REPORT OF THE DIRECTORS

The Directors have the pleasure to submit the fifth Annual Report together with the audited accounts of Port Louis Fund Ltd. for the year ended June 30, 2002.

Incorporation, Objects and Status

Port Louis Fund Ltd. (PLF) was incorporated on June 9, 1997 as a public company. Its authorised share capital is Rs 1,200m. The company holds the status of an Authorised Mutual Fund under section 35 of the Companies Act 1984 (as retained by the Companies Act 2001). The main objects of the company are:

1. To carry on business as an investment holding company.
2. To deal in securities and properties of all kinds.
3. To manage and advise on investment funds.

PERFORMANCE REVIEW

Financial Results

Total income for the year ending June 30, 2002 amounted to Rs 41.9m (2001: Rs 60.0m). The income constituted of dividends of Rs 30.7m, interest of Rs 9.4m and other income of Rs 1.7m. Net profit after tax for the year under review amounted to Rs 34.3m compared to Rs 51.8m for 2001. A company in which PLF has a significant holding declared its dividend at a later date than expected and therefore the dividend receivable could not be recorded in the current financial year. The dividend (a total of Rs 9m) received from the company will be reported in the financial statements for the year ending June 30, 2003.

Earnings Per Share (EPS) consequently declined to 57 cents (2001: 83 cents) for the year ended June 30, 2002.

Total Expense Ratio

The Total Expense Ratio (TER) of the Fund, which has been calculated in line with international standards, stood at 1.12% at the end of June 2002. The TER represents the drag on fund performance caused by all annual operating costs (including administration, trustee and audit fees). The TER of Port Louis Fund is highly favourable given the industry average of 1.87% for mutual funds in Mauritius.

Dividends

REPORT OF THE DIRECTORS

The Board of Directors maintained the level of dividend and declared a dividend of 60 cents per share (2001: 60 cents) for shareholders registered at the close of business on May 31, 2002. Total dividend amounted to Rs 35.8m and was paid in June 2002.

Share Capital

During the financial year under review, PLF issued 3,750,561 shares and redeemed 6,761,870 shares. This resulted in a decrease in the share capital from 63,660,589 shares to 60,649,280 shares. During the year, a request for a large redemption was made by an institutional investor and the Fund effected the redemption within the prescribed delay. This was made possible by the existence of the liquidity agreement between The State Investment Corporation Ltd. (SIC) and the Fund, whereby a sum of Rs 10m was invested by SIC.

Fund Performance

The Net Asset Value (NAV) of PLF stood at Rs 10.34 on June 28, 2002, down 3.4% as opposed to Rs 10.70 last year. A dividend of 6% (60 cents) was declared during May 2001. Total return averaged 2.2% and this compares favourably with the return generated by the local all-share index, SEMDEX. The SEMDEX closed at 358.65 on June 28, 2002, registering a decline of nearly 7.30% over the 12 months. As can be seen in Chart 1, the Fund outperformed the SEMDEX throughout the year, despite the exclusion of the dividend paid. The dividend yield based on the year-end NAV came close to 5.8 %.

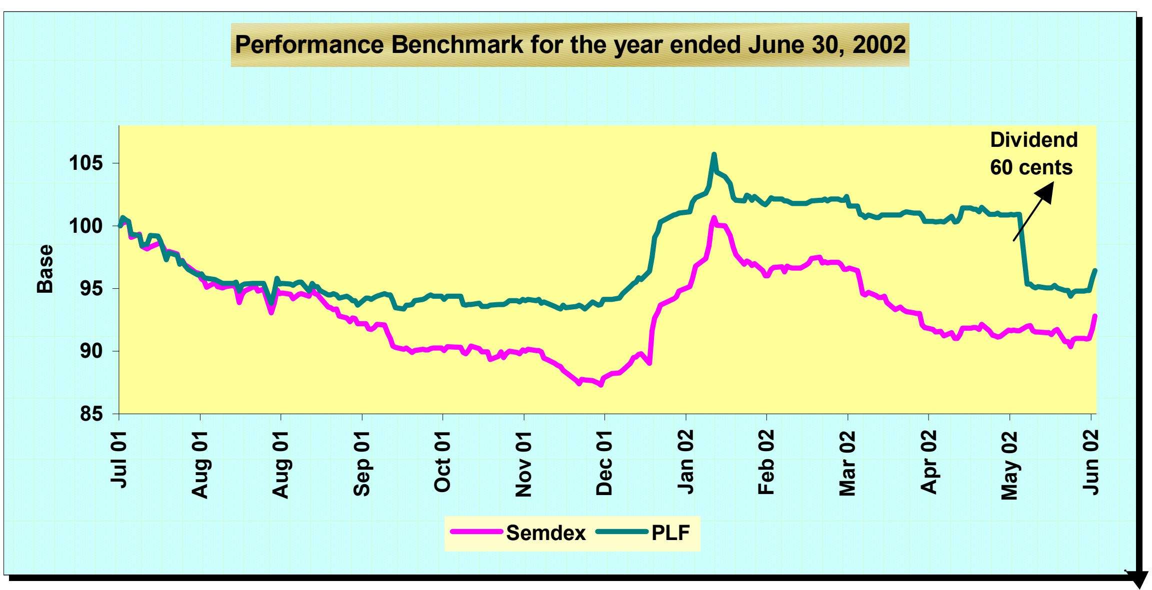


Chart 1

REPORT OF THE DIRECTORS

ASSET MANAGEMENT

Asset Allocation

The asset allocation during the year has been made by considering the objectives of the Fund. In particular, the Fund seeks to achieve long term capital growth with reasonable income yield by investing in a combination of performing listed companies, prime unquoted companies, and financial instruments with high income yields.

During the year, the Fund also decided to further diversify its asset base by taking an initial position in the public offer of SIT Land Holdings Ltd. It subscribed for 255,000 shares in the company. This will give the Fund the opportunity to participate in the acquisition of lands in the future.

Listed shares continue to constitute the majority of the portfolio. These shares made up 54.8% of the portfolio compared to 52.5% in 2000. 20% of the portfolio of the Fund has been invested in listed Banking and Insurance stocks. Hotels and Leisure stocks and Transport together make up nearly 28% of the portfolio.

Overseas Investment

On the foreign front, the Fund has maintained a cautious approach. Foreign investment constituted 4.2% of the Fund portfolio at the end of the year. Given a number of international events like the global economic slowdown, the tragic September 11 happenings and major corporate irregularities, the Fund chose not to increase exposure in the foreign markets. The Fund Manager believed that the timing to increase exposure in foreign markets was not appropriate. There are however, indications that the markets may not have bottomed out. The Fund Manager is closely following the major international stock markets and intends to increase exposure of the Fund once they stabilize.

Over the last financial year, foreign investments of PLF fared relatively well. In US dollar terms, our investments went down by around 4.4% whereas the MSCI World Index for the same period plunged by approximately 17.1%.

Portfolio

The portfolio size of the Fund stood at Rs 627.2m as at June 30, 2002. During the year, Rs 45.3m was invested in equity and fixed income securities while nearly Rs 62.2m was realised on the disposal of investments. Chart 2 and Table 2 highlight the asset class and asset mix of the Fund as at June 30, 2002.

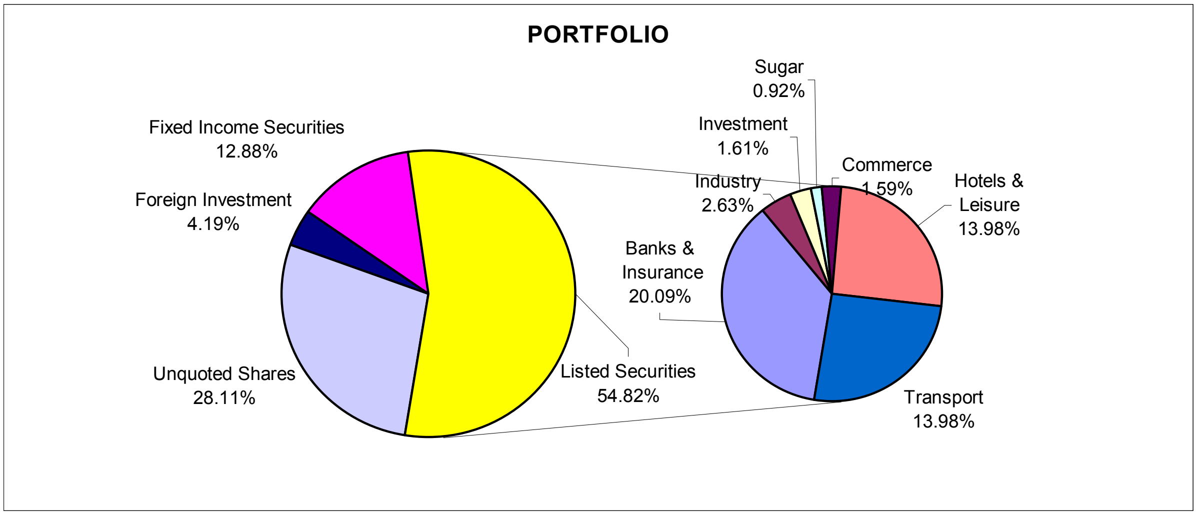


Chart 2

Asset Class	Rs m	%
Listed and Quoted Securities	*343.8*	*54.8*
Banking & Insurance	126.0	20.09
Commerce	10.0	1.59
Industry	16.5	2.63
Investment	10.1	1.61
Hotels & Leisure	87.7	13.98
Sugar	5.8	0.92
Transport	87.7	13.98
Unquoted	176.3	28.11
Total Equities	**520.1**	**82.91**
Foreign Investment	26.3	4.20
Fixed Income Securities	80.8	12.89
Total Portfolio	**627.2**	**100.00**

Table 2

Top 10 Holdings as at June 30, 2002:

Transport, hotels and leisure and financial services constitute the core of the Top 10 equity holdings of PLF. Shareholders get exposure to the technology sector via the Fund's holding in Maurinet Investment Ltd.

The Top 10 equity holdings for PLF at June 30, 2002 are detailed in Table 3 below:

		Rs m	% of Net Assets	Sector
1.	Air Mauritius Ltd	87.7	14.0%	Transport
2.	State Bank of Mauritius Ltd	84.9	13.5%	Banking
3.	SICOM Ltd	78.3	12.5%	Insurance
4.	New Mauritius Hotels Ltd	57.1	9.1%	Hotels
5.	Le Grand Casino Du Domaine Limitée	54.0	8.6%	Leisure
6.	The Mauritius Commercial Bank Ltd	34.8	5.6%	Banking
7.	Sun Resorts Ltd	26.9	4.3%	Hotels
8.	The Mauritius Leasing Co. Ltd	21.2	3.4%	Leasing
9.	Maurinet Investment Ltd	18.0	2.9%	Technology
10.	The Mauritius Chemical & Fertilizer Industry Ltd	7.7	1.2%	Industry
		470.6	**75.1**	

Table 3

<u>Air Mauritius Ltd (AML)</u>

AML operates international air services for the carriage of passengers, cargo and ancillary services. It has two subsidiary companies Pointe Coton Resort Hotel Ltd and Mauritius Estate Development Corporation Ltd (MEDCOR), which are in the hotel and restaurant business and investment property business respectively. The Group reported an after- tax profit of Euro 19.2m for the year ended March 31, 2002 (2001: Loss of Euro 7.7m). The vision of the company is 'To be a world class airline'.

<u>State Bank of Mauritius Ltd (SBM)</u>

SBM is the second largest commercial bank in Mauritius in terms of domestic market share. It has the lowest cost to income ratio among Mauritian banks. SBM also provides a range of other financial services like security broking, leasing, asset management and offshore banking. SBM has furthermore entered into a strategic alliance with Nedcor Bank of South Africa. SBM was awarded 'The Banker Global Award' for both 2001 and 2002 for Mauritius.

<u>SICOM Ltd</u>

SICOM was incorporated as a public company on June 30, 1988 to take over the business of the State Insurance Corporation of Mauritius. The company is mainly engaged in long term and general insurance business whilst its subsidiaries carry out depository, investment and investment management business activities. SICOM is presently one of the key players in the insurance sector in Mauritius. The Group profit before tax for the year ended June 30, 2002 amounted to Rs 164.2m.

<u>Le Grand Casino Du Domaine Ltée (GCD)</u>

GCD was incorporated during 1992. Its main activity is the operation of a casino at Domaine Les Pailles. GCD is the largest and one of the most profitable casinos in Mauritius. It provides a large range of top of the line amenities and popular games.

New Mauritius Hotels Ltd (NMH)

NMH is one of the leading hotel operators in Mauritius. It operates several luxury hotels, including the prestigious Royal Palm. The Group has a management contract with Beachcomber Ltd. The Group intends to initiate a restructuring project whereby it will acquire the remaining interests in associate and subsidiary companies through the issue of NMH shares. If the scheme is approved, NMH will have the highest market capitalization on the local stock exchange and will also rank as one of the biggest hotel operators in the region.

The Mauritius Commercial Bank Ltd (MCB)

MCB is the oldest commercial bank in Mauritius. It is also the largest in terms of market share and among the best rated in the region. Through its majority stake in the Banque Française Commerciale (Océan Indien), MCB is present in Europe (Paris), Réunion, Seychelles and Mayotte. MCB is also represented in Madagascar via its local subsidiary, the Union Commercial Bank. The Group has furthermore recently set up a subsidiary in Mozambique. Locally, MCB, via its subsidiaries, provides a wide range of financial services including stockbroking, fund management, leasing and the provision of administrative services to fund managers and registrar services to companies.

Sun Resorts Limited (SRL)

SRL is one of the two largest hotel operators in Mauritius. It operates several luxury hotels in Mauritius, a number of which have world recognition. It has a management contract with Sun International Management Ltd since its incorporation. SRL is also a substantial shareholder in Sun Casinos Ltd and in Casinos de Maurice Ltd. The Group is committed to upgrade and expand its existing properties in Mauritius. One of its forthcoming projects is the construction of an international championship golf course at Ile aux Cerfs.

The Mauritius Leasing Co. Ltd (MLC)

MLC was incorporated in 1987. It carries on the business of providing leases in respect of movable assets, equipment, machinery, plant, motor vehicles, tools, materials and other articles to industrial, agricultural, commercial and service sectors and to self-employed persons. The Company is also licensed by the Bank of Mauritius to carry on Deposit Taking Business and accepts Term Deposits for periods of 3 months and more.

Maurinet Investment Ltd (MIL)

MIL, via its subsidiary Mauritius Network Services Ltd (MNS), operates in the technology sector in Mauritius. MNS was incorporated in 1994 in line with Government policy to provide an electronic network that facilitates existing trade documentation processes. MNS presently has more than 300 users from over 250 local companies linked to its TradeNet Network.

The Mauritius Chemical & Fertilizer Industry Ltd (MCFI)

MCFI started the production of fertilizers in 1975. It was established essentially for the manufacture and sale of various grades of fertilizers for agricultural use and the production and sale of ammonia and nitric acid for industrial use. MCFI exports its products to Réunion Island, Seychelles, Madagascar, Comoro Islands and East African countries under the Preferential Trade Agreement.

REPORT OF THE DIRECTORS

STOCK MARKET REVIEW

The local all-share index, SEMDEX, started the year at 386.90. It closed at 358.65 on June 28, 2002, hence registering a decline of nearly 7.30% over the 12 months. The SEM-7 also lost ground and gave up 12% to close at 79.17. However, the performance of the local bourse compares favourably with that of the major world stock market indices, several of which recorded double-digit losses over the year. The year under review was also marked by a number of events, both local and international. The major local events, which had a bearing on the Mauritian stock market, include some corporate scandals and the revocation of the licence of a listed bank. The main international events, which impacted on the principal stock markets, include the tragic events of September 11, 2001, weak earnings reports and accounting irregularities.

The introduction of the new automated system, SEMATS, by the Stock Exchange of Mauritius Ltd. during June 2001 now enables trading in securities to take place at multiple prices. Furthermore, there has been an increase in the Official Market price spread from 6% to 15%. Despite these new measures, trading volumes remained low.

The local bourse witnessed a rally during the quarter ending March 31, 2002 when investors started to show greater interest in local equities. Specifically, over these 3 months, the SEMDEX managed to gain 9.50%. The SEMDEX reached its peak at 388.91 on February 7, 2002. However, the effect of the rally was short-lived as the local all-share index again retreated over the final three months of the financial year. During May, a bank was delisted from the Official Market following the withdrawal of its banking licence by the Bank of Mauritius. There were no new listings during the year.

During the year under review, foreign investors were net sellers. Purchases and sales by foreigners amounted to Rs 538.9m and Rs 670.3m respectively, resulting in a net sale of Rs 131.4m. However, when compared to the previous year, it is observed that foreign investors have shown renewed interest in local stocks. In fact, the level of foreign purchases and sales more than doubled over the twelve months under review. Moreover, it should also be highlighted that foreign transactions have resulted in positive net purchases between January and June 2002.

The performance of the different sectors was mixed during the year. Commerce and industry stocks came under pressure given higher expected inflation, the general slowdown in the retail sector and the political unrest in Madagascar. Hotel stocks retreated initially because many investors anticipated that the tragic events of September 11 would adversely affect this sector. However, they recorded positive returns during the later stages of the year given an increase in tourist arrivals and the appreciation of the Euro. The transport sector, which lost ground due to the outbreak of the ‘commissions’ scandal subsequently benefited from the reporting of good financial results by the local airline company. Banking and insurance stocks benefited from the easing of monetary policy by the Bank of Mauritius. Construction stocks also made good headway as investors expected the forthcoming construction boom to impact positively on the earnings of these companies. The sugar stocks performed better as all the sugar companies reported improved earnings over the year.

REPORT OF THE DIRECTORS

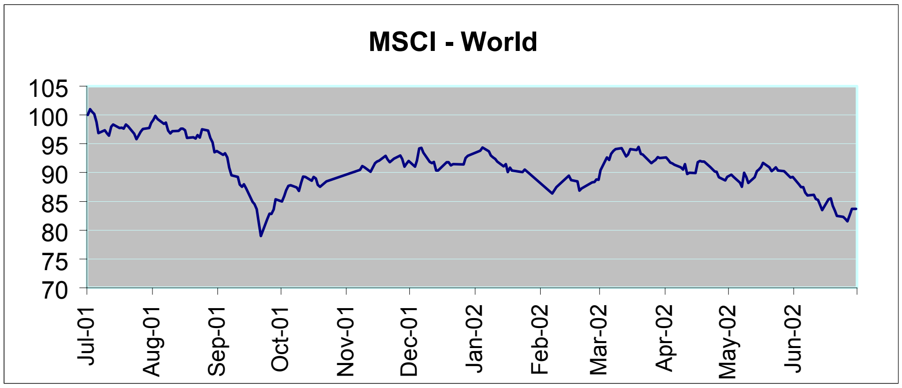
At June 28, 2002, the Price Earnings (P/E) ratio for the local bourse stood at 5.53 while the dividend yield at the same date averaged 8.11%.

(Source: The Stock Exchange of Mauritius Ltd).

REPORT OF THE DIRECTORS

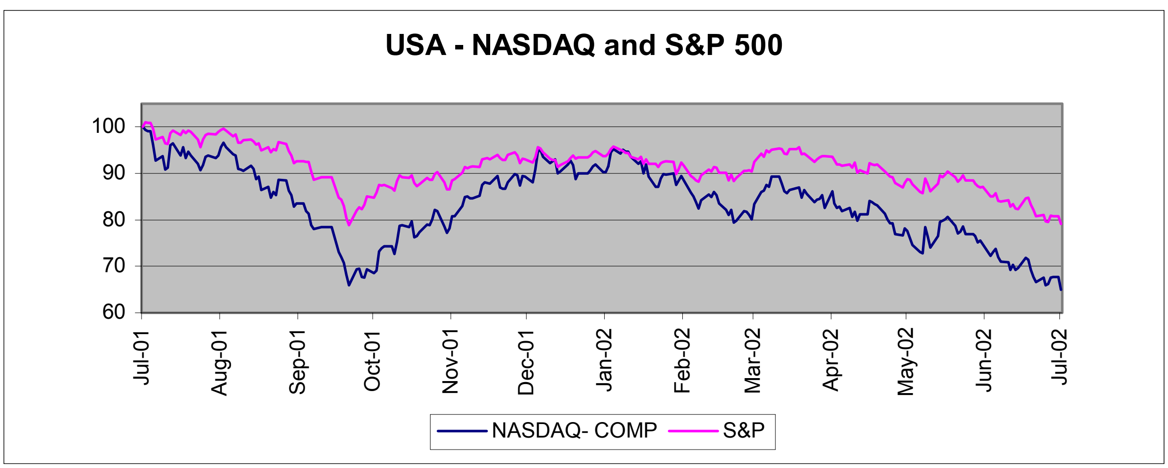
REVIEW OF FOREIGN MARKETS AS AT 30 JUNE 2002

- *Global Equity Markets*



The year ended June 30, 2002 was one in which growth stalled in the largest economies in the world. The MSCI world index, a measure of global developed markets' equity performance, taken as a proxy for the global stock markets plummeted by around 17%. By June 2002, however, there were signs that aggressive interest rate cuts had been successful in reviving growth, especially in the US but it was short lived. The equity markets suffered extremely because of weak economic outlook, September 11 events, geopolitical risks and a number of unprecedented corporate scandals.

- ***USA Market***

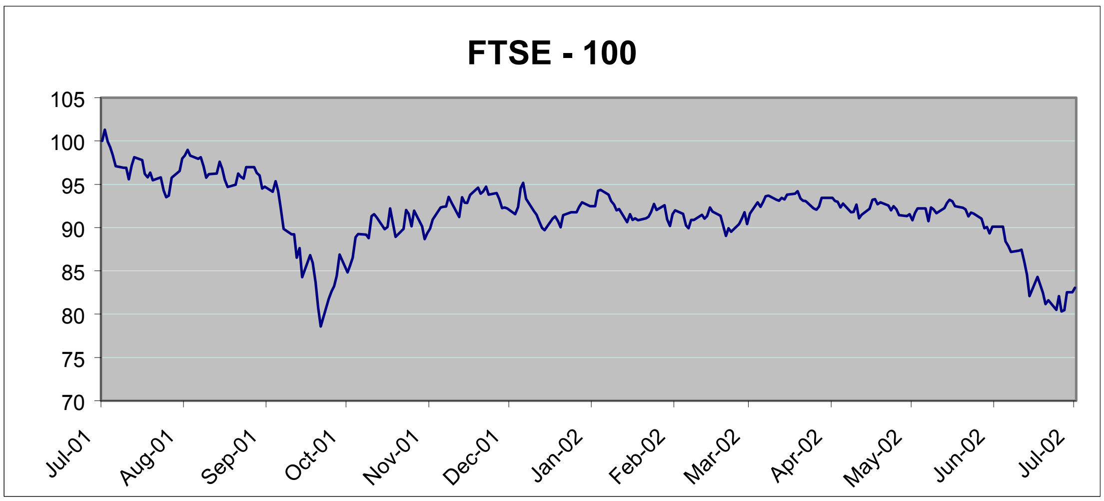


The S&P 500 and Nasdaq Composite, both major indicators of USA stock markets plunged by 20% and 32% respectively over the period. Through most of the 12 months ended June 30, 2002, investors were pessimistic as companies missed earnings and issued profit warnings. Many questions about corporate fundamentals and the probability of a recovery in corporate profits still loomed. Accounting irregularities at some blue chip companies further depressed investors' sentiment. As a result, all the major equity indices and sectors fell.

The September 11 events had a noticeable adverse effect on economic growth in both the third and fourth quarter of 2001. They caused a pullback in consumer spending and setting into motion a round of layoffs in a number of industries directly affected in the aftermath (air travel, hotels, aircraft manufacturing). The Federal Reserve Bank responded to the pronounced downside risks by cutting the Fed rate by 25 basis points on 21 September 2001. During the period under review, the Fed rate was cut 5 times.

As at June 2002, in terms of valuations, the S&P 500 index stood at a price to forward earnings valuation of 29.4X according to consensus figures, which makes it more expensive than most markets.

- *UK Market*

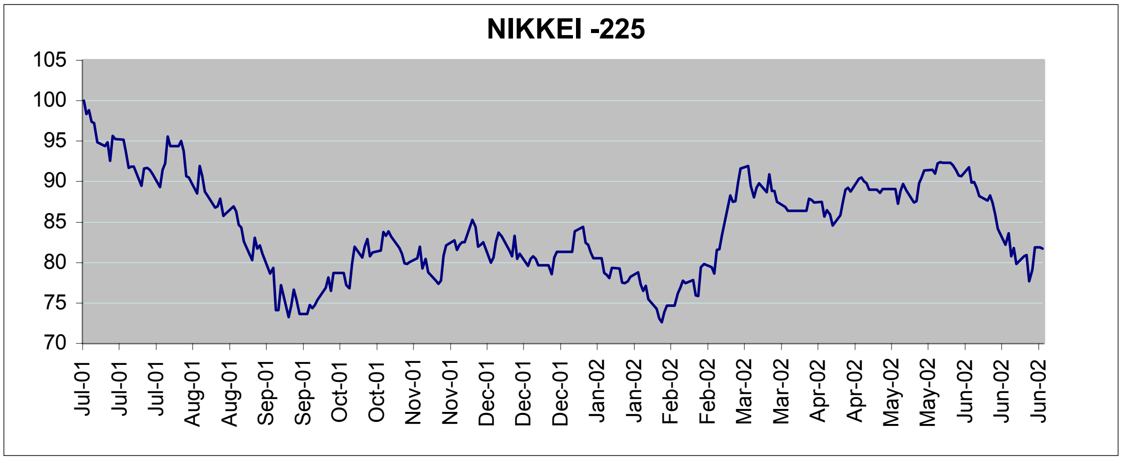


The FTSE-100, measuring shares of the top 100 UK companies plunged by 18.5% over the period under review. Since early July 2001 the index has been sliding gradually with some occasional and brief uplifts. The bottom was reached after the September 2001 events when FTSE-100 fell by 22.4% in comparison to July 2001 level. In addition to the global, economic slowdown, the market was also badly affected by the accounting and corporate scandals that shook the US equities.

The technology and telecommunication sectors were among the worst performers. The ‘old economy’, the cyclical and defensive sectors performed relatively well. In terms of valuations, the UK equity markets appear cheaper than those of the main developed markets. Consensus forecasts put the average UK equity market price to earnings valuation at 18.5X based on 2002 earnings forecast.

The UK economy has avoided recession recording no negative quarter-to-quarter GDP rates over the 12 months. The Government has significantly increased public spending plans. With house prices riding to double digits year-on-year rate, the wealth effect was highly supportive of continued consumer spending. The UK manufacturing sector has been in recession for five quarters driven strongly by the sharp contraction in the technology and telecommunication sectors. On the whole the economy remains relatively in reasonable health and should benefit from a global economic recovery.

- *Japan Equity*



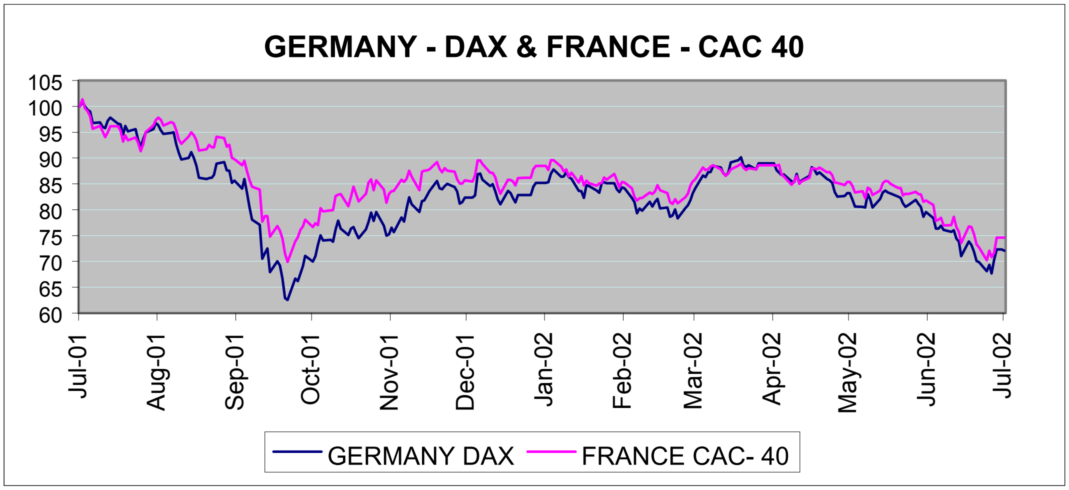
The Nikkei-225, the most widely watched index of the Japanese stock market activities dropped by 16.7% over the period under review. The erosion of the market continued on account of the structural problems of the Japanese economy and the lag to devise and implement appropriate measures. Within this period two major troughs were noticed firstly, in the aftermath of September 11 and in January/February in the wake of major corporate and accounting scandals in the USA.

Japan`s credit ratings continue to slide steadily with the latest downgrade from Moody`s to A2. The reason behind is the morass in which the country finds itself. The elusive path to sustained economic recovery and the slow consolidation of the financial sector continue to be the central issue. While Japan restructures its economy, it would be unrealistic to expect growth to become robust.

On a valuation basis, Japanese equities remain extraordinarily cheap. Foreign investors increased their exposure to Japanese equities on expectation of structural reforms and improved domestic demand.

REPORT OF THE DIRECTORS

- ***Euroland Market***



Both the German market index, the DAX and the French stock market indicator the CAC-40, fell by 28.3% and 26.4% respectively. The September 11 events' impact in Europe was also serious, bringing weakness to an already struggling economy. Manufacturing was in recession and the wider economy is slowing. The corporate scandals in US also impacted in Europe.

The Euroland economy also lagged the US cycle. Consumer and business confidence were not encouraging. The Stability Pact remains a stumbling block, but the ongoing discussion about its merits is beginning to put its solidity into question.

Inflationary pressure is dissipating in the Eurozone, a trend that should be supported by the sharp appreciation of the Euro, which reached parity against the USD. A strong Euro would mean more sluggish economic growth and could hit export performance. Pick up of the global economy, especially the US is likely to improve the economic fundamentals and the stock markets in Europe.

REPORT OF THE DIRECTORS

ECONOMIC REVIEW

The Mauritian Economy in 2001-2002

The economy in 2001 grew by 5.8% in real terms. For 2002, on account of lower sugar output due to the passage of cyclone Dina and based on current estimates and available statistics, growth is expected to be 4.6%. Were sugar to be excluded, the level of growth would stand at 5.3% (2001: 5.4%).

During the financial year 2001-02, business expectations were conditioned by certain events such as the general slowing down in economic activity globally and the unforeseen September 11 events. It would, however, be safe to say that the Mauritian economy was spared the brunt of these events to a large extent. Yet local economic indicators are mixed. Both inflation and the unemployment rate are expected to reflect an increase while a slowdown in the level of private investment could be felt.

In the same breath, however, increased competition in the retail sector following the opening of large distribution outlets, is expected to benefit consumers as it translates into more competitive prices. In addition, the starting up of massive construction sites will lead to the creation of various jobs, also implying significant investment will be injected into the economy. With respect to overseas travelling by locals, the number of Mauritians going abroad decreased by 3.1%. Still, contrary to what had been anticipated, passenger traffic increased during the first 6 months of this year by 2.9% for arrivals and 3.4% for departures.

Investment

Gross Domestic Fixed Capital Formation (GDFCF) increased by 7.1% from Rs 28,069M to Rs 30,049M in 2001. In real terms, the increase is of the order of 3.3%, comparing with a negative growth of 8.2% in 2000. For 2002, GDFCF has been forecast to increase nominally by 5.0%.

The investment rate, measured as the ratio of GDFCF to GDP at market prices declined from 23.6% in 2000 to 22.7% in 2001. The corresponding rate for 2002 is a forecast figure of 22.0%. Private sector investment in 2001 accounted for 71.6% (2000: 73.2%) of gross capital formation and amounted to Rs 21,530M. The share of private sector investment has been predicted at 66.3% for 2002. This may, however, be subject to revisions in light of the gradually improving business confidence in the second half of this calendar year.

The Sugar Sector

Barely recovering from the after-effects of the 1999 drought, the sugar sector was hit by cyclone Dina in January 2002. The crop, as a result, was affected, hence is expected to yield 570,000 tonnes of sugar for the year under review compared to 645,598 tonnes for 2001. This represents a negative growth 11.7%.

REPORT OF THE DIRECTORS

Following the successful implementation of the Voluntary Retirement Scheme (VRS) during the year together with the centralisation of milling operations, the sector is geared towards a more effective cost control (through the wider use of mechanical resources) and increased efficiency and productivity.

Export Processing Zone (EPZ)

EPZ exports which amounted to Rs 33,695m in 2001 are expected to increase by about 3% to Rs 34,700m in 2002. Imports, which were Rs 17,139m in 2001, are expected to decrease to an estimated Rs 16,984m. This is expected to improve the net exports of the EPZ sector.

As at March 2002, the EPZ employed 86,865 people, including 15,761 foreigners, down from 87,607 at December 2001. The number of expatriates working on the EPZ increased by 123 to 15,761 for the period. At the end of 2001, the total number of enterprises in the EPZ stood at 522. By March 2002, the number was down to 514.

It should be noted that as a result of the Madagascar turmoil following the presidential elections, the EPZ sector suffered from the disruption in activities. Productive activity was re-organised at home at significant costs.

While it is important to highlight the special circumstances faced by the EPZ sector during the early months of this year namely the turmoil in Madagascar, the adoption of the Africa Growth Opportunity Act (AGOA) is spelling good prospects for the textile and footwear sectors amongst others.

The Construction Sector

Growth in the construction sector, which was of the order of 1.4% in 2001, is forecast to be 8.5% for the year 2002. The continuing construction of educational institutions, housing projects, road networks and works relating to the cybercity project are factors contributing to the 8.5% forecast.

Tourism

The growth rate for the tourism sector has been increased to 4.0%, up from 3.6% last year; this in spite of the reluctance for international travel. During the first semester of 2002, tourist arrivals rose by 2.2% from 315,789 in 2001 to 322,707 in 2002. Gross tourism receipts for the financial year ending June 2002 increased by 22.7%, compared to 8.2% for the corresponding period in 2001, implying greater spending by visitors to the island. The main purpose for visiting the island remains holidays accounting for 91% of tourist arrivals.

Trade Deficit

REPORT OF THE DIRECTORS

A significant improvement in trade deficit is expected for the year 2002. This can be explained by a higher expected increase in total exports relative to the increase in imports. A provisional figure for trade deficit, based on the trends in previous years, has been estimated at Rs 10,400m for the financial year under review. Exports of goods for 2002 are estimated to total Rs 56,500m from Rs 47,138m in 2001, representing a rise of 19.9%. Imports, on the other hand, are expected to increase by only 17.7% to amount to Rs 66,400m, excluding the purchase of a new aircraft.

Government Finance

The budget deficit for 2002 is estimated to amount to Rs 10,761m. This implies a 8.5% decrease from the Rs 11,762m deficit recorded in 2001. This decline can be partly explained by an increase in government revenue and a decrease in its recurrent expenditure during the year. Capital expenditure for the year 2001-02 increased by 19.0%, despite delays in the implementation of some projects. Capital spending by government is expected to increase further during this financial year given existing projects that are underway. The budget deficit as a percentage of GDP stands around 6.5%.

Total Government debt for the fiscal year ended June 2002 amounted to Rs 75,815m, consisting of Rs 67,415m of internal debt and Rs 8,400m owed externally. This represented an increase of 25.2% from 2001. External debt increased by 23.2% from Rs 6,816m in 2001 to Rs 8,400m, resulting in higher expected debt servicing in coming years.

Employment & Unemployment

Employment surveyed in March 2002 indicated a 2.2% decrease in the level of employment from March 2001 to March 2002. A gender-wise analysis indicated that male employment fell by 0.7% while the female employment decreased by 4.6%. An analysis by industry showed that the most significant decrease was noted in the primary sector of ‘Agriculture, forestry and fishing’, this following the implementation of VRS in the sugar industry.

As at June 30, 2001, the unemployment rate was 9.2%. The rising number of jobless people results mainly from the fact that there is a mismatch between the skills of those entering the labour force and the requirements for the jobs that are being generated by economic activity.

It is expected that with the kick off of the construction works in relation to the cybercity and projects launched to reap the benefits from AGOA, the pressure on unemployment will ease.

Inflation

For the financial year 2001-02, inflation increased from 4.4% in 2000-01 to 6.3%.

There was a rise of 3% in the VAT rate during the year and the base covering the services to be subjected to the tax was broadened. On a point-to-point basis, the Consumer Price Index increased by 8.1 points during the year.

Monetary Policy

A general loosening of the monetary policy characterised the fiscal year 2002. Money supply increased while interest rates were cut. M1 increased by 19.1% to stand at Rs 15,136m at the end of June 2002. The corresponding increase for M2 was 13.0%.

In line with international trends and fears of a slowing economy, the Lombard rate, which had been introduced in December 1999, was cut twice by 0.25% in August and November 2001 with a view to boost the economy. These followed the cut by 0.5 point in May 2001. At June 30, 2001, the Lombard Rate stood at 11.50%.

Currency Outlook

Our local currency depreciated against all major currencies on an annual average basis. However, relative to 2001, the US dollar appreciated vis-à-vis the rupee by only 3.8% as compared to 7.5% in 2001. As regards the Pound and the Euro, both gained in strength, reflected by the appreciation of the currencies against the Rupee: 9.5% for the Pound and 15.9% for the Euro. These contrast with the depreciations of 1.5% and 3.9% respectively recorded in 2001 on an annual average basis.

REPORT OF THE DIRECTORS

PROSPECTS

The Board of Directors and management of PLF are presently considering the remodelling of the Fund into an Umbrella Structure. This will consist of a number of sub-funds with different specificities. In addition to the existing advantages of investing in PLF, clients will be able to switch their investments among the different sub-funds in line with their risk tolerance and their assessment of the financial market. The switching possibility under the Umbrella Structure will be a new and distinct feature. However, the proposed remodelling of PLF is subject to approval being obtained from the regulatory authorities.

In the 2002-2003 Budget, it was announced that a number of measures would be adopted in order to stimulate the Stock Exchange. Some of the measures announced include the encouragement of new listings, a revisiting of the Listing Rules and the setting up of a Capital Market Task Force. The Capital Market Task Force, which will comprise all stakeholders, will be set up to brainstorm on the problems faced by the stock market. It will also seek to chart a way forward.

During the year, the Stock Exchange of Mauritius (SEM) announced a number of new initiatives to be undertaken in the future, namely:

- It will seek to become a member of the World Federation of Exchanges,
- A review of the structure and organization of the OTC Market,
- The launching of a total return index SEMTRI,
- The possible introduction of futures contracts on liquid stocks and/or on the SEM-7, and
- The possible implementation of turn-around trades, which will allow investors to buy and sell a security within the settlement cycle, should there be profit opportunities.

These initiatives, once adopted, could give a much-needed boost to the local stock market.

Furthermore, Mauritian listed companies are presently improving their corporate governance record. This has been facilitated by the introduction of the new Listing Rules, the Companies Act 2001, the adoption of International Accounting Standards, the setting up by the Government of a Committee on Corporate Governance and the gradual adoption by companies of a Code of Conduct.

At the national level, the launching of several infrastructural and construction projects should positively impact on the economy in the near future. The 2002-03 budget reiterated the infrastructural and construction projects as mentioned in the 2001-02 budget; examples of which include the construction of several new state secondary schools, the setting up of the Ebène Cyber City project, housing projects and road networks.

The recently voted AGOA II Treaty and the forthcoming US Africa Trade Forum which be held in Mauritius should likewise be of benefit to the Mauritian textile sector. The strengthening of the Euro over the year is likely to bring windfall gains to the tourism and textile sectors.

In view of the rising inflation and given an inflation target of 5% as expressed by the authorities, a readjustment of the monetary policy can be expected during 2002-03.

With respect to the rising unemployment, significant productive investment is required. Measures announced in the 2002-03 Budget namely a redefined approach for the Board of Investment, the streamlining of investment procedures, the creation by the government of an equity fund to the tune of Rs 1 billion and the setting up of the Public-Private Partnership Scheme that may facilitate the financing and restructuring of infrastructure projects are laudable initiatives.

Listed equities continue to be attractively valued, especially with regard to the low P/E ratios and the increasing dividend yields. The average dividend yield is currently higher than the savings rate. Any pickup in the local bourse will positively benefit the Fund as it is well represented in the different sectors. In addition, the renewed interest by foreign investors in listed equities could bode well for the local bourse. Since the end of June, the SEMDEX has been making good headway.

ACKNOWLEDGEMENT

The Board wishes to thank the shareholders for their loyalty and support during the year. With the dedication and hard work showed by the management and staff, we look forward to delivering even better return in the future.

Seilendra Gokhool
Chairman
Port Louis Fund Ltd.
November 13, 2002