# Port Louis Fund Ltd


## Annual Report 2014

PLF

Dear Shareholders,

The Board of Directors is pleased to present the Annual Report of Port Louis Fund Ltd for the financial year which ended on 30 June 2014.

The Directors' report was approved by the Board on 16 October 2014 whereas the audited Financial Statements were approved on 30 September 2014

*M.I. Mallam-Hasham*
Chairman

*V.Bhuguth*
Director

## CONTENTS PAGE

# Notice of Annual Meeting

Notice is hereby given that the 17th Annual Meeting of Shareholders of Port Louis Fund Ltd will be held on Tuesday 18 November 2014 at 14:00 hours at Conference Hall A, 1st floor, BPML, Cyber Tower, Cybercity, Ebene to deliberate and transact on the following businesses:

## Agenda

1. To approve and adopt the Minutes of Proceedings of the 16th Annual Meeting of Shareholders of Port Louis Fund Ltd held on Tuesday, 17th December, 2013.

2. To receive the Annual Report for the financial year ended 30 June 2014.

3. To receive the Report of Auditors.

4. To consider and approve the Audited Financial Statements for the year ended 30 June 2014.

5. To ratify the dividend declared by the Board of Directors and paid to all shareholders registered at the close of business on 13 June 2014.

6. To re-appoint Mr. Muhammad Iqbal Mallam-Hasham as Director of the Company to hold office until the next Annual Meeting.

7. To re-appoint Mr. Yusuf Hassam Aboobaker, who is over the age of 70 years, to continue to hold office as Director of the Company until the next Annual Meeting of the Company under Section 138(6) of the Companies Act 2001.

8. To re-appoint Mr. Georges Yves Hervé Lassémillante as Director of the Company to hold office until the next Annual Meeting.

9. To re-appoint Mr. Vijay Bhuguth as Director of the Company to hold office until the next Annual Meeting.

10. To re-appoint Mr. Ishwurlal Golam as Director of the Company to hold office until the next Annual Meeting.

11. To re-appoint Mr. Veenay Rambarassah as Director of the Company to hold office until the next Annual Meeting.

12. To fix remuneration of the Directors.

13. To re-appoint the Auditors of the Company for the financial year ending 30 June 2015 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**

SNullatemby

*S.L Nullatemby (Mrs.)*
Company Secretary
16 October 2014

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.

**Registration of shareholders at the meeting will start as from 13:00 hours**

## Directors
Mr. M.I. Mallam-Hasham , Chairman
Mr. Y.H. Aboobaker, S.C, C.S.K
Mr. V. Bhuguth
Mr. I. Golam
Mr. G.Y.H. Lassémillante
Mr. V. Rambarassah

## Fund Manager
Capital Asset Management Ltd

## Registrar and Transfer Office
Prime Partners Ltd

## Company Secretary
Mrs. S.L. Nullatemby

## Bankers
AfrAsia Bank Limited
Bank of Baroda Ltd
Bank One Ltd
Banque des Mascareignes Ltée
Barclays Bank Mauritius Ltd
Bramer Banking Corporation Ltd
Mauritius Commercial Bank Group Ltd
Mauritius Post and Co-operative Bank Ltd
Standard Bank (Mauritius) Ltd
State Bank of Mauritius Ltd
The Hong Kong and Shanghai Banking Corp Ltd

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

## Auditors
BDO & CO (External)
McMillan Woods (Internal)

## Website
http://www.portlouisfund.com

## Stockbroking Companies
Anglo-Mauritius Stockbrokers Ltd
Associated Brokers Ltd
AXYS Stockbroking Ltd
Bramer Capital Brokers Ltd
Capital Markets Brokers Ltd
IPRO Stockbroking Ltd
MCB Stockbrokers Ltd
LCF Securities Ltd
Prime Securities Ltd
Ramet & Associés Ltée
SBM Securities Ltd

## Foreign Fund Managers
Fidelity Investments International
Franklin Templeton Investments Ltd
London & Capital Asset Management Ltd
Imara Asset Management Ltd

## Custodian Bank
Standard Bank (Mauritius) Ltd
ICICI Bank Ltd (India)

## Indian Stockbrokers
Indsec Securities & Finance Ltd
Religare Capital Markets Ltd
SPA Securities Ltd

The Directors have the pleasure to submit the Annual Report together with the audited accounts of Port Louis Fund Ltd for the year ended 30 June 2014.

## Principal Activities

The Company is a Collective Investment Scheme as per Securities Act 2005. It was incorporated on June 9, 1997 as a Public Company with limited liability. The Company initially obtained approval from the Ministry of Finance to be an Authorised Mutual Fund under Section 35 of the Companies Act 1984, now replaced by the Companies Act 2001.

The main objects of the Company are:

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

## Members of the Board of Directors

Mr. M.I. Mallam-Hasham, Chairman

Mr. Y.H. Aboobaker

Mr. V. Bhuguth

Mr. I. Golam

Mr. G.Y.H. Lassémillante

Mr. V. Rambarassah

## Directors' Service Contracts

There was no service contract between the Company and any of its Directors.

## Directors' Remuneration and Benefits

Remuneration and benefits received and receivable from the Company were:

| | 2014 (MUR '000) | 2013 (MUR '000) |
|---|---|---|
| Non-executive directors | 984 | 982 |

## The direct and indirect interests of the Directors in the securities of the Company as at June 30, 2014

| | Direct shareholding | Indirect shareholding |
|---|---|---|
| Directors | | |
| Mr. M.I. Mallam-Hasham | 7,539 | Nil |
| Mr. G.Y. Lassémillante | Nil | Nil |
| Mr. Y.H. Aboobakar | Nil | Nil |
| Mr. V. Bhuguth | Nil | Nil |
| Mr. I.Golam | Nil | Nil |
| Mr. V. Rambarassah | Nil | Nil |
| Company Secretary | | |
| Mrs. S. Nullatemby | Nil | Nil |

## Donations

No donation was made during the financial year ended June 30, 2014.

## Auditors' Remunerations

The auditors' remunerations were:

| | 2014 (MUR '000) | 2013 (MUR '000) |
|---|---|---|
| Audit services | 120 | 115 |
| Other services | - | - |

*M.I. Mallam-Hasham*
Chairman

*V.Bhuguth*
Director

Approved on 30 September 2014

*The additional disclosures on page 5 are as per the requirements of the Financial Services Commission following the sixth schedule of the Securities (Collective Investment Scheme and Closed-ended Funds) Regulation 2008, Securities Act 2005.*

*Note that the figures presented in the Financial Highlights table are in MUR' 000.*

## Disclosure as per sixth schedule of the Securities (Collective Investment Scheme and Closed-ended Funds) Regulation 2008, Securities Act 2005

**Financial Highlights**

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| Net assets value at beginning of year | 1,187,833 | 1,144,364 | 1,248,811 |
| Total revenue | 26,667 | 41,666 | 42,747 |
| Total expenses | 15,788 | 14,624 | 17,431 |
| Realised gains (losses) for the year | 4,154 | 3,488 | 7,658 |
| Unrealised gains (losses) for the year | - 24,364 | 114,650 | 244,614 |
| Total increase (decrease) from operations | - 9,331 | 145,180 | 277,588 |
| **Distributions** | | | |
| From net investment income | 10,879 | 27,042 | 25,316 |
| From realised gain | 20,109 | 14,021 | 22,274 |
| Total Annual Distributions | 30,988 | 41,063 | 47,590 |
| Net asset value at last day of financial year | 1,144,364 | 1,248,811 | 1,507,450 |

**Key Indicators**

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| Number of shares outstanding | 51,651,031 | 51,650,181 | 52,700,614 |
| Management expense ratio | 1.30% | 1.16% | 1.11% |
| Portfolio turnover ratio | 1.51% | 3.23% | 0.46% |

## Secretary's Certificate

For the year ended June 30, 2014

I certify that, to the best of my knowledge and belief, the Company has filed with the Registrar of Companies, for the financial year ended June 30, 2014, all such returns as are required of the Company under the Companies Act 2001 in terms of section 166(d).

SNullatemby

*S.L. Nullatemby (Mrs.)*

Company Secretary

30 September 2014

## Directors' Profile

***Mr. M.I. Mallam-Hasham*** is a Fellow of the prestigious Hubert H. Humphrey program and read International Economy at Boston University. He is also a Fellow of the Mauritius Institute of Directors. He holds post-graduate degrees in Management and Business from "Institut d'Administration des Enterprises", Université de Strasbourg. At present, he is the Managing Director of the State Investment Corporation Ltd and is board Member of a number of leading companies in Mauritius. He has wide ranging experience in the financial sector and has been banker, consultant in corporate management and Associate Professor at universities. He was also a Member of Parliament.

***Mr. Y.H. Aboobaker, S.C, C.S.K,*** holds a B.A. (Hons) in Economics. He is a Senior Counsel practicing at the Bar of Mauritius since March 1972 and sits on the board of some of the leading companies in Mauritius.

***Mr. V. Bhuguth*** is a Fellow of the Association of Chartered Certified Accountant (FCCA). He reckons 26 years of experience in accounting firms and holds a post-graduate diploma in International Tax Planning from the University of Miami. He is presently leading an accounting firm in Port Louis.

***Mr. G.Y.H. Lassémillante*** is a Member of the Middle Temple. He sat on the Police Service Commission. At present, he is Barrister-at-Law and has been practicing at the Mauritian Bar since 1982.

***Mr. I. Golam*** is a member of the Chartered Institute of Management Accountants and also holds an MBA. He is presently the Group Finance Manager of the State Investment Corporation Ltd. He has a wide range of experience in the field of Finance and Accounting, Stock Exchange, Offshore Sector and privatisation of the Civil Aviation. He is also member of various boards within the SIC group.

***Mr. V. Rambarassah*** is a Fellow of the Association of Chartered Certified Accountant (FCCA). He is currently acting as Fund Manager and Fund Accountant of the National Pension Fund and National Savings Fund. He has previously been working in the Government Audit Office. He has wide experience in audit and finance fields.

## Company Secretary

***Mrs. S.L. Nullatemby*** is a fellow of the Institute of Chartered Secretaries and Administrators (FCIS) and also a Fellow of the Mauritius Institute of Directors (MIoD). She also holds an MBA in Finance. At present, she is the Company Secretary of Port Louis Fund Ltd. She has been working at the State Investment Corporation Ltd for the past 25 years and has wide ranging experience in the field of Finance and Accounting, Administrative and Corporate matters. She is also director of various companies within the SIC group.

## Executive management

### Capital Asset Management Ltd

The Fund is managed by Capital Asset Management Ltd (CAM) since inception. CAM is a wholly owned subsidiary of the State Investment Corporation Ltd (SIC) and is licensed by the Financial Services Commission (FSC) as a CIS Manager and Investment Advisor (Unrestricted) under the Securities Act 2005. CAM also manages the SME Partnership Fund Ltd amongst others. The following key personnel are employed by CAM:

#### *Executive Director*

***Mr. V. Auckaloo*** is a member of the CFA institute and holds an M.Sc. in Financial Management, a B.Sc. (Hons) in Economics and an LLB (Hons). He has more than 15 years of experience in the financial services sector and had previously worked in the Government service and in the banking sector. He joined CAM since 2001 and is currently the Executive Director.

#### *Finance Manager*

***Mr. M. K. Ramroop*** joined CAM since January 2006 and is currently the Finance Manager of the Company. He is a Fellow of the Association of Chartered Certified Accountants (FCCA) and holds an MBA with specialisation in Financial Management. He has worked in the banking sector for over 20 years. Before joining CAM he worked within the SIC Group in the leisure sector and financial services sectors.

#### *Senior Financial Analysts*

***Mrs. S. Beeharee-Ramyead*** joined CAM since July 2007 and currently holds the position of Senior Financial Analyst. She holds a B.A. (Hons.) in Law and Management and is an affiliate of the Association of Chartered Certified Accountants. She has more than 11 years of experience in the financial and regulatory sectors.

***Mr. S. Namah*** currently holds the position of Senior Financial Analyst. He holds a B.Sc. (Hons.) in Accounting and Finance and is a member of the Association of Chartered Certified Accountants. He has more than 10 years of experience in various fields of finance, including 7 years within private equity financing.

#### *Financial Analyst*

***Mr. J. Nundoo*** is a holder of an M.Sc. Financial Risk Management (distinction) from the University of Glasgow and a B.Sc. Economics and Finance (Hons.) from the University of Mauritius. He joined the team in March 2012.

#### *Assistant Analyst*

***Mr. P. Halkhoree*** is a holder of an M.Sc. Finance, Investment and Risk from the University of Kent and a B.Sc. Economics and Finance (Hons.) from the University of Mauritius. He joined the team as Assistant Analyst since October 2012.

## Compliance

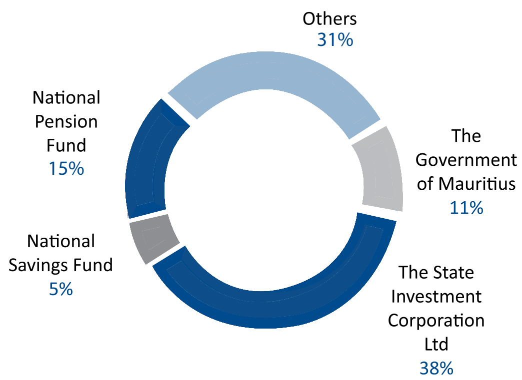
The Fund is committed to adhere in all material respects to the principles of Corporate Governance. It has set the appropriate policies and practices which enable it to maintain the highest standards of integrity and accountability. The Board has also established different committees, namely, Audit and Risk Committee, Investment Committee and Corporate Governance Committee to assist in execution of its responsibilities and to ensure compliance with the provisions set out in the Code of Corporate Governance.

We, the Directors of Port Louis Fund Ltd (PLF), confirm that to the best of our knowledge, PLF has complied with of its obligations and requirements under the Code of Corporate Governance.

We understand that we are collectively accountable and responsible for the performance and affairs of the Fund. We further commit to ensure that the Fund's activities are carried out ethically and in a transparent manner.

### Holding structure

The holding structure of Port Louis Fund Ltd as at June 30, 2014:




### Shareholders holding more than 5% share capital of the Company as at June 30, 2014

| Shareholder name | No. of shares | % of share capital |
|---|---|---|
| The State Investment Corporation | 19,789,414 | 37.6 |
| National Pension Fund | 8,036,733 | 15.2 |
| The Government of Mauritius | 5,597,909 | 10.6 |
| National Savings Fund | 2,678,912 | 5.1 |

### Shareholder analysis as at June 30, 2014

| Range | No. of shareholders | No. of shares | % of share capital | % of all shareholders |
|---|---|---|---|---|
| 1-1,000 | 3,071 | 1,235,642 | 2.3% | 3,071 |
| 1,001 – 5,000 | 964 | 2,685,517 | 5.1% | 964 |
| 5,001 – 10,000 | 355 | 2,804,281 | 5.3% | 355 |
| 10,001 – 25,000 | 208 | 3,396,812 | 6.5% | 208 |
| 25,001 – 50,000 | 53 | 1,835,335 | 3.5% | 53 |
| 50,001 – 100,000 | 11 | 735,521 | 1.4% | 11 |
| 100,001 – 1,000,000 | 14 | 3,904,538 | 7.4% | 14 |
| Over 1,000,000 | 4 | 36,102,968 | 68.5% | 4 |
| **Total** | **4,680** | **52,700,614** | **100.0%** | **4,680** |

### Category of Shareholders as at June 30, 2014

| Shareholders Type | No. of shareholders | No. of shares | % shareholding |
|---|---|---|---|
| Individuals | 4,615 | 13,697,775 | 25.99 |
| Corporate Bodies and others | 65 | 39,002,839 | 74.01 |
| **Total** | **4,680** | **52,700,614** | **100.00** |

### Communication with shareholders

The Fund communicates with its shareholders on a regular basis. The daily Net Asset Value per share of the Fund and monthly factsheet detailing the performance is published on the website at: www.portlouisfund.com

The annual report containing the audited accounts, performance review and other essential information is sent to all shareholders. The latter is also invited to the annual meeting of shareholders whereby they can ask any relevant questions or seek clarifications from the Board and Management regarding the Fund. Any individual queries can be addressed to the Registry and/or the Fund Manager.

### Schedule of events

| Date | Event |
|---|---|
| December 17, 2013 | Annual General Meeting |
| June 13, 2014 | Declaration of Dividend |
| June 20, 2014 | Payment of Dividend |
| June 30, 2014 | End of Financial Year |

## Dividend Policy

Dividends are payable out of distributable profits. Other factors which may influence dividends include the Fund's performance, its cash flow position and future investment opportunities.

## The Board of Directors

As per the Company's constitution, the Board is constituted with a minimum of five and up to a maximum of nine directors. The Board Meetings were chaired by Mr. M.I. Mallam-Hasham and in his absence, by Mr. Y.H. Aboobaker. The profile of current board members is given on page 6.

The management of PLF has been outsourced to a CIS manager, namely, Capital Asset Management Ltd (CAM). The Board, given the circumstances, has not deemed it necessary to appoint a chief executive officer and executive directors. A representative of CAM attends all Board/Committee meetings and contributes in the decision-making process and affairs of PLF.

The Board monitors and evaluates the implementation of strategies and policies and ensures that decisions are effectively executed by management.

The Board met 6 times during the year and the individual attendance of the Directors is detailed on page 10. The Board deliberated on various issues including:

- Examination and endorsement of the recommendations of various board committees.
- Review of the asset allocation, investment strategy of the Fund and its performance
- Governance and internal audit issues
- Approval of audited accounts
- Valuation of unquoted shares in the portfolio
- Declaration and payment of dividends
- Review of New Constitution of the Fund drafted by Me. A. Dwarka, Notary Public
- Review of audit and other fees
- Review of various tenders relating to the expenses of the Fund

## Investment Committee

**Members**
Mr. M.I. Mallam-Hasham, Chairman
Mr. V. Bhuguth
Mr. V. Rambarassah
Mr. I. Golam

The Investment Committee has the main objective of advising the Board on asset allocation, investment policies, processes, strategies and optimal risk/return level. The Investment Committee met twice during the year.

The Committee deliberated lengthily over the investment strategy recommended by the Fund Manager, including on local and foreign exposures. On the local equity front, the decision to pursue investment in growth stocks was maintained. Over-exposures in some listed stocks were discussed. The Committee took note of the revaluation reports and investment strategy for unquoted shares. It was argued that with an eventual listing of SICOM, disposal would be considered to avoid concentration risk and create a more balanced portfolio.

Turning to foreign investments, it was agreed to raise exposure to advanced markets, especially the U.S, owing to strengthening economic fundamentals. The Committee took note of the challenges faced by emerging markets with prospective cuts in quantitative easing, economic growth deceleration and structural problems. It approved the decision to reduce exposure to emerging markets but that Indian equities are continuously monitored in the light of elections in India.

Given the downtrend in yields in the local as well as foreign markets, it was further agreed to maintain the level of fixed income securities to their current levels.

## Audit & Risk Committee

**Members**
Mr. V. Bhuguth, Chairman
Mr. Y.H. Aboobaker
Mr. G.Y.H. Lassémilliante
Mr. I. Golam

The Audit & Risk Committee has the objective to assist the Board in discharging its duties relating to safeguarding of assets, the operation of adequate systems, control processes and the preparation of financial reports and statements in compliance with all applicable legal requirements and accounting standards.

The Committee met twice during the year. It approved the minutes of proceedings of Audit and Risk Committee held during the year, the semi-annual and annual accounts, and also discussed the issues raised in the management letter. The Committee further took note of the review of the internal auditor and deliberated on the recommendations.

## Corporate Governance Committee

**Members**

Mr. Y.H. Aboobaker, Chairman
Mr. G.Y.H. Lassémillante
Mr. V. Rambarassah

The Corporate Governance Committee acts as a useful mechanism for making recommendations to the Board on all corporate governance issues, so that the Board remains effective and complies with the prevailing good governance principles.

The Committee met thrice during the year. It approved the Corporate Governance Report of 2013, scrutinized the New Constitution of PLF and discussed amendments to be brought to the Initial Offer Document of the Fund.

## Board and Committee Meetings Attendance and Remuneration of Directors for the Year Ended June 30, 2014

| Director name | Category | Board | Investment Committee | Audit & Risk Committee | Corporate Governance Committee | Directors Remuneration |
|---|---|---|---|---|---|---|
| Mr. M. I. Mallam-Hasham† | Non-Executive | 5/6 | 1/2 | - | - | Rs 168,000 |
| Mr. Y. H. Aboobaker | Independent | 5/6 | - | 2/2 | 3/3 | Rs 166,000 |
| Mr. V. Bhuguth | Independent | 6/6 | 2/2 | 2/2 | - | Rs 184,000 |
| Mr. V. Rambarassah | Independent | 6/6 | 1/2 | - | 3/3 | Rs 150,154 |
| Mr. G. Y. H. Lassemillante | Independent | 3/6 | - | 2/2 | 2/3 | Rs 164,000 |
| Mr. I. Golam† | Non-Executive | 4/6 | 2/2 | 1/2 | - | Rs 152,000 |

† *The Director's remuneration accruing to Mr. I. M Mallam-Hasham and Mr. I. Golam are paid to The State Investment Corporation Ltd*

## Directorship of the Directors in Listed Companies

| Company | Mr. M.I. Mallam-Hasham | Mr. V. Rambarassah | Mr. Y. H. Aboobaker | Mr. I. Golam |
|---|---|---|---|---|
| Caudan Development Ltd | ✓ | | | |
| Constance Hotel Service Ltd | ✓ | | | |
| Sun Resort Ltd | ✓ | | | |
| National Investment Trust | | ✓ | | |
| Compagnie Immobiliere Limitee | | | ✓ | |
| Lottotech Ltd | ✓ | | | ✓ |

## Agreements

### *Management Agreement*

The Company has Investment Management Agreement with Capital Asset Management Ltd.

### *Registrar and Transfer Office*

The Company has an agreement with Prime Partners Limited to provide Registrar and Transfer Office Services.

### *Custodian Services – Local*

The Company has an agreement with Standard Bank (Mauritius) Ltd to provide custodian services for its local investments.

### *Custodian Services – Foreign*

The Company has an agreement with ICICI Bank Ltd in India to provide custodian services for its investments in the Indian stock market.

### *Liquidity contract*

In 1997, the Company entered into a liquidity contract with the SIC to ensure that there is sufficient liquidity to complete transactions based on demand for and supply of the Company's shares.

### *Contract with Shareholders*

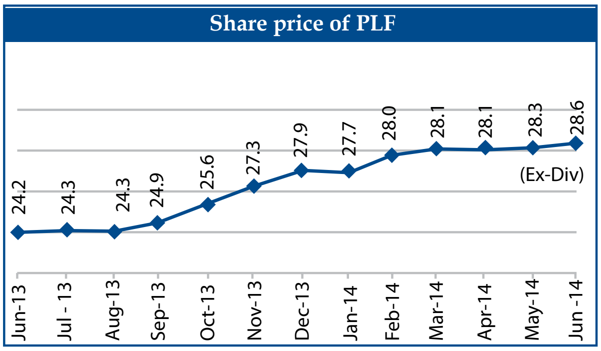
The Company does not have any agreement with shareholders except for the one described above.

## Statement of Remuneration Philosophy

Directors are remunerated for their knowledge, experience and insight. The remuneration philosophy is to reward the collective contribution of Directors towards achievement of the Fund's objectives. The Directors' remuneration in similar companies is also used as a guide.

## Share Price of the Fund

The Company is an open-ended fund and its shares are tradable on a daily basis based on the Net Asset Value per share. The chart depicts the share price movement of Port Louis Fund Ltd during the year.




## Constitution

The Company is governed by the Constitution approved by the Shareholders on December 17, 2013. The Constitution is in agreement with the Companies Act 2001 and does not contain any material clause that needs to be disclosed.

## Internal Audit Function

The internal audit function is outsourced to Messrs McMillan Wood. The Board, however, is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. The internal auditor regularly scrutinizes the registry function, investment processes and administration of PLF and reports to the Audit and Risk Committee. It helps PLF accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. The internal auditor has unrestricted access to all records as well as management, necessary to discharge its responsibilities.

## Risk management

The Board ensures that there is a strong risk management framework and an effective system of internal control so that the Fund can withstand adverse events. The framework supports and provides appropriate standards and incentives for professional and responsible behaviour. The Directors oversee senior management to make sure that policies, processes and systems are implemented efficiently with the ultimate objective of safeguarding assets, ensuring that transactions are properly authorised and recorded and material frauds, and other irregularities are either prevented or detected within reasonable time.

### *Operational Risk*

Operational risk is defined by the Basel Committee on Banking Supervision as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events." The main areas of risk of loss pertain to risks relating to internal fraud due to unauthorised activity, theft or fraud due to theft, systems' security failure or tampering, employment practices and workplace safety due to unhealthy employees relations, improper environment, improper business or market practices, disputes over performance and management of monies, damage to physical assets due to disaster and other events, business disruptions, systems failures and inaccurate reporting.

Whilst the Fund does not have any employees, its day-to-day management is carried out by Capital Asset Management Ltd (CAM) which has adequate logistics, experience and technical capabilities to carry out its contractual obligations vis-à-vis the Fund. In this respect, CAM absorbs the majority of operational risks of the Fund. CAM has, under recommendation of an internal auditor, established control procedures to mitigate the operational risks related to the management of Port Louis Fund Ltd. The major risk areas addressed relates to investment and currency risk, and supervisory control. CAM's IT support team ensures that technological risks are minimised through frequent system maintenance and updates, restricted access to external parties and data backup system. An IT agreement was circulated and signed by the staffs to ensure their adherence to terms, policies and procedures to minimise risks.

## Financial risk factors

Please refer to note 3 of the Notes to the Financial Statements on pages 47-49.

## Related Party Transactions

Please refer to note 20 of the Notes to the Financial Statements on page 58.

## Directors' & Officers Liability Insurance

The Company has contracted with Mauritius Union Assurance Ltd a Professional Indemnity, Crime and Directors' & Officers Liability Insurance.

## Corporate social responsibility and donations

For its CSR, the Fund had paid directly its contribution to the Mauritius Revenue Authority and there were no donations made during the year.

## Code of Ethics

The Fund has outsourced its management to CAM which is an established management company licensed by the Financial Services Commission as a CIS Manager. CAM has adopted an appropriate Code of Conduct for Asset Management.

## Environmental Policy

Due to the nature of its activities, the Company's operation has no major impact on environment.

# Statement of Directors' Responsibilities

Directors acknowledge their responsibilities for:

- Adequate accounting records and maintenance of effective internal control systems;
- The preparation of financial statements which fairly present the state of affairs of the company as at the end of the financial year and the cash flows for that period, and which comply with International Financial Reporting Standards (IFRS);
- The use of appropriate accounting policies supported by reasonable and prudent judgments and estimates.

The external auditors are responsible for reporting on whether the financial statements are fairly presented.

The Directors report that:

- Adequate accounting records and an effective system of internal controls and risk management have been maintained;
- Appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently;
- International Financial Reporting standards have been adhered to. Any departure has been disclosed, explained and quantified in the financial statements; and
- The Code of Corporate Governance has been adhered to in all material aspects. Reasons for non-compliance have been provided where appropriate.

*Y.H. Aboobaker*
Chairman,
Corporate Governance Committee

*V. Bhuguth*
Director

## Statement of Compliance

(Section 75 (3) of the Financial Reporting Act)

| | |
|---|---|
| Name of PIE: | Port Louis Fund Ltd |
| Reporting period: | June 30, 2014 |

We, the Directors of Port Louis Fund Ltd, confirm to the best of our knowledge that Port Louis Fund Ltd has complied with its obligations and requirements under the Code of Corporate Governance

**Signed on behalf of the Board of Directors:**

*Y.H. Aboobaker*
Chairman,
Corporate Governance Committee
30 September 2014

*V. Bhuguth*
Director

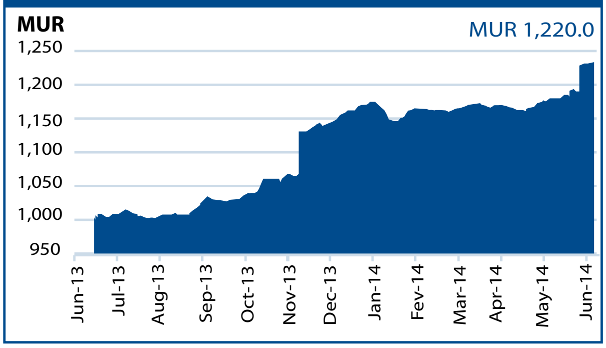
## Performance review

For the financial year which ended on 30 June 2014, Port Louis Fund (PLF) achieved a total return of 22.0 percent, the highest among local comparable peers. This laudable performance is mainly attributable to the positive evolution of the local market after many listed companies posted improved financial results and/or growth and diversification prospects. With careful stock picking, the portfolio of locally listed securities outperformed the local benchmarks. There was also substantial increase in the value of unquoted shares. The portfolio of Indian equities outperformed the SENSEX during a year characterised by high market and currency volatility, and elections in India. The Fund kept a good balance between rate-sensitive and defensive Indian stocks to avoid excessive risks. The portfolio of foreign investments (excluding India) performed more or less at par with the MSCI World Index after investments were timely reshuffled toward advanced markets.

### Fund performance

The Fund realised a total return of 22.0 percent after paying a dividend of MUR 0.90 per share for the financial year ended June 2014. The Net Asset Value (NAV) moved to an all-time peak of MUR 28.67 on June 23. It was MUR 28.60 on 30 June 2014 compared to MUR 24.18 a year ago. The commendable performance of the Fund emanates from the good performances of the local and foreign markets, the upward revaluation of unquoted shares, and proper asset allocation and stock-picking strategies.

**Growth of MUR 1000 with dividend re-invested**




### Fund performance by asset class

The assets of the Fund can be broadly classified in four main classes: locally listed equities, unquoted shares, foreign investments and fixed income securities & others. To assess the performance of the different categories, total return of the Fund is split. The weighted return indicates the contribution of each asset class to the Fund as per their respective average allocation over the year.

The portfolio of locally listed equities carried an average weight of 42.0 percent for the year. It registered a return of 14.7 percent and when weighed, it contributed 6.2 percent to the Fund's total return. In comparison, the SEMDEX and SEM-7 posted respective returns of 8.9 percent and 7.5 percent.

Unquoted shares weighed an average of 30.8 percent in the portfolio. This segment registered a positive return of 41.9 percent over the year and contributed 12.9 percent to the total return of the Fund.

The return is subject to regular valuation exercises of unquoted shares by an independent consultant. Major revaluations included the revision of the value of SICOM by 42.7 percent, Grand Casino du Domaine by 10.6 percent and Maurinet by 6.2 percent.

**Return by asset class**

| Asset class | Total return (%) | Average weight (%) | Weighted return (%) |
|---|---|---|---|
| Listed equities | 14.7 | 42.0 | 6.2 |
| Unquoted equities | 41.9 | 30.8 | 12.9 |
| Foreign investments | 19.9 | 22.4 | 4.5 |
| Fixed income Sec & Others | 6.8 | 4.8 | 0.3 |
| Adjustment† | | | -1.9 |
| PLF portfolio | | | 22.0 |

† The unallocated return is mainly explained by fund expenses, the interaction of the different asset classes and the variation in the daily weight

Foreign investments, which include Indian equities, had an average allocation of 22.4 percent in the portfolio. Total return in MUR terms amounted to 19.9 percent, contributing 4.5 percent to the return of the Fund. As a general indication, the MSCI World Index posted 21.6 percent in USD terms which corresponds to 19.0 percent in MUR after an appreciation of 2.6 percent of the MUR against the USD over the interval. The MSCI Emerging Index advanced 11.7% in USD terms, equivalent to 9.4% in MUR terms. The Fund reduced its overexposure in emerging markets during the year and shifted funds to advanced markets to take advantage of the market rally.

Fixed income securities and others include long-term bonds, short-term deposits, foreign currency deposits and net cash balances. The asset class had an average allotment of 4.8 percent in the total portfolio. With a total return of 6.8 percent, it contributed 0.3 percent to the Fund's return.

## Financials

### Financial results

Total income excluding gain on disposal of investment and fair value change of financial assets amounted to MUR 42.7m against last year's MUR 41.7m. Dividend income rose from MUR 32.4m in 2013 to MUR 38.3m in 2014 mainly due to higher dividend from SICOM. Interest income amounted to MUR 4.6m back from MUR 4.4m in 2013. The fair value of financial assets through profit or loss registered a gain of MUR 64.1m due to a general rise in market prices as opposed to last year's gain of MUR 35.1m.

### Fund expense

The Total Expense Ratio (TER) gives an indication of the expenses incurred in running a fund. The TER is calculated in line with international standards and covers professional fees and other operating expenses. It stood at 1.1 percent for the Fund for the year ended 30 June 2014 while the industry-weighted TER was around 1.3 percent.

### Dividend

The dividend declared for the year was MUR 0.90 per share compared to MUR 0.80 per share in the preceding year. On aggregate, an amount of MUR 47.6m was distributed to shareholders registered at close of business on 13 June 2014. It is to be noted that dividend paid to shareholders is based on net profit and realised gain on disposal of investments.

### Share capital

The issued share capital of the Fund as at 30 June 2014 was 52,700,614 against last year's 51,650,181. Purchase of shares exceeded redemption during the year. The number of shares purchased amounted to 1,832,062 whereas 781,629 shares were redeemed. The number of shares outstanding rose by 1,050,433 relative to last year.

## Asset allocation and portfolio composition

The Fund allocates its assets subject to some predefined goals, risk tolerance and investment horizon. The aim is to minimise risk while achieving the best possible return for shareholders. The asset allocation is periodically reviewed and adjusted to reflect changes in market outlook.

The total net assets as at 30 June 2014 stood at MUR 1,507.5m compared to the preceding period's value of MUR 1,248.8m.

**Portfolio composition and asset allocation +**

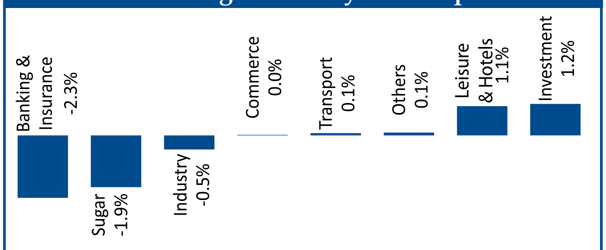
| Asset class/details | June 30, 2014 | | June 30, 2013 | |
|---|---|---|---|---|
| | Rs 'M | % | Rs 'M | % |
| **Locally listed equities** | **617.6** | **41.0** | **540.7** | **43.3** |
| Banking & Insurance | 284.9 | 18.9 | 264.8 | 21.2 |
| Commerce | 54.5 | 3.6 | 44.4 | 3.6 |
| Industry | 27.0 | 1.8 | 28.6 | 2.3 |
| Investment | 144.3 | 9.6 | 104.3 | 8.4 |
| Leisure & Hotels | 79.1 | 5.3 | 52.5 | 4.2 |
| Sugar | 13.2 | 0.9 | 35.6 | 2.8 |
| Transport | 8.3 | 0.6 | 6.4 | 0.5 |
| Others | 6.1 | 0.4 | 4.1 | 0.3 |
| **Unquoted securities** | **520.1** | **34.5** | **380.4** | **30.5** |
| Insurance | 450.0 | 29.9 | 315.3 | 25.2 |
| Investment | 1.2 | 0.1 | 1.9 | 0.2 |
| Technology | 25.0 | 1.7 | 23.5 | 1.9 |
| Leisure | 43.9 | 2.9 | 39.7 | 3.2 |
| **Foreign investments** | **330.8** | **21.9** | **275.8** | **22.1** |
| Equity | 324.4 | 21.5 | 256.1 | 20.5 |
| Bonds, Property & Others | 6.4 | 0.4 | 12.3 | 1.0 |
| Cash | 0.0 | 0.0 | 7.4 | 0.6 |
| **Fixed income securities & others** | **38.9** | **2.6** | **51.8** | **4.1** |
| Long-term bonds | 28.8 | 1.9 | 25.8 | 2.1 |
| Short-term bonds & others | 10.1 | 0.7 | 26.0 | 2.1 |
| **Net Total Asset** | **1,507.5** | **100.0** | **1,248.8** | **100.0** |

+ Note that figure may not tally due to rounding

## Locally listed equities

As at 30 June 2014, the value of locally listed equities was MUR 617.6m, depicting an increase of MUR 76.9m over the year.

**Sectoral change in locally listed equities**



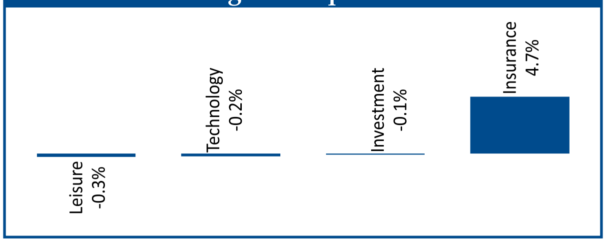

During the reporting year, acquisitions of stocks on the domestic market totalled MUR 16.9m, of which more than 50 percent were in investment and hotel & leisure stocks. Disposal of shares amounted MUR 287.5k.

The rise in the exposure of the leisure and hotel stocks was the result of the honourable performance of hotel stocks and purchase of shares in Lottotech. During the year, the official classification of ENL Land was shifted from sugar to investment, explaining much of the fall in the sector's weightage in the locally listed portfolio. ENL Commercial moved from the investment to the commerce segment. Other major changes in sector weights relate to the individual stock performance.

## Unquoted securities

The value of unquoted shares increased from MUR 380.4m to MUR 520.1m during the year.

**Sectoral change in unquoted securities**

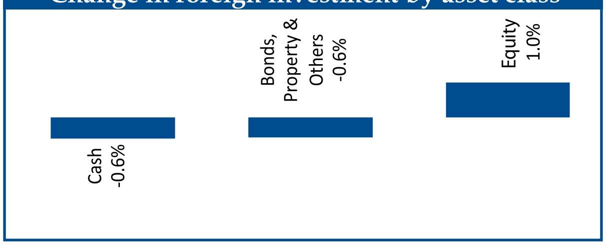



No trading transaction was effected for this asset class. The weightage this asset class increased following the upward revaluations of SICOM, Grand Casino du Domaine and Maurinet. Exposure to the investment sector declined after Fuel properties was listed as Bluelife on the official market.

## Foreign investments

The value of foreign investments increased from MUR 275.8m to MUR 330.8m in 2014 after the rally in major advanced markets and Indian equities.

**Change in foreign investment by asset class**



Exposure to advanced market funds was raised during the year in order to benefit from their relative over-performance vis-à-vis emerging markets. Indian equities were among the best-performers in the emerging 'universe' on speculations that Narendra Modi will become the country's next Prime Minister.

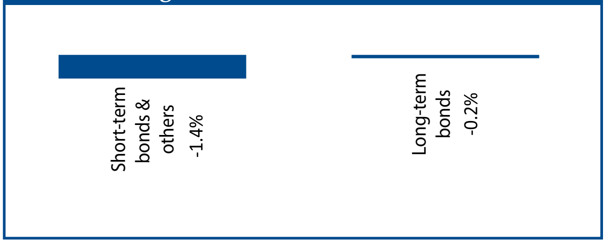
Yields on foreign fixed income instruments dampened as sovereign risk dissipated and in anticipation, investments were reshuffled to equity-based funds. The Fund further remained underexposed to commodities as lower global demand lowered price pressures.

## Fixed income securities and others

The share of fixed income securities and others in the portfolio declined over the year with the market value moving to MUR 38.9m from MUR 51.8m.

Segregating the asset class into long-term and short-term instruments, the value of long-term bonds rose to MUR 28.8m with lower yields. The value of short-term securities moved from MUR 26.0m to MUR 10.1m. Investment in fixed income securities was limited due to the low yields prevailing in the market.

Sectoral change in fixed income securities and others



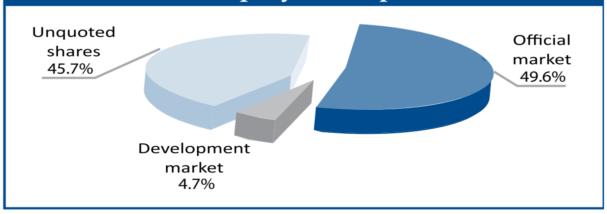

## Local equity profile

Domestic equities constituted MUR 1,137.7m or 75.5 percent of the total portfolio as at end of the financial year. Locally listed stocks made up to 54.3 percent of local equities while holdings in unquoted securities were 45.7 percent.

The top five holdings of the Fund comprised the insurance, banking and leisure sectors. Altogether, the top holdings made up 50.7 percent of the Net Asset Value and 67.0 percent of the total equity worth.

SICOM remained the Fund's top holding with a proportion of 29.9 percent of the Net Asset Value and 39.5 percent of total local equities. Other top holdings were MCB, SBM, BBC and GCD.

Local equity decomposition




Top five holdings - local equities

| Security | Category | Sector | Rs 'M | % of NAV | % of local equity |
|---|---|---|---|---|---|
| SICOM | Unquoted | Insurance | 450.0 | 29.9% | 39.5% |
| MCB | Listed | Banking | 133.6 | 8.9% | 11.7% |
| SBM | Listed | Banking | 82.8 | 5.5% | 7.3% |
| BBC | Listed | Banking | 52.3 | 3.5% | 4.6% |
| GCD | Unquoted | Leisure | 43.9 | 2.9% | 3.9% |
| **TOTAL** | | | **762.5** | **50.7%** | **67.0%** |

## State Insurance Company Ltd (SICOM)

SICOM is an insurance company incorporated in the year 1988. SICOM's portfolio of activities consists of Life Assurance, General Insurance, Group Life and Pensions, Actuarial Services, Group Medical, Loans, Financial Services as well as Investment Management. For the year ended June 2014, the group's total assets rose by 6.3 percent to MUR 42.1bn. Total gross revenue climbed to MUR 3.8bn. Profit after tax (PAT) declined by 4.6 percent to MUR 470.7m.

## Mauritius Commercial Bank Group Ltd (MCBG)

The Mauritius Commercial Bank Group Ltd (MCBG) is one of the leading domestic banks. It is listed on the Stock Exchange of Mauritius (SEM) since 1989. As at 30 June 2014, its market capitalisation was MUR 51.2bn equivalent to 22.3 percent of the SEMDEX. For the year ended June 2013, the pro-forma accounts showed that group operating income increased by 11.3 percent to MUR 12.3bn while PAT rose by 1.7 percent to MUR 4.5bn. The respective P/E ratio and dividend yield was at 11.9 times and 2.8 percent as at the reporting date.

## State Bank of Mauritius Ltd (SBM)

The SBM is a leading bank in Mauritius with a growing international presence. SBM started operations in 1973 and was listed on the SEM in 1995. As at 30 June 2014, its market capitalisation was MUR 31.9bn representing 13.9 percent of the SEMDEX. For the 6 months ended June 2014, operating income grew by 0.4 percent to MUR 2.8bn while PAT declined by 8.0 percent to MUR 1.4bn compared to last year's corresponding period. The P/E ratio and dividend yield as at June 2014 was at 8.2 times and 5.7 percent respectively.

## Bramer Banking Corporation Ltd (BBCL)

BBCL was listed on the official market in 2012. It offers retail, private and commercial banking, deposit services, loans and advances as well as offshore banking. As at 30 June 2014, its market capitalisation was MUR 6.1bn representing 2.7 percent of SEMDEX. For the 6 months ended June 2014, operating income increased from MUR 213.6m to MUR 352.0m in 2014. PAT increased by 281.3 percent to MUR 40.1M. As at 30 June 2014, the P/E ratio and dividend yield was at 68.0 times and 0.3 percent correspondingly.

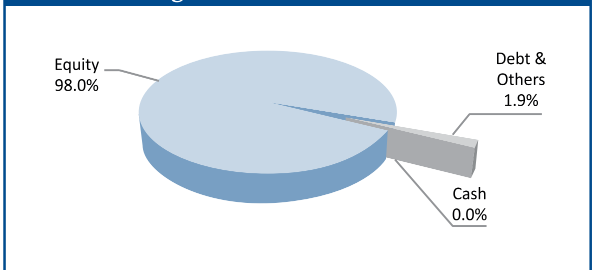
## Grand Casino du Domaine (GCD)

The main activity of GCD is the operation of a casino at Domaine Les Pailles. GCD is the largest local casino in terms of table game operation. It provides a range of top of line amenities and popular games. For the 6 months ended June 2014, revenue fell by 9.2 percent to MUR 86.1m while net profit dipped by 45.7 percent to MUR 14.6m, compared to last year's equivalent period.

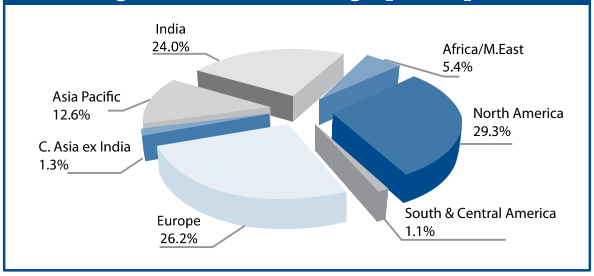
## Foreign investment profile

The total foreign investment component amounted to MUR 330.8m representing 21.9 percent of the Fund's total portfolio. Investment in foreign funds amounted to MUR 251.4m, accounting for 76.0 percent of the foreign portfolio. The investments were spread across 53 funds cutting across 81 countries, 5 asset classes, 15 sectors and 8 currencies as at 30 June 2014. For the remaining portion, it entailed investment in Indian stocks which totalled MUR 79.4m.

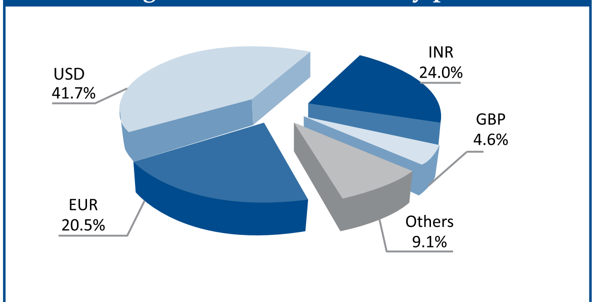
**Foreign investment - Asset class**



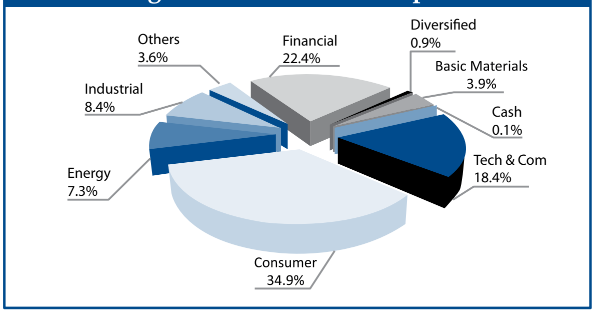

**Foreign investment - Geographical profile**




**Foreign investment - Curency profile**




**Foreign investment - Sector profile**



## Investment in foreign funds

Investment in the foreign funds is carried out via international fund managers, mostly, Franklin Templeton (FT) and Fidelity Investments (FID). The top five holdings in this particular category made up 31.7 percent of total foreign investments excluding India. The Fund significantly raised its exposure to advanced markets' equity-based funds to take advantage of the rally in those markets as continuous accommodative monetary policy boosted optimism.

**Top five holdings - foreign investments excluding India**

| Security | Fund Manager | Rs 'M | % foreign investment |
|---|---|---|---|
| America Fund | Fidelity Investments | 23.9 | 9.5% |
| U.S Opportunites Fund | Franklin Templeton | 21.7 | 8.6% |
| M.Beacon Fund | Franklin Templeton | 11.8 | 4.7% |
| UK Fund | Fidelity Investments | 11.4 | 4.5% |
| Biotechnology Fund | Franklin Templeton | 10.8 | 4.3% |
| TOTAL | | 79.6 | 31.7 |

### FID America Fund

The aim of the fund is to provide investors with long-term capital growth. It invests primarily in the shares of US companies and employs the S&P500 index as its benchmark. Over the period, the fund delivered a return of 25.5 percent in USD terms as opposed to 22.0 percent for the S&P500.

### FT US Opportunities Fund

The fund's objective is capital appreciation. It invests primarily in equity securities of US issuers which demonstrate accelerating growth, increasing profitability and growth potential as compared with the overall economy. The fund uses Russell 3000 growth index as its benchmark. The fund registered a return of 26.8 percent over the financial year in terms of USD against 22.8 percent for the Russell 3000.

### FT Mutual Beacon Fund

The fund's objective is to achieve long-term capital appreciation. It invests in US equity and convertible debt securities with no more than 20 percent of its assets invested in non-US issuers. Its reference benchmark is the S&P 500 index. The fund recorded a return of 22.4 percent over the reporting period in USD terms whereas the benchmark registered a growth of 22.0 percent.

### FID UK Fund

The fund invests primarily in securities in UK's companies with the objective to achieve capital growth. Its benchmark is the FTSE All-Share index. The fund delivered a return of 11.1 percent over the one-year interval in GBP terms against 8.5 percent for the FTSE All-Share index.

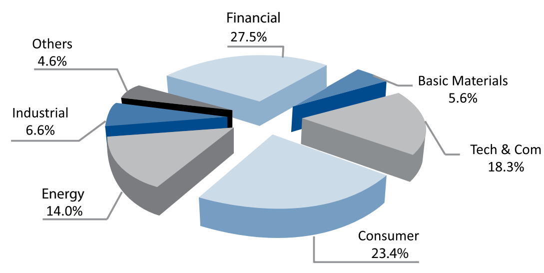
### FT Biotechnology Fund

Aiming at achieving long-term capital appreciation, the fund invests mostly in equity securities of US-based biotechnology and discovery research companies. The fund more or less mimicked the trend of Nasdaq Biotechnology index over the year, registering a return of 41.8 percent in USD terms compared to 48.2 percent for the benchmark.

## Investment in India

The Fund's total investment in India amounted to MUR 79.4m (INR 158.3m) as at the end of the reporting period, representing 24.0 percent of total foreign portfolio. This particular segment encompasses most of the stocks in the Bombay Sensitive Index (SENSEX) but in different weights. The financial, consumer and basic materials stocks made up 56.5 percent of the portfolio as at 30 June 2014.

**India investment - Sector profile**

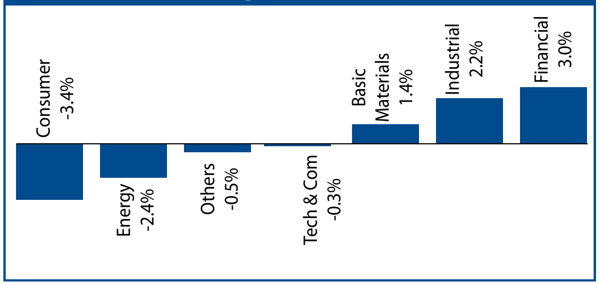


For the financial year ended 2014, return was 33.6 percent in INR terms, equivalent to 30.4 percent in MUR terms after a 3.2 percent depreciation of the INR against the MUR. The portfolio outperformed the SENSEX, which registered a return of 31.0 percent and 27.8 percent when denominated in INR and MUR terms respectively.

The Indian stock market started the year with high volatility after economic growth concerns and high current account deficit. The Indian rupee was near all-time low vis-à-vis the USD. The equity market escalated before the General elections in April 2014. The SENSEX hit all-time highs after Narendra Modi took the reign, giving investors hope of economic reforms.

Sectorial changes in holdings were on account of price evolutions during the year and stock trading. Acquisitions and disposals were around INR 11.6m and INR 7.9m respectively. The Fund raised its exposure to the financial sector over the year.

Sectorial change in Indian equities (%)




The top five holdings in the Indian portfolio accounted for 36.9 percent of the category.

Top five holdings - Indian portfolio

| Security | Sector | Rs 'M | % Indian portfolio |
|---|---|---|---|
| ICICI Bank Ltd | Financial | 6.3 | 7.9% |
| Reliance industries Ltd | Energy | 6.3 | 7.9% |
| ITC Ltd | Consumer | 6.2 | 7.8% |
| HDFC Bank Ltd | Financial | 5.4 | 6.7% |
| Infosys Ltd | Tech & Com | 5.2 | 6.6% |
| **TOTAL** | | **29.4** | **36.9%** |

## ICICI Bank Ltd (ICICIB)

ICICI Bank Ltd is India's second largest bank with a strong presence in 19 countries. The bank and its specialised subsidiaries offer a wide range of banking products and financial services to corporate and retail customers. For the financial year ended 31 March 2014, the company's income statement showed a net interest income growth of 18.8% while PAT grew by 17.8%. At end of June 2014, ICICIB was trading at a PE ratio of 16.7 times. The one-year total return was 34.7 percent in INR terms.

## Reliance Industries Ltd (RIL)

Reliance Industries Ltd is a vertically integrated company with business interests in energy and materials value chain. The group's activities span across petroleum refining and marketing, petrochemicals, retail, shale gas and telecom services. As at 31 March 2014, the company registered an increase in turnover by 8.1 percent and PAT by 4.7 percent. RIL traded at a PE ratio of 14.9 times at the end of the reporting period and one-year total return was 18.8 percent in INR terms.

## ITC Ltd (ITC)

ITC Ltd is one of India's largest private sector enterprises engaged in multiple segments including fast moving consumer goods, hotels, agri-business and paperboards, paper and packaging. For the financial year ended 31 March 2014, the company's revenue registered an increase in total revenue of 11.4 percent while PAT rose by 18.4 percent. Its PE ratio stood 29.3 times at the end of June 2014 and one-year total return was 2.0 percent in INR terms.

## HDFC Bank Ltd (HDFCB)

HDFC Bank Ltd provides a range of banking and financial services, including commercial banking and treasury operations. Having a strong footprint both in India and overseas, the bank enjoys a track record of healthy growth. As at 31 March 2014, the bank registered a robust net interest income growth of 16.9 percent while PAT grew by 26.0 percent. HDFCB traded at a PE ratio of 23.2 times at the end of the reporting period and one-year total return was 23.8 percent in INR terms.

### Infosys Ltd (INFO)

Infosys Ltd is a global leader in consulting, technology, and outsourcing solutions and has client in more than 30 countries. As at 31 March 2014, the company's turnover increased by 24.2 percent while PAT surged by 13 percent. Its PE ratio was 17.5 times at the end of June 2014 and one-year total return was 32.9 percent in INR.

## Local economic review

The Mauritian economy, once more, withstood the challenges posed by the weakened global environment in 2013. Amid sluggish external demand and the challenging domestic conditions, real GDP grew at 3.2 percent in 2013, a mildly slower pace than 2012's 3.4 percent. Prudent mix of fiscal and monetary measures ensured a right balance between economic growth and inflation. The Key Repo Rate (KRR) was lowered from 4.9 percent to 4.65 percent in July 2013 owing to concerns on the export-led sector. Demand-pull pressure from the revision of public sector wages was compensated by lower and stable prices of commodities. The Monetary Policy Committee (MPC) refrained from raising the KRR so far in 2014, a positive move for private investment and economic growth. In its latest data release, Statistics Mauritius projected real GDP for the year to grow by 3.5 percent.

### Growth

The local economic growth continued to be mainly driven by the robust performance of the financial sector which expanded by 5.4 percent in calendar year 2013. The manufacturing sector rebounded during the year with a growth rate of 4.4 percent compared to 2.2 percent in 2012. The tourist sector grew by 2.1 percent after stagnating in the previous year. There was a pick-up in tourist arrivals which grew by 2.9 percent to 993,106 in 2013. The respective growth rates of 27.0 percent and 2.7 percent from the Asian and African markets largely outweighed the 1.5 percent dip from Europe. The construction sector maintained its contraction with a rate of -9.4 percent after the completion of major projects.

In September, Statistics Mauritius projected a real GDP growth rate of 3.5 percent for 2014 on the back of strong performances from the financial sector and recovery in the tourist sector. With tourist arrivals forecasted at 1,030,000, the sector is expected to expand by 3.9 percent in 2014. The sugarcane sector is estimated to grow by 3.8 percent based on a sugar output of 415,000 tonnes. The manufacturing sector is forecasted to grow by 1.9 percent from higher sugar production, food processing and more textile exports.

The construction sector output is expected to fall by a further 6.7 percent with a dip in private sector construction.

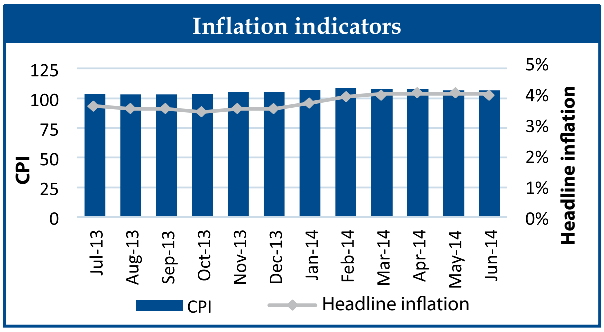
**Growth statistics (% change Y-o-Y)**

| | 2012 | 2013 | 2014* |
|---|---|---|---|
| Real GDP growth | 3.4 | 3.2 | 3.5 |
| Sugarcane | -6.4 | -1.0 | 3.8 |
| Manufacturing | 2.2 | 4.4 | 1.9 |
| Tourism | 0.0 | 2.1 | 3.9 |
| Construction | -3.0 | -9.4 | -6.7 |
| Financial services | 5.7 | 5.4 | 5.4 |
| Real estate | 2.8 | 2.9 | 2.7 |

***Statistics mauritius September 2014 Forecasts**

## Inflation

Inflationary pressures on the local economy dampened after commodity prices, including those of energy, fell due to weakened international demand. The headline inflation for calendar year 2013 was 3.5 percent compared to 3.9 percent in 2012. For the year ended June 2014, the inflation rate was 3.3 percent. The Consumer Price Index (CPI) moved to 106.8 in June 2014 as opposed to 103.4 in June 2013. The increase in CPI was from higher prices of 'food and non-alcoholic beverages', 'transport' and 'alcoholic beverages and tobacco'. In its April 2014 inflation report, the Central Bank forecast headline inflation to be in the range 4.0 – 4.4 percent by December 2014.




## Unemployment rate

For calendar year 2013, the unemployment rate was 8.0 percent, similar to 2012. From second quarter 2013 to second quarter 2014, the number of unemployed individuals decreased from 45,600 to 44,500. 45 percent of the unemployed were males and 55 percent were females. The unemployment rate for the second quarter of 2014 was 7.8 percent compared to 8.0 percent in the preceding year's corresponding quarter. Statistics Mauritius projects the unemployment rate to decline to 7.8 percent for the year 2014.

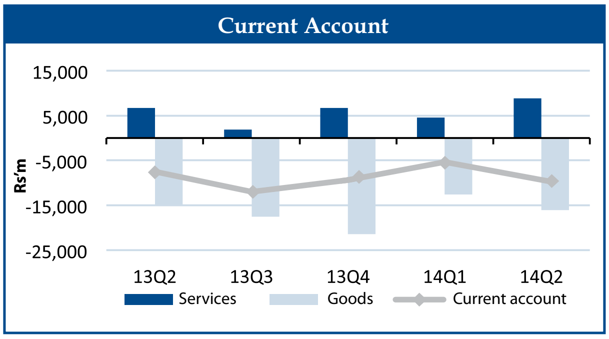
## Balance of payments

The current account deficit widened to MUR 36.2bn in calendar year 2013 compared to MUR 25.1bn in 2012. The balance of trade deficit fell from MUR 73.8 to MUR 69.6bn in 2013 after merchandise exports rose at a faster pace than imports.

Data for the second quarter of 2014 indicate an increase of 9.8 percent in the value of exports relative to last year's equivalent period. Imports grew by 9.0 percent over the same period. Statistics Mauritius forecasts a trade deficit of MUR 81.0bn for 2014.

The balance of services surplus decreased from MUR 28.8bn in 2012 to MUR 21.5bn in 2013. For the second quarter of 2014, the surplus widened by 32.9 percent relative to last year's corresponding period, led by "other services" and "travel".

The surplus in the capital and financial account fell from MUR 37.9bn in 2012 to MUR 33.2bn in 2013. Foreign direct investments (excluding GBC1) declined by 78.9 percent to MUR 2.7bn, mainly driven lower investments from South Africa, UK and France.

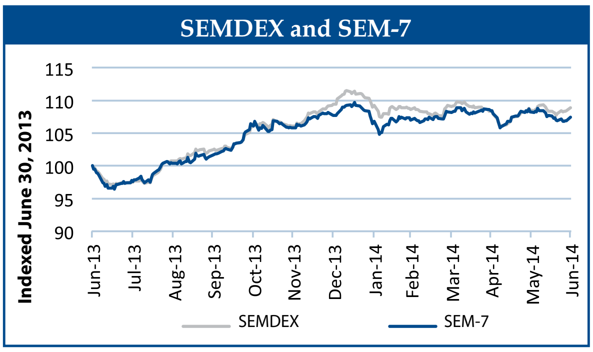


## Local financial market review

During calendar year 2013, the SEMDEX tended to follow the uptrend in foreign markets registering a growth of 21.0 percent. Most listed companies have realised improved financial results vis-à-vis 2012. Investor optimism was boosted by market growth potential from recovery in the Euro area as well as expansion and diversification. The uptrend somehow altered in 2014 following resurgence of substantial global downside risks and profit-booking. Yields on government securities remained low in 2014 with excess liquidity in the market. The MUR adjusted to the improved economic fundamentals of large economies in Europe by depreciating against the euro and the pound sterling.

### The Stock Market

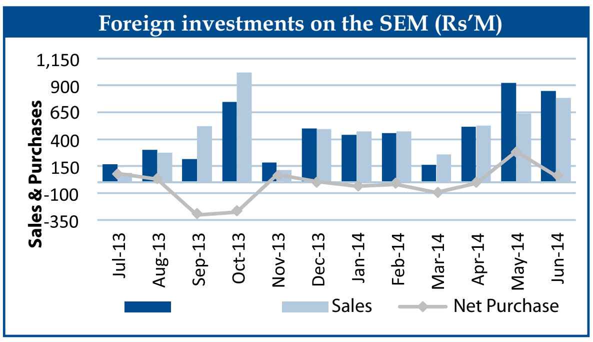
During first half of the financial year, the price of most listed stocks increased but the SEMDEX was mainly driven by the hotel and banking segment. Investors, seemingly, gained confidence in the sector after encouraging tourist arrival figures and positive GDP growth returned in the Eurozone. The successful market diversification strategy of the tourism authorities, in collaboration with the national airline, positively impacted the industry. Banking stocks benefited from the confidence in hotel companies given their debt exposures. MCB's stock price jumped to record highs with its re-structuring program and market development in Sub-Saharan Africa. Blue chips were generally favoured and the preference was extended in the second half of the financial year. Yet, the overall picture was less rosy after the emergence of substantial downside risks threatened global recovery. The local market became more volatile and investor confidence dampened. Real estate stocks, including Bluelife and Le Meritt Holdings, were the worst performers during the interval. Lottotech was listed on the official market in June 2014.




The official market posted a return of 8.9 percent over the financial year, reflecting investor optimism. As for the SEM-7, which comprises the seven largest and more liquid companies, it returned 7.5 percent.

The main leading movers, that is, the companies which contributed to the positive performance of the SEMDEX were Mauritius Commercial Bank Ltd, New Mauritius Hotels Ltd and Gamma Civic Ltd. On the downside, the lagging movers were Bluelife Ltd, Ciel Ltd and Terra Mauricia Ltd. During the financial year, the top price gainers on the official market were National Investment Trust Ltd (+123.7%), LUX Resorts Ltd (+102.2%) and Compagnie des Magasins Populaire Ltée (+100.0%). The top price losers were Le Meritt Ltd (-40.8%), VIVO Energy Ltd (-18.2%) and United Basalt Products Ltd (-14.3%).

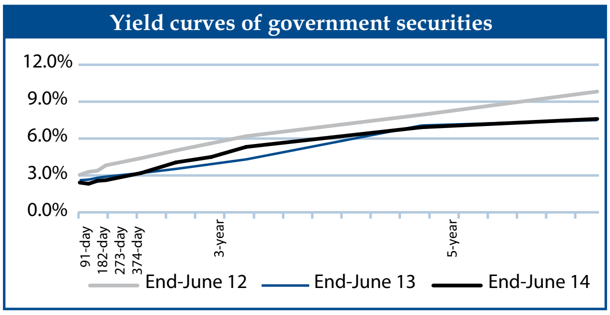
Improved earnings reduced the price-earnings ratio of the official market from 13.4 in June 2013 to 12.8 in June 2014. The dividend yield rose from 2.8 percent to 2.9 percent after overall dividend per share grew at a faster pace than the equity prices.




Total purchases by foreign investors on the local stock market rose from MUR 4,167.6m to MUR 5,929.2m over the reporting period. Total sale transactions amounted to MUR 6,110.7m for financial year 2014 as opposed to MUR 3,153.5m in the preceding year. Net sales to the tune of MUR 181.5m were recorded against last interval's net purchases of MUR 1,014.1m.

## Government-backed securities

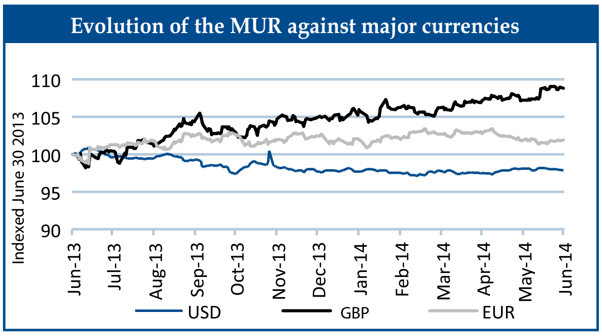
Yields on local government securities, including short to long-term ones tended to stabilise at low levels in 2014 amid the low repo rate and excess liquidity in the money market.




The yield curve remained more or less stable in 2014. The corresponding weighted average yields for 91-day and 182-day Treasury bills dropped to 2.43 percent and 2.32 percent back from 2.60 percent and 2.65 percent a year ago. Those on the 273-day and 364-day Treasury Bills moved to 2.56 percent and 2.61 percent respectively. The yield on longer term bonds including 10-year and 15-year ones were 6.91 percent and 7.60 percent respectively.

## The Foreign Exchange Market

The MUR reflected the economic fundamentals of major markets over June 2013 – 2014. It depreciated by 1.9 percent vis-à-vis the euro to reflect the recovery of major economies in the Eurozone. Against the pound sterling, the MUR weakened as much as 8.8 percent as appropriate policy mix in the UK strengthened its economy's fundamentals. On the other hand, the MUR appreciated by 2.6 percent against the USD.




# Foreign economic review

In 2013, the global economy showed signs of recovery as central banks in many advanced economies, including the US, Europe and Japan, engaged in quantitative easing programmes and relied on very low interest rates. Such measures were intended to boost the level of economic activity but resurgence of growth was heterogeneous across countries, particularly within the Eurozone where unemployment remains excessively high. Weakened domestic demand and sluggish exports slowed the pace of aggregate output expansion in emerging economies. These markets are plagued by problems including over-reliance on credit in China, lack of structural reforms in India, and 'obsolete' growth model in Russia and Brazil. Inflation remained subdued owing to the relatively lower level of economic activity and commodity prices.

## Growth

Accommodative monetary policy and expansionary fiscal policies in many advanced countries helped boost the global economy in 2013 but failed to provide strong support to growth in emerging markets. The global manufacturing sector, an important contributor to aggregate output, showed signs of momentum in 2013. The JPMorgan Global Manufacturing Purchasing Managers' Index[1] (PMI) rose from a reading of 51.4 in June 2013 to 52.7 in June 2014 led by higher production and new orders in the US and the UK.

In its latest data release, the International Monetary Fund (IMF) estimates a lower global growth of 3.3 percent for 2013 against 3.4 percent in 2012 attributable mainly to a harsh winter in the US, lower domestic demand in China and geopolitical tensions in Russia. For 2014 and 2015, world output is expected to advance by 3.3 percent and 3.8 percent respectively.

## Advanced economies

Real GDP for advanced economies grew by 1.4 percent in 2013 compared to 1.2 percent in 2012, led by stronger economic performances of major industrialised countries including the Eurozone members and Japan. The US started cutting its quantitative easing program in early 2014 but accommodative monetary policy in the Eurozone and Japan is expected to boost economic growth for advanced economies. For 2014 and 2015, the IMF expects real growth to advance 1.8 percent and 2.3 percent respectively. The US economy and Euro area members are projected to grow by 2.2 percent and 0.8 percent respectively in the current year. As for Japan, a growth of 0.9 percent is forecasted.

**Growth statistics for advanced economies (% change Y-o-Y)**

| Geography | 2012 | 2013* | 2014* | 2015* |
|---|---|---|---|---|
| **Advanced Economies** | **1.2** | **1.4** | **1.8** | **2.3** |
| United States | 2.3 | 2.2 | 2.2 | 3.1 |
| Euro Area | -0.7 | -0.4 | 0.8 | 1.3 |
| Germany | 0.9 | 0.5 | 1.4 | 1.5 |
| France | 0.3 | 0.3 | 0.4 | 1.0 |
| Italy | -2.4 | -1.9 | -0.2 | 0.8 |
| United Kingdom | 0.3 | 1.7 | 3.2 | 2.7 |
| Spain | -1.6 | -1.2 | 1.3 | 1.7 |
| Japan | 1.5 | 1.5 | 0.9 | 0.8 |

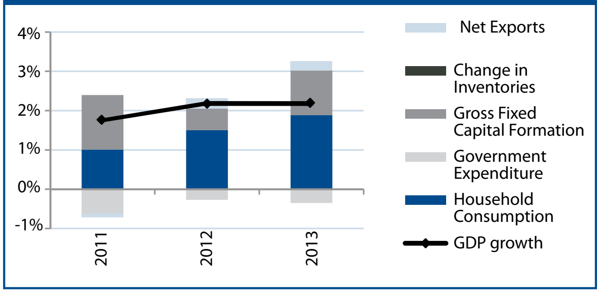
*IMF October 2014 Forecasts

### *United States*

The US economy grew by 2.2 percent in 2013 as consumption provided strong support to economic activity but fixed investments were lagging at the start of the year. The manufacturing sector expanded throughout the year with the Purchasing Managers' Index (PMI) remaining above the 50-mark. As at June 2014, the PMI was 57.3 relative to 51.9 a year ago.

On the policy front, the Federal Reserve first announced in June 2013 that it would consider trimming its monthly asset purchase of $ 85bn on signs of a stronger US economy and improving labour market. A first cut amounting to $10bn was effected in January 2014. After a total of six cuts, the monthly bond purchase was standing at $ 25 bn as at 30 June 2014. The federal funds rate, which has been kept near zero since 2008, is expected to remain low through 2015.

**Contribution to GDP**

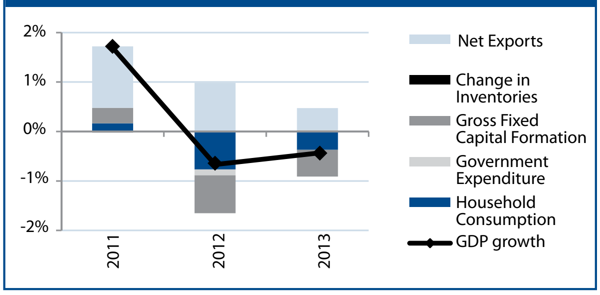



### *Euro area*

Economic growth in the Eurozone returned in positive territory during the third quarter of the calendar year 2013. Estimates point to a growth rate of -0.4 percent in 2013 compared to -0.7 percent in 2012. The four largest economies in the area posted encouraging signs though real growth was positive for only Germany and France with corresponding rates of 0.5 percent and 0.3 percent. Output in Italy and Spain contracted by 1.9 percent and 1.2 percent respectively.

The European Central Bank (ECB) strengthened its accommodative monetary policy which ultimately ended the recession in 2013. To deal with weakened credit demand and supply-side impediments to credit growth, the policy rates were cut over June 2013 - 14 amid weakened inflation outlook. In November 2013, the interest rate on the main refinancing operations was decreased by 25 basis points to 0.25 percent which was further reduced to 0.15 percent in June 2014. The marginal lending rate was cut twice to 0.75 percent in November 2013 and 0.40 percent in June 2014. The interest rate on the deposit facility with the central bank was reduced to -0.10 percent.

**Contribution to GDP**



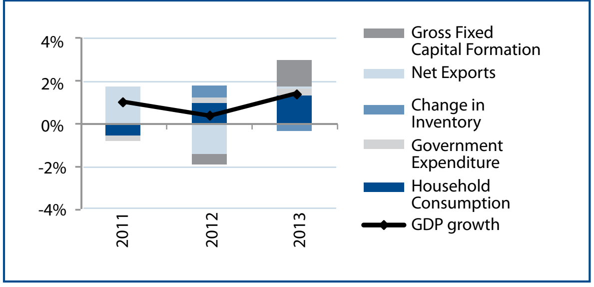

[1]The PMI is an indicator of the economic health of the manufacturing sector. A reading less than 50 represents a contraction in the manufacturing sector whereas a figure greater than 50 indicates expansion in the sector. A PMI of 50 is synonymous to no change.

## *United Kingdom*

The UK economy registered a growth of 1.7 percent in 2013 as opposed to 0.3 percent in 2012. Aggregate output for the year improved more than expected, led by private consumption and housing investment though the level of private investment remained below expectations. The manufacturing sector strengthened with the PMI climbing to 57.2 in June 2014 back from 52.5 in June 2013.

During the year, policymakers sustained their monthly £ 375bn asset purchases financed with central bank reserves. The bank rate was maintained at 0.5%.

Contribution to GDP

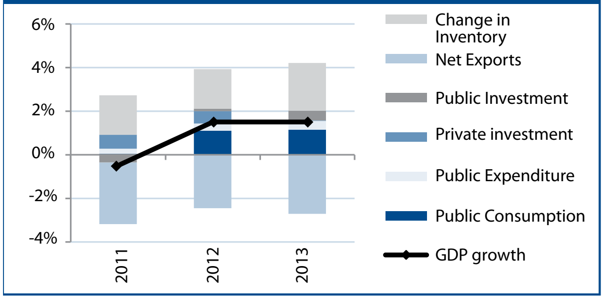



## *Japan*

The Japanese economy benefitted from the on-going monetary and fiscal measures taken by Prime Minister Abe. Robust domestic demand raised real GDP by 1.5 percent in 2013. Growth was stronger in the first half of the year but was hit in the second half after the depreciating currency failed to raise exports above import levels amid higher energy import bills. The manufacturing sector was healthy with the PMI navigating above the 50-mark after the first quarter of 2013. The indicator reached a high of 56.2 in January 2014 but tumbled to 51.5 by June 2014.

In June 2014, policymakers decided to maintain the quantitative easing programme, currently around ¥ 7tn purchase of Japanese government bonds. They reiterated their aim to do so until a sustainable inflation rate of 2% is achieved.

Contribution to GDP




## Emerging and Developing markets

After a decade of high economic growth in emerging economies, the rate slowed to 4.7 percent for 2013 as opposed to 5.1 percent in 2012. Large emerging countries have been plagued by structural problems, currency volatility and large current account deficits, and geopolitical tensions.

The IMF revised down its growth projection for 2014 to 4.4 percent due to further slowdowns in the larger economies and geopolitical risks. Growth is expected to strengthen to 5.0 percent in 2015. For 2014, the IMF forecasts real GDP to advance by 7.4 percent for China, 0.2 percent for Russia while 5.6 percent and 0.3 percent for India and Brazil respectively.

**Growth statistics for emerging and developing economies (% change Y-o-Y)**

| Geography | 2012 | 2013* | 2014* | 2015* |
|---|---|---|---|---|
| **Emerging and Developing Economies** | **5.1** | **4.7** | **4.4** | **5.0** |
| Russia | 2.3 | 1.3 | 0.2 | 0.5 |
| Developing Asia | 6.7 | 6.6 | 6.5 | 6.6 |
| China | 7.7 | 7.7 | 7.4 | 7.1 |
| India[+] | 4.7 | 5.0 | 5.6 | 6.4 |
| Brazil | 1.0 | 2.5 | 0.3 | 1.4 |
| Middle East and North Africa | 4.8 | 2.5 | 2.7 | 3.9 |
| Sub-Saharan Africa | 4.4 | 5.1 | 5.1 | 5.8 |

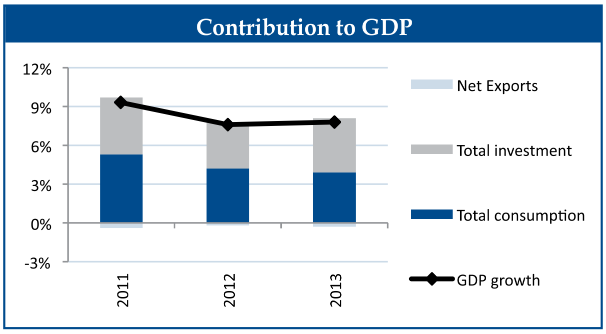
[+]Forecasts for India is over its fiscal year

***IMF October 2014 Forecasts**

## China

China's economy expanded at one of its slowest pace in 20 years in 2013 with a growth of 7.7 percent due mainly to lack of aggressive fiscal and monetary policy measures. A small fiscal package provided some tonic to growth in the second quarter of 2013. Private consumption expenditure and investment were the main drivers of real GDP growth during the year although the contribution of net export was negative amid a weak global economy. The manufacturing sector declined during the year as the PMI tumbled continuously to reach 47.7 in July 2013. An improvement was noticeable in the fourth quarter after local and foreign demand strengthened. Fewer new orders in the first quarter of 2014 led to lower output from manufacturing units; PMI reached a low of 48.0 in March 2014 before escalating to 50.7 in June.

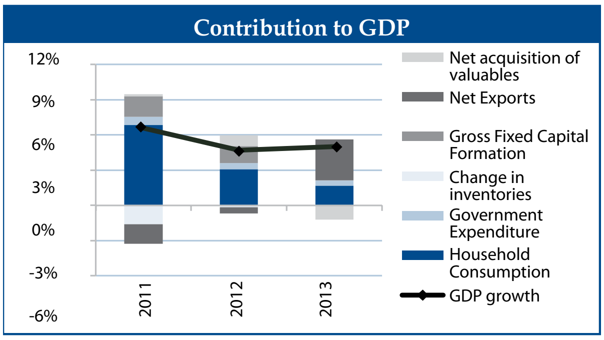
Policymakers' ability to act on monetary measures was restricted due to the high credit and financial risks. The monetary policy rates and bank reserve requirement were unchanged in 2013.




## India

The Indian economy continued to demonstrate substantial weaknesses in 2013 with on-going bottlenecks, current account deficits, high exchange rate volatility and inflationary pressures. Real GDP expanded 5.0 percent in 2013 as opposed to 4.7 percent in 2012. Growth in private consumption expenditure significantly decelerated whereas investment stagnated. Farming output grew as a result of a good monsoon. The manufacturing sector was healthy as the PMI generally navigated above the 50-mark that separates expansion from contraction. The indicator was 51.5 in June 2014 relative to 50.3 a year ago amid stronger demand from local and foreign market.

Monetary policy remained challenging in 2013 due to inflationary pressures and weakened growth. The repo rate stood at 7.25 percent as at May 2013 after the Reserve Bank of India cut the repo rate on three occasions by a combined 75 basis points. However, the marginal standing facility rate was raised by 200 basis points to 10.25% in July after concerns on foreign currency reserves and massive depreciation of the rupee. The repo rate was twice raised by 25 basis points to reach 7.75 percent in October 2013. As at June 2014, the repo rate was 8.0 percent.




## Africa

The Sub Saharan region registered a growth of 5.1 percent vis-à-vis 4.4 percent a year ago on the back of faster growth in the Western and Eastern African regions. Domestic demand has been the driving force to growth in the continent through consumption, infrastructure investments and private investment from higher foreign direct investment. Exports strengthened as a result of stronger world trade.

North African countries, including Egypt, Libya and Tunisia, were plagued by political tensions and particularly impacted by lower external demand due to their trade linkages with the Euro area. Growth for the region was 2.5 percent in 2013 compared to 4.8 percent in 2012. The IMF expects real GDP for Sub Saharan Africa to grow by 5.1 percent in 2014 whereas 2.7 percent for Middle East and North Africa.

## Inflation

Global inflationary pressures have substantially eased in 2013 with negative GDP gaps in advanced economies, weakened domestic demand in many emerging markets and downtrends in the prices of several commodities.

The Food and Agricultural Organisation (FAO) Oils Price Index rose by 2.8 percent over Dec 2012-13 from 190.7 to 196.0. Over the same period, the FAO Dairy Price Index increased by 28.9 percent as demand pressures from the Chinese market for milk powder grow. General food and meat prices were more or less stable during the year with marginal declines in the FAO Food Price Index and FAO Meat Price Index by 3.6 percent and 0.8 percent respectively. The FAO Sugar Price Index dipped by 14.3 percent after better than expected harvest in Brazil and record production in Thailand. Cereal prices also dropped significantly with the FAO Cereals Price Index falling by 22.6 percent in 2013 on account of good harvests which dampened the international prices of wheat and maize.

Inflation for advanced economies dropped from 2.0 percent in 2012 to 1.4 percent in 2013. For emerging and developing economies, the lower price pressure was relatively limited with an inflation rate of 5.9 percent in 2013 compared to 6.1 percent in 2012.

**Inflation statistics for advanced economies (% change CPI Y-o-Y)**

| Geography | 2012 | 2013 | 2014* | 2015* |
|---|---|---|---|---|
| **Advanced Economies** | **2.0** | **1.4** | **1.6** | **1.8** |
| United States | 2.1 | 1.5 | 2.0 | 2.1 |
| Euro Area | 2.5 | 1.3 | 0.5 | 0.9 |
| Japan | 0.0 | 0.4 | 2.7 | 2.0 |
| **Emerging and Developing Economies** | **6.1** | **5.9** | **5.5** | **5.6** |
| Developing Asia | 4.7 | 4.7 | 4.1 | 4.2 |
| Middle East & North Africa | 9.7 | 9.0 | 7.6 | 8.0 |
| Sub-Saharan Africa | 9.3 | 6.6 | 6.7 | 7.0 |

*IMF October 2014 Forecasts

The IMF's inflation forecast for 2014 is 2.0 percent for the US and 0.5 percent for the Euro area. Policy measures in Japan are expected to raise the inflation rate to 2.7 percent in 2014, higher than the target of 2.0 percent. In developing Asian economies, inflation is projected at 4.1 percent. High pressure on aggregate prices is expected to persist in the African continent due to expanding domestic consumption expenditure. However, softer world commodity prices are likely to soothe the demand-side pressures. An inflation rate of 7.6 percent is forecasted for Middle East and North Africa countries in 2014 whereas 6.7 percent for Sub-Saharan Africa.

## Government debt

The government gross debt-to-GDP ratio for advanced countries remains elevated in 2013 but stabilised with lower budget deficits and fiscal consolidation. The indicator for the developed economies decreased from 107.6 percent in 2012 to 106.2 percent in 2013. It stood at 95.2 percent for the Euro area in 2013 and 104.2 percent for the US. With Japan postponing fiscal consolidation, its gross debt-to-GDP ratio rose to 243.2 percent. For emerging economies, the gross debt-to-GDP ratio remained relatively low at 39.7 percent after several high-deficit economies improved their fiscal stance by trimming expenditure.

As fiscal consolidation gather pace amid slow growth, the IMF expects the gross debt ratio of advanced countries to remain more or less stable in 2014, with a projected ratio of 106.5 percent. In emerging economies, the ratio is forecasted to fall to 40.5 percent amid lack of fiscal consolidation from unfavourable cyclical conditions.

**Government Gross Debt (% of GDP)**

| Geography | 2012 | 2013 | 2014* | 2015* |
|---|---|---|---|---|
| **Advanced Economies** | **107.6** | **106.2** | **106.5** | **106.0** |
| United States | 102.5 | 104.2 | 105.6 | 105.1 |
| Euro Area | 92.9 | 95.2 | 96.4 | 96.1 |
| Germany | 81.0 | 78.4 | 75.5 | 72.5 |
| France | 88.7 | 91.8 | 95.2 | 97.7 |
| Italy | 127.0 | 132.5 | 136.7 | 136.4 |
| Spain | 85.9 | 93.9 | 98.6 | 101.1 |
| United Kingdom | 89.1 | 90.6 | 92.0 | 93.1 |
| Japan | 237.3 | 243.2 | 245.1 | 245.5 |
| **Emerging Economies** | **39.0** | **39.7** | **40.5** | **41.2** |
| Asia | 41.9 | 42.4 | 43.3 | 43.9 |
| China | 37.4 | 39.4 | 40.7 | 41.8 |
| India | 66.6 | 61.5 | 60.5 | 59.5 |
| Russia | 12.7 | 13.9 | 15.7 | 16.5 |
| Brazil | 68.2 | 66.2 | 65.8 | 65.6 |
| Middle East & North Africa | 23.1 | 23.5 | 23.6 | 24.2 |

*IMF October 2014 Forecasts

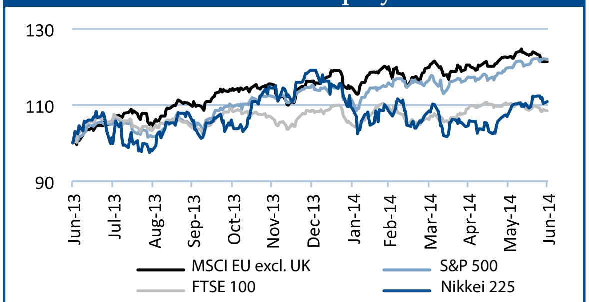
# Foreign financial market review

During the year, financial markets in advanced economies have been on the uptrend as central banks supported accommodative monetary policy measures. Equity markets in several advanced markets including the US and some Eurozone members reached unprecedented highs. Investor optimism dampened the yields on government bonds and tightened credit spreads. Volatility hit historical lows across different asset classes in several markets. On the other hand, emerging market assets relatively underperformed due to cyclical factors, Fed tapering and geopolitical tensions, among others. This transmitted to higher downside risks and persistent volatility in these markets.

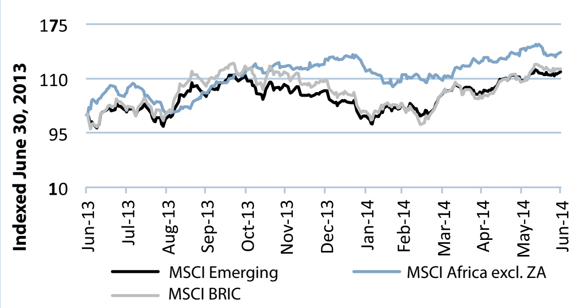
## Equities

Risk appetite in the global equity market returned at the start of the financial year 2014 after the Fed announced it would restrain from tapering its quantitative easing program and the GDP data showed that the EU was moving towards recovery. In December 2013, the Fed announced that it would start reducing its asset purchase from $ 85Bn to $ 75Bn per month yet the news was positively welcomed by equity investors. At the start of 2014, the US stock market reached record highs although the severe winter weather significantly slowed economic activity. Market sentiments for emerging markets started to deteriorate after the Fed cut its quantitative easing. The fear was worsened by tensions involving Russia and Ukraine. Investor confidence was further hit by the economic slowdown of China after successive months' PMI data were below the 50-mark that separates manufacturing sector contraction from expansion. During the second quarter of 2014, global stocks advanced moderately on improved economic prospects and lower political uncertainty in several markets.

Advanced markets' equity indices



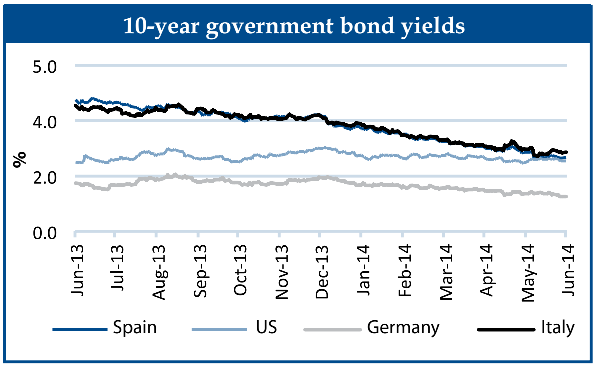

Emerging & frontier markets' equity indices




In their respective domestic currency terms, the MSCI Europe Index excluding UK gained 21.4 percent whereas the FTSE 100 advanced 8.5 percent over June 13 - 14. The S&P 500 and Nikkei 225 grew 22.0 percent and 10.9 percent respectively. Emerging and frontier markets accumulated most of their gains in the fourth quarter of the financial year. The MSCI Emerging Index added 11.8 percent over the reporting period after larger emerging markets fared better. The MSCI BRIC Index added 12.6 percent. The MSCI Africa excluding South Africa Index gained 17.3 percent partly driven by the performance of Nigeria and Kenya.

## Government Bonds

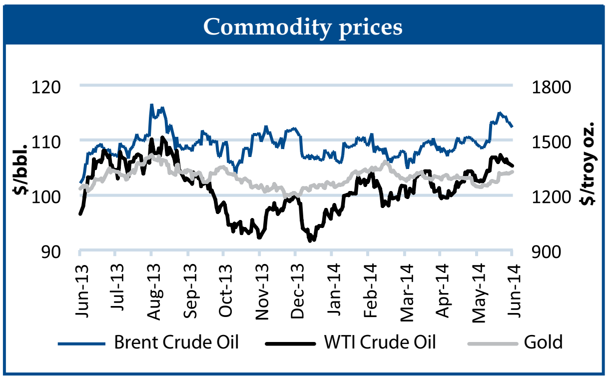
Global bond yields have generally been on the downtrend during the year, pushing bond prices higher. Prolonged period of accommodative monetary policy by high-income countries' central banks and improvements in the economic fundamentals of many advanced countries kept the yield low. With lower sovereign risk in Euro area and stimulus from the ECB, investors have been demanding lower returns on government bonds, dampening yields in Italy and Spain.




## Commodities

Exchange traded funds (ETFs) massively reduced their exposure to gold in 2013 after inflation concerns eased, exerting downward pressure on its price. In 2014, investor demand for the precious metal substantially escalated amid geopolitical tensions.

Price of crude oil spiked in 2014, particularly in the second quarter, after mounting geopolitical concerns in Iraq and Ukraine/Russia as well as Libya. The fear of supply disruption from the Middle East region exercised high pressure on the crude oil futures in June 2014.



## Prospects

Volatility in financial markets has escalated after worries about economic recovery in advanced economies resurfaced. Large EU economies are showing signs economic weakness, particularly Germany. The on-going geopolitical tensions between Ukraine and Russia continue to threaten the fragile recovery in the Euro area and dampen optimism in financial markets. Threat of deflation in the Eurozone is becoming more or more alarming even as the ECB stepped up its effort through quantitative easing. In the emerging 'world', economies are experiencing substantial economic slowdown, led by China though signs of stabilisation recently reappeared.

In terms of valuation, many advanced equity markets in the US and Europe have been trading above their long-term PE ratios but there have been significant corrections lately. Relative valuations indicate that emerging equities remain undervalued compared to their advanced counterparts based on historical standards. These markets look relatively more attractive for the better value they offer yet they have substantial downside risks given their structural problems, macroeconomic imbalances, growth deceleration and political instability.

We believe that our portfolio of foreign securities is currently well-balanced and funds have been appropriately spread across geographies to withstand specific country risks. Our tactical allocations will be frequently reviewed in the light of market events and risks as well as individual economic policy decisions, especially as interest rate hikes are contemplated in the US.

On the local front, economic growth has weakened below historical averages due mainly to the external environment. The country has so far shown strong signs of economic resilience and in anticipation of upcoming elections, further structural reforms and policy measures are needed to revive investment, provide tonic to some sectors and push the country nearer to its long-term growth potential. In the meantime, the Fund will pursue its strategy of diversifying its portfolio in securities that have high growth potentials and sound financial fundamentals. Regarding unquoted securities, the prospective listing of SICOM on the domestic stock exchange may provide liquidity for asset reallocations.

## Acknowledgements

The Board would like to thank the management team and staff toward enhancing the value of the Company as well as the shareholders for their continued support and trust.

*M.I. Mallam-Hasham*
Chairman
16 October 2014

This report is made solely to the members of Port Louis Fund Ltd (the "Company"), 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 members those matters we are required to state to them in an auditors' 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

## Report on the Financial Statements

We have audited the financial statements of Port Louis Fund Ltd on pages 35 to 58 which comprise the statement of financial position at June 30, 2014, the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to holders of redeemable shares and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements on pages 35 to 38 give a true and fair view of the financial position of the Company at June 30, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

## Report on Other Legal and Regulatory Requirements

### Companies Act 2001

We have no relationship with, or interests in, the Company, other than in our capacity as auditors, business advisers and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

### The Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosures in the annual report are consistent with the requirements of the Code.

BDO & CO

**BDO & CO**
Chartered Accountants
Port Louis, Mauritius.

**Yacoob Ramtoola, FCA**
Licensed by FRC

September 30, 2014

## Statement of financial position for the year ended June 30, 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | **Rs'000** | Rs'000 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Portfolio of domestic securities | 5 | **548,946** | 403,104 |
| Portfolio of foreign securities | 6 | **330,805** | 275,817 |
| | | **879,751** | 678,921 |
| **Current assets** | | | |
| Portfolio of domestic securities | 5 | **617,598** | 543,733 |
| Short term deposits | 7 | **34,360** | 20,935 |
| Other receivables | 8 | **2,749** | 3,956 |
| Cash and cash equivalents | 18(b) | **1,964** | 9,617 |
| | | **656,671** | 578,241 |
| **Total assets** | | **1,536,422** | 1,257,162 |
| **EQUITY AND LIABILITIES** | | | |
| **Net asset attributable to holders of redeemable shares** | | **1,507,450** | 1,248,811 |
| **Current liabilities** | | | |
| Other payables | 10 | **4,604** | 3,611 |
| Current tax liabilities | 11 | **62** | 477 |
| Bank overdraft | 18(b) | **21,623** | 1,932 |
| Dividend payable | | **2,683** | 2,331 |
| | | **28,972** | 8,351 |
| **Total equity and liabilities** | | **1,536,422** | 1,257,162 |
| **Net asset value per share** | 19 | **28.60** | 24.18 |

These financial statements have been approved for issue by the Board of Directors on 30 September 2014.

M.I. Mallam-Hasham
Chairman

V. Bhuguth
Director

The notes on pages 39 to 58 form an integral part of these financial statements.
Auditors' report on pages 33 and 34.

## Statement of profit or loss and other comprehensive income for the year ended June 30, 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | **Rs'000** | Rs'000 |
| **INCOME** | | | |
| Investment income | 12 | **42,747** | 41,666 |
| (Loss)/gain on disposal of investments | | **(42)** | 1,225 |
| Release to income on disposal of available-for-sale securities | | **7,700** | 2,263 |
| Net increase in fair value of financial assets through profit or loss | 13 | **64,122** | 35,078 |
| | | **114,527** | 80,232 |
| **EXPENSES** | | | |
| Management fees | 14 | **(12,437)** | (10,808) |
| Registry costs | 15 | **(748)** | (748) |
| Other operating expenses | | **(3,487)** | (2,907) |
| | | **(16,672)** | (14,463) |
| **Net income before taxation** | 16 | **97,855** | 65,769 |
| Income tax charge | 11 | **(759)** | (161) |
| **Net income after taxation** | | **97,096** | 65,608 |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| - Increase in fair value of available-for-sale securities | | **188,192** | 81,835 |
| - Release to income on disposal of available-for-sale securities | | **(7,700)** | (2,263) |
| | | **180,492** | 79,572 |
| **Total comprehensive income for the year** | | **277,588** | 145,180 |

Note: EPS information is not disclosed as the class of shares that are publicly traded are redeemable shares.

The notes on pages 39 to 58 form an integral part of these financial statements.
Auditors' report on pages 33 and 34.

## Statement of changes in net assets attributable to holders of redeemable shares for the year ended June 30, 2014

| | 2014 | 2013 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Net assets attributable to holders of redeemable shares at July 1, | **1,248,811** | 1,144,364 |
| Proceeds from issue of redeemable shares | **50,008** | 11,466 |
| Payments on redemption of redeemable shares | **(21,367)** | (11,136) |
| Net increase from share transactions | **28,641** | 330 |
| Net income after taxation | **97,096** | 65,608 |
| Other comprehensive income for the year | **180,492** | 79,572 |
| Total comprehensive income for the year | **277,588** | 145,180 |
| Distribution to holders of redeemable shares | **(47,590)** | (41,063) |
| | **229,998** | 104,117 |
| Net assets attributable to holders of redeemable shares at June 30, | **1,507,450** | 1,248,811 |

No statement of equity is presented as the class of shares publicly traded are redeemable shares.

The notes on pages 39 to 58 form an integral part of these financial statements.
Auditors' report on pages 33 and 34.

## Statement of cash flows for the year ended June 30, 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | **Rs'000** | Rs'000 |
| **Cash flows from operating activities** | | | |
| Cash used in operations | 18(a) | **(14,055)** | (16,201) |
| Interest received | | **4,244** | 4,425 |
| Dividend received | | **38,118** | 30,454 |
| Income tax | | **(1,175)** | 53 |
| **Net cash generated from operating activities** | | **27,132** | 18,731 |
| **Cash flows from investing activities** | | | |
| Purchase of investments | | **(29,427)** | (40,347) |
| Proceeds from sale of investments | | **6,973** | 59,300 |
| **Net cash (used in)/generated from investing activities** | | **(22,454)** | 18,953 |
| **Cash flows from financing activities** | | | |
| Redemption of shares | | **(21,367)** | (11,136) |
| Issue of shares | | **48,826** | 3,243 |
| Dividend paid to holders of redeemable shares | | **(46,056)** | (32,855) |
| **Net cash used in financing activities** | | **(18,597)** | (40,748) |
| **Net decrease in cash and cash equivalents** | | **(13,919)** | (3,064) |
| **Movement in cash and cash equivalents** | | | |
| At July 1, | | **28,620** | 31,684 |
| Decrease | | **(13,919)** | (3,064) |
| At June 30, | 18(b) | **14,701** | 28,620 |

The notes on pages 39 to 58 form an integral part of these financial statements.
Auditors' report on pages 33 and 34.

# 1. General information

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

These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of shareholders of the Company.

# 2. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

## 2.1 Basis of preparation

The financial statements of Port Louis Fund Ltd comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). Where necessary, comparatives figures have been amended to conform with change in presentation in the current year.

The financial statements have been prepared under the historical cost convention, except that financial assets and financial liabilities are carried at fair value. These financial statements are that of an individual entity.

**(a) Standards, Amendments to published Standards and Interpretations effective in the reporting period**

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is not expected to have any impact on the Company's financial statements.

IAS 27, 'Separate Financial Statements' deals solely with separate financial statements. The standard has no impact on the Company's financial statements

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Accounting for an interest in a joint venture using the proportionate consolidation method is not permitted under IFRS 11. The standard is not expected to have any impact on the Company's financial statements.

IAS 28, 'Investments in Associates and Joint Ventures'. The scope of the revised standard covers investments in joint ventures as well. IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting. The standard has no impact on the Company's financial statements.

## 2. Significant accounting policies (cont'd)

### 2.1 Basis of preparation (cont' d)

***(a) Standards, Amendments to published Standards and Interpretations effective in the reporting period (cont'd)***

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The standard has no impact on the Company's financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the Company's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/ (asset). The standard has no impact on the Company's financial statements.

IFRIC 20, 'Stripping costs in the production phase of a surface mine', has no impact on the Company's financial statements.

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures and is not expected to have any impact on the Company's financial statements.

Amendment to IFRS 1 (Government Loans) has no impact on the Company's financial statements.

***Annual Improvements to IFRSs 2009-2011 Cycle***

IFRS 1 (Amendment), 'First time adoption of IFRS', has no impact on the Company's operations.

IAS 1 (Amendment), 'Presentation of financial statements', clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors' or voluntarily.

IAS 16 (Amendment), 'Property, plant and equipment', clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The amendment does not have an impact on the Company's operations.

IAS 32 (Amendment), 'Financial instruments: Presentation', clarifies the treatment of income tax relating to distributions and transaction costs. The amendment does not have an impact on the Company's operations.

IAS 34 (Amendment), 'Interim financial reporting', clarifies the disclosure requirements for segment assets and liabilities in interim financial statements.

## 2. Significant accounting policies (cont'd)

### 2.1 Basis of preparation (cont'd)

**(b) *Standards, Amendments to published Standards and Interpretations issued but not yet effective***

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2014 or later periods, but which the Company has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments

IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

IFRIC 21: Levies

Recoverable Amount Disclosures for Non-financial Assets (Amendments to IAS 36)

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

IFRS 9 Financial instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

Annual Improvements to IFRSs 2010-2012 cycle

Annual Improvements to IFRSs 2011-2013 cycle

IFRS 14 Regulatory Deferral Accounts

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

IFRS 15 Revenue from contracts with customers

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

Where relevant, the Company is still evaluating the effect of these standards, amendments to published standards and interpretations issued but not yet effective, on the presentation of its financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

## 2. Significant accounting policies (cont'd)

### 2.2 Financial assets

### (a) Categories of financial assets

The Company classifies its financial assets in the following categories: financial assets through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition

***i. Financial assets at fair value through profit or loss***

This category has two sub-categories: financial assets held-for-trading and those designated at fair value through profit or loss at inception.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months to the end of the reporting period.

***ii. Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost less any impairment.

The Company's loans and receivables comprise cash and cash equivalents, and trade and other receivables.

***iii. Held-to-maturity investments***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment (see note 2.2 (c)(ii)).

***iv. Available-for-sale financial assets***

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the end of the reporting period.

### (b) Recognition and measurement

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Investments are initially measured at fair value plus transaction costs for all financial assets except those that are carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed.

## 2. Significant accounting policies (cont'd)

### 2.2 Financial assets (cont'd)

### (b) Recognition and measurement (cont'd)

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at their fair values.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Treasury bills and bonds are classified as 'Available-for-sale' and value-based on mark to market value.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are recognised in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in other comprehensive income.

When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses on financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of capitalised earnings and dividend yield and makes assumptions that are based on market conditions existing at end of each reporting date.

### (c) Impairment of financial assets

***i. Financial assets classified as available-for-sale***

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

If the fair value of a previously impaired debt security classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in the equity instrument classified as available-for-sale are not reversed through profit or loss.

## 2. Significant accounting policies (cont'd)

### 2.2 Financial assets (cont'd)

#### (c) Impairment of financial assets (cont'd)

***ii. Financial assets carried at amortised cost***

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and, the amount of the loss is recognised in profit or loss. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been has the impairment not been impaired.

### 2.3 Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

The amount of provision is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in profit or loss.

Other receivables are stated at fair value.

### 2.4 Cash and cash equivalents

Cash and cash equivalents include cash at bank, short term bank deposits, and bank overdrafts. Bank overdrafts are shown in current liabilities on the statement of financial position.

### 2.5 Share capital

Shares of the Company are redeemable at any time at the option of the shareholder for cash and have a par value. Share capital are therefore liabilities and net assets attributable to shareholders are considered as liabilities in the statement of financial position.

### 2.6 Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

### 2.7 Other payables

Other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

## 2. Significant accounting policies (cont'd)

### 2.8 Foreign currencies

***i. Functional and presentation currency***

Items included in the financial statements are measured using Mauritian Rupees, the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Mauritian Rupees, which is the Company's functional and presentation currency.

***ii. Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses are presented in profit or loss within investment income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets are included in the net assets attributable to the redeemable shares.

### 2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### 2.10 Revenue recognition

Dividend income from investment is recognised when the shareholders' rights to receive payment have been established by reference to the ex-dividend date.

Interest income is accounted for as it accrues unless collectibility is in doubt. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate.

## 2. Significant accounting policies (cont'd)

### 2.11 Current tax

The tax expense for the period comprises current tax which is recognised in the profit or loss.

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date where the Company operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### 2.12 Alternative Minimum Tax (AMT)

Alternative Minimum Tax (AMT) is provided for, where the Company which has a tax liability of less than 7.5% of its book profit pays a dividend. AMT is calculated as the lower of 10% of the dividend paid and 7.5% of book profit.

### 2.13 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are declared.

# 3. Financial risk management

## 3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks as follows:

- Market risk (including currency risk, price risk and cash flow and fair value interest rate risk);
- Liquidity risk; and
- Credit risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

A description of the significant risk factors is given below together with the risk management policies applicable.

### (a) Market risk

***i. Currency risk***

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EURO, USD, GBP and INR. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign entities.

Currency exposure arising from the Company's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At June 30, 2014, if Mauritian rupee had weakened/strengthened by 5% against EURO, USD, GBP, INR and other currencies with all other variables held constant, the impact on net asset value for the year would be Rs 17.064 million (2013: Rs 14.284 million) higher/lower mainly as a result of retranslation of foreign investment and bank balance.

***ii. Price risk***

The Company's securities are susceptible to market price risk arising from uncertainties about future prices of the investments. The Company's market price risk is managed through diversification of its investment portfolio.

### Sensitivity analysis

The table below summarises the impact of increases/decreases in the fair value of the investments on the Company's net asset value. The analysis is based on the assumption that the fair value had increased/decreased by 5%.

| | **Impact on post-tax income** | | **Impact on other comprehensive income** | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Available-for-sale financial assets | - | - | 41,493 | 32,115 |
| Designated at fair value through profit or loss | 28,114 | 24,665 | - | - |

## 3. Financial risk management (cont'd)

## 3.1 Financial risk factors (cont'd)

### (a) Market risk (cont'd)

***iii. Cash flow and fair value interest rate risk***

The Company's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

At June 30, 2014, if interest rates on rupee-denominated borrowings had been 10 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been Rs 1.001 m (2013: Rs 0.156 m).

The risk is managed by maintaining an appropriate investment mix in the portfolio of investment.

### (b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of cash balance.

The Fund has entered into a liquidity contract with The State Investment Corporation Ltd to ensure that the Fund has enough cash to maintain flexibility in funding.

### (c) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. The Company's credit risk concentration is spread between interest rate and equity securities. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal since delivery of securities sold is only made once the broker has received payment. On a purchase, payment is made once the securities have been received by the broker. If either party fails to meet their obligations, the trade will fail.

## 3.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as trading securities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

## 3. Financial risk management (cont'd)

### 3.2 Fair value estimation (cont'd)

If one or more of all significant inputs is not based on observable market data, the instrument is included in level 3.

The Company uses a variety of methods namely the capitalised earnings and dividend yield and makes assumptions that are based on market conditions existing at each end of reporting date.

If fair value had been 5% higher/lower, the carrying amount of available-for-sale financial assets would be estimated at Rs 41.4 m (2013: Rs 32.1m) higher/lower with all the other variables held constant from management estimate for the year.

### 3.3 Capital risk management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

There were no changes to the Company's approach to capital risk management during the year.

## 4. Critical accounting estimates and judgements

### 4.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Impairment of available-for-sale financial assets

The Company follows the guidance of International Accounting Standard (IAS) 39 on determining when an investment is other than temporarily impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

#### (b) Held-to-maturity investments

The Company follows the guidance of International Accounting Standard (IAS) 39 - "Recognition and Measurement" on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Company evaluates its intention and ability to hold such investments to maturity.

If the Company fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale financial assets. The investments would therefore be measured at fair value not amortised cost.

#### (c) Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Company's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty.

#### (d) Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined by the Company using valuation techniques including third party transaction values, earnings, net assets value or discounted cash flows, whichever is considered to be appropriate. The Company would exercise judgement and estimates on the quantity and quality of pricing sources used. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## 5. Portfolio of domestic securities

| | | 2014 | 2013 |
|---|---|---|---|
| | | **Rs'000** | Rs'000 |
| (a) | Fair value through profit or loss financial assets | **661,496** | 580,362 |
| | Available-for-sale financial assets | **499,048** | 366,475 |
| | Held-to-maturity securities | **6,000** | - |
| | | **1,166,544** | 946,837 |
| | **Analysed as:** | | |
| | **Non -current assets:** | | |
| | Fair value through profit or loss financial assets | **43,898** | 39,679 |
| | Available-for-sale financial assets | **499,048** | 363,425 |
| | Held-to-maturity securities | **6,000** | - |
| | | **548,946** | 403,104 |
| | **Current assets** | | |
| | Fair value through profit or loss financial assets | **617,598** | 540,683 |
| | Available-for-sale financial assets | **-** | 3,050 |
| | | **617,598** | 543,733 |
| | **Total** | **1,166,544** | 946,837 |

**Fair value through profit or loss financial assets**

| | Listed on SEM | Listed on DEM | Unquoted | Total |
|---|---|---|---|---|
| | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| At July 1, 2013 | **491,097** | **49,587** | **39,678** | **580,362** |
| Additions | **16,863** | **-** | **-** | **16,863** |
| Disposals | **(290)** | **-** | **-** | **(290)** |
| Transfer | **3,072** | **(2,633)** | **-** | **439** |
| Increase in fair value | **53,010** | **6,892** | **4,220** | **64,122** |
| **At June 30, 2014** | **563,752** | **53,846** | **43,898** | **661,496** |
| At July 1, 2012 | 468,167 | 56,216 | 26,928 | 551,311 |
| Additions | 17,841 | - | - | 17,841 |
| Disposals | (25,795) | (3,313) | - | (29,108) |
| Dividend in specie | 5,240 | - | - | 5,240 |
| Increase/(decrease) in fair value | 25,644 | (3,316) | 12,750 | 35,078 |
| At June 30, 2013 | 491,097 | 49,587 | 39,678 | 580,362 |

## 5. Portfolio of domestic securities (cont'd)

**Available-for-sale financial assets**

| | **2014** | 2013 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| At July 1, | **366,475** | 317,346 |
| Additions | **-** | 439 |
| Disposals | **(2,689)** | (8,506) |
| Increase in fair value | **135,701** | 57,196 |
| Transfer | **(439)** | - |
| **At June 30,** | **499,048** | 366,475 |

**Held-to-maturity securities**

| | **2014** | 2013 |
|---|---|---|
| At amortised cost | **Rs'000** | Rs'000 |
| At July 1, 2013 | **-** | 4,000 |
| Additions | **6,000** | - |
| Disposals | **-** | (4,000) |
| **At June 30, 2014** | **6,000** | - |

(b) **At June 30, 2014**

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| Fair value through profit or loss financial assets | **617,598** | **43,898** | **-** | **661,496** |
| Available-for-sale financial assets | **-** | **497,815** | **1,233** | **499,048** |
| Held-to-maturity securities | **-** | **-** | **6,000** | **6,000** |
| | **617,598** | **541,713** | **7,233** | **1,166,544** |

| At June 30, 2013 | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **Rs'000** | **Rs'000** | **Rs'000** | **Rs'000** |
| Fair value through profit or loss financial assets | 540,684 | 39,678 | - | 580,362 |
| Available-for-sale financial assets | - | 364,579 | 1,896 | 366,475 |
| | 540,684 | 404,257 | 1,896 | 946,837 |

## 5. Portfolio of domestic securities (cont'd)

(c) The table below shows the changes in level 3 instruments

| | **2014** | 2013 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| At July 1, | **1,896** | 1,365 |
| Additions | **6,000** | 439 |
| Disposal | **-** | (120) |
| Increase in fair value | **563** | 212 |
| Transfer | **(1,226)** | - |
| **At June 30,** | **7,233** | 1,896 |

## 6. Portfolio of foreign securities

| | **2014** | 2013 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| **Non-current assets:** | | |
| Available for sale financial assets | | |
| At July 1, | **275,817** | 243,925 |
| Additions | **42,371** | 121,099 |
| Disposals | **(39,874)** | (113,846) |
| Increase in fair value | **52,491** | 24,639 |
| **At June 30,** | **330,805** | 275,817 |

Available-for-sale financial assets are denominated in the following currencies:

| | **2014** | 2013 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| US Dollar | **137,972** | 132,636 |
| Euro | **67,939** | 45,768 |
| INR | **79,416** | 59,880 |
| Other currencies | **45,478** | 37,533 |
| | **330,805** | 275,817 |

## 7. Short term deposits

| | **2014** | 2013 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Short term bank deposits | **34,360** | 20,935 |

## 8. Other receivables

| | 2014 | 2013 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Dividend and interest receivable | **2,519** | 1,965 |
| Other receivables and prepayments | **230** | 203 |
| Receivables for investment sold | **-** | 1,788 |
| | **2,749** | 3,956 |

| Other receivables are denominated in the following currencies: | 2014 | 2013 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Rupees | **2,749** | 2,168 |
| US Dollars | **-** | 425 |
| GB Pound | **-** | 1,363 |
| | **2,749** | 3,956 |

None of the receivables are past due or impaired and the Company does not hold any collateral security

## 9. Share capital

(a) Shares are issued at the holders' option at prices based on the value of the Company's net assets at the time of issue/redemption

| | **2014 & 2013** |
|---|---|
| | Rs'000 |
| Authorised | |
| 120,000,000 ordinary shares of Rs. 10 par value | 1,200,000 |

| Issued and fully paid | 2014 | 2013 |
|---|---|---|
| | Number of shares (000) | |
| At July 1, | **51,650** | 51,651 |
| Issue of shares | **1,832** | 475 |
| Redemption of shares | **(782)** | (476) |
| **At June 30,** | **52,700** | 51,650 |

## 10. Other payables

| | 2014 | 2013 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Amount owed to related party | **3,530** | 3,015 |
| Other payables | **1,074** | 596 |
| | **4,604** | 3,611 |

## 11. Income tax expense

| | | 2014 | 2013 |
|---|---|---|---|
| | | **Rs'000** | Rs'000 |
| (a) | Statement of financial position | | |
| | Current tax on the adjusted profit for the year | | |
| | 15% (2013: 15%) | **630** | 661 |
| | Tax paid (APS) | **(568)** | (184) |
| | | **62** | 477 |

| | | | |
|---|---|---|---|
| (b) | Statement of profit or loss and other comprehensive income | | |
| | Current tax on the adjusted profit for the year | | |
| | 15% (2013: 15 %) | **630** | 661 |
| | Overprovision in previous year | **129** | (500) |
| | Taxation charge | **759** | 161 |

(c) The tax on the Company's net income before taxation differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

| | 2014 | 2013 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Net income before taxation | **97,855** | 65,769 |
| Tax calculated at the rate of 15% (2013: 15%) | **14,678** | 9,865 |
| Tax effect of: | | |
| Income not subject to tax | **(16,292)** | (11,109) |
| Expenses not deductible for tax purposes | **2,142** | 1,905 |
| Under/(over) provision in previous year | **129** | (500) |
| CSR contribution | **101** | - |
| Taxation charge | **759** | 161 |

## 12. Investment income

| | 2014 | 2013 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Dividend income | **38,334** | 32,426 |
| Dividend in specie | **-** | 5,240 |
| Interest income | **4,582** | 4,415 |
| Foreign exchange losses | **(169)** | (415) |
| | **42,747** | 41,666 |

## 13. Net increase in fair value of financial assets through profit or loss

| | 2014 | 2013 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Domestic securities | **64,122** | 35,078 |

## 14. 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 June 9, 1997. The management fees are at present based on a graduated fee structure based on the performance of the fund presently at 0.9% with maximum of 1.25% of the net asset value of the fund.

| Annual Fund Return | 2014 | 2013 |
|---|---|---|
| Up to 27% | **0.90%** | 0.90% |
| 27% - 35% | **1.00%** | 1.00% |
| above 35% | **1.25%** | 1.25% |

## 15. Registry costs

Registry costs are payable to Prime Partners Ltd.

## 16. Net income before taxation

| | 2014 | 2013 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Net income before taxation is arrived at after crediting: | | |
| Net increase in fair value through profit or loss financial assets | **64,122** | 35,078 |
| Dividend income | | |
| - Listed (local) | **19,409** | 13,910 |
| - Foreign | **1,841** | 2,175 |
| - Unquoted | **17,084** | 16,341 |
| - Dividend in specie | **-** | 5,240 |
| Interest income | **4,582** | 4,415 |

## 17. Dividends

The Board of Directors has declared a dividend of Rs 47,589,585 (representing Rs 0.90 per share on June 13, 2014 (2013: Rs 41,063,288, representing Rs 0.80 per share)

## 18. Notes to the statement of cash flows

| | | 2014 | 2013 |
|---|---|---|---|
| | | **Rs'000** | Rs'000 |
| (a) | **Cash used in operations** | | |
| | Net income before taxation | **97,855** | 65,769 |
| | Adjustments for: | | |
| | Dividend income | **(38,334)** | (32,426) |
| | Dividend in specie | **-** | (5,240) |
| | Interest income | **(4,582)** | (4,415) |
| | Exchange difference | **32** | 110 |
| | Net increase in fair value of financial assets at fair value through profit or loss | **(64,122)** | (35,078) |
| | Release to income on disposal of available-for-sale securities | **(7,700)** | (2,263) |
| | Loss/(profit) on disposal of investments | **42** | (1,225) |
| | | **(16,809)** | (14,768) |
| | Changes in working capital | | |
| | - Decrease/(increase) in trade and other receivables | **1,761** | (1,807) |
| | - Increase in trade and other payables | **993** | 374 |
| | **Cash used in operations** | **(14,055)** | (16,201) |

| | | 2014 | 2013 |
|---|---|---|---|
| (b) | **Cash and cash equivalents** | | |
| | | **Rs'000** | Rs'000 |
| | Cash at bank | **1,964** | 9,617 |
| | Bank overdraft | **(21,623)** | (1,932) |
| | Short term bank deposits | **34,360** | 20,935 |
| | | **14,701** | 28,620 |

## 19. Net asset value per share

| | 2014 | 2013 |
|---|---|---|
| | **Rs'000** | Rs'000 |
| Net asset value | **1,507,450** | 1,248,811 |
| Number of ordinary shares in issue ('000) | **52,700** | 51,650 |
| Net asset value per share | **28.60** | 24.18 |

## 20. Related party transactions

The amounts outstanding at year end on related party transactions are unsecured and interest free and settlement occurs in cash. No guarantee have been given or received by the Company to related parties

| | **2014** | 2013 |
|---|---|---|
| **TRANSACTIONS** | **Rs'000** | Rs'000 |
| **Corporate with common shareholders** | | |
| Management fee expenses | **12,437** | 10,808 |
| Registry costs | **748** | 748 |
| | | |
| **Compensation of key management personnel** | | |
| Short term benefits | **984** | 982 |
| **BALANCES** | | |
| Amount due to related party | **3,530** | 3,015 |

PLF

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