



**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](http://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 Income 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 Income Fund is an Open Ended Income Scheme with an objective to generate 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.

#### **Returns:**

<b>Performance as of March 31, 2007</b>	<b>1 year</b>	<b>3 years</b>	<b>Since inception</b>	<b>Inception date</b>
NAV (%)	7.17	3.79	5.45	February 22, 2002
CRISIL Composite Bond Fund Index ( %)	3.68	2.40	NA *	

\* As 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 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 Income 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)
<b>ASSETS</b>			
Investments	1	11,428,704	25,992,936
Other Current Assets	2	2,776,223	1,037,386
<b>Total Assets</b>		<b>14,204,927</b>	<b>27,030,322</b>
<b>LIABILITIES</b>			
Unit Capital	3	10,933,193	22,103,815
Reserves & Surplus	4	3,135,456	4,648,117
Current Liabilities & Provisions	5	136,278	278,390
<b>Total Liabilities</b>		<b>14,204,927</b>	<b>27,030,322</b>

### NET ASSET VALUE

Net Asset Value per unit (Rs.)

i) Growth Option	13.1108	12.2294
ii) Dividend Option	10.7974	11.0073

Significant Accountinng Policies and Notes to the accounts 8

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

As per our attached report of even date

**For Chaturvedi & Co.**  
Chartered Accountants

**S N Chaturvedi**  
Partner

**For Sahara Mutual Fund**

Justice S Mohan <b>Trustee</b>	Amitabha Ghosh <b>Trustee</b>
<b>For Sahara Asset Management Company Private Ltd.</b>	

C Kamdar  
**Director**

O P Srivastava  
**Director**

Place: Mumbai  
Date: 18/07/2007

Naresh Kumar Garg  
**Principal Officer**

Puneet Srivastava  
**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)
<b>INCOME</b>			
Interest & Discount Income	6	3,189,054	2,444,725
<b>Total Income</b>		3,189,054	2,444,725
<b>EXPENSES &amp; LOSSES</b>			
Loss on Sale / Redemption of Investments (Net) (Other than Inter-Scheme Transfer / Sale)		-	606,089
Loss on Sale / Transfer of Investments (Inter Scheme) (Net)		79	218,800
Management Fees		45,269	119,800
Trusteeship Fees & expenses		2,765	13,533
Audit Fees		1,491	16,929
Custodian Fees		7,287	6,105
Registrar & Transfer Agent Charges		172,459	340,336
Insurance		1,490	13,349
Marketing & Distribution Expenses		47,382	21,686
Legal & Professional Fees		3,008	-
<b>Total Expenses</b>		281,230	1,356,627
Surplus / (Deficit) before unrealised depreciation		2,907,824	1,088,098
Excess/(Short) Provision for diminution in the value of Investment for earlier years written back	7	-	76,537
Surplus / (Deficit) for the Year (Excluding unrealised Appreciation)		2,907,824	1,164,635
Transfer from Income Equalisation Reserve		(4,452,665)	(2,372,459)
Dividend Paid Including Dividend Tax		(114,136)	
Net (Deficit) transferred to Revenue Reserve		(1,658,977)	(1,207,824)
Significant Accountintg Policies and Notes to the accounts	8		
Schedules 6 to 8 form an integral part of the Revenue Account			

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

**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

Puneet Srivastava  
Fund Manager

## SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at March 31, 2007 (Rs)	As at March 31, 2006 (Rs)
<b>SCHEDULE 1</b>		
<b>Investments</b>		
(Refer Note 7.14 of schedule 8 for detailed portfolio statement)		
Government of India Securities	-	-
Commercial Paper	<b>11,428,704</b>	3,491,102
Certificate of Deposits	-	14,541,214
Unlisted Non Convertible Debentures	-	4,000,000
Treasury Bills	-	3,960,620
	<b>11,428,704</b>	<b>25,992,936</b>
<b>SCHEDULE 2</b>		
<b>Other Current Assets</b>		
Balances with Banks in Current account	<b>210,287</b>	499,862
Outstanding and Accrued Income	<b>149,567</b>	449,671
Reverse Repo arrangements	<b>2,297,791</b>	-
Receivable on Issue of units	<b>118,578</b>	85,659
Receivable from AMC	-	2,194
	<b>2,776,223</b>	<b>1,037,386</b>
<b>SCHEDULE 3</b>		
<b>Unit Capital</b>		
Growth Option units 978469.4150 of Rs.10 each (For 2005-06 - 1981583.167 units)	<b>9,784,694</b>	19,815,831
Dividend Option 114849.8660 units of Rs.10 each (For 2005-06 - 228798.415 units)	<b>1,148,499</b>	2,287,984
<b>Total</b>	<b>10,933,193</b>	<b>22,103,815</b>
(Refer Note 7.10 of schedule 8)		

## SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at March 31, 2007 (Rs)	As at March 31, 2006 (Rs)
<b>SCHEDULE 4</b>		
<b>Reserves and Surplus</b>		
<b>Revenue Reserve</b>		
Balance as at beginning of the year	4,939,296	6,147,121
Transferred from Revenue Account	(1,658,977)	(1,207,824)
Balance as at end of the year	<b>3,280,320</b>	4,939,296
<b>Income Equalisation Reserve</b>		
Balance as at beginning of the year	-	-
Addition during the year	(4,452,665)	(2,372,459)
Transferred to Revenue Account	4,452,665	2,372,459
Balance as at end of the year	-	-
<b>Unrealised Appreciation Reserve</b>		
Balance as at beginning of the year	-	190
Additions / (deletions) during the year	-	(190)
Balance as at end of the year	-	-
<b>Unit Premium Reserve</b>		
Balance as at beginning of the year	(291,180)	(446,382)
Additions during the year,	146,316	155,202
Net Balance as at end of the year	<b>(144,864)</b>	(291,180)
	<b>3,135,456</b>	4,648,117
<b>SCHEDULE 5</b>		
<b>Current Liabilities and Provisions</b>		
Sundry Creditors	9,740	34,228
Payable on Redemption of units	124,478	222,552
Load Payable to AMC (Refer note 7.7 of Schedule 8)	2,060	21,610
	<b>136,278</b>	278,390
	<b>136,278</b>	278,390

## SCHEDULES FORMING PART OF REVENUE ACCOUNT

	As at March 31, 2007 (Rs)	As at March 31, 2006 (Rs)
<b>SCHEDULE 6</b>		
<b>Interest &amp; Discount Income</b>		
Debentures / Bonds	1,172,392	683,411
Government of India Securities	-	1,141,321
Treasury Bills	4,087	35,293
Certificate of Deposit / Commercial Paper	1,953,665	458,121
Deposits	-	-
Others	58,910	126,579
	3,189,054	2,444,725

### SCHEDULE 7

**Excess/(Short) Provision for diminution in the value of Investment for earlier years written back**

At the beginning of the year	-	(76,537)
At the end of the year	-	-
Net Changes in Provision for Depreciation in value of investments	-	76,537

## 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 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 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

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

1. Purchase and sale of investments are accounted on trade dates at price including / net of brokerage and other charges. Stamp duty is accounted as an expense when paid for.
2. Profit or loss on sale of investments is determined on the respective trade date by adopting the "Weighted Average Cost" method.
3. Primary Market Investments are recognized on the basis of allotment advice.
4. 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. 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 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. Unlisted/Non traded/Thinly traded debt securities with over 182 days to maturity are valued in good faith by the Investment manager on the basis of valuation principles laid down by SEBI.

### **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 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 Interest on Debentures, Government of India securities and Money Market Instruments are recognized on accrual basis

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 amount 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 Reserve**

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 On Accounts**

### **7.1 Management Fees, Trustee Fees, Custodian Fees**

#### **Management Fees**

Management Fees has been computed at 0.10% 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 Ltd 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 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 Income Fund but held in the name of Sahara Mutual Fund is Rs. 2,297,791.13.

7.4 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.

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

### Purchases

Year	Amount in Rupees	% of Daily average
2006-07	50,000,000	115.47
2005-06	111,760,613	360.72

### Sales

Year	Amount in Rupees	% of Daily average
2006-07	176,173,882	406.86
2005-06	107,319,105	346.39

## 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 the schemes.

## 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)
Bonds/NCDs	-	-	-	-
MMI's	-	-	-	-
Government Securities	-	-	-	-

## 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.	7.36%	5.23%
Total Expenditure to average net assets calculated on a daily basis	0.65%	1.72%



## 7.10 Movement in Unit Capital

### 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	20,125,350.000	201,253,500	20,125,350.000	201,253,500
Opening Balance	1,981,583.114	19,815,831	3,086,641.035	30,866,410
Units Sold during the year	119,658,724.775	1,196,587,248	1,475,962.084	14,759,621
Units Repurchased during the year	(120,661,838.474)	(1,206,618,385)	(2,581,020.005)	(25,810,200)
Closing Balance	978,469.415	9,784,694	1,981,583.114	19,815,831

### 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	2,405,600.000	24,056,000	2,405,600.000	24,056,000
Opening Balance	228,798.415	2,287,984	329,482.474	3,294,825
Units Sold during the year	2,287.710	22,877	19,091.102	190,911
Units Repurchased during the year	(116,236.259)	(1,162,363)	(119,775.161)	(1,119,752)
Closing Balance	114,849.866	1,148,499	228,798.415	2,287,984

7.11 The Fund has declared dividend of Re.1/- per unit during the financial year.(PY :Nil) Further, 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 Income Fund	-	-	8	36,862.60

**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).

(Amount in lakhs)

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:**

Name of the Instrument	Qty	Mkt Value ( Rs. Lacs)	% of Market Value
<b>CERTIFICATE OF DEPOSITS (81.26%)</b>			
<b>Banks</b>			
ICICI Bank CD mat 20/09/2007 **	120	114.29	100.00
<b>TOTAL</b>		<b>114.29</b>	<b>100.00</b>

\*\* Thinly Traded/ Non Traded securities

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

**7.16** Holdings over 25% of the NAV of the scheme

Particulars	As on March 31, 2007	As on March 31, 2006
Number of Investors	1	NIL
Percentage of holdings	47.00	N/A

**7.17** Previous year's figures have been reclassified and regrouped wherever necessary to conform to the current year's classification.

## Perspective Historical Per Unit Statistics

Particulars	As at	As at	As at
	31-Mar-07	31-Mar-06	31-Mar-05
<b>(a) Gross Income</b>			
(i) Income other than Profit on sale of Investments	2.92	1.11	8.02
(ii) Income from Profit (net of loss) on inter-scheme sales/transfer of Investments	0.00	-0.10	-2.26
(iii) Income from Profit (net of Loss) on sale other than Inter scheme	0.00	-0.27	-4.87
(iv) Transfer to revenue account from past year's reserve	NA	NA	NA
<b>(b) Aggregate of expenses, write off, amortisation and charges</b>	0.26	0.24	2.23
<b>(c) Net Income</b>	2.66	0.49	-1.35
<b>(d) Net unrealised appreciation/(diminution) in value of Investments</b>	0.0000	0.0000	0.02
<b>(e) Net Asset Value</b>			
Growth Plan	13.1108	12.2294	11.7825
Dividend Plan	10.7974	11.0073	10.6051
<b>(f) Repurchase Price during the year**</b>			
(i) Highest			
Growth Plan	13.1005	12.2281	11.8168
Dividend Plan	11.7746	11.0100	10.6349
(ii) Lowest			
Growth Plan	12.1768	11.7786	11.3867
Dividend Plan	10.9784	10.6016	10.2477
<b>(g) Resale Price during the year**</b>			
(i) Highest			
Growth Plan	13.0951	12.2281	11.8168
Dividend Plan	11.2597	10.9620	10.6349
(ii) Lowest			
Growth Plan	12.2366	11.7786	11.3867
Dividend Plan	10.7889	10.6389	10.2477
<b>(h) Ratio of expenses to average daily net assets by percentage</b>	0.65%	1.73%	1.76%
<b>(i) Ratio of income to average daily net assets by percentage</b> (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)	7.36%	5.23%	0.12%

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

\*\*Based on the maximum load during the year

## **Addendum to the Offer Documents of schemes of Sahara Mutual Fund**

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

<b>Existing Provision</b>	<b>Revised Provision</b>
<b>Sahara Liquid Fund: Minimum Investment</b> (Rs.10000/- under all options) <b>Additional Investments:</b> In multiples of Rs.5000/-	<b>Sahara Liquid Fund : Minimum Investment</b> (Rs.10000/- under all options). <b>Additional Investments:</b> Rs.5000/- & in multiples of Re.1/-.
<b>Sahara Gilt Fund: Minimum Investment</b> (under Dividend and Growth Option) : <b>Rs.5000/- Additional Investments:</b> In multiples of Rs.1000/-	<b>Sahara Gilt Fund : Minimum Investment</b> (under Dividend and Growth Option) : <b>Rs.5000/- Additional Investments:</b> Rs.1000/- and in multiples of Re.1/-.
<b>Sahara Income Fund : Minimum Investment</b> (under Dividend and Growth Option) : <b>Rs.3000/- Additional Investments:</b> In multiples of Rs.1000/-	<b>Sahara Income Fund : Minimum Investment</b> (under Dividend and Growth Option) : <b>Rs.3000/- Additional Investments:</b> Rs.1000/- and in multiples of Re.1/-
<b>Sahara Growth Fund : Minimum Investment</b> (under Dividend and Growth Option) : <b>Rs.3000/- Additional Investments:</b> In multiples of Rs.1000/-	<b>Sahara Growth Fund: Minimum Investment</b> (under Dividend and Growth Option) : <b>Rs.3000/- Additional Investments:</b> 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: rvic\_e\_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, Bhubaneswar-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, 111rd 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](http://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

**4. 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

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**Scheme Classification & Objective:** Sahara Income Fund is an Open Ended Income Scheme with an objective to generate 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. **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 Income 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 – Nil; Exit Load : Nil. **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.