

19th
Annual Report 2010-2011



SBI FUNDS MANAGEMENT PRIVATE LIMITED

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

Board of Directors of SBI Funds Management Private Limited

(As on August 27, 2011)



Shri Pratip Chaudhuri
Chairman



Shri Shyamal Acharya
Dy. Managing Director



Shri Jean-Paul Mazoyer
Director



Shri Deepak Kumar Chatterjee
Managing Director



Shri Jayesh Gandhi
Director



Shri Rajas R.Doshi
Director



Dr.H.K.Pradhan
Director



Smt. Madhu Dubhashi
Director



Shri Philippe Batchevitch
(Alternate Director to
Shri Jean Paul Mazoyer)

Auditors

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

Bankers

State Bank of India

Registered Office

191, Maker Tower 'E'
Cuffe Parade
Mumbai - 400 005
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 Nineteenth Annual Report together with the Profit and Loss Account of SBI Funds Management Private Limited for the year ended March 31, 2011 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 2010-11	PREVIOUS YEAR 2009-10
Total Income	25,524.22	21,574.06
Profit before depreciation	11,934.84	11,606.52
Less : Depreciation	244.37	221.96
Profit before tax	11,690.47	11,384.56
Less : Provision for tax	3,805.71	3,797.19
Profit after tax	7,884.76	7,587.37
Balance brought forward from previous year (net)	14,293.63	10,314.14
Amount available for Appropriation	22,178.39	17,901.51
APPROPRIATIONS:		
Transfer to General Reserve	788.47	800.00
Proposed Dividend	-	2400.00
Interim Dividend	2,900.00	-
Dividend Distribution Tax(Net)	481.65	407.88
Excess Provision of Dividend Distribution Tax for Previous Year written-back	(9.27)	-
Balance/(Loss) to be carried forward	18,017.54	14,293.63

II. DIVIDEND:

An interim Dividend of Rs. 58 per Equity Share, subject to tax, was declared on 28th March, 2011 on the paid-up equity share capital of the Company, involving a total outgo of Rs. 3,381.65 lacs on account of dividend inclusive of dividend distribution tax. The Directors recommend that the Interim Dividend paid during the year, be declared as the Final Dividend for the year 2010-11.

III. CAPITAL:

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

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The net worth of the Company increased to Rs. 27,757.92 lacs as at the end of March, 2011 from Rs. 23,245.54 lacs as at the end of March, 2010.

IV. BUSINESS ENVIRONMENT:

THE ECONOMY

The Indian economy was characterized by robust economic growth and steady fiscal consolidation during the year 2010-11. Backed by a rise in the domestic saving and investment rates, a revival of growth in agriculture and resilience in the manufacturing and services sector, the economy displayed a great recovery post the global slowdown resulting in a strong growth of 8.5 percent in 2010-11.

However, inflation continued to be high even though it came down markedly from 14.86 percent at the start of the fiscal year to 8.82 percent in March 2011. A sequenced and gradual withdrawal of the monetary accommodation has helped contain inflationary pressures as is evident from the fact that the gross domestic product (GDP) growth for the fourth quarter of 2010-11 fell below 8% showing that RBI's attempt to control inflation by reining in growth is paying off. The GDP growth during 2010-11 has moderated sharply partly due to consistent rise in interest rates. Though the annual GDP growth is still good, the demand has begun to slow down and investment growth has crashed sparking fears of supply-led inflation.

The Government continues to fight against inflation by raising policy rates and at the same time keen to maintain a healthy GDP rate. The Indian economy is poised to further improve and consolidate in terms of key macroeconomic indicators.

CAPITAL MARKETS

The capital markets exhibited buoyancy during 2010-11 as the markets recovered and gained strength against the backdrop of a distinct improvement in the risk appetite of investors leading to a sharp rise in international capital flows to emerging markets including India.

The stock markets were almost flat from April, 2010 to August, 2010 with the BSE Sensex hovering around 17000-18000. The equity market saw a strong performance in September, 2010, with the BSE Sensex gaining 11.7% or almost 2100 points to end the month at 20069. However, the New Year began on a weak note in January, 2011 with the BSE Sensex losing over 2000 points or 10.6% to end the month at 18328 and continued to be weak in February, 2011 with the BSE Sensex losing 505 points. Post a weak beginning in January-February, 2011, the markets rebounded in March, 2011, with the BSE Sensex gaining 1622 points or 9.1% to end the month at 19445.

MUTUAL FUND INDUSTRY

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

- a) Investor grievance redressal mechanism was made more transparent and stronger. The Mutual Funds are now required to disclose on their websites, as well as in their Annual Reports, details of investor complaints received by them from all sources duly vetted and signed off by their Trustees.
- b) Additional Mode of Payment through Applications Supported by Blocked Amount (ASBA) was introduced with effect from 1st October, 2010.
- c) Units of all mutual fund schemes held in demat form shall be freely transferable.
- d) Modifications in prudential limits and disclosure norms for derivative investments to bring in transparency and clarity in the disclosure to investors were introduced.
- e) Merger or consolidation is not to be seen as change in fundamental attribute of the surviving scheme, if the features of the surviving scheme remains unchanged and the interest of the unit holders of surviving scheme is not adversely affected.
- f) The units for all interval schemes/plans are to be mandatorily listed and redemption/repurchase of units shall be allowed except during the specified transaction period.

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- g) Uniform cut-off timings for applicability of Net Asset Value (NAV) of liquid schemes and their plans were introduced and the Cut off timing for investments greater than Rs. One Crore in the Debt / Income schemes were also changed.
- h) Transactions in Mutual Fund schemes through the clearing members of registered Stock Exchanges were permitted.
- i) To enhance compliance with Know Your Customer (KYC) norms under the Prevention of Money Laundering Act, 2002 (PMLA), a Standard process for Restrictions/ Instructions and guidelines on acceptance of Third Party payments was made applicable to all the Mutual Funds.
- j) Investors were allowed to register multiple bank accounts for using any of the accounts for receiving the dividend/ redemption proceeds. KYC Compliance for all categories of investors was made mandatory with effect from 1st January, 2011 irrespective of the amount of investment for fresh purchase/additional purchase/ switch-in/any Systematic Investment Plan (SIP), Systematic Transfer Plan (STP) registered on or after effective date.
- k) A standardized procedure in case of investments made on behalf of Minors, minors attaining majority, change in guardian, Nomination facility and Transmission facility was recommended by AMFI.
- l) SEBI allowed usage of load balances as on July 31, 2009 for marketing and selling expenses including distributor's/ agent's commissions with maximum one- third of load balance to be used in a year. The accretions after July 31, 2009 were allowed to be used for marketing and selling expenses including distributor's/agent's commissions without any restrictions.

During the year, the total resources mobilized by the mutual fund industry stood at Rs 88,59,515 crore (Previous year Rs. 100,19,023 crore) while the total repurchase/redemption amount was Rs. 89,08,921 crore (Previous year Rs. 99,35,942 crore) (Source : SEBI website). The industry thus saw a net outflow of Rs. 49,406 crore (Previous year net inflow of Rs. 83,081 crore) during the year.

The total assets under management as on 31st March, 2011 stood at Rs. 592,250 crore (Previous year Rs. 6,13,979 crore).

PERFORMANCE OVERVIEW

The performance of the equity schemes of SBI Mutual Fund did not come up to our expectations during the year under review. While some of the equity schemes like MSFU-Emerging Businesses Fund, Magnum Equity Fund and Magnum Global Fund performed well, certain large equity schemes like MSFU-Contra, Magnum Taxgain and Magnum Multiplier Plus did not do well during the year. Our efforts are on to improve the performance of the equity schemes managed by us. In this regard, we have strengthened the fund management team, tightened our internal templates and have taken various other measures to ensure delivering superior risk-adjusted returns on a consistent basis. The debt schemes managed by us, however, performed very well during the year.

As on 31st March, 2011, out of the total sixteen diversified, balanced and sector fund schemes of SBI Mutual Fund, two schemes in one year, two schemes in two years and one scheme in three years category were the top performers. Besides, SBI Gold ETF Fund was the second top performing fund in the one year category.

SBI Mutual Fund saw a total inflow of Rs. 4,65,364 crore (Previous year Rs. 2,86,966 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. 4,61,658 crore (Previous year Rs. 2,83,692 crore), leaving a net inflow of Rs. 3,706 crore (industry net outflow Rs. 49,406 crore) as against a net inflow of Rs. 3,274 crore (industry net inflow Rs. 83,081 crore) in the previous year.

The closing assets under management of the domestic schemes of SBI Mutual Fund as on 31st March, 2011 were Rs. 42,019 crore as against Rs. 36,692 crore as on 31st March, 2010 signifying a growth of 14.50%. The average assets under management, which were Rs. 36,704 crore for the quarter ended 31st March, 2010, increased to Rs. 41,672 crore for the quarter ended 31st March, 2011 signifying a growth of 13.54%.

During the year, SBI Mutual Fund launched thirty two funds under SBI Debt Fund Series, SBI PSU Fund and SBI Capital Protection Fund Series II. The schemes received good response from the investors and total funds mobilized under these schemes amounted to Rs. 13,807 crore.

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The value of portfolio assets managed was Rs. 7,572 crore as on 31st March, 2011 as against Rs. 6,926 crore as on 31st March, 2010. During the year, the we started retail portfolio management service activity to tap the high net-worth individuals market. The activity has given a good result and we had 494 clients with assets of Rs. 54 crore under management.

Resurgent India Opportunities Fund, the off-shore fund managed by the Company, witnessed a decline in the assets under management from Rs. 55 crore as on 31st March, 2010 to Rs. 43 crore as on 31st March, 2011.

During the year, the number of AMFI certified Agents selling SBI Mutual Fund products increased to 39,173 as on 31st March, 2011 from 30,408 as on 31st March, 2010. The number of AMFI certified employees in State Bank Group increased to 18,791 as on 31st March, 2011 from 18,077 as on 31st March, 2010.

During the year, 13 Investor service Desks were added. As on 31st March, 2011, SBI Mutual Fund had 29 Investor Service Centres, 64 Investor Service Desks, 11 Investor Service Points and 1 Overseas Points of presence. As on 31st March, 2011, 49 Business Associates for improving customer service and providing more contact points to the investors were functional.

NEW INITIATIVES

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

- a) We continued our efforts to increase the volume of centralized direct debits through SBI CMP for all investors banking with the State Bank Group core banking branches to give a major boost to Systematic Investment Plans (SIP) business.
- b) Redemptions and income distribution through direct credits with forty eight banks including SBI core banking branches, which account for about 85% of daily pay-outs. We are in touch with the banks to convert investors' non-core bank mandates to core banking mandates in a phased manner on an ongoing basis.
- c) Increase in e-communication (Statement of Account, Scheme Balance Sheets, Direct Credit Confirmations and other communications) to reduce costs and to increase customer satisfaction.
- d) SBI Mutual Fund has become 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.
- e) The tie up arrangement with Oriental Bank of Commerce for distributing SBI Mutual Fund products so as to expand our reach to the semi urban and rural investors was made during the year.

FUTURE PLANS

The entry-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. As such, high revenue generating assets are partly being replaced by assets, which will start generating revenues only from the second year. 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 have tied up with Oriental Bank Of Commerce, a public sector bank and having a strong network all across the country specially in North India. We are also in the process of tying up with PNB, Central Bank of India and UCO Bank for distribution of our products.

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

AWARDS

The Directors are pleased to inform that the Magnum Income Fund - Floating Rate Plan - Long Term Plan was ranked as a Five Star Fund in the category of 'Open Ended Floating Rate Fund category' schemes for its 1 year performance till December 31, 2010 in the ICRA Mutual Fund Awards 2011.

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. 1,713.73 lacs in foreign exchange as portfolio management fee. The foreign exchange outgo on account of traveling and business promotion was Rs. 160.70 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, 2011, 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. P. G. Kakodkar resigned as Director on 20th December, 2010.

Mr. Achal Kumar Gupta resigned as the Managing Director on 12th January, 2011 consequent upon his repatriation to State Bank of India.

Mr. O.P. Bhatt resigned as the Chairman of the Board on 31st March, 2011 consequent upon his retirement.

Mr. Denis Lefranc resigned as Director on 23rd April, 2011.

Mr. R. Sridharan, who was appointed as Associate director w.e.f. April 01, 2011 resigned as Director on 30th June, 2011 consequent upon his superannuation from the services of State Bank of India.

The Board places on record its appreciation of the invaluable contributions made by Mr. O. P. Bhatt, Mr. P. G. Kakodkar, Mr. Denis Lefranc, Mr. R. Sridharan and Mr. Achal Kumar Gupta as Directors of the Company.

Mr. Deepak Kumar Chatterjee was appointed as the Managing Director in place of Mr. Achal Kumar Gupta with effect from 13th January, 2011.

Mrs. Madhu Dubhashi was appointed as an Independent Director on the Board with effect from April 01, 2011.

Mr. Pratip Chaudhuri was appointed as Chairman and Associate Director on the Board with effect from 23rd April, 2011.

Mr. Jean-Paul Mazoyer was appointed as an Associate Director on the Board with effect from 23rd April, 2011.

The Board extends a warm welcome to all the Directors, who have joined the Board of the Company.

VII. BOARD MEETINGS:

Seven board meetings were held during the financial year under review – on 27th April, 2010, 17th June, 2010, 22nd July, 2010, 15th October, 2010, 26th October, 2010, 17th January, 2011 and 28th March, 2011.

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)	3
Mr. Achal Kumar Gupta (Resigned on 12 th January, 2011)	5
Mr. Deepak Kumar Chatterjee (From 13 th January, 2011)	2
Mr. Denis Lefranc (Resigned on 23 rd April 2011)	-
Mr. Jayesh Gandhi	6
Dr. H. K. Pradhan	3
Mr. Didier Turpin (Alternate to Mr. Mr. Denis Lefranc and subsequently alternate to Mr. Mazoyer)	7
Mr.P.G.Kakodkar (Resigned on 20th December, 2010)	-
Mr. Rajas R.Doshi	5

VIII. AUDIT COMMITTEE OF DIRECTORS:

The Committee reviews the reports of internal and statutory auditors placed before them from time to time. An independent director who is a Chartered Accountant chairs the audit committee. The Committee met six 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 2010-11.

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 Nineteenth Annual General Meeting.

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

XIV. ACKNOWLEDGEMENTS

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

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

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Mumbai
Dated: 26th July, 2011

PRATIP CHAUDHURI
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, 2011, 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, 2011 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, 2011 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, 2011,
 - (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

Sd/-
(RAKESH RATHI)

Partner
Membership No: 45228

Place : Mumbai,
Date : 27th April, 2011

ANNEXURE TO THE AUDITORS' REPORT

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, 2011.

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, 2011 for a period of more than six months from the date they became payable.
13. According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax Demand	39,55,499	A.Y. 2005-06	Commissioner of Income Tax (Appeal)
Income Tax Act, 1961	Income Tax Demand	21,11,228	A.Y. 2006-07	Commissioner of Income Tax (Appeal)
Income Tax Act, 1961	Income Tax Demand	53,45,208	A.Y. 2008-09	Commissioner of Income Tax (Appeal)

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14. The Company has neither accumulated losses as at 31st March, 2011 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

Sd/-
(RAKESH RATHI)

Partner
Membership No: 45228

Place : Mumbai,
Date : 27th April, 2011

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 2011.

The preparation of financial statements of SBI Funds Management Private Limited for the year ended 31 March 2011 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 2011.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditor on the accounts of SBI Funds Management Private Limited for the year ended 31 March 2011 and as such have no comments to make under Section 619 (4) of the Companies Act, 1956.

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

Sd/-

(Alka R. Bhardwaj)

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

Place : Mumbai

Date : 15 June 2011

BALANCE SHEET AS AT MARCH 31, 2011

	Schedules	Rs.	As at 31.03.2011 Rs.	Rs.	As at 31.03.2010 Rs.
SOURCES OF FUNDS					
Shareholders' Funds					
Capital	1		500,000,000		500,000,000
Reserves and Surplus	2		2,275,791,688		1,824,554,402
TOTAL			<u>2,775,791,688</u>		<u>2,324,554,402</u>
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	3	177,056,599		151,994,567	
Less : Depreciation		124,447,461		103,764,634	
Net Block			52,609,138		48,229,933
Capital Work in Progress			6,786,254		5,517,305
Investments	4		1,772,969,400		371,464,385
Deferred Tax Asset (Net) (Refer Note 5)			17,670,855		4,822,541
Current Assets, Loans and Advances					
Sundry Debtors	5	111,594,460		167,913,529	
Cash and Bank Balances	6	1,100,014,984		2,046,273,249	
Other Current Assets	7	39,081,263		47,651,436	
Loans and Advances	8	318,013,328		180,964,971	
		1,568,704,035		2,442,803,185	
Less: Current Liabilities and Provisions					
Current Liabilities	9	283,739,463		215,407,017	
Provisions	10	359,208,531		332,875,930	
		642,947,994		548,282,947	
Net Current Assets			925,756,041		1,894,520,238
TOTAL			<u>2,775,791,688</u>		<u>2,324,554,402</u>
Significant Accounting Policies and Notes to the Accounts			15		

As per our attached report of even date

For Haribhakti & Co.
Chartered Accountants

Sd/-
Rakesh Rathi
Partner

Place: Mumbai
Dated: April 27, 2011

For and on behalf of the Board of Directors

Sd/-
Pratip Chaudhuri
Chairman

Sd/-
Deepak Chatterjee
Managing Director

Sd/-
Didier Turpin
Dy. Chief Executive Officer

Sd/-
Vinaya Datar
Company Secretary

Place: Mumbai
Dated: April 27, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

	Schedules	For the year Ended 31-03-2011		For the year Ended 31-03-2010	
		Rs.	Rs.	Rs.	Rs.
INCOME:					
Management Fees (Gross)			2,206,646,200		1,815,674,733
[Tax deducted at source Rs.243,393,103 (Previous year Rs.213,099,174)]					
Portfolio Advisory Fee			160,936,141		130,489,018
[Tax deducted at source Rs.18,059 (Previous year Rs.36,298)]					
Portfolio Managemnt Fee			30,022,891		21,964,880
[Tax deducted at source Rs.632,588 (Previous year Rs.1,271,077)]					
Income from Investments	11		21,678,304		17,948,403
Other Income	12		133,138,577		171,328,916
			2,552,422,113		2,157,405,950
EXPENDITURE:					
Employee Costs	13		678,305,452		464,355,867
Administrative and Other Expenses	14		680,632,431		532,397,781
Depreciation on Fixed Assets			24,436,883		22,196,076
			1,383,374,766		1,018,949,724
Profit before tax			1,169,047,347		1,138,456,226
Provision for taxes:					
Current Tax		(393,420,000)		(386,700,000)	
Deferred Tax (refer note 5)		12,848,314		2,639,864	
Excess Provision for Tax in respect of previous years written back		-		2,193,433	
Excess Provision for FBT in respect of previous years written back		-		2,147,720	
			(380,571,686)		(379,718,983)
Profit after tax			788,475,661		758,737,243
Balance brought forward from previous year			1,429,363,841		1,031,414,598
Profit available for appropriation			2,217,839,502		1,790,151,841
APPROPRIATIONS					
Transfer to General Reserve			78,847,566		80,000,000
Interim Dividend			290,000,000		-
Proposed Dividend			-		240,000,000
Tax on Interim Dividend			48,165,375		-
Tax on Proposed Dividend			-		40,788,000
Excess provision for Dividend					
Distribution Tax of PY written Back			(927,000)		-
Surplus carried to Balance Sheet			1,801,753,561		1,429,363,841
			2,217,839,502		1,790,151,841
Basic and diluted earning per share			157.70		151.75
Significant Accounting Policies and Notes to the Accounts 15					

As per our attached report of even date

For Haribhakti & Co.
Chartered Accountants

Sd/-
Rakesh Rathi
Partner

Place: Mumbai
Dated: April 27, 2011

For and on behalf of the Board of Directors

Sd/-
Pratip Chaudhuri
Chairman

Sd/-
Didier Turpin
Dy. Chief Executive Officer

Place: Mumbai
Dated: April 27, 2011

Sd/-
Deepak Chatterjee
Managing Director

Sd/-
Vinaya Datar
Company Secretary

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	Rs.	As at 31.03.2011 Rs.	Rs.	As at 31.03.2010 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	395,190,561		315,190,561	
Add: Transfer from Profit and Loss Account	78,847,566		80,000,000	
		474,038,127		395,190,561
Balance in profit and loss account		1,801,753,561		1,429,363,841
TOTAL		2,275,791,688		1,824,554,402

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 01.04.2010	Additions for the Year	Deductions/ Adjustment/ Written off for the year	As at 31.03.2011	Upto 01.04.2010	For the Year	Deductions/ Adjustments for theyear	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
A. Intangible Assets										
Computer Software (Acquired)	26,470,572	10,528,538	-	36,999,110	19,331,479	6,661,988	-	25,993,467	11,005,643	7,139,093
Website Development Cost (Self Constructed)	2,032,000	-	-	2,032,000	2,032,000	-	-	2,032,000	-	-
B. Tangible Assets										
Leasehold Improvement	22,658,351	180,864	305,218	22,533,997	14,230,489	5,225,904	118,618	19,337,775	3,196,222	8,427,862
Computers	65,441,629	11,464,698	1,962,259	74,944,068	49,050,055	9,029,350	1,693,992	56,385,413	18,558,655	16,391,574
Motor Car	2,658,053	2,490,994	1,568,329	3,580,718	1,994,275	501,926	1,344,252	1,151,949	2,428,769	663,778
Office Equipment	23,829,087	3,787,259	536,759	27,079,587	12,330,723	1,928,036	360,008	13,898,751	13,180,836	11,498,364
Furniture & Fixtures	8,904,875	1,279,756	297,512	9,887,119	4,795,613	1,089,679	237,186	5,648,106	4,239,013	4,109,262
TOTAL	151,994,567	29,732,109	4,670,077	177,056,599	103,764,634	24,436,883	3,754,056	124,447,461	52,609,138	48,229,933
Previous Year	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	

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**SCHEDULE 4****INVESTMENTS****(Non-trade, unquoted, Fully paid)**

	AS AT 31.03.2011			AS AT 31.03.2010		
	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 Series - 370 days -5- growth (Repurchase Price per unit is Rs 10.3655)	10	8,500,000	85,000,000		-	-
SBI Debt Fund Series - 370 days -6- growth (Repurchase Price per unit is Rs 10.3483)	10	12,000,000	120,000,000		-	-
SBI Debt Fund Series - 370 days -7- growth (Repurchase Price per unit is Rs 10.2849)	10	23,250,000	232,500,000		-	-
SBI Debt Fund Series - 370 days -8- growth (Repurchase Price per unit is Rs 10.2418)	10	14,500,000	145,000,000		-	-
SBI Debt Fund Series 18 Months - 4 - Growth (Repurchase Price per unit is Rs 10.1933)	10	13,600,000	136,000,000		-	-
SBI Debt Fund Series 18 Months - 5 - Growth (Repurchase Price per unit is Rs 10.1480)	10	6,000,000	60,000,000		-	-
SBI Debt Fund Series - 15 Months Institutional (Repurchase Price pe unit is Rs 10.6212)	10	10,000,000	100,000,000	10	10,000,000	100,000,000
(A)			888,969,400			110,469,400

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	AS AT 31.03.2011			AS AT 31.03.2010		
	FACE VALUE (RS.)	NO. OF UNITS	RS.	FACE VALUE (RS.)	NO. OF UNITS	RS.
B. CURRENT INVESTMENTS (AT LOWER OF COST OR FAIR VALUE)						
IN PASS THROUGH CERTIFICATES						
14% PTC "RB LOAN TRUST SERIES 21	-	-	-	-	-	100,500,000
IN DEBENTURES						
16% NON CONVERTIBLE DEBENTURES	-	-	-	500,000	16	8,000,000
IN SCHEMES OF SBI MUTUAL FUND						
SBI DEBT FUND SERIES 180 DAYS - 12 (REPURCHASE PRICE PER UNIT IS RS 10.3057)	10	400,000	4,000,000	-	-	-
SBI DEBT FUND SERIES 180 DAYS - 13 (REPURCHASE PRICE PER UNIT IS RS 10.2094)	10	6,000,000	60,000,000	-	-	-
SBI DEBT FUND SERIES 180 DAYS - 16 (REPURCHASE PRICE PER UNIT IS RS 10.0944)	10	17,000,000	170,000,000	-	-	-
SBI DEBT FUND SERIES 90 DAYS - 40 (REPURCHASE PRICE PER UNIT IS RS 10.1020)	10	60,000,000	600,000,000	-	-	-
SBI ARBITRAGE OPPORTUNITIES - GROWTH (REPURCHASE PRICE PER UNIT IS RS 13.4892)	13.47	3,712,311	50,000,000	-	-	-
SBI SHF SHORT TERM IP GROWTH (REPURCHASE PRICE PER UNIT IS RS 10.6326)	-	-	-	10	12,128,829	122,494,985
SBI DEBT FUND SERIES 180 DAYS - DIVIDEND (REPURCHASE PRICE PER UNIT IS RS 10.00)	-	-	-	10	3,000,000	30,000,000
(B)			884,000,000			260,994,985
TOTAL (A+B)			1,772,969,400			371,464,385

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**SCHEDULE 4****INVESTMENTS-(Continued)**

Note: 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	12,128,829	122,494,985	-	-	(12,128,829)	(122,494,985)	-	-
SBI DFS 15 Months - Instant Growth	10,000,000	100,000,000	-	-	-	-	10,000,000	100,000,000
SBI DFS 180 Days - 9	300,000	30,000,000	-	-	(300,000)	(30,000,000)	-	-
SBI DFS 180 Days 12 Growth	-	-	400,000	4,000,000	-	-	400,000	4,000,000
SBI DFS 180 Days 13 Growth	-	-	6,000,000	60,000,000	-	-	6,000,000	60,000,000
SBI DFS 180 Days 16 Growth	-	-	17,000,000	170,000,000	-	-	17,000,000	170,000,000
SBI SHF Ultra Short Term IP Daily Dividend	-	-	248,009,090	2,481,578,954	(248,009,090)	(2,481,578,954)	-	-
MICF Daily Dividend	-	-	46,893,045	785,472,573	(46,893,045)	(785,472,573)	-	-
SBI DFS - 370 Days -5- Growth	-	-	8,500,000	85,000,000	-	-	8,500,000	85,000,000
SBI DFS - 370 Days -6- Growth	-	-	12,000,000	120,000,000	-	-	12,000,000	120,000,000
SBI DFS - 370 Days -7- Growth	-	-	23,250,000	232,500,000	-	-	23,250,000	232,500,000
SBI DFS - 370 Days -8- Growth	-	-	14,500,000	145,000,000	-	-	14,500,000	145,000,000
SDFS 18 Months - 4 - Growth	-	-	13,600,000	136,000,000	-	-	13,600,000	136,000,000
SDFS 18 Months - 5 - Growth	-	-	6,000,000	60,000,000	-	-	6,000,000	60,000,000
SDFS 90 Days - 40- Growth	-	-	60,000,000	600,000,000	-	-	60,000,000	600,000,000
SBI Arbitrage Opportunities -Growth	-	-	3,712,311	50,000,000	-	-	3,712,311	50,000,000

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	Rs.	As at 31.03.2011 Rs.	Rs.	As at 31.03.2010 Rs.
SCHEDULE 5				
SUNDRY DEBTORS				
(Unsecured and considered good)				
Debts outstanding for a period exceeding six months		359,555		-
Other Debts		111,234,905		167,913,529
Total		<u>111,594,460</u>		<u>167,913,529</u>
SCHEDULE 6				
CASH & BANK BALANCES				
Cash on hand		38,192		66,003
Balances with scheduled banks				
in current accounts	5,728,374		72,559,212	
in dividend payable account	290,000,000		-	
in fixed deposits with Banks *	804,187,319		1,970,130,557	
Cheques in Hand	61,099		3,517,477	
		<u>1,099,976,792</u>		<u>2,046,207,246</u>
Total		<u>1,100,014,984</u>		<u>2,046,273,249</u>
* includes AED 50,000 (Rs. 5,90,000) [Previous year AED 50,000(Rs 5,96,000)] 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		39,081,263		47,617,953
Current Investments		-		33,483
Total		<u>39,081,263</u>		<u>47,651,436</u>

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	Rs.	As at 31.03.2011 Rs.	Rs.	As at 31.03.2010 Rs.
SCHEDULE 8				
LOANS AND ADVANCES				
(Unsecured, considered good, unless otherwise specified)				
Advances recoverable in cash or in kind or for value to be received		195,566,707		101,685,573
Deposits		40,963,306		36,493,658
Advance payments of taxes and Tax deducted at source	1,519,310,854		1,087,193,279	
Less: provisions for taxes	<u>1,437,827,539</u>		<u>1,044,407,539</u>	
		81,483,315		42,785,740
Total		<u>318,013,328</u>		<u>180,964,971</u>
Advances include the following:				
From companies under same Management				
SBI Capital Markets Ltd				
Outstanding		-		-
Maximum outstanding during the year		-		-
SBI Mutual Fund Trustee Company Pvt. Ltd.				
Outstanding		-		-
Maximum outstanding during the year		1,654,000		3,454,500
SBI General Insurance Company Ltd.				
Outstanding		-		-
Maximum outstanding during the year		-		2,619,574
SBI Custodial Services Pvt. Ltd.				
Outstanding		-		-
Maximum outstanding during the year		-		127,022

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
SCHEDULE 9		
CURRENT LIABILITIES		
Sundry Creditors	49,317,021	30,454,259
Other Liabilities	234,422,442	184,952,758
Total	283,739,463	215,407,017
SCHEDULE 10		
PROVISIONS		
Interim Dividend	290,000,000	-
Proposed Equity Dividend	-	240,000,000
Tax on Proposed Equity Dividend	-	40,788,000
Provision for Compensated Absences	68,555,090	48,808,125
Provision for Gratuity	653,441	3,279,805
Total	359,208,531	332,875,930

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

	Year Ended 31.03.2011 Rs.	Year Ended 31.03.2010 Rs.
SCHEDULE 11		
INCOME FROM INVESTMENTS		
Profit on Sale of Long Term Investments	8,358,778	12,480,957
Dividend from Current Investments	13,319,526	5,467,446
Total	<u>21,678,304</u>	<u>17,948,403</u>
SCHEDULE 12		
OTHER INCOME		
Interest on loans to employees	1,603,528	1,387,558
Interest on Bank deposits (gross) [TDS Rs.14,864,103 (Previous Year Rs 10,101,735)]	113,661,078	104,652,796
Interest on current investments (gross) [Tax deducted at Source Rs.337,069 (Previous Year Rs 6,587,287)]	3,370,711	39,457,132
Realisation of Devolved Investments	1,422,600	829,972
Interest on Income Tax refund	-	6,271,837
Miscellaneous Income	8,433,224	13,243,232
Foreign Exchange Gain (Net)	1,762,528	1,414,205
Profit on sales of Asset (Net)	79,103	-
Excess provision in respect of earlier years written back	2,805,805	4,072,184
Total	<u>133,138,577</u>	<u>171,328,916</u>
SCHEDULE 13		
EMPLOYEE COSTS		
Salaries, allowances and bonus	554,749,757	378,770,209
Contribution to Provident and Other Funds	45,818,533	28,390,161
Staff welfare expenses	78,437,162	57,895,497
	679,005,452	465,055,867
Less: Sharing of Common Establishment Expenses	(700,000)	(700,000)
Total	<u>678,305,452</u>	<u>464,355,867</u>

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

	Rs.	Year Ended 31.03.2011 Rs.	Rs.	Year Ended 31.03.2010 Rs.
SCHEDULE 14				
ADMINISTRATIVE AND OTHER EXPENSES				
Rent		77,670,219		75,448,687
Rates and taxes		7,813,156		4,058,214
Electricity charges		11,549,907		10,941,489
Repairs and maintenance :				
- Equipment	9,291,007		8,836,817	
- Others	9,751,508		6,622,932	
		19,042,515		15,459,749
Insurance		1,846,055		2,060,499
Travelling and Conveyance		38,945,488		34,778,728
Recruitment and Training		2,258,586		1,581,276
Printing and Stationery		11,789,726		11,021,683
Postage and Telegram		15,671,113		14,756,656
Telephone		24,067,224		20,561,249
Scheme Expenses		196,802,351		56,301,634
Business Promotion		145,147,152		73,120,709
Advertising and Publicity		56,754,852		98,709,477
Legal and Professional fees		26,329,836		74,270,242
Filing Fee for schemes		5,475,228		1,385,502
Auditor's Remuneration:				
- Audit Fee *	1,650,000		1,500,000	
- Certification Fee	150,000		50,000	
- Out of pocket expenses	22,653		7,500	
		1,822,653		1,557,500
Directors' sitting fees		225,000		197,800
Loss on sale of assets (Net)		-		239,737
Leasehold Improvements written off		186,600		3,157,665
Loss on sale of current investment		22,450		-
Membership and Subscription		25,361,658		24,148,696
Miscellaneous expenses		18,357,985		9,555,750
		687,139,754		533,312,942
Less: Sharing of Common Administrative Expenses		(6,507,323)		(915,161)
Total		680,632,431		532,397,781

* 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.

(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.

(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.

(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.

(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):

Claims against the Company not acknowledged as debts – Investor claims pending in consumer courts Rs 7,589,326 (Previous Year Rs. 5,321,565) and disputed tax liability Rs. 11,411,935 (Previous Year Rs. Nil).

3. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 11,401,298 (Previous Year Rs. 8,082,615).

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:

Particulars	As at 31.03.2011	As at 31.03.2010
Employer's contribution to Provident Fund	29,260,032	20,665,826

Rs.

(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:

Change in funded benefit obligations	As at 31.03.2011	As at 31.03.2010
Present value of funded benefit obligations, 1 st April	26,761,993	22,955,741
Service cost	6,064,509	6,810,083
Interest cost	2,698,415	2,209,183
Benefits paid	(236,872)	(620,090)
Actuarial (gain)/loss on obligations	3,519,962	(4,592,924)
Present value of funded benefit obligations as at 31st March	38,808,007	26,761,993

Rs.

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

Rs.

	As at 31.03.2011	As at 31.03.2010
Fair value of plan assets ,as at beginning of the year	23,482,188	21,889,802
Expected return on plan assets	2,885,096	1,743,651
Actuarial gain/(loss)	(675,800)	252,942
Employer contribution	12,699,954	215,883
Benefits paid	(236,872)	(620,090)
Settlement cost		
Fair value of plan assets at the year end	38,154,566	23,482,188

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

Rs.

	As at 31.03.2011	As at 31.03.2010
Present value of obligation as at 31 st March	38,808,007	26,761,993
Fair value of plan assets as at 31 st March	38,154,566	23,482,182
Amount recognized in Balance Sheet	(653,441)	(3,279,805)

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

Rs.

	As at 31.03.2011	As at 31.03.2010
Current Service Cost	6,064,509	6,810,083
Interest Cost	2,698,415	2,209,183
Expected return on plan assets	(2,885,096)	(1,743,651)
Actuarial (gain) / loss	4,195,762	(4,845,866)
Net Cost	10,073,590	2,429,749

(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 31.03.2011	As at 31.03.2010
Discount rate	8.25%	8.25%
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%

SBI FUNDS MANAGEMENT PRIVATE LIMITED

5. Deferred Tax Asset (net):

(Rs.)

	As at 31.03.2010	Show Movement	As at 31.03.2011
Deferred Tax Liabilities			
Amortization /Depreciation on fixed assets/ intangible Assets	6,059,155	(1,275,302)	4,783,853
Gross Deferred Tax Liabilities (A)	6,059,155	(1,275,302)	4,783,853
Deferred Tax Assets			
Provision for gratuity	(11,14,806)	902,797	(212,009)
Provision for compensated absences	(9,766,890)	(12,475,809)	(22,242,699)
Gross Deferred Tax Assets (B)	(10,881,696)	(11,573,012)	(22,454,708)
Deferred Tax Liabilities/ (Asset) (Net) (B+A)	(4,822,541)	(12,848,314)	(17,670,855)

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 31-03-2011	Year Ended 31-03-2010
Salaries and Allowances	1,148,666	722,264
Contribution to Provident & Pension fund	150,654	88,810
Perquisites	1,055,362	753,824
Total **	2,354,682*	1,564,898

* Includes Rs.1,896,906 to a Managing Director for the period from 1st April 2010 to 12th January 2011 and Rs. 457,776 to another Managing Director for the period from 13th January 2011 to 31st March 2011.

** Provision for gratuity benefits which is based on actuarial valuation done on an overall basis for the company is excluded in the remuneration as shown above.

- (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 31-03-2011	Year Ended 31-03-2010
Salaries and allowances	4,641,856	4,641,856
Contribution to Provident & Pension fund	288,000	264,000
Perquisites	279,000	279,000
Total	5,208,856	5,184,856

SBI FUNDS MANAGEMENT PRIVATE LIMITED**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 (SBICAPS) SBI Life Insurance Company Limited (SBI LIC Ltd.) SBI General Insurance Limited (SBI GI Ltd.) SBI Commercial and International Bank Limited (SBI C&I Ltd.) State Bank of Patiala (SBOP) State Bank of Mysore (SBM) State Bank of Hyderabad (SBH) State Bank of Indore (SBOI)upto 25.08.2010 State Bank of Travancore (SBT) State Bank of Bikaner & Jaipur (SBBJ) SBI Mutual Fund Trustee Company Private Limited (SBI MFTCP Ltd.) SBI Pension Funds Pvt. Ltd. (SBI PFP Ltd.) SBI-SG Global Securities Services Pvt. Ltd (Formerly SBI Custodial Services Pvt. Ltd.
Key Management Personnel	Mr. Deepak Chatterjee (Managing Director) from 13 January 2011 Mr. Didier Turpin (Deputy Chief Executive Officer)
Mutual Fund managed by the company	SBI Mutual Fund

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

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
During the Year					
Deposits Placed with SBI C&I Ltd.		111,500,000 (499,559,215)			
Deposits Matured with SBI C&I Ltd.		499,559,215 (497,458,541)			
Deposits Placed with SBOP		243,500,000 (472,900,000)			
Deposits Matured with SBOP		472,900,000 (Nil)			
Deposits Placed with SBI C&I Ltd.(Dividend Account)		290,000,000 (Nil)			
Deposits Placed with SBI	298,897,319 (667,375,342)				
Deposits Matured with SBI	667,375,342 (397,501,440)				
Interest Income - Deposit with SBI C&I Ltd.		27,727,543 (31,750,642)			
Interest Income on Bank Deposit with SBOP		23,860,565 (25,032,892)			
Interest Income on Bank Deposit with SBI	38,747,496 (36,736,379)				
Recovery of expenses from SBI MFTCP Ltd.		1,500,000 (1,500,000)			
PMS fees - from Manulife Global Fund				19,105,160 (21,987,958)	
PMS fees - from SGAM Equities India				37,297,343 (34,854,563)	
PMS fees - from India Infra Equity Fund				1,538,902 (9,513,071)	
PMS fees - from SGAM India Infra				393,879 (1,436,160)	
PMS fees - from Amundi Opp India Infra				691,703 (Nil)	
PMS fees - from Amundi HK				9,387,887 (Nil)	
Income - SBI-SG Global Securities Pvt. Ltd.		5,707,323 (115,161)			
SBIMF scheme expenses					196,802,351 (56,301,634)
Bank Charges paid to SBI	215,162 (225,764)				
Rent paid to SBI Capital Market Ltd.		30,457,656 (30,457,656)			

SBI FUNDS MANAGEMENT PRIVATE LIMITED
(Rs.)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
Rent paid to SBI	2,865,823 (3,717,440)				
Rent paid to SBH	78,000 (1,75,500)				
Networking charges paid to SBI	2,050,000 (1,950,000)				
SBI-SG Global Securities Services Pvt. Ltd (Formerly SBI Custodial Services Pvt. Ltd.		17,030,554 (112,903)			
Reimbursement of Salary-for employees on deputation from SBI	24,709,512 (22,021,674)				
Reimbursement of Salary for employees on deputation from SBOP		1,207,125 (1,176,551)			
Reimbursement of Salary for employees on deputation from SBM		1,127,377 (983,628)			
Reimbursement of Salary for employees on deputation from SBBJ		1,133,152 (689,897)			
Reimbursement from SBI for Salary of employees on deputation to SBI	7,030,472 (6,948,328)				
Reimbursement of Salary for employees on deputation from SBOI		Nil (788,265)			
Reimbursement of Salary for employees on deputation from SBH		932,704 (879,953)			
Reimbursement of Salary for employees on deputation from SBT		783,401 (663,050)			
Management Fees Income					2,206,646,200 (1,815,674,733)
Investments:					
Units purchased in schemes of SBI MF					4,929,551,527 (1,365,493,637)
Units sold in schemes of SBI MF					3,427,905,290 (1,413,927,863)
Dividend Income from schemes of SBI MF					13,319,526 (5,467,446)

SBI FUNDS MANAGEMENT PRIVATE LIMITED
(Rs.)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
Outstanding Receivables:					
Deposits with SBI	298,897,319 (667,375,342)				
Deposits with State Bank of Patiala		243,500,000 (472,900,000)			
Deposits with SBI Commercial and International Ltd.		111,500,000 (499,559,215)			
Deposits with SBI Commercial and International Ltd (Dividend Account)		290,000,000 (Nil)			
Other Deposit with SBI Life Insurance Ltd.		200,000 (200,000)			
Balance in Current Accounts	4,208,263 (72,498,466)				
Interest Receivable on Bank Deposit with SBI	13,011,095 (10,880,732)				
Interest Receivable on Bank Deposit with SBOP		11,992,291 (25,032,892)			
Interest receivable on Bank Deposit with SBI C&I Ltd.		6,581,661 (11,052,439)			
Management Fees Receivable					43,338,432 (107,817,586)
PMS Fees receivable from SGAM Equities India				8,555,199 (8,976,103)	
PMS Fees receivable -Manulife Global Fund				7,059,720 (6,250,672)	
PMS Fees receivable - India Infra Equity Fund				Nil (2,372,282)	
PMS Fees receivable - SGAM India Infra				Nil (408,886)	
PMS Fees receivable - Amundi Opp India Infra				163,786 (Nil)	
Outstanding Payables:					
SBIMF scheme expenses payable					72,552,089 (57,280,508)
Networking charges payable to SBI	2,050,000 (1,950,000)				
Payable to SBI	1,537,862 (Nil)				
Dividend paid/proposed :					
State Bank of India	182,700,000 (151,200,000)				
Société Générale Asset Management				107,300,000 (88,800,000)	

SBI FUNDS MANAGEMENT PRIVATE LIMITED

(Rs.)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
Remuneration Paid to Key Management Personnel					
Mr. Achal K. Gupta			1,896,906 (1,564,898)		
Mr. Deepak Chatterjee			457,776 (Nil)		
Mr. Didier Turpin			5,208,856 (5,184,856)		

Note: Figures in the brackets represent previous year figures.

8. 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.

9. Operating lease payment

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

(Rs.)

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Lease payments for the year	86,832,175	84,453,221
Minimum Lease Payments:		
Not later than one year	87,357,473	85,009,081
Later than one year but not later than five years	138,990,153	168,673,330
Later than five years	10,182,966	10,940,431

10. Expenditure in Foreign Currency:

(Rs.)

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Travelling Expenses	2,279,950	2,454,487
Business Promotion and Advertisement	7,169,730	1,097,718
Legal and Training charges	133,850	Nil
Salary	4,342,240	3,613,058
Rent & Subscription	1,189,065	1,458,078
Professional Fees & others	954,816	254,489

SBI FUNDS MANAGEMENT PRIVATE LIMITED**11. Earnings in Foreign Currency:****(Rs.)**

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Portfolio Advisory Fees	171,373,027	144,839,312

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	39,500,159	356,984	17,817	-	43,042,988
Receivable	(44,633,363)	(350,261)	(16,564)	(59,750,967)	(54,711,528)

13. Earnings Per Share (EPS):

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

Particulars	31-03-2011	31-03-2010
(a) Nominal Value of an Equity Share (Rs.)	100	100
(b) Net profit available to Equity Shareholders (Rs.)	788,475,661	758,737,243
(c) Number of shares outstanding	5,000,000	5,000,000
(d) Basic and Diluted EPS (Rs.) = (b) / (c)	157.70	151.75

14. Dividend remittances to non-resident shareholders:

Sr. No	Particulars	2010-2011	2009-2010
(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)	88,800,000	74,000,000
(d)	Year to which dividend relates	2009-10	2008-09

15. Sundry Creditors

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

(Rs)

Particulars	For year ended March 31, 2011	For year ended March 31, 2010
Principal amount remaining unpaid to any supplier as at the year end	Nil	Nil
Interest due thereon	Nil	Nil
Amount of interest paid by the company in terms of section 16 of the MSMEDA, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	Nil	Nil
Amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMEDA	Nil	Nil
Amount of interest accrued and remaining unpaid at the end of the accounting year	Nil	Nil

16. 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

Sd/-
Pratip Chaudhuri
Chairman

Sd/-
Deepak Chatterjee
Managing Director

Place: Mumbai
Dated: April 27, 2011

Sd/-
Didier Turpin
Dy. Chief Executive Officer

Sd/-
Vinaya Datar
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

	2010-11 Rs.	2009-10 Rs.
(A) Cash flow from Operating activities		
Net profit Before Tax	1,169,047,347	1,138,456,226
Adjustments for:		
Depreciation and Amortisation (Profit) /Loss on sale of Fixed Assets (Net)	24,436,883	22,196,076
Profit on sale of investments (Net)	(79,103)	239,737
Interest income	(8,358,778)	(12,480,957)
Dividend income	(117,031,789)	(145,497,486)
	(13,319,526)	(5,467,446)
	(114,352,313)	(141,010,076)
Operating profit before working capital changes	1,054,695,034	997,446,150
Decrease / (Increase) in Sundry Debtors (Increase) / Decrease in Loans and Advances	56,319,069	(28,282,227)
Increase / (Decrease) in Current Liabilities & Provisions	(98,350,782)	(38,699,896)
	85,453,047	55,921,764
	43,421,334	(11,060,359)
Net cash generated from operations	1,098,116,368	986,385,791
Income Taxes Paid	(432,117,575)	(347,117,526)
Net cash generated from Operating Activities	665,998,793	639,268,265
(B) Cash flows from Investing activities		
Purchase of Fixed Assets(including advances for capital)	(30,814,459)	(17,795,542)
Sale of Fixed Assets	808,525	53,250
Purchase of Investments	(4,929,551,527)	(1,231,488,734)
Sale of Investments	3,536,405,290	1,597,063,679
Interest received	125,601,962	124,614,088
Dividend received	13,319,526	5,467,446
Net Cash generated in Investing Activities	(1,284,230,683)	477,914,187
(C) Cash flows from Financing activities		
Dividend paid	(240,000,000)	(200,000,000)
Tax on Dividend	(88,026,375)	(33,990,000)
Net cash used in Financing Activities	(328,026,375)	(233,990,000)
Net Increase in Cash and Cash Equivalents (A + B + C)	(946,258,265)	883,192,452
D. CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	2,046,273,249	1,163,080,797
E. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,100,014,984	2,046,273,249

- 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.
- Components of Cash and Cash Equivalents comprises of Cash and bank balances in current and fixed deposit accounts.
- 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

For and on behalf of the Board of Directors

Sd/-
Rakesh Rathi
Partner

Sd/-
Pratip Chaudhuri
Chairman

Sd/-
Deepak Chatterjee
Managing Director

Place: Mumbai
Dated: April 27, 2011

Sd/-
Didier Turpin
Dy. Chief Executive Officer

Sd/-
Vinaya Datar
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE FOR THE YEAR ENDED 31ST MARCH 2011

I Registration details

Registration number	11-65289
State code	11
Balance Sheet date	31sr March 2011

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	3,418,740	Total Assets	3,418,740
Sources of funds:		Application of funds:	
Paid -up capital	500,000	Fixed Assets	48,389
Reserves and surplus	2,275,792	Intangible Assets	11,006
Deferred Tax Liability (Net)	Nil	Deferred Tax Asset (Net)	17,671
Secured loans	Nil	Investments	1,772,969
Unsecured loans	Nil	Net current assets	1,568,705
Other liabilities	642,948	Miscellaneous expenditure	Nil
		Accumulated losses	Nil

IV. Performance of the Company :

Turnover	2,552,422	Total expenditure	1,383,375
Profit /(loss) before tax	1,169,047	Profit /(loss) after tax	788,476
Earning Per Share in Rs.	157.70	Dividend rate %	58

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

Sd/-
Pratip Chaudhuri
Chairman

Sd/-
Deepak Chatterjee
Managing Director

Sd/-
Didier Turpin
Dy. Chief Executive Officer

Sd/-
Vinaya Datar
Company Secretary

Place: Mumbai

Date : April 27,2011

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

CORPORATE DATA

		Date of appointment	Date of resignation
Directors	:		
		Mr. V Srinivasan	05 February 2007
		Mr. Abdool Azize Owasil	23 June 2008
		Mr. Navneet Munot	16 January 2009
		Mr. Jagadish Hiremath	11 January 2011
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	
Banker	:	SBI (Mauritius) Ltd 34, Sir William Newton Street Port-Louis Mauritius	
External Auditors	:	Ernst & Young 9th Floor, Tower 1 NeXTeracom, Cyber City Ebène Mauritius	

General Information

SBI Funds Management (International) Private Limited (the "Company") was incorporated on 17 January 2006 as a private company limited by shares and hold a Category 1 Global Business Licence Company issued by the Financial Services Commission. The Company is licensed to operate as a CIS Manager pursuant to Section 98 of the Securities Act 2005 and the Financial Services (Consolidated Licensing and Fees) Rules 2008.

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

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

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

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

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

The Board of Directors

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

Directors

Non-Resident

Mr. Navneet Munot

Resident

Mr. Abdool Azize Owasil

Mr. Jagadish Hiremath

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

The Directors' Profile

Mr. Navneet Munot

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

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

Mr. Abdool Azize Owasil

Mr. Owasil was appointed as Director of the Company on 01 July 2008. Mr Owasil is the Head of Finance of the Cim Global Business companies, which include CIM Tax Services, CIM Trustees, IMM and Multiconsult Limited. He was previously the General Manager- Fund Administration and was in charge of the operations of the Fund Administration department at Multiconsult Limited. He is a fellow member of the Association of Chartered Certified Accountants, member of the Chartered Institute for Securities & Investment and member of the Mauritius Institute of Directors. He has over 17 years of professional experience in the fields of global business (including fund/company setup and structuring, setting up of trusts and international tax planning), taxation, auditing and consulting.

Mr Owasil has participated in offshore international investment funds and tax conferences. He acts as director for several client companies of Multiconsult Limited including collective investment schemes and asset management companies as well as listed entities operations of the Fund Administration department at Multiconsult Limited.

Mr. Jagadish S. Hiremath

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

Constitution

The Company currently does not have any constitution and is presently governed by the provisions of the Mauritian Companies Act 2001.

Board Meetings

The Board has at least one scheduled meeting each year during which it:

1. examines all statutory matters;
2. approves the audited financial statements and reviews important accounting issues;
3. reviews the Company's performance;
4. ensures compliance of the Company with the legislations; and
5. takes note of changes in the legislations which may affect the Company.

In addition, the Board meets every quarter to approve the quarterly management accounts and to discuss any other business.

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

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

Board Committees

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

Statement of Remuneration Policy

Mr. Abdool Azize Owasil, one of the resident directors is paid USD 750 per annum.

Identification of Key Risks for the Company

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

Financial Risk Factors

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

Related Party Transactions

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

Code of Ethics, Health and Safety and Social issues

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

Environment

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

Corporate Social Responsibility and Donations

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

Nature of Business

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

Auditor's Report and Financial Statements

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

Audit fees

Audit fees payable to Ernst & Young (Mauritius) for the year amounted to USD 4,300 (2010: USD 5,175).

Appreciation

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

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

COMMENTARY OF THE DIRECTORS

The Directors are pleased to present their commentary, together with the audited financial statements of SBI Funds Management (International) Private Limited for the year ended 31 March 2011.

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 50,013 (2010: USD 55,345).

The Directors do not recommend the payment of a dividend for the year under review (2010: USD NIL).

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 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 Mauritius Companies Act 2001.

The directors' responsibilities 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.

SECRETARY'S CERTIFICATE

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 2011.

For **Multiconsult Limited**

Corporate Secretary

Registered Office

C/o Multiconsult Limited

Rogers House

5, President John Kennedy Street

Port Louis

Mauritius

Date: 8 April, 2011

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 (the "Company") on pages 9 to 25 which comprise the statement of financial position as at 31 March 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements on pages 9 to 25 give a true and fair view of the financial position of the Company as at 31 March 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Other matter

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

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

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

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

ERNST & YOUNG

Ebène, Mauritius

Date : 8 April, 2011

PATRICK NG TSEUNG, A.C.A.

SIGNING PARTNER

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

BALANCE SHEET
AS AT 31 MARCH 2011

	Notes	2011 USD	2010 USD
ASSETS			
<i>Current assets</i>			
Trade and other receivables	5	9,844	32,984
Prepayments		5,146	4,540
Cash and cash equivalents		352,065	292,535
Total assets		367,055	330,059
EQUITY AND LIABILITIES			
Stated capital	6	50,000	10,000
Retained earnings		286,473	276,460
Total equity		336,473	286,460
<i>Current liabilities</i>			
Trade and other payables	7	30,327	43,127
Income tax payable	8	255	472
Total liabilities		30,582	43,599
Total equity and liabilities		367,055	330,059

Approved by the Board of Directors on 08 April 2011 and signed on its behalf by:

NAME OF DIRECTORS

Abdool Azize Owasil

Jagadish Hiremath

The notes on pages 13 to 25 form an integral part of these financial statements.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 USD	2010 USD
INCOME			
Management fee		116,112	113,838
Finance income		3,599	3,760
Foreign exchange gain		85	-
Overprovision of tax		-	42
		<u>119,796</u>	<u>117,640</u>
EXPENSES			
Trail commission fees		43,098	44,921
Insurance premium		6,736	-
Audit fees		6,050	4,530
Licence fees and annual registration fees		3,725	3,860
Bank charges		2,870	2,641
Professional fees		1,621	1,500
Secretarial fees		1,250	1,250
Accounting fees		1,000	1,000
Directors' fees		750	750
Disbursements		250	209
Foreign exchange loss		-	37
Other expenses		1,000	-
		<u>68,350</u>	<u>60,698</u>
PROFIT BEFORE TAX			
Income tax expense	8	(1,433)	(1,597)
PROFIT FOR THE YEAR			
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
		<u>50,013</u>	<u>55,345</u>

The notes on pages 13 to 25 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011**

	Stated capital	Retained earnings	Total
	USD	USD	USD
At 01 April 2009	10,000	221,115	231,115
Profit / total comprehensive income for the year	-	55,345	55,345
At 31 March 2010	10,000	276,460	286,460
Bonus issue made during the year	40,000	(40,000)	-
Profit / total comprehensive income for the year	-	50,013	50,013
At 31 March 2011	50,000	286,473	336,473

1 : During the financial year ended 31 March 2011, the Company made a bonus issue of 40,000 ordinary shares at USD 1 to its shareholder.

The notes on pages 13 to 25 form an integral part of these financial statements.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 USD	2010 USD
Operating activities			
Profit before tax		51,446	56,942
<i>Non-cash adjustments to reconcile profit before tax to net cash flows:</i>			
Overprovision of tax		-	(42)
Finance income		(3,599)	(3,760)
Operating loss before working capital changes		47,847	53,140
<i>Changes in working capital:</i>			
Trade and other receivables		23,140	(15,700)
Prepayments		(606)	(2,364)
Trade and other payables		(12,800)	18,284
		57,581	53,360
Tax paid	8	(1,650)	(2,526)
Finance income received		3,599	3,760
Net cash flows from operating activities		59,530	54,594
Net increase in cash and cash equivalents		59,530	54,594
Cash and cash equivalents at 1 April		292,535	237,941
Cash and cash equivalents at 31 March		352,065	292,535

The notes on pages 13 to 25 form an integral part of these financial statements.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

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

1. GENERAL INFORMATION

The Company is a holder of a Category 1 Global Business Licence under the Financial Services Act 2007. The Company was incorporated as a private limited company in the Republic of Mauritius on 17 January 2006 under the Companies Act 2001. The Company's 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 is a holder of a Category 1 Global Business Licence under the Companies Act 2001 and the Financial Services Act 2007.

2. BASIS OF PREPARATION

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

2.1 STATEMENT OF COMPLIANCE

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

The Company has adopted the following new and amended IFRS and IFRIC interpretations.

	Effective for accounting period beginning on or after
- IFRS 2 <i>Group Cash-settled Share-based Payment Arrangements</i>	01 January 2010
- IFRS 3 <i>Business Combinations</i> (Revised) and IAS 27 <i>Consolidated Separate Financial Statements</i> (Amended)	01 July 2009
- IAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible hedged items</i> (Amendment)	01 July 2009
- IFRIC 17 <i>Distributions of Non-cash Assets to Owners</i>	01 July 2009 01 July 2009
- IFRIC 18 <i>Transfers of Assets from Customers</i>	01 July 2009 01 July 2009
- Improvements to IFRSs (May 2008)	
- Improvements to IFRSs (April 2009)	

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

Improvements to IFRSs

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 did not have any impact on the financial position or performance of the Company.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Improvements to IFRSs (Continued)

Issued in May 2008

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Issued in April 2009

- 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.
- IAS 36 *Impairment of Assets*: When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the financial statements of the Company because the recoverable amount of its cash generating units is currently estimated using 'value in use'.

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

Issued in April 2009

- IFRS 2 *Share-based Payment*
- IAS 1 *Presentation of Financial Statements*
- IAS 17 *Leases*
- IAS 34 *Interim Financial Reporting*
- IAS 38 *Intangible Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Foreign currency transactions

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Financial assets

(a) Initial recognition and measurement

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

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

(b) Subsequent measurement

Receivables

Receivables are stated at their nominal value which is a reasonable approximation of amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. Provision is made when there is objective evidence that the amounts will not be recovered. Irrecoverable amounts are written off when identified.

(c) Derecognition

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

(iii) Cash and cash equivalents

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Impairment of financial assets

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

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

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

(v) Financial liabilities

(a) Initial recognition and measurement

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

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

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

(b) Derecognition

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

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

(vi) Offsetting of financial instruments

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

(vii) Stated Capital

Ordinary shares are classified as equity.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(viii) Taxes

Current income tax

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

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

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

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

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

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

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

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

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ix) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue can be recognised:

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

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

(x) Expense recognition

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

(xi) Related parties

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

(xii) Provisions

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

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

	Effective for accounting period beginning on or after
- IAS 24 <i>Related Party Disclosures</i> (Amendment)	01 January 2011
- IAS 32 <i>Financial Instruments: Presentation - Classification of Rights Issues</i> (Amendment)	01 February 2010
- IFRS 9 <i>Financial Instruments - Classification and Measurement</i>	01 January 2013
- IFRIC 14 <i>Prepayments of a Minimum Funding Requirement</i> (Amendment)	01 January 2011
- IFRIC 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	01 July 2010

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods beginning on or after either 1 July 2010 or 1 January 2011. The amendments listed below are not expected to have any significant impact on the financial position and financial performance of the Company:

- IFRS 3 *Business Combinations*

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

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical accounting judgements in applying the Company's accounting policies

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Determination of functional currency

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

Going concern

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

5. TRADE AND OTHER RECEIVABLES

	2011	2010
	USD	USD
Management fees receivable	8,077	31,355
Interest receivable	1,767	1,629
	9,844	32,984

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

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

6. STATED CAPITAL

	<u>2011</u>	<u>2010</u>
	USD	USD
Issued and fully paid up		
At 1 April	10,000	10,000
Bonus issue made during the year	40,000	-
50,000/ 10,000 Ordinary shares of USD 1 each	50,000	10,000

7. TRADE AND OTHER PAYABLES

	<u>2011</u>	<u>2010</u>
	USD	USD
Trail commission payables	23,427	37,678
Audit fees accrued	5,175	4,300
Other expenses accrued	1,725	1,149
	30,327	43,127

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

8. TAXATION

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

It will, however, be entitled to a tax credit equivalent to the higher of the foreign taxes paid or 80% of the Mauritius tax on its foreign source income. There is no tax on capital gains on securities in Mauritius. As at statement of financial position date, the Company had tax liabilities amounting to USD 255.

8. TAXATION (CONTINUED)

(a) *Statement of comprehensive income*

	<u>2011</u>	<u>2010</u>
	USD	USD
Mauritian income tax, based on profit for the year as adjusted for tax purposes	1,433	1,597

(b) *Statement of financial position*

	<u>2011</u>	<u>2010</u>
	USD	USD
At 1 April	472	1,443
Charge for the year	1,433	1,597
Overprovision of tax	-	(42)
Paid during the year	(1,650)	(2,526)
Income tax payable	255	472

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

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

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

	2011	2010
	USD	USD
Profit before tax	51,446	56,942
Tax at 15%	7,717	8,541
Income not subject to tax	(553)	(562)
Overprovision of income tax in prior years	-	(42)
	7,164	7,937
Foreign tax credit	(5,731)	(6,340)
Tax charge	1,433	1,597

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 its fair value due to their nature and liquidity.

Trade and other receivables

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

Trade and other payables

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

Capital risk management policies and objectives

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

The capital structure of the Company consists of equity attributable to shareholders, comprising stated capital and reserves. The Company reviews the capital structure on a regular basis. 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 Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Since the Company does not hold any investment, it does not face any market risk.

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

Foreign currency risk

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

Interest rate risk

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

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

Credit risk

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

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

	<u>2011</u>	<u>2010</u>
	<u>USD</u>	<u>USD</u>
Trade and other receivables	9,844	32,984
Cash and cash equivalents	352,065	292,535
TOTAL	<u>361,909</u>	<u>325,519</u>

Trade receivables have the following ageing:

	<u>< 30 days</u>	<u>30- 60 days</u>	<u>60- 90 days</u>	<u>> 90 days</u>	<u>Total</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
2011	<u>8,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,077</u>
2010	<u>31,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,355</u>

Financial assets that are neither past due nor impaired

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

Liquidity risk

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

Prudent liquidity risk management includes maintaining sufficient cash.

SBI Funds Management Private Limited

Top Management Team

(As on August 27, 2011)



Shri Deepak Kumar Chatterjee
Managing Director



Shri Philippe Batchevitch
Dy. Chief Executive Officer



Shri V. V. Anand
Executive Vice President



Shri K. T. Ravindran
Chief Operating Officer



Shri Navneet Munot
Chief Investment Officer



Shri R. S. Srinivas
Chief Marketing Officer

