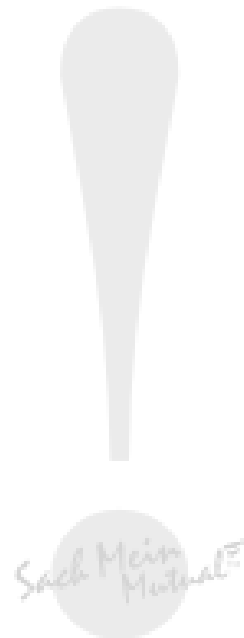


SAHARA
MUTUAL fund



Sahara Mutual Fund
Annual Report 2004-05

BOARD OF TRUSTEES

Justice S Mohan	–	Independent
Amitabha Ghosh	–	Associate
S R Hegde	–	Independent
S T Gerela	–	Independent
P V Rao	–	Independent

SAHARA MUTUAL FUND

Express Towers, 12th Floor, Nariman Point, Mumbai- 400021.

SPONSOR

Sahara India Financial Corporation Limited

Sahara India Bhawan, 1- Kapoorthala Complex, Lucknow -226024

INVESTMENT MANAGER

Sahara Asset Management Company Private Limited

Express Towers, 12th Floor, Nariman Point, Mumbai- 400021.

REGISTRARS AND TRANSFER AGENT

Computer Age Management Services (P) Ltd

Rayala Towers, 5th Floor,
158, Anna Salai,
Chennai – 600002

CUSTODIANS

DEBT

HDFC Bank Ltd

Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel,
Mumbai- 400013

EQUITY

Standard Chartered Bank

Custody & Clearing Services,
23-25 M G Road, Fort,
Mumbai – 400 001.

STATUTORY AUDITOR

Deloitte Haskins & Sells

2nd Floor , Temple Towers, 672, Anna Salai,
Nandanam, Chennai - 600035

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REPORT OF THE TRUSTEES

We are pleased to present before you the **ANNUAL REPORT** of **SAHARA MUTUAL FUND** for the year ended March 31, 2005.

Sahara Mutual Fund (Formerly known as First India Mutual Fund) has been constituted as a Trust in accordance with the provisions of the Indian Trust Act. The Fund is registered with SEBI under Registration No. MF/030/96/0. The Sponsor to the Mutual Fund is Sahara India Financial Corporation Limited which has contributed an initial amount of Rs.1 lakh as the Trust Corpus. The Trust Corpus is managed by the Board of Trustees as per provisions of the Trust Deed.

OVERVIEW OF DEBT MARKETS IN 2004-05

Consequent upon the rise in global crude oil prices, upturn in international interest rate cycle, tightening of domestic monetary policy and rise in domestic inflation, the yield hardened in the government securities across all maturities with the yield curve undergoing an upward shift during the year 2004 – 05. The secondary market yield on the 10-year benchmark Gsec moved up by about 150 basis points from 5.15% as on March 31, 2004 to 6.65% as on March 31, 2005. Considerable volatility was also witnessed during the period with the yield peaking at 7.31% on November 8 2004, on the back of tightening of liquidity condition and monetary policy. There was softening in Feb 2005 buoyed by the Standard and Poor's rating upgrade and lower inflation numbers. During the current financial year 2005 – 06, with the rise in the crude oil prices higher inflation rate and hike in reverse repo rate, the 10-year benchmark Gsec touched 7.31% once again. However with the reverse repo rate being left untouched on July 26, 2005, in the First Quarter Review of Annual Statement on monetary policy, yield softened under comfortable liquidity condition and stood at 7.06% as on September 5, 2005.

Amongst our debt-oriented schemes Sahara Liquid Fund was awarded 2nd prize in the 1-year period ended December 2004 by ICRA the rating agency.

There were no new debt schemes launched in the year under review.

OVERVIEW OF EQUITY MARKETS IN 2004-05

The year 2004-05 was full of action for the equity market. The change in the government at the Centre and the fear over reversal in reform

process lead the market to an unprecedented volatility as Sensex lost 11% on 17th May to test sub 4500 levels. Since then, strong growth in corporate profits especially in the IT, Steel, Metals and Petrochemical sectors and re-valuations in mid-cap stocks, drove both domestic and foreign investors to pump money in the Indian equity markets. Earnings visibility was high for most of the good companies. Restructuring of tax norms, strong commitment of the new government towards corporate sector, emergence of India as a powerhouse of growth for several key sectors of the economy further boosted the inflows.

While the initial phase of rally from sub 4500 levels to 6500 was a broad based one owing to overall economic fundamentals, the subsequent rally beyond 6500 was driven mainly by liquidity. The large inflows from the foreign institutional investors (FII) and the huge collections reported by the domestic mutual funds were the reasons for large demand for the Indian stocks. Market players switched to bottom up mode of investment as the Sensex clocked higher and higher levels.

The prospects for economic growth are strong and the performance of Indian companies is also expected to be reasonably good in FY 2005-2006. Against this backdrop on a long-term perspective the equity market is expected to do well on sustained FII net inflows and shift of interest of domestic investors towards equities, though one may witness considerable volatility in the short term.

TRUSTEES:

During the course of the current year Mr. A.C. Chakraborty, Mr. Gangadharan and Mr. R. Soundarajan resigned from the Board of Trustees and the Board placed on record the valuable services rendered by them during their tenor of office.

The Trustees as on date are:

Justice S Mohan	Independent
Mr. Amitabha Ghosh	Associate
Mr. S. R. Hegde	Independent
Mr. S. T. Gerela	Independent
Mr. P.V. Rao	Independent

PERFORMANCE

(a) EQUITY SCHEMES:

1. Sahara Tax Gain Fund: An Equity Linked Savings Scheme (ELSS).

Sahara Tax Gain '97 consequent to conversion into an Open-ended scheme with record date November 07, 2002.

Investment Objective:

The scheme objective is to provide immediate tax relief and long term growth of capital to investors by investing upto 85% in equity and equity related instruments.

Returns:

Performance as of March 31, 2005	Past 1 year	Past 3 years	Since Inception	Inception date
NAV (%)	28.10	31.20	30.85	April 1, 1997*
BSE 200 (%)	18.27	30.11	12.72	

*converted into an open-ended fund from November 07, 2002.

The price and redemption value of the units, and income from them, can go up as well as down with the fluctuations in the market value of its underlying investments.

The Dividend history of Sahara Tax Gain Fund during the year is as below:

Record date	Paise per unit	% of Dividend
19.01.2005	10 rupees per unit	100.0%
23.03.2005	20 rupees per unit	200.0%

2. Sahara Growth Fund:

The Sahara Mutual Fund launched Sahara Growth Fund on July 22, 2002.

Investment Objective:

The scheme objective is to achieve capital appreciation by investing upto 80% in equity and equity related instruments.

Returns:

Performance as of March 31, 2005	Past 1 year	Past 3 years	Since Inception	Inception date
NAV (%)	25.77	N/A	43.46	July 22, 2002
S&P CNX Nifty (%)	14.89	N/A	32.33	

The price and redemption value of the units, and income from them, can go up as well as down with the fluctuations in the market value of its underlying investments.

The Dividend history of Sahara Growth Fund during the year is as below:

Record date	Paise per unit	% of Dividend
28.01.2005	3 rupees per unit	30.0%

3. Sahara Mid-Cap Fund:

Sahara Mid-Cap Fund is an open-ended growth fund and investors have the choice of Growth Plan, Dividend Plan, Growth Auto Payout Plan and Bonus Plan.

Investment Objective:

The scheme objective is to provide long term capital growth at medium level of risks by investing primarily in mid-cap stocks.

Returns:

Performance as of March 31, 2005	Past 1 year	Past 3 years	Since Inception	Inception date
NAV (%)	N/A	N/A	0.10	December 31, 2004
CNX Midcap 200	N/A	N/A	7.20	

The price and redemption value of the units, and income from them, can go up as well as down with the fluctuations in the market value of its underlying investments.

(b) DEBT SCHEMES:

4. Sahara Income Fund:

Investment Objective:

To generate regular income and growth of capital through investment in debt and debt related instruments.

Returns:

Performance as of March 31, 2005	Past 1 year	Past 3 years	Since Inception	Inception date
NAV (%)	0.50	5.51	5.42	February 22, 2002
CRISIL Composite Bond Fund Index (%)	0.18	6.48	N/A*	

* Index launched on March 31st, 2002

The price and redemption value of the units, and income from them, can go up as well as down with the fluctuations in the market value of its underlying investments.

5. Sahara Short Term Plan (a plan within Sahara Income Fund):

The Sahara Mutual Fund launched Sahara Short Term Plan, a plan within Sahara Income Fund launched on September 03, 2002.

Investment Objective:

The primary objective is in consonance with the investment objective of Sahara Income Fund. However the specific objective is to generate returns that would endeavour to generate returns in line with Mibor linked short term papers by investing 50% in Debt & Debt related instruments (including money market instruments) with residual maturity of upto 2 years at the point of purchase (include securitised debt upto 50% of the net assets) and Debt & Debt related instruments with residual maturity beyond two years (including securitised debt upto 50% of the net assets).

Returns:

Performance as of March 31, 2005	Past 1 year	Past 3 years	Since Inception	Inception date
NAV (%)	4.49	N/A	6.23	September
CRISIL Liquid Fund Index (%)	4.17	N/A	4.85	12, 2002

The price and redemption value of the units, and income from them, can go up as well as down with the fluctuations in the market value of its underlying investments.

The Dividend history of Sahara Short Term Plan during the year is as below:

Record date	Paise per unit	% of Dividend
01.12.2004	3.5 paise per unit	0.35%
01.02.2005	4 paise per unit	0.4%

6. Sahara Liquid Fund:

Investment Objective:

To create a highly liquid portfolio of good quality debt and money market instruments and to provide high liquidity and reasonable returns.

Returns:

Performance as of March 31, 2005	Past 1 year	Past 3 years	Since Inception	Inception date
NAV (%)	4.87	5.70	5.79	February
CRISIL Liquid Fund Index (%)	4.17	4.85	N/A*	20, 2002

* Index launched on March 31st, 2002

The price and redemption value of the units, and income from them, can go up as well as down with the fluctuations in the market value of its underlying investments.

In Sahara Liquid Fund – Dividend option was converted into Daily Dividend option w.e.f. February 26th, 2004.

7. Sahara Gilt Fund:

Investment Objective:

To generate risk-free return and provide medium to long term capital gains and income distribution along with capital gain tax relief.

Returns:

Performance as of March 31, 2005	Past 1 year	Past 3 years	Since Inception	Inception date
NAV (%)	(2.27)	4.14	4.30	February
I.Sec Composite Index (%)	(0.26)	7.94	N/A*	22, 2002

* Index launched on March 31st, 2002

The price and redemption value of the units, and income from them, can go up as well as down with the fluctuations in the market value of its underlying investments.

MARKET OUTLOOK FOR 2005 – 2006

The recent trend suggests encouraging credit demand. This coupled with higher crude oil prices and expected rise in international interest rate may put pressure on domestic interest rate to harden. However the efficient conduct of monetary policy by RBI is expected to provide stability in the interest rate, although volatility may be witnessed depending on the market situation. Any rate hike in the ensuing monetary policy is expected to set a trend on the future moments of interest rates.

The Trustees thank the investors for reposing their faith and trust in Sahara Mutual Fund.

On behalf of the Board of Trustees
for **Sahara Mutual Fund**

Sd/-

Amitabha Ghosh

Place: Mumbai
Date: 20.09.2005

Notes:

1. On written request, present and prospective unit holders / investors can obtain a copy of the Trust Deed and Offer Document of the relevant schemes.
2. Unit holders may request a copy of the Annual Report of the Asset Management Company.
3. See inside back cover of the Report for statements on liabilities and responsibilities of the Trustees and Settlor, Risk Factors and other disclosures.

SAHARA TAX GAIN FUND
AUDITORS' REPORT
TO THE TRUSTEES OF SAHARA MUTUAL FUND

We have audited the attached Balance Sheet of Sahara Tax Gain Fund, ("the Scheme") as at March 31, 2005 and also the related Revenue Account for the year ended on that date, annexed thereto. These financial statements are the responsibility of Trustees – Sahara Mutual Fund and the management of Sahara Asset Management Company Private Limited (the "Management"). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as at March 31, 2005 by obtaining confirmations from the custodians and others. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that,

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for purposes of our audit. The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
2. The Balance Sheet and Revenue Account have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Revenue Account together with the Schedules, Notes and Accounting Policies thereon give the information required by The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and give a true and fair view in conformity with the Accounting Principles generally accepted in India.
 - a) in the case of Balance Sheet of the State of Affairs of the Scheme as on March 31, 2005, and
 - b) in the case of the Revenue Account the deficit for the year ended on that date.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Chennai
September 20, 2005

M.K. ANANTHANARAYANAN
Partner

MEMBERSHIP NO : 19521



BALANCE SHEET AS AT MARCH 31, 2005

ASSETS	Sch. No	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
Investments	1	19,271,262	15,788,298
Other Current Assets	2	5,202,684	2,038,748
Total Assets		24,473,946	17,827,046
LIABILITIES			
Unit Capital	3	4,346,106	2,614,602
Reserves & Surplus	4	16,486,330	13,036,085
Current Liabilities & Provisions	5	3,641,510	2,176,359
Total Liabilities		24,473,946	17,827,046
Notes to the accounts	8		

Schedule 1 to 5 and 8 form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

For Deloitte Haskins & Sells
Chartered Accountants

M.K. Ananthanarayanan
Partner

Place: Chennai
Date: September 20, 2005

For Sahara Mutual Fund

Amitabha Ghosh
Trustee

S.T. Gerela
Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava
Director

Sanjiv Kapoor
Director

Rajiv Shastri
Chief Executive Officer

Naresh Kumar Garg
Chief Investment Officer

Viji Krishnan
Head (Operations & Accounts)

Place: Mumbai
Date: September 20, 2005

Sach Mein Mutual

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

	Schedule	For the year ended March 31, 2005 (Rs)	For the year ended March 31, 2004 (Rs)
INCOME			
Dividend		306,181	106,273
Profit on Sale / Redemption of Investments (Other than Inter Scheme Transfer / Sale)		5,870,935	2,438,313
Total Income		6,177,116	2,544,586
EXPENSES & LOSSES			
Loss on Sale / Redemption of Investments (Other than Inter-Scheme Transfer / Sale)		585,067	276,435
Management Fees		189,125	80,833
Trusteeship Fees		8,858	1,281
Operating Expenses	7	212,579	84,219
Total Expenses		995,629	442,768
Surplus for the Year (excluding unrealised appreciation)		5,181,488	2,101,818
Less : Provision for depreciation in value of investments	6	336,564	332,091
Net Surplus for the Year (excluding unrealised appreciation)		4,844,923	1,769,727
Transfer from Income Equalisation Reserve		4,750,986	6,640,862
Dividend paid, including dividend tax		(7,416,610)	(1,881,650)
Surplus Transferred to Reserves		2,179,299	6,528,939
Notes to the accounts	8		

Schedule 6 to 8 form an integral part of the Revenue Account

This is the Revenue Account referred to in our report of even date

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund**Amitabha Ghosh**

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited**Om Prakash Srivastava**

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

Naresh Kumar Garg

Chief Investment Officer

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
SCHEDULE 1		
Investments		
Equity Shares	19,271,262	14,083,062
Mutual Fund Units	-	1,705,236
	19,271,262	15,788,298
SCHEDULE 2		
Other Current Assets		
Balances with Banks in Current account	5,137,434	1,277,548
Dividend Receivable	8,750	-
Receivable on Issue of Units	56,500	761,200
	5,202,684	2,038,748
SCHEDULE 3		
Unit Capital		
Growth Option 49982.681 units of Rs.10 each (For 2003-04 - 73295.224 units)	499,827	732,952
Dividend Option 384627.913 units of Rs.10 each (For 2003-04 - 188164.956 units)	3,846,279	1,881,650
Balance at the end of the year (Refer Notes on Accounts 6.9)	4,346,106	2,614,602
	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
SCHEDULE 4		
Reserves and Surplus		
Revenue Account		
Balance as at beginning of the year	8,687,027	2,158,088
Transferred from Revenue Account	2,179,299	6,528,939
Balance as at end of the year	10,866,326	8,687,027
Income Equalisation Reserve		
Balance as at beginning of the year	-	-
Additions during the year	(4,750,986)	6,640,862
Transferred to Revenue Account	4,750,986	(6,640,862)
Balance as at end of the year	-	-
Unrealised Appreciation Reserve		
Balance as at beginning of the year	1,641,128	506,843
Additions during the year	(313,494)	1,134,285
Balance as at end of the year	1,327,634	1,641,128
Unit Premium Reserve		
Balance as at beginning of the year	2,707,930	(1,654)
Additions during the year, Net	1,584,440	2,709,584
Balance as at end of the year	4,292,370	2,707,930
Balance carried to the Balance Sheet	16,486,330	13,036,085

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
SCHEDULE 5		
Current Liabilities and Provisions		
Sundry Creditors	381,206	1,920,086
Payable on purchase of investments	2,566,502	-
Others	693,802	256,273
	<u>3,641,510</u>	<u>2,176,359</u>

SCHEDULES FORMING PART OF REVENUE ACCOUNT

	For the year ended March 31, 2005 (Rs)	For the year ended March 31, 2004 (Rs)
SCHEDULE 6		
Provision for Depreciation in value of investments		
At the beginning of the year	418,352	86,261
At the end of the year	754,916	418,352
Net Change in provision for depreciation in investments	<u>336,564</u>	<u>332,091</u>
SCHEDULE 7		
Operating Expenses		
Custodian Fees & Expenses	94,342	13,429
Service Tax	-	6,379
Audit Fees	2,885	821
Registrar & Transfer Agent Charges	41,059	17,812
Marketing & Other Expenses	74,293	45,778
	<u>212,579</u>	<u>84,219</u>

SCHEDULE - 8

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005

1. INTRODUCTION

1.1 About the Scheme

Sahara Tax Gain Fund (the "Scheme") was launched as a close-ended scheme on April 1, 1997 of Sahara Mutual Fund (the "Fund") and the units allotted under the scheme were subject to a mandatory three-year lock-in-period till March 31, 2000. The Scheme opened for redemptions at Net Asset Value with effect from April 1, 2000. The Scheme has subsequently become open-ended from November 7, 2002 and opened for continuous purchase and redemptions at prevailing NAV from November 11, 2002. The Scheme has two plans – Dividend and Growth. The scheme will not declare dividend under the Growth Plan. The income earned on such units will remain invested under the scheme and will be reflected in the Net Asset Value.

1.2 Asset Management Company

SEBI vide their letter No IMD/SP/21516/03 dated November 13, 2003 had given their approval to Sahara India Financial Corporation Limited to Sponsor the Mutual Fund. Sahara India Financial Corporation Limited acquired the controlling interest of the First India Asset Management Company Pvt. Ltd. on February 4, 2004 and became the sponsor of the First India Mutual Fund from that date. Consequently, based on an application made by Sahara India Financial Corporation Limited, the Registrar of Companies (ROC), Chennai approved the change of the AMC name from First India Asset Management Company Pvt. Ltd. to Sahara Asset Management Company Private Limited on March 19, 2004 and SEBI approved the change of name of First India Mutual Fund to Sahara Mutual Fund with effect from April 1, 2004. Accordingly, the name of the Scheme has been changed from First India Tax Gain Fund to Sahara Tax Gain Fund.

The present shareholding of Sahara Asset Management Company Private Limited is as follows:

Sahara India Financial Corporation Limited–50%, Sahara India Corp Investment Limited – 25% and Sahara India Investment Corporation Limited - 25%.

2. SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with regulations and guidelines issued by Securities and Exchange Board of India from time to time and have been approved by the Board of Directors of the Asset Management Company and the Trustees.

2.1. Basis of Accounting

The Financials are prepared on the accrual basis of accounting.

2.2. Accounting for Investments

2.2.1 Investments are accounted on trade dates at cost including brokerage, stamp duty and other charges.

2.2.2 Bonus/Rights entitlements on equity holdings are recognized only when the original shares on which the entitlement accrues are traded on the stock exchange on ex-bonus/ex-rights basis respectively.

2.2.3 Primary Market Investments are recognized on the basis of allotment advice.

2.3. Valuation of Investments

2.3.1 Investments are marked to market based on the value at the last traded price on the National Stock Exchange. If the securities are not traded or listed on the National Stock Exchange, the last traded price on any other Stock Exchange is used for the purpose of valuation. If no trade is reported, the previous quoted price is used, which is not more than thirty days prior to the valuation date.

2.3.2 Non pari-passu (new) shares are valued as above less the previous year's dividend, if any.

2.3.3 In accordance with the Guidance Note on Accounting for Investments in the Financial Statements of Mutual Funds by the Institute of Chartered Accountants of India (pursuant to the Eleventh schedule of SEBI Regulations), the unrealized appreciation determined separately for each investment is directly transferred to the "Unrealised Appreciation Reserve Account" i.e. without routing it through the revenue account.

The provision for depreciation in value of investments determined separately for each individual investment is recognized in the

Revenue Account. The loss on investments sold / transferred during the year is charged to Revenue Account, instead of being first adjusted against the provision for depreciation, if already created in the prior year, as recommended by the Guidance Note. However, this departure from the Guidance Note does not have any net impact on the Scheme's net assets.

2.4 Revenue Recognition

- 2.4.1 Income and Expenses are recognized on accrual basis.
- 2.4.2 Interest on funds invested in short term deposits with scheduled commercial banks is recognized on accrual basis.
- 2.4.3 Dividend income earned by the scheme is recognized on the date the share is quoted on ex-dividend basis.
- 2.4.4 Bonus entitlements are recognized on the date the share is quoted on ex-bonus date.
- 2.4.5 Profit or loss on sale of investment is determined on the respective trade dates by following the "Average Cost " method.
- 2.4.6 Proportionate realized gains on investments out of sales / repurchase proceeds at the time of sale / repurchase of units are transferred to Revenue Account from Unit Premium Reserve.

3. Unit Premium Reserve Account

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the Unit Premium Reserve of the Scheme, after an appropriate amount of the issue proceeds and redemption payout is credited or debited respectively to the income Equalization Reserve.

The Unit Premium Reserve is available for distribution of dividend except to the extent it is represented by unrealized net appreciation in value of investment.

4. Income Equalisation Account

Income Equalisation Reserve is being maintained by crediting or (debiting) the equalization account in respect of purchase (or redemption) of units by an appropriate amount which represents the distributable income at the time of purchase (or redemption).

5. Load

Load amount collected is shown as a Current Liability. The amount is payable to the Asset Management Company as and when a claim is lodged by them towards reimbursement of selling and distribution expenses met by them.

6. NOTES ON ACCOUNTS

6.1 The Net Asset Value of the scheme as on the date Balance Sheet is

	As on March 31, 2005	As on March 31, 2004
Growth Option	85.93	67.08
Dividend Option	42.94	57.05

6.2 Management Fees, Trustee Fees, Custodian Fees

Management Fees

Management Fee has been computed as a percentage of average net assets calculated on a daily basis at the following slab rates:

Upto Rs 100 crores	1.25%
More than Rs 100 Crores	1.00% of amount in excess of Rs. 100 Crores

Trustee Fees

In accordance with Deed of Trust dated 18th July 1996 between the Settler and the Trustees, the fund has paid or provided an annual fee of Rs.1,00,000/- per Trustee. Trustee fees are allocated to the schemes on the basis of their daily net assets.

Custodian Fees

Standard Chartered Bank provided custodial services to the scheme for which it receives custodian fees.

6.3 Provision for tax has not been made as the Scheme's income being an income of a recognized Mutual Fund is exempt from tax by virtue of Section 10(23D) of the Income Tax Act, 1961.

6.4 On Conversion to open-ended scheme from November 7, 2002, the registration and transfer work handled in-house has been handed over to Computer Age Management Services Private Limited and the registrar fee has been charged to the Revenue Account.

6.5 Transactions with Brokers in excess of 5% or more of the aggregate purchases and sale of securities made by the Fund have been reported to the Trustees on a quarterly basis wherever applicable.

6.6 Transactions with Associates

Brokerage / Commission on sale of units by the Scheme or by the Asset Management Company given to associates, pursuant to Regulation 25(8):

(Rs. In lakhs)

Particulars	Liquid Fund	Income Fund	Short Term Plan	Gilt Fund	Tax Gain Fund	Growth Fund	Midcap Fund
Sahara India Financial Corporation Limited A/c CMSD	2.97	15.22	0.54	17.26	1.26	1.03	5.52

6.7 Aggregate value of purchases and sales of Investments during the year as a percentage of daily average net asset value:

Purchases

Year	Amount in Rs.	% of Daily average
2004-05	42,514,993	257.46
2003-04	18,177,098	265.64

Sales

Year	Amount in Rs.	% of Daily average
2004-05	43,667,223	264.44
2003-04	10,441,173	152.59

6.8 Income and Expense Ratio

	2004-05	2003-04
Total Income (including net unrealized appreciation and net of loss on sale of investments) to average net assets calculated on a daily basis.	29.93%	44.87%
Total Expenditure to average net assets calculated on a daily basis	2.49%	2.43%

6.9 Movements in Unit Capital:

6.9.1 Growth Option

Growth Option	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2005	As on March 31, 2005	As on March 31, 2004	As on March 31, 2004
Initial Capital				
Issued and Subscribed:				
Units of Rs 10 each	653,500.000	6,535,000	653,500.000	6,535,000
Opening Balance	73,295.224	732,952	109,435.512	1,094,355
Units Sold during the period	4,869.962	48,700	1,459.712	14,597
Units Repurchased during the period	(28,182.505)	(281,825)	(37,600.000)	(376,000)
Closing Balance	49,982.681	499,827	73,295.224	732,952

6.9.2 Dividend Option

Dividend Option	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2005	As on March 31, 2005	As on March 31, 2004	As on March 31, 2004
Initial Capital				
Issued and Subscribed: Units of Rs 10 each	-	-	-	-
Opening Balance	188,164.956	1,881,650	968.725	9,688
Units Sold during the period	335,835.779	3,358,357	187,196.231	1,871,962
Units Repurchased during the period	(139,372.822)	(1,393,728)	-	-
Closing Balance	384,627.913	3,846,279	188,164.956	1,881,650

6.10 The Scheme has declared a dividend of Rs. 30/- per unit during the year. (PY: Rs.10 per unit). There was no Bonus declared during the year ended March 31, 2005.

6.11 Unclaimed Amount:

Unclaimed Redemption and Dividend during the year ended March 31, 2005 are as below:

Scheme Name	No. of Investors	Unclaimed Dividend (Rs.)	Unclaimed Redemption (Rs.)
Sahara Income Fund	9	-	49,251

6.12 Investments made by the Schemes of Sahara Mutual Fund in Companies or their subsidiaries that have invested more than 5% of the net asset value of any scheme, pursuant to Regulation 25(11).

(Rs. In Crore)

Company which has invested	Schemes in which companies have invested more than 5 % of the net assets	Name of the Funds/Schemes which have invested in those Companies listed in Column 1	Aggregate cost of acquisition during the period ended 31st March, 2005	Outstanding as at 31st March 2005 at Fair / Market Value
Bharti Tele Ventures Ltd	Sahara Liquid Fund	Sahara Growth Fund	0.16	Nil
Bharti Tele Ventures Ltd	Sahara Liquid Fund	SaharaTax Gain Fund	0.01	Nil
Exim Bank Ltd	Sahara Liquid Fund	Sahara Liquid Fund	9.95	9.95
IDBI	Sahara Liquid Fund	Sahara Liquid Fund	13.77	13.77
IDBI	Sahara Liquid Fund	Sahara Income Fund	0.45	0.45
Punjab National Bank	Sahara Midcap Fund	Sahara Growth Fund	0.04	Nil
Srei Infrastructure Finance Ltd	Sahara Liquid Fund	Sahara Short Term Plan	0.20	Nil
Srei Infrastructure Finance Ltd	Sahara Liquid Fund	Sahara Liquid Fund	119.79	10.00
Vijaya Bank Ltd	Sahara Midcap Fund	Sahara Growth Fund	0.26	Nil
Vijaya Bank Ltd	Sahara Midcap Fund	SaharaTax Gain Fund	0.04	0.04
Wellspun Gujarat Stahi Rohren Ltd	Sahara Liquid Fund	Sahara Growth Fund	0.09	Nil

The above said investments were made to optimize return and retain high liquidity.

6.13 Industry-wise exposure of the scheme.

Sector	Name of the Instrument	Qty	Mkt Value (Rs Lacs)	% NAV	Sub Total
EQUITY SHARES					
Energy	Oil & Natural Gas Corp of India	1400	12.39	6.43%	20.55%
	Hindustan Petroleum Corp Ltd	3600	10.96	5.69%	
	Neyveli Lignite Corporation Ltd	11500	7.59	3.94%	
	National Thermal Power Corp Ltd	6500	5.54	2.87%	
	Ahmedabad Electric Company	2500	3.12	1.62%	
Industrial Manufacturing	Asea Brown Boveri Ltd	600	6.98	3.62%	11.96%
	SKF India Ltd.	3500	6.70	3.48%	
	Bharat Electronics Ltd	700	4.68	2.43%	
	Bharat Forge Ltd	355	4.68	2.43%	
Automobile	Punjab Tractors Ltd.	5000	8.02	4.16%	9.67%
	Denso India Ltd.	8969	5.65	2.93%	
	Mahindra & Mahindra Ltd	1000	4.97	2.58%	
Metals	Hindustan Zinc Ltd	3385	5.75	2.98%	9.82%
	Tata Iron & Steel Company Ltd	1600	6.42	3.33%	
	Tinplate Company Of India Ltd.	11000	5.30	2.75%	
	Sesa Goa Ltd	200	1.46	0.76%	
Telecom	Mahanagar Telephone Nigam Ltd	8500	9.68	5.03%	9.32%
	Videsh Sanchar Nigam Ltd	4500	8.27	4.29%	
Consumer Goods	Tata Coffee Ltd	2000	5.91	3.07%	8.34%
	Voltas Ltd.	2350	5.38	2.79%	
	Williamson Tea Assam Ltd.	3500	4.78	2.48%	
IT	Tata Consultancy Services Ltd	525	7.52	3.90%	6.34%
	Helios & Matheson Information	3000	4.71	2.44%	
Chemicals	Atul Ltd	10000	7.64	3.96%	6.65%
	Indian Petrochemicals Corporation Ltd.	3200	5.18	2.69%	
Pharmaceuticals	Smithkline Glaxo Ltd	1000	7.19	3.73%	6.58%
	Indoco Remedies Ltd	1000	3.00	1.56%	
	IPCA Laboratories	830	2.49	1.29%	
Cement & Cement Products	Grasim Industries Ltd	700	8.50	4.41%	4.41%
Financial Services	Vijaya Bank Ltd	6000	3.85	2.00%	3.28%
	State Bank of Travancore	75	1.52	0.79%	
	State Bank of Bikaner & Jaipur	40	0.94	0.49%	
Services	Great Eastern Shipping Co. Ltd.	3861	5.94	3.08%	3.08%
TOTAL			192.71	100.00%	100.00%

6.14 Investments made by the Scheme in shares of Group Companies of the Sponsor – NIL.

6.15 Holdings over 25% of the NAV of the scheme

Particulars	As on March 31, 2005	As on March 31, 2004
Number of Investors	Nil	1
Holdings (in units)	Nil	139,372.822
Percentage of Holdings	N/A	50.80%

6.16 Previous year figures have been reclassified and regrouped wherever necessary to conform to classification for the current year.

For Deloitte Haskins & Sells

For Sahara Mutual Fund

For Sahara Asset Management Company Private Limited

Chartered Accountants

M.K. Ananthanarayanan

Amitabha Ghosh

S.T. Gerela

Om Prakash Srivastava

Sanjiv Kapoor

Partner

Trustee

Trustee

Director

Director

Rajiv Shastri

Naresh Kumar Garg

Chief Executive Officer

Chief Investment Officer

Place: Chennai

Place : Mumbai

Date: September 20, 2005

Date : September 20, 2005

Viji Krishnan

Head (Operations & Accounts)

PERSPECTIVE HISTORICAL PER UNIT STATISTICS

Particulars	Year Ended		
	March 31, 2005	March 31, 2004	March 31, 2003
(a) Gross Income			
(i) Income other than Profit on sale of Investments	0.70	0.41	0.69
(ii) Income from Profit (net of loss) on inter-scheme sales/ transfer of Investments	0.00	0.00	0
(iii) Income from Profit (net of Loss) on sale other than Inter scheme	12.16	8.27	4.16
(iv) Transfer to revenue account from past year's reserve	NA	NA	NA
(b) Aggregate of expenses, write off, amortisation and charges	0.94	0.64	0.84
(c) Net Income	11.92	8.04	4.01
(d) Net unrealised appreciation/(depreciation) in value of Investments	1.32	4.68	3.81
(e) Net Asset Value			
Growth Plan	85.93	67.08	34.12
Dividend Plan	42.94	57.05	
(f) Repurchase Price during the year**			
(i) Highest			
Growth Plan	93.73	76.22	38.93
Dividend Plan	76.37	76.22	0
(ii) Lowest			
Growth Plan	57.19	32.53	32.11
Dividend Plan	41.98	32.53	0
(g) Resale Price during the year**			
(i) Highest			
Growth Plan	93.73	77.74	38.93
Dividend Plan	77.90	77.74	0
(ii) Lowest			
Growth Plan	58.33	33.18	32.11
Dividend Plan	42.82	33.18	0
(h) Ratio of expenses to average daily net assets by Percentage	2.49%	2.43%	2.38%
(i) Ratio of income to average daily net assets by Percentage	29.93%	44.87%	29.12%
(excluding transfer to revenue account from past year's reserve but including net change in unrealized appreciation / depreciation in value of Investments and adjusted for net loss on sale / redemption of investments)			

**Based on the maximum load during the year

Per unit calculations based on number of units in issue at the end of the year

SAHARA GROWTH FUND

AUDITORS' REPORT

TO THE TRUSTEES OF SAHARA MUTUAL FUND

We have audited the attached Balance Sheet of Sahara Growth Fund, ("the Scheme") as at March 31, 2005 and also the related Revenue Account for the year ended on that date, annexed thereto. These financial statements are the responsibility of Trustees – Sahara Mutual Fund and the management of Sahara Asset Management Company Private Limited (the "Management"). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as at March 31, 2005 by obtaining confirmations from the custodians and others. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that,

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for purposes of our audit. The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
2. The Balance Sheet and Revenue Account have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Revenue Account together with the Schedules, Notes and Accounting Policies thereon give the information required by The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and give a true and fair view in conformity with the Accounting Principles generally accepted in India.
 - a) in the case of Balance Sheet of the State of Affairs of the Scheme as on March 31, 2005, and
 - b) in the case of the Revenue Account the Surplus for the year ended on that date.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Chennai
September 20, 2005

M.K. ANANTHANARAYANAN
Partner

MEMBERSHIP NO : 19521



BALANCE SHEET AS AT MARCH 31, 2005

ASSETS	Sch. No	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
Investments	1	59,519,150	211,397,851
Other Current Assets	2	6,089,535	1,112,688
Total Assets		65,608,685	212,510,539
LIABILITIES			
Unit Capital	3	32,797,455	122,221,681
Reserves & Surplus	4	30,113,446	86,373,431
Current Liabilities & Provisions	5	2,697,784	3,915,427
Total Liabilities		65,608,685	212,510,539
Notes to the accounts	8	-	

Schedule 1 to 5 and 8 form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund

Amitabha Ghosh

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

Naresh Kumar Garg

Chief Investment Officer

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005

Sach Meera
Mutual Fund

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

	Schedule	For the year ended March 31, 2005 (Rs)	For the year ended March 31, 2004 (Rs)
INCOME			
Dividend		3,289,094	2,090,701
Profit on Sale / Redemption of Investments (Other than Inter Scheme Transfer / Sale)		87,424,939	50,957,883
Profit on Sale / Transfer of Investments (Inter Scheme)		-	4,431
Total Income		90,714,033	53,053,015
EXPENSES & LOSSES			
Loss on Sale / Redemption of Investments (Other than Inter-Scheme Transfer / Sale)		5,567,775	3,488,337
Management Fees		1,668,850	1,559,765
Trusteeship Fees		83,435	26,591
Operating Expenses	7	2,002,305	1,653,980
Total Expenses		9,322,366	6,728,673
Surplus for the Year (excluding unrealised appreciation)		81,391,667	46,324,342
Add : Excess provision for depreciation in earlier years written back / (provision for depreciation)	6	2,858,313	(4,057,392)
Transfer from Income Equalisation Reserve		(91,263,354)	27,489,383
Dividend paid, including dividend tax		(6,592,094)	(32,201,669)
(Deficit) / Surplus transferred to Reserves		(13,605,468)	37,554,664
Notes to the accounts	8		

Schedule 6 to 8 form an integral part of the Revenue Account

This is the Revenue Account referred to in our report of even date

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund

Amitabha Ghosh

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

Naresh Kumar Garg

Chief Investment Officer

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
SCHEDULE 1		
Investments		
Equity Shares	59,519,150	199,161,902
Mutual Fund Units	-	12,235,949
	<u>59,519,150</u>	<u>211,397,851</u>
SCHEDULE 2		
Other Current Assets		
Balances with Banks in Current Account	6,064,035	925,688
Outstanding and Accrued Income	25,000	-
Receivable on Switches / Transfers	-	-
Receivable on issue of Units	500	187,000
	<u>6,089,535</u>	<u>1,112,688</u>
SCHEDULE 3		
Unit Capital		
Growth Option 942186.115 units of Rs.10 each (For 2003-04 - 4148842.371 units)	9,421,861	41,488,424
Dividend Option: 2337559.393 units of Rs.10 each (For 2003-04 - 8073325.678 units)	23,375,594	80,733,257
Balance at the end of the year (Refer Notes on Accounts 5.8)	<u>32,797,455</u>	<u>122,221,681</u>
	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
SCHEDULE 4		
Reserves and Surplus		
Revenue Account		
Balance as at beginning of the year	36,975,540	(579,124)
Transfer from Revenue Account	(13,605,468)	37,554,664
Balance as at end of the year	<u>23,370,072</u>	36,975,540
Income Equalisation Reserve		
Balance as at beginning of the year	-	-
Additions During the year	(91,263,354)	27,489,383
Transfer to Revenue Account	91,263,354	(27,489,383)
Balance as at end of the year	-	-
Unrealised Appreciation Reserve		
Balance as at beginning of the year	46,702,682	557,740
Additions during the year	(38,291,777)	46,144,942
Balance as at end of the year	<u>8,410,905</u>	46,702,682
Unit Premium Reserve		
Balance as at beginning of the year	2,695,209	(68,776)
Additions during the year	(4,362,741)	2,763,985
Balance as at end of the year	<u>(1,667,532)</u>	2,695,209
	<u>30,113,446</u>	<u>86,373,431</u>

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
SCHEDULE 5		
Current Liabilities and Provisions		
Sundry Creditors	736,319	284,763
Payable on redemption of units	4,826	942,029
Payable on switches	-	1,100,035
Others	1,956,640	1,588,600
	<u>2,697,784</u>	<u>3,915,427</u>

SCHEDULES FORMING PART OF REVENUE ACCOUNT

	For the year ended March 31, 2005 (Rs)	For the year ended March 31, 2004 (Rs)
SCHEDULE 6		
Provision for Depreciation in value of investments		
At the beginning of the year	4,308,375	250,983
At the end of the year	1,450,062	4,308,375
Net Changes in Provision for Depreciation	<u>(2,858,313)</u>	<u>4,057,392</u>

SCHEDULE 7

Operating Expenses

Custodian Fees & Expenses	298,143	134,446
Service Tax	-	124,460
Audit Fees	28,648	13,737
Registrar & Transfer Agent Charges	407,669	356,419
Marketing & Other Expenses	1,267,845	1,024,918
	<u>2,002,305</u>	<u>1,653,980</u>

SCHEDULE - 8

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005

1. INTRODUCTION

1.1 About the Scheme

Sahara Growth Fund (the "Scheme") is an open-ended growth scheme of Sahara Mutual Fund (the "Fund"). The objective is to achieve capital appreciation by investing in equity and equity related instruments. The Scheme has two options - Growth and Dividend. The scheme will not declare dividend under the Growth Plan. The Income earned on such units will remain invested under the scheme and will be reflected in the Net Asset Value. The initial issue period of the scheme was from July 22, 2002 to August 12, 2002 and the scheme was reopened for continuous purchase and redemption at prevailing NAV from September 3, 2002.

1.2 Asset Management Company

SEBI vide their letter No IMD/SP/21516/03 dated November 13, 2003 had given their approval to Sahara India Financial Corporation Limited to Sponsor the Mutual Fund. Sahara India Financial Corporation Limited acquired the controlling interest of the First India Asset Management Company Pvt. Ltd. on February 4, 2004 and became the sponsor of the First India Mutual Fund from that date. Consequently, based on an application made by Sahara India Financial Corporation Limited, the Registrar of Companies (ROC), Chennai approved the change of the AMC name from First India Asset Management Company Pvt. Ltd. to Sahara Asset Management Company Private Limited on March 19, 2004 and SEBI approved the change of name of First India Mutual Fund to Sahara Mutual Fund with effect from April 1, 2004. Accordingly, the name of the Scheme has been changed from First India Growth Fund to Sahara Growth Fund.

The present shareholding of Sahara Asset Management Company Private Limited is as follows:

Sahara India Financial Corporation Limited - 50%, Sahara India Corp Investment Limited - 25% and Sahara India Investment Corporation Limited - 25%

2. SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with regulations and guidelines issued by Securities and Exchange Board of India from time to time and have been approved by the Board of Directors of the Asset Management Company and the Trustees.

2.1. Basis of Accounting

The Financials are prepared on the accrual basis of accounting.

2.2. Accounting for Investments

2.2.1 Investments are accounted on trade dates at cost including brokerage, stamp duty and other charges.

2.2.2 Bonus/Rights entitlements on equity holdings are recognized only when the original shares on which the entitlement accrues are traded on the stock exchange on ex-bonus/ex-rights basis respectively.

2.2.3 Primary Market Investments are recognized on the basis of allotment advice.

2.3. Valuation of Investments

2.3.1 Investments are marked to market based on the value at the last traded price on the National Stock Exchange. If the securities are not traded or listed on the National Stock Exchange, the last traded price on any other Stock Exchange is used for the purpose of valuation. If no trade is reported, the previous quoted price is used, which is not more than thirty days prior to the valuation date.

2.3.2 Non pari-passu (new) shares are valued as above less the previous year's dividend, if any.

2.3.3 In accordance with the Guidance Note on Accounting for Investments in the Financial Statements of Mutual Funds by the Institute of Chartered Accountants of India (pursuant to the Eleventh schedule of SEBI Regulations), the unrealized appreciation determined separately for each investment is directly transferred to the "Unrealised Appreciation Reserve Account" i.e. without routing it through the revenue account.

The provision for depreciation in value of investments determined separately for each individual investment is recognized in the revenue account. The loss on investments sold / transferred during the year is charged to revenue account, instead of being first adjusted against the provision for depreciation, if already created in the prior year, as recommended by the Guidance Note. However, this departure from the Guidance Note does not have any net impact on the Scheme's net assets.

2.4 Revenue Recognition

- 2.4.1 Income and Expenses are recognized on accrual basis.
- 2.4.2 Interest on funds invested in short term deposits with scheduled commercial banks is recognized on accrual basis.
- 2.4.3 Dividend income earned by the scheme is recognized on the date the share is quoted on ex-dividend basis.
- 2.4.4 Bonus entitlements are recognized on the date the share is quoted on ex-bonus date.
- 2.4.5 Profit or loss on sale of investment is determined on the respective trade dates by following the "Average Cost" method.
- 2.4.6 Proportionate realized gains on investments out of sales / repurchase proceeds at the time of sale / repurchase of units are transferred to Revenue Account from Unit Premium Reserve.

3. Unit Premium Reserve Account

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the Unit Premium Reserve of the Scheme, after an appropriate of the issue proceeds and redemption payout is credited or debited respectively to the Income Equalization Reserve. The Unit Premium Reserve is available for distribution of dividend except to the extent it is represented by unrealized net appreciation in value of investments.

4. Income Equalisation Account

Income Equalization Reserve is being maintained by crediting or (debiting) the equalization account in respect of purchase (or redemption) of units by an appropriate amount, which represents the distributable income at the time of purchase (or redemption).

5. NOTES TO THE ACCOUNTS

5.1 The Net Asset Value of the Scheme as on date of Balance Sheet is:

	As on March 31, 2005	As on March 31, 2004
Growth Option	24.65	19.60
Dividend Option	16.98	15.77

5.2 Management Fees, Trustee Fees, Custodian Fees

Management Fees

Management Fee has been computed as a percentage of average net assets calculated on a daily basis at the following slab rates:

- Upto Rs. 100 Crores : 1.25%
- More than Rs. 100 Crores : 1.00% of amount in excess of Rs. 100 Crores.

Trustee Fees

In accordance with Deed of Trust dated 18th July 1996 between the Settler and the Trustees, the fund has paid or provided an annual fee of Rs.1,00,000/- per Trustee. Trustee fees are allocated to the schemes on the basis of their daily net assets.

Custodian Fees

Standard Chartered Bank provides custodial services to the scheme for which it receives custodian fees.

5.3 Provision for tax has not been made as the Scheme's income being an income of a recognized Mutual Fund is exempt from tax by virtue of Section 10(23D) of the Income Tax Act, 1961.

5.4 Transactions with Brokers in excess of 5% or more of the aggregate purchases and sale of securities made by the Fund has been reported to the Trustees on a quarterly basis wherever applicable.

5.5 Transactions with Associates

Brokerage / Commission on sale of units by the Scheme or by the Asset Management Company given to Associates, pursuant to Regulation 25(8):

(Rs. in lakhs)

Particulars	Liquid Fund	Income Fund	Short Term Plan	Gilt Fund	Tax Gain Fund	Growth Fund	Midcap Fund
Sahara India Financial Corporation Limited A/c CMSD	2.97	15.22	0.54	17.26	1.26	1.03	5.52

5.6 Aggregate value of purchases and sales of Investments during the year as a percentage of daily average net asset value;

Purchases

Year	Amount in Rs.	% of Daily average
2004-05	408,527,142	249.17
2003-04	366,556,738	272.54

Sales

Year	Amount in Rs.	% of Daily average
2004-05	607,013,904	370.23
2003-04	265,066,364	197.08

5.7 Income and Expense Ratio

	2004-05	2003-04
Total Income (including net unrealized appreciation and net of loss on sale of investments) to average net assets calculated on a daily basis.	30.32	68.14
Total Expenditure to average net assets calculated on a daily basis	2.29	2.41

5.8 Movements in Unit Capital:

5.8.1 Growth Option

Growth Option	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2005	As on March 31, 2005	As on March 31, 2004	As on March 31, 2004
Issued and Subscribed:				
Units of Rs 10 each fully paid up	1,256,545.627	12,565,456	1,256,545.627	12,565,456
Opening Balance	4,148,842.371	41,488,424	873,462.081	8,734,621
Units Sold during the period	4,789,656.648	47,896,566	14,222,997.649	142,229,976
Units Repurchased during the period	(7,996,312.904)	(79,963,129)	(10,947,617.359)	(109,476,173)
Closing Balance	942,186.115	9,421,861	4,148,842.371	41,488,424

5.8.2 Dividend Option

Dividend Option	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2005	As on March 31, 2005	As on March 31, 2004	As on March 31, 2004
Issued and Subscribed:				
Units of Rs 10 each fully paid up	308,657.065	3,086,571	308,657.065	3,086,571
Opening Balance	8,073,325.678	80,733,257	199,216.291	1,992,163
Units Sold during the period	2,116,492.214	21,164,922	13,356,008.625	133,560,086
Units Repurchased during the period	(7,852,258.499)	(78,522,585)	(5,481,899.238)	(54,818,992)
Closing Balance	2,337,559.393	23,375,594	8,073,325.678	80,733,257

5.9 The Fund declared a dividend of Rs.3/- during the year. (PY: Rs 3/-). There was no Bonus declared during the year ended March 31, 2005.

5.10 Unclaimed Amounts:

Unclaimed Redemption and Dividend during the year ended March 31, 2005 are as below

Scheme Name	No. of Investors	Unclaimed Dividend (Rs.)	Unclaimed Redemption (Rs.)
Sahara Income Fund	9	-	49,251

5.11 Investments made by the Schemes of Sahara Mutual Fund in Companies or their subsidiaries that have invested more than 5% of the net asset value of any scheme, pursuant to Regulation 25(11).

(in crores)

Company which has invested	Schemes in which companies have invested more than 5% of the net assets	Name of the Funds/Schemes which have invested in those Companies listed in Column 1	Aggregate cost of acquisition during the period ended 31st March, 2005	Outstanding as at 31st March 2005 at Fair / Market Value
Bharti Tele Ventures Ltd	Sahara Liquid Fund	Sahara Growth Fund	0.16	Nil
Bharti Tele Ventures Ltd	Sahara Liquid Fund	SaharaTax Gain Fund	0.01	Nil
Exim Bank Ltd	Sahara Liquid Fund	Sahara Liquid Fund	9.95	9.95
IDBI	Sahara Liquid Fund	Sahara Liquid Fund	13.77	13.77
IDBI	Sahara Liquid Fund	Sahara Income Fund	0.45	0.45
Punjab National Bank	Sahara Midcap Fund	Sahara Growth Fund	0.04	Nil
Srei Infrastructure Finance Ltd	Sahara Liquid Fund	Sahara Short Term Plan	0.20	Nil
Srei Infrastructure Finance Ltd	Sahara Liquid Fund	Sahara Liquid Fund	119.79	10.00
Vijaya Bank Ltd	Sahara Midcap Fund	Sahara Growth Fund	0.26	Nil
Vijaya Bank Ltd	Sahara Midcap Fund	SaharaTax Gain Fund	0.04	0.04
Wellsun Gujarat Stahi Rohren Ltd	Sahara Liquid Fund	Sahara Growth Fund	0.09	Nil

The above said investments were made to optimize return and retain high liquidity.

5.12 Industry-wise exposure of the scheme:

Sector	Name of the Instrument	Qty	Mkt Value (Rs Lacs)	% Grand Total	Sub Total
EQUITY SHARES					
Energy	National Thermal Power Corp Ltd	50000	42.65	7.17%	23.74%
	Oil & Natural Gas Corp of India	4000	35.41	5.95%	
	Hindustan Petroleum Corp Ltd	11000	33.48	5.63%	
	Neyveli Lignite Corporation Ltd	45000	29.70	4.99%	
Industrial Manufacturing	Bharat Electronics Ltd	4000	26.73	4.49%	18.14%
	Asea Brown Boveri Ltd	2000	23.28	3.91%	
	Bharat Forge Ltd	1699	21.17	3.56%	
	SKF India Ltd.	10000	19.15	3.22%	
Consumer Goods	Larsen and Toubro Limited	1760	17.59	2.96%	
	Voltas Ltd.	14000	32.05	5.38%	15.17%
	Tata Coffee Ltd	10000	29.54	4.96%	
	Tata Tea Ltd	5500	28.74	4.83%	
Automobiles	Tata Motors Ltd	7000	28.96	4.86%	8.51%
	Majestic Auto Ltd.	26533	14.30	2.40%	
	Mahindra & Mahindra Ltd	1500	7.45	1.25%	
Metals	Hindustan Zinc Ltd	21300	36.21	6.08%	7.92%
	Sesa Goa Ltd	1500	10.97	1.84%	
IT	Tata Consultancy Services Ltd	3000	42.96	7.22%	7.22%
Pharmaceuticals	Smithkline Glaxo Ltd	5000	35.95	6.04%	7.27%
	IPCA Laboratories Ltd	2448	7.35	1.23%	
Cement & Cement products	Grasim Industries Ltd	3000	36.43	6.12%	6.12%
Services	The Shipping Corp of India Ltd	23500	35.12	5.91%	5.91%
Total			595.19	100.00%	100.00%

5.13 Investments made by the Scheme in shares of Group Companies of the Sponsor – NIL.

5.14 Holdings over 25% of the NAV of the scheme.

Particulars	As on March 31, 2005	As on March 31, 2004
Number of Investors	2	1
Holdings (in units)	1,669,711.610	8,465,273.368
Percentage of Holdings	52.40%	68.49%

5.15 Previous year figures have been reclassified and regrouped wherever necessary to conform to classification for the current year.

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund

Amitabha Ghosh

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

Naresh Kumar Garg

Chief Investment Officer

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005



PERSPECTIVE HISTORICAL PER UNIT STATISTICS

Particulars	Year Ended		
	March 31, 2005	March 31, 2004	March 31, 2003
(a) Gross Income			
(i) Income other than Profit on sale of Investments	1.00	0.17	0.05
(ii) Income from Profit (net of loss) on inter-scheme sales/ transfer of Investments	0.0000	0.0004	0
(iii) Income from Profit (net of Loss) on sale other than Inter scheme	24.96	3.88	-0.29
(iv) Transfer to revenue account from past year's reserve	NA	NA	NA
(b) Aggregate of expenses, write off, amortisation and charges	1.14	0.27	0.11
(c) Net Income	24.82	3.79	-0.35
(d) Net unrealised appreciation/(depreciation) in value of Investments	2.12	3.47	0.29
(e) Net Asset Value			
Growth Plan	24.65	19.60	9.92
Dividend Plan	16.98	15.77	0.00
(f) Repurchase Price during the year**			
(i) Highest			
Growth Plan	26.13	21.96	10.68
Dividend Plan	20.36	17.61	0.00
(ii) Lowest			
Growth Plan	16.18	9.59	9.24
Dividend Plan	13.05	9.59	0.00
(g) Resale Price during the year**			
(i) Highest			
Growth Plan	27.19	22.39	10.89
Dividend Plan	21.20	17.96	0.00
(ii) Lowest			
Growth Plan	16.84	9.78	9.42
Dividend Plan	13.59	9.78	0.00
(h) Ratio of expenses to average daily net assets by Percentage	2.29%	2.41%	1.13%
(i) Ratio of income to average daily net assets by Percentage	30.32%	68.14%	0.47%
(excluding transfer to revenue account from past year's reserve but including net change in unrealized appreciation / depreciation in value of Investments and adjusted for net loss on sale / redemption of investments)			

Per unit calculations based on number of units in issue at the end of the year

**Based on the maximum load during the year

SAHARA INCOME FUND
AUDITORS' REPORT
TO THE TRUSTEES OF SAHARA MUTUAL FUND

We have audited the attached Balance Sheet of Sahara Income Fund, ("the Scheme") as at March 31, 2005 and also the related Revenue Account for the year ended on that date, annexed thereto. These financial statements are the responsibility of Trustees – Sahara Mutual Fund and the management of Sahara Asset Management Company Private Limited (the "Management"). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as at March 31, 2005 by obtaining confirmations from the custodians and others. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that,

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for purposes of our audit. The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
2. The Balance Sheet and Revenue Account have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Revenue Account together with the Schedules, Notes and Accounting Policies thereon give the information required by The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and give a true and fair view in conformity with the Accounting Principles generally accepted in India.
 - a) in the case of Balance Sheet of the State of Affairs of the Scheme as on March 31, 2005, and
 - b) in the case of the Revenue Account the Deficit for the year ended on that date.
4. The method used to value non-traded and thinly traded securities as at March 31, 2005 as determined by The Asset Management Company and approved by the Trustees in accordance with guidelines issued by the Securities and Exchange Board of India are fair and reasonable.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Chennai
September 20, 2005

M.K. ANANTHANARAYANAN
Partner

MEMBERSHIP NO : 19521



BALANCE SHEET AS AT MARCH 31, 2005

ASSETS	Sch. No	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
Investments	1	38,274,406	574,594,272
Deposits	2	-	141,542,968
Other Current Assets	3	3,134,438	47,422,603
Total Assets		41,408,844	763,559,843
LIABILITIES			
Unit Capital	4	34,161,235	651,399,947
Reserves & Surplus	5	5,700,929	110,780,314
Current Liabilities & Provisions	6	1,546,680	1,379,582
Total Liabilities		41,408,844	763,559,843
Notes to the accounts	10		

Schedule 1 to 6 and 10 form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund

Amitabha Ghosh

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

V. Sriram

Fund Manager

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

	Schedule	For the year ended March 31, 2005 (Rs)	For the year ended March 31, 2004 (Rs)
INCOME			
Interest & Discounted Income	7	27,384,486	30,812,003
Profit on Sale / Redemption of Investments (Other than Inter Scheme Transfer / Sale)		9,486,873	24,840,798
Profit on Sale / Transfer of Investments (Inter Scheme)		4,973,997	1,689,981
Total Income		41,845,356	57,342,782
EXPENSES & LOSSES			
Loss on Sale / Redemption of Investments (Other than Inter-Scheme Transfer / Sale)		26,119,893	14,232,310
Loss on Sale / Transfer of Investments (Inter Scheme)		12,703,682	458,738
Management Fees		3,258,031	3,771,900
Trusteeship Fees		217,600	96,291
Operating Expenses	9	4,134,410	4,932,874
Total Expenses		46,433,616	23,492,113
(Deficit) / Surplus before unrealised depreciation		(4,588,260)	33,850,669
Add : (Provision for diminution in value of investments) / excess provn for depreciation, no longer required, written back	8	(4,887)	1,219,428
Net (Deficit) / Surplus for the Year (excluding unrealised appreciation)		(4,593,147)	35,070,097
Transfer from Income Equalisation Reserve		(97,659,366)	73,358,237
Dividend including Distribution Tax		-	(4,069,968)
(Deficit) / Surplus Transferred to Reserve		(102,252,513)	104,358,366
Notes to the accounts	10		

Schedule 7 to 10 form an integral part of the Revenue Account

This is the Revenue Account referred to in our report of even date

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund

Amitabha Ghosh

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

V. Sriram

Fund Manager

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
SCHEDULE 1		
Investments		
Government of India Securities	21,276,960	300,804,450
Commercial Paper	-	26,947,012
Investment Under Repo	2,437,634	-
Listed Non Convertible Debentures	10,001,865	146,320,490
Bonds	4,557,947	-
Unlisted Privately Placed Debentures	-	100,522,320
	<u>38,274,406</u>	<u>574,594,272</u>
SCHEDULE 2		
Deposits		
With Scheduled Bank	-	141,542,968
	-	<u>141,542,968</u>
SCHEDULE 3		
Other Current Assets		
Balances with Banks in Current Account	2,580,890	1,462,354
Outstanding and Accrued Income	553,548	10,347,447
Receivable on Contracts for sale of investments	-	34,444,165
Receivable on switches	-	1,168,637
	<u>3,134,438</u>	<u>47,422,603</u>
SCHEDULE 4		
Unit Capital		
Growth Option units 3086641.035 of Rs.10 each (For 2003-04 - 63878281.548 units)	30,866,410	638,782,815
Dividend Option 329482.474 units of Rs.10 each (For 2003-04 - 1261713.207 units)	3,294,825	12,617,132
Balance at the end of the year (Refer Notes on Accounts 5.9)	<u>34,161,235</u>	<u>651,399,947</u>

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
SCHEDULE 5		
Reserves and Surplus		
Revenue Account		
Balance as at beginning of the year	108,399,634	4,041,268
Transferred from Revenue Account	(102,252,513)	104,358,366
Balance as at end of the year	6,147,121	108,399,634
Income Equalisation Reserve		
Balance as at beginning of the year	-	-
Addition during the year	(97,659,366)	73,358,237
Transferred to Revenue Account	97,659,366	(73,358,237)
Balance as at end of the year	-	-
Unrealised Appreciation Reserve		
Balance as at beginning of the year	2,507,626	614,647
Additions during the year	(2,507,436)	1,892,979
Balance as at end of the year	190	2,507,626
Balance in Unit Premium Reserve		
Balance as at beginning of the year	(126,946)	263,281
Additions during the year, Net	(319,436)	(390,227)
Balance as at end of the year	(446,382)	(126,946)
Balance carried to the Balance Sheet	5,700,929	110,780,314
	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)

SCHEDULE 6**Current Liabilities and Provisions**

Sundry Creditors	1,326,078	1,276,092
Payable on Redemption of units	151,297	-
Amount received pending allotment of units	-	6,000
Others	69,305	97,490
	1,546,680	1,379,582

SCHEDULES FORMING PART OF REVENUE ACCOUNT

	For the year ended March 31, 2005 (Rs)	For the year ended March 31, 2004 (Rs)
SCHEDULE 7		
INTEREST & DISCOUNT		
Debentures / Bonds	13,866,274	11,745,157
Government of India Securities	8,210,910	15,260,665
Treasury Bills	906,926	360,642
Certificate of Deposit / Commercial Paper	2,100,114	217,124
Deposits	302,328	570,531
Others	1,997,934	2,657,884
	<u>27,384,486</u>	<u>30,812,003</u>
SCHEDULE 8		
Provision for Depreciation in value of investments		
At the beginning of the year	71,650	1,291,078
At the end of the year	76,537	71,650
Net Change in Provision for Depreciation in value of investments	<u>4,887</u>	<u>(1,219,428)</u>
SCHEDULE 9		
Operating Expenses	(Rs)	(Rs)
Custodian Fees & Expenses	75,220	417,456
Service Tax	-	299,429
Audit Fees	75,697	49,966
Registrar & Transfer Agent Charges	1,077,143	1,837,691
Marketing & Other Expenses	2,906,350	2,328,332
	<u>4,134,410</u>	<u>4,932,874</u>

Sach Mein Mutual

SCHEDULE: 10

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005

1. INTRODUCTION

1.1 About the Scheme

Sahara India Income Fund (the "Scheme") is an Open-Ended Income Scheme of Sahara Mutual Fund (the "Fund"). The primary objective is generating regular income and also enable growth of capital through investment in debt instruments, money market and related securities and at all times emphasizes importance of capital preservation. The scheme has two Plans – (i) Growth and (ii) Dividend. The scheme will not declare dividend under the Growth Plan. The Income earned on such units will remain invested under the scheme and will be reflected in the Net Asset Value. The initial issue period of the scheme was from February 6, 2002 to February 14, 2002 and the scheme was reopened for continuous purchase and redemption at prevailing NAV from February 22, 2002.

1.2 Asset Management Company

SEBI vide their letter No IMD/SP/21516/03 dated November 13, 2003 had given their approval to Sahara India Financial Corporation Limited to Sponsor the Mutual Fund. Sahara India Financial Corporation Limited acquired the controlling interest of the First India Asset Management Company Pvt. Ltd. on February 4, 2004 and became the sponsor of the First India Mutual Fund from that date. Consequently, based on an application made by Sahara India Financial Corporation Limited, the Registrar of Companies (ROC), Chennai approved the change of the AMC name from First India Asset Management Company Pvt. Ltd. to Sahara Asset Management Company Private Limited on March 19, 2004 and SEBI approved the change of name of First India Mutual Fund to Sahara Mutual Fund with effect from April 1, 2004. Accordingly, the name of the Scheme has been changed from First India Income Fund to Sahara Income Fund.

The present shareholding of Sahara Asset Management Company Private Limited is as follows:

Sahara India Financial Corporation Limited – 50%, Sahara India Corp Investment Limited -25% and Sahara India Investment Corporation Limited 25%.

2. SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with regulations and guidelines issued by Securities and Exchange Board of India from time to time and have been approved by the Board of Directors of the Asset Management Company and the Trustees.

2.1 Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

2.2 Accounting for Investments

2.2.1 Purchase and sale of investments are accounted on trade dates at price including/net of brokerage and other charges. Stamp duty is accounted when paid for

2.2.2 Primary market Investments are recognized on the basis of allotment advice

2.2.3 Front end fees on privately placed Debentures have been adjusted to the cost of investments

2.3 Valuation of Investments

2.3.1 Traded Investments

- a. Market Value of Investments which are traded on a stock exchange is valued at the last available price quoted at an appropriate stock exchange on the valuation date.
- b. If there is no quote on the valuation date, it is valued at the last available quoted price at an appropriate stock exchange not exceeding the prescribed number of days (15 days) preceding the valuation date.
- c. Government Securities are valued at the price released by an Agency (CRISIL) approved by AMFI on daily basis.

2.3.2 Unlisted/Non traded/Thinly Traded Investments

- a. A debt security (other than a Government security) is considered as a thinly traded security if on the valuation date, there are no individual trades in that security in marketable lots (currently Rs. 5 Crores) on the principal stock exchange or any other stock exchange.

- b. Investments not traded on any stock exchange for a prescribed period prior to the valuation date are treated as non-traded.
- c. Valuation of Unlisted/Non-traded/Thinly Traded debt instruments maturing within 182 days as at valuation date are valued at cost plus difference between the redemption value and the cost spread uniformly over the remaining maturity period of instrument.
- d. Non traded/thinly traded debt securities over 182 days to maturity are valued in good faith by the Investment manager on the basis of valuation principles laid down by SEBI. The approach in valuation of non-traded/thinly traded debt securities over 182 days to maturity is based on the concept of using spreads to maturity to arrive at yields for pricing non traded debt security.

2.3.3 Other Investments

- a. Money Market Instruments are valued at cost plus accrued interest.
- b. Investments bought on "repo basis" are valued at the resale price after deduction of applicable interest upto the date of resale. Investments sold on "repo basis" are adjusted for the difference between the repurchase price (after deduction of applicable interest upto the date of repurchase) and the value of the instrument.
- c. Traded treasury bills, certificate of deposits and commercial paper are valued at the yield at which they are currently traded. Non-traded treasury bills, certificate of deposits and commercial paper included those not traded for a period of seven days are valued at cost plus accrued interest.

2.3.4 Unrealised appreciation/Depreciation

In accordance with the Guidance Note on Accounting for Investments in the Financial Statements of Mutual Funds by the Institute of Chartered Accountants of India (pursuant to the Eleventh schedule of SEBI Regulations), the unrealized appreciation determined separately for each individual investment is directly transferred to the "Unrealised Appreciation Reserve Account" i.e. without routing it through the revenue account.

The provision for depreciation in value of investments determined separately for each individual investment is recognized in the revenue account. The loss on investments sold / transferred during the year is charged to revenue account, instead of being first adjusted against the provision for depreciation, if already created in the prior year, as recommended by the Guidance Note. However, this departure from the Guidance Note does not have any net impact on the Scheme's net assets.

2.4 Revenue Recognition

- 2.4.1 Income and Expenses are recognized on accrual basis.
- 2.4.2 Profit or loss on sale of investments is determined on the respective trade date by adopting the "Average Cost" method
- 2.4.3 Interest on Debentures, Government of India securities and Money Market Instruments are recognized on accrual basis
- 2.4.4 Interest on funds invested in short-term deposits with scheduled commercial banks is recognized on accrual basis.
- 2.4.5 Proportionate realized gains on investments out of sales / repurchase proceeds at the time of sale / repurchase of units are transferred to revenue Account from Unit Premium Reserve.

3. Unit Premium Reserve Account

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the Unit Premium Reserve of the Scheme, after an appropriate amount of the issue proceeds and redemption payout is credited or debited respectively to the Income Equalization Reserve.

The Unit Premium Reserve is available for distribution of dividend except to the extent it is represented by unrealized net appreciation in value of investments.

4. Income Equalisation Reserve

Income Equalisation Reserve is being maintained by crediting or (debiting) the equalization account in respect of purchase (or redemption) of units by an appropriate amount, which represents the distributable income at the time of purchase (or redemption).

5. Load

Load amount collected is shown as a Current Liability. The amount is payable to the Asset Management Company as and when a claim is lodged by them towards reimbursement of selling and distribution expenses met by them.

6. NOTES ON ACCOUNTS

6.1 The Net Asset Value of the Scheme as on date of Balance sheet is

	As on March 31, 2005	As on March 31, 2004
Growth Option	11.7825	11.7234
Dividend Option	10.6051	10.5509

6.2 Management Fees, Trustee Fees, Custodian Fees**Management Fees**

Management Fee has been computed at 0.75% on average net asset calculated on a daily basis.

Trustee Fees

In accordance with Deed of Trust dated 18th July 1996 between the Settler and the Trustees, the fund has paid or provided an annual fee of Rs. 1,00,000/- per Trustee. Trustee fees are allocated to the schemes on the basis of their daily net assets.

Custodian Fees

HDFC Bank Ltd provides custodial services to the scheme for which it receives custodian fees.

6.3 Provision for tax has not been made as the Scheme's income being an income of a recognized Mutual Fund is exempt from tax by virtue of Section 10(23D) of the Income Tax Act, 1961.

6.4 Certain investments are registered in the name of the Fund without specific reference to the Scheme. As at March 31, 2005 the aggregate market value of securities held in the name of Sahara Mutual Fund is Rs. 21,276,960.

6.5 Transactions with Brokers in excess of 5% or more of the aggregate purchases and sale of securities made by the Fund has been reported to the Trustees on a quarterly basis wherever applicable.

6.6 Transactions with Associates

Brokerage / Commission on sale of units by the Scheme or by the Asset Management Company given to associates, pursuant to Regulation 25(8):

(Rs. In lakhs)

Particulars	Liquid Fund	Income Fund	Short Term Plan	Gilt Fund	Tax Gain Fund	Growth Fund	Midcap Fund
Sahara India Financial Corporation Limited A/c CMSD	2.97	15.22	0.54	17.26	1.26	1.03	5.52

6.7 Aggregate Value of purchases and sales of Investments during the year as a percentage of daily average net asset value;

Purchases

Year	Amount in Rs.	% of Daily average
2004-05	6,426,394,008	1483.46
2003-04	6,741,458,496	1339.99

Sales

Year	Amount in Rupees	% of Daily average
2004-05	7,097,034,276	1638.27
2003-04	6,378,938,489	1267.93

6.8 Income and Expense Ratio

	2004-05	2003-04
Total Income (including net unrealized appreciation and net of loss on sale of investments) to average net assets calculated on a daily basis.	0.12%	9.10%
Total Expenditure to average net assets calculated on a daily basis	1.76%	1.75%

6.9 Movement in Unit Capital
6.9.1 Growth Option

Growth Option	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2005	As on March 31, 2005	As on March 31, 2004	As on March 31, 2004
Initial Capital				
Issued and Subscribed: Units of Rs 10 each	20,125,350.000	201,253,500	20,125,350.000	201,253,500
Opening Balance	63,878,281.548	638,782,815	5,710,747.114	57,107,471
Units Sold during the period	18,554,448.011	185,544,480	101,117,202.864	1,011,172,028
Units Repurchased during the period	(79,346,088.524)	(793,460,885)	(42,949,668.430)	(429,496,684)
Closing Balance	3,086,641.035	30,866,410	63,878,281.548	638,782,815

6.9.2 Dividend Option

Dividend Option	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2005	As on March 31, 2005	As on March 31, 2004	As on March 31, 2004
Initial Capital				
Issued and Subscribed: Units of Rs 10 each	2,405,600.000	24,056,000	2,405,600.000	24,056,000
Opening Balance	1,261,713.207	12,617,132	5,860,763.039	58,607,630
Units Sold during the period	39,077.506	390,775	1,332,599.600	13,325,996
Units Repurchased during the period	(971,308.239)	(9,713,082)	(5,931,649.432)	(59,316,494)
Closing Balance	329,482.474	3,294,825	1,261,713.207	12,617,132

6.10 The Fund has declared the following dividend per unit during the financial year. There was no Bonus declared during the year ended March 31, 2005.

	2004-05	2003-04
Dividend declared on various dates on the face value of Rs.10/- each	Nil	0.575

6.11 Unclaimed Amounts:

Unclaimed Redemption and Dividend during the year ended March 31, 2005 are as below:

Scheme Name	No. of Investors	Unclaimed Dividend (Rs.)	Unclaimed Redemption (Rs.)
Sahara Income Fund	9	-	49,251

6.12 Investments made by the Schemes of Sahara Mutual Fund in Companies or their subsidiaries that have invested more than 5% of the net asset value of any scheme, pursuant to Regulation 25(11).

Company which has invested	Schemes in which companies have invested more than 5 % of the net assets	Name of the Funds/Schemes which have invested in those Companies listed in Column 1	Aggregate cost of acquisition during the period ended 31st March, 2005	Outstanding as at 31st March 2005 at Fair / Market Value
Bharti Tele Ventures Ltd	Sahara Liquid Fund	Sahara Growth Fund	0.16	Nil
Bharti Tele Ventures Ltd	Sahara Liquid Fund	SaharaTax Gain Fund	0.01	Nil
Exim Bank Ltd	Sahara Liquid Fund	Sahara Liquid Fund	9.95	9.95
IDBI	Sahara Liquid Fund	Sahara Liquid Fund	13.77	13.77
IDBI	Sahara Liquid Fund	Sahara Income Fund	0.45	0.45
Punjab National Bank	Sahara Midcap Fund	Sahara Growth Fund	0.04	Nil
Srei Infrastructure Finance Ltd	Sahara Liquid Fund	Sahara Short Term Plan	0.20	Nil
Srei Infrastructure Finance Ltd	Sahara Liquid Fund	Sahara Liquid Fund	119.79	10.00
Vijaya Bank Ltd	Sahara Midcap Fund	Sahara Growth Fund	0.26	Nil
Vijaya Bank Ltd	Sahara Midcap Fund	SaharaTax Gain Fund	0.04	0.04
Wellspun Gujarat Stahi Rohren Ltd	Sahara Liquid Fund	Sahara Growth Fund	0.09	Nil

The above said investments was made to optimize return and retain high liquidity.

6.13 Industry-wise exposure of the scheme.

Name of the instrument	Industry	Rating	Qty	Mkt Value (Rs Lacs)	% NAV	Sub Total
(a) Debt Instruments						
i) Listed/Traded						
BONDS/ NON CONVERTIBLE DEBENTURES						
Associates India Financial Services Ltd **	Banking and Finance	AAA	50	50.10	13.98%	40.63%
Housing Development Finance Corp (HDFC)	Housing Finance	AAA	50000	49.92	13.93%	
Industrial Development Bank of India Bonds **	Banking and Finance	AA+	45000	45.58	12.72%	
(b) GOI Securities						
11.68% CG 2006	Government	Sov	165000	174.77	48.77%	59.37%
12.32% CG 2011	Government	Sov	30000	38.00	10.60%	
Total				358.37	100%	100%

** Thinly Traded/ Non Traded securities

6.14 Investments made by the scheme in Securities of Group Companies of the sponsor – NIL.

6.15 Holdings over 25% of the NAV of the scheme

Particulars	As on March 31, 2005	As on March 31, 2004
Number of Investors	NIL	2
Holdings (in units)	NIL	56,690,218.08
Percentage of holdings	N/A	87.20%

6.16 Previous period figures have been reclassified and regrouped wherever necessary to conform to classification for the current year.

For Deloitte Haskins & Sells
Chartered Accountants

M.K. Ananthanarayanan
Partner

For Sahara Mutual Fund

Amitabha Ghosh **S.T. Gerela**
Trustee Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava
Director

Sanjiv Kapoor
Director

Rajiv Shastri
Chief Executive Officer

V. Sriram
Fund Manager

Viji Krishnan
Head (Operations & Accounts)

Place: Chennai
Date: September 20, 2005

Place : Mumbai
Date : September 20, 2005

PERSPECTIVE HISTORICAL PER UNIT STATISTICS

Particulars	Year Ended		
	March 31, 2005	March 31, 2004	March 31, 2003
(a) Gross Income			
(i) Income other than Profit on sale of Investments	8.02	0.47	0.55
(ii) Income from Profit (net of loss) on inter-scheme sales/ transfer of Investments	-2.26	0.02	0.03
(iii) Income from Profit (net of Loss) on sale other than Inter-scheme	-4.87	0.16	-0.07
(iv) Transfer to revenue account from past year's reserve	NA	NA	NA
(b) Aggregate of expenses, write off, amortisation and charges	2.23	0.14	0.14
(c) Net Income	-1.35	0.51	0.37
(d) Net unrealised appreciation/(depreciation) in value of Investments	-0.02	0.04	-0.06
(e) Net Asset Value			
Growth Plan	11.7825	11.7234	10.6538
Dividend Plan	10.6051	10.5509	10.2027
(f) Repurchase Price during the year**			
(i) Highest			
Growth Plan	11.8168	11.6647	10.9133
Dividend Plan	10.6349	10.6120	10.7058
(ii) Lowest			
Growth Plan	11.3867	10.6599	9.9102
Dividend Plan	10.2477	10.1841	9.9102
(g) Resale Price during the year**			
(i) Highest			
Growth Plan	11.8168	11.7234	10.9681
Dividend Plan	10.6349	10.6654	10.7596
(ii) Lowest			
Growth Plan	11.3867	10.7135	9.9600
Dividend Plan	10.2477	10.2326	9.9600
(h) Ratio of expenses to average daily net assets by Percentage	1.76%	1.75%	1.75%
(i) Ratio of income to average daily net assets by Percentage	0.12%	9.10%	6.09%
(excluding transfer to revenue account from past year's reserve but including net change in unrealized appreciation / depreciation in value of Investments and adjusted for net loss on sale / redemption of investments)			

Per unit calculations based on number of units in issue at the end of the year

**Based on the maximum load during the year

SAHARA LIQUID FUND
AUDITORS' REPORT
TO THE TRUSTEES OF SAHARA MUTUAL FUND

We have audited the attached Balance Sheet of Sahara Liquid Fund, ("the Scheme") as at March 31, 2005 and also the related Revenue Account for the year ended on that date, annexed thereto. These financial statements are the responsibility of Trustees – Sahara Mutual Fund and the management of Sahara Asset Management Company Private Limited (the "Management"). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as at March 31, 2005 by obtaining confirmations from the custodians and others. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that,

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for purposes of our audit. The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
2. The Balance Sheet and Revenue Account have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Revenue Account together with the Schedules, Notes and Accounting Policies thereon give the information required by The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and give a true and fair view in conformity with the Accounting Principles generally accepted in India.
 - a) in the case of Balance Sheet of the State of Affairs of the Scheme as on March 31, 2005, and
 - b) in the case of the Revenue Account the Surplus for the year ended on that date.
4. The methods used to value non-traded and thinly traded securities as at March 31, 2005 as determined by The Asset Management Company and approved by the Trustees in accordance with guidelines issued by The Securities and Exchange Board of India are fair and reasonable.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Chennai
September 20, 2005

M.K. ANANTHANARAYANAN
Partner

MEMBERSHIP NO : 19521

BALANCE SHEET AS AT MARCH 31, 2005

ASSETS	Sch. No	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
Investments	1	1,230,301,302	1,641,852,709
Deposits	2	145,000,000	414,500,000
Other Current Assets	3	17,045,119	83,771,663
Total Assets		<u>1,392,346,421</u>	<u>2,140,124,372</u>
LIABILITIES			
Unit Capital	4	1,233,125,798	1,886,439,311
Reserves & Surplus	5	156,954,437	252,527,808
Current Liabilities & Provisions	6	2,266,186	1,157,253
Total Liabilities		<u>1,392,346,421</u>	<u>2,140,124,372</u>
Notes to the accounts	10		

Schedule 1 to 6 and 10 form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund

Amitabha Ghosh

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

Mahesh V. Sairam

Fund Manager

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

	Schedule	For the year ended March 31, 2005 (Rs)	For the year ended March 31, 2004 (Rs)
INCOME			
Interest & Discounting Income	7	235,821,203	88,763,653
Profit on Sale / Redemption of Investments (Other than Inter Scheme Transfer / Sale)		1,434,390	423,537
Profit on Sale / Transfer of Investments (Inter Scheme)		105,186	344,248
Total Income		237,360,779	89,531,438
EXPENSES & LOSSES			
Loss on Sale / Redemption of Investments (Other than Inter-Scheme Transfer / Sale)		53,446,227	2,130,426
Loss on Sale / Transfer of Investments (Inter Scheme)		73,804	320,903
Management Fees		5,136,985	3,505,330
Trusteeship Fees		313,379	315,905
Operating Expenses	9	7,521,095	6,829,515
Total Expenses		66,491,489	13,102,079
Surplus for the year excluding unrealised appreciation		170,869,290	76,429,359
Less : Provision for depreciation in value of investments	8	68,910,124	6,334,678
		101,959,165	70,094,681
Transfer from Income Equalisation Reserve		(132,811,701)	130,733,893
Dividend including Distribution Tax		(9,511,186)	(9,104,842)
(Deficit) / Surplus Transferred to Reserve		(40,363,722)	191,723,732
Notes to the accounts	10		

Schedule 7 to 10 form an integral part of the Revenue Account

This is the Revenue Account referred to in our report of even date

For Deloitte Haskins & Sells
Chartered Accountants

M.K. Ananthanarayanan
Partner

Place: Chennai
Date: September 20, 2005

For Sahara Mutual Fund

Amitabha Ghosh
Trustee

S.T. Gerela
Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava
Director

Sanjiv Kapoor
Director

Rajiv Shastri
Chief Executive Officer

Mahesh V. Sairam
Fund Manager

Viji Krishnan
Head (Operations & Accounts)

Place: Mumbai
Date: September 20, 2005

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
SCHEDULE 1		
Investments		
Listed Non Convertible Debentures	377,697,839	91,919,430
Unlisted Privately Placed Debentures	428,000,000	985,000,000
Commercial Papers / Treasury Bills	281,649,155	318,629,707
Pass Through Certificates	121,990,533	146,202,358
Investments Under Repos	20,963,775	100,101,214
	<u>1,230,301,302</u>	<u>1,641,852,709</u>
SCHEDULE 2		
Deposits		
With Scheduled Bank	145,000,000	414,500,000
	<u>145,000,000</u>	<u>414,500,000</u>
SCHEDULE 3		
Other Current Assets		
Balances with Banks in Current Account	1,401,087	18,282,992
Outstanding and Accrued Income	15,644,032	16,281,952
Receivable on Contracts for sale	-	49,205,950
Others	-	769
	<u>17,045,119</u>	<u>83,771,663</u>
SCHEDULE 4		
Unit Capital		
Growth Option 76281568.999 units of Rs.10 each (For 2003-04 - 185175151.595 units)	762,815,690	1,851,751,516
Dividend Option 47031010.755 units of Rs.10 each (For 2003-04 - 3468779.524 units)	470,310,108	34,687,795
Balance at the end of the year (Refer Notes on Accounts 5.9)	<u>1,233,125,798</u>	<u>1,886,439,311</u>

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
SCHEDULE 5		
Reserves and Surplus		
Revenue account		
Balance as at beginning of the year	251,979,918	60,256,186
Transferred from Revenue Account	(40,363,722)	191,723,732
Balance as at end of the year	211,616,196	251,979,918
Income Equalisation Reserve		
Balance as at beginning of the year		
Additions during the year	(132,811,701)	130,733,893
Transferred to Revenue Account	132,811,701	(130,733,893)
Balance as at end of the year	-	-
Unrealised Appreciation Reserve		
Balance as at beginning of the year	657,667	199,280
Additions during the year	58,263	458,387
Balance as at end of the year	715,930	657,667
Unit Premium Reserve		
Balance as at beginning of the year	(109,777)	627,786
Additions during the year, Net	(55,267,912)	(737,563)
Balance as at end of the year	(55,377,689)	(109,777)
Balance carried to the Balance Sheet	156,954,437	252,527,808

	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
SCHEDULE 6		
Current Liabilities and Provisions		
Sundry Creditors	2,266,186	1,024,672
Amount received for purchase of units - pending allotment	-	65,000
Payable on Switches / Redemption of units	-	58,902
Others	-	8,679
	2,266,186	1,157,253

SCHEDULES FORMING PART OF REVENUE ACCOUNT

	For the year ended March 31, 2005 (Rs)	For the year ended March 31, 2004 (Rs)
SCHEDULE 7		
INTEREST & DISCOUNT		
Debentures / Bonds	27,008,362	66,846,871
Government of India Securities	108,554,885	276,250
Treasury Bills	3,451,237	550,132
Certificate of Deposit / Commercial Paper	17,094,433	8,205,072
Deposits	16,345,160	2,627,487
Others	63,367,126	10,257,841
	<u>235,821,203</u>	<u>88,763,653</u>
SCHEDULE 8		
Provision for Depreciation in value of investments		
At the beginning of the year	7,659,337	1,324,659
At the end of the year	76,569,461	7,659,337
Net Changes in Provision for depreciation in value of investments	<u>68,910,124</u>	<u>6,334,678</u>
SCHEDULE 9		
Operating Expenses		
Registrar & Transfer Agent Charges	5,363,856	2,971,935
Custodian Fees & Expenses	374,574	626,059
Service Tax	-	275,525
Audit Fees	376,948	202,690
Marketing & Other Expenses	1,405,717	2,753,306
	<u>7,521,095</u>	<u>6,829,515</u>

Sach Mein Mutual

SCHEDULE: 10

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005

1. INTRODUCTION

1.1 About the Scheme

Sahara Liquid Fund (the "Scheme") is an Open-Ended Income Scheme of Sahara Mutual Fund (the "Fund"). The primary objective of creating a highly liquid portfolio of good quality Debt as well as Money Market Instruments with a view to provide high liquidity and reasonable returns. The scheme has two plans – (i) Growth Plan and (ii) Dividend Plan - Reinvestment. The Scheme will not declare dividend under the Growth Plan. The Income earned on such units will remain invested under the scheme and will be reflected in the Net Asset Value. The initial issue period of the scheme was from February 6, 2002 to February 14, 2002 and the scheme was open for continuous purchase and redemption at the prevailing NAV from February 20, 2002.

1.2 Asset Management Company

SEBI vide their letter No IMD/SP/21516/03 dated November 13, 2003 had given their approval to Sahara India Financial Corporation Limited to sponsor the Mutual Fund. Sahara India Financial Corporation Limited acquired the controlling interest of the First India Asset Management Company Pvt. Ltd. on February 4, 2004 and became the sponsor of the First India Mutual Fund from that date. Consequently, based on an application made by Sahara India Financial Corporation Limited, the Registrar of Companies (ROC), Chennai approved the change of the AMC name from First India Asset Management Company Pvt. Ltd. to Sahara Asset Management Company Private Limited on March 19, 2004 and SEBI approved the change of name of First India Mutual Fund to Sahara Mutual Fund with effect from April 1, 2004. Accordingly, the name of the Scheme has been changed from First India Liquid Fund to Sahara Liquid Fund.

The present shareholding of Sahara Asset Management Company Private Limited is as follows:

Sahara India Financial Corporation Limited –50%, Sahara India Corp Investment Limited - 25% and Sahara India Investment Corporation Limited - 25%.

2. SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with regulations and guidelines issued by Securities and Exchange Board of India from time to time and have been approved by the Board of Directors of the Asset Management Company and the Trustees.

2.1 Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

2.2 Accounting for Investments

2.2.1 Purchase and sale of investments are accounted on trade dates at price including / net of brokerage and other charges. Stamp duty is accounted when paid for

2.2.2 Primary market Investments are recognized on the basis of allotment advice

2.2.3 Front end fees on privately placed Debentures have been adjusted to the cost of investments

2.3 Valuation of Investments

2.3.1 Traded Investments

- a. Market Value of Investments which are traded on a stock exchange are valued at the last available price quoted at an appropriate stock exchange on the valuation date.
- b. If there is no quote on the valuation date, it is valued at the last available quoted price at an appropriate stock exchange not exceeding the prescribed number of days (15 days) preceding the valuation date.
- c. Government Securities are valued at the price released by an Agency (CRISIL) approved by AMFI on daily basis.

2.3.2 Unlisted/Non traded/Thinly Traded Investments

- a. A debt security (other than a Government security) is considered as a thinly traded security if on the valuation date, there are no individual trades in that security in marketable lots (currently Rs. 5 Crores) on the principal stock exchange or any other stock exchange.

- b. Investments not traded on any stock exchange for a prescribed period prior to the valuation date are treated as non-traded.
- c. Valuation of Unlisted/Non-traded/Thinly Traded debt instruments maturing within 182 days as at valuation date are valued at cost plus difference between the redemption value and the cost spread uniformly over the remaining maturity period of instrument.
- d. Non traded/thinly traded debt securities over 182 days to maturity are valued in good faith by the Investment manager on the basis of valuation principles laid down by SEBI. The approach in valuation of non-traded/thinly traded debt securities over 182 days to maturity is based on the concept of using spreads to maturity to arrive at yields for pricing non traded debt security.

2.3.3 Other Investments

- a. Money Market Instruments are valued at cost plus accrued interest.
- b. Investments bought on "repo basis" are valued at the resale price after deduction of applicable interest upto the date of resale. Investments sold on "repo basis" are adjusted for the difference between the repurchase price (after deduction of applicable interest upto the date of repurchase) and the value of the instrument.
- c. Traded treasury bills, certificate of deposits and commercial paper are valued at the yield at which they are currently traded. Non-traded treasury bills, certificate of deposits and commercial paper included those not traded for a period of seven days are valued at cost plus accrued interest.

2.3.4 Unrealised appreciation/Depreciation

In accordance with the Guidance Note on Accounting for Investments in the Financial Statements of Mutual Funds by the Institute of Chartered Accountants of India (pursuant to the Eleventh schedule of SEBI Regulations), the unrealized appreciation determined separately for each individual investment is directly transferred to the "Unrealised Appreciation Reserve Account" i.e. without routing it through the revenue account.

The provision for depreciation in value of investments determined separately for each individual investment is recognized in the revenue account. The loss on investments sold / transferred during the year is charged to revenue account, instead of being first adjusted against the provision for depreciation, if already created in the prior year, as recommended by the Guidance Note. However, this departure from the Guidance Note does not have any net impact on the Scheme's net assets.

2.4 Revenue Recognition

- 2.4.1 Income and Expenses are recognized on accrual basis.
- 2.4.2 Profit or loss on sale of investments is determined on the respective trade date by adopting the "Average Cost" method
- 2.4.3 Interest on Debentures, Government of India securities, Floating Rate Bonds and Money Market Instruments are recognized on accrual basis
- 2.4.4 Interest on funds invested in short-term deposits with scheduled commercial banks is recognized on accrual basis.
- 2.4.5 Proportionate realized gains on investments out of sales / repurchase proceeds at the time of sale / repurchase of units are transferred to revenue Account from Unit Premium Reserve.

3. Unit Premium Reserve Account

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the Unit Premium Reserve of the Scheme, after an appropriate amount of the issue proceeds and redemption payout is credited or debited respectively to the Income Equalization Reserve.

The Unit Premium reserve is available for distribution of dividend except to the extent it is represented by unrealized net appreciation in value of investments.

4. Income Equalisation Reserve

Income Equalisation Reserve is being maintained by crediting or (debiting) the equalization account in respect of purchase (or redemption) of units by an appropriate amount which represents the distributable income at the time of purchase (or redemption).

5. NOTES ON ACCOUNTS

5.1 The Net Asset Value of the scheme as on date of Balance Sheet is

	As on March 31, 2005	As on March 31, 2004
Growth Option	11.9127	11.3594
Dividend Option	10.2365	10.2338

5.2 Management Fees, Trustee Fees, Custodian Fees**Management Fees**

Management Fees has been computed at 0.25% on average net asset calculated on a daily basis.

Trustee Fees

In accordance with Deed of Trust dated 18th July 1996 between the Settler and the Trustees, the fund has paid or provided an annual fee of Rs. 1,00,000/- per Trustee. Trustee fees are allocated to the schemes on the basis of their daily net assets.

Custodian Fees

HDFC Bank Ltd provides custodial services to the scheme for which it receives custodian fees.

5.3 Provision for tax has not been made as the Scheme's income being an income of a recognized Mutual Fund is exempt from tax by virtue of Section 10(23D) of the Income Tax Act, 1961.

5.4 Certain investments and fixed deposits are registered in the name of the Fund without specific reference to the Scheme. As at March 31, 2005 the aggregate market value of securities held in the name of Sahara Mutual Fund is Rs. 327,107,355

5.5 Transactions with Brokers in excess of 5% or more of the aggregate purchases and sale of securities made by the Fund has been reported to the Trustees on a quarterly basis wherever applicable

5.6 Transactions with Associates

Brokerage / Commission on sale of units by the Scheme or by the Asset Management Company given to associates, pursuant to Regulation 25(8):

(Rs. In lakhs)

Particulars	Liquid Fund	Income Fund	Short Term Plan	Gilt Fund	Tax Gain Fund	Growth Fund	Midcap Fund
Sahara India Financial Corporation Limited A/c CMSD	2.97	15.22	0.54	17.26	1.26	1.03	5.52

5.7 Aggregate Value of purchases and sales of Investments during the year as a percentage of daily average net asset value;

Purchases

Year	Amount in Rs.	% of Daily average
2004-05	17,735,045,365	822.13
2003-04	3,935,728,690	275.51

Sales

Year	Amount in Rupees	% of Daily average
2004-05	18,294,281,211	848.05
2003-04	2,000,808,544	140.01

5.8 Income and Expense Ratio

	2004-05	2003-04
Total Income (including net unrealized appreciation and net of loss on sale of investments) to average net assets calculated on a daily basis.	5.33%	5.68%
Total Expenditure to average net assets calculated on a daily basis	0.60%	0.75%

5.9 Movement in Unit Capital
5.9.1 Growth Option

Growth Option	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2005	As on March 31, 2005	As on March 31, 2004	As on March 31, 2004
Issued and Subscribed:				
Units of Rs 10 each	22,977,400.000	229,774,000	22,977,400.000	229,774,000
Opening Balance	185,175,151.595	1,851,751,516	75,303,889.154	753,038,892
Units Sold during the period	1,002,787,099.557	10,027,870,996	881,872,218.212	8,818,722,182
Units Repurchased during the period	(1,111,680,682.153)	(11,116,806,822)	(772,000,955.771)	(7,720,009,558)
Closing Balance	76,281,568.999	762,815,690	185,175,151.595	1,851,751,516

5.9.2 Dividend Option

Dividend Option	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2005	As on March 31, 2005	As on March 31, 2004	As on March 31, 2004
Issued and Subscribed:				
Units of Rs 10 each	5,376,000.000	53,760,000	5,376,000.000	53,760,000
Opening Balance	3,468,779.524	34,687,795	5,034,904.454	50,349,045
Units Sold during the period	327,048,112.828	3,270,481,129	81,141,655.560	811,416,556
Units Repurchased during the period	(283,485,881.597)	(2,834,858,816)	(82,707,780.490)	(827,077,805)
Closing Balance	47,031,010.755	470,310,108	3,468,779.524	34,687,795

5.10 The Fund has declared the following dividend per unit during the financial year. There were no Bonus declared during the year ended March 31, 2005.

	2004-05	2003-04
Daily Dividend declared on the face value of Rs.10/- each	0.44	0.5264

5.11 Unclaimed Amounts:

Unclaimed Redemption and Dividend during the year ended March 31, 2005 are as below:

Scheme Name	No. of Investors	Unclaimed Dividend (Rs.)	Unclaimed Redemption (Rs.)
Sahara Income Fund	9	-	49,251

5.12 Investments made by the Schemes of Sahara Mutual Fund in Companies or their subsidiaries that have invested more than 5% of the net asset value of any scheme, pursuant to Regulation 25(11).

(Rs. In crores)

Company which has invested	Schemes in which companies have invested more than 5 % of the net assets	Name of the Funds/Schemes which have invested in those Companies listed in Column 1	Aggregate cost of acquisition during the period ended 31st March, 2005	Outstanding as at 31st March 2005 at Fair / Market Value
Bharti Tele Ventures Ltd	Sahara Liquid Fund	Sahara Growth Fund	0.16	Nil
Bharti Tele Ventures Ltd	Sahara Liquid Fund	SaharaTax Gain Fund	0.01	Nil
Exim Bank Ltd	Sahara Liquid Fund	Sahara Liquid Fund	9.95	9.95
IDBI	Sahara Liquid Fund	Sahara Liquid Fund	13.77	13.77
IDBI	Sahara Liquid Fund	Sahara Income Fund	0.45	0.45
Punjab National Bank	Sahara Midcap Fund	Sahara Growth Fund	0.04	Nil
Srei Infrastructure Finance Ltd	Sahara Liquid Fund	Sahara Short Term Plan	0.20	Nil
Srei Infrastructure Finance Ltd	Sahara Liquid Fund	Sahara Liquid Fund	119.79	10.00
Vijaya Bank Ltd	Sahara Midcap Fund	Sahara Growth Fund	0.26	Nil
Vijaya Bank Ltd	Sahara Midcap Fund	SaharaTax Gain Fund	0.04	0.04
Wellspun Gujarat Stahi Rohren Ltd	Sahara Liquid Fund	Sahara Growth Fund	0.09	Nil

The above said investments were made to optimize return and retain high liquidity.

5.13 Industry wise exposure of the scheme:

Name of the Instrument	Industry	Qty	Rating	Mkt Value (Rs Lacs)	% of Portfolio	Sub Total
(a) Debt Instruments						
i) Listed/Traded						
BONDS/ NON CONVERTIBLE DEBENTURES						
Industrial Development Bank of India Bonds**	Banking and Finance	455000	AA+	460.86	3.81%	
Industrial Development Bank of India NCD **	Banking and Finance	500000	AA+	516.52	4.27%	
Citicorp Maruti Finance Ltd**	Banking and Finance	5	AAA	499.44	4.13%	
Associates India Financial Services Ltd**	Banking and Finance	450	AAA	450.87	3.73%	
HDFC Ltd	Housing Finance	450000	AAA	449.30	3.72%	19.66%
Privately Placed						
SREI Infrastructure Finance Ltd -NCD	Banking and Finance	1000000	PR1+	1000.00	8.27%	8.27%
FLOATING RATE NCDs						
Industrial Development Bank of India**	Banking and Finance	400000	AA+	400.00	3.31%	3.31%
(ii) Privately Placed/Unlisted						
Pass Through Certificates						
GE Capital Services - PTC**	Banking and Finance	5	P1+SO	509.52	4.21%	
ICICI Bank- PTC**	Banking and Finance	10	AAA(SO)	361.92	2.99%	
Tata Motors Ltd - PTC**	Automobiles	5	AAA(SO)	348.46	2.88%	10.08%

Name of the Instrument	Industry	Qty	Rating	Mkt Value (Rs Lacs)	% NAV	Sub Total
FLOATING RATE NCDs						
Sundaram Finance Ltd**	Banking and Finance	1000000	P1+	1000.00	8.27%	
Berger Paints Ltd**	Paints	970000	P1+	970.00	8.02%	
Madras Cements Ltd**	Cement	770000	P1+	770.00	6.37%	
MIRC Electronics**	Consumer Electronics	570000	AA+	570.00	4.71%	
Citi Financial Consumer Finance India Ltd**	Banking and Finance	500000	AAA	500.00	4.13%	
Whirlpool**	Consumer Electronics	470000	P1+	470.00	3.89%	35.39%
(B) Money Market Instruments						
COMMERCIAL PAPER/CDs						
Exim Bank Ltd**	Banking and Finance	1000000	P1+	995.41	8.23%	8.23%
T BILLS	Government	1825000	Sov	1821.07	15.06%	15.06%
TOTAL				12093.37	100.00%	100.00%

** Thinly Traded / Non Traded securities

5.14 Investments made by the scheme in Securities of Group Companies of the sponsor – NIL

5.15 Holdings over 25% of the NAV of the scheme:

Particulars	As on March 31, 2005	As on March 31, 2004
Number of Investors	NIL	1
Holdings (in units)	NIL	71,172,212.743
Percentage of holdings	N/A	37.80%

5.16 Previous period figures have been reclassified and regrouped wherever necessary to conform to classification for the current year.

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund

Amitabha Ghosh

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

Mahesh V. Sairam

Fund Manager

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005

PERSPECTIVE HISTORICAL PER UNIT STATISTICS

Particulars	Year Ended		
	March 31, 2005	March 31, 2004	March 31, 2003
(a) Gross Income			
(i) Income other than Profit on sale of Investments	1.91	0.47	0.57
(ii) Income from Profit (net of loss) on inter-scheme sales/ transfer of Investments	0.0003	0.0001	0.01
(iii) Income from Profit (net of Loss) on sale other than Inter scheme	-0.42	-0.01	0.01
(iv) Transfer to revenue account from past year's reserve	NA	NA	NA
(b) Aggregate of expenses, write off, amortisation and charges	0.11	0.06	0.06
(c) Net Income	1.38	0.40	0.53
(d) Net unrealised appreciation/(depreciation) in value of Investments	-0.62	-0.04	-0.01
(e) Net Asset Value			
Growth Plan	11.9127	11.3594	10.7910
Dividend Plan	10.2365	10.2338	10.3012
(f) Repurchase Price during the year			
(i) Highest			
Growth Plan	11.9127	11.3594	10.7910
Dividend Plan	10.2525	10.3690	10.3663
(ii) Lowest			
Growth Plan	11.3607	10.7949	10.0868
Dividend Plan	10.2338	10.1677	10.0152
(g) Resale Price during the year			
(i) Highest			
Growth Plan	11.9127	11.3594	10.7910
Dividend Plan	10.2525	10.3690	10.3663
(ii) Lowest			
Growth Plan	11.3607	10.7949	10.0868
Dividend Plan	10.2338	10.1677	10.0152
(h) Ratio of expenses to average daily net assets by Percentage	0.60%	0.75%	0.75%
(i) Ratio of income to average daily net assets by Percentage (excluding transfer to revenue account from past year's reserve but including net change in unrealized appreciation / depreciation in value of Investments and adjusted for net loss on sale / redemption of investments)	5.33%	5.68%	7.35%

**Based on the maximum load during the year

Per unit calculations based on number of units in issue at the end of the year

SAHARA GILT FUND

AUDITORS' REPORT

TO THE TRUSTEES OF SAHARA MUTUAL FUND

We have audited the attached Balance Sheet of Sahara Gilt Fund, ("the Scheme") as at March 31, 2005 and also the related Revenue account for the year ended on that date, annexed thereto. These financial statements are the responsibility of Trustees – Sahara Mutual Fund and the management of Sahara Asset Management Company Private Limited (the "Management"). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as at March 31, 2005 by obtaining confirmations from the custodians and others. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that,

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for purposes of our audit. The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
2. The Balance Sheet and Revenue Account have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Revenue Account together with the Schedules, Notes and Accounting Policies thereon give the information required by The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and give a true and fair view in conformity with the Accounting Principles generally accepted in India.
 - a) in the case of Balance Sheet of the State of Affairs of the Scheme as on March 31, 2005, and
 - b) in the case of the Revenue Account the Deficit for the year ended on that date.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Chennai
September 20, 2005

M.K.ANANTHANARAYANAN
Partner

MEMBERSHIP NO : 19521



BALANCE SHEET AS AT MARCH 31, 2005

ASSETS	Sch. No	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
Investments	1	561,279,669	229,645,550
Deposits	2	-	20,000,000
Other Current Assets	3	29,970,348	5,627,492
Total Assets		591,250,017	255,273,042
LIABILITIES			
Unit Capital	4	516,506,172	218,676,956
Reserves & Surplus	5	72,086,642	36,216,759
Current Liabilities & Provisions	6	2,657,202	379,327
Total Liabilities		591,250,017	255,273,042
Notes to the accounts	10		

Schedule 1 to 6 and 10 form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund**Amitabha Ghosh**

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited**Om Prakash Srivastava**

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

V. Sriram

Fund Manager

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

	Schedule	For the year ended March 31, 2005 (Rs)	For the year ended March 31, 2004 (Rs)
INCOME			
Interest & Discount Income	7	21,310,175	10,694,601
Profit on Sale / Redemption of Investments (Other than Inter Scheme Transfer / Sale)		7,773,576	10,507,279
Profit on Sale / Transfer of Investments (Inter Scheme)		374	638,646
Total Income		29,084,125	21,840,526
EXPENSES & LOSSES			
Loss on Sale / Redemption of Investments (Other than Inter-Scheme Transfer / Sale)		23,756,121	7,752,675
Loss on Sale / Transfer of Investments (Inter Scheme)		15,062	144,799
Management Fees		1,717,682	910,213
Trusteeship Fees		170,523	39,177
Operating Expenses	8	3,239,944	1,781,225
Total Expenses		28,899,332	10,628,089
Surplus before unrealised depreciation		184,792	11,212,437
Less: Provision for depreciation on value of investments	9	1,780,865	-
(Deficit) / Surplus for the Year (excluding unrealised appreciation)		(1,596,073)	11,212,437
Transfer from Income Equalisation Reserve		39,172,768	29,533,162
Dividend including Distribution Tax		-	(6,969,806)
Surplus transferred to Reserves		37,576,696	33,775,793
Notes to the accounts	10		

Schedule 7 to 10 form an integral part of the Revenue Account

This is the Revenue Account referred to in our report of even date

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund

Amitabha Ghosh

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

V. Sriram

Fund Manager

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
SCHEDULE 1		
Investments		
Government of India Securities	443,276,040	229,645,550
Treasury Bills	96,552,454	-
Repo	21,451,175	-
	<u>561,279,669</u>	<u>229,645,550</u>
SCHEDULE 2		
Deposits		
With Scheduled Bank	-	20,000,000
	-	<u>20,000,000</u>
SCHEDULE 3		
Other Current Assets		
Balances with Banks in Current account	14,188,585	2,029,731
Outstanding and Accrued Income	15,781,763	3,597,761
	<u>29,970,348</u>	<u>5,627,492</u>
SCHEDULE 4		
Unit Capital		
Growth Option 51581071.233 units of Rs.10 each (For 2003-04 - 21757470.791 units)	515,810,712	217,574,708
Dividend Option 69545.962 units of Rs.10 each (For 2003-04 - 110224.760 units)	695,460	1,102,248
Balance at the end of the year (Refer Notes on Accounts 6.9)	<u>516,506,172</u>	<u>218,676,956</u>
	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
SCHEDULE 5		
Reserves and Surplus		
Revenue account		
Balance as at beginning of the year	34,507,809	732,016
Transferred from Revenue Account	37,576,696	33,775,793
Balance as at end of the year	<u>72,084,504</u>	34,507,809
Income Equalisation Account		
Balance as at beginning of the year	-	-
Added during the year	39,172,768	29,533,162
Transferred to Revenue Account	(39,172,768)	(29,533,162)
Balance as at end of the year	-	-
Unrealised Appreciation Reserve		
Balance as at beginning of the year	1,553,015	154,425
Added during the year	(1,553,015)	1,398,590
Balance as at end of the year	-	1,553,015

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
Unit Premium Reserve		
Balance as at beginning of the year	155,935	17,363
Added during the year , Net	<u>(153,797)</u>	138,572
Balance as at end of the year	<u>2,138</u>	155,935
	<u><u>72,086,642</u></u>	<u><u>36,216,759</u></u>
SCHEDULE 6		
Current Liabilities and Provisions		
	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
Sundry Creditors	2,652,443	355,410
Amount payable on switches	-	14,791
Others	<u>4,759</u>	9,126
	<u><u>2,657,202</u></u>	<u><u>379,327</u></u>

SCHEDULES FORMING PART OF REVENUE ACCOUNT

	For the year ended March 31, 2005 (Rs)	For the year ended March 31, 2004 (Rs)
SCHEDULE 7		
INTEREST & DISCOUNT		
Government of India Securities	13,916,091	10,350,184
Non Convertible Debentures	3,940	-
Treasury Bills	5,515,984	155,559
Deposits	475,918	143,787
Others	<u>1,398,242</u>	45,071
	<u><u>21,310,175</u></u>	<u><u>10,694,601</u></u>
SCHEDULE 8		
Operating Expenses		
Custodian Fees & Expenses	-	126,078
Service Tax	-	72,539
Audit Fees	60,185	19,784
Registrar & Transfer Agent Charges	856,409	659,651
Marketing & Other Expenses	<u>2,323,350</u>	903,173
	<u><u>3,239,944</u></u>	<u><u>1,781,225</u></u>
SCHEDULE 9		
Provision for Depreciation in value of investments		
At the beginning of the year	-	-
At the end of the year	<u>1,780,865</u>	-
Net Change in Provision for depreciation in value of investments	<u><u>1,780,865</u></u>	<u><u>-</u></u>

SCHEDULE: 10**ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005****1. INTRODUCTION****1.1 About the Scheme**

Sahara Gilt Fund (the "Scheme") is an Open-Ended Scheme of Sahara Mutual Fund (the "Fund"). The primary objective is generating risk-free return and to provide medium to long term capital gains emphasizing the importance of capital preservation and investments will solely be in sovereign securities issued by Central or State Government or any security unconditionally guaranteed by Government of India. The scheme has two Plans – (i) Growth Plan and (ii) Dividend Plan. The scheme will not declare dividend under the Growth Plan. The Income earned on such units will remain invested under the scheme and will be reflected in the Net Asset Value. The initial issue period of the scheme was from February 6, 2002 to February 14, 2002 and the scheme was reopened for continuous purchase and redemption at prevailing NAV from February 22, 2002.

1.2 Asset Management Company

SEBI vide their letter No IMD/SP/21516/03 dated November 13, 2003 had given their approval to Sahara India Financial Corporation Limited to sponsor the Mutual Fund. Sahara India Financial Corporation Limited acquired the controlling interest of the First India Asset Management Company Pvt Ltd on February 4, 2004 and became the sponsor of the First India Mutual Fund from that date. Consequently, based on an application made by Sahara India Financial Corporation Limited to the Registrar of Companies (ROC), Chennai approved the change of the AMC name from First India Asset Management Company Pvt Ltd to Sahara Asset Management Company Private Limited on March 19, 2004 and SEBI approved the change of name of First India Mutual Fund to Sahara Mutual Fund with effect from April 1, 2004. Accordingly, the name of the Scheme has been changed from First India Gilt Fund to Sahara Gilt Fund.

The present shareholding of Sahara Asset Management Company Private Limited is as follows:

Sahara India Financial Corporation Limited –50%, Sahara India Corp Investment Limited - 25% and Sahara India Investment Corporation Limited - 25%.

2. SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with regulations and guidelines issued by Securities and Exchange Board of India from time to time and have been approved by the Board of Directors of the Asset Management Company and the Trustees.

2.1 Basis of Accounting

The Financials are prepared on the accrual basis of accounting.

2.2 Accounting for Investments

2.2.1 Purchase and sale of investments are accounted on trade dates at price including / net of brokerage and other charges. Stamp duty is accounted when paid for.

2.2.2 Primary market Investments are recognized on the basis of allotment advice

2.3 Valuation of Investments

2.3.1 Government Securities are valued at the price released by an Agency (CRISIL) approved by AMFI on daily basis.

2.3.2 Investments bought on "repo basis" are valued at the resale price after deduction of applicable interest upto the date of resale. Investments sold on "repo basis" are adjusted for the difference between the repurchase price (after deduction of applicable interest upto the date of repurchase) and the value of the instrument.

2.3.3 Traded treasury bills, certificate of deposits and commercial paper are valued at the yield at which they are currently traded. Non-traded treasury bills, certificate of deposits and commercial paper included those not traded for a period of seven days are valued at cost plus accrued interest.

2.3.4 In accordance with the Guidance Note on Accounting for Investments in the Financial Statements of Mutual Funds by the Institute of Chartered Accountants of India (pursuant to the Eleventh schedule of SEBI Regulations), the unrealized appreciation determined separately for each investment is directly transferred to the "Unrealised Appreciation Reserve Account" i.e. without routing it through the revenue account.

The provision for depreciation in value of investments determined separately for each individual investment is recognized in the revenue account. The loss on investments sold / transferred during the year is charged to revenue account, instead of being first adjusted against the provision for depreciation, if already created in the prior year, as recommended by the Guidance Note. However, this departure from the Guidance Note does not have any net impact on the Scheme's net assets.

2.4 Revenue Recognition

- 2.4.1 Income and Expenses are recognized on accrual basis.
- 2.4.2 Profit or loss on sale of investments is determined on the respective trade date by adopting the "Average Cost" method.
- 2.4.3 Interest on Government of India Securities and Money Market Instruments are recognized on accrual basis.
- 2.4.4 Interest on funds invested in short-term deposits with scheduled commercial banks is recognized on accrual basis.
- 2.4.5 Proportionate realized gains on investments out of sales / repurchase proceeds at the time of sale / repurchase of units are transferred to Revenue Account from Unit Premium Reserve.

3 Unit Premium Reserve

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the Unit Premium Reserve of the Scheme, after an appropriate amount of the issue proceeds and redemption payout is credited or debited respectively to the Income Equalization Reserve.

The Unit Premium Reserve is available for distribution of dividend except to the extent it is represented by unrealized net appreciation in value of investments.

4 Income Equalisation Reserve

Income Equalisation Reserve is being maintained by crediting or (debiting) the equalization account in respect of purchase (or redemption) of units by an appropriate amount, which represents the distributable income at the time of purchase (or redemption).

5. Load

Load amount collected is shown as a Current Liability. The amount is payable to the Asset Management Company as and when a claim is lodged by them towards reimbursement of selling and distribution expenses met by them.

6. Notes On Accounts

6.1 The Net Asset Value of the Scheme as on date of Balance sheet is

	As on March 31, 2005	As on March 31, 2004
Growth Option	11.3970	11.6612
Dividend Option	10.4223	10.6639

6.2 Management Fees, Trustee Fees, Custodian Fees

Management Fees

Management Fee has been computed at 0.50% on average net assets calculated on a daily basis

Trustee Fees

In accordance with Deed of Trust dated 18th July 1996 between the Settler and the Trustees, the fund has paid or provided an annual fee of Rs.1,00,000/- per Trustee. Trustee fees are allocated to the schemes on the basis of their daily net assets.

Custodian Fees

HDFC Bank Ltd. provides custodial services to the scheme for which it receives custodian fees.

- 6.3 Provision for tax has not been made as the Scheme's income being an income of a recognized Mutual Fund is exempt from tax by virtue of Section 10(23D) of the Income Tax Act, 1961.
- 6.4 Certain investments are registered in the name of the Fund without specific reference to the Scheme. As at March 31, 2005, the aggregate market value of securities held in the name of Sahara Mutual Fund is Rs. 539,828,494.
- 6.5 Transactions with Brokers in excess of 5% or more of the aggregate purchases and sale of securities made by the Fund has been reported to the Trustees on a quarterly basis wherever applicable

6.6 Transactions with Associates

Brokerage / Commission on sale of units by the Scheme or by the Asset Management Company given to associates, pursuant to Regulation 25(8):

(Rs. In lakhs)

Particulars	Liquid Fund	Income Fund	Short Term Plan	Gilt Fund	Tax Gain Fund	Growth Fund	Midcap Fund
Sahara India Financial Corporation Limited A/c CMSD	2.97	15.22	0.54	17.26	1.26	1.03	5.52

6.7 Aggregate Value of purchases and sales of Investments during the year as a percentage of daily average net asset value;

Purchases

Year	Amount in Rs.	% of Daily average
2004-05	5,767,788,824	1674.60
2003-04	3,028,635,471	1662.80

Sales

Year	Amount in Rs.	% of Daily average
2004-05	5,458,279,775	1584.74
2003-04	2,911,392,154	1598.43

6.8 Income and Expense Ratio

	2004-05	2003-04
Total Income (including net unrealized appreciation and net of loss on sale of investments) to average net assets calculated on a daily basis.	0.57%	8.42%
Total Expenditure to average net assets calculated on a daily basis	1.49%	1.50%

6.9 Movement in Unit Capital**6.9.1 Growth Option**

Growth Option	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2005	As on March 31, 2005	As on March 31, 2004	As on March 31, 2004
Initial Capital				
Issued and Subscribed:				
Units of Rs 10 each	544,700.000	5,447,000	544,700.000	5,447,000
Opening Balance	21,757,470.791	217,574,708	636,381.311	6,363,814
Units sold during the period	30,005,050.876	300,050,508	21,894,198.047	218,941,980
Units repurchased during the period	(181,450.434)	(1,814,504)	(773,108.567)	(7,731,086)
Closing Balance	51,581,071.233	515,810,712	21,757,470.791	217,574,708

6.9.2 Dividend Option

Dividend Option	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2005	As on March 31, 2005	As on March 31, 2004	As on March 31, 2004
Initial Capital				
Issued and Subscribed:				
Units of Rs 10 each	5,264,200.000	52,642,000	5,264,200.000	52,642,000
Opening Balance	110,224.760	1,102,248	752,919.736	7,529,197
Units Sold during the period	0.000	0.000	13,023,442.418	130,234,424
Units Repurchased during the period	(40,678.798)	(406,788)	(13,666,137.397)	(13,661,374)
Closing Balance	69,545.962	695,460	110,224.760	1,102,248

6.10 The Fund has declared the following dividend per unit during the financial year. There was no Bonus declared during the year ended March 31, 2005.

	2004-05	2003-04
Dividend declared on various dates on the face value of Rs.10/- each	Nil	0.835

6.11 Unclaimed Amounts:

Unclaimed Redemption and Dividend during the year ended March 31, 2005 are as below:

Scheme Name	No. of Investors	Unclaimed Dividend (Rs.)	Unclaimed Redemption (Rs.)
Sahara Income Fund	9	-	49,251

6.12 Investments made by the Schemes of Sahara Mutual Fund in Companies or their subsidiaries that have invested more than 5% of the net asset value of any scheme, pursuant to Regulation 25(11).

(Rs. in crores)

Company which has invested	Schemes in which companies have invested more than 5 % of the net assets	Name of the Funds/Schemes which have invested in those Companies listed in Column 1	Aggregate cost of acquisition during the period ended 31st March 2005	Outstanding as at 31st March 2005 at Fair / Market Value
Bharti Tele Ventures Ltd	Sahara Liquid Fund	Sahara Growth Fund	0.16	Nil
Bharti Tele Ventures Ltd	Sahara Liquid Fund	SaharaTax Gain Fund	0.01	Nil
Exim Bank Ltd	Sahara Liquid Fund	Sahara Liquid Fund	9.95	9.95
IDBI	Sahara Liquid Fund	Sahara Liquid Fund	13.77	13.77
IDBI	Sahara Liquid Fund	Sahara Income Fund	0.45	0.45
Punjab National Bank	Sahara Midcap Fund	Sahara Growth Fund	0.04	Nil
Srei Infrastructure Finance Ltd	Sahara Liquid Fund	Sahara Short Term Plan	0.20	Nil
Srei Infrastructure Finance Ltd	Sahara Liquid Fund	Sahara Liquid Fund	119.79	10.00
Vijaya Bank Ltd	Sahara Midcap Fund	Sahara Growth Fund	0.26	Nil
Vijaya Bank Ltd	Sahara Midcap Fund	SaharaTax Gain Fund	0.04	0.04
Wellspun Gujarat Stahi Rohren Ltd	Sahara Liquid Fund	Sahara Growth Fund	0.09	Nil

The above said investments were made to optimize return and retain high liquidity.

6.13 Industry wise exposure of the scheme.

Name of the Instrument	Rating	Qty	Mkt Value (Rs Lacs)	% of NAV	Sub Total
(a) Debt Instruments (listed)					
GOI Securities					82.11%
12.32% CG 2011	Sov	1470000	1862.08	34.49%	
12.00% CG 2008	Sov	1000000	1161.00	21.51%	
11.68% CG 2006	Sov	835000	884.43	16.38%	
7.55% CG 2010	Sov	500000	525.25	9.73%	
Money Market Instruments					
T Bills	Sov	1000000	965.52	17.89%	17.89%
TOTAL			5398.28	100.00%	100.00%

6.14 Investments made by the scheme in Securities of Group Companies of the sponsor – NIL

6.15 Holdings over 25% of the NAV of the scheme

Particulars	As on March 31, 2005	As on March 31, 2004
Number of Investors	NIL	1
Holdings (in units)	NIL	12,684,332.201
Percentage of Holdings	N/A	58.03%

6.16 Previous year figures have been reclassified and regrouped wherever necessary to conform to classification for the current year.

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund

Amitabha Ghosh

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

V. Sriram

Fund Manager

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005



PERSPECTIVE HISTORICAL PER UNIT STATISTICS

Particulars	Year Ended		
	March 31, 2005	March 31, 2004	March 31, 2003
(a) Gross Income			
(i) Income other than Profit on sale of Investments	0.41	0.49	1.41
(ii) Income from Profit (net of loss) on inter-scheme sales/ transfer of Investments	-0.0003	0.02	-0.02
(iii) Income from Profit (net of Loss) on sale other than Inter scheme	-0.31	0.13	-0.34
(iv) Transfer to revenue account from past year's reserve	NA	NA	NA
(b) Aggregate of expenses, write off, amortisation and charges	0.10	0.12	0.24
(c) Net Income	0.01	0.52	0.81
(d) Net unrealised appreciation/(depreciation) in value of investments	-0.0345	0.07	0.11
(e) Net Asset Value			
Growth Plan	11.3970	10.6639	10.6505
Dividend Plan	10.4223	11.6612	0.0000
(f) Repurchase Price during the year**			
(i) Highest			
Growth Plan	11.7796	11.7392	11.1507
Dividend Plan	10.7722	10.8439	-
(ii) Lowest			
Growth Plan	11.0564	10.7330	9.4426
Dividend Plan	10.1108	10.3200	-
(g) Resale Price during the year**			
(i) Highest			
Growth Plan	11.7796	11.7982	11.2067
Dividend Plan	10.7722	10.9535	-
(ii) Lowest			
Growth Plan	11.0564	10.7870	9.4900
Dividend Plan	10.1108	10.3719	-
(h) Ratio of expenses to average daily net assets by percentage	1.49%	1.50%	1.13%
(i) Ratio of income to average daily net assets by Percentage (excluding transfer to revenue account from past year's reserve but including net change in unrealized appreciation / depreciation in value of Investments and adjusted for net loss on sale / redemption of investments)	0.57%	8.42%	5.61%

**Based on the maximum load during the year

Per unit calculations based on number of units in issue at the end of the year

SAHARA SHORT TERM PLAN

AUDITORS' REPORT

TO THE TRUSTEES OF SAHARA MUTUAL FUND

We have audited the attached Balance Sheet of Sahara Short Term Plan (a Plan within Sahara Income Fund), ("the Scheme") as at March 31, 2005 and also the related Revenue Account for the year ended on that date, annexed thereto. These financial statements are the responsibility of Trustees - Sahara Mutual Fund and the management of Sahara Asset Management Company Private Limited (the "Management"). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as at March 31, 2005 by obtaining confirmations from the custodians and others. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that,

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for purposes of our audit. The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
2. The Balance Sheet and Revenue Account have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Revenue Account together with the Schedules, Notes and Accounting Policies thereon give the information required by The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and give a true and fair view in conformity with the Accounting Principles generally accepted in India.
 - a) in the case of Balance Sheet of the State of Affairs of the Scheme as on March 31, 2005, and
 - b) in the case of the Revenue Account the Surplus for the year ended on that date.
4. The methods used to value non-traded and thinly traded securities as at March 31, 2005 as determined by The Asset Management Company and approved by the Trustees in accordance with guidelines issued by The Securities and Exchange Board of India are fair and reasonable.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants

Chennai
September 20, 2005

M.K. ANANTHANARAYANAN

Partner

MEMBERSHIP NO : 19521



BALANCE SHEET AS AT MARCH 31, 2005

ASSETS	Sch. No	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
Investments	1	30,925,748	64,883,720
Deposits	2	-	29,000,000
Other Current Assets	3	3,142,001	17,344,161
Total Assets		34,067,749	111,227,881
LIABILITIES			
Unit Capital	4	29,906,007	100,058,168
Reserves & Surplus	5	3,945,984	11,056,635
Current Liabilities & Provisions	6	215,758	113,078
Total Liabilities		34,067,749	111,227,881
Notes to the accounts	10		

Schedule 1 to 6 and 10 form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund

Amitabha Ghosh

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

V. Sriram

Fund Manager

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

	Schedule	For the year ended March 31, 2005 (Rs)	For the year ended March 31, 2004 (Rs)
INCOME			
Interest & Discount Income	7	10,943,152	5,785,401
Profit on Sale / Redemption of Investments (Other than Inter Scheme Transfer / Sale)		442,792	611,016
Profit on Sale / Transfer of Investments (Inter Scheme)		26,822	427,240
Total Income		11,412,766	6,823,657
EXPENSES & LOSSES			
Loss on Sale / Redemption of Investments (Other than Inter-Scheme Transfer / Sale)		386,734	796,215
Loss on Sale / Transfer of Investments (Inter Scheme)		6,644,865	53,588
Management Fees		203,093	231,323
Trusteeship Fees		18,820	20,792
Operating Expenses	8	294,854	441,850
Total Expenses		7,548,366	1,543,768
Surplus before unrealised depreciation		3,864,399	5,279,889
Add: Excess provision for depreciation of earlier years written back	9	51,167	912,904
Net Surplus for the Year (excluding unrealised appreciation)		3,915,566	6,192,793
Transfer from Income Equalisation Reserve		(9,204,010)	5,456,606
Dividend including Distribution Tax		(168,063)	(2,253,373)
(Deficit) / Surplus transferred to Reserves		(5,456,506)	9,396,026
Notes to the accounts	10		

Schedule 7 to 10 form an integral part of the Revenue account

This is the Revenue Account referred to in our report of even date

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund**Amitabha Ghosh**

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited**Om Prakash Srivastava**

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

V. Sriram

Fund Manager

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
SCHEDULE 1		
Investments		
Listed Non Convertible Debentures	12,000,000	19,880,220
Unlisted Privately Placed Debentures	-	35,130,580
Treasury Bills	17,462,545	-
Reverse Repo Investment	1,463,203	-
Commercial Paper	-	9,872,920
	<u>30,925,748</u>	<u>64,883,720</u>
SCHEDULE 2		
Deposits		
With Scheduled Bank	-	29,000,000
	-	<u>29,000,000</u>
SCHEDULE 3		
Other Current Assets		
Balances with Banks in Current Account	2,014,710	1,015,783
Outstanding and Accrued Income	1,127,291	1,561,500
Receivable on Switches	-	5,093
Receivable on contract for sale of Investments	-	14,761,785
	<u>3,142,001</u>	<u>17,344,161</u>
SCHEDULE 4		
Unit Capital		
Growth Option 2079887.625 units of Rs.10 each (For 2003-04 - 9256632.918 units)	20,798,876	92,566,329
Dividend Option 910713.062 units of Rs.10 each (For 2003-04 - 749183.915 units)	9,107,131	7,491,839
Balance at the end of the year (Refer Notes on Accounts 5.9)	<u>29,906,007</u>	<u>100,058,168</u>

	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
SCHEDULE 5		
Reserves and Surplus		
Revenue Account		
Balance as at beginning of the year	10,055,019	658,993
Transferred from Revenue Account	<u>(5,456,506)</u>	9,396,026
Balance as at end of the year	4,598,513	10,055,019
Income Equalisation Reserve		
Balance as at beginning of the year	-	-
Addition during the year	(9,204,010)	5,456,606
Transferred to Revenue Account	<u>9,204,010</u>	(5,456,606)
Balance as at end of the year	-	-

SCHEDULES FORMING PART OF BALANCE SHEET

	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
Unrealised Appreciation Reserve		
Balance as at beginning of the year	96,595	59,838
Addition during the year	(96,595)	36,757
Balance as at March 31, 2005	-	96,595
Unit Premium Reserve		
Balance as at beginning of the year	905,021	17,015
Addition during the year , Net	(1,557,550)	888,006
Balance as at end of the year	(652,529)	905,021
	3,945,984	11,056,635
SCHEDULE 6		
Current Liabilities and Provisions		
	As at March 31, 2005 (Rs)	As at March 31, 2004 (Rs)
Sundry Creditors	214,508	108,320
Others	1,250	4,758
	215,758	113,078

SCHEDULES FORMING PART OF REVENUE ACCOUNT

	For the year ended March 31, 2005 (Rs)	For the year ended March 31, 2004 (Rs)
SCHEDULE 7		
INTEREST & DISCOUNT		
Debentures / Bonds	8,826,353	3,116,597
Government of India Securities	81,743	206,584
Treasury Bills	396,866	73,017
Certificate of Deposit / Commercial Paper	707,224	274,307
Deposits	300,390	546,490
Others	630,576	1,568,406
	10,943,152	5,785,401
SCHEDULE 8		
Operating Expenses		
Custodian Fees & Expenses	14,232	29,766
Service Tax	-	18,016
Audit Fees	14,322	13,952
Registrar & Transfer Agent Charges	203,798	191,089
Marketing & Other Expenses	62,502	189,027
	294,854	441,850
SCHEDULE 9		
Provision for Depreciation in value of investments		
At the beginning of the year	51,167	964,071
At the end of the year	-	51,167
Net Changes in Provision in value of investments	(51,167)	(912,904)

SCHEDULE: 10

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005

1. INTRODUCTION

1.1 About the Scheme

Sahara Short Term Plan is an open ended high liquidity scheme (a Plan within Sahara Income Fund), investing predominantly in short term debt instruments with low maturity, money market instruments, short term government securities including Treasury bills, certificate of deposits of the Scheduled commercial banks and securitised debt. The Scheme has two Plans – (i) Dividend Plan (ii) Growth Plan. The scheme will not declare dividend under the Growth Plan. The Income earned on such units will remain invested under the scheme and will be reflected in the Net Asset Value. The Initial Issue Period was from 03.09.2002 to 05.09.2002. The Scheme was reopened for subscription and redemption on an ongoing basis from September 12, 2002.

1.2 Asset Management Company

SEBI vide their letter No IMD/SP/21516/03 dated November 13, 2003 had given their approval to Sahara India Financial Corporation Limited to Sponsor the Mutual Fund. Sahara India Financial Corporation Limited acquired the controlling interest of the First India Asset Management Company Pvt. Ltd. on February 4, 2004 and became the sponsor of the First India Mutual Fund from that date. Consequently, based on an application made by Sahara India Financial Corporation Limited, the Registrar of Companies (ROC), Chennai approved the change of the AMC name from First India Asset Management Company Pvt. Ltd. to Sahara Asset Management Company Private Limited on March 19, 2004 and SEBI approved the change of name of First India Mutual Fund to Sahara Mutual Fund with effect from April 1, 2004. Accordingly, the name of the Scheme has been changed from First India Short Term Plan to Sahara Short Term Plan.

The present shareholding of Sahara Asset Management Company Private Limited is as follows:

Sahara India Financial Corporation Limited–50%, Sahara India Corp Investment Limited - 25% and Sahara India Investment Corporation Limited - 25%.

2. SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with regulations and guidelines issued by Securities and Exchange Board of India from time to time and have been approved by the Board of Directors of the Asset Management Company and the Trustees.

2.1 Basis of Accounting

The financial Statements are prepared on the accrual basis of accounting.

2.2 Accounting for Investments

2.2.1 Purchase and sale of investments are accounted on trade dates at price including / net of brokerage and other charges. Stamp duty is accounted when paid for

2.2.2 Primary market Investments are recognized on the basis of allotment advice

2.2.3 Front end fees on privately placed debentures have been adjusted to the cost of Investments

2.3 Valuation of Investments

2.3.1 Traded Investments

- a. Market Value of Investments which are traded on a stock exchange is valued at the last available price quoted at an appropriate stock exchange on the valuation date.
- b. If there is no quote on the valuation date, it is valued at the last available quoted price at an appropriate stock exchange not exceeding the prescribed number of days (15 days) preceding the valuation date.
- c. Government Securities are valued at the price released by an Agency (CRISIL) approved by AMFI on daily basis.

2.3.2 Unlisted/Non traded/Thinly Traded Investments

- a. A debt security (other than a Government security) is considered as a thinly traded security if on the valuation date, there are no individual trades in that security in marketable lots (currently Rs. 5 Crores) on the principal stock exchange or any other stock exchange.

- b. Investments not traded on any stock exchange for a prescribed period prior to the valuation date are treated as non-traded.
- c. Valuation of Unlisted/Non-traded/Thinly Traded debt instruments maturing within 182 days as at valuation date are valued at cost plus difference between the redemption value and the cost spread uniformly over the remaining maturity period of instrument.
- d. Non traded/thinly traded debt securities over 182 days to maturity are valued in good faith by the Investment manager on the basis of valuation principles laid down by SEBI. The approach in valuation of non-traded/thinly traded debt securities over 182 days to maturity is based on the concept of using spreads to maturity to arrive at yields for pricing non traded debt security.

2.3.3 Other Investments

- a. Money Market Instruments are valued at cost plus accrued interest.
- b. Investments bought on "repo basis" are valued at the resale price after deduction of applicable interest upto the date of resale. Investments sold on "repo basis" are adjusted for the difference between the repurchase price (after deduction of applicable interest upto the date of repurchase) and the value of the instrument.
- c. Traded treasury bills, certificate of deposits and commercial paper are valued at the yield at which they are currently traded. Non-traded treasury bills, certificate of deposits and commercial paper included those not traded for a period of seven days are valued at cost plus accrued interest.

2.3.4 Unrealised appreciation/Depreciation

In accordance with the Guidance Note on Accounting for Investments in the Financial Statements of Mutual Funds by the Institute of Chartered Accountants of India (pursuant to the Eleventh schedule of SEBI Regulations), the unrealized appreciation determined separately for each individual investment is directly transferred to the "Unrealised Appreciation Reserve Account" i.e. without routing it through the revenue account.

The provision for depreciation in value of investments determined separately for each individual investment is recognized in the revenue account. The loss on investments sold / transferred during the year is charged to revenue account, instead of being first adjusted against the provision for depreciation, if already created in the prior year, as recommended by the Guidance Note. However, this departure from the Guidance Note does not have any net impact on the Scheme's net assets.

2.4 Revenue Recognition

- 2.4.1 Income and Expenses are recognized on accrual basis.
- 2.4.2 Profit or loss on sale of investments is determined on the respective trade date by adopting the "Average Cost" method
- 2.4.3 Interest on Debentures, Government of India Securities and Money Market Instruments are recognized on accrual basis
- 2.4.4 Interest on funds invested in short-term deposits with scheduled commercial banks is recognized on accrual basis.
- 2.4.5 Proportionate realized gains on investments out of sales / repurchase proceeds at the time of sale / repurchase of units are transferred to revenue Account from Unit Premium Reserve.

3. Unit Premium Reserve Account

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the Unit Premium Reserve of the Scheme, after an appropriate amount of the issue proceeds and redemption payout is credited or debited respectively to the income Equalization Reserve.

The Unit Premium Reserve is available for distribution as dividend except to the extent it is represented by unrealized net appreciation in value of investments.

4. Income Equalisation Reserve

Income Equalisation Reserve is being maintained by crediting or (debiting) the equalization account in respect of purchase (or redemption) of units by an appropriate amount, which represents the distributable income at the time of purchase (or redemption).

5. NOTES ON ACCOUNTS

5.1 The Net Asset Value of the Scheme as on date of Balance Sheet is:

	As on March 31, 2005	As on March 31, 2004
Growth Option	11.6656	11.1648
Dividend Option	10.5190	10.3661

5.2 Management Fees, Trustee Fees, Custodian Fees

Management Fees

Management Fee has been computed at 0.25% on average net asset calculated on a daily basis.

Trustee Fees

In accordance with Deed of Trust dated July 18, 1996 between the Settler and the Trustees, the fund has paid or provided an annual fee of Rs.1,00,000/- per Trustee. Trustee fees are allocated to the schemes on the basis of their daily net assets.

Custodian Fees

HDFC Bank Ltd provides custodial services to the scheme for which it receives custodian fees.

5.3 Provision for tax has not been made as the Scheme's income being an income of a recognized Mutual Fund is exempt from tax by virtue of Section 10(23D) of the Income Tax Act, 1961.

5.4 Certain investments are registered in the name of the Fund without specific reference to the Scheme. As at March 31, 2005 the aggregate market value of securities held in the name of Sahara Mutual Fund is Rs. 17,462,545

5.5 Transactions with Brokers in excess of 5% or more of the aggregate purchases and sale of securities made by the Fund have/s been reported to the Trustees on a quarterly basis wherever applicable

5.6 Transactions with Associates

Brokerage / Commission on sale of units by the Scheme or by the Asset Management Company given to associates, pursuant to Regulation 25(8):

(Rs. In lakhs)

Particulars	Liquid Fund	Income Fund	Short Term Plan	Gilt Fund	Tax Gain Fund	Growth Fund	Midcap Fund
Sahara India Financial Corporation Limited A/c CMSD	2.97	15.22	0.54	17.26	1.26	1.03	5.52

5.7 Aggregate value of purchases and sales of Investments during the year as a percentage of daily average net asset value;

Purchases

Year	Amount in Rs.	% of Daily average
2004-05	695,359,448	848.38
2003-04	157,563,533	170.48

Sales

Year	Amount in Rs.	% of Daily average
2004-05	757,261,538	923.91
2003-04	135,333,991	146.43

5.8 Income and Expense Ratio

	2004-05	2003-04
Total Income (including net unrealized appreciation and net of loss on sale of investments) to average net assets calculated on a daily basis.	5.29%	7.49%
Total Expenditure to average net assets calculated on a daily basis	0.63%	0.75%

5.9 Movement in Unit Capital

5.9.1 Growth Option

Growth Option	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2005	As on March 31, 2005	As on March 31, 2004	As on March 31, 2004
Initial Capital				
Units of Rs 10 each fully paid up	43,468,432.041	434,684,320	43,468,432.041	434,684,320
Opening Balance	9,256,632.918	92,566,329	225,558.313	2,255,583
Units Sold during the period	12,420,767.206	124,207,672	21,634,367.715	216,343,677
Units Repurchased during the period	(19,597,512.499)	(195,975,125)	(12,603,293.110)	(126,032,931)
Closing Balance	2,079,887.625	20,798,876	9,256,632.918	92,566,329

5.9.2 Dividend Option

Dividend Option	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2005	As on March 31, 2005	As on March 31, 2004	As on March 31, 2004
Initial Capital				
Issue and Subscribed:				
Units of Rs 10 each fully paid up	12,000.000	120,000	12,000.000	120,000
Opening Balance	749,183.915	7,491,839	4,938,521.013	49,385,210
Units Sold during the period	992,666.573	9,926,666	1,304,069.572	13,040,696
Units Repurchased during the period	(831,137.426)	(8,311,374)	(5,493,406.670)	(54,934,067)
Closing Balance	910,713.062	9,107,131	749,183.915	7,491,839

5.10 The Fund has declared the following dividend per unit during the financial year. There was no Bonus declared during the year ended March 31, 2005.

	2004-05	2003-04
Dividend declared on various dates on the face value of Rs.10/- each	0.2725	0.4875

5.11 Unclaimed Redemption/Dividend:

Unclaimed Redemption and Dividend during the year ended March 31, 2005 are as below.

Scheme Name	No. of Investors	Unclaimed Dividend (Rs.)	Unclaimed Redemption (Rs.)
Sahara Income Fund	9	-	49,251

5.12 Investments made by the Schemes of Sahara Mutual Fund in Companies or their subsidiaries that have invested more than 5% of the net asset value of any scheme, pursuant to Regulation 25(11).

(Rs. In Crore)

Company which has invested	Schemes in which companies have invested more than 5 % of the net assets	Name of the Funds/Schemes which have invested in those Companies listed in Column 1	Aggregate cost of acquisition during the period ended 31st March 2005	Outstanding as at 31st March 2005 at Fair / Market Value
Bharti Tele Ventures Ltd	Sahara Liquid Fund	Sahara Growth Fund	0.16	Nil
Bharti Tele Ventures Ltd	Sahara Liquid Fund	SaharaTax Gain Fund	0.01	Nil
Exim Bank Ltd	Sahara Liquid Fund	Sahara Liquid Fund	9.95	9.95
IDBI	Sahara Liquid Fund	Sahara Liquid Fund	13.77	13.77
IDBI	Sahara Liquid Fund	Sahara Income Fund	0.45	0.45
Punjab National Bank	Sahara Midcap Fund	Sahara Growth Fund	0.04	Nil
Srei Infrastructure Finance Ltd	Sahara Liquid Fund	Sahara Short Term Plan	0.20	Nil
Srei Infrastructure Finance Ltd	Sahara Liquid Fund	Sahara Liquid Fund	119.79	10.00
Vijaya Bank Ltd	Sahara Midcap Fund	Sahara Growth Fund	0.26	Nil
Vijaya Bank Ltd	Sahara Midcap Fund	SaharaTax Gain Fund	0.04	0.04
Wellspun Gujarat Stahi Rohren Ltd	Sahara Liquid Fund	Sahara Growth Fund	0.09	Nil

The above said investments were made to optimize return and retain high liquidity.

5.13 Industry wise exposure of the scheme:

Name of the Instrument	Industry	Rating	Qty	Mkt Value (Rs Lacs)	% of NAV	Sub Total
(a) Debt instruments						
Privately Placed						
Floating Rate NCDs						40.72%
Berger Paints Ltd**	Paints	P1+	30000	30.00	10.18%	
Madras Cements Ltd**	Cement	P1+	30000	30.00	10.18%	
Whirlpool**	Consumer Electronics	P1+	30000	30.00	10.18%	
MIRC Electronics**	Consumer Electronics	P1+	30000	30.00	10.18%	
(b) Money Market Instruments						
T Bills	Government	Sov	175000	174.63	59.28%	59.28%
TOTAL				294.63	100.00%	100.00%

** Thinly Traded/ Non Traded securities

5.14 Investments made by the scheme in Securities of Group Companies of the sponsor – NIL

5.15 Holdings over 25% of the NAV of the scheme

Particulars	As on March 31, 2005	As on March 31, 2004
Number of Investors	1	2
Holdings (in units)	2,051,818.350	9,120,075.807
Percentage of holdings	69.86%	91.64%

5.16 Previous year figures have been reclassified and regrouped wherever necessary to conform to classification for the current year.

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund

Amitabha Ghosh

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

V. Sriram

Fund Manager

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005

PERSPECTIVE HISTORICAL PER UNIT STATISTICS

Particulars	Year Ended		
	March 31, 2005	March 31, 2004	March 31, 2003
(a) Gross Income			
(i) Income other than Profit on sale of Investments	3.66	0.58	2.43
(ii) Income from Profit (net of loss) on inter-scheme sales/ transfer of Investments	-2.21	0.04	0.25
(iii) Income from Profit (net of Loss) on sale other than Inter-scheme	0.02	-0.02	0.18
(iv) Transfer to revenue account from past year's reserve	NA	NA	NA
(b) Aggregate of expenses, write off, amortisation and charges	0.17	0.07	0.19
(c) Net Income	1.29	0.53	2.67
(d) Net unrealised appreciation/(depreciation) in value of Investments	0.0000	0.0045	0.18
(e) Net Asset Value			
Growth Plan	11.6656	11.1648	10.3454
Dividend Plan	10.5190	10.3661	10.1335
(f) Repurchase Price during the year**			
(i) Highest			
Growth Plan	11.6674	11.1648	10.3195
Dividend Plan	10.5207	10.3598	10.1851
(ii) Lowest			
Growth Plan	11.1748	10.2453	9.9750
Dividend Plan	10.3650	10.1115	9.9750
(g) Resale Price during the year**			
(i) Highest			
Growth Plan	11.6674	11.1648	10.3454
Dividend Plan	10.5207	10.3858	10.2106
(ii) Lowest			
Growth Plan	11.1748	10.3488	10.0000
Dividend Plan	10.3650	10.1369	10.0000
(h) Ratio of expenses to average daily net assets by Percentage	0.63%	0.75%	0.33%*
(i) Ratio of income to average daily net assets by Percentage	5.29%	7.49%	4.52%*
(excluding transfer to revenue account from past year's reserve but including net change in unrealized appreciation / depreciation in value of Investments and adjusted for net loss on sale / redemption of investments)			

*Annualised

**Based on the maximum load during the year

Per unit calculations based on number of units in issue at the end of the year

SAHARA MIDCAP FUND

AUDITORS' REPORT

TO THE TRUSTEES OF SAHARA MUTUAL FUND

We have audited the attached Balance Sheet of Sahara Mid Cap Fund, ("the Scheme") as at March 31, 2005 and also the related Revenue Account for the period ended on that date, annexed thereto. These financial statements are the responsibility of Trustees – Sahara Mutual Fund and the management of Sahara Asset Management Company Private Limited (the "Management"). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as at March 31, 2005 by obtaining confirmations from the custodians and others. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that,

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for purposes of our audit. The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Scheme.
2. The Balance Sheet and Revenue Account have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule to The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Revenue Account together with the Schedules, Notes and Accounting Policies thereon give the information required by The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and give a true and fair view in conformity with the Accounting Principles generally accepted in India.
 - a. in the case of Balance Sheet of the State of Affairs of the Scheme for the period March 31, 2005, and
 - b. in the case of the Revenue Account the Surplus for the period ended on that date.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants

Chennai
September 20, 2005

M.K. ANANTHANARAYANAN

Partner

MEMBERSHIP NO : 19521



BALANCE SHEET AS AT MARCH 31, 2005

ASSETS	Sch. No	As at March 31, 2005 (Rs)
Investments	1	243,672,108
Deposits	2	5,000,000
Other Current Assets	3	10,178,177
Total Assets		258,850,285
LIABILITIES		
Unit Capital	4	252,883,629
Reserves & Surplus	5	664,689
Current Liabilities & Provisions	6	5,301,967
Total Liabilities		258,850,285
Notes to the accounts	10	

Schedule 1 to 5 and 10 form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund

Amitabha Ghosh

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

Naresh Kumar Garg

Chief Investment Officer

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

	Schedule	For the year ended March 31, 2005 (Rs)
INCOME		
Interest and Discounting Income	8	5,685,832
Dividend		535,851
Profit on Sale / Redemption of Investments (Other than Inter Scheme Transfer / Sale)		22,998,383
Total Income		<u>29,220,066</u>
EXPENSES & LOSSES		
Loss on Sale / Redemption of Investments (Other than Inter-Scheme Transfer / Sale)		7,237,989
Loss on Sale / Transfer of Investments (Inter Scheme)		12
Management Fees		2,011,336
Trusteeship Fees		80,434
Operating Expenses	9	1,930,424
Total Expenses		<u>11,260,195</u>
Surplus for the period (excluding unrealised appreciation)		17,959,871
Less : Provision for diminution in value of investments	7	9,106,886
Transfer from Income Equalisation Reserve		(21,058,685)
(Deficit) transferred to Reserves		<u>(12,205,700)</u>
Notes to the accounts	10	

Schedule 6 to 10 form an integral part of the Revenue account

This is the Revenue Account referred to in our report of even date

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund

Amitabha Ghosh

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

Naresh Kumar Garg

Chief Investment Officer

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005

SCHEDULES FORMING PART OF BALANCE SHEET

As at
March 31, 2005
(Rs)**SCHEDULE 1****Investments**

Equity Shares	240,258,410
Reverse Repo	3,413,698
	<u>243,672,108</u>

SCHEDULE 2**Deposits**

With Scheduled Bank	5,000,000
	<u>5,000,000</u>

SCHEDULE 3**Other Current Assets**

Balances with Banks in Current Account	7,479,508
Interest and Dividend Receivable	107,743
Receivable on Sale of Investments	2,039,826
Receivable on issue of Units	551,100
	<u>10,178,177</u>

SCHEDULE 4**Unit Capital**

UNIT CAPITAL - Bonus Plan 43075.668 units of Rs. 10 each	430,757
UNIT CAPITAL-Dividend 15356126.270 units of Rs. 10 each	153,561,263
UNIT CAPITAL-Growth 9741599.389 units of Rs. 10 each	97,415,994
UNIT CAPITAL-Auto Earnings Payout 147561.506 units of Rs. 10 each	1,475,615
Balance at the end of the year (Refer Notes on Accounts 6.9)	<u>252,883,629</u>

SCHEDULE 5**Reserves and Surplus****Revenue Account**

Transfer from Revenue Account	(12,205,700)	
Balance as at end of the period		(12,205,700)

Income Equalisation Reserve

Additions During the period	(21,058,685)	
Transfer to Revenue Account	21,058,685	
Balance as at end of the period		-

SCHEDULES FORMING PART OF BALANCE SHEET

		As at March 31, 2005 (Rs)
Unrealised Appreciation Reserve		
Additions During the period	12,719,836	
Balance as at end of the period	<u>12,719,836</u>	12,719,836
Unit Premium Reserve		
Additions During the period	150,553	
Balance as at end of the period	<u>150,553</u>	150,553
		<u>664,689</u>
SCHEDULE 6		
Current Liabilities and Provisions		
Sundry Creditors		4,308,775
Payable on purchase of investments		904,077
Others		89,115
		<u>5,301,967</u>

SCHEDULES FORMING PART OF REVENUE ACCOUNT

		For the year ended March 31, 2005 (Rs)
SCHEDULE 7		
Provision for Depreciation in value of investments		
At the beginning of the year		-
At the end of the year		9,106,886
Net Changes in Provision for Depreciation		<u>9,106,886</u>
SCHEDULE 8		
Interest and Discounting Income		
Interest on Non Convertible Debentures		2,352,108
Interest on Fixed Deposits		3,088,053
Interest on REPO		51,190
Discounting Income on Commercial papers		182,835
Discounting Income on Treasury Bills		5,224
Other Income		6,422
		<u>5,685,832</u>
SCHEDULE 9		
Operating Expenses		
Custodian Fees & Expenses		398,829
Audit Fees		27,788
Service Tax		-
Registrar & Transfer Agent Charges		395,414
Marketing & Other Expenses		1,108,393
		<u>1,930,424</u>

SCHEDULE -10

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FORMING PART OF ACCOUNTS FOR THE PERIOD ENDED MARCH 31, 2005

1. INTRODUCTION

1.1 About the Scheme

Sahara Midcap Fund (the "Scheme") is an open-ended growth scheme of Sahara Mutual Fund (the "Fund"). The objective is to achieve long term capital growth at medium level of risks by investing primarily in mid-cap stocks. The Scheme has four plans – Dividend, Growth, Growth –Auto Earnings Payout and Bonus. The Income earned on such units will remain invested under the scheme and will be reflected in the Net Asset Value. The initial issue period of the scheme was from November 29, 2004 to December 22, 2004 and the scheme was reopened for continuous purchase and redemption at prevailing NAV from January 17, 2005.

1.2 Asset Management Company

SEBI vide their letter No IMD/SP/21516/03 dated November 13, 2003 had given their approval to Sahara India Financial Corporation Limited to sponsor the Mutual Fund. Sahara India Financial Corporation Limited acquired the controlling interest of the First India Asset Management Company Pvt. Ltd. on February 4, 2004 and became the sponsor of the First India Mutual Fund from that date. Consequently, based on an application made by Sahara India Financial Corporation Limited, the Registrar of Companies (ROC), Chennai approved the change of the AMC name from First India Asset Management Company Pvt. Ltd. to Sahara Asset Management Company Private Limited on March 19, 2004 and SEBI approved the change of name of First India Mutual Fund to Sahara Mutual Fund with effect from April 1, 2004.

The present shareholding of Sahara Asset Management Company Private Limited is as follows:

Sahara India Financial Corporation Limited –50%, Sahara India Corp Investment Limited Corporation - 25% and Sahara India Investment Corporation Limited 25%

2. SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with regulations and guidelines issued by Securities and Exchange Board of India from time to time and have been approved by the Board of Directors of the Asset Management Company and the Trustees.

2.1. Basis of Accounting.

The Financials are prepared on the accrual basis of accounting.

2.2. Accounting for Investments

2.2.1 Investments are accounted on trade dates at cost including brokerage, stamp duty and other charges.

2.2.2 Bonus/Rights entitlements on equity holdings are recognized only when the original shares on which the entitlement accrues are traded on the stock exchange on ex-bonus/ex-rights basis respectively.

2.2.3 Primary Market Investments are recognized on the basis of allotment advice.

2.3. Valuation of Investments

2.3.1 Investments are marked to market based on the value at the last traded price on the National Stock Exchange. If the securities are not traded or listed on the National Stock Exchange, the last traded price on any other Stock Exchange is used for the purpose of valuation. If no trade is reported, the previous quoted price is used, which is not more than thirty days prior to the valuation date.

2.3.2 Non pari-passu (new) shares are valued as above less the previous year's dividend, if any.

2.3.3 Investments bought on "repo basis" are valued at the resale price after deduction of applicable interest upto the date of resale. Investments sold on "repo basis" are adjusted for the difference between the repurchase price (after deduction of applicable interest upto the date of repurchase) and the value of the instrument.

2.3.4 In accordance with the Guidance Note on Accounting for Investments in the Financial Statements of Mutual Funds by the Institute of Chartered Accountants of India (pursuant to the Eleventh schedule of SEBI Regulations), the unrealized appreciation determined separately for each investment is directly transferred to the "Unrealised Appreciation Reserve Account" i.e. without routing it through the revenue account.

The provision for depreciation in value of investments determined separately for each individual investment is recognized in the revenue account. The loss on investments sold / transferred during the year is charged to revenue account, instead of being first

adjusted against the provision for depreciation, if already created in the prior year, as recommended by the Guidance Note. However, this departure from the Guidance Note does not have any net impact on the Scheme's net assets.

2.4 Revenue Recognition

- 2.4.1 Income and Expenses are recognized on accrual basis.
- 2.4.2 Interest on funds invested in short term deposits with scheduled commercial banks is recognized on accrual basis.
- 2.4.3 Dividend income earned by the scheme is recognized on the date the share is quoted on ex-dividend basis.
- 2.4.4 Bonus entitlements are recognized on the date the share is quoted on ex-bonus date.
- 2.4.5 Profit or loss on sale of investment is determined on the respective trade dates by following the "Average Cost " method.
- 2.4.6 Proportionate realized gains on investments out of sales / repurchase proceeds at the time of sale / repurchase of units are transferred to revenue Account from Unit Premium Reserve.

3. Unit Premium Reserve Account

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve of the Scheme, after an appropriate of the issue proceeds and redemption payout is credited or debited respectively to the income equalization reserve.

The Unit Premium reserve is available for distribution of dividend except to the extent it is represented by unrealized net appreciation in value of investments.

4. Income Equalisation Account

Income Equalization Reserve is being maintained by crediting or (debiting) the equalization account in respect of purchase (or redemption) of units by an appropriate amount, which represents the distributable income at the time of purchase (or redemption).

5. Load

Load amount collected is shown as a Current Liability. The amount is payable to the Asset Management Company as and when a claim is lodged by them towards reimbursement of selling and distribution expenses met by them.

6. NOTES TO THE ACCOUNTS

6.1 The Net Asset Value of the Scheme as on date of Balance Sheet is:

	As on March 31, 2005
Growth Plan	10.0096
Dividend Plan	10.0096
Bonus Plan	10.0096
Growth- Auto Earning Payout	10.0096

6.2 Management Fess, Trustee Fees, Custodian Fees

Management Fees

Management Fee has been computed as a percentage of average net assets calculated on a daily basis at the following slab rates:

Upto Rs. 100 Crores	: 1.25%
More than Rs. 100 Crores	: 1.00% of amount in excess of Rs. 100 Crores.

Trustee Fees

In accordance with Deed of Trust dated 18th July 1996 between the Settler and the Trustees, the fund has paid or provided an annual fee of Rs.1,00,000/- per Trustee. Trustee fees are allocated to the schemes on the basis of their daily net assets.

Custodian Fees

Standard Chartered Bank provides custodial services to the scheme for which it receives custodial fees.

6.3 Provision for tax has not been made as the Scheme's income being an income of a recognized Mutual Fund is exempt from tax by virtue of Section 10(23D) of the Income Tax Act, 1961.

- 6.4 Certain fixed deposits are registered in the name of the Fund without specific reference to the Scheme. As at March 31, 2005 the aggregate market value of securities held in the name of Sahara Mutual Fund is Rs.5,000,000.
- 6.5 Transactions with Brokers in excess of 5% or more of the aggregate purchases and sale of securities made by the Fund have been reported to the Trustees on a quarterly basis wherever applicable.

6.6 Transactions with Associates

Brokerage / Commission on sale of units by the Scheme or by the Asset Management Company given to associates, pursuant to Regulation 25(8):

(Rs. In lakhs)

Particulars	Liquid Fund	Income Fund	Short Term Plan	Gilt Fund	Tax Gain Fund	Growth Fund	Midcap Fund
Sahara India Financial Corporation Limited A/c CMSD	2.97	15.22	0.54	17.26	1.26	1.03	5.52

- 6.7 Aggregate value of purchases and sales of Investments during the year as a percentage of daily average net asset value;

Purchases

Year	Amount in Rs.	% of Daily average
2004-05	1,834,960,686	318.73

Sales

Year	Amount in Rs.	% of Daily average
2004-05	1,389,309,132	241.32

6.8 Income and Expense Ratio

	2004-05
Total Income (including net unrealized appreciation and net of loss on sale of investments) to average net assets calculated on a daily basis.	16.09%*
Total Expenditure to average net assets calculated on a daily basis	2.50%*

* Annualised

6.9 Movements in Unit Capital:

6.9.1 Growth Option

Growth Option	Number of Units As on March 31, 2005	Amount (Rs) As on March 31, 2005
Issued and Subscribed: Units of Rs 10 each fully paid up Initial Public Offer	38,747,086.657	387,470,866
Units Sold during the period	263,545.173	2,635,452
Units Repurchased during the period	(29,269,032.441)	(292,690,324)
Closing Balance	9,741,599.389	97,415,994

6.9.2 Dividend Option

Dividend Option	Number of Units As on March 31, 2005	Amount (Rs) As on March 31, 2005
Issued and Subscribed: Units of Rs 10 each fully paid up Initial Public Offer	51,626,396.716	516,263,968
Units Sold during the period	298,446.443	2,984,464
Units Repurchased during the period	(36,568,716.889)	(365,687,169)
Closing Balance	15,356,126.270	153,561,263

6.9.3 Bonus Option

Bonus Option	Number of Units As on March 31, 2005	Amount (Rs) As on March 31, 2005
Issued and Subscribed: Units of Rs 10 each fully paid up		
Initial Public Offer	46,030.000	460,300
Units Sold during the period	145.668	1,457
Units Repurchased during the period	(3100.000)	(31,000)
Closing Balance	43,075.668	430,757

6.9.4 Growth –Auto earnings Payout

Growth - Auto earnings Payout	Number of Units As on March 31, 2005	Amount (Rs) As on March 31, 2005
Issued and Subscribed: Units of Rs 10 each fully paid up		
Initial Public Offer	415,034.300	4,150,343
Units Sold during the period	624.881	6,249
Units Repurchased during the period	(268,097.675)	(2,680,977)
Closing Balance	147,561.506	1,475,615

6.10 The fund has not declared any dividends or bonus during the year.

6.11 Unclaimed Amounts:

Unclaimed Redemption and Dividend during the period ended March 31, 2005 are as below:

Scheme Name	No. of Investors	Unclaimed Dividend (Rs.)	Unclaimed Redemption (Rs.)
Sahara Income Fund	9	-	49,251

6.12 Investments made by the Schemes of Sahara Mutual Fund in Companies or their subsidiaries that have invested more than 5% of the net asset value of any scheme, pursuant to Regulation 25(11).

(Rs. In Crores)

Company which has invested	Schemes in which companies have invested more than 5 % of the net assets	Name of the Funds/Schemes which have invested in those Companies listed in Column 1	Aggregate cost of acquisition during the period ended 31st March 2005	Outstanding as at 31st March 2005 at Fair / Market Value
Bharti Tele Ventures Ltd	Sahara Liquid Fund	Sahara Growth Fund	0.16	Nil
Bharti Tele Ventures Ltd	Sahara Liquid Fund	SaharaTax Gain Fund	0.01	Nil
Exim Bank Ltd	Sahara Liquid Fund	Sahara Liquid Fund	9.95	9.95
IDBI	Sahara Liquid Fund	Sahara Liquid Fund	13.77	13.77
IDBI	Sahara Liquid Fund	Sahara Income Fund	0.45	0.45
Punjab National Bank	Sahara Midcap Fund	Sahara Growth Fund	0.04	Nil
Srei Infrastructure Finance Ltd	Sahara Liquid Fund	Sahara Short Term Plan	0.20	Nil
Srei Infrastructure Finance Ltd	Sahara Liquid Fund	Sahara Liquid Fund	119.79	10.00
Vijaya Bank Ltd	Sahara Midcap Fund	Sahara Growth Fund	0.26	Nil
Vijaya Bank Ltd	Sahara Midcap Fund	SaharaTax Gain Fund	0.04	0.04
Wellspun Gujarat Stahi Rohren Ltd	Sahara Liquid Fund	Sahara Growth Fund	0.09	Nil

The above said investments were made to optimize return and retain high liquidity.

6.13 Industry wise exposure of the scheme:

Sector	Name of the Instrument	Qty	Mkt Value (Rs Lacs)	% NAV	Sub Total
EQUITY SHARES					
Consumer Goods	Tata Coffee Ltd	49861	147.29	6.13%	17.73%
	Voltas Ltd.	48332	110.63	4.60%	
	Williamson Tea Assam Ltd.	72961	99.70	4.15%	
	EID Parry (India) Ltd.	10000	53.37	2.22%	
	Jayshree Tea & Industries Ltd	16259	14.72	0.61%	
	Hindustan Sanitaryware Ltd	363	0.43	0.02%	
Industrial Manufacturing	SKF India Ltd.	75000	143.63	5.98%	12.67%
	KSB Pumps Ltd.	40000	98.96	4.12%	
	Engineers India Ltd.	12392	40.52	1.69%	
	FCI OEN Connectors Ltd.	8000	21.24	0.88%	
Chemicals	Gujarat Alkalies and Chemicals	50000	66.98	2.79%	9.95%
	Clariant India Ltd.	15000	38.03	1.57%	
	BASF India Ltd.	37964	74.96	3.12%	
	Atul Ltd	77804	59.44	2.47%	
Financial Services	Tata Investment Corporation Ltd	36627	111.13	4.63%	7.82%
	South Indian Bank Ltd	80000	51.20	2.13%	
	Lakshmi Vilas Bank Ltd	15000	25.35	1.06%	
Fertilizers & Pesticides	Excel Crop Care Ltd	35000	57.44	2.39%	7.62%
	Gujarat Narmada Valley Fert Co. Ltd	75000	51.53	2.14%	
	Zuari Industries Ltd	60000	46.17	1.92%	
	Gujarat State Fertilisers & Chemicals Ltd	25000	28.16	1.17%	
Textiles	Indian Rayon & Industries Ltd	20000	80.45	3.35%	7.19%
	Raymond Ltd	28215	92.21	3.84%	
Pharmaceuticals	Merck Ltd	13758	59.28	2.47%	7.08%
	IPCA Laboratories Ltd	10000	30.02	1.25%	
	Glenmark Pharmaceuticals Ltd.	20000	56.63	2.36%	
	FDC Ltd.	52950	24.06	1.00%	
Metals	Mahindra Ugine Steel Co Ltd	90000	91.98	3.83%	6.41%
	Tinplate Company Of India Ltd.	128951	62.08	2.58%	
IT	Tata Elxsi Ltd	40000	73.52	3.06%	5.68%
	Helios & Matheson Information	40000	62.84	2.62%	
Cement & Cement Products	Birla Corporation Ltd	50000	90.87	3.78%	5.64%
	Century Textiles & Industries	20000	44.65	1.86%	
Automobile	Sundaram Fasteners Ltd	45515	49.82	2.07%	3.80%
	Denso India Ltd.	65875	41.50	1.73%	
Services	Essar Shipping Ltd	87489	33.29	1.39%	3.28%
	Thomas Cook Ltd	10747	45.35	1.89%	
Paper	Tamil Nadu Newsprint & Papers	110500	64.86	2.70%	2.70%
Energy	Ahmedabad Electric Company	46785	58.29	2.43%	2.43%
Total			2402.58	100.00%	100.00%

6.14 Investments made by the Scheme in shares of Group Companies of the Sponsor – NIL.

6.15 Holdings over 25% of the NAV of the scheme.

Particulars	As on March 31, 2005
Number of Investors	NIL
Holdings (in units)	NIL
Percentage of Holdings	N/A

6.16 As this is the first financial statement since the date of launch of the scheme, the previous year's figures are not furnished.

For Deloitte Haskins & Sells

Chartered Accountants

M.K. Ananthanarayanan

Partner

Place: Chennai

Date: September 20, 2005

For Sahara Mutual Fund

Amitabha Ghosh

Trustee

S.T. Gerela

Trustee

For Sahara Asset Management Company Private Limited

Om Prakash Srivastava

Director

Sanjiv Kapoor

Director

Rajiv Shastri

Chief Executive Officer

Naresh Kumar Garg

Chief Investment Officer

Viji Krishnan

Head (Operations & Accounts)

Place: Mumbai

Date: September 20, 2005



PERSPECTIVE HISTORICAL PER UNIT STATISTICS

Particulars	Year Ended March 31, 2005
(a) Gross Income	
(i) Income other than Profit on sale of Investments	0.25
(ii) Income from Profit (net of loss) on inter-scheme sales/ transfer of Investments	0.00
(iii) Income from Profit (net of Loss) on sale other than Inter scheme	0.62
(iv) Transfer to revenue account from past year's reserve	NA
(b) Aggregate of expenses, write off, amortisation and charges	0.16
(c) Net Income	0.71
(d) Net unrealised appreciation/(depreciation) in value of Investments	0.14
(e) Net Asset Value	
Growth Plan	10.0096
Dividend Plan	10.0096
Bonus Plan	10.0096
Growth - Auto Earning Payout	10.0096
(f) Repurchase Price during the year**	
(i) Highest	
Growth Plan	10.6393
Dividend Plan	10.6393
Bonus	10.6393
Growth Auto Payout	10.6393
(ii) Lowest	
Growth Plan	9.6641
Dividend Plan	9.6641
Bonus	9.6641
Growth Auto Payout	9.6641
(g) Resale Price during the year**	
(i) Highest	
Growth Plan	10.8787
Dividend Plan	10.8787
Bonus	10.8787
Growth Auto Payout	10.8787
(ii) Lowest	
Growth Plan	9.9537
Dividend Plan	9.9537
Bonus	9.9537
Growth Auto Payout	9.9537
(h) Ratio of expenses to average daily net assets by Percentage	2.50%*
(i) Ratio of income to average daily net assets by Percentage	16.09%*
(excluding transfer to revenue account from past year's reserve but including net change in unrealized appreciation / depreciation in value of Investments and adjusted for net loss on sale / redemption of investments)	

*Annualised

**Based on the maximum load during the year

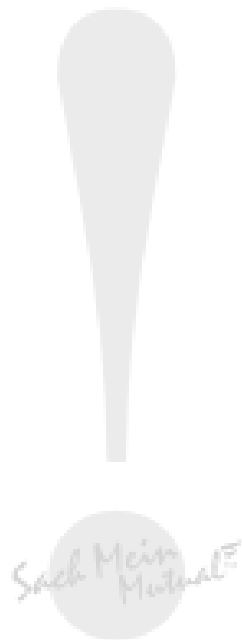
Per unit calculations based on number of units in issue at the end of the period

Scheme classification & Objective: **Sahara Gilt Fund** is an open ended gilt scheme investing 100% in Central/State government securities with a view to generate credit risk free returns and thus provide medium to long term capital gains & income distribution. **Sahara Short Term Plan** (a plan within Sahara Income Fund) is an open ended income scheme with an investment objective in consonance with the investment objective of Sahara Income Fund, however the specific objective is to generate returns that would endeavor to generate returns in line with Mibor linked short term papers with daily call/put option through investment in Debt & Debt Related Instruments (including Money Market Instruments) with residual maturity of upto two years (likely around 50%) and Debt & Debt Related Instruments with residual maturity of beyond two years (likely around 50%). **Sahara Income Fund** is an open-ended income scheme with a primary objective to generate regular income and secondary objective of capital growth through investment in debt instruments (likely around 80%) and money market and related securities (likely around 20%). **Sahara Liquid Fund** is an open ended liquid scheme with an investment objective to provide high liquidity and reasonable returns to unit holders from a portfolio of good quality debt and related instruments (likely around 30%) & Money Market Instruments (around 70%) **Sahara Growth Fund** is an open-ended scheme with an investment objective to achieve capital appreciation by investing in equity & equity related instruments (likely around 80%) and debt & money market instruments (likely around 20%). **Sahara Tax Gain Fund** is an open ended equity linked savings scheme with an investment objective to mobilize savings from a wide cross-section of people and to provide them attractive returns, security and liquidity through investments in equity & equity related instruments (likely around 85-100%). **Sahara Mid-Cap Fund** is an open ended Growth Fund with an objective to achieve long term capital growth at medium level of risks by investing primarily in mid –cap stocks The investment manager will have the discretion to invest upto 100% of the assets in the portfolio in equity market / equity related instruments (likely around 65-100) at a given point of time. **Risk Factors:** Mutual Funds and securities investments are subject to market risks and the NAV of the scheme may go up or down depending upon the factors affecting the securities market. There can be no assurance or guarantee that the Scheme objectives will be achieved. The past performance of the previous scheme, sponsor or its group affiliates is not indicative of and does not guarantee future performance of the scheme. The sponsor is not responsible or liable for any loss or shortfall resulting from the operations of the scheme beyond the initial contribution of Rs. 1 lakh made by it towards setting up of the Mutual Fund. Sahara Short Term Plan (a plan within Sahara Income Fund), Sahara Gilt Fund, Sahara Income Fund, Sahara Liquid Fund, Sahara Growth Fund, Sahara Tax Gain Fund, Sahara Mid-Cap Fund are only the names of the scheme and do not in any manner indicate either the quality of the scheme, its future prospects or the returns. **Please read the offer document carefully before investing. Applicable loads:** Sahara Short Term Plan (a plan within Sahara Income Fund): Entry & Exit: NIL, Sahara Liquid Fund: Exit & Entry: NIL, Sahara Gilt Fund: Entry Load – Nil, Exit Load : < Rs. 10lacs : 0.50% if redeemed before 6 months; = > Rs. 10 lacs :and < Rs 5 crs - 1.25% if redeemed before 1 year; => Rs. 5 crores : Nil. Sahara Income fund: Entry Load-Nil, Exit Load: 0.50% for < Rs. 10 lakhs if redeemed within 6 months and NIL for >= Rs. 10 lakhs. Sahara Growth Fund: Entry Load: < Rs. 25 lakhs 2%, >= Rs. 25 lakhs but < Rs. 100 lakhs 1.50%, >= Rs. 100 lakhs NIL, Exit Load: NIL. (Investment under (SIP) & (STP), Entry load: NIL, Exit load: Normal Entry Load as per scheme if redeemed within one year). Sahara Tax Gain Fund: Entry Load 2%, Exit load: NIL. Sahara Mid-Cap Fund: Entry Load: < Rs. 25 lakhs 2.25%, >= Rs. 25 lakhs & < Rs. 100 lakhs 1.75%, >= Rs. 100 lakhs NIL, Exit Load: NIL. (Investment under (SIP) & (STP), Entry load: NIL, Exit load: Normal Entry Load as per scheme if redeemed before 12 months) **Statutory Details:** Sahara Mutual Fund has been set up as a trust under the Indian Trust Act 1882 (liability restricted to the corpus of Rs.1 lac) with M/s. Sahara India Financial Corporation Ltd as sponsor and Board of Trustees as Trust and Sahara Asset Management Company Private Limited as the Investment Manager to Sahara Mutual Fund.

Summary Of The Substantive Provisions Of the Trust Deed

The duties and responsibilities of the trustees include inter alia :

- In carrying out his/her responsibilities as a member of the Board of Trustees of Sahara Mutual Fund, the individual trustee shall maintain an arm's length relationship with other companies, or institutions or financial intermediaries or any body corporate with which he/she may be associated in any capacity.
- All members of the Board of Trustees shall furnish to SEBI and the Board of Trustees the interest which he/she may have in any other company, or institution or financial intermediary or any corporate by virtue of his/her position as Director, partner or with which he/she may be associated in any other capacity.
- No member of the Board of Trustees of Sahara Mutual Fund shall be a member of the Board of Trustees of any other Mutual Fund and shall hold them in trust for the Unit holders.



SAHARA ASSET MANAGEMENT COMPANY PRIVATE LIMITED

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