



SAHARA
MUTUAL
FUND

ANNUAL REPORT

2006-07

(TO ALL EXISTING UNIT HOLDERS OF SAHARA MUTUAL FUND)

Dear Unit holder,

We, at Sahara Mutual Fund value your continuous association with us and would like to assure our unstinting efforts to manage funds in the most transparent, disciplined and prudent manner.

In view of the recent directions from the Securities and Exchange Board of India (SEBI), PAN will be the sole identification for transactions in the securities market irrespective of the amount of transaction.

In view of the above said directive from SEBI,

- (i) The copy of the PAN may be forwarded to the nearest office of the AMC/ KARVY Investor Service Centres or Transaction Centres (list available on www.saharamutual.com).
- (ii) While forwarding the same, kindly ensure that the self attested copy of the PAN is duly authenticated by a Gazetted Officer, Notary, Bank Manager, Member of Parliament / Legislative Assembly with signature, date and seal.
- (iii) In case the copy of the PAN is being submitted to any of the offices of the AMC personally, please do bring the original PAN card for authentication.

In case, you do not have a PAN, kindly initiate necessary action to obtain it and submit the same by December 31st, 2007 as SEBI has advised Mutual Funds to collect and verify copies of PAN card from all existing unit holders.

Effective from January 1, 2008 submission of PAN card copy is mandatory for all applicable transactions.

We eagerly look forward to your co-operation and committed effort for this exercise as the same is statutorily desired, in the overall interests of the existing unit holder through whom we would continue to be patronage with future investments in Sahara Mutual Fund schemes.

Kindly treat the same on top priority basis.

Assuring you our best services at all times.

With regards

Sd/-

M D Naik

Head - Investor Services.

Date: 8th September, 2007

SAHARA Growth Fund

BOARD OF TRUSTEES

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

SAHARA MUTUAL FUND

97-98, 9th Floor, Atlanta
Nariman Point
Mumbai- 400 021
Maharashtra

SPONSOR

Sahara India Financial Corporation Limited
Sahara India Bhawan, 1- Kapoorthala Complex, Lucknow -226024.

INVESTMENT MANAGER

Sahara Asset Management Company Private Limited
97-98, 9th Floor, Atlanta, Nariman Point, Mumbai- 400 021, Maharashtra.

REGISTRAR AND TRANSFER AGENT

KARVY COMPUTER SHARE PRIVATE LIMITED
21, Avenue 4, Street No. 1
Banjara Hills, Hyderabad -500 034.

CUSTODIAN

HDFC BANK LTD.
Kamala Mills Compound
Senapati Bapat Marg, Lower Parel
Mumbai -400 013.

STATUTORY AUDITORS

Chaturvedi & Co
Chartered Accountants
81, Mittal Chambers,
Nariman Point,
Mumbai – 400021.

REPORT OF THE TRUSTEES

We are pleased to present before you the **ANNUAL REPORT** of **SAHARA MUTUAL FUND** for the year ended March 31, 2007.

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 and 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 2006-07

The Indian economy in the financial year 2006-07 exhibited robust growth backed by strong macroeconomic fundamentals. The strong GDP growth (advance estimates) of 9.2% over 9.0 % in the previous year surpassed the consumer expectations. The economy continued to show strong growth for the fourth year in succession supported by the double digit growth in the manufacturing and services sector.

The Industrial growth of 10.20% was backed by the strong performance of the manufacturing sector which grew at 11.30% and the services sector which grew at 11.20% for 2006-07.

One of the important aspects of current growth has been the sharp rise in the rate of investment in the economy supporting the industrial performance and outlook on growth.

The liquidity conditions were broadly determined by the policy changes in the reserve requirements, tax collections and high credit demand. The debt market continued its period of bearish trend mainly on the back drop of monetary tightening in US and other economies including India, escalating international and domestic oil prices, rising inflation and resultant spike in short term rates. The yields in the bond market moved in tandem with the rate hikes across the globe including India and domestic liquidity conditions.

The Indian rupee started the financial year 2006-07 on weak note by depreciating to a low of Rs.46.97 per US dollar in the month of July 2006. This was mainly due to higher crude oil prices, FII outflows and the Middle East crises. However, the situation reversed thereafter due to strong FIIs inflows. Moderation in the crude oil prices and the weakening of US dollar against other currencies. The rupee appreciate to touch a high of Rs.43.14 in the month of March and close the year at Rs.43.60 against a previous year close of Rs.44.61 per US dollar. In the recent past , Indian Rupee has witnessed strong trend on the back of technical factors like large FII investments and increased level of FDI in India.

In the Indian context, the yields in the government securities market is expected to remain under pressure due the tight liquidity conditions and supply of government bonds in the near future. However, the expectation of no further rate hikes and value buying by the investors is expected to provide the required support to the bond market at the current levels.

OVERVIEW OF EQUITY MARKETS IN 2006-07

Indian equity markets have been surprising the investors over the last 4 years by providing above average returns year after year. The India Inc has posted an average of over 30% growth in earnings for FY 06-07 and with capacity additions and other investments planned to meet ever rising consumption demand in the country and abroad, the prospects for future earnings look bright.

The stable macro-economic conditions, capacity additions by the corporate sector and strong growth outlook are attracting foreign capital into the country. Foreign investor interest and confidence in the in Indian growth story becomes evident from the \$6.7 billion FII inflow, \$15 billion FDI investments and \$22 billion by the route of external commercial borrowings during this period.

The current trend in consumption demand in the economy is expected to continue following increase in income levels and urbanization in the India social set-up. It is also seen that investment demand is picking up in the country despite a rising interest rate scenario and appreciating rupee.

The strong growth prospects and incremental risk appetite among investors across the globe pulled the markets from their intermittent lows.

It is believed that the year ahead would continue to witness strong corporate earnings, albeit a slightly lower growth, owing to large base effect. Economic fundamentals continue to perform confidence well over long term as witnessed by host of important macro and macro factors. To generate wealth over a prolonged period it would be prudent to remain invested in Indian equity markets and in those stocks which offer value for investor's money.

TRUSTEES:

The Trustees as on date comprise Justice S Mohan, Independent Trustee, Mr. Amitabha Ghosh, Nominee of the Sponsor, Mr. S. R. Hegde, Independent Trustee and Mr. P.V. Rao, Independent Trustee. Shri S T Gerela, Independent Trustee resigned from the Board with effect from June 12th, 2007. The Trustees place on record their appreciation for the valuable contribution made by him during his association with the Fund.

PERFORMANCE

Sahara Growth Fund is an open ended growth scheme with an objective is to achieve capital appreciation by investing in equity and equity related instruments.

Returns:

Performance as of March 31, 2007	1 year	3 years	Since inception	Inception date
NAV (%)	11.81	39.54	40.87	August 30, 2002
CNX Nifty Index (%)	12.31	37.02	33.63	

“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 2006 – 2007

DEBT MARKETS

The benign inflation numbers will continue to provide the required momentum to the market. However the expectation of cut in SLR requirement of banks will keep any major rally under check. The ten year G-sec is expected to find good support to 8.50% levels and trade in a broad range of 7.75% - 8.45% for the financial year 2007-08.

EQUITY MARKETS

It is believed that the year ahead would continue to witness strong corporate earnings, albeit a slightly lower growth, owing to large base effect. Economic fundamentals continue to perform confidence well over long term as witnessed by host of important macro and macro factors. To generate wealth over a prolonged period it would be prudent to remain invested in Indian equity markets and in those stocks which offer value for investor's money.

The Trustees would like to thank the Securities and Exchange Board of India, the Reserve Bank of India, the Sponsors, the Board of the Sahara Asset Management Company Private Limited, Association of Mutual Funds in India for their support, co-operation and guidance during the period.

We are also thankful to the Auditors, Registrar and Transfer Agents, Custodian, Banks, AMFI

Certified distributors and other service providers for their continuous support. The Trustees would also like to thank all the investors for reposing their faith and trust in Sahara Mutual Fund.

We look forward for your continued support and assure you of our commitment at all times in managing the schemes of Sahara Mutual Fund.

On behalf of the Board of Trustees

For Sahara Mutual Fund

sd/-
Justice S Mohan

Place: Mumbai
Date: 18.07.2007

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 further in the Report for statements on liabilities and responsibilities of the Trustees and Settlor, Risk Factors and other disclosures.

AUDITORS' REPORT TO THE TRUSTEES OF SAHARA MUTUAL FUND

To

The Board of Trustees

1. We have audited the Balance Sheet of Sahara Mutual Fund – Sahara Growth Fund (the "Scheme") as at March 31, 2007, and the related Revenue Account for the year ended on that date, annexed thereto. These financial statements are a responsibility of the Trustees of 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.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. The Balance Sheet and the Revenue Account referred to above are in agreement with the books of account of the Scheme.
4. Without qualifying our opinion, we draw attention to Note no.6 of Schedule 8 to the Financial Statements regarding transfer of certain amounts by the scheme to Unit Premium Reserve Account and Income Equalisation Account on purchase and redemption of units based on estimates which are considered appropriate by the Asset Management Company and Trustees. We are unable to express our opinion on the appropriateness of such transfer as the same are not capable of verification by us. However, the above has no impact on the net asset value of the scheme.
5. In our opinion and to the best of our information and according to the explanations given to us:
 - 5.1 The Balance Sheet and the Revenue Account together with the notes thereon give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments thereto, as applicable and give a true and fair view in conformity with the Accounting principles generally accepted in India
 - i). in case of Balance Sheet of the state of affairs of the scheme as at March 31, 2007 and
 - ii). in case of the Revenue account, of the surplus for the year ended on that date.
6. The Balance Sheet and the Revenue Account together with the notes thereon, have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments thereto, as applicable.

The methods used to value non-traded/thinly traded securities as at March 31, 2007 as determined by the Management under procedures approved by the Trustees of Sahara Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds, issued by the Securities and Exchange Board of India, are fair and reasonable.

For Chaturvedi & Co
Chartered Accountants

S N Chaturvedi
Partner
Membership No.40479

Place: Mumbai
Date: July 18, 2007

BALANCE SHEET AS AT MARCH 31, 2007

	Schedule	As at March 31, 2007 (Rs)	As at March 31, 2006 (Rs)
ASSETS			
Investments	1	31,632,074	70,374,493
Deposits	2	-	2,400,000
Other Current Assets	3	7,565,192	18,489,964
Total Assets		39,197,266	91,264,457
LIABILITIES			
Unit Capital	4	12,249,132	33,523,471
Reserves & Surplus	5	24,952,278	45,149,458
Current Liabilities & Provisions	6	1,995,856	12,591,528
Total Liabilities		39,197,266	91,264,457

NET ASSET VALUE

Net Asset Value per unit (Rs.)

Growth Option	48.0055	42.9092
Dividend Option	24.2958	21.6975

Significant Accounting Policies and Notes to the accounts 8

Schedules 1 to 6 and 8 form an integral part of the Balance Sheet

As per our attached report of even date

As per our attached report of even date

For Chaturvedi & Co.

Chartered Accountants

S N Chaturvedi

Partner

For Sahara Mutual Fund

Justice S Mohan

Trustee

Amitabha Ghosh

Trustee

For Sahara Asset Management Company Private Ltd.

C Kamdar

Director

O P Srivastava

Director

Place: Mumbai

Date: 18/07/2007

Naresh Kumar Garg

Principal Officer

A.N. Sridhar

Fund Manager

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

	Schedule	For the year ended March 31, 2007 (Rs)	For the year ended March 31, 2006 (Rs)
INCOME			
Dividend		880,708	909,871
Interest Income		613,250	586,372
Profit on Sale / Redemption of Investments(Net)		18,485,130	36,675,810
(Other than Inter Scheme Transfer / Sale)			
Total Income		19,979,088	38,172,053
EXPENSES & LOSSES			
Management Fees		294,829	335,143
Trusteeship Fees & expenses		52,087	42,058
Audit Fees		28,085	41,648
Custodian Fees		36,916	40,104
Registrar & Transfer Agent Charges		352,162	204,819
Insurance		28,055	44,862
Marketing & Distribution Expenses		772,059	1,111,911
Bank Charges		-	4,693
Legal & Professional Fees		56,654	-
Total Expenses		1,620,848	1,825,238
Surplus for the Year (excluding unrealised appreciation)		18,358,241	36,346,815
Add : Excess provision for depreciation in earlier years written back / (provision for depreciation)	7	(388,603)	1,214,566
Transfer from Income Equalisation Reserve		(9,436,137)	(1,820,158)
Dividend paid, including dividend tax		-	(27,288,765)
Surplus/(Deficit) transferred to Reserves		8,533,500	8,452,458

Significant Accounting Policies and Notes to the accounts

8

Schedules 7 and 8 form an integral part of the Revenue Account

As per our attached report of even date

For Chaturvedi & Co.
Chartered Accountants

For Sahara Mutual Fund

S N Chaturvedi
Partner

Justice S Mohan
Trustee
For Sahara Asset Management Company Private Ltd.

C Kamdar
Director

Amitabha Ghosh
Trustee

O P Srivastava
Director

Place: Mumbai
Date:18/07/2007

Naresh Kumar Garg
Principal Officer

A.N. Sridhar
Fund Manager

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at March 31, 2007 (Rs)	As at March 31, 2006 (Rs)
SCHEDULE 1		
Investments		
(Refer note 7.14 of Schedule 8 for detailed Portfolio statement)		
Equity Shares	31,632,074	70,374,493
	31,632,074	70,374,493
	31,632,074	70,374,493
SCHEDULE 2		
Deposits		
With Scheduled Bank	-	2,400,000
	-	2,400,000
	-	2,400,000
SCHEDULE 3		
Other Current Assets		
Balances with Banks in Current accounts	1,160,776	596,801
Contracts for sale of Investments	-	399,553
Outstanding and Accrued Income	67,650	83,293
Reverse Repo arrangements	5,172,702	8,721,786
Receivable on issue of Units	1,164,064	8,688,531
	7,565,192	18,489,964
	7,565,192	18,489,964
SCHEDULE 4		
Unit Capital		
Growth Option: 313845.3410 units of Rs.10 each	3,138,453	2,800,345
(For 2005-06 - 280034.489 units of Rs.10 each)		
Dividend Option: 911067.851 units of Rs.10 each	9,110,679	30,723,126
(For 2005-06 - 3072312.582 units of Rs.10 each)		
Total	12,249,132	33,523,471
(Refer note 7.10 of Schedule 8)	12,249,132	33,523,471

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at March 31, 2007 (Rs)	As at March 31, 2006 (Rs)
SCHEDULE 5		
Reserves and Surplus		
Revenue Reserve		
Balance as at beginning of the year	31,822,530	23,370,072
Transfer from Revenue Account	8,533,500	8,452,458
Balance as at end of the year	40,356,030	31,822,530
Income Equalisation Reserve		
Balance as at beginning of the year	-	-
Additions During the year	(9,436,137)	(1,820,158)
Transfer to Revenue Account	9,436,137	1,820,158
Balance as at end of the year	-	-
Unrealised Appreciation Reserve		
Balance as at beginning of the year	16,688,792	8,410,905
Additions During the year	(13,264,498)	8,277,887
Balance as at end of the year	3,424,294	16,688,792
Unit Premium Reserve		
Balance as at beginning of the year	(3,361,864)	(1,667,532)
Additions During the year	(15,466,182)	(1,694,331)
Balance as at end of the year	(18,828,046)	(3,361,864)
	24,952,278	45,149,458
SCHEDULE 6		
Current Liabilities and Provisions		
Sundry Creditors	3	256,792
Management Fees Payable	37,705	45,931
TDS Payable on Management Fees	-	755
Contracts for Purchase of Investments	1,114,128	1,576,037

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at March 31, 2007 (Rs)	As at March 31, 2006 (Rs)
Payable on redemption of units	629,569	8,853,128
Unclaimed Distributed Income	16,888	16,888
Load Charges payable to AMC (Refer note 7.7 of Schedule 8)	197,563	1,841,997
	1,995,856	12,591,528

SCHEDULE FORMING PART OF REVENUE ACCOUNT

SCHEDULE 7

**Excess provision for
depreciation in earlier years
written back / (provision for
depreciation)**

At the beginning of the year	(235,496)	(1,450,062)
At the end of the year	(624,099)	(235,496)
Net Changes in Provision for Depreciation	(388,603)	1,214,566

SCHEDULE 8

ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007.

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 reopen for continuous purchase and redemption at prevailing NAV from August 30, 2002.

1.2 Asset Management Company

Sahara Mutual Fund (SMF) has been established as a Trust in accordance with the Indian Trusts Act, 1882, and is sponsored by Sahara India Financial Corporation Limited ("SIFCL").

Sahara Asset Management Company Private Limited ("SAMCPL"), a company incorporated under the Companies Act, 1956, has been appointed as the Asset Management Company ("Investment Manager") to Sahara Mutual Fund.

The Shareholding of Sahara Asset Management Co Private Limited as on March 31, 2007 is as follows:

Name of the Shareholder	Type of holdings	Holding
Sahara India Financial Corporation Ltd.	Equity	58.12 %
Sahara India Corp Investment Ltd.	Equity	20.94 %
Sahara India Investment Corporation Ltd.	Equity	20.94 %
Name of the Shareholder	Type of holdings	Holding
Sahara India Commercial Corporation Ltd	Preference	90.32%
Sahara Care Ltd	Preference	9.68%

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Accounting

The Scheme maintains its books of account on an accrual basis. These financial statements have been prepared in accordance with the Accounting Policies and Standards specified in the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, (the "Regulation"), and amendments thereto, as applicable.

2.2 Accounting for Investments

2.2.1 Investments are accounted on trade dates at cost including brokerage, stamp duty and other charges which are included in the acquisition of investments.

2.2.2 Profit or loss on sale of investments is determined on the respective trade date by adopting the "Weighted Average Cost" method.

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

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

2.3 Valuation of Investments

2.3.1 Traded Investments

1. Traded equity securities and warrants are valued at the last quoted price on the National Stock Exchange of India Limited (NSE). However, if the securities and warrants are not listed on NSE, the securities are valued at the price quoted at the exchange where it is principally traded. When on a particular valuation day, a security has not been traded on NSE but has been traded on another stock exchange, the value at which it is traded on that stock exchange is used provided it is not more than thirty days prior to the valuation date.
2. The Valuation of Rights shares until they are traded, is done as per the method given below:

$$V_r = \frac{n \times (P_{ex} - P_{of})}{m}$$

Where V_r = Value of rights

n = no. of rights offered

m = no. of original shares held

P_{ex} = Ex-rights price

P_{of} = Rights Offer Price

Where the rights are not treated pari-passu with the existing shares, suitable adjustment should be made to the value of rights. Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights can be valued at the renunciation value.

2.3.2 Unlisted/Non traded / Thinly Traded Investments

Non-traded / thinly traded / privately placed equity securities including those not traded within thirty days are valued at fair value as per procedures determined by SAMCPL and approved by the Trustee in accordance with the guidelines for valuation of securities for mutual funds, issued by the Securities and Exchange Board of India (SEBI) from time to time.

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 including those not traded for a period of seven days are valued at cost plus accrued interest.
- d. Investments in mutual fund schemes are valued based on the net asset value of the respective schemes as on the valuation date.

2.3.4 Unrealised Appreciation / Depreciation.

In accordance with the Guidance Note on Accounting for Investments in the Financial Statements of Mutual Funds issued by the Institute of Chartered Accountants of India, 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 said Guidance Note. However, this departure from the Guidance Note does not have any net impact on the Scheme's net assets or results for the year.

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 on principal stock exchange.

2.4.4 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. Net Asset Value for Growth/Dividend Options:

The net asset value of the units is determined separately for units issued under the Growth and Dividend Options. For reporting the net asset value of the Growth and Dividend Options, daily income earned, including realized and unrealized gain or loss in the value of investments and expenses incurred by the scheme are allocated to the options in proportion to the value of the net assets.

4. 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 account of the Scheme, after an appropriate of the issue proceeds and redemption payout is credited or debited respectively to the income equalization account.

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

5. Income Equalisation Account

Income Equalisation Account is being maintained by crediting or debiting the equalisation 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. The balance in the income equalisation account is transferred to the revenue account at the end of the year.

6. In terms of clauses h and i of the Ninth schedule to SEBI(Mutual Funds) Regulations, 1996, the scheme has transferred certain amounts to Unit Premium Reserve Account and Income Equalisation Account on purchase and redemption of units based on estimates which are considered appropriate by the Asset Management Company and Trustees.

7. NOTES TO THE ACCOUNTS

7.1 Management Fees, Trusteeship Fees, Custodian Fees

Management Fees

Management Fees has been computed at 0.45% on average net assets calculated on a daily basis.

Trusteeship Fees & Expenses

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. Trusteeship fees & expenses are allocated to the schemes on the basis of their daily average net assets.

Custodian Charges

HDFC Bank provides Custodial services to the scheme for which fees is paid as per the agreement.

7.2 Provision for tax has not been made since the income of the scheme is exempt from tax under Section 10(23D) of the Income Tax Act, 1961.

7.3 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 Bimonthly basis.

7.4 Certain investments are registered in the name of the Fund without specific reference to the Scheme. As at March 31, 2007 the aggregate market value of securities under Sahara Growth Fund but held in the name of Sahara Mutual Fund is Rs.51,72,701.90.

7.5 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):

Brokerage to SIFCL A/c CMSD (Associate) has been made for sale of units of the MF as given below:

(Rs. In lakhs)

Liquid Fund	Income Fund	Gift Fund	Tax Gain Fund	Growth Fund	Midcap Fund	Wealth Plus Fund	Infrastructure Fund	FMP 395 days
0.85	0.22	0.02	0.93	0.22	0.76	3.93	3.58	0.23

7.6 The aggregate value of Investment purchased and sold(Including Redemption) during the year as a percentage of daily average net asset value;

Purchases

Year	Amount in Rupees	% of Daily Average
2006-07	173,270,527	263.96
2005-06	208,014,554	272.91

Sales

Year	Amount in Rupees	% of Daily Average
2006-07	198,263,362	302.04
2005-06	241,023,218	316.22

7.7 Load Charges

Load charges are collected and reimbursed to the Asset Management Company for Selling and distribution expenses incurred by it on behalf of scheme.

7.8 Aggregate Appreciation and Depreciation in the value of Investments :

Asset Class	31-Mar-07		31-Mar-06	
	Appreciation (Rs. In lakhs)	Depreciation (Rs. In lakhs)	Appreciation (Rs. In lakhs)	Depreciation (Rs. In lakhs)
Equity Shares	34.24	6.24	166.89	2.35

7.9 Income and Expense Ratio

	2006-07	2005-06
Total Income (including net unrealized appreciation and net of loss on sale of investments) to average net assets calculated on a daily basis.	34.71%	71.67%
Total Expenditure to average net assets calculated on a daily basis	2.47%	2.39%

7.10 Movement in Unit Capital

7.10.1 Growth Option

	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2007	As on March 31, 2007	As on March 31, 2006	As on March 31, 2006
Initial Capital	1,256,545.617	12,565,456	1,256,545.617	12,565,456
Opening Balance	280,034.489	2,800,345	942,186.115	9,421,861
Units Sold during the year	715,704.257	7,157,043	547,343.459	5,473,434
Units Repurchased during the year	(681,893.405)	(6,818,934)	(1,209,495.085)	(12,094,950)
Closing Balance	313,845.341	3,138,453	280,034.489	2,800,345

7.10.2 Dividend Option

	Number of Units	Amount (Rs)	Number of Units	Amount (Rs)
	As on March 31, 2007	As on March 31, 2007	As on March 31, 2006	As on March 31, 2006
Initial Capital	308,657.065	3,086,571	308,657.065	3,086,571
Opening Balance	3,072,312.582	30,723,126	2,337,559.393	23,375,594
Units Sold during the year	1,127,656.580	11,276,566	3,423,547.744	34,235,477
Units Repurchased during the year	(3,288,901.311)	(32,889,013)	(2,688,794.555)	(26,887,945)
Closing Balance	911,067.851	9,110,679	3,072,312.582	30,723,126

7.11 The scheme has declared nil dividend during the year. (PY: Rs.7.5/- per unit).

There was no bonus declared during the year ended March 31, 2007 (PY:Nil).

7.12 Unclaimed Amounts (beyond six months) :

Unclaimed Redemption and Dividend amounts as of March 31, 2007 are given below:

Scheme name	No of Investors	Unclaimed Dividend (Rs)	No of Investors	Unclaimed Redemption (Rs)
Sahara Growth Fund	3	5,258.58	2	11,345.56

7.13 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	Aggregate cost of acquisition during the period	Outstanding as at March 31, 2007
HDFC Bank Ltd	Sahara Liquid Fund	Sahara Infrastructure Fund	55.35	Nil
		Sahara Wealth Plus Fund	114.52	Nil
Union Bank of India	Sahara Infrastructure Fund	Sahara Mid Cap Fund	42.97	Nil
		Sahara Wealth Plus Fund	128.91	Nil
		Sahara Growth Fund	33.16	Nil
		Sahara Taxgain Fund	7.88	Nil
		Sahara Infrastructure Fund	30.26	Nil
Lakshmi Vilas Bank Ltd	Sahara Liquid Fund	Sahara Mid Cap Fund	7.23	Nil

The above investments were made by the schemes purely on fundamental basis and to optimize return and retain high liquidity. These investments do not include reverse repo and fixed deposits. In addition to the above, the mutual fund has placed money as short term deposits towards margin money for F & O at competitive rates with HDFC Bank Ltd.

7.14 Portfolio Statement as on March 31, 2007:

Company Name	Qty	Mkt Value (Rs. Lacs)	% of Market Value
1) Equity & Equity Related			
EQUITY SHARES (85.95%)			
Industrial Capital Goods			
Bharat Heavy Electricals Ltd	950	21.48	
Larsen And Toubro Ltd	1300	21.06	
Siemens Ltd	1400	15.27	15.71
Auto			
Mahindra & Mahindra Ltd	2300	17.95	
Bajaj Auto Ltd	700	16.99	
Maruti Udyog Ltd	2000	16.40	13.95
Power			
NTPC Ltd	13000	19.53	
Tata Power Company Ltd	3500	17.83	10.15
Pharmaceuticals			
Smithkline Glaxo Ltd	1650	18.48	
Ranbaxy Laboratories Ltd	2500	8.80	
Sun Pharmaceuticals Industries Ltd	700	7.40	9.42

Banks			
ICICI Bank Ltd	2200	18.77	
Punjab National Bank	2800	13.28	8.71
Software			
Tata Consultancy Services Ltd	1000	12.34	
Infosys Technologies Ltd	600	12.11	6.64
Petroleum Products			
Reliance Industries Ltd	1400	19.18	5.21
Consumer Non Durables			
ITC Ltd	12000	18.14	4.93
Oil			
Oil & Natural Gas Corp Ltd	2000	17.62	4.79
Telecom - Services			
Bharti Airtel Ltd	1800	13.75	3.74
Cement			
Grasim Industries Ltd	475	9.94	2.70
Total	54275	316.32	100.00
2) Debt Instruments			
(a) Listed / awaiting listing on Stock Exchanges	Nil	Nil	Nil
(b) Privately Placed / Unlisted	Nil	Nil	Nil
3) Money Market Instruments	Nil	Nil	Nil
Grand Total	54275	316.32	

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

7.16 Holdings over 25% of the NAV of the scheme as of March 31, 2007.

Particulars	As on March 31, 2007	As on March 31, 2006
Number of Investors	Nil	1
Percentage of Holdings	N/A	28.56%

7.17 Contingent Liability : Nil

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

As per our attached report of even date.

Perspective Historical Per Unit Statistics

Particulars	As at 31-Mar-07	As at 31-Mar-06	As at 31-Mar-05
(a) Gross Income			
(i) Income other than Profit on sale of Investments	1.22	0.45	1.00
(ii) Income from Profit (net of loss) on inter-scheme sales/transfer of Investments	0.0000	0.0000	0.0000
(iii) Income from Profit (net of Loss) on sale other than Inter scheme	15.09	10.94	24.96
(iv) Transfer to revenue account from past year's reserve	NA	NA	NA
(b) Aggregate of expenses, write off, amortisation and charges	1.32	0.54	1.14
(c) Net Income	14.99	10.84	24.82
(d) Net unrealised appreciation/(diminution) in value of Investments	2.29	4.91	2.12
(e) Net Asset Value			
Growth Plan	48.01	42.91	24.65
Dividend Plan	24.30	21.70	16.98
(f) Repurchase Price during the year**			
(i) Highest			
Growth Plan	52.0967	42.9265	26.13
Dividend Plan	26.3925	28.2288	20.36
(ii) Lowest			
Growth Plan	34.0584	23.4000	16.18
Dividend Plan	17.5732	16.6300	13.05
(g) Resale Price during the year**			
Growth Plan	53.3389	43.9942	27.19
Dividend Plan	26.9863	28.8639	21.20
(ii) Lowest			
Growth Plan	34.8247	23.8800	16.84
Dividend Plan	17.9388	16.4500	13.59
(h) Ratio of expenses to average daily net assets by Percentage	2.47%	2.39%	2.29%
(i) Ratio of income to average daily net assets by Percentage	34.71%	71.67%	30.32%
(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

Addendum to the Offer Documents of schemes of Sahara Mutual Fund

1. Change in Minimum Additional Investments : Sahara Liquid Fund, Sahara Gift Fund , Sahara Income Fund, Sahara Growth Fund, effective date 01/11/2006

Existing Provision	Revised Provision
Sahara Liquid Fund: Minimum Investment (Rs.10000/- under all options) Additional Investments: In multiples of Re.5000/-	Sahara Liquid Fund : Minimum Investment (Rs.10000/- under all options). Additional Investments: Rs.5000/- & in multiples of Re.1/-.
Sahara Gift Fund: Minimum Investment (under Dividend and Growth Option) : Rs.5000/- Additional Investments: In multiples of Rs.1000/-	Sahara Gift Fund : Minimum Investment (under Dividend and Growth Option) : Rs.5000/- Additional Investments: Rs.1000/- and in multiples of Re.1/-.
Sahara Income Fund : Minimum Investment (under Dividend and Growth Option) : Rs.3000/- Additional Investments: In multiples of Rs.1000/-	Sahara Income Fund : Minimum Investment (under Dividend and Growth Option) : Rs.3000/- Additional Investments: Rs.1000/- and in multiples of Re.1/-
Sahara Growth Fund : Minimum Investment (under Dividend and Growth Option) : Rs.3000/- Additional Investments: In multiples of Rs.1000/-	Sahara Growth Fund: Minimum Investment (under Dividend and Growth Option) : Rs.3000/- Additional Investments: Rs.500/- and in multiples of Re.1/-

Date : 30th October , 2006

2. Change of Registrar and Transfer Agent. The Board has approved the change in the registrar and transfer agent from Computer Age Management Services (P) Ltd to KARVY Computershare Private Ltd with effect from the closing hours of Friday,

The contact office of Karvy is : 21, Avenue 4, Street No.1, Banjara Hills, Hyderabad -500 034. The contact telephone number is (040) 23312454 and email ID: service_smf@karvy.com. All future communications with respect to investor services should be sent to KARVY Computershare Private Limited at the following address : KARVY Computershare Private Limited,(Unit- Sahara Mutual Fund), KARVY Registry House, H No 8-2-596,Avenue 4,Street No,1, Banjara Hills, Hyderabad -500 034. Tel No: 040-23312454 / 23320751 / 23320752. Fax no: 040-23420886 Email ID: rvicv_smf@karvy.com. The KARVY Investor Service Centres (ISCs) as official points of acceptance are given below for all related activities of the schemes of Sahara Mutual Fund. **AHMEDABAD:** 307, Shail Buildings, Opposite Madhusudhan House, Off C. G. Road, Near Navrangpura Telephone Exchange,Ahmedabad-380 006. Tel: 079-26400527 -28. **BANGALORE:** No. 51/25, 1st Floor, Surya Building, Ratna Avenue, Richmond Road, Bangalore - 560 025. Tel: 080-25320085-86. **BARODA:** 31-34, Payal Complex, Near Vadodara Stock Exchange, Sayajigunj, Baroda-390 005. Tel: 0265 -2225168-69. **BHUBANESHWAR:** 624, Sahid Nagar, Bhubaneshwar-751007. Tel: 0674-2547532-33. **CHANDIGARH:** SCO-371-372, First Floor, Above HDFC Bank Ltd., Sector 35B, Chandigarh-160 022. Tel: 0172-5071726-28. **CHENNAI:** Flat No. F11, First Floor, Akshya Plaza, (Erstwhile Harris Road), Opposite Chief Metropolitan Court,#108, Adhithanar Salai, Egmore, Chennai-600 002. Tel: 0448277383. **COCHIN:** 39, Panampilly Nagar, Cochin-682 036. Tel : 0484-2310884/0484-2322152. **COIMBATORE:** SNV Chambers, 482/483, Ponne Street, Opposite Power House Cross Cut Road , Coimbatore-641 012. Tel: 0422-2237501/02/03. **DURGAPUR:** Dutta Automobiles Building,1st Floor, Benachity, Durgapur - 713 213. Tel: 0343-2586375-77. **HYDERABAD:** 21, Avenue 4, Street No.1,Banjara Hills, Hyderabad-500 034. Tel: 040-23312454. **INDORE:** DM Tower, 105, 106 & 107,Above Standard Chartered Bank, Near Jangeerwala Chowrah, Indore-452 001.Tel: 0731-5069893-94. **JAIPUR:** S-16 A, 3rd Floor, Land Mark, Opposite Jaipur Club, Mahavir Marg, C- Scheme, Jaipur-302 001. Tel: 0141-2363321, 2375039. **JAMSHEDPUR:** Kanchan Tower, 1llrd Floor, Chhaganlal Dayalji & Sons,3-S B Shop Area, (Near Traffic Signal), Main Road,Bistupur, Jamshedpur - 831 001. Tel: 0657-2487045/48. **KANPUR:** 15/46, B, First Floor, Opposite Muir Mills, Civil Lines, Kanpur-208 001. Tel: 0512-3127111, 3096000,3296000. **KOLKATA:** 16,Jatin Bagchi Road, Kolkata-700 029. Tel. 033-2465 9263. **LUCKNOW:** 94, Mahatma Gandhi Marg, Opposite Governor House, Lucknow - 226 001. Tel: 0522-2236819-21. **LUDHIANA:** SCO-3, Feroze Gandhi Market, Ludhiana-141 001. Tel: 0161-5034809-12. **MANGALORE:** Mahendra Arcade, Ground Floor, Kadialbail, Mangalore-575 003. Tel: 0824-2496701. **MUMBAI:** 26/30, Fort Foundation Bldg, Near MSC Bank, Maharashtra Chamber Of Commerce Lane ,Fort, Mumbai-400 023.Tel: 022-56382666. **NAGPUR:** 230/231,3rd Floor, Shiram Shyam Towers, Next to NIIT Building, Sadar, Kings Way, Nagpur-440 001.Tel: 0712-5656102-03. **NEW DELHI:** 105-108 Arunachal Building, 19 Barakhamba Road, Connaught Place, New Delhi-110 001. Tel: 011-23324401. **PATNA:** "Anand Towers", 2nd Floor, Exhibition Road, Near Republic Hotel, Opposite Mithila Motors, Patna-800 001.Tel: 0612- 2321354/56. **PUNE:** Trupti Apartment, Flat No. 8, 4th Floor, Lane next to HDFC Bank, Opposite Ranajeet Hotel, Bhandarkar Road, Pune-411 004. Tel:020-4028 431/32. **SURAT:** G/16, Empire State Building, Near Udhna Darwaja, Ring Road,Surat-395 002. Tel: 0261-3017155-56. **VISAKHAPATNAM:** 47-14-5/1 Eswar Paradise, Dwaraka Nagar Main Road, Visakhapatnam - 530 016 Tel: 0891-2752916-18. The entire list of the offices of KARVY(ISCs/TPS) for servicing the schemes, is also available in the website www.saharamutual.com of Sahara Mutual Fund.

2) **Auto Debit facility for all schemes.** The auto debit facility under Systematic Investment Plan (SIP) for existing and prospective investors is now available. Auto Debit facility will be available with the banks as notified by Sahara Mutual Fund from time to time.

Date: December 8, 2006

3. **PERMANENT ACCOUNT NUMBER (PAN)** : Securities and Exchange Board of India (SEBI) vide its circular dated April 27th, 2007, directed that PAN would be the sole identification number for all participants transacting in the securities market including mutual funds, irrespective of the amount of transaction.

Consequently it is mandatory for all the existing and prospective investors (including all joint applicants / holders, guardians and Non – resident Indians) to furnish attested copy of the PAN along with the application for investment.

Accordingly investment application received upto December 31, 2007,

1. For applicable transactions **below Rs 50,000/-** : pl furnish
 - Either attested copy of PAN card or
 - Copy of Form 49A acknowledgement.
2. For applicable transactions of Rs 50,000/- or more : pl furnish
 - Either attested copy of PAN card or
 - Copy of Form 49A acknowledgement and Form 60 / Form 61.

Copy of PAN card can be attested by any one of the following 1) Offices of Sahara Mutual Fund 2) Investor Service Centers of our Registrar and Transfer Agents (KARVY Computershare Pvt Ltd) 3) Bank Manager of Scheduled Commercial Bank 4) Gazetted Officer 5) Notary Public 6) AMFI Certified Distributor (with ARN affixed).

The applicant should also produce the PAN card for verification at the time of making application for investment.

Attaching the evidence of having applied for PAN along with investment application is permitted upto 31st Dec 2007. Effective from January 1, 2008 submission of PAN card copy is mandatory for all applicable transactions.

This addendum forms an integral part of the offer documents of the respective schemes of Sahara Mutual Fund. All other terms and conditions in the offer document remains unchanged.

Date: 10/07/2007

5. **Resignation of Trustee:** Shri S.T. Gerela , Independent Trustee has resigned from the Board of Trustees of Sahara Mutual Fund.

Date: 01/08/2007

5. **Change in Corporate Office and Point of Service (POS).** The Corporate Office of Sahara Mutual Fund is shifted to the following address w.e.f. 16th August, 2007.

Sahara Mutual Fund: 97-98, 9th Floor, Atlanta, Nariman Point, Mumbai- 400 021. Tel No: (022) 67520121 / 27. Fax: (022) 6654 7855.

The above office will act as "Official Point of Acceptance" for the schemes of Sahara Mutual Fund.

Date : 14th August, 2007

Scheme Classification & Objective: Sahara Growth Fund is an open ended growth scheme with an objective is to achieve capital appreciation by investing in equity and equity related instruments. **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 Growth Fund, is only the name of the scheme and does 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 load:** Entry Load :< Rs. 1 crore - 2.25% ; >= Rs.1 crore :Nil ; Exit load : <Rs.1 crore :Nil, >= Rs 1 cr, 1% if redeemed on or before 3 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 Sahara India Financial Corporation Limited 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 Trust Deed dated July 18, 1996, contains inter-alia, the following clauses that may be of material interest to the investor:

- In carrying out his 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.

BOOK - POST

If undelivered, please return to:
Karvy Computershare Private Limited
(Unit: Sahara Mutual Fund)
21, Avenue 4, Street No. 1, Banjara Hills,
Hyderabad - 500 034.