

PORT LOUIS FUND ANNUAL REPORT 2001

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Notice is hereby given that the fourth Annual General Meeting of Port Louis Fund Ltd will be held at the Paul Octave Wicks Auditorium, Racot, on Tuesday, December 18, 2001 at 3.00 p.m. for the transaction of the following business:-

1. To adopt the Minutes or Proceedings of the third Annual General Meeting of Port Louis Fund Ltd held on Monday December 13, 2000.
2. To receive the Report of Directors.
3. To receive the Report of Auditors.
4. To adopt the Company's Accounts for the year ended June 30, 2001.
5. To notify the dividend declared by the Board of Directors and paid to all shareholders registered at the close of business on May 28, 2001.
6. To re-appoint the Board of Directors.
7. To appoint the Auditors for the financial year 2001/2002 and to authorise the Board of Directors to fix their remuneration.
8. To transact any other business, if any, as may be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

SIC CORPORATE SERVICES LTD.
COMPANY SECRETARY

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 forty-eight hours before the meeting or else the instrument of proxy shall not be treated as valid.

Directors

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

Fund Manager

Capital Asset Management Ltd

Transfer Secretaries and Secretary

SIC Corporate Services Ltd

Bankers

Bank of Baroda
 The Delphis Bank Ltd
 The Hong Kong and Shanghai Banking Corp Ltd
 The Mauritius Commercial Bank Ltd
 The State Bank of Mauritius Ltd

Auditors

De Chazal Du Mée & Co

Stockbroking Companies

Asmo Securities & Investments Ltd
 Associated Brokers Ltd
 Capital Markets Brokers Ltd
 AIM Securities Ltd
 First Brokers Ltd
 General Brokerage Ltd
 MCB Stockbrokers Ltd
 Ramet & Associés Ltée
 SBM ABN AMRO Asia Securities Ltd
 Newton Securities Ltd
 Cavell Securities Ltd

Registered Office

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

Directors

Mr Seilendra Gokhool holds a first class undergraduate degree in Economics and Mathematical Economics and an Msc in Economics from the London School of Economics. At present, he is the Managing Director of The State Investment Corporation Limited which is the investment arm of Government and which holds shares in a wide variety of sectors and companies.

Mr Yusuf H. Aboobaker, C.S.K. holds a B.A. (Hons.) Econ. At present, he is Barrister-at-Law and he has been practising since 15th March 1972.

Mr Rohit Aukle holds a diploma in Business Studies and a post graduate diploma in Economic Development from Polytechnic of North London. At present, he is the Managing Director and Chief Executive Officer of The Delphis Bank Ltd. He has 22 years experience in banking both domestic and offshore.

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

Mr Vijay Bhuguth is a Chartered Certified Accountant. He has 15 years experience in accounting firms.

The Directors have the pleasure to submit the fourth Annual Report together with the audited accounts of Port Louis Fund Ltd for the year ended June 30, 2001.

Incorporation, Objects and Status

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

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

PERFORMANCE REVIEW

Financial Results

Total income for the year ending June 30, 2001 amounted to Rs 60.0m (2000: Rs 43.6m). This represented an increase of nearly 37%. The income constituted of dividends of Rs 45.6m, interest of Rs 12.9m and other income of Rs 1.5m. Net profit after tax for the year under review amounted to Rs 51.8m as compared with Rs 35.2m for the previous year, thereby representing an increase of 47%.

With the higher net profit, Earnings Per Share (EPS) rose by 43% to reach 83 cents for the year ended June 30, 2001. Expenses were successfully held under control as the expense ratio (expenses including taxes divided by average total net assets) stood at only 1.15%, down from 1.27% at the end of June 2000.

Dividends

In view of the higher earnings, the Board of Directors declared a dividend of 60 cents per share (2000: 44 cents) for shareholders registered at the close of business on May 28, 2001. Total dividend amounted to Rs 37.4m and was paid in June 2001.

Share Capital

During the year under review, the company issued 3,874,213 shares and redeemed 4,936,535 shares, thus resulting in a net reduction of 1,062,322 shares. The majority of new issues took place during the month of June because of the tax benefit attached with the investment.

Redemptions exceeded issues as many investors, in particular individuals, redeemed their shares just after the one-year holding period that qualified them for the tax benefit.

Many investors continued to show renewed interest in the Monthly Investment Plan of the Fund during the year under review.

Fund Performance

The Net Asset Value (NAV) of the Fund closed the year at Rs 10.70 from Rs 11.31, shedding 5.4%. In addition, an all-time high dividend of 6% (60 cents) was declared in May 2001. Total return remained rather flat given the lacklustre performance of the local bourse. The all-share index, SEMDEX fell by 5.7% during the year and stood at 386.90 at the end of June 2001. The Fund managed to outperform the SEMDEX even after the exclusion of the dividend paid, as shown in Chart 1. The dividend yield based on the year-end NAV amounted to 5.61%.



Chart 1

Since its inception, when taking dividends and capital gains into account, the Fund has managed to generate a return of 25.4% for shareholders. The compounded annualized return stands at 5.64%.

ASSET MANAGEMENT

Asset Allocation

During the year, in view of the depressed local stock market, the Fund increased its holding of unquoted securities. An additional Rs 2.2m was invested in unquoted shares. The Fund invested Rs 2m in the Mauritius Leasing Co. Ltd following a rights issue. Listed shares made up 52.48% of the portfolio compared to 56.3% in 2000. It should be highlighted that share prices on the local bourse remained depressed during the year under review.

Overseas Investment

The Fund has further diversified its portfolio by investing in foreign markets. It has, however, maintained a cautious approach given the volatility prevailing in the major financial markets. Rs 13.5m was invested in the growth fund of a major group during July 2000. A significant proportion of the assets of this fund is invested in global equity markets. The share of foreign investment in the portfolio consequently rose from 2.1% in July 2000 to reach nearly 4% at the end of the year. The Fund will increase its exposure to foreign investment once it considers the major world stockmarkets to have troughed.

Portfolio

The total portfolio of the Fund stood at Rs 681.2m as at June 30, 2001. During the year, Rs 66.1m was invested in equity and fixed income securities while nearly Rs 43m was realised on the disposal of listed securities. The portfolio of the Fund as at June 30, 2001 was composed of the following asset class and mix as shown in Chart 2 and Table 2:

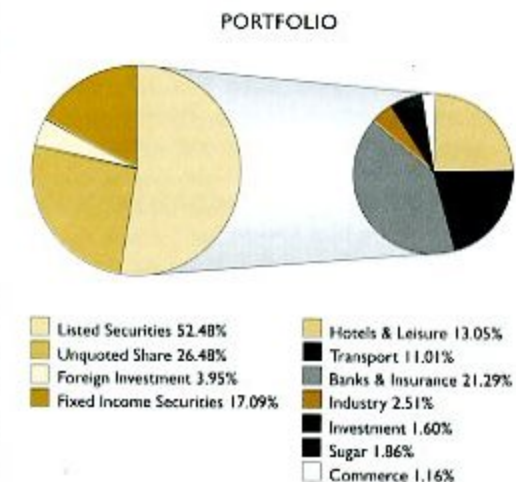


Chart 2

Asset Class	Rs m	%
Listed Securities	357.5	52.48
Banks & Insurance	145.0	21.29
Industry	17.1	2.51
Investments	10.9	1.60
Sugar	12.7	1.86
Commerce	7.9	1.16
Hotels & Leisure	88.9	13.05
Transport	75.0	11.01
Unquoted	180.4	26.48
Total Equities	537.9	78.96
Foreign Investment	26.9	3.95
Fixed Income Securities	116.4	17.09
Total Portfolio	681.2	100.00

Table 2

Top 10 Holdings:

Financial services, hotels and leisure and transport are well represented in the Fund. The holding in Maurinet Investment Ltd allows shareholders of PLF to gain exposure to the technology sector.

The Top10 equity holdings for PLF at June 30, 2001 are detailed in Table 3 below:

		Rs m	% of Net Assets	Sector
1.	State Bank of Mauritius Ltd	97.7	14.35	Banking
2.	SICOM Ltd	80.4	11.81	Insurance
3.	Air Mauritius Ltd	75.0	11.01	Transport
4.	Le Grand Casino Du Domaine Limitée	60.0	8.81	Leisure
5.	New Mauritius Hotels Ltd	59.7	8.76	Hotels
6.	The Mauritius Commercial Bank Ltd	39.1	5.74	Banking
7.	Sun Resorts Limited	25.0	3.67	Hotels
8.	The Mauritius Leasing Co. Ltd	21.2	3.12	Leasing
9.	Maurinet Investment Ltd	18.0	2.65	Technology
10.	Mon Trésor & Mon Désert Ltd	9.0	1.32	Sugar
	Total	485.1	71.24	

Table 3

State Bank of Mauritius Ltd (SBM)

SBM is the second largest commercial bank in Mauritius in terms of domestic market share. It has the lowest cost to income ratio among Mauritian banks. SBM also provides a range of other financial services like security broking, leasing, asset management and offshore banking. SBM has furthermore entered into a strategic alliance with Nedcor Bank of South Africa. At June 30, 2001, SBM ranked first in terms of market capitalisation among the different companies listed on the Stock Exchange of Mauritius. SBM was recently awarded "The Banker Global Award" for 2001 for Mauritius.

SICOM Ltd (SICOM)

SICOM was incorporated as a public company on June 30, 1988 to take over the business of the State

Insurance Corporation of Mauritius. The company is mainly engaged in long term and general insurance business whilst its subsidiaries carry out depository, investment and investment management business activities. SICOM is presently one of the key players in the insurance sector in Mauritius. At June 30, 2000, the assets of the pension schemes by the group amounted to Rs 4.6 billion.

Air Mauritius Ltd (AML)

AML operates international air services for the carriage of passengers, cargo and ancillary services. It has two subsidiary companies Pointe Coton Resort Hotel Ltd and Mauritius Estate Development Corporation Ltd (MEDCOR) which are in the hotel and restaurant business and investment property business respectively. AML presented its 2000-01 financial statements in Euro terms for the first time. The vision of the company is "To be a world class airline".

Le Grand Casino Du Domaine Ltée (GCD)

GCD was incorporated during 1992. It operates a casino at Domaine Les Pailles. Profit after gaming tax for the year ended December 31, 2000 stood at Rs 29.9m, up from Rs 23.4m when compared to the previous year.

New Mauritius Hotels Ltd (NMH)

NMH is one of the leading hotel operators in Mauritius. It owns and operates 7 luxury hotels, including the prestigious Royal Palm. The Group has a management contract with Beachcomber Ltd. The Group intends to initiate a restructuring project during 2001 whereby it will buy remaining interests in associate and subsidiary companies. If the scheme is approved, NMH will have the highest market capitalization on the local stock exchange and will also rank as one of the biggest hotel operators in Africa.

The Mauritius Commercial Bank Limited (MCB)

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

Sun Resorts Limited (Sun)

Sun is one of the two largest hotel operators in Mauritius. It operates 5 luxury hotels in Mauritius, several of which have world recognition. It has a management contract with Sun International Management Limited since its incorporation. Sun is also a substantial shareholder in Sun Casinos Ltd and in Casino de Maurice Ltd. The Group is committed to upgrade and expand its existing properties in Mauritius. One of its forthcoming projects is the construction of an international championship golf course at Ile aux Cerfs.

The Mauritius Leasing Co. Ltd (MLC)

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

Maurinet Investment Ltd (MIL)

MIL, via its subsidiary Mauritius Network Services Ltd (MNS), operates in the technology sector in Mauritius. MNS was incorporated in 1994 following the decision of the Ministry of Finance to provide an electronic network that facilitates existing trade documentation processes. MNS presently has around 300 users from over 250 local companies linked to its TradeNet Network.

Mon Trésor & Mon Désert Ltd (MTMD)

MTMD is a leading sugar producer in Mauritius with an output of some 85,000 tonnes per annum. It was one of the first companies listed on the local stock exchange. During April 2001, there was a change in its shareholding structure when Illovo Sugar Group disposed of its 80.25% interest in MTMD to a local consortium. This deal is commonly referred to as the "Illovo Deal" and involved a number of parties. Following the conclusion of the deal, MTMD also disposed of its holdings in two hotels situated in the north of the island.

STOCK MARKET REVIEW

The all-share index, SEMDEX, which started the year at 410.28 points moved into negative territory and closed at 386.90 points on June 29, 2001. This represented a drop of 5.7% in local currency terms. The market was affected by selling pressure from both local and foreign investors. It priced in the effects of the drought

of 1999, the depreciating Euro and the impact of the slowing world economy, all of which were expected to negatively impact on the earnings of several listed companies. However, many companies performed well and reported improved earnings during the year.

The Stock Exchange of Mauritius (SEM) instigated a number of measures during the year to modernize its market infrastructure. Firstly, it opened up its share capital to non-stockbroking companies. New Listing Rules, which are in line with international standards, then came into effect as from February 1, 2001. These Listing Rules are expected to improve corporate governance, disclosure and compliance requirements and hence render the market more attractive to investors. On June 29, 2001, the SEM replaced its open outcry system with an automated trading system, SEMATS.

The above developments did not generate the necessary dynamism to boost the market. The bearish mood has prevailed and foreign investors have remained net sellers. Furthermore, the net selling by foreigners has tended to put downward pressure on the prices of the SEM-7 components, which happen to be the largest and most liquid on the local exchange. Purchases by foreigners amounted to Rs 230.4m while sales totaled Rs 325.1m, hence resulting in a net sale of Rs 94.7m. The SEM-7, the index of the seven largest listed companies in terms of market capitalisation, liquidity and investibility gave up 10% to close at 89.96 at the end of June 2001.

The local stock market remains undervalued given its historical market P/E of 7.7 x on June 29, 2001 compared to 7.2 x at the beginning of July 2000. The rise in the P/E ratio is principally due to the reporting of losses by Air Mauritius and lower earnings by certain sugar companies during the year. The actual dividend yield is attractive and compares favourably with the savings rate. However, the market has failed to attract significant interest from investors as evidenced by the thin trading volumes and transaction levels during the year. It is believed that the market is significantly oversold and that there is an absence of market players. No new companies were listed on the Official Market during the financial year. Prices remain depressed in spite of the good fundamentals being reflected by many listed companies.

Chart 3 highlights the evolution of the major market indicators during the year. Earnings rose by 10% up to the third quarter but subsequently retreated by nearly 11% with Air Mauritius reporting losses and some sugar companies registering lower earnings for the year. Furthermore, share prices have failed to react to the changes in the Lombard Rate and Bank Rate that took place during the course of the year. It is seen that there is a rather abnormal positive relationship between the Bank Rate and the SEMDEX. Thus, the stock market may be influenced primarily by investor sentiment rather than company fundamentals. Chart 3 also depicts a negative relationship between the SEMDEX and the US Dollar exchange rate.

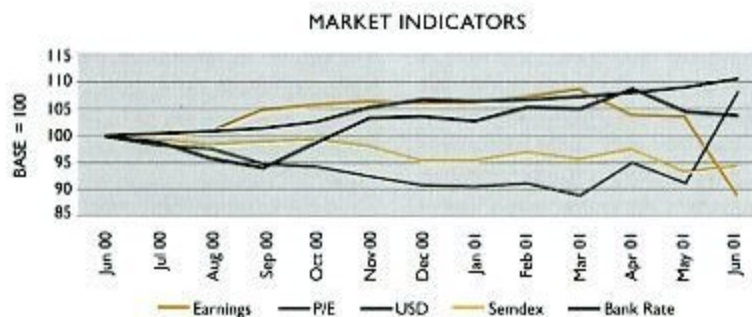


Chart 3

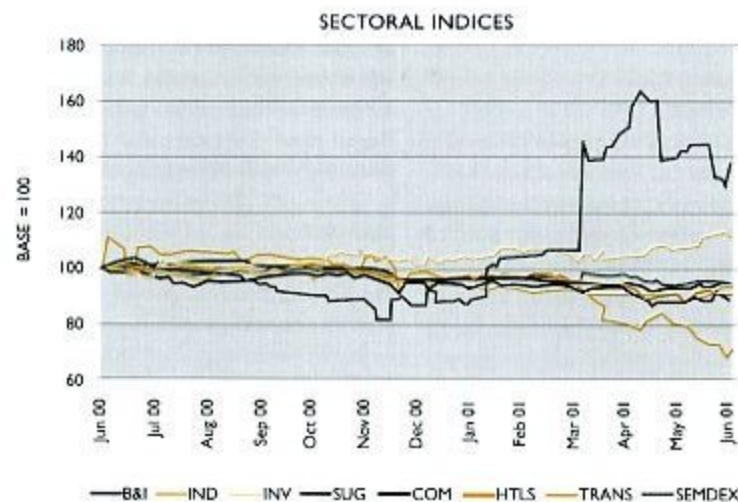


Chart 4

Chart 4 and Table 4 portray the evolution of the sectoral indices during the year. The sugar index performed better in view of the signing of the Illovo Deal and the better climatic conditions and good harvest witnessed during 2001. Investment companies also registered a good performance during the year under review. The other sectors displayed a mixed performance. The transport sector index lost ground due to the losses reported by Air Mauritius. The slowdown in the growth in tourist arrivals together with the oversupply of rooms in the hotel industry negatively impacted on the hotel stocks. Commerce shares were furthermore re-rated when investors expressed concerns that the rising unemployment rate, higher fuel costs and the increase in the VAT rate would adversely affect the sector. Industry stocks suffered due to the higher costs being incurred by firms while banking and insurance share prices moved south with the tightening of monetary policy by the Bank of Mauritius.

Sectoral Performance	Year ended June 30, 2001
Gainers:	
Sugar	38.0%
Investment	11.7%
Losers:	
Transport	-36.3%
Banks & Insurance	-11.7%
Hotels & Leisure	-9.3%
Commerce	-6.7%
Industry	-6.3%
SEMDEX	-5.7%

Table 4

INTERNATIONAL OUTLOOK

USA

The period was marked by the presidential election and seven cuts in the Fed rate from 6% to 3.75%. Fed's policy of monetary easing was in response to continued weak corporate profits, falling capital investment and declining Gross Domestic Product (GDP) growth in the US and worldwide. Significant area of weakness remains in the US economy, making the short-term outlook uncertain. Consensus expects negative earnings growth of -1.2% for the calendar year 2001. Over the months under review, the NASDAQ and S&P 500 shrank by around 45% and 16% respectively.

UK

This year saw the re-election of Labour to power in the UK. As a result, priorities of the government remained unchanged. The UK has experienced conflicting economic news with strong consumer confidence and spending coupled with falling unemployment and rising consumer debt. Because of the low inflation background, the Bank of England has reduced the Repo rate 3 times this year by a total of 0.75% to 5.25%. The deterioration in the earnings outlook for the UK has been significantly less severe. Despite the UK markets' recent limited rally, P/E multiples are still well down on their 1999 peak of approximately 22. The P/E ratio of the FTSE 100 and All-Share indices now stands close to 18, based on 12 months forward earnings. The FTSE All-Share index lost around 9.5% over the period.

Europe

European economic data deteriorates further with weakening growth, rising inflation, rising unemployment and a decline in industrial production in a number of Euro-zone member countries. Consensus corporate profit growth forecasts for 2001 turned negative as consensus figures

point to a negative relative growth for 2001 of -1.0%. Many firms particularly in the technology and telecom sectors continue to suffer weak sales and uncertain demand. As per the Morgan Stanley Capital Index (MSCI), the European Market (excluding UK) dwindled by around 26%.

Japan & Asia

The Japanese Economic Activity Index has declined. High factory inventories, coupled with falling consumer demand plunged Japan's trade surplus. The timing and extent of a possible acceleration of the business activity depends crucially on developments in external demand and on the implementation of restructuring policies. In the Asian Emerging Economies, the global economic slowdown has led to a polarisation of GDP growth prospects between most economies of South East and East Asia and the more insulated economies of China and India. The global downturn, particularly in the IT sector, has had a significant negative impact on technology laden Emerging Markets. The MSCI for Japan and Emerging Markets lost around 30% and 28% respectively.

ECONOMIC REVIEW

The Mauritian Economy in a Nutshell

The year 2000 had been an exceptional year. In the aftermath of the 1999 drought, a growth rate of 8.6% was recorded. Exclusive of the sugar sector, a figure of 7.0% had been estimated. For 2001, the growth estimate is 6.3% in real terms and excluding sugar, it stands at 5.9%, more in line with those recorded for 1998 and 1999 (5.9% and 5.8% respectively). GDP per capita at factor cost increased by 10.8% from 2000 to 2001 and amounted to Rs 96,146.

Mixed indications come to light when looking at available statistics. Household consumption

expenditure as a percentage of total final consumption has increased by 0.24% and represented 82.9% of total final consumption expenditure, up from 82.66% in 2000. The savings rate is expected to remain at 2000 level of 25.3%. Demand for housing at current prices has increased by only 3.6% while expenditure on passenger car increased by 1.8%. The number of Mauritians travelling abroad has, on the other hand, suffered a 3% decrease.

The investment rate, as measured by the ratio of Gross Domestic Fixed Capital Formation (GDFCF) to GDP at market prices, is expected to fall from 23.7% in 2000 to 23.0% in 2001. Private sector investment represented 68.6% of gross capital formation down from 73.2% in 2000. Excluding the purchase of airplanes, investment in machinery and transport equipment is expected to decline by 5.0% in 2001 as compared to a growth of 0.4% in 2000.

The Sugar Sector

The sugar sector seems to have fully recovered from the after-effects of the 1999 drought with a growth rate of 14.2%. Sugar production forecast has been revised upwards and a record harvest of an estimated 650,000 tonnes of sugar projected.

Tourism

Growth rate for the sector has been estimated at 3.6% in contrast to 13.5% in 2000. This is explained mainly by the nascent recession in our leading European markets namely Germany and France. During the first semester of 2001, tourist arrivals rose marginally by 1% from 313,890 in 2000 to 315,790 in 2001. Gross tourism receipts for the first half of 2001 indicated an increase of 18% (in spite of the mere 1% rise registered in tourist arrivals) over the corresponding period in 2000. The main purpose for visiting the island being for holidaying, a decline is feared by the authorities for next year, given the reluctance for international travel in light of the events on the international scene.

Export Processing Zone (EPZ)

Growth for the EPZ sector is expected to be same as 2000 at 6.0%. EPZ exports for the financial year 2001 have been estimated at Rs 34,000m while some Rs 16,064m are expected for imports. As at June 2001, the EPZ employed 92,966 people, including some 16,500 foreigners. At June 2000, the number was 14,158. The increased number is explained by the unwillingness of Mauritians to take up blue-collar jobs in factories. At the end of 2000, the total number of enterprises in the EPZ stood at 518 (512 in 1999).

The Construction Sector

The construction sector is expected to grow by 3.5% for 2001 as compared to 7.5% in 2000. Much is expected of the growth rate for the next financial period in view of the budgetary announcements of the construction of schools, hotels and hospitals.

Unemployment

As at June 2001, the unemployment rate was 8.6%. The rising number of jobless people results mainly from the fact that those entering the labour force fail to meet the requirements in terms of skills for the jobs that are being generated by economic activity and the inability of the EPZ to create jobs. A gender-wise analysis revealed that the unemployment rate among the female population has been higher since 1992. The latter is indicative of the increasing number of women on the job market.

The pressure on unemployment may ease following the current and scheduled development of Information and Communication Technology (ICT) in Mauritius, large scale infrastructure projects announced in the June 2001 Budget and the likely positive impact on the EPZ sector of the Africa Growth Opportunity Act (AGO).

Inflation

For the financial year 2000-01, inflation declined from 5.3% in 1999-2000 to 4.4%. The major factors contributing to this decline are namely the deceleration in the rate of monetary expansion in the previous financial year, the greater stability of the Rupee and contained inflation in our major trading partner countries.

On a point-to-point basis, the Consumer Price Index increased by 6.8 points during the year. The main causes underlying the increase are higher rates for water charges, price increases of electricity, gasoline, diesel oil, cooking gas, kerosene and higher prices of cigarettes. It is worth noting that unlike previous years, prices of fresh vegetables went down.

Trade Deficit

A provisional figure for trade deficit has been estimated at Rs 11,257m for the financial year ending June 2001. Total exports of goods amounted to Rs 45,065m while imports totalled Rs 56,322m. It should be noted that this deficit is 30.5% lower than that of 2000.

Budget Deficit

Delays in the implementation of some projects have resulted in lower capital expenditure and consequently in lower debt servicing payments on floating USD debts. This has led the government in August 2001 to revise its estimate of the financial year 2000-01 budget deficit from 6.8% as per their November 2000 estimates to range between 6.3% to 6.5% of GDP.

Monetary Policy

Introduced in December 1999, the Lombard and Repo facilities have been designed to expand the set of indirect monetary policy instruments of the Bank

of Mauritius. Following the monetary loosening stance that characterised the financial year 2000, a change in policy was noted in the first quarter of the financial year 2000-01 with two hikes of 0.5% each in September and December 2000 respectively. In line with international trends and coupled with fears of a slowing economy, the Lombard Rate was cut by 0.5 point in May 2001 with a view to boost the economy. At June 30 2001, the Lombard Rate stood at 12%.

Currency Outlook

On an annual average basis, the Dollar appreciated by some 7.5% vis-à-vis the Rupee as compared to 5.0% in 2000. The weak Euro and slight decrease in the strength of the Pound on the international front was reflected in the fact that these currencies depreciated by 3.9% and 1.5% respectively against the Rupee on an annual average basis.

PROSPECTS

In the 2001-2002 Budget, the Minister of Finance announced that the government would provide the necessary leadership to find viable and durable solutions in order to restore confidence in the stock market. The listing of certain state-owned companies would be examined. Furthermore, in an attempt to encourage institutional investors become more active in the local stock market, it was announced in the Budget that the Banking Act would be amended to enable banks invest up to 10% of their capital base in shares of listed companies.

In the 2001-2002 Budget, the Government also conveyed its intention of investing significantly in infrastructural and construction projects. Examples of such projects include the construction of several new state secondary schools, the setting up of the Ebène Cyber City project, housing projects and road networks amongst others. These measures should bode well for the economy in the near future.

Furthermore, the Government recently voted three Acts of Parliament namely the Financial Services Development Act 2001, the Companies Act 2001 and the Trust Act 2001. These new Acts will undoubtedly be of tremendous benefit for the financial services sector in Mauritius. The creation of the Financial Services Commission is expected to facilitate the setting up of an integrated, modern and quality financial market in Mauritius.

The portfolio of the Fund has been gradually re-balanced over the years into a diversified one. We conducted an analysis on the asset allocation and the performance of the Fund over the past four years and are presently considering a new asset allocation going forward. We are conscious that higher return and lower risk can be achieved by constructing a portfolio of local and international investment. The major financial markets have been very volatile in light of the slowing US economy, profit warnings issued by bellwether companies and the terrorist attacks of September 11. We will increase our holding in foreign investment once the principal world stock markets bottom out. Historically, equities have tended to deliver much of their gains in the six months after the major stock market indices have hit their low points. We are carefully taking into account aspects like the mean variance optimizer and combinations on the efficient frontier when choosing our new asset allocation as our objective remains the creation of value for shareholders.

Our unquoted investments have again performed well during the financial year. The valuation of these companies is based on company fundamentals; PLF has benefited from the quality of these investments. Dividends received from these unquoted companies have also been attractive. We remain positive about the prospects of these companies over the next financial year. PLF will increase its holding of unquoted investments accordingly during the year if it is presented with new opportunities to invest in quality companies.

ACKNOWLEDGEMENT

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



Seilendra Gokhool
Chairman
PORT LOUIS FUND LTD

October 30, 2001

We have audited the accounts of Port Louis Fund Ltd set out on pages 15 to 24 which have been prepared under the historical cost convention as modified by the revaluation of investments and on the basis of the accounting policies set out on page 19.

Respective responsibilities of directors and auditors

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1984. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the company as at June 30, 2001 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the appropriate Accounting Standards and comply with the Companies Act 1984.

DE CHAZAL DU MEE & CO
Chartered Accountants

Per M. Yacoob Ramtoola F.C.A.

Port Louis,
Mauritius,
October 30, 2001

	Notes	2001 Rs 000	2000 Rs 000
ASSETS EMPLOYED			
Non current assets			
Investments	2	639,438	680,653
Current assets			
Trade and other receivables	3	3,890	6,776
Short term investments	4	49,798	65,479
Cash at bank		457	03
		54,145	72,338
Current liabilities			
Trade and other payables	5	11,656	19,576
Income tax	6	680	1,267
		12,336	20,843
Net current assets		41,809	51,495
Total Net Assets		681,247	732,148
FINANCED BY			
Capital and reserves			
Share capital	7	631,459	644,688
Revaluation and other reserves	8	11,985	64,062
Retained earnings		37,803	23,398
Shareholders' interests		681,247	732,148
Net assets per ordinary share		Rs 10.70	11.31

The accounts were approved by the Board of Directors on October 30, 2001

S. Gokhool
(Chairman)

G.Y.H. Lassemillance
(Director)

The notes on pages 19 to 24 form an integral part of these accounts.
Auditors' report on page 14.

PROFIT AND LOSS ACCOUNT - YEAR ENDED JUNE 30, 2001

	Notes	2001 Rs.000	2000 Rs. 000
Investment Income		58,473	41,254
Other operating income		1,509	2,421
Total income		59,982	43,675
Administrative expenses		(1,697)	(1,407)
Management fees and other operating expenses	9&10	(5,754)	(5,734)
Profit before tax	12	52,531	36,534
Income tax	6	(683)	(1,286)
Net profit after tax		51,848	35,248
Dividends	13	(37,442)	(26,209)
Profit retained for the year		14,406	9,039
Earnings per share	14	Rs. 0.83	0.58

The notes on pages 19 to 24 form an integral part of these accounts.
Auditors' report on page 14.

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED JUNE 30, 2001

	Share Capital Rs.000	Premium Account Rs.000	Revaluation and other reserves Rs.000	Retained profit Rs.000	Total Rs.000
Balance at July 1, 1999	633,447	(5,712)	(27,701)	14,358	669,794
Net surplus on revaluation of investments	-	-	10,011	-	10,011
Gain on disposal of investments	-	-	26,351	-	26,351
	633,447	(5,712)	64,062	14,358	706,156
Net profit before dividends	-	-	-	35,248	35,248
Dividends	-	-	-	(26,209)	(26,209)
Issue of share capital	80,647	9,250	-	-	89,897
Redemption of share capital	(66,865)	(6,097)	-	-	(72,944)
Balance at June 30, 2000	647,229	(2,541)	64,062	23,397	732,148
Balance at July 1, 2000	647,229	(2,541)	64,062	23,397	732,148
Net deficit on revaluation of investments	-	-	(56,588)	-	(56,588)
Gain on disposal of investments	-	-	3,131	-	3,131
	647,229	(2,541)	10,605	23,397	678,691
Net profit before dividends	-	-	-	51,848	51,848
Dividends	-	-	-	(37,442)	(37,442)
Issue of share capital	38,742	2,737	-	-	41,479
Redemption of share capital	(49,365)	(5,343)	-	-	(54,708)
Provision for preliminary expenses written back	-	-	1,380	-	1,380
Balance at June 30, 2001	636,606	(5,147)	11,985	37,803	681,247

The notes on pages 19 to 24 form an integral part of these accounts.
Auditors' report on page 14.

	Notes	2001 Rs.000	2000 Rs.000
Operating activities			
Cash generated from operations	15(a)	53,633	35,363
Tax paid		(1,271)	(1,455)
Net cash from operating activities		52,362	33,908
Investing activities			
Preliminary expenses		-	(23)
Purchase of investments		(71,636)	(193,452)
Proceeds from sale of investments		44,637	151,145
Net cash used in investing activities		(26,999)	(42,326)
Financing activities			
Issue of shares		41,444	89,665
Redemption of shares		(55,593)	(64,846)
Dividends paid		(37,442)	(26,209)
Net cash used in financing activities		(51,591)	(1,390)
Decrease in cash and cash equivalents		(26,228)	(9,808)
Movement in cash and cash equivalents			
At July 1,		65,561	64,118
Decrease		(26,228)	(9,808)
Transfer from long term investments		10,922	11,251
At June 30,	15(b)	50,255	65,561

The notes on pages 19 to 24 form an integral part of these accounts.
Auditors' report on page 14.

I. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:-

(a) Basis of preparation

The accounts are prepared in accordance with and comply with Mauritius Accounting Standards. The accounts are prepared under the historical cost convention as modified by the revaluation of investments.

(b) Investments

Investments are stated at valuation. Securities listed on the stock exchange are valued at the latest market values at the time of valuation. Unquoted investments are valued by the directors on a cost, earnings or dividend yield basis as appropriate.

Increases and decreases in the carrying amount of investments are credited and charged to and from revaluation and other reserves in shareholder's equity.

Gains and losses arising on the disposal of investments are calculated by reference to the carrying amount of investments disposed and taken to revaluation and other reserves.

(c) Foreign Currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions.

Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account. Such balances are translated at year-end exchange rates.

(d) Income recognition

Income from investments is recognized when the shareholder's right to receive payment is established by reference to the ex-dividend date. Interest is accrued on a day to day basis.

2. INVESTMENTS	EQUITY			FIXED INCOME SECURITIES		
	Listed	Quoted	Unquoted	Listed	Unquoted	Total
(a) Cost/Valuation	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
At July 1, 2000	418,831	349	175,461	60,640	25,373	680,654
Additions	50,436	-	15,693	-	-	66,129
Revaluation adjustments	(70,172)	197	16,162	241	108	(53,464)
Transfer	-	-	-	7,373	(7,373)	-
Transfer to short term investments	-	-	-	(10,922)	-	(10,922)
Disposal at valuation	(42,184)	-	-	-	-	(42,184)
Redemption on debentures	-	-	-	(775)	-	(775)
At June 30, 2001	356,911	546	207,316	56,557	18,108	639,438
Market value	356,911	546	N/A	56,557	N/A	
Directors' valuation	N/A	N/A	207,316	N/A	18,108	

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

(c) The investments disposed of during the year have realised Rs. 42,966,229.

(d) Details of investments in which Port Louis Fund Ltd holds a 10% interest or more are set out below:-

Name of company	Type of share	Country of incorporation	% holding 2001	% holding 2000
Scicom Ltd	Ordinary	Mauritius	12.5	12.5
Le Grand Casino Du Domaine Limitée	Ordinary	Mauritius	20.0	20.0
Maurinet Investment Ltd	Ordinary	Mauritius	13.3	13.3

Investments exceeding 10% of the net assets of Port Louis Fund Ltd >

Name of company	Type of share	Country of incorporation	% of Net Asset		% held	
			2001	2000	2001	2000
State Bank of Mauritius Ltd	Ordinary	Mauritius	14.3	14.4	1.83	1.62
Air Mauritius Ltd	Ordinary	Mauritius	11.0	15.6	6.32	6.51
Scicom Ltd	Ordinary	Mauritius	11.8	9.1	12.50	12.50

3. TRADE AND OTHER RECEIVABLES	2001	2000
	Rs.000	Rs.000
Dividend and interest receivable	2,839	3,785
Other receivables and prepayments	1,051	2,991
	3,890	6,776

4. SHORT TERM INVESTMENTS	2001	2000
	Rs.000	Rs.000
Short term deposits	38,876	54,228
Transfer from long term investments	10,922	11,251
	49,798	65,479

5. TRADE AND OTHER PAYABLES	2001	2000
	Rs.000	Rs.000
Management fees	1,064	1,049
Registry costs	163	163
Redemption of shares	9,775	10,661
Other payables and accruals	654	7,703
	11,656	19,576

6. INCOME TAX	2001	2000
	RS.000	Rs.000
Current tax on the adjusted profit for the year at 15%	680	1,267
Under provision for previous year	3	19
Charge for the year	683	1,286

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basis tax rate as follows:

	2001	2000
	Rs.000	Rs.000
Profit before tax	52,531	36,534
Tax calculated at a rate of 15% (2000: 15%)	7,880	5,480
Expenses not deductible for tax purposes	1,023	819
Income not subject to tax	(8,223)	(5,032)
Under provision for previous year	3	19
Tax charge	683	1,286

7. SHARE CAPITAL	2001 & 2000		
	Rs.000		
(a) Authorized			
120,000,000 ordinary shares of Rs.10 each		1,200,000	
(b) Issued and fully paid	Share Capital	Premium	Total
	Rs.000	Rs.000	Rs.000
At July 1, 2000	647,229	(2,541)	644,688
Issued during the year	38,742	2,737	41,479
Redeemed during the year	(49,365)	(5,343)	(54,708)
At June 30, 2001	636,606	(5,147)	631,459

8. REVALUATION AND OTHER RESERVES	Surplus(deficit)	Gain on	Total
	on revaluation	disposal of	
	of investments	investments	
	Rs.000	Rs.000	Rs.000
At July 1, 2000	24,320	39,742	64,062
Arising during the year	(53,464)	7	(53,457)
Transfer	(3,124)	3,124	-
Preliminary expenses written back	1,380	-	1,380
At June 30, 2001	(30,888)	42,873	11,985

9. MANAGEMENT FEES AND OTHER OPERATING EXPENSES	2001	2000
	Rs.000	Rs.000
Management fees (see note 10)	4,387	4,132
Registry costs (see note 11)	650	525
Brokerage fees	717	1,077
	5,754	5,734

10. MANAGEMENT FEES

An annual global management fee of 1.25% of the fund's Net Asset Value is payable to Capital Asset Management Ltd 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 with a maximum of 1.25% of the Net Asset Value of the Fund.

11. REGISTRY COSTS

Registry costs are payable to SIC Corporate Services Ltd. The fees payable have been increased from Rs. 400,000 per annum to Rs. 650,000 per annum starting April 1, 2000.

12. PROFIT BEFORE TAX	2001	2000
	Rs.000	Rs.000
Profit before tax is arrived at after:		
Crediting:		
Investment income		
- Listed	41,940	20,453
- Unquoted	3,798	5,848
Interest receivable	12,735	14,953
and charging:		
Directors' fees (non-full time)	216	216
Auditors' remuneration	107	91
Staff costs	-	-
	2001	2000
Number of employees at the end of year	-	-

13. DIVIDENDS

The Board of Directors has declared a dividend of sixty cents per share payable to shareholders registered at the close of business on May 28, 2001 (2000 - Rs.0.44 per share).

14. EARNINGS PER SHARE

Earnings per share are based on the net profit for the year of Rs. 51,847,788 (2000: Rs. 35,247,979) and a weighted average of 62,735,160 (2000: 61,006,850) shares in issue.

15. NOTES TO THE CASH FLOW STATEMENT	2001	2000
	Rs.000	Rs.000
(a) Cash generated from operations		
Reconciliation of profit before tax to cash generated from operations :		
Profit before tax	52,531	36,534
Adjustments for:		
Changes in working capital:		
- trade and other receivables	1,250	(1,462)
- trade and other payables	(148)	291
Cash generated from operations	53,633	35,363
(b) Cash and cash equivalents	2001	2000
	Rs.000	Rs.000
Cash at bank	457	83
Short term investments	49,798	65,478
Cash and cash equivalents	50,255	65,561

16. STATUS AND REGISTERED OFFICE

The company is an open-ended fund and was incorporated on June 9, 1997 as a public company with limited liability. The company has obtained approval from the Ministry of Finance to be an Authorised Mutual Fund under Section 35 of the Companies Act 1984. The company's registered office is 15th Floor, Air Mauritius Centre, 6 President John Kennedy Street, Port Louis.

17. FINANCIAL SUMMARY

	2001	2000	1999	1998
	Rs.000	Rs.000	Rs.000	Rs.000
Issued and fully paid up share capital	636,606	647,229	633,447	648,549
Premium account	(5,147)	(2,541)	(5,712)	959
Reserves				
- Capital	11,985	64,062	27,701	77,367
- Revenue	37,803	23,397	14,358	4,341
Investment income	58,473	41,254	40,158	36,052
Profit before tax	52,531	36,534	35,640	31,611
Tax	683	1,286	1,429	1,950
Profit after tax	51,848	35,248	34,211	29,661
Dividends paid	37,442	26,209	24,194	25,320
Earnings per share	0.83	0.58	0.56	0.46
Number of shares used in calculation at Rs. 10 each (000)	62,735	61,007	61,473	64,179