

SBI FUNDS MANAGEMENT PRIVATE LIMITED

(A joint Venture between SBI & AMUNDI)



22nd Annual Report
2013-2014

Board of Directors of SBI Funds Management Private Limited

(As on June 30, 2014)



**Smt. Arundhati
Bhattacharya**
Chairman



Mr. Fathi Jerfel
Director



**Mr. Dinesh Kumar
Khara**
Managing Director
& CEO



Mr. Jashvant Raval
Director



Dr. H.K. Pradhan
Director



Smt. Madhu Dubhashi
Director



Dr. H. Sadhak
Director



**Mr. Thierry
Mequillet**
Director



**Mr. Shishir
Joshipura**
Director



**Mr. Philippe
Batchevitch**
Alternate Director to
Mr. Fathi Jerfel

Auditors

Sudit K Parekh & Co.

Chartered Accountants

Ballard House, 2nd Floor, Adi Marzvan Path

Ballard Pier, Fort, Mumbai - 400 001

Bankers

State Bank of India

Registered Office

9th Floor, Crescenzo, C- 38 & 39

G Block, Bandra-Kurla Complex,

Bandra (East), Mumbai - 400 051

Tel: +91 22 61793000

Fax ; + 91 22 67425687

Website : www.sbimf.com

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DIRECTORS' REPORT

TO,

THE MEMBERS

The Directors have pleasure in presenting the twenty second annual report together with the Statement of Profit and Loss of SBI Funds Management Private Limited for the year ended March 31, 2014 and the Balance Sheet together with the Cash Flow Statement as at that date.

The highlights of the financial results are as under:

I. FINANCIAL RESULTS:

(Rs. in lakh)

Particulars	Year under Report 2013-14	Previous Year 2012-13
Total Income	40,144.55	29,860.45
Profit before depreciation	23,904.49	12,449.78
Less : Depreciation	765.64	396.79
Profit before tax	23,138.85	12,052.99
Less : Provision for tax	7,561.95	3,484.70
Profit after tax	15,576.90	8,568.29
Balance brought forward from previous year (net)	23,388.81	20,093.80
Amount available for Appropriation	38,965.71	28,662.09
APPROPRIATIONS:		
Transfer to General Reserve	1557.69	856.83
Interim Dividend	5,000.00	3,800.00
Dividend Distribution Tax(Net)	849.75	616.45
Balance/(Loss) to be carried forward	31,558.27	23,388.81

II. DIVIDEND:

An interim dividend of Rs. 100 per Equity Share, subject to tax, was declared on 19th March, 2014 on the paid-up equity share capital of the Company, involving a total outgo of Rs. 5,849.75 lakh 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 2013-14.

III. CAPITAL:

During the year under review, the Company has not made any fresh issue of capital. The net worth of the Company increased to Rs. 44,318.36 lakh as at the end of March, 2014 from Rs. 34,591.21 lakh as at the end of March, 2013.

IV. BUSINESS ENVIRONMENT:

Overview of the Economy

In the recent past, the Indian economy has overcome varied challenges in its resolve to sustain its economic success. The major challenges included unsupportive external environment, domestic structural constraints, growth slowdown and inflationary pressures. The slowdown manifested in the decline in the growth of Gross Domestic Product (at factor cost at constant 2004-05 prices) from 8.9 per cent in 2010-11 to 6.7 per cent in 2011-12 and 4.5 per cent in 2012-13. With the economy projected to have registered a growth rate of 4.9 per cent in 2013-14, the declining trend in growth seems to have reversed. The growth slowdown in India is broadly in sync with trends in similar emerging economies. The sharp downturn in growth owes to the interface of domestic factors with the global economic environment of uncertainties and slow growth in many advanced economies.

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The growth of real GDP has generally shown a declining trend since the first quarter (Q1) of 2011-12, and is characterized by a moderation in services growth and a protracted slowdown in industry. The revival in agriculture on the back of a steady monsoon and robust growth in financial and business services led to a modest uptick in growth in 2013-14. The option of a fiscal stimulus did not exist in face of the economic slowdown, post 2010-11, as the elevated levels of inflation precluded further fiscal space. Besides, factors including the slack in investment, exacerbated by delays in projects, signaled the emergence of bottlenecks that made new reforms an imperative to ease the structural constraints hampering growth.

Overall WPI food inflation comprising primary food articles and manufactured food products averaged 10.54 per cent in 2013-14 (April-December) as compared to 9.03 per cent in the corresponding period of the previous year. In December 2013, food inflation was 9.47 per cent as compared to 9.96 per cent in December 2012 and 13.81 per cent in November 2013, indicating some easing of inflationary pressures in food.

CAPITAL MARKETS

Indian equity markets rallied in 2013-14, with the BSE Sensex gaining 18.8% to end the year at all time highs of 22386. After concerns in the first half of the financial year on worries of slowing economic growth, current account deficit and depreciating rupee; most of the market gains for the year were seen in second half, on optimistic expectations regarding the General Election outcome. FIIs net bought equities to the extent of Rs. 79,709 Crore in FY14; as compared to net purchases of Rs. 1,40,033 Crore in FY13. Industrials, IT, Telecoms, Consumer Discretionary & Healthcare outperformed the market; while Utilities & Financials underperformed the market.

MUTUAL FUND INDUSTRY

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

- 1) SEBI permitted mutual funds to launch Infrastructure Debt Funds (IDF) by way of private placement, if there are less than 50 investors as an alternative to New Fund Offer and also categorized certain FIIs as long term investor.
- 2) SEBI allowed the appointment of associate custodian for mutual funds subject to certain conditions.
- 3) SEBI issued guidelines for dealing with conflicts of interest.
- 4) SEBI further simplified the uniform KYC requirement applicable to intermediaries by standardizing the account opening form.
- 5) SEBI allowed mutual fund distributors to use recognised stock exchanges' infrastructure to purchase and redeem mutual fund units directly from Mutual Fund /Asset Management Companies on behalf of their clients to improve mutual fund distribution.
- 6) SEBI permitted investment by Gold ETFs in Gold certificates issued by Banks.
- 7) SEBI issued guidelines on enhancing disclosures, investor education & awareness campaign, developing alternative distribution channels for Mutual Fund products, etc. as part of their Long Term Policy for Mutual Funds in India which inter alia includes enhancing the reach of Mutual Fund products, promoting financial inclusion, tax treatment, obligation of various stakeholders and increasing transparency.
- 8) Major amendment in the Companies Act. Entire Companies Act, 1956 is replaced by new Companies Act, 2013.

During the year, the total assets mobilized by the mutual fund industry stood at Rs. 97,68,401 Crore (Previous year Rs. 72,67,885 Crore) while the total repurchase/redemption amount was Rs. 97,14,318 Crore (Previous year Rs. 71,91,346 Crore). The industry, thus saw a net inflow of Rs. 54,083 Crore (Previous year net outflow of Rs. 76,539 Crore) during the year. The total average assets under management during the quarter ended 31st March, 2014 stood at Rs. 9,05,120 Crore (Previous year Rs. 8,16,657 Crore). (Source: AMFI website)

PERFORMANCE OVERVIEW

Equity Schemes:

1) 1 Year Performance:

- a) We have funds in each sub-category of equity which have beaten the benchmark and have done well against peers.

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- b) SBI Magnum Multiplier Plus Fund, our flagship multi cap fund was in the top quartile.
- c) SBI Magnum Midcap Fund, a midcap fund was in the top quartile.
- d) SBI Tax Gain Scheme, our ELSS fund was in the top two quartiles.
- e) Our thematic funds like SBI Pharma Fund, SBI IT Fund and SBI PSU fund outperformed the benchmark.
- f) In the balanced fund category, SBI Balanced Fund was in the top quartile.

Fixed Income Schemes:

2) 1 Year Performance:

- a) In the fixed income range, all our funds except our long duration bond funds were in the top two quartiles as the long duration funds got impacted due to rising trend in bond yields.
- b) SBI Magnum MIP Floater was in the top quartile in terms of performance. We also had a significant improvement in the performance of SBI Magnum Children Benefit Plan.

(Source: Value Research)

SBI Mutual Fund (SBIMF) saw a total inflow of Rs. 6,05,396 Crore (Previous year Rs. 4,12,850 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. 5,98,686 Crore (Previous year Rs. 4,07,344 Crore), leaving a net inflow of Rs. 6,710 Crore (industry net inflow Rs. 54,083 Crore) as against a net inflow of Rs. 5,506 Crore (industry net outflow Rs. 76,539 Crore) in the previous year.

The average domestic AUM during the quarter ended March, 2014 was Rs. 65,499 Crore with a market share of 7.24% whereas the average domestic AUM during the quarter ended March, 2013 was Rs. 54,905 Crore with 6.72% market share. During the quarter ended March, 2014, SBIMF has achieved 19.30% growth in average AUM amounting to Rs. 10,594 Crore vis-à-vis the quarter ended March, 2013 which is the second highest in terms of %age growth with 4th rank in terms of absolute number among the largest seven AMCs.

In terms of market share, SBIMF increased its market share by 0.52% (Previous year 0.40%) which was the second highest among the top seven AMCs.

The closing assets under management of the domestic schemes of SBI Mutual Fund as on 31st March, 2014 were Rs. 62,877 Crore as against Rs. 51,614 Crore as on 31st March, 2013 signifying a growth of 21.82%.

During the year, SBIMF launched sixty seven funds under SBI Debt Fund Series. The schemes received good response from the investors and total funds mobilized under these schemes amounted to Rs. 12,775 Crore. SBIMF launched SBI Dual Advantage Fund – Series- I and SBI Tax Advantage Fund – Series- III which mobilized Rs. 144 Crore.

The value of assets under Portfolio Management/Advisory Services went up by 35.29% during the financial year 2013-14 with Rs. 15,013 Crore as on 31st March, 2014 as against Rs. 11,098 Crore as on 31st March, 2013.

Resurgent India Opportunities Fund, the off-shore fund managed by the Company, witnessed a marginal growth in the assets under management from Rs. 28 Crore as on 31st March, 2013 to Rs. 32 Crore as on 31st March, 2014 due to market appreciation.

DISTRIBUTION NETWORK

We had 30,500 AMFI certified Agents as on 31st March, 2014 as against 31,083 AMFI certified Agents as on 31st March, 2013. The number of AMFI certified Agents came down as several Agents did not renew their ARNs and New Agents enrolment also came down due to changed regulatory environment making retail IFA model unviable. The number of AMFI certified employees in State Bank Group, however, increased to 20,491 as on 31st March, 2014 from 20,166 as on 31st March, 2013.

As on 31st March, 2014, SBI Mutual Fund had 29 Investor Service Centres, 122 Investor Service Desks, 8 Investor Service Points and 1 Overseas Points of presence.

CORPORATE SOCIAL RESPONSIBILITY

To meet the Corporate Social Responsibility, the Company undertook the following initiatives through various NGOs:

1. Contributed towards Uttarakhand flood victims through GOONJ.
2. Maintenance of the Aaji Ajoba Udyaan near Shivaji Park at Dadar through **Nana Nani Foundation**.
3. Sponsored a Bus for **Agastya International Foundation**, Gurgaon for transporting economically disadvantaged and underprivileged children.
4. Sponsored two Tata Ace vehicles for **Akshaya Patra, Foundation** for food distribution to government schools in Bangalore.
5. Sponsored Tata Sumo for **ADAPT** which is being used for travelling of disabled people in Mumbai and Pelhar.
6. The Company as well as its staff are associated with **Akanksha Foundation**, a non-profit organization with a mission to provide children from low-income communities a high-quality education, enabling them to maximize their potential and transform their lives.

INVESTOR EDUCATION

During the year, the company carried out various investor education programs across the country with a 360 degree marketing approach, which included advertisements through print, television, outdoor, digital, radio and social media. These programs helped the existing and prospective investors in breaking myths and barriers about mutual fund products as an investment option and also in understanding various mutual fund concepts like Systematic Investment Plan, Equity, Debt, Exchange Traded Funds, asset allocation and online investments.

NEW INITIATIVES

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

1. Increased our presence and reach in beyond top 15 cities by opening 51 new Investor Service Desks to have an early mover advantage in tier 2 and 3 locations where mutual fund presence was insignificant, to tap investible surplus from small investors. This initiative was in line with the regulator's expectations from the mutual fund industry.
2. Streamlined the following features in SBIMF schemes:
 - a. Minimum investment amount
 - b. Additional investment amount
 - c. Redemption amount/units
 - d. Systematic Investment Plan (SIP)
 - e. Systematic Transfer Plan (STP)
3. The Company promoted two Funds in Mauritius namely SBI India Access Fixed Tenure Debt Fund and SBI India Opportunities Fund through its 100% subsidiary SBI Funds Management International (Private) Limited.
4. Initiated the process of launching Alternative Investment Funds under the AIF regulations of SEBI. For this we have applied to SEBI and RBI for their approval. This new business line will help us in offering new investment products.
5. Completed the acquisition of four schemes of Daiwa mutual fund. Out of the four schemes acquired by us, Daiwa Liquid Fund was merged with SBI Magnum Insta Cash Fund- Liquid Floater Plan and the other three schemes were restructured to fill the gap in our product offering.
6. Introduced an Asset Allocation Module for our investors registered on SBIMF Online Investment Platform for transacting online. This module helps investors to take strategic investment decisions.
7. Introduced 'Missed Call facility' for prospective and existing investors where they can give a missed call on a designated number to receive a call of assistance from SBI Mutual Fund.

FUTURE PLANS

- 1) We plan to grow our market share of SBIMF in terms of AUM to 10 % in the next 2 years and have set our goal to be among the top 3 players in the next 2 to 3 years.
- 2) Our primary objective is to grow our business in retail segment by creating awareness among investors by undertaking various initiatives through SBIMF schemes.
- 3) We will continue to strengthen and grow our distribution base by increasing engagement with IFA, developing alternative distribution channels and creating products to suit wealth managers.
- 4) We will continue to innovate in the product category to provide attractive investment opportunity across the risk and asset segments.

With the opening of new "51" B-15 branches, we plan to augment our distribution network to smaller towns and extend the market coverage. The other steps for improving investor services include increasing the electronic payout of redemption/dividends to around 90%, increasing e-communications and fine tuning of our Contact Centre services to reduce the call waiting time. We also plan to have more investor centric contact mechanism with "Click to receive a call" services. We plan to start a campaign to popularize online investments for investors through net banking solutions.

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

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

1) CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION:

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

2) FIXED DEPOSITS:

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

3) FOREIGN EXCHANGE EARNINGS AND OUTGO

During the financial year under review, the Company earned Rs. 742.45 lakh in foreign exchange as portfolio management fee. The foreign exchange outgo on account of traveling and business promotion was Rs. 234.58 lakh.

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, 2014, 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 and till date, the following changes took place in the Board of Directors of the Company:

- 1) Mr. S. Vishvanathan was appointed as an Associate Director on the Board with effect from July 19, 2013 and resigned on April 30, 2014 consequent upon retirement from the services of State Bank of India.
- 2) Mr. Pratip Chaudhuri resigned as the Chairman & Associate Director from the Board on September 30, 2013 consequent upon his retirement from the services of State Bank of India.
- 3) Mrs. Arundhati Bhattacharya was appointed as Chairman & Associate Director on the Board with effect from October 19, 2013.

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4) Mr. Deepak Kumar Chatterjee resigned as the Managing Director & CEO on November 01, 2013 consequent upon his retirement from the services of State Bank of India.

5) Mr. Dinesh Kumar Khara was appointed as Managing Director & CEO on the Board with effect from November 11, 2013.

The Board places on record its appreciation of the valuable contributions made by Mr. Pratip Chaudhuri, Mr S. Vishvanathan and Mr. Deepak Kumar Chatterjee during their tenure as Directors of the Company and extends a warm welcome to Mrs. Arundhati Bhattacharya and Mr. Dinesh Kumar Khara, who have joined the Board of the Company.

VIII. BOARD MEETINGS:

Nine Board meetings were held during the financial year under review on 22/04/13, 03/06/2013, 28/06/13, 19/07/13, 03/09/2013, 21/10/13, 08/01/2014, 31/01/14, 19/03/14.

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

Name/Category of Director	Number of meetings attende
Mr. Pratip Chaudhuri, Chairman	3
Mrs Arundhati Bhattacharya	1
Mr. S. Vishvanathan	4
Mr. Deepak Kumar Chatterjee, Managing Director & CEO	6
Mr. Dinesh Kumar Khara, Managing Director & CEO	3
Mr. H. K. Pradhan	4
Mrs. Madhu Dubhashi	8
Mr. Thierry Mequillet	6
Mr. Shishir Joshipura	6
Dr. Hira Sadhak	3
Mr. Fathi Jerfel	3
Mr. Philippe Batchevitch, (As Alternate Director to Mr. Fathi Jerfel)	6
Mr. Jashvant Raval	8

IX. AUDIT COMMITTEE OF DIRECTORS:

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

X. MODEL CODE OF CONDUCT:

The Directors confirm that all Board members and Senior Management have affirmed compliance with the Company's code of conduct for the financial year 2013-14.

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

The Directors confirm that all Board members and Senior Management have affirmed compliance with the Company's code of conduct for the financial year 2013-14.

The Directors hereby confirm:

- 1) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 2) that reasonable and prudent accounting policies have been selected and applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the company at the end of the financial year and the profit or loss of the company for that period;

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- 3) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- 4) that the annual accounts have been prepared on a going concern basis.

XII. PERSONNEL

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

XIII. PARTICULARS OF EMPLOYEES

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

XIV. AUDITORS

The Comptroller and Auditor General of India, New Delhi appointed M/s. Sudit K Parekh & Co. as the Statutory Auditors of the Company, who will retire at the conclusion of the Twenty First 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 Annual General Meeting. Accordingly, Notice of the Annual General Meeting will include an item pertaining to remuneration of the Auditors for the year 2014-15.

XV. ACKNOWLEDGEMENTS

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

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

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

-Sd/-

Mumbai
Dated: 24th July, 2014

Smt. Arundhati Bhattacharya
CHAIRMAN

Independent Auditors' Report

**To the Members of
SBI Funds Management Private Limited**

Report on the Financial Statements:

We have audited the accompanying financial statements of SBI Funds Management Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular No. 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 (together 'the Order'), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

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- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. in our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular No. 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
- e. on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;

For **SUDIT K. PAREKH & CO.**
Chartered Accountants
Firm Registration No. :-110512W

Sd/-
(Mayank Lakhani)
Partner
Membership No: 113732

Place :Mumbai
Dated: April 23, 2014

ANNEXURE TO AUDITORS' REPORT

(Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets of the company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
- (ii) Since the Company is a service provider, the clause (ii) of Para 4 is not applicable to the Company.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions stated in paragraph 4 (iii) (b), (c) and (d) of the order are not applicable.
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions stated in paragraph 4 (iii) (f) and (g) of the order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase fixed assets and sale of services. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the company.
- (v) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that there are no transactions required to be entered into the register maintained under section 301 of the Companies Act, 1956.
- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income-tax, service tax, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, service tax, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax on account of any dispute, are as follows:

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	39,55,499/-	A.Y. 2005-2006	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	21,11,228/-	A.Y. 2006-2007	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	13,73,194/-	A.Y. 2008-2009	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	17,46,842/-	A.Y. 2011-2012	Income Tax Appellate Tribunal

- (x) The company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) The Company has not taken any loans from Financial Institutions, Banks and nor has it issued any debentures.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the company has not granted loans & advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) The Company has not dealt or traded in shares, securities, debentures and other investments during the year.
- (xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xvi) The Company has not obtained any term loans.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, no debentures have been issued by the company during the year.
- (xx) The Company has not raised money by way of public issue during the year.
- (xxi) To the best of our knowledge and according to the information and explanations given to us by the management, we have not come across any instance of fraud by the Company, noticed or reported during the year. However a fraud was committed on the company by a third party by replacement of genuine applications with fake applications for investment in mutual fund schemes managed by the Company, at a distributor's end. As informed by the management, the amount involved cannot be reasonably ascertained at their end and no financial loss is expected to devolve upon the Company.

For **SUDIT K. PAREKH & CO.**
Chartered Accountants
Firm Registration No. :-110512W

(Mayank Lakhani)
Partner
M. No: 113732

Place : Mumbai;

dated: April 23, 2014

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 2014.

The preparation of financial statements of SBI Funds Management Private Limited for the year ended 31 March 2014 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 23 April 2014.

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 2014 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/-

(Y. N. Thakare)

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

Place : Mumbai

Date : 09 June, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Notes	As at 31-Mar-2014 ₹	As at 31-Mar-2013 ₹
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	2	500,000,000	500,000,000
(b) Reserves and surplus	3	3,931,836,380	2,959,120,963
		<u>4,431,836,380</u>	<u>3,459,120,963</u>
Non-current liabilities			
(a) Other long term liabilities	4	27,183,050	19,323,740
(b) Long-term provisions	5	55,339,189	63,624,681
(c) Deferred tax liabilities (Net)	11	18,997,138	-
		<u>101,519,377</u>	<u>82,948,421</u>
Current liabilities			
(c) Trade payables	6	165,352,551	179,348,681
(d) Other current liabilities	7	12,700,895	20,730,570
(e) Short-term provisions	8	857,030,480	701,146,877
		<u>1,035,083,926</u>	<u>901,226,128</u>
TOTAL		5,568,439,683	4,443,295,512
ASSETS			
Non-current assets			
(a) Fixed Assets			
(i) Tangible assets	9	1,732,334,537	46,263,025
(ii) Intangible assets	9	10,723,919	12,181,989
(iii) Capital work-in-progress	9	1,292,140	1,640,255,902
(b) Long-term investments	10	449,866,100	182,307,200
(c) Deferred tax assets (Net)	11	-	27,197,541
(d) Long-term loans and advances	12	103,437,606	66,582,438
(e) Other non-current assets	13	8,222,246	7,777,012
		<u>2,305,876,548</u>	<u>1,982,565,107</u>
Current assets			
(a) Current investments	14	2,203,460,399	1,200,000,000
(b) Trade receivables	15	155,809,917	191,383,189
(c) Cash and bank balances	16	656,482,069	836,653,156
(d) Short-term loans and advances	17	239,122,203	188,570,212
(e) Other current assets	18	7,688,547	44,123,848
		<u>3,262,563,135</u>	<u>2,460,730,405</u>
TOTAL		5,568,439,683	4,443,295,512
Significant Accounting Policies and Notes to the Accounts	1		

The notes are an integral part of these financial statements.

As per our attached report of even date

For SUDIT K. PAREKH & CO.
Chartered Accountants
Firm Registration No. 110512W

For and on behalf of the Board of Directors

Sd/-
Mayank Lakhani
Partner
Membership No.: 113732

Sd/-
S. Vishvanathan
Director

Sd/-
Dinesh Khara
Managing Director & CEO

Place: Mumbai
Date : April 23, 2014

Sd/-
Philippe Batchevitch
Dy. Chief Executive Officer

Sd/-
Vinaya Datar
Company Secretary

Statement of PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

Particulars	Notes	Year Ended 31-Mar-2014 ₹	Year Ended 31-Mar-2013 ₹
Revenue from operations	19	3,851,695,558	2,763,436,285
Other income	20	162,759,209	222,609,129
Total revenue		4,014,454,767	2,986,045,414
Expenses:			
Employee benefits expense	21	918,607,021	842,593,099
Administrative and other expenses	22	705,399,241	898,473,911
Depreciation and amortization expenses	23	76,563,409	39,679,364
Total expenses		1,700,569,671	1,780,746,374
Profit before Tax		2,313,885,096	1,205,299,040
Tax expenses:			
- Current tax		710,000,000	350,000,000
- Deferred tax		46,194,679	(1,529,969)
Profit (Loss) for the period		1,557,690,417	856,829,009
Earnings per equity share:			
(1) Basic	24	311.54	171.37
(2) Diluted		311.54	171.37
Significant Accounting Policies and Notes to the Accounts	1		
The notes are an intergral part of these financial statements.			

As per our attached report of even date

For SUDIT K. PAREKH & CO.
Chartered Accountants
Firm Registration No. 110512W

For and on behalf of the Board of Directors

Sd/-
Mayank Lakhani
Partner
Membership No.: 113732

Sd/-
S. Vishvanathan
Director

Sd/-
Dinesh Khara
Managing Director & CEO

Place: Mumbai
Date : April 23, 2014

Sd/-
Philippe Batchevitch
Dy. Chief Executive Officer

Sd/-
Vinaya Datar
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

Particulars	For Year end 31-Mar-2014 ₹	For Year end 31-Mar-2013 ₹
Cash Flow from Operating Activities		
Net profit Before Tax	2,313,885,096	1,205,299,040
Adjustments for:		
Depreciation and amortisation	7,65,63,409	39,679,364
(Profit) /Loss on sale of fixed assets (Net)	2,080,144	1,532,660
Profit on sale of investments (Net)	(105,056,228)	(97,090,017)
Interest income	(18,071,832)	(47,008,317)
Dividend income	(30,690,486)	(64,924,300)
Operating profit before working capital changes	2,238,710,103	1,037,488,430
Decrease / (Increase) in trade receivables	35,573,272	(1,057,935)
Decrease / (Increase) in long term loans and advances	(36,855,168)	23,734,586
Decrease / (Increase) in other current assets	(509,740)	(61,147)
Decrease / (Increase) in Short term loans & advances	(34,524,385)	28,398,488
Decrease / (Increase) in other non-current assets	(445,234)	(1,304,554)
(Decrease) / Increase in trade payables	(13,996,130)	42,884,778
(Decrease) / Increase in non-current liabilities	(426,182)	19,775,570
(Decrease) / Increase in other current liabilities	(8,029,675)	13,322,053
(Decrease) / Increase in short term provisions	12,554,103	33,420,365
Net cash generated from operations	21,92,050,964	11,96,600,634
Income taxes paid	(726,027,606)	(306,855,778)
Net cash generated from Operating Activities (A)	1,466,023,358	889,744,856
Cash Flow from Investing Activities		
Purchase of Intangible Fixed Assets(including advances for capital)	(11,872,023)	(8,309,244)
Purchase of tangible Fixed Assets(including advances for capital)	(113,020,630)	(16,60,026,673)
Sale of Fixed Assets	599,420	152,153
Purchase of Investments (Current and long-term investments)	(6,459,376,772)	(6,782,389,343)
Sale of Investments (Current and long-term investments)	5,293,413,700	7,548,880,165
Fixed Deposits placed during the year	(129,700,000)	(104,000,000)
Fixed Deposits matured during the year	332,900,000	480,776,998
Interest received	55,016,873	56,206,434
Dividend received	3,06,90,486	6,49,24,300
Net Cash generated from Investing Activities (B)	(1,001,348,946)	(403,785,210)
Cash Flow from Financing Activities		
Dividend paid	(380,000,000)	(290,000,000)
Tax on Dividend	(61,645,500)	(47,045,250)
Net cash used in Financing Activities (C)	(441,645,500)	(337,045,250)
Net Increase in Cash and Cash Equivalents (A + B + C)	23,028,912	148,914,396
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	503,753,156	354,838,760
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	526,782,069	503,753,156

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

Particulars	For Year end 31-Mar-2014 ₹	For Year end 31-Mar-2013 ₹
Components of Cash and Cash Equivalents		
Cash & Cash Equivalents		
Cash in hand	20,795	16,866
Cheques in hand	12,000	644,877
Balance with banks		
-in Current Accounts	26,749,274	23,091,413
-in Current Accounts - Dividend Payable	500,000,000	380,000,000
Deposits with original Maturity		
Less than 3 months	-	100,000,000
Total Cash & Cash Equivalent (Note no. 16)	526,782,069	503,753,156

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

As per our attached report of even date

For SUDIT K. PAREKH & CO.
Chartered Accountants
Firm Registration No. 110512W

For and on behalf of the Board of Directors

Sd/-
Mayank Lakhani
Partner
Membership No.: 113732

Sd/-
S. Vishvanathan
Director

Sd/-
Dinesh Khara
Managing Director & CEO

Place: Mumbai
Date : April 23, 2014

Sd/-
Philippe Batchevitch
Dy. Chief Executive Officer

Sd/-
Vinaya Datar
Company Secretary

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

SBI Funds Management Private Limited ('the Company') was incorporated on 7th February 1992 under The Companies Act, 1956 as a wholly owned subsidiary of State Bank of India (SBI) and is presently a joint venture between SBI and AMUNDI.

The Company was granted approval by Securities and Exchange Board of India (SEBI) under SEBI (Mutual Funds) Regulations, 1993, subsequently replaced by SEBI (Mutual Funds) Regulations, 1996, to act as the Investment Manager of SBI Mutual Fund ('the Fund'), which has launched various types of schemes till the date of the Balance Sheet. The Company manages the Investment Portfolios of the scheme(s) launched by the Fund and provides various administrative services to the Fund as laid down in the Investment Management Agreement dated December 29, 2004. The Company has a fully owned foreign subsidiary namely SBI Funds Management (International) Private Limited, which is based at Mauritius and manages an Off-shore Fund.

The Company is also registered under the SEBI (Portfolio Managers) Regulations, 1993 and provides Portfolio Management Services (PMS) to domestic and international clients.

Summary of Significant accounting policies

1.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP), to comply with the applicable mandatory Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended), Revised Schedule VI and the relevant provisions of the Companies Act, 1956 (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs). The financial statements have been prepared on accrual basis under the historical cost convention.

1.2 Use of Estimates:

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reported period. The estimates and assumptions used in the accompanying financial statements are based upon the Management's evaluation of the relevant facts and circumstances as on the date of financial statements. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to the accounting estimates will be recognised prospectively in the current and future periods.

1.3 Fixed Assets and Capital Advances

Tangible Fixed Assets

Tangible Fixed Assets are stated at their cost of acquisition less accumulated depreciation, and impairment losses, if any. The cost of acquisition is inclusive of taxes, duties (other than cenvat credit, if any), freight and other incidental expenses related to acquisition and installation of the assets.

Subsequent expenditure related to an item of fixed asset is added to its book value, only if it increases the future benefits from existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day to day repair and maintenance expenditure and cost of replacing parts, are charged to Statement of Profit and Loss during the period in which they are incurred.

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

Gains or Losses arising from disposal of fixed assets are measured as the difference between the net disposal proceeds and carrying amount of asset and are recognised in the statement of Profit and Loss when the asset is disposed.

NOTES TO THE FINANCIAL STATEMENTS

Intangible Fixed Assets

Intangible assets are recognized at cost (excluding Cenvat credit, if any) less accumulated amortization and impairment losses, if any.

Intangible assets are amortised on straight line basis over a period of three years (the estimated useful economic life). The company uses rebuttable presumption that the useful life of an intangible asset will not exceed three years from the date when the asset is available for use.

Gains or Losses arising from the disposal of intangible assets are measured as the difference between the net disposal proceeds and carrying amount of asset and are recognised in the statement of Profit and Loss, when the asset is disposed.

1.4 Depreciation on Tangible and Intangible Fixed Asset

Depreciation is provided on a pro-rata basis on the written down value method/ Straight line method over the estimated useful lives of the assets which comply with the minimum rates prescribed in Schedule XIV of the Companies Act, 1956.

Assets	Method of Depreciation	Rates (%)
Tangible assets		
- Building	SLM	1.63
- Building-Fit outs	SLM	10.00
- Plant & Machinery (including Electrical Installation, Fire Detection, Fire Alarm, CCTV, Fire Alarm Access Control)	WDV	13.91
- Computers	WDV	40.00
- Furniture & fixtures	WDV	18.10
- Office Equipments	WDV	13.91
- Mobile Phones	SLM	33.33
- Motor Car	WDV	25.89
Intangible Assets		
- Computer software	SLM	33.33
- Web Site	SLM	33.33
- Investment Management Rights (DAIWA Schemes)	Amortisation	Based on the average holding period of the various schemes

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

All fixed assets individually costing less than Rs. 5,000 are fully depreciated in the year of purchase/acquisition.

Depreciation on assets sold during the year is recognized in the Statement of Profit and Loss on a pro-rata basis till the date of sale.

1.5 Impairment of Tangible and Intangible Fixed Assets

An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life

1.6 Investments

Investments which are readily realizable and are intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognize a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

NOTES TO THE FINANCIAL STATEMENTS

Purchase and sale of Investment is recorded on the trade date basis.

Investments include investments in shares of a subsidiary company registered outside India. They are stated at cost by converting at the rate of exchange prevalent at the time of acquisition thereof.

1.7 Revenue Recognition

(a) Revenue from operations

Management fee are recognized on accrual basis at specific rates, applied on the average daily net assets of each scheme. The fees charged are in accordance with the terms of Scheme Information Document of respective schemes and are in line with the provisions of SEBI (Mutual Funds) Regulations, 1996 as amended from time to time.

Portfolio Advisory Service and Portfolio Management Services income is recognized on accrual basis as per the terms of the contract.

(b) Other Income

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

Dividend income is recognized when the Company's right to receive dividend is established at the reporting date.

Gains and losses on sale of investments are determined using the weighted average cost method. Revenue is recognized only when it is reasonably certain that the ultimate collection will be made.

Recovery, if any, on realization of devolved investments of schemes acquired by the Company, in terms of the right of subrogation, is accounted on the basis of receipts. Recovery from funded guarantee schemes is recognized as income in the year of receipt.

1.8 Employee Benefits:

(a) Defined Contribution Plan :

Provident Fund

The Company has defined contribution plans for post employment benefits in the form of Provident fund. Under Provident fund plan the company contributes to Government administered provident fund on behalf of employees. The company has no further obligation beyond making the contribution. The company's contribution to Government Provident Fund are charged to Statement of Profit and Loss.

Superannuation

Superannuation fund is a defined contribution scheme. The Company contributes a sum equivalent to 15% of basic salary plus dearness pay of the eligible managerial cadre employees' salary to the Superannuation Fund administered by trustees and managed by the Life Insurance Corporation of India. The Company recognizes such contribution as an expense as and when incurred

(b) Defined Benefit Plan : Gratuity

Gratuity liability is a defined benefit obligation and is funded through a Gratuity Fund administered by trustees and managed by the Life Insurance Corporation of India. The Company accounts for liability for future gratuity benefits based on the actuarial valuation using Projected Unit Credit Method carried out as at the end of each financial year.

(c) Other Employee Benefit : Leave Encashment

The company provides for the encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation carried out as at the end of each financial year.

NOTES TO THE FINANCIAL STATEMENTS

1.9 Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing at the time of occurrence of the transactions. Monetary items denominated in foreign currency remaining unsettled at the end of the year, are translated at the exchange rates as at the last day of the year.

Any gains or losses on account of exchange difference either on settlement or translation are recognized in the Profit and Loss Account.

1.10 Scheme Expenses

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

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

(c) Brokerage: Upfront Brokerage paid on investments in Equity Linked Saving (Tax saving) Schemes is amortized over a period of 36 months. In case of Close ended schemes, one time brokerage is amortized over the tenure of schemes.

1.11 Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year in accordance with Income Tax Act, 1961. Deferred tax is recognized subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent years.

Deferred tax adjustments comprise of changes in the deferred tax assets and liabilities. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax asset is recognized subject to prudence and judgment that realization is more likely than not. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted before the Balance Sheet date. Changes in deferred tax assets/ liabilities on account of changes in enacted tax rates are given effect to in the Statement of Profit and Loss in the period of the change.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognizes deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are also disclosed on net basis.

1.12 Operating Lease

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

NOTES TO THE FINANCIAL STATEMENTS

1.13 Earnings per Share

The Company reports the basic and diluted earnings per share in accordance with AS-20, Earnings per Share, notified by the Companies (Accounting Standards) Rules, 2006. The basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year.

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

1.14 Provisions and Contingencies

Provisions are recognized when the Company has a present obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

A disclosure of a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

1.15 Cash and Cash Equivalents

Cash and Cash Equivalents comprise of Cash/Cheques-in-hand and bank balances in Current and Fixed Deposit Accounts with original maturity of less than three months from date of acquisition.

2 SHARE CAPITAL

	31-Mar-2014 ₹	31-Mar-2013 ₹
Authorised		
5,000,000 Equity Shares of ₹ 100 each (Previous year 5,000,000 Equity Share of ₹ 100 each)	500,000,000	500,000,000
Issued, Subscribed and Paid Up		
5,000,000 Equity Shares of ₹ 100 each (Previous year 5,000,000 Equity Share of ₹ 100 each)	500,000,000	500,000,000

2.1 Reconciliation of number of shares

Particulars	31-Mar-2014		31-Mar-2013	
	No of Shares	₹	No of Shares	₹
Balance at the beginning of the year	5,000,000	500,000,000	5,000,000	500,000,000
Add : Shares issued during the year	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

Balance at the end of the year	5,000,000	500,000,000	5,000,000	500,000,000
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2.2 The rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital

The Company has only one class of equity shares having a par value of ₹ 100 per share. Each shareholder is eligible for one vote per share held. However, the shareholders are restricted from selling their shares for a period of five years from the date of the joint venture agreement. The transfer of shares by either shareholder to its approved group company is permitted subject to thirty days prior written notice and written approval of the other shareholder. Each shareholder has the right of first refusal in the event of any shareholder wishing to sell the whole or part of its shareholding. The dividend proposed by the Board of Directors is subject to the approval of both the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

2.3 Details of Shares held by Holding Company

Particulars	31-Mar-2014		31-Mar-2013	
	No of Shares	% of Holding	No of Shares	% of Holding
State Bank of India	3,150,000	63%	3,150,000	63%

2.4 Details of share holders holding more than 5% shares

Particulars	31-Mar-2014		31-Mar-2013	
	No of Shares	% of Holding	No of Shares	% of Holding
State Bank of India	3,150,000	63%	3,150,000	63%
Amundi India Holding, a wholly owned subsidiary of Amundi	1,850,000	37%	1,850,000	37%

3 RESERVES AND SURPLUS

	31-Mar-2014	31-Mar-2013
	₹	₹
General Reserve		
Balance at the beginning of the year	620,240,130	534,557,229
Add: Transfer from statement of profit and loss	155,769,042	85,682,901
Balance at the end of the year (A)	776,009,172	620,240,130
Surplus in statement in profit and loss		
Balance at the beginning of the year	2,338,880,833	2,009,380,225
Add: Profit for the year	1,557,690,417	856,829,009
Less: Transfer to general reserve	155,769,042	85,682,901
Less: Interim dividend	500,000,000	380,000,000
Less: Tax on interim dividend	84,975,000	61,645,500
Balance at the end of the year (B)	3,155,827,208	2,338,880,833

NOTES TO THE FINANCIAL STATEMENTS

Total (A+B)	3,931,836,380	2,959,120,963
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4 OTHER LONG TERM LIABILITIES

	31-Mar-2014	31-Mar-2013
	₹	₹
Others :		
Rent payables	27,183,050	16,947,388
Retention money payable	-	2,376,352
Total	27,183,050	19,323,740

5 LONG TERM PROVISIONS

	31-Mar-2014	31-Mar-2013
	₹	₹
Provision for employee benefits	55,339,189	63,624,681
Total	55,339,189	63,624,681

6 TRADE PAYABLES

	31-Mar-2014	31-Mar-2013
	₹	₹
Trade Payables	165,352,551	179,348,681
Total	165,352,551	179,348,681

(Refer note no.28 for related party & note no. 35 for micro small and medium enterprises disclosures)

7 OTHER CURRENT LIABILITIES

	31-Mar-2014	31-Mar-2013
	₹	₹
(a) Statutory dues	5,222,344	18,553,453
(b) Income received in advance	131,507	188,565
(c) Other payable		
- Earnest money deposit	70,000	1,669,196
- Earnest money deposit	7,277,044	319,356
Total	12,700,895	20,730,570

8 SHORT TERM PROVISIONS

	31-Mar-2014	31-Mar-2013
	₹	₹
(a) Provision for employee benefits	212,106,126	203,441,219
(b) Others		
- Proposed interim dividend *	500,000,000	380,000,000
- Tax on proposed interim dividend	84,975,000	61,645,500
- Provision for expenses	59,949,354	56,060,158
Total	857,030,480	701,146,877

NOTES TO THE FINANCIAL STATEMENTS

9 FIXED ASSETS

9.1 TANGIBLE ASSETS

Particulars	GROSS BLOCK (At Cost)			DEPRECIATION / AMORTISATION			NET BLOCK			
	As at 01.04.2013	Additions for the Year	Deductions/ Adjustments/ Reclassification for the year	As at 31.03.2014	Upto 01.04.2013	For the Year	Deductions/ Adjustments/ Reclassification for the year	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
Building (including fitouts)	-	1,633,074,667	-	1,633,074,667	-	22,242,630	-	22,242,630	1,610,832,037	-
Plant and Machineries (including Building Management Systems)	-	26,135,875	-	26,135,875	-	2,768,962	-	2,768,962	23,366,913	-
Furniture & Fixtures	10,621,163	32,249,789	1,445,675	41,425,277	7,213,842	7,562,017	1,027,623	13,748,236	27,677,041	3,407,321
Motor Cars	3,580,718	3,725,321	1,193,138	6,112,901	2,246,767	372,150	761,924.00	1,856,993	4,255,908	1,333,951
Office Equipments	23,514,904	14,701,559	4,531,542	33,684,921	12,919,725	3,273,251	2,997,940	13,195,036	20,489,885	10,595,179
Computers	100,777,192	41,686,501	11,393,474	131,070,219	73,376,395	26,173,035	11,053,702	88,495,728	42,574,491	27,400,797
Leasehold Improvements	26,644,233	1,252,861	167,885	27,729,209	23,118,456	1,472,491	-	24,590,947	3,138,262	3,525,777
Total Tangible Assets	165,138,210	1,752,826,573	18,731,714	1,899,233,069	118,875,185	63,864,536	15,841,189	166,898,532	1,732,334,537	46,263,025
Previous Year	163,146,613	21,567,491	19,575,894	165,138,210	110,424,065	26,416,612	17,965,492	118,875,185	46,263,025	

9.2 Intangible Assets

Particulars	GROSS BLOCK (At Cost)			DEPRECIATION / AMORTISATION			NET BLOCK			
	As at 01.04.2013	Additions for the Year	Deductions/ Adjustments/ Reclassification for the year	As at 31.03.2014	Upto 01.04.2013	For the Year	Deductions/ Adjustments/ Reclassification for the year	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013
Computer Software (Acquired)	53,431,806	5,119,705	270,925	58,280,586	44,740,527	6,248,340	270,925	50,717,942	7,562,644	8,691,279
Investment Management Rights	-	5,739,574	-	5,739,574	-	3,134,226	-	3,134,226	2,605,348	-
Website Development Cost	9,796,336	381,524	-	10,177,860	6,305,626	3,316,307	-	9,621,933	555,927	3,490,710
Total Intangible Assets	63,228,142	11,240,803	270,925	74,198,020	51,046,153	12,698,873	270,925	63,474,101	10,723,919	12,181,989
Previous Year	54,029,824	9,947,562	749,244	63,228,142	38,508,026	13,262,752	724,625	51,046,153	12,181,989	

9.3 Capital Work in Progress

Particulars	NET BLOCK	
	As at 31.03.2014	As at 31.03.2013
- Intangible Assets	1,292,140	660,920
- Tangible Assets	-	1,639,594,982
Total	1,292,140	1,640,255,902

NOTES TO THE FINANCIAL STATEMENTS**10 LONG-TERM INVESTMENTS**

	31-Mar-14		31-Mar-13	
	No of units	₹	No of units	₹
Investment in Equity (Valued at cost unless stated otherwise)				
Investment in subsidiaries				
Equity shares of \$1 held in SBI Funds Management (International) Pvt. Ltd.(100%Holding)	50,000	444,400	50,000	444,400
Investments in Associates/Fellow Subsidiary				
20% Equity shares of ₹ 10 each held in SBI Pension Funds Pvt. Ltd.	6,000,000	60,025,000	6,000,000	60,025,000
Investment in Mutual Fund (Valued at cost unless stated otherwise)				
Quoted Investments : Units of SBI Mutual Fund				
SBI Debt Fund Series (SDFS)				
SDFS 36 Months - 1 (Growth) face value of ₹ 10 per unit	-	-	6,183,780	61,837,800
SDFS 15 months - 10 (Growth) face value of ₹ 10 per unit	-	-	-	-
SDFS 18 months - 11 (Growth) face value of ₹ 10 per unit	-	-	6,000,000	60,000,000
SDFS 18 month - 13 (Growth) face value of ₹ 10 per unit	12,000,000	120,000,000	-	-
SBI Capital Protection Fund-II face value of ₹ 10 per unit	1,000,000	11,896,700	-	-
SDFS 36 months - 4 (Growth) face value of ₹ 10 per unit	10,000,000	100,000,000	-	-
SDFS 36 months - 5 (Growth) face value of ₹ 10 per unit	500,000	5,000,000	-	-
SDFS 36 months - 6 (Growth) face value of ₹ 10 per unit	250,000	2,500,000	-	-
SDFS A1-15 months - (Growth) face value of ₹ 10 per unit	5,000,000	50,000,000	-	-
SDFS 17 months - 1 (Growth) face value of ₹ 10 per unit	10,000,000	100,000,000	-	-
Total		449,866,100		182,307,200
Aggregate amount of quoted investments		389,396,700		121,837,800
Market value/NAV of quoted investments		406,244,050		135,857,513
Aggregate amount of unquoted investments		60,469,400		60,469,400

11 DEFERRED TAX ASSETS/(LIABILITIES)

	31-Mar-14	31-Mar-13
	₹	₹
(a) Deferred tax assets/(liabilities)		
- Provision for compensated absences	26,743,329	25,949,442
- Provision for gratuity	311,886	812,391
- Amortization /Depreciation on tangible /intangible assets	(46,052,353)	435,708
Deferred tax (liabilities)/assets (net) (a+b)	(18,997,138)	27,197,541

NOTES TO THE FINANCIAL STATEMENTS

12 LONG TERM LOANS & ADVANCES

	31-Mar-2014	31-Mar-2013
	₹	₹
Secured , Considered good		
Loans to employees against hypothecation of property	13,312,333	13,767,087
Unsecured, Considered good unless stated otherwise		
Security deposits	18,188,678	19,409,405
Advance for expenses	-	755,255
Unamortised upfront brokerage	48,207,010	22,473,711
Prepaid expenses	11,502,851	270,683
Advance trail brokerage	12,226,734	9,906,297
Total	103,437,606	66,582,438

13 Other Non- current Assets

	31-Mar-2014	31-Mar-2013
	₹	₹
Secured, Considered good unless stated otherwise		
Interest accrued on loans to employees	8,222,246	7,777,012
Total	8,222,246	7,777,012

14 CURRENT INVESTMENTS

	31-Mar-14		31-Mar-13	
	No of units	₹	No of units	₹
Investment in Mutual Fund (Valued at cost unless stated otherwise)				
Quoted Investments : Units of SBI Mutual Fund				
a) SBI Debt Fund Series (SDFS)				
SDFS 15 months - 10 (Growth) face value of ₹ 10 per unit	-	-	2,500,000	25,000,000
SDFS 366 Days - 7 (Growth) face value of ₹ 10 per unit	-	-	20,000,000	200,000,000
SDFS 366 Days - 12 (Growth) face value of ₹ 10 per unit			10,000,000	100,000,000
SDFS 366 Days - 16 (Growth) face value of ₹ 10 per unit	-	-	10,500,000	105,000,000
SDFS 366 Days - 17 (Growth) face value of ₹ 10 per unit	-	-	12,000,000	120,000,000
SDFS 366 Days - 18 (Growth) face value of ₹ 10 per unit	-	-	40,000,000	400,000,000
SDFS 180 Days - 19 (Growth) face value of ₹ 10 per unit	-	-	10,000,000	100,000,000
SDFS 180 Days - 21 (Growth) face value of ₹ 10 per unit	-	-	5,000,000	50,000,000
SDFS 180 Days - 24 (Growth) face value of ₹ 10 per unit			10,000,000	100,000,000

NOTES TO THE FINANCIAL STATEMENTS

	31-Mar-14		31-Mar-13	
	No of units	₹	No of units	₹
SDFS 366 Days - 30 (Growth) face value of ₹ 10 per unit	15,000,000	150,000,000	-	-
SDFS 366 Days -31 (Growth) face value of ₹ 10 per unit	20,000,000	200,000,000	-	-
SDFS 366 Days -32 (Growth) face value of ₹ 10 per unit	10,000,000	100,000,000	-	-
SDFS 366 Days -33 (Growth) face value of ₹ 10 per unit	11,895,800	118,958,000	-	-
SDFS 366 Days -36 (Growth) face value of ₹ 10 per unit	15,000,000	150,000,000	-	-
SDFS 366 Days -39 (Growth) face value of ₹ 10 per unit	15,000,000	150,000,000	-	-
SDFS 366 Days -44 (Growth) face value of ₹ 10 per unit	10,000,000	100,000,000	-	-
SDFS 366 Days -46 (Growth) face value of ₹ 10 per unit	10,000,000	100,000,000	-	-
SDFS 366 Days -47 (Growth) face value of ₹ 10 per unit	40,000,000	400,000,000	-	-
SDFS 366 Days -52 (Growth) face value of ₹ 10 per unit	12,000,000	120,000,000	-	-
SDFS 366 Days -51 (Growth) face value of ₹ 10 per unit	4,000,000	40,000,000	-	-
SFIDFS 90 Days -85 (Growth) face value of ₹ 10 per unit	3,000,000	30,000,000	-	-
SDFS 36 Months - 1 (Growth) face value of ₹ 10 per unit	6,321,780	63,321,010	-	-
SDFS 18 months - 11 (Growth) face value of ₹ 10 per unit	6,000,000	60,000,000	-	-
b) SBI Mutual Funds - Others				
SBI Premier Liquid Fund Direct Plan Daily Dividend ₹1000 per unit	79,829	80,088,134	-	-
SBI Magnum Insta Cash Direct Plan Daily Dividend ₹1000 per unit	203,634	341,093,255	-	-
Total		2,203,460,399		1,200,000,000
Aggregate amount of quoted investments		2,203,460,399		1,200,000,000
Market value/NAV of quoted investments		2,304,945,916		1,243,661,450

15 TRADE RECEIVABLES - CURRENT

	31-Mar-2014	31-Mar-2013
	₹	₹
Unsecured, Considered good unless stated otherwise		
Management fee receivable	106,702,244	145,415,079
Portfolio Management fee receivables	3,028,202	27,823,533
Portfolio Advisory fee receivables	43,703,380	18,144,577
Outstanding for more than six months	2,376,091	-
Total	155,809,917	191,383,189

NOTES TO THE FINANCIAL STATEMENTS

16 CASH & BANK BALANCES

	31-Mar-2014	31-Mar-2013
	₹	₹
Cash & Cash Equivalents		
Cash on hand	20,795	16,866
Cheques in hand	12,000	644,877
Balance with banks *		
-in Current accounts	26,749,274	23,091,413
-in Current accounts - dividend payable	500,000,000	380,000,000
Deposits with original maturity		
Less than 3 months	-	100,000,000
	526,782,069	503,753,156
Other Bank Balance *		
Deposits with original maturity		
- more than 3 months and less than 12 months	-	104,000,000
- more than 12 months	129,700,000	228,900,000
	129,700,000	332,900,000
Total	656,482,069	836,653,156

*Refer note no. 28 for related party disclosures

17 SHORT TERM LOANS & ADVANCES

	31-Mar-2014	31-Mar-2013
	₹	₹
Secured ,Considered good		
Loans to employees against hypothecation of property	4,098,457	4,265,528
Unsecured, Considered good unless stated otherwise		
Security deposits	9,996,881	17,789,928
Advance for expenses	5,300,436	2,921,308
Loans to employees	1,808,110	2,104,400
Balance with statutory/Government authorities	4,626,192	5,236,808
Unamortised upfront brokerage	30,997,423	19,133,642
Prepaid expenses	18,648,550	13,461,287
Advance trail brokerage	46,775,834	20,161,036
Advance Income tax (net of provisions)	116,791,079	100,763,473
Advance for capital expenses	-	1,685,400
Expenses recoverable*	79,241	1,047,402
Total	239,122,203	188,570,212

*Refer note no. 28 for related party disclosures

NOTES TO THE FINANCIAL STATEMENTS**18 OTHER CURRENT ASSETS**

	31-Mar-2014	31-Mar-2013
	₹	₹
Secured, Considered good		
Interest accrued on loans to employees	621,030	185,290
Unsecured, Considered good unless stated otherwise		
Interest accrued on bank fixed deposits*	6,254,017	43,199,058
Other Bank Balance **		
Deposit (Security against bank guarantee)	813,500	739,500
Total	7,688,547	44,123,848
*Refer note no. 28 for related party disclosures		
** includes AED 50,000 (₹ 8,13,500) [Previous year AED 50,000 (₹ 739,500)] towards lien created in favour of Ministry of Economy, Dubai, UAE., for operation of our branch at Dubai		

19 REVENUE FROM OPERATIONS

	31-Mar-2014	31-Mar-2013
	₹	₹
Management fee	3,744,200,925	2,637,490,608
Portfolio management fee	14,357,978	45,761,424
Portfolio advisory fee	93,136,655	80,184,253
Total	3,851,695,558	2,763,436,285

20 OTHER INCOME

	31-Mar-2014	31-Mar-2013
	₹	₹
Gains on sale /redemption of current investments	105,056,228	97,090,017
Dividend from current investments	30,690,486	64,924,300
Interest on banks deposits	18,071,832	47,008,317
Interest on loans to employees (current)	946,642	1,120,969
Interest on loans to employees (non-current)	919,250	830,171
Realisation of devolved investments	-	4,038,687
Foreign Exchange Gain (Net)	478,409	-
Miscellaneous Income	6,596,362	7,596,668
Total	162,759,209	222,609,129

NOTES TO THE FINANCIAL STATEMENTS**21 EMPLOYEE BENEFITS EXPENSES**

	31-Mar-2014	31-Mar-2013
	₹	₹
Salaries & allowances	804,265,285	713,275,034
Contribution to provident and other funds	46,080,974	56,144,698
Staff welfare expenses	68,260,762	73,173,367
Total	918,607,021	842,593,099

22 ADMINISTRATIVE AND OTHER EXPENSES

	31-Mar-2014	31-Mar-2013
	₹	₹
Rent	57,116,124	90,309,410
Rates and taxes	16,428,030	5,014,333
Electricity charges	13,895,779	15,592,295
Repairs and maintenance		
- Equipment	24,169,505	13,830,142
- Others	19,176,492	12,856,901
Insurance	2,776,557	1,486,313
Travelling and conveyance	53,139,367	41,407,998
Recruitment and training	2,321,905	2,066,866
Printing and stationery	10,252,590	10,733,708
Postage and courier	6,195,734	8,545,315
Communication	37,322,966	38,583,513
Scheme expenses	34,201,828	95,934,117
Brokerage	117,331,820	328,452,439
Business promotion	144,233,496	112,137,436
Advertising and publicity	18,670,782	6,245,406
Legal and professional fees	50,730,716	46,457,559
Filing Fee for schemes	10,723,755	5,038,142
Auditor's remuneration:		
-Audit fee	1,725,000	1,700,000
-Tax audit fee	150,000	150,000
-Certification fee	150,000	150,000
Directors' sitting fees	865,000	1,047,500
Royalty to SBI for logo	17,136,580	12,103,820
Loss on sale of assets/discarded (Net)	2,080,144	1,532,660
Foreign Exchange Loss (Net)	-	132,237
Membership and subscription	39,007,030	31,243,227
Miscellaneous expenses	25,598,041	15,722,574
Total	705,399,241	898,473,911

NOTES TO THE FINANCIAL STATEMENTS**23 DEPRECIATION AND AMORTISATION EXPENSES**

	31-Mar-2014	31-Mar-2013
	₹	₹
Depreciation on Tangible Assets	63,864,536	26,416,612
Amortisation of Intangible Assets	12,698,873	13,262,752
Total	76,563,409	39,679,364

24 EARNING PER SHARE

	31-Mar-2014	31-Mar-2013
(a) Nominal Value of an Equity Share (₹)	100	100
(b) Net profit available to Equity Shareholders (₹)	1,557,690,417	856,829,009
(c) Number of shares outstanding	5,000,000	5,000,000
(d) Basic and Diluted EPS (₹) = (b) / (c)	311.54	171.37

25. CONTINGENT LIABILITIES (NOT PROVIDED FOR):

Claims against the Company not acknowledged as debts – Investor claims pending in consumer courts ₹ 16,640,830 (Previous Year ₹ 18,488,087), other disputed payables ₹ 7,844,911 (Previous year Nil) and disputed tax liability ₹ 9,084,398/- (Previous Year ₹ 9,084,398).

26. CAPITAL COMMITMENTS

Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 2,625,550 (Previous Year ₹70,481,886).

27. EMPLOYEE BENEFITS

In accordance with the Accounting Standard on "Employee Benefits" (AS-15) (Revised 2005) notified by the Companies (Accounting Standards) Rules, 2006, the Company has classified the various benefits provided to the employees as under:

(27.1) Defined Contribution Plan - Provident Fund

The Company has recognised the following amounts in the Statement of Profit and Loss, which are included under Contributions to Provident & Other Funds: (₹)

Particulars	As at 31.03.2014	As at 31.03.2013
Employer's contribution to Provident Fund	36,502,769	35,921,033

(27.2) Defined Benefit Plan - Gratuity and disclosures

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

(₹)

Change in funded benefit obligations	As at 31.03.2014	As at 31.03.2013
Present value of funded benefit obligations, 1 st April	61,380,098	49,656,608
Service cost	7,036,317	7,177,325
Interest cost	5,063,858	4,220,812
Liability Transfer out	(Nil)	(Nil)
Benefits paid	(2,987,000)	(3,266,590)
Actuarial (gains)/losses on obligations	(8,386,690)	3,591,943
Present value of funded benefit obligations as at 31st March	62,106,583	61,380,098

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

(₹)

Particulars	As at 31.03.2014	As at 31.03.2013
Fair value of plan assets ,as at beginning of the year	58,876,196	49,829,189
Expected return on plan assets	5,122,229	4,384,969
Actuarial gains/(losses)	177,575	78,628
Employer contribution	-	7,850,000
Benefits paid	(2,987,000)	(3,266,590)
Transfer to other company	-	(Nil)
Fair value of plan assets at the year end	61,189,000	58,876,196

(27.2.3) Reconciliation of Fair Value of Assets and Obligations

(₹)

Particulars	As at 31.03.2014	As at 31.03.2013
Present value of obligation	62,106,583	61,380,098
Fair value of plan assets	61,189,000	58,876,196
Amount recognized in Balance Sheet	917,583	2,503,902

NOTES TO THE FINANCIAL STATEMENTS

(27.2.4) Expense recognized during the year (Under the head "Employee Cost"-Refer notes to financial statements 21)

(₹)

Particulars	As at 31.03.2014	As at 31.03.2013
Current Service Cost	7,036,317	7,177,325
Interest Cost	5,063,858	4,220,812
Expected return on plan assets	(5,122,229)	(4,384,969)
Actuarial (gains) / losses	(8,564,265)	3,513,315
Net Cost	(1,586,319)	10,526,483

(27.2.5) Experience Adjustments

(₹)

Experience Adjustments	As at 31.03.2014	As at 31.03.2013	As at 31.03.2012	As at 31.03.2011
(Gains) / Losses on Plan Liabilities	(1,613,199)	2,388,412	(128,465)	3,519,962
Gains / (Losses) on Plan Assets	177,575	78,628	(382,234)	(675,800)
Estimated Contribution for next year	7,150,626	9,540,219	11,008,774	12,088,308

Experience adjustment details for financials years earlier than 2010-11 are not disclosed as it was not available

(27.2.6) The assumptions of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment. Actuarial assumptions used are:-

Particulars	As at 31.03.2014	As at 31.03.2013
Discount rate	9.31%	8.25%
Salary escalation rate	10% p.a. for first 2 years ; 8% p.a. for next 2 years and 5% p.a. thereafter	10% p.a. for first 2 years ; 8% p.a. for next 2 years and 5% p.a. thereafter
Expected return on plan assets Indian Assured Lives Mortality (2006-08) ultimate	8.70%	8.70%

28. RELATED PARTY DISCLOSURE:

Parties where control exists:

Holding Company	State Bank of India holds 63% of the share capital
Enterprise having significant influence	Amundi India Holding, a wholly owned subsidiary of Amundi holds 37% of the share capital
Enterprise over which the company has control	SBI Funds Management (International) Private Limited (100% subsidiary) (SBIFMIP Ltd.)

NOTES TO THE FINANCIAL STATEMENTS

Other Related parties:-

Fellow Subsidiaries	<ul style="list-style-type: none"> SBI Capital Markets Limited (SBICAPS.) SBI Life Insurance Company Limited (SBI LIC Ltd.) SBI General Insurance Limited (SBI GI Ltd.) State Bank of Patiala (SBOP) State Bank of Mysore (SBM) State Bank of Hyderabad (SBH) State Bank of Travancore (SBT) State Bank of Bikaner & Jaipur (SBBJ) SBI Mutual Fund Trustee Company Private Limited (SBI MFTCP Ltd.) SBI-SG Global Securities Services Private Limited SBI Global Factors Limited
Associates	<ul style="list-style-type: none"> SBI Pension Funds Private Limited (SBI PFP Ltd.)
Key Management Personnel	<ul style="list-style-type: none"> Mr. Deepak Chatterjee (Managing Director & Chief Executive Officer) upto 31st October 2013. Mr. Philippe Batchevitch (Deputy Chief Executive Officer) Mr. Dinesh Khara (Managing Director & Chief Executive Officer) from 11th November 2013.
Mutual Fund managed by the company	<ul style="list-style-type: none"> SBI Mutual Fund

Transactions with related parties:

(₹)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Key Management Personnel	Associates Enterprises	Mutual Fund managed by the Company
During the Year					
Deposits Matured with SBOP		Nil (89,775,000)			
Deposits Placed with SBI (Dividend Account)	50,00,00,000 (380,000,000)				
Deposits Placed with SBI	59,700,000 (100,000,000)				
Deposits Matured with SBI	130,000,000 (105,000,000)				
Interest Income on Bank Deposit with SBOP		Nil (6,292,472)			
Interest Income on Bank Deposit with SBI	1,494,179 (351,558)				
Recovery of expenses from SBI MFTCP Ltd.		1,500,000 (1,500,000)			
PMS fees from (Amundi HK)				Nil (4,941,448)	
PMS fees from Amundi Equities India (Amundi Singapore Ltd.)				14,723,463 (18,450,518)	
PMS fees from Amundi India Bond Fund (Amundi Singapore Ltd.)				1,104,883 (886,417)	

NOTES TO THE FINANCIAL STATEMENTS

PMS fees from Amundi Opportunity India Infra (Amundi Singapore Ltd.)				307,286 (384,658)	
SBIMF scheme expenses					151,533,649 (424,386,556)
Bank Charges	201,026 (147,733)				
Rent paid to SBI Capital Market Ltd.		5,076,276 (30,457,656)			
Rent paid to State Bank of India	5,138,864 (6,277,252)				
Rent paid to SBH		114,000 (114,000)			
Rent paid to SBP		462,000 (418,600)			
Rent paid to SBBJ		126,000 (Nil)			
Reimbursement of Expenses to SBI	1,321,596 (506,209)				
Royalty paid	17,136,580 (12,103,820)				
Premium paid to SBI General insurance		1,247,515 (312,055)			
Premium paid to SBI Life Insurance Company Ltd.		Nil (696,284)			
Fund Accounting charges paid to SBISG Global Securities Services Pvt. Ltd		30,958,377 (31,500,000)			
Advisory Fees paid to SBI Capital Market Ltd.		Nil (1,500,000)			
Processing Fee	3,975,000 (1,200,000)				
Reimbursement of Salary of employees on deputation from SBI	27,720,334 (32,638,806)				
Reimbursement of Salary for employees on deputation from SBOP		3,127,737 (2,302,805)			
Reimbursement of Salary for employees on deputation from SBM		1,067,958 (768,880)			
Reimbursement of Salary for employees on deputation from SBBJ		1,300,882 (988,337)			

NOTES TO THE FINANCIAL STATEMENTS

Reimbursement of Salary of employees on deputation to SBI	4,750,860 (3,967,578)				
Reimbursement of Salary for employees on deputation from SBH		1,367,156 (970,433)			
Reimbursement of Salary for employees on deputation from SBT		1,207,008 (1,004,808)			
Recovered from Mutual Fund					35,226,287 (17,096,001)
Reimbursement of rent received from SBI Global Factors		Nil (750,000)			
Management Fees earned					3,744,200,925 (2,637,490,608)
Investments:					
Units purchased in schemes of SBI MF					6,459,376,772 (6,732,389,343)
Units sold in schemes of SBI MF					5,293,413,700 (7,548,880,165)
Dividend on investment in units of SBI MF schemes					30,690,486 (64,924,300)
Outstanding :					
Balance in Dividend Account	500,000,000 (380,000,000)				
Outstanding Receivables:					
Term Deposits with State Bank of India	29,700,000 (100,000,000)				
Other Deposit with SBI General Insurance Ltd		10,000 (10000)			
Other Deposit with SBI Life Insurance Ltd.		50,000 (50,000)			
Balance in Current Accounts	25,850,104 (22,952,415)				
Interest Receivable on Bank Deposit with SBI	1,059,225 (36,986)				
Management Fees Receivable					93,817,918 (112,729,957)
Recoverable from Mutual Fund					59,002,568 (30,067,333)
PMS Fees receivable from Amundi Equities India (Amundi Singapore Ltd.)				3,170,254 (4,261,430)	
PMS Fees receivable from Amundi Opportunity India Infra (Amundi Singapore Ltd.)				74,664 (88,852)	

NOTES TO THE FINANCIAL STATEMENTS

PMS Fees receivable from Amundi India Bond Fund (Amundi Singapore Ltd.)				236,896 (273,072)	
Outstanding Payables:					
SBIMF scheme expenses					59,671,364 (156,561,912)
SBISG Global Securities Services Pvt. Ltd		2,728,874 (2,654,505)			
Dividend paid/proposed :					
State Bank of India	315,000,000 (239,400,000)				
Amundi India Holding				185,000,000 (140,600,000)	
Remuneration Paid to Key Management Personnel:					
Mr. Deepak Chatterjee (upto 31/10/2013)			2,382,507 (2,910,302)		
Mr. Philippe Batchevitch			5,050,473 (4,966,000)		
Dinesh Khara (from 01/11/2013)			937,624 (Nil)		

Note: Figures in the brackets represent previous year figures.

29. SEGMENTAL REPORTING:

The segmental reporting disclosure as required by Accounting Standard (AS) – 17 on “Segment Reporting”, notified by the Companies (Accounting Standards) Rules, 2006 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.

30. OPERATING LEASE PAYMENT:

(₹)

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
Lease expense for the year	57,116,124	97,782,698
Minimum Lease Payments:		
Not later than one year	41,837,459	45,083,197
Later than one year but not later than five years	84,598,578	65,731,865
Later than five years	29,800,862	1,665,486

NOTES TO THE FINANCIAL STATEMENTS

31. EXPENDITURE IN FOREIGN CURRENCY:

(₹)

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
Travelling Expenses	5,849,703	3,401,151
Business Promotion and Advertisement	4,721,958	3,227,568
Salary	7,808,677	7,156,847
Rent & Subscription	2,207,088	3,258,221
Professional Fees & others	2,870,941	1,684,995

32. EARNINGS IN FOREIGN CURRENCY:

(₹)

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
Portfolio Advisory /Management fees	74,244,974	91,769,940

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

Year ended	₹	USD	AUD	JPY	SGD
31 st March 2014	20,210,383	58,265	10,923	14,117,042	166,936
31 st March 2013	(21,619,637)	(85,108)	(16,598)	(10,292,883)	(231,379)

34. DIVIDEND REMITTANCES TO NON-RESIDENT SHAREHOLDERS:

Sr.No	Particulars	2013-2014	2012-2013
(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 (₹)	140,600,000	107,300,000
(d)	Year to which dividend relates	2012-13	2011-12

NOTES TO THE FINANCIAL STATEMENTS

35. SUNDRY CREDITORS

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

(₹)

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
Principal amount remaining unpaid to any supplier as at the year end	Nil	Nil
Interest due thereon	Nil	Nil
Amount of interest paid by the company in terms of section 16 of the MSMEDA, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	Nil	Nil
Amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMEDA	Nil	Nil
Amount of interest accrued and remaining unpaid at the end of the accounting year	Nil	Nil

36. During the year the company has acquired investment management right pertaining to 4 mutual fund schemes from Daiwa Assets Management Company. The consideration and incidental costs in relation to these are amortised over the period of the estimated holding of the schemes.

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

For and on behalf of the Board of Directors

S. Vishvanathan

Director

Dinesh Khara

Managing Director & CEO

Place: Mumbai,

Dated: April 23, 2014

Philippe Batchevitch

Dy. Chief Executive Officer

Vinaya Datar

Company Secretary

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

CORPORATE DATA

		Date of appointment	Date of resignation	
Directors	:	Mr Abdool Azize Owasil Mr Jagadish Shivalingayya Hiremath Mr. Deven Cooposamy	23 June 2008 11 January 2011 22 October 2013	21 October 2013 - -
Administrator & Secretary	:	Cim Fund Services Ltd 33, Edith Cavell Street Port Louis, Mauritius		
Registered office	:	C/o Cim Fund Services Ltd 33, Edith Cavell Street Port Louis, Mauritius		
Banker	:	SBI (Mauritius) Ltd SBI Tower Mindspace Bhumi Park, 45, Ebene Cybercity Ebène, Mauritius		
Auditors	:	Grant Thornton Ebene Tower 52, Cybercity Ebène, Mauritius		
FII sub accounts	:	SBI India Access Fixed Tenure Debt Fund Suite 450, Barkly Wharf East Le Caudan Waterfront Port Louis, Mauritius SBI India Opportunities Fund Suite 450, Barkly Wharf East Le Caudan Waterfront Port Louis, Mauritius		
Investment advisor	:	SBI Funds Management Private Limited 9th Floor, Crescenzo, C-38 & 39, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051 India		

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 MARCH 2014

General Information

SBI Funds Management (International) Private Limited, (the "Company"), was incorporated in the Republic of Mauritius on 17 January 2006 as a private company with liability limited by shares. The Company's principal activity is investment management and is licensed by the Financial Services Commission to operate as a CIS Manager.

The Company's registered office is C/o Cim Fund Services Ltd, 33, Edith Cavell Street, Port Louis, Mauritius.

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

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

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

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

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

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

The Board of Directors

The Board is composed of directors who have been selected based on their professional background and expertise to positively contribute to the Board's activities. The Board is currently made up of two resident directors.

Directors

Resident

Mr. Abdool Azize Owasil (resigned on 21 October 2013)

Mr. Deven Coopoosamy (appointed on 22 October 2013)

Mr. Jagadish Shivalingayya Hiremath

The Board is responsible for directing the affairs of the Company in the best interests of its shareholders, in conformity with legal and regulatory frameworks, and consistent with its constitution, the Mauritius Companies Act 2001 and best governance practices.

The Directors' Profile

Mr. Deven Coopoosamy (appointed on 22 October 2013)

Mr Deven Coopoosamy is the Head of Sales & Marketing at Cim Global Management Services Ltd and has been working in the financial services industry in the Republic of Mauritius for over 15 years. He has advised several multinational corporations, fund managers and high net worth individuals on structuring, implementation and administration of companies, funds and trusts in the Republic of Mauritius. He holds a Certificate in Offshore Finance and Administration and has worked in the audit practice of a leading CA firm which was the representative of Arthur Andersen in the Republic of Mauritius.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 MARCH 2014

Deven has participated in offshore international investment funds and tax conferences. In his role at Cim Global Management Services Ltd, he also promotes the Republic of Mauritius as an international financial centre of repute. He acts as director for several client companies of Cim Fund Services Ltd including collective investment schemes and asset management companies as well as listed entities. He also serves as board member of the Mauritius Broadcasting Corporation.

Mr. Jagadish Shivalingayya Hiremath

Mr. Jagadish Shivalingayya Hiremath was appointed as Director of the Company on 11 January 2011. Mr Hiremath has over 28 years of experience in banking sector. Mr Hiremath joined the State Bank of India as a probationary Officer in December 1984. Over the years, Mr Hiremath has worked as the Branch Head, Corporate Banking, Personal and Retail Banking, Credit Management, Forex and Trade Finance Operations with India's largest Bank. He also has experience in Life Insurance Industry as a Regional Head / Regional Director for South 1 Region of SBI Insurance Co Ltd. Mr Hiremath is currently the managing director and chief executive officer of SBI (Mauritius) Limited.

Constitution

The Constitution of the Company was adopted on 01 June 2012 through a special resolution of shareholder. It is in line with the Mauritius Companies Act 2001.

Board Meetings

The Board has at least 4 quarterly meetings, one of which is a physical meeting. In addition, board meetings are being convened as and when required. The matters being considered at the meetings are as follows:

1. to examine all statutory matters;
2. to approve the audited financial statements and reviews important accounting issues;
3. to review the Company's performance;
4. to ensure compliance of the Company with the legislations;
5. to take note of changes in the legislations which may affect the Company;
6. to approve the quarterly management accounts; and
7. to discuss any other business.

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

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

During the year under review, the Board met six times and the table below shows the attendance of directors either physically or by alternates at meetings held during the year ended 31 March 2014:

Directors	Attendance at Board
Abdool Azeil Owasil (resigned on 21 October 2013)	3/3
Jagadish Shivalingayya Hiremath	6/6
Deven Coopoosamy (appointed on 22 October 2013)	3/3

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. Deven Coopoosamy, one of the resident directors and officer of Cim Fund Services Ltd, is paid USD 1,250 per annum.

Identification of Key Risks for the Company

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

Financial Risk Factors

The financial risk factors have been set out in note 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 (2013: 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 7 and 8 and the statement of comprehensive income is set out on page 10 of this financial statements.

Audit fees

Audit fees payable to Grant Thornton for the year amounted to USD 2,500 (2013: Ernst & Young (Mauritius) USD 4,500).

Appreciation

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

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

COMMENTARY OF THE DIRECTORS

The Directors present their commentary, together with the audited financial statements of SBI Funds Management (International) Private Limited for the year ended 31 March 2014.

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDENDS

The Company's loss for the year under review is USD 76,338 (2013: loss of USD 29,854).

The Directors do not recommend the payment of a dividend for the year under review (2013: USD Nil).

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards (IFRS) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors' responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud and error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not be a going concern in the year ahead.

AUDITORS

The auditors, GRANT THORNTON, have indicated their willingness to continue in office.

SBI FUNDS MANAGEMENT PRIVATE LIMITED

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

SECRETARY'S CERTIFICATE

As per Section 166(d) of Companies Act 2001

We certify, to the best of our knowledge and belief, that we have filed with the Registrar of Companies all such returns as are required of SBI Funds Management (International) Private Limited under the Mauritius Companies Act 2001 during the financial year ended 31 March 2014.

Sd/-
For Cim Fund Services Ltd
Secretary

Date: 10 April 2014

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of SBI Funds Management (International) Private Limited, the "Company", which comprise the statement of financial position as at 31 March 2014, 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 information.

Directors' Responsibilities 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 Mauritius 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 21 give a true and fair view of the financial position of the Company as at 31 March 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Mauritius Companies Act 2001.

Other matter

The financial statements of SBI Funds Management (International) Private Limited for the year ended 31 March 2013 were audited by another auditor who expressed an unmodified opinion on the financial statements on 10 April 2013.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- 1) we have no relationship with, or any interests in, the Company other than in our capacity as auditors;
- 2) we have obtained all the information and explanations we have required; and
- 3) in our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SBI FUNDS MANAGEMENT
(INTERNATIONAL) PRIVATE LIMITED

Others

This report is made solely to the member of the Company as a body in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to it in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinion we have formed.

Sd/-

Grant Thornton
Chartered Accountants

Ebène, Republic of Mauritius

Date : 10 April, 2014

Sd/-

K RAMCHURUN, FCCA.
Licensed by FRC

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	Notes	2014 USD	2013 USD
ASSETS			
Non-current assets			
Available-for-sale financial assets	4	<u>2</u>	<u>2</u>
Current assets			
Receivables and prepayments	5	4,834	3,730
Income tax receivable	8	263	263
Cash and cash equivalents		<u>314,610</u>	<u>380,066</u>
Total current assets		<u>319,707</u>	<u>384,059</u>
Total assets		<u>319,709</u>	<u>384,061</u>
EQUITY AND LIABILITIES			
Equity			
Stated capital	6	50,000	50,000
Retained earnings		<u>219,049</u>	<u>295,387</u>
Total equity		<u>269,049</u>	<u>345,387</u>
Current liabilities			
Payables and accruals	7	50,605	38,674
Income tax liability	8	<u>55</u>	<u>-</u>
Total liabilities		<u>50,660</u>	<u>38,674</u>
Total equity and liabilities		<u>319,709</u>	<u>384,061</u>

Approved by the Board of Directors on 10 April 2014 and signed on its behalf by:

NAME OF DIRECTORS

Sd/-

Mr. Deven Cooposamy

Sd/-

Mr. Jagadish Shivalingayya Hiremath

The notes on pages 13 to 21 form an integral part of these financial statements.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 USD	2013 USD
INCOME			
Management fee	14	30,997	48,806
Finance income		3,581	5,938
Foreign exchange gain		-	6
		34,578	54,750
EXPENSES			
Expenses incurred on behalf of investee companies	10	82,949	28,345
Trail commission fees		8,034	14,145
Professional fees		4,200	8,550
Licence fees and annual registration fees		4,061	3,945
Audit fees		2,845	6,080
Bank charges		1,755	2,455
Secretarial fees		1,502	1,500
Accounting fees		1,500	1,500
Administration fees		1,500	1,500
Directors' fees		1,253	1,250
Disbursements		930	600
TRC service fee		200	-
Foreign exchange loss		4	-
Deficit reimbursed to SBI Resurgent India Opportunities Fund		-	9,734
FII application fee		-	5,000
		110,733	84,604
LOSS BEFORE TAX			
		(76,155)	(29,854)
Tax expense	8	(183)	-
LOSS FOR THE YEAR			
		(76,338)	(29,854)
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
		(76,338)	(29,854)

The notes on pages 13 to 21 form an integral part of these financial statements.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2014

	Stated capital USD	Retained earnings USD	Total USD
At 01 April 2012	<u>50,000</u>	<u>325,241</u>	<u>375,241</u>
Loss for the year	-	(29,854)	(29,854)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	<u>-</u>	<u>(29,854)</u>	<u>(29,854)</u>
At 31 March 2013	<u>50,000</u>	<u>295,387</u>	<u>345,387</u>
At 1 April 2013	<u>50,000</u>	<u>295,387</u>	<u>345,387</u>
Loss for the year	-	(76,338)	(76,338)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	<u>-</u>	<u>(76,338)</u>	<u>(76,338)</u>
At 31 March 2014	<u>50,000</u>	<u>219,049</u>	<u>269,049</u>

The notes on pages 13 to 21 form an integral part of these financial statements.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 USD	2013 USD
Operating activities			
Loss before tax		(76,155)	(29,854)
<i>Adjustment for:</i>			
Finance income		(3,581)	(5,938)
Operating loss before working capital changes		(79,736)	(35,792)
<i>Changes in working capital:</i>			
Change in receivables and prepayments		(1,104)	5,396
Change in payables and accruals		11,931	8,675
Net cash used in operations		(68,909)	(21,721)
Income tax paid	8	(128)	(502)
Finance income received		3,581	5,938
Net cash flows used in operating activities		(65,456)	(16,285)
Investing activities			
Investment in available-for-sale financial assets		-	(2)
Net cash used in investing activities		-	(2)
Net change in cash and cash equivalents		(65,456)	(16,287)
Cash and cash equivalents, beginning of year		380,066	396,353
Cash and cash equivalents, end of year		314,610	380,066
Cash and cash equivalents consist of :			
Cash at bank in USD		314,610	380,066

The notes on pages 13 to 21 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 2014**

1. GENERAL INFORMATION

SBI Funds Management (International) Private Limited (the "Company"), was incorporated in Mauritius on 17 January 2006 as a private company limited by shares. The Company's principal activity is to provide investment management services and the Company is licensed by the Financial Services Commission to operate as a CIS Manager.

The Company's registered office is C/o Cim Fund Services Ltd, 33, Edith Cavell Street, Port Louis, Mauritius.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

2.1 New and revised standards that are effective for the annual period beginning on 01 April 2013

In the current period, the following new and revised Standards issued by the International Accounting Standards Board ("IASB") are mandatory for the first time for the financial period beginning on 01 April 2013:

- IAS 27 - Separate Financial Statements
- IAS 28 - Investments in Associates and Joint Ventures
- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement
- IFRS 7 - Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
- IFRS 10, 11 - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other and 12 Entities: Transition Guidance – Amendment to IFRS 10, IFRS 11 and IFRS 12
- IFRS 1 - Government Loans - Amendments to IFRS
- IAS 1 - Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- IAS 19 - Employee Benefits (Revised 2011)
- IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine Various Annual improvements 2009-2011 Cycle

The directors have assessed the impact of these revised standards, interpretations and amendments and concluded that only IAS 1, Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) has an impact on the disclosure of these financial statements.

2.2 Standards, Amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new Standards, Amendments and Interpretations to existing Standards have been published by the IASB but not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new Standards, Amendments and Interpretations is provided below.

IFRS 9 - Financial Instruments

IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

IFRS 10, 12 and IAS 27 - Investment Entities (Amendment to IFRS 10, IFRS 12 and IAS 27)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

IAS 32 - Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

IAS 19 - Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

IFRIC 21 - Levies Various Annual Improvements to IFRS 2010-2013 Cycle

3. SUMMARY OF ACCOUNTING POLICIES

(i) Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

(ii) Foreign currency

Functional and presentation currency

The financial statements are presented in USD which is also the functional currency of the Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at period-end exchange rates are recognised in the statement of comprehensive income.

(iii) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instruments and are measured initially at fair value adjusted by transaction costs. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, the Company's financial assets are classified into the category of available-for-sale financial assets and loans and receivables upon initial recognition.

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

All income and expenses relating to financial assets are recognised in the statement of comprehensive income.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets comprise of investments in two unlisted companies incorporated in the Republic of Mauritius.

Unlisted investments are stated at cost less any impairment charges as their fair values cannot be estimated reliably since they are neither traded in an active market nor reliable inputs are available to fair value these instruments using fair valuation models. Impairment charges are recognised in the statement of comprehensive income. On disposal of the investments, the difference between the net disposal proceeds and the carrying amounts are charged or credited to the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(iii) Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents and other receivables fall into this category of financial instruments.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities consist of other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

All interest-related charges are reported in the statement of comprehensive income.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(iv) Cash and cash equivalents

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

(v) Impairment of financial assets

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

(vi) Equity

Stated capital represents the value of shares that have been issued.

Retained earnings include all current and prior years' results.

(vii) Income tax

Tax expense recognised in the statement of comprehensive income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting date.

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

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting date.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income.

Deferred tax liabilities are always provided in full.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss.

(viii) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received.

Investment management fees are accounted for on an accruals basis, and the calculation is based on the NAV of SBI Resurgent India Opportunities Fund ("the Fund") which is computed on a daily basis.

Interest income is recognised in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

(ix) Expense recognition

All expenses are accounted for in the statement of comprehensive income on the accrual basis.

(x) Related parties

A related party is a person or company where that person or company has control or joint control of the reporting company; has significant influence over the reporting company; or is a member of the key management personnel of the reporting company or of a parent of the reporting company.

(xi) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. At the time of the effective payment, the provision is deducted from the corresponding expenses. Timing or amount of the outflow may still be uncertain. All known risks at reporting date are reviewed in detail and provision is made when necessary.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(xii) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

(xiii) Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

Significant management judgement in applying the accounting policies of the Company that has the most significant effect on the financial statements is set out below.

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. The directors have considered those factors and have determined that the functional currency of the Company is the USD.

Control over SBI India Access Fixed Tenure Debt Fund and SBI India Opportunities Fund

As disclosed in Note 4 to the financial statements, the Company holds 100% of the Management Shares in SBI India Access Fixed Tenure Debt Fund and SBI India Opportunities Fund. The directors have assessed whether the Company has control over the investee companies based on the following three criteria in accordance with IFRS 10, Consolidated Financial Statements:

- power over the investee
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect the amount of the investor's returns

In making their judgements, the directors considered whether the Company, as a holder of Management Shares, meets the above criteria. After assessment, the directors concluded that the Company does not have control over the investee companies as the Company is not entitled to any dividend.

There were no estimates that will have significant effect on the recognition and measurement of assets, liabilities, income and expenses.

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014	2013
	USD	USD
SBI India Access Fixed Tenure Debt Fund	<u>1</u>	<u>1</u>
SBI India Opportunities Fund	<u>1</u>	<u>1</u>
	<u>2</u>	<u>2</u>

The Company had promoted two Funds in Mauritius namely SBI India Access Fixed Tenure Debt Fund and SBI India Opportunities Fund, for which it is acting as promoter and investment manager. The Company holds management shares in SBI India Access Fixed Tenure Debt Fund and SBI India Opportunities Fund.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

The Company, in the capacity of management shareholder, has the following rights in the funds:

- (i) Voting rights in any Members Meeting, being the right to one vote per share on a poll;
- (ii) Not entitled to any dividend
- (iii) Upon winding up of the funds, the Company is entitled to receive payment of sums up to the par value paid thereon out of the General Assets of the funds.

5. RECEIVABLES AND PREPAYMENTS

	2014	2013
	USD	USD
Management fees receivable	<u>1,981</u>	-
Interest receivable	1,283	2,560
Prepayments	1,570	1,170
	<u>4,834</u>	<u>3,730</u>

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

6. STATED CAPITAL

	2014	2013
	USD	USD
<i>Issued and fully paid up</i>		
50,000 Ordinary shares of USD 1 each	<u>50,000</u>	<u>50,000</u>

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

7. PAYABLES AND ACCRUALS

	2014	2013
	USD	USD
Expenses incurred on behalf of investee companies	<u>23,345</u>	-
Trail commission fees payables	22,398	21,191
Accruals	4,862	7,749
Deficit reimbursed SBI Resurgent India Opportunities Fund	-	9,734
	<u>50,605</u>	<u>38,674</u>

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

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

8. TAXATION

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

It is, however, entitled to a tax credit equivalent to the higher of the foreign taxes paid or 80% of Mauritius tax on its foreign source income. There is no capital gains tax on disposal of securities in the Republic of Mauritius. As at reporting date, the Company had an income tax receivable of USD 263 (2013: USD 263) and an income tax liability of USD 55 (2013: USD Nil).

(a) Statement of comprehensive income

	2014	2013
	USD	USD
Mauritian income tax, based on profit for the year as adjusted for tax purposes	183	-

(b) Statement of financial position

	2014	2013
	USD	USD
<i>Income tax receivable</i>		
At 1 April	(263)	239
Paid during the year	-	(502)
At 31 December	(263)	(263)
<i>Income tax liability</i>		
Charge for the year	183	-
Paid during the year	(128)	-
At 31 December	55	-

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

	2014	2013
	USD	USD
Loss before tax	(76,155)	(29,854)
Tax at 15%	(11,423)	(4,478)
Non allowable expenses	432	916
Income not subject to tax	(537)	(892)
Expenses paid on behalf of investee companies	12,442	4,252
	914	(202)
Foreign tax credit	(731)	-
Tax losses carried forward	-	202
Tax paid as APS	-	-
Tax charge	183	-

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

9. FINANCIAL INSTRUMENT RISK

Risk management objectives and policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

9.1 Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risk, which results from both operating and financing activities.

Foreign exchange risk

The Company is not exposed to any currency risk as all its financial assets and financial liabilities are denominated in USD at the reporting date.

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 interest rate risk due to fluctuations in the prevailing levels of market interest rates.

9.2 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarised below:

	2014	2013
	USD	USD
Non- current		
Available-for-sale financial assets	<u>2</u>	<u>2</u>
Current		
Other receivables	3,264	2,560
Cash and cash equivalents	314,610	380,066
	317,874	382,626
Total	317,876	382,628

The credit risk for the cash and cash equivalents is considered negligible, since the Company transacts with a reputable bank.

The directors consider that the receivables have no credit risk and are fully recoverable.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

9.3 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 risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Ultimate responsibility for liquidity risk management rests with the Board who also monitors the Company's short, medium and long term funding and liquidity management requirements. The Company manages its liquidity risk by maintaining adequate bank balances through timely recovery of receivables.

The following are the contractual maturities of financial liabilities including interest payments:

	Carrying amount	Contractual cash flows	Less than 1 year
	USD	USD	USD
31 March 2014			
Payables and accruals	50,605	50,605	50,605
31 March 2013			
Payables and accruals	38,674	38,674	38,674

10. EXPENSES INCURRED ON BEHALF OF INVESTEE COMPANIES

The Company has made payment on behalf of its two sub accounts, SBI India Access Fixed Tenure Fund and SBI India Opportunities Fund. The breakdown has been summarised as follows:

	2014	2013
	USD	USD
Payments effected for SBI India Access Fixed Tenure Fund	56,554	20,610
Payments effected for SBI India Opportunities Fund	26,395	7,735
Total	82,949	28,345

11. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

The capital structure of the Company consists of equity attributable to shareholders, comprising of stated capital and reserves. The Company reviews the capital structure on a regular basis. As per Regulation 38 (1) of the Securities (Collective Investment Schemes and Closed - end Funds) Regulations 2008, the Company is required to maintain an unimpaired stated capital of MUR 1,000,000 (approx USD 34,000).

12. FAIR VALUE MEASUREMENT

Fair value measurement of financial instruments

The Company's financial assets and liabilities are measured at their carrying amounts, which approximate their fair values.

Fair value measurement of non-financial assets

The Company's non-financial assets consist of prepayments, for which fair value measurement is not applicable.

SBI FUNDS MANAGEMENT (INTERNATIONAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

13. RELATED PARTY DISCLOSURES

During the year ended 31 March 2014, the Company transacted with related parties. The nature, volume and type of transactions with the related parties were as follows:

Directors' fees and expenses

A director's fee of USD 1,250 per annum is paid for each director. A director's fee of USD 1,250 per annum is paid for each director.

Name of companies	Relationship	Nature of transaction	Amount transacted	Debit balances at 31 March 2014	Balances at 31 March 2013
			USD	USD	USD
SBI Resurgent India Opportunities Fund	Investment manager and Company holder of management shares	Investment management fee	<u>30,997</u>	<u>1,981</u>	<u>-</u>
		Deficit recharged to the Company	<u>9,734</u>	<u>-</u>	<u>-</u>
SBI India Access Fixed Tenure Debt Fund	Promoter and Investment manager	Expenses paid on behalf of investee company	<u>56,554</u>	<u>-</u>	<u>-</u>
SBI India Opportunities Fund	Promoter and Investment manager	Expenses paid on behalf of investee company	<u>26,395</u>	<u>-</u>	<u>-</u>
Cim Fund Services Ltd	Administrator and Secretary	Directors fees	<u>1,250</u>	<u>(311)</u>	<u>1,250</u>

14. MANAGEMENT FEES

The Company was previously paid a management fee from SBI Resurgent India Opportunities Fund at the maximum rate of 1.5% per annum of the daily net assets under the retail plan of both USD Class and EUR Class and 0.75% per annum of the daily net assets under the institutional plan of both USD Class and EUR Class. Effective from 01 April 2013, the management fee rate for retail and institutional plan of both USD Class and EUR Class was reduced to 1.00% and 0.50% respectively. At 31 March 2014, investment management fees receivable were USD 1,981 (31 March 2013: USD NIL).

Effective from 10 February 2014, following assessment done by the Company, the management fee rate for retail and institutional plan of both USD Class and EUR Class was reduced to 0.45% and 0.45% respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

15. HOLDING COMPANY

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

16. EVENTS AFTER THE REPORTING DATE

There have been no material events after the reporting date which would require disclosure or adjustment to the financial statements for the year ended 31 March 2014.

SBI Funds Management Private Limited

Top Management Team
(As on June 30, 2014)



Mr. Dinesh Kumar Khara
Managing Director & CEO



Mr. Philippe Batchevitch
Dy. Chief Executive Officer



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



Mr. Navneet Munot
Executive Director &
Chief Investment Officer



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



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

Registered Office Address :

SBI Funds Management Private Limited
(A Joint Venture between SBI & AMUNDI)
(CIN : U65990MH1992PTC06589)

9th Floor, Crescenzo, C-38 & 39, G Block,
Bandra-Kurla Complex, Bandra (East), Mumbai 400 051

Tel : +91 022 61793000 • Fax : +91 022 67425687 • Website: www.sbimf.com