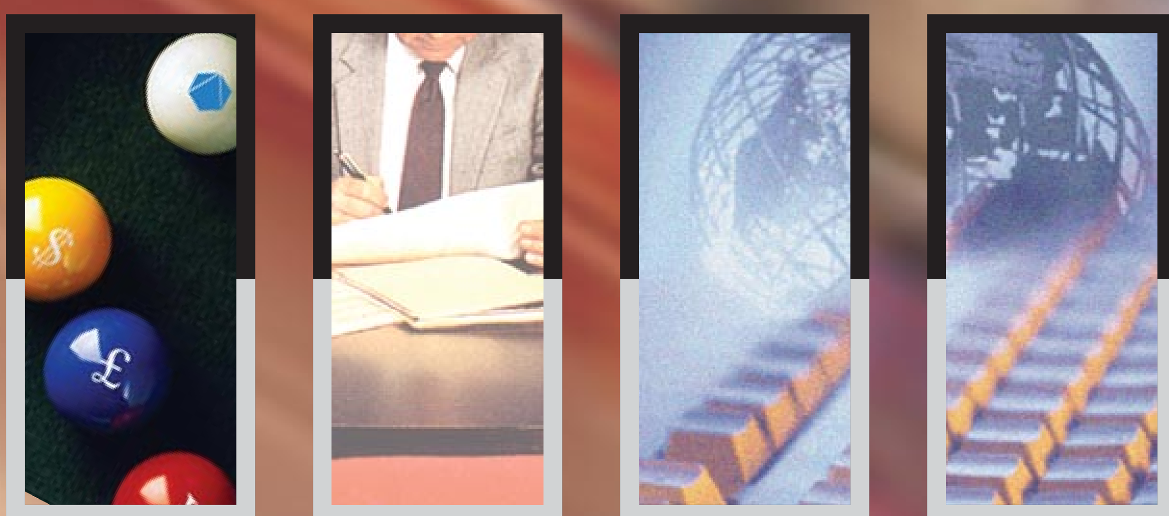
PORT LOUIS FUND

The Leading Mutual Fund

annual report 2003



PORT LOUIS FUND

Contents

19. RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

	2003 Rs'000	2002 Rs'000
Significant shareholder		
- Purchase of shares	-	10,000
Corporate with common shareholders		
- Management fee expense	4,761	3,925

The above transactions were carried out on commercial terms and conditions.

	2003 Rs'000	2002 Rs'000
BALANCES		
Amount due to related companies	2,520	985

20. CHANGE IN ACCOUNTING POLICY

Gains on disposal of investment were previously taken directly to shareholders' equity.

The company now recognises all gains on disposal of investments in the income statement and subsequently transfers all gains recognised thereon, to a reserve in shareholders' equity. The change in policy is applied retrospectively and the comparative figures have been restated. There is no effect on retained earnings following the change in policy.

21. FINANCIAL SUMMARY

	2003	2002 (Restated)	2001	2000	1999
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Issued and fully paid up share capital	577,535	606,493	636,606	647,229	633,447
Premium account	(7,973)	(7,351)	(5,147)	(2,541)	(5,712)
Fair value reserve/(deficit)	45,556	(48,215)	(30,889)	24,320	14,309
Gain on disposal of investments	39,155	39,658	42,584	39,742	13,392
Retained earnings	46,968	36,282	37,803	23,397	14,358
Profit before tax	84,640	34,683	52,531	36,534	35,640
Tax	480	421	683	1,286	1,429
Profit after tax	84,160	34,281	51,848	35,248	34,211
Dividends	39,824	35,802	37,442	26,209	24,194
Earnings per share	1.42	0.57	0.83	0.58	0.56
Number of shares used in calculation at Rs10 each (000's)	59,201	60,136	62,735	61,007	61,473

Notice of Annual Meeting of Shareholders

Notice is hereby given that the sixth Annual Meeting of Shareholders of Port Louis Fund Ltd will be held at Le Sirius, Labourdonnais Waterfront Hotel, Caudan Waterfront, Port Louis on Friday, December 5, 2003 at 15.00 hours for the transaction of the following business:-

1. To adopt the Minutes of Proceedings of the 5th Annual Meeting of Shareholders of Port Louis Fund Ltd held on Friday, December 13, 2002.
2. To receive the Annual Report.
3. To receive the Report of Auditors.
4. To consider and approve the Audited Financial Statements for the year ended June 30, 2003.
5. To ratify the dividend declared by the Board of Directors and paid to all shareholders registered at the close of business on 30 May 2003.
6. To increase the number of Directors from 5 to 6.
7. To re-appoint Mr. Seilendra Gokhool as Director of the Company to hold office until the next Annual Meeting.
8. To re-appoint Mr.Yusuf Aboobaker as Director of the Company to hold office until the next Annual Meeting.
9. To re-appoint Mr. Rohit Aukle as Director of the Company to hold office until the next Annual Meeting.
10. To re-appoint Mr.Vijay Bhuguth as Director of the Company to hold office until the next Annual Meeting.
11. To re-appoint Mr. Hervé Lassémillante as Director of the Company to hold office until the next Annual Meeting.
12. To appoint one additional Director.
13. To re-appoint Kemp Chatteris Deloitte & Touche as Auditors of the Company for the financial year ending 30 June 2004 and to authorise the Board of Directors to fix their remuneration.
14. To transact any other business, if any, as may be transacted at an Annual Meeting of Shareholders.

BY ORDER OF THE BOARD

SIC CORPORATE SERVICES LTD.
COMPANY SECRETARY

October 13, 2003.

NOTE: Members entitled to attend and vote at the meeting may appoint proxies to attend and vote for them.The instrument appointing a proxy or any general power of attorney shall be deposited at the Registered Office of the Company not less than twenty-four hours before the meeting or else the instrument of proxy shall not be treated as valid.

Corporate Information

DIRECTORS

Mr S. Gokhool, *Chairman*
Mr Y. H. Aboobaker, C.S.K.
Mr R. Aukle
Mr G. Y. H. Lassémillante
Mr V. Bhuguth

FUND MANAGER

Capital Asset Management Ltd

TRANSFER SECRETARIES AND SECRETARY

SIC Corporate Services Ltd

BANKERS

The First City Bank Ltd
The Hong Kong and Shanghai Banking Corp Ltd
The Mauritius Commercial Bank Ltd
State Bank of Mauritius Ltd

AUDITORS

Kemp Chatteris Deloitte & Touche

STOCKBROKING COMPANIES

Asmo Securities & Investments Ltd
Associated Brokers Ltd
Capital Market Brokers Ltd
Cavell Securities Ltd
Cirné Stockbrokers Ltd
First Brokers Ltd
General Brokerage Ltd
MCB Stockbrokers Ltd
Newton Securities Ltd
Ramet & Associés Ltée
SBM Securities Ltd

WEBSITE

http://www.portlouisfund.com

REGISTERED OFFICE

15th Floor, Air Mauritius Centre,
6, President John Kennedy Street
Port Louis, Mauritius

17. COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	2003 Rs'000	2002 Rs'000
Investments	-	400

18. FINANCIAL INSTRUMENTS

In its ordinary operations, the company is exposed to various financial risks such as foreign currency risks, interest rate risks and market risks.

Fair values

The carrying amounts of the company's financial assets and financial liabilities approximate their fair values due.

Currency profile

The currency profile of the company's financial assets and financial liabilities is summarised as follows:

	Financial assets 2003 Rs'000	Financial liabilities 2003 Rs'000	Financial assets 2002 Rs'000	Financial liabilities 2002 Rs'000
Currency				
United States Dollar	19,153	-	12,919	-
Euro	13,174	-	13,366	-
Mauritian rupee	674,811	5,425	606,664	5,704
	707,138	5,425	632,949	5,704

Currency risk

The company is exposed to the risk that the exchange rate of the Mauritian rupee relative to the currency listed above may change in a manner which has a material effect on the reported values of the company's assets and liabilities.

12. INCOME BEFORE TAXATION

	2003 Rs'000	2002 Rs'000
This is arrived at after charging/(crediting)		
Directors' fees (non executive)	216	216
Auditors' remuneration		
- Audit fees	86	105
- Fees for other services	87	71
Investment income		
- Listed	41,043	19,537
- Quoted	-	9
- Unquoted	8,591	11,217
- Interest income	7,964	9,438
Staff costs	-	-
Donations	-	-
Number of employees	-	-

13. EARNINGS PER SHARE

Earnings per share are based on net income for the year of Rs84,159,504 (2002: Rs34,261,940) and a weighted average of 59,201,387 (2002: 60,136,239) shares in issue.

14. DIVIDENDS

The Board of Directors has declared a dividend of Rs0.70 per share payable to shareholders registered at the close of business on 30 May 2003 (2002: Rs0.60 per share).

15. CASH AND CASH EQUIVALENTS

	2003 Rs'000	2002 Rs'000
Cash at bank	70	840
Short term deposits	27,212	14,318
	27,282	15,158

16. NET ASSETS VALUE PER SHARE

		2003 Rs'000	2002 Rs'000
Net assets value		701,241	626,862
Number of ordinary shares in issue (000's)		57,754	60,649
Net assets value per share	Rs	12.14	10.34

Directors & Executive Management

DIRECTORS

Mr Seilendra Gokhool holds a 1st class degree in Econometrics and Mathematical Economics and an MSc in Economics from the London School of Economics. At present, he is the Managing Director of The State Investment Corporation Ltd which is the investment arm of the Government and which holds shares in a wide variety of sectors and companies. Prior to this, he was Manager in a Fund Management and Investment Company.

Mr Yusuf H. Aboobaker, C.S.K, holds a BA (Hons) in Economics. At present, he is Barrister-at-Law and he has been practising since March I5, 1972.

Mr Rohit Aukle holds a diploma in Business Studies and a post graduate diploma in Economic Development from Polytechnic of North London. At present, he is the Chief Executive Officer of The First City Bank Ltd. He has 24 years of experience in banking both domestic and offshore, having held key positions in reputed banking institutions in Mauritius.

Mr Hervé Lassémillante holds a degree from the University of London. He is a Member of the Middle Temple. He sat on the Police Service Commission. At present, he is Barrister-at-Law and he has been practising at the Mauritian Bar since 1982.

Mr Vijay Bhuguth is a Chartered Certified Accountant. He has 17 years of experience in accounting firms.

EXECUTIVE MANAGEMENT

Mr Prem Beejan holds an MSc in Financial Management from the University of London and a BA (Hons) with Distinction in Economics from a Canadian University. He is presently Group Business Development Manager at The State Investment Corporation Ltd. He has more than 20 years of experience at executive management level. He has a wide exposure to various sectors and has been on the boards of companies involved in mortgage finance, leasing, insurance, fund management, housing, education, informatics, water, leisure, hotel and sugar sector. He is also Fund Adviser to the Company.

Mr Randhir Mannick holds the Chartered Financial Analyst designation awarded by the Association for Investment Management and Research (AIMR) and a BA (Hons) in Economics. He is presently Group Portfolio & Investment Manager at The State Investment Corporation Ltd. He holds directorship in companies comprising some sectors of the economy. He has seven years of experience in financial analysis and portfolio management.

Mr Vedprakash Auckaloo holds a BSc (Hons) in Economics and an MSc in Financial Management from the University of London. He is also a qualified stockbroker. He has worked in the Government service and in the banking sector. At present, he is Financial Analyst at Capital Asset Management Ltd.

Ms Deepa Jhamna graduated in December 2000 from The University of Melbourne, Australia with a Bachelor degree, majoring in Economics and Finance. She joined Capital Asset Management Ltd in 2001 and currently holds a position as Financial Analyst.

Mrs Leeda Pillay Nullatemby is an Associate of the Institute of Chartered Secretaries & Administrators of the United Kingdom. She is also a qualified stockbroker. At present, she is the Administrative Secretary of Capital Asset Management Ltd and is in charge of the day-to-day administration and accounts of the company.

Report of the Directors

The Directors have the pleasure to submit the sixth Annual Report together with the audited accounts of Port Louis Fund Ltd for the year ended June 30, 2003.

Incorporation, Objects and Status

Port Louis Fund Ltd (PLF) was incorporated on June 9, 1997 as a public company. Its authorised share capital is Rs1,200m. 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.

Application of International Accounting Standards (IASs)

The financial statements have been prepared in accordance with the International Accounting Standards, as laid out in the provisions of the Companies Act 2001.

The impact of this change in reporting standards is particularly represented in IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement).

Henceforth, the profit and loss account of the Fund has to recognize capital gain or loss realised on sale of securities as well as unrealised gain or loss on securities held for trading. In addition, the Fund has the option to bring to profit and loss account any unrealized gain or loss on investments available for sale. The net profit of the Fund will therefore fluctuate from year to year in line with changes in fair value of the investments and this is so because, as a mutual fund, most of the assets are held in the form of securities.

Performance Review

Financial Results

Total income which has been calculated in compliance with IASs for the year ended 30 June 2003 amounted to Rs92.8m (2002:Rs41.9m). This constituted of dividend income of Rs49.6m (2002:Rs30.8m), interest income of Rs8.0M (2002: Rs9.4m), other income of Rs1.9m (2002:Rs1.7m), and fair value change amounting to Rs33.3m.

The increase in dividend is mainly due to a general improvement in dividends declared by investee companies. In addition, one of the major investee companies paid dividend twice in the current year since it had not paid dividend in the previous financial year.

In light of the above, the Earnings Per Share (EPS) improved to Rs1.42 (2002:Rs0.57) for the year ended June 30, 2003.

8. SHARE CAPITAL

	2003 Rs'000	2002 Rs'000
Authorised		
120,000,000 ordinary shares of Rs10 each	1,200,000	1,200,000

Issued and fully paid	Share Capital Rs'000	Premium Rs'000	Total Rs'000
At 1 July 2002	606,493	(7,351)	599,142
Issued during the year	25,371	4,981	30,352
Redeemed during the year	(54,329)	(5,603)	(59,932)
At 30 June 2003	577,535	(7,973)	569,562

9. MANAGEMENT FEES

An annual global management fee of 1.25% of the fund's net asset value is payable to Capital Asset Management as per the investment management agreement dated 9 June 1997. The management fees are at present based on a graduated fee structure based on the performance of the fund presently at 0.75% with maximum of 1.25% of the net asset value of the fund. The Fee structure is as shown below:

Annual Fund Return	Management fee
up to 22%	0.625%
22% - 27%	0.750%
27% - 35%	1.000%
above 35%	1.250%

10. REGISTRY COSTS

Registry costs are payable to SIC Corporate Services Ltd.

11. INTEREST EXPENSE

	2003 Rs'000	2002 Rs'000
On bank overdraft	-	40

6. TRADE AND OTHER PAYABLES

	2003 Rs'000	2002 Rs'000
Management fees	1,850	985
Registry costs	163	163
Redemption of shares	2,732	3,360
Auditor's remuneration	173	-
Other payables and accruals	494	1,196
	5,412	5,704

7. TAXATION

	2003 Rs'000	2002 Rs'000
Income tax on the adjusted profit for the year at 15%	460	383
Under provision in prior year	20	38
	480	421

Reconciliation

The income tax expense varied from the amount of income tax expense determined by applying the statutory income tax rate of 15% (2002: 15%) to income before taxation as a result of the following:

	2003 Rs'000	2002 (Restated) Rs'000
Income before taxation	84,640	34,683
Tax at the rate of 15% (2002: 15%)	12,696	5,202
- Expenses not deductible for tax purposes	1,021	980
- Exempt income	(8,264)	(5,799)
- Underprovision in prior year	20	38
- Effect of adopting IAS 39	(4,993)	-
	480	421

However, when the fair value change is excluded, the EPS would amount to Rs0.86, equivalent to an increase of nearly 51% over last year.

Total Expense Ratio

The Total Expense Ratio (TER) gives an indication of the expenses being incurred in running a fund. The TER of PLF which has been calculated in line with international standards, stood at 1.18% (2002: 1.12%) for the year ended 30 June 2003. The TER represents the drag of fund performance caused by all annual operating costs (including administration, trustee and audit fees). The TER of PLF can be favourably compared to the industry average of 1.65% for mutual funds in Mauritius.

Dividends

For the financial year ended 30 June 2003, the Board of Directors increased the level of dividends declared to 70 cents per share (2002: 60 cents) for shareholders registered at the close of business on May 30, 2003. This represented an increase in dividend of 16.7% over last year. Total dividend amounting to Rs39.8m was paid in June 2003. It is to be noted that the dividend paid is based on net profit excluding the fair value change which cannot be distributed as dividend since it is not a realised gain.

Share Capital

The issued share capital of PLF as at 30 June 2003 was 57,753,500 shares compared to 60,649,300 shares on 30 June 2002. A net decrease of 2,895,800 shares equivalent to 4.8% of the issued share capital was noted. During the year, the Fund issued 2,537,100 shares and redeemed 5,432,900 shares.

Fund Performance

The performance of the Fund was remarkable with a total return of 24.2% during the period under review. The NAV increased from Rs10.34 as at 30 June 2002 to Rs12.14 as at 30 June 2003 and a dividend of 70 cents per share was paid.

As mentioned previously, PLF has been structured as a low risk fund in accordance with its stated investment objectives of ensuring capital growth and an income stream. The risk of return of the Fund has been measured on the basis of monthly return since its inception compared with that of the market as represented by Semdex.

The beta, which measures the market risk, of the Fund is at 0.72. This means that the Fund is less risky than the market, that is when the market is falling or rising rapidly the Fund has a certain degree of resilience.

During the preceding three years when the market, as measured by Semdex, was gradually falling from year to year, the total return of the Fund was largely above the market. For the year under review the market has experienced a major growth of 35.1% as measured by Semdex. In view of its low risk, the Fund achieved a return of 24.2% and this is comparable to the market return on a risk-adjusted basis.

However, when the portfolio of the Fund is analysed by asset class breakdown, it is to be noted that the total return on listed securities of the portfolio (which represent 57.3%) was 38.1% and this compares with the market return.

The other asset components such as unquoted shares and fixed income securities did perform in line with the performance of similar assets, around 6% to 8% and this because the performance of these assets are not linked to the performance of listed securities. The foreign investment component of the portfolio which represented 4.6%, outperformed the MSCI World index by 3% in dollar terms.

The decomposition of the total return of 24.2% is as shown below:

Asset Class	Total Return of Asset Class	% in portfolio	Weighted return
Listed equities	38.1%	57.3%	21.8%
Unquoted equities	5.82%	25.4%	1.5%
Fixed Income securities	8.45%	12.7%	1.0%
Foreign Investment	-2.9%	4.6%	-0.1%
PLF Portfolio			**24.2%**

Asset Allocation and Portfolio Composition

The asset allocation has been done with a view to meet the objective of the Fund, which remains long term capital growth with a reasonable income yield. Over the year under review, the portfolio asset allocation has remained roughly the same. The portfolio size of the Fund stood at Rs701.2m as at 30 June 2003 (2002:Rs626.9m).

Table I and Chart I illustrate the breakdown of the total portfolio of the Fund.

Listed and quoted equities

Listed and quoted equities have increased from 54.8% in 2002 to 57.3% in 2003. The value of these investments amounted to Rs401.7m as at 30 June 2003 (2002:Rs343.8m). This occurred mainly due to a general increase in the market price of listed equities. During the year, the Fund disposed listed investments of around Rs68.5m and acquired additional shares worth Rs35.1m as part of its tactical trading activity and to meet the liquidity requirement of the Fund. Asset allocation to different sectors witnessed no major change, other than the Fund increased its exposure to industrial stocks from 2.6% of the portfolio to 4.4% as at 30 June 2003.

Unquoted equities

The proportion of unquoted equities fell from 28.1% in 2002 to 25.5% in 2003 but in absolute terms the value increased marginally by 1.1%. In terms of value, the unquoted equities amounted to Rs178.6m (2002:Rs176.3m).

Fixed income securities

The fixed income securities and cash component represented 12.6% of the portfolio of the Fund in 2003 from 12.9% in 2002. In terms of value, it amounted to Rs88.6m as at 30 June 2003 (2002: Rs80.8m).

Foreign Investment

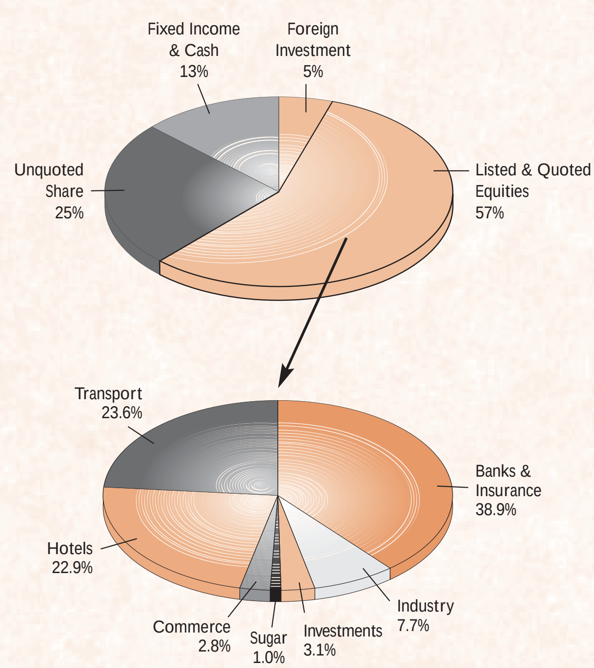
Foreign investment constituted 4.6% of the portfolio of the Fund (2002: 4.2%). During the year under review, the Fund increased its foreign investment by Rs5.8m. The Fund Manager also adopted a switching strategy among the existing investments with a view to enhance the value of the portfolio. For instance, when the equity market is expected to fall, part of the investments in equity related products is switched to bond and cash funds where volatility is lower. Likewise, if the equity market is expected to rise, part of investments are switched from bonds and cash to equity funds. This strategy helps to protect the portfolio when the market is falling and boost return further when the market is rising.

The main equity markets are being closely looked at. Given the depressed condition in the developed markets the Fund has maintained its cautious approach. The Fund Manager is carrying out extensive research on the foreign front and exploring several investment opportunities for future investments.

Table 1

	30th June 2003		30th June 2002	
	Rs m	%	Rs m	%
Listed & Quoted equities	**401.7**	**57.3**	**343.8**	**54.8**
Banks & Insurance	156.2	22.3	126	20.09
Industry	30.8	4.4	16.5	2.63
Investments	12.5	1.8	10.1	1.6
Sugar	4.1	0.6	5.8	0.92
Commerce	11.3	1.6	10	1.59
Hotels	91.9	13.1	87.7	13.98
Transport	94.9	13.5	87.7	13.98
Unquoted equities	**178.6**	**25.5**	**176.3**	**28.11**
Total Equities	**580.3**	**82.8**	**520.1**	**82.9**
Fixed Income & Cash	88.6	12.6	80.8	12.89
Foreign Investment	32.3	4.6	26.3	4.2
Total Portfolio	**701.2**	**100**	**627.2**	**100**

Chart 1



3. INVESTMENTS (CONT'D)

(a) The directors value the unquoted investments on a cost, dividend yield or earnings basis as appropriate.

(b) Details of the investments in which Port Louis Fund Ltd holds a 10% interests or more are set out below:

Name of company	Type of share	Country of incorporation	% Holding 2003	2002
Sicom Ltd	Ordinary	Mauritius	12.50	12.50
Le Grand Casino Du Domaine Limitée	Ordinary	Mauritius	20.00	20.00
Maurinet Investment Ltd	Ordinary	Mauritius	13.33	13.33
Game Link Ltd	Ordinary	Mauritius	20.00	20.00

(c) Investments exceeding 10% of the net assets of Port Louis Fund Ltd:

Name of company	Type of share	Country of incorporation	% of Net Asset 2003	2002	% Held 2003	2002
State Bank of Mauritius Ltd	Ordinary	Mauritius	16.46	13.54	1.81	1.90
Air Mauritius Ltd	Ordinary	Mauritius	13.53	13.99	5.66	5.91
Sicom Ltd	Ordinary	Mauritius	14.18	12.50	12.50	12.50

(d) The investment portfolio comprises of foreign securities which account for less than 10% of the total portfolio. Dividend income derived from these foreign investments was less than 10% of the total dividend income for the financial year.

4. TRADE AND OTHER RECEIVABLES

	2003 Rs'000	2002 Rs'000
Dividend and interest receivable	3,158	2,935
Other receivables and prepayments	305	2,008
	3,463	4,943

5. SHORT TERM INVESTMENTS

	2003 Rs'000	2002 Rs'000
Short term deposits	27,212	14,318
Fixed income securities		
- Held-to-maturity	-	25,435
	27,212	39,753

3. INVESTMENTS

	2003	2002
	Rs'000	Rs'000
Held-for-trading	401,687	343,821
Available-for-sale	210,922	202,590
Held-to-maturity	63,771	41,002
	676,380	587,413
Analysed as		
Current	401,687	343,821
Non current	274,693	243,592
	676,380	587,413

Held-for-trading	Equity listed	Quoted	Total
	Rs'000	Rs'000	Rs'000
At fair value			
At 1 July 2002	343,471	350	343,821
Transfer	(4,866)	(426)	(5,292)
Additions	35,081	-	35,081
Fair value change	90,921	171	91,092
Disposals	(63,015)	-	(63,015)
At 30 June 2003	401,592	95	401,687

	Unquoted
	Rs'000
Available-for-sale	
At valuation	
At 1 July 2002	202,590
Additions	6,298
Fair value change	2,034
At 30 June 2003	210,922

	Fixed income securities		
Held to maturity	Listed	Unquoted	Total
	Rs'000	Rs'000	Rs'000
At amortised cost			
At 1 July 2002	32,002	9,000	41,002
Additions	-	23,933	23,933
Disposals	(20,655)	-	(20,655)
Fair value change	(210)	-	(210)
Transfer	18,435	-	18,435
Effect of adopting IAS 39	535	731	1,266
At 30 June 2003	30,107	33,664	63,771

Top 10 holdings as at June 30, 2003

The top 10 equity holdings of the Fund consist mainly of banking, insurance, transport and hotels stocks. Shareholders also have exposure to the leasing, leisure and technology sectors through the unquoted equities.

The top 10 equity holdings of the Fund as at 30 June 2003 are detailed below:

Table 11

	Rs m	% of Net Assets	Sector
1. State Bank of Mauritius Ltd	115.5	16.5	Banking
2. SICOM Ltd	99.5	14.2	Insurance
3. Air Mauritius Ltd	94.9	13.5	Transport
4. New Mauritius Hotels Ltd	67.5	9.6	Hotels
5. The Mauritius Commercial Bank Ltd	33.8	4.8	Banking
6. Le Grand Casino Du Domaine Limitée	32.7	4.7	Leisure
7. The Mauritius Leasing Co. Ltd	27.3	3.9	Leasing
8. Sun Resorts Ltd	24.4	3.5	Hotels
9. Maurinet Investment Ltd	16.5	2.4	Technology
10. Mauritius Breweries Limited	11.8	1.7	Industry
	524.0	**74.7**	

State Bank of Mauritius Ltd (SBM)

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' during both 2001 and 2002 for Mauritius.

SICOM Ltd

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.

Air Mauritius Limited (AML)

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 vision of the company is 'To be a world class airline'.

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. Recently the Group initiated a restructuring project whereby it acquired the remaining interests in associate and subsidiary companies by the issue of NMH shares. NMH is at present the largest hotel operator in Mauritius. The Group also operates the St Anne resort in the Seychelles.

The Mauritius Commercial Bank Limited (MCB)

MCB is the oldest commercial bank in Mauritius. It is also one of the largest in terms of market share. 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.

Le Grand Casino Du Domaine Ltée (GCD)

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

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.

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 One & Only (Indian Ocean) Management Limited. Sun is also a substantial shareholder in Casino de Maurice Ltd. The Group successfully relaunched the One & Only Le Touessrok in December 2002. The opening of an international championship golf course at Ile aux Cerfs is scheduled by the end of this year.

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 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.

Mauritius Breweries Ltd (MBL)

MBL is involved in the brewing, bottling and distribution of beer and soft drinks. The company launched the first Mauritian beer in 1963. The company has witnessed significant growth and expansion. Shareholders approval has already been obtained for a scheme of arrangement with Phoenix Camp Minerals Limited (PCM) whereby the latter would become a wholly owned subsidiary of MBL. The main activity of PCM is the bottling and distribution of Coca-Cola products. The arrangement scheme is expected to create a synergy in the production and distribution of the products of both companies.

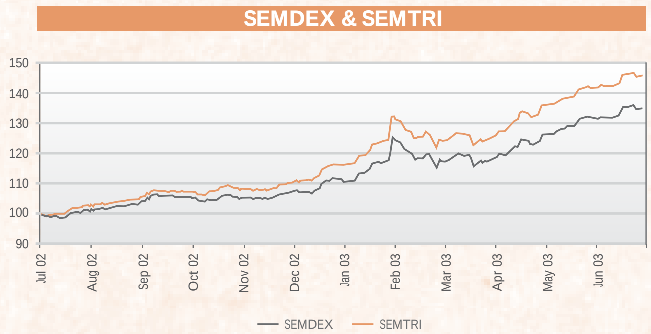
Local Market Performance

Local Stock Market Review

The local stock market achieved substantial growth on year to year basis. The SEMDEX climbed by 126.3 points from 360.26 on 1st July 2002 to 486.56 on 30 June 2003 representing a gain of 35.1%. The SEMTRI which gauges total return of the market increased by 45.4% over the same period. The difference between the SEMDEX and the SEMTRI is mainly due to a relatively high average market dividend yield.

Both the SEMDEX and the SEMTRI peaked during the last week of June 2003. The market was driven mainly by banking stocks. The market also witnessed a number of corporate actions namely the merger scheme of NMH, buy back programmes by both MCB and SBM. The market was briefly shaken by a major corporate scandal. On the whole, encouraging earnings prospects of listed companies and optimism of the business community helped to boost up the market. The chart below depicts the movement of SEMDEX, and SEMTRI for the year period under review.

Chart II



Foreign investors continued to be net sellers. Total purchases and sales during the year amounted to Rs 322.93m and Rs 364.22 respectively. The corresponding figure for last year was Rs 538.9m for purchases and Rs670.3m for sales. Net sales for this year was Rs41.3m compared to Rs131.4m last year. The decrease in net sales by foreigners indicates increasing confidence in the market. which is a good sign for the future.

For the year ended 30 June 2003, the Price Earnings (PE) ratio was 8.21x compared to 5.53x last year. The dividend yield was 6.38% compared to 8.11% last year.

Foreign Market Performance

Global equity market

Chart III

2. **ACCOUNTING POLICIES (CONT'D)**

(d) Foreign currency transactions

Assets and liabilities in foreign currencies are translated into rupee at the rate of exchange ruling at end of the accounting period. Revenue items denominated in foreign currencies are converted into rupee at the exchange rate ruling at the dates of their transactions.

(e) Provisions

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation, and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure required to settle the obligation.

(f) Financial instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Measurement

Financial instruments are initially measured at cost which includes transaction costs. Subsequent to initial recognition, those instruments are measured as set out below:

(i) Accounts receivable

Accounts receivable originated by the company are stated at cost less provision for doubtful debts. An estimate of doubtful debts is made based on a review of all outstanding amounts at balance sheet date. Bad debts are written off in the period in which they are identified.

(ii) Investments

The accounting policy for investment securities is disclosed in 2(c).

(iii) Trade payables

Trade payables are stated at their nominal value.

(iv) Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the balance sheet date.

(g) Cash and cash equivalents

Cash comprises cash in hand and deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant changes in value.

(h) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year and to take into account the adoption of International Accounting Standards.

1. LEGAL FORM AND ACTIVITY

The company is an open-ended fund incorporated on 9 June 1997 as a public company with limited liability. The Company has obtained approval from the Ministry of Finance to be an Authorised Mutual Fund under section 35 of the Companies Act 1984, now repealed by Companies Act 2001.

The company's registered office is 15th floor, Air Mauritius Centre, 6 President John Kennedy Street, Port Louis.

2. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment and in accordance with International Accounting Standards (IASs) in the financial year under review for the first time.

Mauritius Accounting Standards (MASs), which were previously followed by the Company had already implemented most IASs. The following IASs, which were not covered by MASs, are being applied for the first time by the company:

IAS 32 (r1998) - Financial Instruments: Disclosure and Presentation
IAS 39 (r2000) - Financial Instruments: Recognition and Measurement

(b) Revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established by reference to the ex-dividend date. Interest is accrued on a day-to-day basis.

Interest is accounted for on an accrual basis.

(c) Investments

During the current financial year, the company adopted IAS 39 - Financial instruments: Recognition and measurement - and classified its investments into the following categories: held-for-trading, available-for-sale and held-to-maturity. Investments that are acquired principally for the purpose of generating a profit from short term fluctuations in price are classified as trading investments and included in current assets. Investments including those with fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity are classified as available-for-sale.

Management determines the appropriate classification of the company's investment into the above categories and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognised on the trade date, which is the date that the company commits to purchase or sell the asset. Cost of purchase includes transactions costs. Held-for-trading and available-for-sale investments are subsequently carried at fair value, whilst held-to-maturity investments are carried at amortised cost using the effective yield method. Fair value is calculated by reference to Stock Exchange and OTC quoted selling prices at the close of business on the balance sheet date. Unquoted investments are valued by the directors on a cost, earnings or dividend yield basis as appropriate.

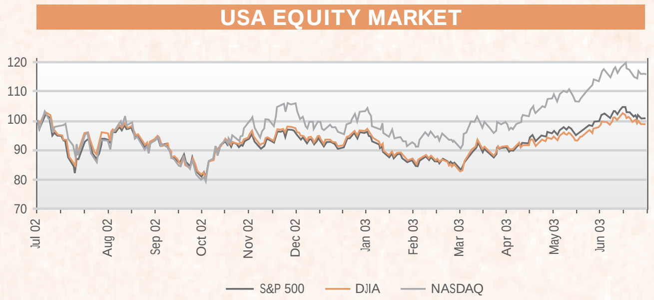
Unrealised gains and losses arising from changes in the fair value of held-for-trading investments are included in the income statement and are subsequently transferred to fair value reserve in the statement of changes in equity. Changes in the fair value of available-for-sale investments are included in fair value reserve in shareholder's equity.

Realised gains and losses arising on the disposal of investments are calculated by reference to the carrying amount of investments disposed and taken to the income statement. All gains on disposal of investment are subsequently transferred to a reserve in the statement of changes in equity.

The MSCI World Index, taken as a proxy for global equity market has dropped by nearly 3% over the period under review. The lows were reached in October 2002 and March 2003. On the whole, the third quarter of 2002 was marked by a series of blows to investors confidence. The aftermath of the accounting scandals that shook big empires and the crisis of confidence slumped the equity markets. During the same period economic and earning data were less than encouraging. The market advanced during the fourth quarter of 2002. It was mainly driven by favourable earning reports from some companies. The first quarter of 2003 was dominated by the events surrounding the threat of war and the war in Iraq whereby markets were very volatile. Major stock markets rallied at the outbreak of the war. By end March 2003, the market reached overbought level and stronger than expected Iraqi resistance pulled the market down. Global stock markets picked up in the second quarter of 2003. Investors sentiment was boosted by positive corporate earnings surprises, better than expected economic news and the end of war in Iraq.

USA equity market

Chart IV



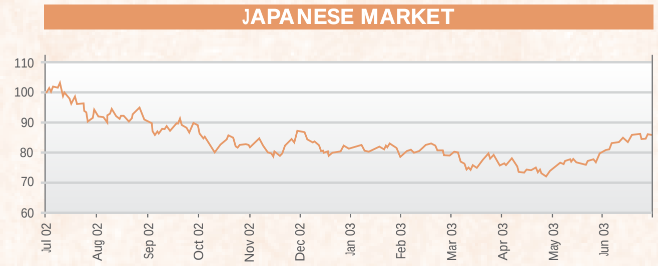
The USA equity market achieved the best performance in comparison with other main markets for the period under review. The main market indices, namely S&P500 gained 0.6%, Dow Jones Industrial Average (DJIA) lost 1.4% and the technology laden Nasdaq Composite gained 15.6%. Market lows were reached in July 2002 and October 2002 mainly due to a dramatic fall in consumer confidence and other weak economic data. The improved earnings expectation of technology and telecommunication companies helped the Nasdaq to achieve a remarkable performance.

Moderate growth in GDP was recorded while the widening of the current account deficit and unemployment continued to be areas of concern. The consumption sector being a determining factor continued to support the US economy. However, the indebtedness of consumers continues to rise dramatically.

Among the major events which impacted on the market were the adoption of the Sarbanes-Oxley Act of 2002 which was in response to a series of accounting scandals, the war in Iraq and the Fed cutting rates twice, the first in November 2002 by 50 basis points and the second by 25 basis points in June 2003. Furthermore, the tax cuts also created a strong incentive for US investors to own equity over risk free bonds.

Japanese equity market

Chart V



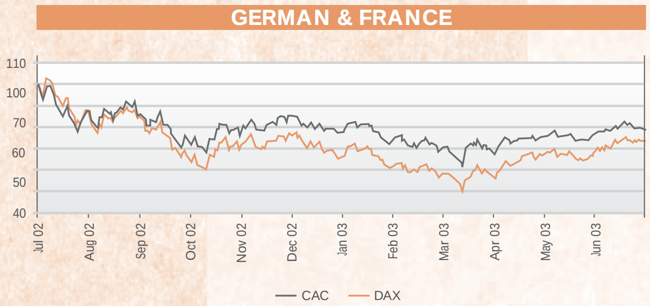
The Nikkei - 225, the mostly widely watched index of the Japanese stock market plunged by around 14% over the year. The lowest point was experienced in April 2003 on account of clear indication of economic slow down and concerns over Iraq and North Korea issue.

The Japanese economy remains in doldrums in terms of overall activity. The economy showed few signs of recovery while exports weakened. Deflation remains a persistent problem. There is no widespread confidence that the Japanese authorities are making progress in resolving the country`s massive bad debt problems, which in turn is part of the much larger problem of the structural crisis facing corporate Japan. Despite the expansion of the monetary base at a high rate the money multiplier process is still not working in Japan. By mid June 2003, there were some perception that the Japanese economy was approaching a turning point which led a large foreign inflows of funds which supported the equity market.

By its own historical standard the Japanese equity market is remarkably cheap. In terms of PER the Japanese market has continued its steady convergence with the other developed markets trading at 16.6x next year`s estimated earnings.

Euro Zone equity market

Chart VI



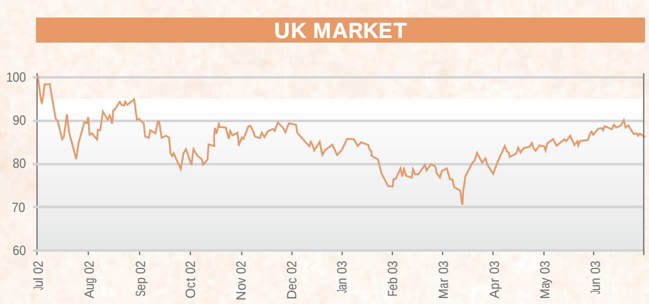
The two largest economies of the Euro Zone had the worst performance in the equity markets in comparison with other developed markets. The DAX and CAC 40 that give an indication of the German and French stock markets dipped by 26% and 21% respectively. The troughs were reached in mid March 2003 when the German and French markets fell by 48% and 38% respectively.

The economic performance continued to deteriorate in the Euro zone. Unemployment continued to rise and growth has stagnated. Most business and consumer confidence indicators are not encouraging. The appreciation of the EURO vis a vis the US dollar is leading to deteriorating competitiveness for European exports.

In June 2003, European equities were driven by higher positive earning reports and improvement in investor sentiment. The European Central Bank (ECB) also cut rate by 50 basis points in June 2003 to 2% in attempt to stimulate economic activities.

UK equity market

Chart VII



The FTSE-100 declined by 14% over the period under review. The deepest drop was registered in mid March 2003 when the index fell by 30% the base being 1 July 2002. This was mainly because of the overbought perception and the news on the Iraq war.

The UK economy performance has been about midway between US and Euroland economies. The economy seemed to lose momentum. Household consumption is keeping the economy going while business investment is at its weakest level. The depreciation of the GBP vis a vis Euro benefited British export sector. The economic growth in first quarter of 2003 was below expectations. Manufacturing sector recovered partly as a result of a weak currency. House prices continue to increase in UK which is leading the housing market into a bubble phase.

Despite mixed economic news, the FTSE - 100 has continued to rally as a result of stronger corporate earnings than expected in the first quarter of this year. Since mid March 2003 investors sentiment turned positive.

ECONOMIC REVIEW

The Mauritian Economy in 2002-2003

The economy in 2002 grew by 2.3% in real terms. For 2003, growth is expected to be 4.8% in spite of lower anticipated sugar production resulting from unfavourable climatic conditions on both stalk elongation and sucrose content and from adverse prospects in the EPZ. Were sugar to be excluded, the level of growth would stand at 4.5% (2002: 3.4%).

Business expectations during the financial year 2002-03 have been mixed depending on the sectors concerned. On the one hand, the construction sector benefitted from the upsurge of new building sites across the island in addition to existing ongoing projects. On the other hand, the conditions faced by the manufacturing sector have been stringent and the future prospects spell additional hardships in light of the need for the stakeholders to be increasingly cost competitive while at the same time not compromising on quality.

Local economic indices and figures, as reported, yield encouraging signs. Inflation is within safe bounds on account of the monetary stance adopted by the Bank of Mauritius and is expected to fall. Prevailing low interest rates that characterised the year are expected to support growth in private investment with the long term vision of reducing the rising unemployment. To further benefit consumers,

Cash Flow Statement

for the year ended 30 June 2003

	Note	2003 Rs'000	2002 Rs'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax		84,640	34,683
Adjustments for:			
Interest income		(7,964)	(9,438)
Interest expense		-	40
Dividend income		(49,634)	(30,763)
Fair value change of held-for-trading investments		(33,292)	-
(Gain)/loss on disposal of investment		(358)	19
Operating loss before working capital changes		(6,608)	(5,459)
Decrease in trade and other receivables		1,181	654
(Decrease)/increase in trade and other payables		(280)	523
Cash used in operations		(5,707)	(4,282)
Interest paid		-	(40)
Tax paid		(403)	(718)
Interest received		8,562	9,598
Dividend received		48,068	30,507
Net cash flows from operating activities		50,520	35,065
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		(60,020)	(45,297)
Proceeds from sale of investments and redemption		91,028	60,559
Net cash flows from investing activities		31,008	15,262
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		30,353	38,528
Redemption of shares		(59,933)	(77,228)
Dividends paid		(39,824)	(35,802)
Net cash used in financing activities		(69,404)	(74,502)
Net increase/(decrease) in cash and cash equivalents		12,124	(24,175)
Cash and cash equivalents at beginning of year		15,158	39,333
Cash and cash equivalents at end of year	15	27,282	15,158

Statement of Changes in Equity

for the year ended 30 June 2003

	Note	Share Capital Rs'000	Premium account Rs'000	Fair Value reserve Rs'000	Gain on Disposal of Investments Rs'000	Retained earnings Rs'000	Total Rs'000
Balance at 1 July 2001							
As previously stated		636,606	(5,147)	(30,888)	42,873	37,803	681,247
Change in accounting policy	20	-	-	-	(42,873)	42,873	-
As restated		636,606	(5,147)	(30,888)	-	80,676	681,247
Deficit on revaluation of investments		-	-	(20,528)	-	-	(20,528)
Issue of shares		37,506	990	-	-	-	38,496
Redemption of shares		(67,619)	(3,194)	-	-	-	(70,813)
Net profit		-	-	-	-	34,262	34,262
Transfer		-	-	3,201	39,653	(42,854)	-
Dividends		-	-	-	-	(35,802)	(35,802)
Balance at 30 June 2002		606,493	(7,351)	(48,215)	39,653	36,282	626,862
Balance at 1 July 2002		606,493	(7,351)	(48,215)	39,653	36,282	626,862
Gain on revaluation of investments		-	-	59,623	-	-	59,623
Issue of shares		25,371	4,981	-	-	-	30,352
Redemption of shares		(54,329)	(5,603)	-	-	-	(59,932)
Net profit		-	-	-	-	84,160	84,160
Transfer		-	-	34,148	(498)	(33,650)	-
Dividends		-	-	-	-	(39,824)	(39,824)
Balance at 30 June 2003		577,535	(7,973)	45,556	39,155	46,968	701,241

additional large distribution outlets have been opened namely in Riche Terre and Trianon while projects to further extend the network of some well-known retail stores are already in the pipeline; all of which will contribute to accentuate competition on the basis of price. With respect to overseas travelling, the number of Mauritians going abroad in 2002 showed no significant changes, increasing marginally by 0.3% from 2001. One item which needs further improvement is the rate of unemployment.

Investment

Investment for 2003 based on available estimates is expected will amount to Rs 35,335m (2002: Rs 31,549m), representing an increase of 12.0%. In real terms, the increase is of the order of 6.9%, exclusive of the investment in aircraft (2002: 6.8%).

The investment rate, measured as the ratio of Gross Domestic Fixed Capital Formation (GDFCF) to Gross Domestic Product (GDP) at market prices is forecast at 22.6% (2002: 22.2%). Public sector investment is earmarked to account for 42.5% of the intended investment as opposed to 30.4% in 2002, with the bulk expenditure falling to the education sector, cybercity related projects and the purchase of another aircraft. On the other hand, investment by the private sector is estimated to total Rs 20,320m or 57.5% of GDFCF.

The Sugar Sector

The sugar sector in crop year 2002 was again subject to the vagaries of nature impacting negatively on cane growth and the sucrose content. As a consequence, sugar production fell short by some 125,000 tonnes compared to the 2001 production, representing a negative growth of 19.3%. Forecasting the harvest for 2003, some 570,000 tonnes of sugar have been estimated will be produced.

The efforts expended towards the centralisation of sugar milling operations are expected to impact the sector positively through improved efficiency and higher productivity at lower cost.

Export Processing Zone (EPZ)

The EPZ sector has had another difficult year and this in spite of the positive impact of the strong Euro on its terms of trade. EPZ exports stagnated at Rs 33,502m in 2002 (2001: Rs 33,695m), incurring a slight decrease of Rs 193m or -0.6%. On the import side, the figures for 2002 amounted to Rs 16,977m compared to Rs 17,140m in 2001, thereby registering a decrease of 1.0%. The resulting net exports for 2002 amounted to Rs 16,525m (2001: Rs 16,555m).

As at March 2003, the EPZ employed 84,638 (2002: 86,865) people, including 16,952 (2002: 15,761) foreigners. While an increase of 7.6% in the number of expatriates working in the EPZ was registered over the period, a general decrease in EPZ employment of 2.6% is noted. The 'wearing apparel' group accounted for 81.7% of the total employment in the EPZ sector, employing some 69,154 people of which 48,611 female workers. Corresponding figures for this group as at March 2002 include 71,386 workers, comprising 49,681 women and accounting for 82.2% of total EPZ employment. These decreased figures for 2003 are reflective of the difficult circumstances faced by the sector and the resulting job loss they entailed.

The total number of enterprises in the EPZ, at the end of 2002 stood at 506. By March 2003, however, four additional factories ceased their operations while six new factories became operational, hence bringing the total to 508.

The difficulties faced by the EPZ sector led to the constitution of the Textile Emergency Support Team (TEST) this year; the purpose of which is aimed at investigating the circumstances pertinent to the sector and finding long term and viable solutions to support the factories. Much is expected from the Africa Growth Opportunity Act (AGOA) II on account of the setting up of spinning mills and also on the improvement of the situation in Madagascar. Yet the positive impact to the industry, it appears, will take longer to be felt. For 2003, the sector is expected to decline by 2.0%.

The Construction Sector

This sector has seen immense activity over the year. Massive projects relating to the Jeux des Iles, the cybercity project, road works and the ongoing construction of schools and colleges contributed to the 7.8% growth of the sector. Given the continuation of works already undertaken and the kick off of new sites including hotel projects and sewerage works, growth in the sector is expected to be sustained and is projected at 8.0%.

Tourism

Tourist arrivals for the financial year ended June 2003 increased by 4.1% (2002: 1.4%). Yet in spite of the increase in the number of tourists, a decrease in their spending was noted. Tourist earnings for the period fell by 5.5% as opposed to a positive growth of 22.7% for the previous corresponding period. Based on information from the major stakeholders of the tourist industry, some 700,000 tourist arrivals are expected for the year 2003 while gross tourists earnings are forecast around Rs 18,100m, closer to that registered in 2001. Direct employment in travel and tourism establishments grew by 5.4% as at March 2003 compared to the previous year.

Trade Deficit

The trade deficit for 2003 is expected to improve given current estimates of total exports and imports whereby a higher increase in total exports (9.4%) is expected relative to the increase in imports (7.0%). In absolute figures, total exports for the year 2003 are expected to reach Rs 59,900m against Rs 69,400m of imports, representing a provisional deficit of Rs 9,500m. For 2002, the trade deficit recorded was of the order of Rs 10,126m. A resulting decrease of 6.2% for 2003 can thus be envisaged.

Government Finance

The budget deficit for the financial year 2002-03 levelled 6.0% of GDP. Massive spending by the government on ongoing capital projects was compensated by an increase on the revenue side namely proceeds from VAT and customs duty.

For the financial year 2003-04, it is expected that tax revenue will increase in line with the forecast economic growth and inflation while an important item on the expenditure side to be reckoned with is in relation to the implementation of the PRB recommendations. Capital expenditure by the government is expected to increase by 20.0%, lower than the 34.5% increase of the previous period. This is explained by the gradual completion of many of the projects started in prior years. The budget deficit has been estimated will stand at 6.0% of GDP.

Total Government debt for the fiscal year ended June 2003 has been estimated at Rs 95,090m (2002: Rs 75,880m), spilt into Rs 86,937m of internal debt and Rs 8,153m of funds borrowed from external sources. Internal borrowing by the government is thus expected to increase by 29.0% (2002: 25.4%). External debt, on the other hand, is expected to decrease by 3.7% as opposed to an increase of 24.2% in the previous year. Overall, government debt for 2003 is anticipated to increase by 25.3%, same as 2002. The increasing debt bodes higher expected debt servicing in coming years.

Employment & Unemployment

For 2002, the rate of unemployment worked out to 9.7%, up by 0.6% from 2001 and representing some 50,800 unemployed. The sectors that registered significant job losses are the EPZ manufacturing and the sugar industry. The EPZ sector, as mentioned earlier, is facing tough competition and strenuous conditions. As to the decline in employment in the sugar industry, it results from the downsizing of this industry through the successful implementation of the VRS.

Gender-wise, the unemployment figures for 2002 are as follows: male unemployment 8.5% (2001: 8.8%) and female unemployment 12.0% (2001: 9.8%). As revealed by the statistics, female employment has been most affected, explained by the laying off in the manufacturing sector.

The mismatch between the skills of those entering the labour force and the requirements for the jobs that are being generated by economic activity is increasingly being felt. Blue-collar jobs are expected to ease the strain on unemployment given the expansion of the construction sector. Yet there is a real need to create white-collar positions to absorb the increasing number of young people entering the workforce.

Inflation

Inflation for the financial year ended June 2003 stood at 5.1%, registering a decrease of 1.2% from the previous year (2002: 6.3%). The improvement in the rate of inflation can be attributed to the policy stance of the Bank of Mauritius, and the relative stability of the local currency.

On a point-to-point basis, the Consumer Price Index (CPI) decreased by 29 points during the year. It is worth noting that the base for the CPI has been changed to the financial year 2002. Previously the base period was July 1996 to June 1997.

Monetary Policy

At June 30, 2002, the Lombard Rate stood at 11.50%. A year later, it was 10.25% with cuts registered in November 2002 (-0.25%), December 2002 (-0.25%), February 2003 (-0.5%) and May 2003 (-0.25%). These cuts were all in line with the stance adopted by the Bank of Mauritius namely to ease monetary policy, which is believed would contribute to reducing borrowing costs and support the growth of investment.

The easing in monetary policy was further evidenced by the expansion of the money supply as measured both by M1 and M2. The money supply consisting of currency

Income Statement

for the year ended 30 June 2003

	Note	2003 Rs'000	2002 Rs'000 (Restated)
REVENUE			
Dividend income		49,634	30,763
Interest income		7,964	9,438
Other operating income		1,532	1,701
Gain/(loss) on disposal of investment		357	(19)
Fair value change of held-for-trading investments		33,293	-
Total Revenue		92,780	41,883
FUND EXPENSE			
Management fees	9	4,761	3,925
Registry costs	10	650	650
Interest expense	11	-	40
Brokerage fees		669	735
Other operating expenses		2,060	1,850
Total Expenses		8,140	7,200
INCOME BEFORE TAXATION	12	84,640	34,683
TAXATION	7	(480)	(421)
INCOME AFTER TAXATION		84,160	34,262
Earnings per share	13	1.42	0.57

Balance Sheet
as at 30 June 2003

	Notes		2003 Rs'000	2002 Rs'000
ASSETS				
NON CURRENT ASSETS				
Investments	3		274,693	243,592
CURRENT ASSETS				
Investments	3		401,687	343,821
Trade and other receivables	4		3,463	4,943
Short term investments	5		27,212	39,753
Cash at bank			70	840
			432,432	389,357
CURRENT LIABILITIES				
Trade and other payables	6		5,412	5,704
Dividend			12	-
Taxation	7		460	383
			5,884	6,087
NET CURRENT ASSETS			426,548	383,270
Total Assets			701,241	626,862
CAPITAL AND RESERVES				
Share capital	8		569,562	599,142
Fair value reserve			45,556	(48,215)
Gain on disposal of investments			39,155	39,653
Retained earnings			46,968	36,282
Total Capital and Reserves			701,241	626,862
Net asset value per share	16	Rs	12.14	10.34

Approved by the Directors and signed on its behalf by

Seilendra Gokhool
Chairman

Rohit Aukle
Director

October 13, 2003

in circulation and demand deposits (i.e. M1) at the end of June 2003 amounted to Rs 17,439.0m (2002: Rs 15,135.6m), representing an increase of 15.2%. The corresponding figures for the aggregate monetary resources (M2) were Rs 123,404.5m (2002: Rs 110,467.2m), showing an increase of 11.7%. It is important to point out that the monetary expansion was non-inflationary in nature and remained within non-inflationary limits.

Currency Outlook

The Rupee appreciated against the US dollar by an average of 4.0% over the 12 months ended June 2003, contrasting with the depreciation of 8.2% on an annual average basis of the previous year. On the other hand, it depreciated by 5.3% (2002: 7.7%) with respect to the Pound and by almost twice that amount with respect to the Euro or 10.9% (2002: 8.5%).

Prospects

The Mauritian economy is expected to grow by 4.8% for the year 2003. The accommodative monetary policy being adopted by the Government and the investment facilitation measures being taken is expected to help in boosting the economy. Some major infrastructural and construction projects started last year have reached near completion stage. Various new projects including housing, schools construction and road networks projects are on the way. The TEST initiative, the operation of the National Equity Fund and other measures taken should help to support economic activities and more particularly the EPZ sector.

The positive sentiment in the economy should be reflected in the performance of listed companies. We can expect some improvement in corporate earnings which would hopefully be factored in the market prices. The stock market is continuing its upward trend. For the period July 2003 to mid October 2003 it grew by around 5.1%.

On the market development side, the forthcoming Securities Bill is expected to provide a modern and more efficient framework for the operation of the stock market and would better regulate market players. As announced in the 2002 - 2003 budget, Government will amend relevant legislation with a view to stimulate the operation of a repurchase operation (repo) among financial institutions.

The Bank of Mauritius together with the Stock Exchange of Mauritius are working towards the creation of a secondary market for Government securities. This would promote more active trading in Government securities and market determined yield curve would be obtained.

The adoption of the corporate governance code and the International Accounting Standards (IASs) by Mauritian companies would further enhance disclosures. Hence, investment decisions would be made on the availability of better information.

In view of the impressive performance of the domestic listed securities, the Fund is envisaging to capitalize on the good prices presently obtained. A significant portion of the listed securities will be sold and the proceeds used to increase the investment in overseas markets as they are offering good opportunities.

As announced at the last Annual meeting of shareholders, the restructuring of the PLF into an umbrella structure is on its way. Consultants have already been appointed to prepare necessary documents. Application for necessary approval from regulatory authorities will be made in due course. In broad terms, the new structure will comprise 3 funds the first will be a balanced fund with similar investment objectives as the present PLF, the second will be a foreign fund and the third a fixed income fund. The shareholders will have the opportunity to switch their investments among the different funds in line with their assessment of the markets and their personal investment objectives. Shareholders will be kept inform on further development regarding the umbrella structure.

ACKNOWLEDGEMENT

The Board wishes to thank the shareholders for their loyalty and support during the year. The Board also appreciated the dedication and hard work of the management team and staff towards enhancing the value of the Company.

Seilendra Gokhool
Chairman
Port Louis Fund Ltd

13 October, 2003

Report of the Directors *(cont'd)*

DIRECTORS' SERVICE CONTRACTS

There are no service contracts between the company and the directors.

DIRECTORS' REMUNERATION

Remuneration and benefits received and receivable from the company and related corporations were as follows:

	Company		Subsidiaries		Other related companies	
	2003 Rs. 000	2002 Rs.000	2003 Rs. 000	2002 Rs.000	2003 Rs. 000	2002 Rs. 000
Executive Directors	-	-	-	-	-	-
Non-executive Directors	312	312	-	-	-	-

DIRECTORS' SHARE INTERESTS

The Directors hold no share of the Company whether directly or indirectly.

SIGNIFICANT CONTRACTS

No contracts of significance or loans existed during the year under review between the Company and its Directors.

DONATIONS

The Company did not make any donations during the year.

AUDITORS

The auditor's remuneration were as follows:

	2003 Rs. 000	2002 Rs. 000
Audit services	86	105
Other services	87	71
	173	176

Seilendra Gokhool
Chairman

Rohit Aukle
Director

October 13, 2003

Secretary's Certificate
for the year ended June 30, 2003

We certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001 in terms of section 166(d).

SIC Corporate Services Ltd
Company Secretary
Per B.Veerasamy (Mrs)

October 13, 2003

Auditors' Report to the Shareholders

We have audited the financial statements on pages 16 to 28.

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

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements which give a true and fair view of the financial position and financial performance of the company and for ensuring that the accounts comply with International Accounting Standards. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by directors in the preparation of financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have no relationship with, or interests in the company, other than in our capacities as auditors and tax advisors and arm's length dealings with the company in the ordinary course of business.

Opinion

We have obtained all the information and explanations that we have required.

In our opinion:

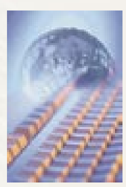
- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements give a true and fair view of the financial position of the company as at 30 June 2003, and of its financial performance and cash flows for the year then ended and comply with the Companies Act 2001 and International Accounting Standards.

Kemp Chatteris Deloitte & Touche
Chartered Accountants,
Per Jacques de C du Mée, ACA

October 13, 2003

PORT LOUIS FUND

The Leading Mutual Fund



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