27,846 crore for 2008-09, increased to Rs. 35,632 crore during 2009-10 signifying a growth of 27.96%.

During the year, SBI Mutual Fund launched four funds under SBI Debt Fund Series. The schemes received good response from the investors and total funds mobilized under these schemes amounted to Rs 4,295 crore. The first Exchange Traded Fund by SBI Mutual Fund namely SBI Gold Exchange Traded Scheme launched in March, 2009 closed for subscription on 28th April, 2009 and mobilized Rs. 113 crore.

The Resurgent India Opportunities Fund, the off-shore fund managed by the Company, also witnessed an increase in Assets under Management . The value of assets managed as on 31st March, 2010 went up to Rs. 55 crore from Rs. 34 crore as on 31st March, 2009.

The number of portfolio management service clients increased to twelve from eight during the year under review. The value of assets managed increased to Rs. 6,926 crore as on 31st March, 2010 from Rs. 3,265 crore as on 31st March, 2009.

During the year, the number of AMFI certified Agents selling SBI Mutual Fund products increased to 30,408 as on 31st March, 2010 from 29,367 as on 31st March, 2009. The number of AMFI certified employees in State Bank Group increased to 18,077 as on 31st March, 2010 from 13,248 as on 31st March, 2009.

During the year, 3 Investor service Desks and 1 Investor Service Points were added. As on 31st March, 2010, SBI Mutual Fund had 29 Investor Service Centres, 52 Investor Service Desks, 7 Investor Service Points and 1 Overseas Points of presence. As on 31st March, 2010, 59 Business Associates for improving customer service and providing more contact points to the investors were functional.

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

a) Introduction of centralized direct debits through SBI CMP for all investors banking with SBI core banking branches to give a major boost to Systematic Investment Plans (SIP) business.

b) Introduction of internet and telephone based transactions by use of PIN number. Investors are now able to do several financial and some non financial transaction through this process.

c) Reduction of “at par” warrants and replacing them with Direct Credits and ECS as a risk mitigation process. The “at par” warrants now have several additional security features. Further, since the warrant masters are uploaded on SBI’s Core Banking System, the instances of frauds have declined substantially.

d) Redemptions and income distribution through direct credits with forty seven banks including SBI core banking branches, which account for about 85% of daily pay-outs. We are running campaigns to convert investors’ non-core bank mandates to core banking mandates in a phased manner.

e) Increase in e-communication (Statement of Account, Scheme Balance Sheets, Direct Credit Confirmations and other communications) to reduce costs and to increase customer satisfaction.

f) SBI Mutual Fund has became the first fund house to introduce new payment option (for investment), offering online investment in SBI Mutual Fund schemes through State Bank of India‘s ATM cum Debit cards.

g) The tie up arrangement with Bank of Maharashtra for distributing SBI Mutual Fund products so as to expand our reach to the semi urban and rural investors was made during the year.

h) Micro SIP was launched in April, 2009 to give an option to the small investors to invest as low as Rs. 100 per SIP which will be an important step towards financial inclusion.

FUTURE PLANS

The entry-ban load adversely impacted inflows in equity funds as nearly 85 percent of inflows in equity schemes come from distributors, who started to feel the pinch. As a fallout, the margins of Fund houses have come down. There was a net outflow in the equity asset category partly because of the entry-load ban and partly because the investors booked profits as the markets had gone up. In this changed scenario, the banking channel has become more important to us and we are working on increasing the overall share of the Banking channel, as this channel is less price-sensitive.

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

We have launched retail portfolio management services for high net-worth individuals in April, 2010.

AWARDS

The Directors are pleased to inform that SBI Magnum Global Fund was ranked as a Five Star Fund in the category of ‘Open Ended Equity – Diversified Defensive’ schemes for its 1 year performance till December 31, 2009 in the ICRA Mutual Fund Awards 2010.

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. 1,448.39 lacs in foreign exchange as portfolio management fee. The foreign exchange outgo on account of traveling and business promotion was Rs. 88.78 lacs.

VI. SUBSIDIARIES

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

The audited statement of accounts of SBI Funds Management (International) Private Limited for the year ended 31st March, 2010, 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. Denis Lefranc and Dr. H. K. Pradhan were appointed as Directors with effect from 18th April, 2009.

Mr. Christian d'Allest resigned as Director on 19th January, 2010.

Mr. Didier Turpin resigned as alternate director to Mr. Christian d'Allest on 19th January, 2010 and was appointed as alternate director to Mr. Denis Lefranc on 20th January, 2010.

The Board places on record its appreciation of the invaluable contributions made by Mr. Christian d'Allest as Director of the Company.

The Board also extends a warm welcome to Mr. Denis Lefranc and Dr. H. K. Pradhan, who have joined the Board of the Company.

BOARD MEETINGS:

Five board meetings were held during the financial year under review – on 27th April, 2009, 14th July, 2009, 24th July, 2009, 26th October, 2009 and 20th January, 2010.

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

Directors	Number of Board Meetings Attended
Mr. O. P. Bhatt (Chairman)	5
Mr. Achal Kumar Gupta	5
Mr. Denis Lefranc and	3
Mr. Christian d'Allest	3
Mr. Jayesh Gandhi	5
Dr. H. K. Pradhan	3
Mr. Didier Turpin (Alternate to Mr. Christian d'Allest till 19/01/2010 and to Mr. Denis Lefranc from 20/01/2010)	1
Mr.P.G.Kakodkar	-
Mr. Rajas R.Doshi	4

VII. 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 2009-10.

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. Haribhakti & Co. as the Statutory Auditors of the Company, who will retire at the conclusion of the Eighteenth 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 2010-11.

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.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Mumbai
Dated:17th June, 2010

O.P.BHATT
CHAIRMAN

AUDITORS' REPORT

TO THE MEMBERS

SBI FUNDS MANAGEMENT PVT LTD

We have audited the attached Balance Sheet of **SBI FUNDS MANAGEMENT PRIVATE LIMITED** as at 31st March, 2010, the related Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. 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.

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 presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

(I) As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, on the basis of such checks of the books and records as we considered appropriate and the information and explanations given to us during the course of the audit, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent they are applicable to the Company.

(II) Further to our comments in the Annexure referred to in paragraph I above, we report as under:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(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 such books;

(c) the Balance Sheet, Profit and Loss Account and 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 Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of the section 211 of the Companies Act, 1956 to the extent they are applicable to the Company;

(e) On the basis of the written representations received from the directors of the Company as on 31st March, 2010 and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act,1956;

(f) in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, the Profit and Loss Account and Cash Flow Statement read together with 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 so far it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010,

(ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date and

(iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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

(RAKESH RATHI)
Partner
Membership No: 45228

Place : Mumbai,
Date : 27th April, 2010

ANNEXURE REFERRED TO IN PARAGRAPH I OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF SBI FUNDS MANAGEMENT PRIVATE LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
2. The Company has physically verified the fixed assets in accordance with a programme of verification, which in our opinion provides for physical verification of all fixed assets at reasonable intervals. It was explained to us that there were no material discrepancies noticed on physical verification.
3. During the year, the Company has not disposed off a major part of the fixed assets.
4. The Company has not granted any loans, secured or unsecured from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
5. The Company has not taken any loans, secured or unsecured from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
6. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regards to purchase of fixed assets and sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
7. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the Company has not entered into any transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
8. The Company has not accepted any deposits from the public.
9. In our opinion, the Company has an adequate internal audit system commensurate with the size of the Company and nature of its business.
10. We are informed that no cost records are required to be maintained by the Company under section 209(1)(d) of the Companies Act, 1956.
11. According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, wealth-tax, service tax and any other statutory dues applicable to it.
12. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax and service tax were outstanding as at 31st March, 2010 for a period of more than six months from the date they became payable.
13. According to the information and explanations given to us, no disputed amounts are payable in respect of income tax, wealth tax and service tax as at 31st March, 2010.
14. The Company has neither accumulated losses as at 31st March, 2010 nor has it incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
15. The Company has not taken any loan from Financial Institution, Bank and the Company has not issued any Debentures.
16. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
17. The Company has not dealt or traded in shares, securities, debentures and other investments during the year.
18. The Company has not given any guarantee for loans taken by others from Bank or Financial Institutions.

19. During the year the Company has not taken any term loans.

20. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the Company has not used funds raised on short-term basis for long-term investment.

21. The Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.

22. The Company has not issued any Debentures during the year.

23. The Company has not raised any money by public issue during the year.

24. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on the Company or by the Company has been noticed or reported during the course of our audit.

25. The clause (ii), (iii) and (xiii) of para 4 are not reported upon as these are not applicable to the Company.

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

(RAKESH RATHI)
Partner
Membership No: 45228

Place : Mumbai,
Date : 27th April, 2010

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 2010.

The preparation of financial statements of SBI Funds Management Private Limited for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India Under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 27 April 2010.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act. 1956 of the financial statements of SBI Funds Management Private Limited for the year ended 31 March 2010. 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

(Alka R. Bhardwaj)
Principal Director of Commercial Audit and
Ex-Officio Member, Audit Board-I, Mumbai

Place : Mumbai
Date : 21 June 2010

BALANCE SHEET AS AT MARCH 31, 2010

	Schedules	Rs.	As at 31.03.2010 Rs.	Rs.	As at 31.03.2009 Rs.
SOURCES OF FUNDS					
Shareholders' Funds					
Capital	1		500,000,000		500,000,000
Reserves and Surplus	2		1,824,554,402		1,346,605,159
TOTAL			**2,324,554,402**		**1,846,605,159**
APPLICATION OF FUNDS					
Fixed Assets	3				
Gross Block		151,994,567		137,114,213	
Less : Depreciation		103,764,634		85,845,316	
Net Block			48,229,933		51,268,897
Capital Work in Progress			5,517,305		7,171,864
Investments	4		371,464,385		724,558,371
Deferred Tax Asset (Net) (Refer Note 5)			4,822,541		2,182,677
Current Assets, Loans and Advances					
Sundry Debtors	5	167,913,529		139,631,302	
Cash and Bank Balances	6	2,046,273,249		1,163,080,797	
Other Current Assets	7	47,651,436		26,768,038	
Loans and Advances	8	180,964,971		177,506,396	
		2,442,803,185		1,506,986,533	
Less: Current Liabilities and Provisions					
Current Liabilities	9	215,407,017		165,763,129	
Provisions	10	332,875,930		279,800,054	
		548,282,947		445,563,183	
Net Current Assets			1,894,520,238		1,061,423,350
TOTAL			**2,324,554,402**		**1,846,605,159**
Significant Accounting Policies and Notes to the Accounts	15				

As per our attached report of even date

For Haribhakti & Co.
Chartered Accountants

Rakesh Rathi
Partner

Place: Mumbai
Dated:April 27, 2010

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 27, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Schedules	For the year Ended 31-03-2010 Rs.	Rs.	For the year Ended 31-03-2009 Rs.	Rs.
INCOME:					
Management Fees (Gross) [Tax deducted at source Rs.213,099,174 (Previous year Rs.178,579,468)]			1,815,674,733		1,404,757,723
Portfolio Advisory Fee [Tax deducted at source Rs.1,271,077 (Previous year Rs.1,119,719)]			152,453,898		117,716,174
Income from Investments	11		17,948,403		112,568,130
Other Income	12		171,328,916		168,815,664
			2,157,405,950		**1,803,857,691**
EXPENDITURE:					
Employee Costs	13		464,355,867		400,659,338
Administrative and Other Expenses	14		532,397,781		409,084,765
Depreciation on Fixed Assets			22,196,076		19,996,479
			1,018,949,724		**829,740,582**
Profit before tax			**1,138,456,226**		974,117,109
Provision for taxes:					
Current Tax		(386,700,000)		(295,000,000)	
Deferred Tax (refer note 5)		2,639,864		(2,190,498)	
Fringe Benefit Tax		-		(7,700,000)	
Excess Provision for Tax in respect of previous years written back		2,193,433		20,231,593	
Excess Provision for FBT in respect of previous years written back		2,147,720		33,124	
			(379,718,983)		(284,625,781)
Profit after tax			758,737,243		689,491,328
Balance brought forward from previous year			1,031,414,598		644,913,270
Profit available for appropriation			**1,790,151,841**		**1,334,404,598**
APPROPRIATIONS					
Transfer to General Reserve			80,000,000		69,000,000
Proposed Equity Dividend			240,000,000		200,000,000
Tax on Proposed Equity Dividend			40,788,000		33,990,000
Surplus carried to Balance Sheet			1,429,363,841		1,031,414,598
			1,790,151,841		**1,334,404,598**
Basic and diluted earning per share			151.75		137.90
(Face Value per Share Rs. 100/-)					
Significant Accounting Policies and Notes to the Accounts	15				

As per our attached report of even date

For Haribhakti & Co.
Chartered Accountants

Rakesh Rathi
Partner

Place: Mumbai
Dated:April 27, 2010

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 27, 2010

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

		As at 31.03.2010		As at 31.03.2009
	Rs.	Rs.	Rs.	Rs.
SCHEDULE 1				
SHARE CAPITAL				
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
TOTAL		**500,000,000**		**500,000,000**
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				
SCHEDULE 2				
RESERVES AND SURPLUS				
General Reserve				
As per last Balance Sheet	315,190,561		246,190,561	
Add: Transfer from Profit and Loss Account	80,000,000		69,000,000	
		395,190,561		315,190,561
Balance in profit and loss account		1,429,363,841		1,031,414,598
TOTAL		**1,824,554,402**		**1,346,605,159**

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 01.04.2009	Additions for the Year	Deductions/ Adjustment/ Written off for the year	As at 31.03.2010	Upto 01.04.2009	For the Year	Deductions/ Adjustments for theyear	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
A. Intangible Assets										
Computer Software (Acquired)	17,589,014	8,912,758	31,200	26,470,572	15,272,177	4,090,502	31,200	19,331,479	7,139,093	2,316,837
Website Development Cost (Self Constructed)	2,032,000	-	-	2,032,000	2,032,000	-	-	2,032,000	-	-
B. Tangible Assets										
Leasehold Improvement	24,708,954	3,688,168	5,738,771	22,658,351	10,151,420	6,660,175	2,581,106	14,230,489	8,427,862	14,557,534
Computers	59,289,649	7,098,912	946,932	65,441,629	41,750,024	8,210,296	910,265	49,050,055	16,391,574	17,539,625
Motor Car	2,658,053	-	-	2,658,053	1,762,386	231,889	-	1,994,275	663,778	895,667
Office Equipment	23,041,289	1,760,734	972,936	23,829,087	11,185,902	1,863,820	718,999	12,330,723	11,498,364	11,855,387
Furniture & Fixtures	7,795,254	1,147,197	37,576	8,904,875	3,691,407	1,139,394	35,188	4,795,613	4,109,262	4,103,847
TOTAL	**137,114,213**	**22,607,769**	**7,727,415**	**151,994,567**	**85,845,316**	**22,196,076**	**4,276,758**	**103,764,634**	**48,229,933**	**51,268,897**
Previous Year	**116,977,961**	**23,336,571**	**3,200,319**	**137,114,213**	**68,159,662**	**19,996,479**	**2,310,825**	**85,845,316**	**51,268,897**	

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

SCHEDULE 4

**INVESTMENTS
(Non-trade, unquoted,
Fully paid)**

	As at 31.03.2010			As at 31.03.2009		
	Face value (Rs.)	**No. of Units**	**Rs.**	**Face value (Rs.)**	**No. of Units**	**Rs.**
A. LONG TERM INVESTMENTS (AT COST)						
In Equity Shares of Subsidiary Company						
SBI Funds Management (International) Pvt. Ltd.	US$ 1	10,000	444,400	US$ 1	10,000	444,400
In Equity Shares of other Company						
SBI Pension Funds Pvt Ltd	10	1,000,000	10,025,000	10	1,000,000.00	10,025,000.00
In schemes of SBI Mutual Fund						
SBI Debt Fund - 13 Months-Instit .Growth Months (Aug 08) (Repurchase Price per unit is Rs 10.6873)	-	-	-	10	8,000,000	80,000,000
SBI Debt Fund Series - 15 Months Institutional (Repurchase Price pe unit is Rs 10.032)	10	10,000,000	100,000,000			
(A)			**110,469,400**			**90,469,400**
B. Current Investments (At lower of cost or fair value)						
In pass through certificates						
14% PTC “RB Loan Trust series 21(*)			100,500,000			393,617,021
In Debentures						
16% Non Convertible Debentures (*)	500,000	16	8,000,000	500,000	39	19,542,740

	As at 31.03.2010			As at 31.03.2009		
	Face value (Rs.)	**No. of Units**	**Rs.**	**Face value (Rs.)**	**No. of Units**	**Rs.**
In schemes of SBI Mutual Fund						
Magnum Insta Cash Daily Dividend -	-	-	10	13,189,567	220,929,210	
(Repurchase Price per unit is Rs 16.7503)						
SBI SHF short Term Ip Growth (Repurchase Price per unit is Rs 10.6326)	10	12,128,829	122,494,985	-		-
SBI DFS 180 Days - Dividend (Repurchase Price per unit is Rs 10.00)	10	3,000,000	30,000,000	-	-	-
(B)			**260,994,985**			**634,088,971**
TOTAL (A+B)			**371,464,385**			**724,558,371**

* 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

Scheme Name	Opening Balance		Purchase		Sale		Closing Balance	
	Units	Rs.	Units	Rs.	Units	Rs.	Units	Rs.
SBI SHF Short Term IP Growth	-	-	16,832,533	170,000,000	(4,703,704)	(47,505,015)	12,128,829	122,494,985
SBI SHF Ultra ST IP Daily Div	-	-	72,286,090	723,274,145	(72,286,090)	(723,274,145)	-	-
SBI DFS 15 MNTHS GR - Inst Gr	-	-	10,000,000	100,000,000	-	-	10,000,000	100,000,000
SBI DFS 180 DAYS DIV 9	-	-	3,000,000	30,000,000	-	-	3,000,000	30,000,000
SBI DFS 13 MNTHS GR 8- Inst Gr	8,000,000	80,000,000	-	-	(8,000,000)	(80,000,000)	-	-
MICF DAILY DIV CASH	13,189,567	220,929,211	20,430,649	342,219,492	(33,620,216)	(563,148,703)	-	-

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

		As at 31.03.2010		As at 31.03.2009
	Rs.	Rs.	Rs.	Rs.
SCHEDULE 5				
SUNDRY DEBTORS				
(Unsecured and considered good)				
Debts outstanding for a period exceeding six months		-		-
Other Debts		167,913,529		139,631,302
Total		**167,913,529**		**139,631,302**
SCHEDULE 6				
CASH & BANK BALANCES				
Cash on hand		66,003		5,492
Balances with scheduled banks				
in current accounts	72,559,212		154,326,385	
in fixed deposits with Banks *	1,970,130,557		995,634,481	
Cheques in Hand	3,517,477		13,114,439	
		2,046,207,246		1,163,075,305
Total		**2,046,273,249**		**1,163,080,797**
* includes AED 50,000 (Rs. 5,96,000) [Previous year AED 50,000(Rs 674,500)] towards lien created by Bank in favour of Ministry of Economy, Dubai, UAE.				
SCHEDULE 7				
OTHER CURRENT ASSETS				
(unsecured and considered good)				
Interest Accrued On				
Fixed Deposits with Banks		47,617,953		26,608,694
Current Investments		33,483		159,344
Total		**47,651,436**		**26,768,038**
SCHEDULE 8				
LOANS AND ADVANCES				
(Unsecured, considered good, unless otherwise specified)				
Advances recoverable in cash or in kind or for value to be received		101,685,573		59,853,959
Deposits		36,493,658		39,625,376
Advance payments of taxes and Tax deducted at source	1,087,193,279		894,134,600	
Less: provisions for taxes	1,044,407,539		816,107,539	
		42,785,740		78,027,061
Total		**180,964,971**		**177,506,396**

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

		As at 31.03.2010		As at 31.03.2009
	Rs.	Rs.	Rs.	Rs.
Advances include the following:				
From companies under same Management				
SBI Capital Markets Ltd				
Outstanding		-		-
Maximum outstanding during the year		-		2,303,564
SBI Mutual Fund Trustee Company Pvt. Ltd.				
Outstanding		-		-
Maximum outstanding during the year		3,454,500		1,352,995
SBI General Insurance Company Ltd.				
Outstanding		-		2,442,001
Maximum outstanding during the year		2,619,574		2,442,001
SBI Custodial Services Pvt. Ltd.				
Outstanding		-		-
Maximum outstanding during the year		127,022		-

SCHEDULE 9

CURRENT LIABILITIES

Sundry Creditors		30,454,259		13,601,332
Other Liabilities		184,952,758		152,161,797
Total		**215,407,017**		**165,763,129**

SCHEDULE 10

PROVISIONS

Proposed Equity Dividend		240,000,000		200,000,000
Tax on Proposed Equity Dividend		40,788,000		33,990,000
Provision for Compensated Absences		48,808,125		44,744,115
Provision for Gratuity		3,279,805		1,065,939
Total		**332,875,930**		**279,800,054**

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

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
SCHEDULE 11		
INCOME FROM INVESTMENTS		
Profit on Sale of Long Term Investments	12,480,957	48,474,832
Dividend from Current Investments	5,467,446	64,093,298
Total	**17,948,403**	**112,568,130**
SCHEDULE 12		
OTHER INCOME		
Interest on loans to employees	1,387,558	1,248,908
Interest on Bank deposits (gross) [TDS Rs.10,101,735 (Previous Year Rs 10,127,198)]	104,652,796	54,671,713
Interest on current investments (gross) [Tax deducted at Source Rs.6,587,287 (Previous Year Rs NIL)]	39,457,132	159,524
Realisation of Devolved Investments	829,972	2,036,000
Interest on Income Tax refund	6,271,837	81,090,715
Miscellaneous Income	13,243,232	17,530,531
Foreign Exchange Gain (net)	1,414,205	1,062,380
Excess provision in respect of earlier years written back	4,072,184	11,015,893
Total	**171,328,916**	**168,815,664**
SCHEDULE 13		
EMPLOYEE COSTS		
Salaries, allowances and bonus	378,770,209	327,609,752
Contribution to Provident and Other Funds	28,390,161	23,996,283
Staff welfare expenses	57,895,497	49,753,303
	465,055,867	401,359,338
Less: Sharing of Common Establishment Expenses	(700,000)	(700,000)
Total	**464,355,867**	**400,659,338**

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

	Rs.	Year Ended 31.03.2010 Rs.	Rs.	Year Ended 31.03.2009 Rs.
SCHEDULE 14				
ADMINISTRATIVE AND OTHER EXPENSES				
Rent		75,448,687		62,793,244
Rates and taxes		4,058,214		660,123
Electricity charges		10,941,489		9,716,444
Repairs and maintenance :				
- Equipment (includes prior period expenditure of Rs.NIL Previous Year 51,247)	8,836,817		6,805,941	
- Others	6,622,932		5,563,572	
		15,459,749		12,369,513
Insurance		2,060,499		1,635,351
Travelling and Conveyance		34,778,728		31,927,821
Recruitment and Training		1,581,276		6,596,610
Printing and Stationery		11,021,683		10,564,515
Postage and Telegram		14,756,656		20,787,498
Telephone		20,561,249		19,492,141
Scheme Expenses		56,301,634		69,780,433
Business Promotion		73,120,709		68,372,566
Advertising and Publicity		98,709,477		26,145,259
Legal and Professional fees		74,270,242		8,126,978
(includes prior period expenditure of Rs.Nil Previous Year 504,310)				
Filing Fee for schemes		1,385,502		26,556,188
Membership and Subscription		24,148,696		22,166,592
Auditor's Remuneration:				
-Audit Fee *	1,500,000		1,500,000	
-Certification Fee	50,000		57,000	
-Out of pocket expenses	7,500		3,245	
		1,557,500		1,560,245
Directors' sitting fees		197,800		122,500
Loss on sale of assets (net)		239,737		65,867
Leasehold Improvements written off		3,157,665		-
Loss on sale of current investment		-		6,446
Miscellaneous expenses (includes prior period expenditure of Rs. Nil Previous Year 2,273)		9,555,750		10,438,431
		533,312,942		409,884,765
Less: Sharing of Common Administrative Expenses		(915,161)		(800,000)
Total		**532,397,781**		**409,084,765**

* Inclusive of Tax Audit and Consolidation fee

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 and Capital Advances:**

Fixed Assets are stated at their cost of acquisition less accumulated depreciation, amortisation and impairment losses. The cost of acquisition is inclusive of taxes, duties, freight and other incidental expenses related to acquisition and installation of the assets.

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

(e) **Depreciation**

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.

(f) **Intangible Assets:**

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

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

(g) **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.

(h) **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.

(i) **Employee Benefits:**

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

(b) Gratuity 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.

(c) 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.

(d) 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.

(j) **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.

(k) **Scheme Expenses**

(a) **Recurring Expenses**

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

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

(b) **New Fund Offer Expenses**

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

(c) **Brokerage**

One time Brokerage paid on investments in Equity Linked Saving Schemes is amortized over a period of 36 months. In case of Fixed Maturity Plans, one time brokerage is amortized over the tenure of schemes.

(l) **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.

(m) **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.

(n) **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.

(o) **Earnings Per Share**

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

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

(p) **Cash and Cash Equivalents**

Cash and Cash Equivalents comprise of Cash/Cheques- in- hand and Bank balances in Current and Fixed deposit accounts.

Notes to the Financial Statements:

2. Contingent Liabilities (not provided for):

(a) Claims against the Company not acknowledged as debts – Investor claims pending in consumer courts – Rs. 5,321,565 (Previous Year Rs. 5,466,690).

(b) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 8,082,615 (Previous Year Rs. 10,232,276).

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

3. Change in Accounting Policy

Due to change in accounting policy in respect of one time Brokerage paid for investment in FMP Schemes , the profit before tax for the year and prepaid expenses is higher by Rs 26,444,789.

4. **Employee benefits**

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

(a) Defined Contribution Plan :- Provident Fund

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

Rs.

Particulars	**As at 31.03.2010**	**As at 31.03.2009**
Employer's contribution to Provident Fund	20,665,826	15,530,477

(b) Defined Benefit Plan Gratuity and disclosures

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

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

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

(4.b.1) Reconciliation of opening and closing balance of the present value of defined benefit obligation for gratuity benefits is given below:

Rs.

Change in funded benefit obligations	**As at 31.03.2010**	**As at 31.03.2009**
Present value of funded benefit obligations, 1st April	22,955,741	21,090,421
Service cost	6,810,083	6,886,230
Interest cost	2,209,183	2,205,001
Benefits paid	(620,090)	(828,289)
Actuarial (gain)/loss on obligations	(4,592,924)	(6,397,622)
Present value of funded benefit obligations as at 31st March	26,761,993	22,955,741

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

(4.b.2) Reconciliation of opening and closing Balance of Fair Value of Plan Assets

Rs.

	As at 31.03.2010	As at 31.03.2009
Fair value of plan assets , 1st April	21,889,802	8,590,042
Expected return on plan assets	1,743,651	1,721,126
Actuarial gain/(loss)	252,942	(931,256)
Employer contribution	215,883	13,338,179
Benefits paid	(620,090)	(828,289)
Settlement cost		
Fair value of plan assets at year end	23,482,188	21,889,802

(4.b.3) Reconciliation of Fair Value of Assets and Obligations

Rs.

	As at 31.03.2010	As at 31.03.2009
Present value of obligation as at 31st March,	26,761,993	22,955,741
Fair value of plan assets as at 31st March,	23,482,182	21,889,802
Amount recognized in Balance Sheet	(3,279,805)	(1,065,939)

(4.b.4) Expense recognized during the year (Under the head "Employee Cost"-Refer Schedule 13)

Rs.

	As at 31.03.2010	As at 31.03.2009
Current Service Cost	6,810,083	6,886,230
Interest Cost	2,209,183	2,205,001
Expected return on plan assets	(1,743,651)	(1,721,126)
Actuarial (gain) / loss	(4,845,866)	(5,466,366)
Net Cost	2,429,749	1,903,739

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

(4.b.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.

	As at 31.03.2010	**As at 31.03.2009**
Discount rate	8.25%	7.75%
Salary escalation rate	10% p.a. for first 4 years ; 8% p.a. for next 5 years and 5% p.a. thereafter	10% p.a. for first 4 years ; 8% p.a. for next 5 years and 5% p.a. thereafter
Expected return on plan assets	8%	8%

5. **Deferred Tax Asset (net):** **(Rs.)**

		As at 31.03.2009	**Show Movement**	**As at 31.03.2010**
Deferred Tax Liabilities				
Amortization /Depreciation on fixed assets/ intangible Assets		7,874,337	(1,815,182)	6,059,15
Gross Deferred Tax Liabilities	**(A)**	**7,874,337**	**(1,815,182)**	**6,059,155**
Deferred Tax Assets				
Provision for gratuity		(362,313)	(752,493)	(11,14,806)
Provision for compensated absences		(9,694,701)	(72,189)	(9,766,890)
Gross Deferred Tax Assets	**(B)**	**(10,057,014)**	**(824,682)**	**(10,881,696)**
Deferred Tax Liabilities/(Asset)(Net) (B-A)		**(2,182,677)**	**(2,639,864)**	**(4,822,541)**

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.)

Particulars	**Year Ended 31-03-2010**	**Year Ended 31-03-2009**
Salaries and Allowances	722,264	848,340
Contribution to Provident & Pension fund	88,810	86,377
Perquisites	753,824	1,925,293
Total	1,564,898	2,860,010 *

* Includes Rs 484,595 to a Managing Director for the period from 1st April 2008 to 2nd May 2008 and Rs. 2,375,415 to another Managing director for the period from 14th May 2008 to 31st March 2009.

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

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

(Rs.)

Particulars	Year Ended 31-03-2010	Year Ended 31-03-2009
Salaries and allowances	4,641,856	4,641,856
Contribution to Provident & Pension fund *	264,000	-
Perquisites	279,000	279,000
Total	5,184,856	4,920,856

* (Contribution for the period from Nov 2008 to March 2010)

7. Related Party Disclosure:

Parties where control exists:

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

Other Related parties:

Fellow Subsidiaries	SBI Capital Markets Limited (SBI CM Ltd.) SBI Life Insurance Company Limited (SBI LIC Ltd.) SBI General Insurance Limited (SBI GI Ltd.) SBI Commercial and International Limited (SBI C&I Ltd.) State Bank of Patiala (SBOP) State Bank of Mysore (SBM) State Bank of Hyderabad (SBH) State Bank of Indore (SBOI) State Bank of Travancore (SBT) State Bank of Bikaner & Jaipur (SBBJ) SBI Mutual Fund Trustee Company Private Limited (SBI MFTCP Ltd.) SBI Pension Funds Pvt. Ltd. (SBI PFP Ltd.) SBI Custodial Services Pvt. Ltd. (SBI CSP Ltd.)
Key Management Personnel	Mr. Achal K. Gupta (Managing Director) Mr. Didier Turpin (Deputy Chief Executive Officer)
Mutual Fund managed by the company	SBI Mutual Fund

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

8. List of transactions with related parties:- **(Rs.)**

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
During the Year					
Deposits Placed with SBI C&I Ltd.		499,559,215 (497,458,541)			
Deposits Matured with SBI C&I Ltd.		497,458,541 (283,434,544)			
Deposits Placed with SBOP		472,900,000 (Nil)			
Deposits Matured with SBOP		Nil (30,000,000)			
Deposits Placed with SBI	667,375,342 (397,501,440)				
Deposits Matured with SBI	397,501,440 (30,000,000)				
Interest Income - Deposit with SBI C&I Ltd.		31,750,642 (29,893,388)			
Interest Income on Bank Deposit with SBOP		25,032,892 (873,808)			
Interest Income on Bank Deposit with SBI	36,736,379 (9,485,679)				
Recovery of Common establishment expenses from SBI MFTCP Ltd.		1,500,000 (1,500,000)			
PMS fees - from Manulife Global Fund				21,987,958 (17,776,229)	
PMS fees – from SGAM Equities India				34,854,563 (26,752,924)	
PMS fees - from India Infra Equity Fund				9,513,071 (7,710,730)	
PMS fees - from SGAM India Infra				1,436,160 (1,055,586)	
Income - SBI CSP Ltd.		115,161 (Nil)			
SBIMF scheme expenses					56,301,634 (69,780,433)
Bank Charges paid to SBI	225,764 (168,937)				
Rent paid to SBI CM Ltd.		30,457,656 (30,457,656)			
Rent paid to SBI	3,717,440 (3,671,662)				
Rent paid to SBH	1,75,500 (Nil)				

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

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
Networking charges paid to SBI	1,950,000 (1,950,000)				
Professional Fees paid to SBI CSP Ltd.		112,903 (Nil)			
Reimbursement of Salary for employees on deputation from SBI	22,021,674 (11,022,790)				
Reimbursement of Salary for employees on deputation from SBOP		1,176,551 (1,039,613)			
Reimbursement of Salary for employees on deputation from SBM		983,628 (619,652)			
Reimbursement of Salary for employees on deputation from SBBJ		689,897 (567,322)			
Reimbursement from SBI for Salary of employees on deputation to SBI	6,948,328 (3,232,140)				
Reimbursement of Salary for employees on deputation from SBOI		788,265 (175,785)			
Reimbursement of Salary for employees on deputation from SBH		879,953 (596,901)			
Reimbursement of Salary for employees on deputation from SBT		663,050 (538,700)			
Reimbursement of distribution expenses to SBBJ		Nil (1,200,000)			
Reimbursement of distribution expenses to SBOI		Nil (3,000,000)			
Reimbursement of distribution expenses to SBM		Nil (1,500,000)			
Reimbursement of distribution expenses to SBP		Nil (5,400,000)			
Reimbursement of distribution expenses to SBT		Nil (350,000)			
Management Fees Income					1,815,674,733 (1,404,757,723)
Investments:					
Units purchased in schemes of SBI MF					1,365,493,637 (5,124,839,890)
Units sold in schemes of SBI MF					1,413,927,863 (5,511,716,621)

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

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
Dividend Income from schemes of SBI MF					5,467,446 (64,093,298)
Investment in Pass through Certificates from schemes of mutual fund					Nil (393,617,021)
Investment in Non-convertible debentures from schemes of mutual fund					Nil (19,542,740)
Purchase of shares of SBI Pension Fund Pvt Ltd		Nil (10,025,000)			
Outstanding Receivables:					
Deposits with SBI	667,375,342 (397,501,440)				
Deposits with State Bank of Patiala		472,900,000 (Nil)			
Deposits with SBI Commercial and International Limited		499,559,215 (497,458,541)			
Other Deposit with SBI Life Insurance Ltd.		200,000 (200,000)			
Balance in Current Accounts	72,498,466 (167,364,736)				
Interest Receivable on Bank Deposit with SBI	10,880,732 (7,233,965)				
Interest Receivable on Bank Deposit with SBOP		25,032,892 (Nil)			
Interest receivable on Bank Deposit with SBI C&I Ltd.		11,052,439 (18,164,277)			
SBI General Insurance Ltd (Expenses Recoverable)		Nil (2,442,001)			
Recoverable from SBI of salary of employees on deputation		Nil (1,910,738)			
Management Fees Receivable					107,817,586 (100,717,698)
PMS Fees receivable from SGAM Equities India				8,976,103 (4,880,630)	
PMS Fees receivable from Manulife Global Fund				6,250,672 (3,001,201)	
PMS Fees receivable - India Infra Equity Fund				2,372,282 (1,312,143)	
PMS Fees receivable from SGAM India Infra				408,886 (173,444)	

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

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
Outstanding Payables:					
SBIMF scheme expenses payable					57,280,508 (52,058,234)
Networking charges payable to SBI	19,50,000 (1,950,000)				
Dividend paid / proposed :					
State Bank of India	151,200,000 (126,000,000)				
Societe Generale Asset Management(SGAM)				88,800,000 (74,000,000)	
Remuneration Paid to Key Management Personnel					
Mr. Achal K. Gupta			1,564,898 (2,375,415)		
Mr. Didier Turpin			5,184,856 (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 payment**

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

(Rs.)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Lease payments for the year	84,453,221	69,961,741
Minimum Lease Payments:-		
Not later than one year	85,009,081	77,897,050
Later than one year but not later than five years	168,673,330	100,313,686
Later than five years	10,940,431	16,810,999

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

11. Expenditure in Foreign Currency: **(Rs.)**

Particulars	**Year ended 31.03.2010**	**Year ended 31.03.2009**
Travelling Expenses	2,454,487	173,930
Business Promotion and Advertisement	1,097,718	2,450,693
Legal and Training charges	Nil	584,270
Salary	3,613,058	3,341,531
Rent & Subscription	1,458,078	2,516,973
Professional Fees	254,489	Nil

11. Earnings in Foreign Currency: **(Rs.)**

Particulars	**Year ended 31.03.2010**	**Year ended 31.03.2009**
Portfolio Advisory Fees	144,839,312	110,766,914

12. 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	44,633,363	350,261	16,564	59,750,967	54,711,528
Receivable	(18,548,826)	(178,839)	(17,885)	(41,499,946)	(14,156,615)

13. Earnings Per Share (EPS):

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

	Particulars	**31-03-2010**	**31-03-2009**
(a)	Nominal Value of an Equity Share (Rs.)	100	100
(b)	Net profit available to Equity Shareholders (Rs.)	758,737,243	689,491,328
(c)	Number of shares outstanding	50,00,000	50,00,000
(d)	Basic and Diluted EPS (Rs.) = (b) / (c)	151.75	137.90

14. Dividend remittances to non-resident shareholders:

	Particulars	**2009-2010**	**2008-09**
(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)	74,000,000	62,160,000
(d)	Year to which dividend relates	2008-09	2007-08

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

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

	Particulars	**Amount in Rupees**
1	Outstanding principal Amount & Interest as on 31st March 2010	
	- 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 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 27, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

		2009-10 Rs.		2008-09 Rs.
(A) Cash flow from Operating activities				
Net profit Before Tax		1,138,456,226		**974,117,109**
Adjustments for:				
Depreciation and Amortisation	22,196,076		19,996,479	
Loss on sale of Fixed Assets (Net)	239,737		65,867	
Profit on sale of investments (Net)	12,480,957		(48,468,386)	
Interest income	(145,497,486)		(55,920,621)	
Dividend income	(5,467,446)		(64,093,298)	
		(116,048,162)		(148,419,959)
Operating profit before working capital changes		**1,022,408,064**		**825,697,150**
Decrease / (Increase) in Sundry Debtors	(28,282,227)		(24,249,108)	
(Increase) / Decrease in Loans and Advances	(38,699,896)		168,827,167	
Increase / (Decrease) in Current Liabilities & Provisions	55,921,764		(95,752,198)	
		(11,060,359)		48,825,861
Net cash generated from operations		**1,011,347,705**		**874,523,011**
Income Taxes Paid		(347,117,526)		(117,732,623)
Net cash generated from Operating Activities		**664,230,179**		**756,790,388**
(B) Cash flows from Investing activities				
Purchase of Fixed Assets(including advances for capital)	(17,795,542)		(28,683,913)	
Sale of Fixed Assets	53,250		392,000	
Purchase of Investments	(1,231,488,734)		(5,548,024,651)	
Sale of Investments	1,572,101,765		5,511,716,621	
Interest received	124,614,088		46,133,275	
Dividend received	5,467,446		64,093,298	
Net Cash generated in Investing Activities		**452,952,273**		**45,626,630**
(C) Cash flows from Financing activities				
Dividend paid	(200,000,000)		(168,000,000)	
Tax on Dividend	(33,990,000)		(28,551,600)	
Net cash used in Financing Activities		**(233,990,000)**		**(196,551,600)**
Net Increase in Cash and Cash Equivalents (A + B + C)		**883,192,452**		**605,865,418**
D. CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		**1,163,080,797**		**557,215,379**
E. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**2,046,273,249**		**1,163,080,797**

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. The corresponding figures of the previous year are re-grouped wherever necessary.

As per our attached report of even date

For Haribhakti & Co.
Chartered Accountants

Rakesh Rathi
Partner

Place: Mumbai
Dated:April 27, 2010

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 27, 2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE FOR THE YEAR ENDED 31ST MARCH 2010

(*in thousands of Rupees*)

I Registration details

Registration number	11-65289
State code	11
Balance Sheet date	31st March, 2010

II. Capital raised during the period (Amount Rs. in Thousands)

Public issue	Nil	Rights issue	Nil
Bonus issue	Nil	Private Placement	Nil

III. Position of Mobilisation and Deployment of funds:

Total Liabilities	2,872,837	Total Assets	2,872,837
Sources of funds:		**Application of funds:**	
Paid -up capital	500,000	Fixed Assets	46,608
Reserves and surplus	1,824,554	Intangible Assets	7,139
Deferred Tax Liability (Net)	Nil	Deferred Tax Asset (Net)	4,823
Secured loans	Nil	Investments	371,464
Unsecured loans	Nil	Net current assets	2,442,803
Other liabilities	548,283	Miscellaneous expenditure	Nil
		Accumulated losses	Nil

IV. Performance of the Company :

Turnover	2,157,406	Total expenditure	1,018,950
Profit /(loss) before tax	1,138,456	Profit /(loss) after tax	758,737
Earning Per Share in Rs.	151.75	Dividend rate %	48

V. 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 27, 2010

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

CORPORATE DATA

			Date of appointment
Directors	:	Mr. V Srinivasan	05 February 2007
		Mr Abdool Azize Owasil	23 June 2008
		Mr Navneet Munot	16 January 2009
Administrator & Secretary	:	Multiconsult Limited Rogers House 5, President John Kennedy Street Port Louis Mauritius	
Registered Office	:	C/o Multiconsult Limited Rogers House 5, President John Kennedy Street Port Louis Mauritius	
Bank	:	SBI (Mauritius) Ltd 34, Sir William Newton Street Port-Louis Mauritius	
Auditors	:	Ernst & Young 9th Floor, Tower 1 NeXTeracom, Cyber City Ebène Mauritius	

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

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 2010.

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 55,345 (2009: USD 48,944).

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 statement of financial position at 31 March 2010, and the statement of comprehensive income, the statement of changes in equity and statement cash flow 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.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

SECRETARY'S CERTIFICATE

UNDER SECTION 166(d) OF THE COMPANIES ACT 2001

We certify that, to the best of our knowledge and belief, we have filed with the Registrar of Companies, all such returns as are required of SBI Funds Management (International) Private Limited under the Mauritian Companies Act 2001 for the financial year ended 31 March 2010.

Multiconsult Limited
Corporate Secretary

Date: 9 April, 2010

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

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 22 which comprise the statement of financial position as at **31 March 2010,** the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 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.

Auditor's 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 2010,** and of its financial performance and cash flows for the period 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 member, 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 capacities as auditors and tax advisors 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
Ebène,
Mauritius

Date : 9 April, 2010

PATRICK NG TSEUNG, A.C.A.
SIGNING PARTNER

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2010

	Notes	2010 USD	2009 USD
ASSETS			
Current assets			
Trade and other receivables	5	**37,524**	19,460
Cash and cash equivalents		**292,535**	237,941
		330,059	257,401
Total assets		**330,059**	257,401
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	6	**10,000**	10,000
Retained earnings		**276,460**	221,115
Shareholders' interest		**286,460**	231,115
Current liabilities			
Trade and other payables	7	**43,127**	24,843
Taxation	8	**472**	1,443
		43,599	26,286
Total liabilities		**43,599**	26,286
Total equity and liabilities		**330,059**	257,401

These financial statements have been approved for issue by the Board of Directors on 9 April, 2010 and signed on its behalf by:

NAME OF DIRECTORS

Abdool Azize Owasil

Venkataraman Srinivasan

The notes on pages 11 to 22 form an integral part of these financial statements.

Auditor's report on pages 5 to 6.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 USD	2009 USD
INCOME			
Investment management fees income	2 (h)	**113,838**	113,091
Bank interest income	2 (h)	**3,760**	2,300
(Loss) / gain on foreign exchange		**(37)**	1,398
Overprovision of tax		**42**	-
		117,603	116,789
EXPENSES			
Trail commission fees		**44,921**	47,470
Audit fees		**4,530**	5,675
Disbursements		**209**	2,250
Licence fees and annual registration fees		**3,860**	3,175
Accounting fees		**1,000**	2,000
Tax filing fees		**1,000**	2,000
Bank charges		**2,641**	1,329
Directors' fees		**750**	750
Secretarial fees		**1,250**	1,253
Other expenses		**500**	500
		60,661	66,402
PROFIT BEFORE TAXATION		**56,942**	50,387
Taxation	8	**(1,597)**	(1,443)
PROFIT FOR THE YEAR		**55,345**	48,944

The notes on pages 11 to 22 form an integral part of these financial statements.
Auditor's report on pages 5 to 6.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2010

	Stated capital	Retained earnings	Total
	USD	USD	USD
At 01 April 2008	10,000	172,171	182,171
Profit for the year	-	48,944	48,944
At 31 March 2009	**10,000**	**221,115**	**231,115**
At 01 April 2009	10,000	221,115	231,115
Profit for the year	-	55,345	55,345
At 31 March 2010	**10,000**	**276,460**	**286,460**

The notes on pages 11 to 22 form an integral part of these financial statements.

Auditor's report on pages 5 and 6

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 USD	2009 USD
Cash flow from operating activities			
Profit before taxation		**56,942**	50,387
Adjustments for:			
Overprovision of tax		**(42)**	-
Management fees		**(113,838)**	(113,091)
Interest income		**(3,760)**	(2,300)
Operating loss before working capital changes		**(60,698)**	(65,004)
Changes in working capital:			
Trade and other receivables		**(3,993)**	37,877
Trade and other payables		**18,284**	(28,951)
		(46,407)	(56,078)
Tax paid	8	**(2,526)**	(2,885)
Net cash used in operating activities		**(48,933)**	(58,963)
Cash flow from Investing activities			
Mangement fees received		**99,767**	113,091
Interest received		**3,760**	2,300
Net cash from investing activities		**103,527**	115,391
Net increase in cash and cash equivalents		**54,594**	56,428
Movement in cash and cash equivalents			
At beginning of year		**237,941**	181,513
Net increase in cash and cash equivalents		**54,594**	56,428
At end of year		**292,535**	237,941

The notes on pages 11 to 22 form an integral part of these financial statements.

Auditor's report on pages 5 and 6.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

1. GENERAL INFORMATION

The Company was incorporated as a private limited company in the Republic of Mauritius on 17 January 2006. The Company registered address is C/o Multiconsult Limited, Rogers House, 5, President John Kennedy Street, Port Louis, Mauritius.

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.

2.1 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 managment 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.

2.2 Statement of compliance

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

2.3 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.

a) 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.

b) 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.

c) Cash and cash equivalents

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

d) Stated capital

Ordinary shares are classified as equity.

e) Equity instruments

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

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Financial liabilities

Initial recognition

These are accruals and other payables and are initially recognised at fair value plus directly attributable transaction cost and are subsequently carried at amortised cost using the effective interest method.

g) 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.

h) Revenue recognition

Investment management fees are accounted for on an accruals basis, and the calculation is based on the NAV of SBI Resurgent India Opportunities Fund computed twice weekly.

Interest income is recognised on the accruals basis unless collectibility is in doubt.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Expenses

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

j) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The Board of Directors consider USD as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Transactions and balances

Foreign currency transactions are translated into USD 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 translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

k) Related parties

Parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control the Fund or exercise significant influence over the Fund in making financial and operating decisions, or vice versa, or where the Fund is subject to common control or common significant influence. Related parties may be individuals or other entities.

l) Taxation

Current income tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Taxation (Continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

m) 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.

(n) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

IAS 1 Presentation of Financial Statements - Comprehensive revision including requiring a statement of comprehensive income (effective 1 January 2009)

IFRS 7 Financial Instruments: Disclosure effective on 1 January 2009

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Changes in accounting policy and disclosures (Continued)

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 13.

Improvements to IFRS

In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies where applicable but did not have any impact on the financial position or performance of the Company.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. The amendment did not impact the Company.
- IFRS 8 Operating Segment Information: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. The amendment did not impact the Company.

IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The amendment did not impact the Company.

- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2009 upon cash settlement. The amendment did not impact the Company.
- IAS 16 Property, Plant and Equipment: Replaces the term “net selling price” with “fair value less costs to sell”. The amendment did not impact the Company.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The Company does not expect IFRIC 17 to have an impact on the financial statements as the Company has not made non-cash distributions to shareholders in the past.

IFRS 9 Financial Instruments: Classification and Measurement

On 12 November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting 1 January 2013, with early adoption permitted. The IASB intends to expand IFRS 9 during 2010 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment, and hedge accounting. By the end of 2010, then, IFRS 9 will be a complete replacement for IAS 39.

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.

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

	2010	2009
	USD	USD
Prepayments	**4,540**	2,176
Interest receivable	**1,629**	-
Management fees receivable	**31,355**	17,284
	37,524	19,460

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

6. STATED CAPITAL

	2010	2009
	USD	USD
Issued and fully paid up		
10,000 Ordinary shares of USD 1 each	**10,000**	10,000
	10,000	10,000

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

7. TRADE AND OTHER PAYABLES

	2010	2009
	USD	USD
Trail commission payable	**37,678**	18,585
Audit fees accrued	**4,300**	4,945
Other expenses accrued	**1,149**	1,313
	43,127	24,843

Trade and other payables are non - interst bearing and are normally settled on 30-90 day terms.

8. TAXATION

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

It will, however, be entitled to a tax credit equivalent to the higher of the foreign taxes paid or 80% of the Mauritius tax on its foreign source income. There is no tax on capital gains in Mauritius. As at balance sheet date, the Company had tax liabilities amounting to USD 472.

(a) Charge

	2010	2009
	USD	USD
Purposes	**1,597**	1,443

(b) Liability

	2010	2009
	USD	USD
At beginning of year	**1,443**	2,885
Charge for the year	**1,597**	1,443
Overprovision of tax	**(42)**	-
Paid during the year	**(2,526)**	(2,885)
At end of year	**472**	1,443

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

	2010	2009
	USD	USD
Profit before taxation	**56,942**	50,387
Tax at 15%	**8,541**	7,558
Income not subject to tax	**(562)**	(345)
Overprovision of tax	**(42)**	-
Foreign tax credit	**(6,340)**	(5,770)
Tax charge	**1,597**	1,443

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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.

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.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

Currency risk

All the Company's financial assets and liablities are denominated in United States dollars.

Interest rate risk

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

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The following table details the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair value, categorised by the earlier of contractual repricing or maturity dates measured by the carrying value of the assets and liabilities. The total interest sensitivity gap represents the net notional amounts of all interest sensitive financial instruments.

Interest rate risk (Continued)

	31 March 2010		
	Up to 1 year	Non-Interest Bearing	Total
	USD	USD	USD
ASSETS			
Trade and other receivables	-	31,355	31,355
Cash and cash equivalents	292,535	-	292,535
TOTAL ASSETS	292,535	31,355	323,890
LIABILITIES			
Trade and other payables	-	43,127	43,127
TOTAL LIABILITIES	-	43,127	43,127
NET INTEREST SENSITIVITY GAP	292,535		

	31 March 2009		
	Up to 1 year	Non-Interest Bearing	Total
	USD	USD	USD
ASSETS			
Trade and other receivables	-	17,284	17,284
Cash and cash equivalents	237,941	-	237,941
TOTAL ASSETS	237,941	17,284	255,225
LIABILITIES			
Trade and other payables	-	24,843	24,843
TOTAL LIABILITIES	-	24,843	24,843
NET INTEREST SENSITIVITY GAP	237,941		

Interest rate sensitivity

If interest rates had been 100 basis points higher/ lower and all other variables were held constant, the loss and net asset for the year ended 31 March 2010 would increase/ decrease by USD 137 (2009: USD 112). This is mainly attributable to the Fund exposure to interest rates on variable rate of interest.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

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.

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

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:

	2010	2009
	USD	USD
Trade and other receivables	**31,355**	17,284
Cash and cash equivalents	**292,535**	237,941
TOTAL	**323,890**	255,225

Trade and other receivables have the following ageing:

	< 30 days	**30- 60 days**	**60- 90 days**	**> 90 days**	**Total**
	USD	**USD**	**USD**	**USD**	**USD**
2010	**31,355**	**-**	**-**	**-**	**31,355**
2009	16,104	1,180	-	-	17,284

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 (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

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

	2010			
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**No stated maturity**
	USD	**USD**	**USD**	**USD**
Financial liabilities				
Trade and other payables	**43,127**	-	-	-
	43,127	-	-	-

	2009			
	Less than 1 month	1 to 3 months	3 months to 1 year	No stated maturity
	USD	USD	USD	USD
Financial liabilities				
Trade and other payables	24,843	-	-	-
	24,843	-	-	-

10. RELATED PARTY DISCLOSURE

During the year ended 31 March 2010, the Company traded with related parties. The nature, volume and type of transactions with the related parties were as follows:

Years	**Name of company**	**Relationship**	**Nature of transaction**	**Amount transacted**	**Amount due at year end**
				USD	USD
2010	SBI Resurgent India Opportunities Fund	Investee company	Management fee income	**113,838**	**31,355**
2009	SBI Resurgent India Opportunities Fund	Investee company	Management fee income	**113,091**	**17,284**

11. HOLDING COMPANY

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

SBI Funds Management Private Limited

Top Management Team

(As on March 31, 2010)

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