



INVESTMENT VARIABLE CAPITAL COMPANY
NSEL 30 INDEKSO FONDAS

FINANCIAL STATEMENTS
FOR THE YEAR
ENDED 31 DECEMBER 2002

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Dear Shareholder,

We are pleased to report a gain for our first full year of operations after all expenses. Net asset value per share was 895.92 at the end of 2002. Net asset value per share as of year-end 2001 was 891.14. As I write this letter, the February 14th closing value is 966.39; up 7.86% from year-end. At last the stock market is beginning to recognize the strong economic rebound for Lithuanian companies.

The Economy

According to preliminary calculations of Department of Statistics, GDP growth was a strong 5.9% in 2002. Foreign direct investment grew 18 percent. For the year, consumer prices dropped 1%. Excluding oil, producer prices fell 4.2%. After a 31.6% increase in the cost of oil products, total producer prices were up 2.1%. Unemployment declined 1.2% to 11.3%.

Interest rates fell to levels never before seen or imagined. One year treasury rates at year end were about 3.24%, down from 4.57% last year. At 2000 year end, they were 9.90%; at year end 1999 at 15%.

Today you see construction of apartment buildings and hotels everywhere. A favorable change in the tax laws brought a 30% increase in auto sales by mid-year. With low interest rates, consumers and banks have discovered the mortgage business. Credit cards have appeared. Consumer extravaganzas like *Akropolis* have been built and are packed with shoppers. Consumerism has arrived.

In February, the Litas changed its peg at 4 to 1 to the dollar to 3.4528 to the Euro. This took place at the bottom of the Dollar/Euro relationship (\$0.87). This was a major economic blunder. Companies were suffering a competitive disadvantage as the dollar rose. However, changing to the euro at this time was like selling at the market bottom. (I explained this to all who would listen at the time but the march to the European Union appears unstoppable.) When the Euro rose 25% by year end against the dollar, no competitive advantage was gained since they had locked in the highest rate. However, companies with sales in dollars and sales to the U.S. took a major hit; especially the dairy companies.

Political Review

In September, Lithuania was invited to join NATO. It also continues to enjoy better relationships than other Baltic countries with Russia and Belarus although there are long term geographic difficulties. In December, the Lithuanian public and press were shocked by a electoral surprise of R. Paksas over incumbent V. Adamkus. We think this is very positive. R. Paksas is against bureaucracy and onerous taxes. He brings welcome changes. Many cabinet ministers and government officials don't even know their primary responsibilities or say they can do nothing because of existing laws.

For example, there is no mechanism for adjusting for stock splits, dividends, or distributions in the stock market. It is caveat emptor. It is the primarily responsibility of a stock exchange to provide fair prices for a market without manipulation. However, in a reply to us, the Chairman of the Stock Exchange said it was the responsibility of the brokers to adjust prices for splits!

In a meeting with R. Paksas when he was the outgoing Prime Minister, I stressed that joining the European Union was a major mistake. There are 91,000 EU laws. Even the EU says 25,000 of them are obsolete and they hope to end them over the next few years. In our investing, we are seriously burdened with many impossible and ridiculous requirements which are completely inappropriate for an emerging market. For example, Lithuania has a law that you can't issue new shares below the face value. We are told that this is the EU law and that's why Lithuania has this law too and won't get rid of it. Most companies in the Lithuanian stock market are trading way below book value. They are unable to raise new capital and expand. You can, however, issue new shares to some insiders below the market value (but not the face value) and hurt the rest of shareholders. These rules are against free markets, anti competitive, and illogical in a modern context. The man of Europe has been only able to average 1% GDP and can't get its unemployment below 10% for 20 years. Lithuania's 6% GDP is a dream. Why should Lithuania give up innovation and its future? NATO provides security. EU is an economic disaster.

Stock Market Review

With the economy in its second year of rebound and interest rate at extreme lows, we should be enjoying huge gains in stocks. This is just now developing slowly as there is no stock market culture in Lithuania. Despite obvious economic success, sentiment of consumers and business continue to be overly depressed. In December, consumer confidence index was -14 in urban areas and -18 in rural areas; close to a record low but improving. If you use the starting live NSEL 30 index* value of 100 as of 3/31/00, the stock market hit a high of 103.10 on April 3rd 2002 and a low of 93.65 on February 12th 2002; trading in a narrow range all year. The NSEL 30 index was up 3.05% for the year. The LITIN G was up 6.61%, the LITIN 10 up 17.39%. The LITIN was down 12.80%. In general, the LITIN indices are not of much use and are contradictory. Our broad based index of 30 investable stocks by market cap float on which our index fund is based provides the true situation. *Bloomberg* is now carrying the NSEL30 as the index for Lithuania. The biggest winner last year was *Klaipėdos Baldai* (KBAL), up 160.35%. The second biggest winner was *Snaigė* (SNAI), up 158.10%. One convenient feature of the index fund is that it captures the full gain as the price rises. The best stocks become the bigger positions in the fund while losers and poor performers become of lesser importance automatically.

Fund Performance and Expenses

Our fund's performance before expenses and fees closely tracked the index. Our operating expenses and fees of 40,423 Litass (including 10,113 prepaid expenses at start up by the founder) were reduced from 66,490 as we cut marketing expenses, in particular a large fee charged for advertising on the Stock Exchange opening web page. Our expense ratio is now at 2%, with a 1% management fee which was our planned target. As the fund grows in size, the expense ratio will fall quickly. From time to time, we incur legal expenses as we fight to protect the minority rights of shareholders against the manipulation of large shareholders and inside management. A common understanding by regulators, judges and company management on what is proper behaviour with regard to minority shareholders is still lacking here. This is money well spent as it is in the best interests of investors and what is good for investors is good for the stock market, which is good for our fund and good for Lithuania.

* NSEL 30 index is composed of 30 common stocks of Lithuanian companies that have the highest free-float market capitalization and are listed on the Lithuanian National Stock Exchange.

Outlook

Extremely positive and promising for the stock market. Valuations continue to be among the lowest I have ever seen anywhere. For a situation of no inflation, a surging economy, a stable currency, and a stable democratic society, such cheap stock prices are once in a lifetime. It just doesn't get any better!

In 2003, the corporate tax on dividends was cut from 29% to 15%. *Vingis*, one of the better large companies, announced a 17% dividend. Once the public understands they can get a return from dividends that is 4 times that of government treasures, they will discover stocks.

Our index fund provides several important functions. It participates in the growth and success of Lithuania and its economy. It provides safety through diversification, and most important, it provides liquidity. Many stocks remain illiquid with very high spreads between the bid and ask of 6% or more. There are often no sellers, and/or no buyers as no one shows their true position. The stock exchange doesn't have market makers as you can't own a seat on the exchange. Only brokerage firms can participate. Independent and institutional traders don't exist. The laws and regulators don't know what a portfolio manager is.

In such an environment, the index fund provides an extremely convenient, fast, and cheap way to invest. If you need your money back, you can get it almost as quickly as going to the bank. We don't encourage speculating on short term market timing so we have a small fee that disappears if you invest for a longer time. However, that fee is less than what a bid/ask spread would cost you + broker commissions if you were selling the underlying stocks directly.

As the largest shareholder, I look forward to our future mutual success.

Sincerely,



MAX ZAVANELLI
Chairman of the Board

I. GENERAL INFORMATION

1. Main data about the Fund.

Name	<i>NSEL 30 Indekso fondas</i>
Registered office	Konstitucijos Ave. 23-513, LT-2600 Vilnius, Lithuania
Telephone number	+370 5 2731649
Fax number	+370 5 2731659
E-mail address	fund@indexfund.lt
Internet address	www.indexfund.lt
Legal organization form	Investment variable capital company
Date and place of registration	21 August 2000, Ministry of Economics of the Republic of Lithuania
Date and place of permit for activities	26 January 2001, Securities Commission of the Republic of Lithuania
Registration No	UĮ 2000-271
Code in the Register of Enterprises	1171335
Permit for activities No	IKKB01

2. Persons responsible for the accuracy of information in the report.

NSEL 30 Indekso fondas, represented by Mr. Marijonas Ročius, the Director General of the Management Company of the *NSEL 30 Indekso fondas*, and Dainius Minelga, the Chief Accountant of the Management Company of the *NSEL 30 Indekso fondas* hereby confirms, that information contained in the report is true and there are no suppressed facts which could have an impact on investor's decisions to buy or sell the Fund's securities, as well as the market price of those securities and their valuation.

Report and other documents on the basis whereof this report was prepared are available at the *NSEL 30 Indekso fondas*, in Vilnius, Konstitucijos Ave. 23-513, on business days from 10 a.m. till 6 p.m.

The report is prepared in Vilnius, March 2003.

II. SHARES AND SHAREHOLDERS

3. Shares.

On 31 December 2002, the net assets of the Fund was 1,316,997 Litass (LTL). It was divided among 1,470 shares.

High	LTL*	952.05	3 April 2002
Low	LTL	863.95	26 June 2002
Beginning of year	LTL	891.14	31 December 2001
End of year	LTL	895.92	31 December 2002

4. Shareholders.

The total number of shareholders of *NSEL 30 Indeksas fondas* as of 31 December 2002 was 18.

The following shareholders hold more than 5 percent of the Fund's share capital as of 31 December 2002:

Name and surname of persons (name of enterprise)	Number of shares owned by the right of ownership	Part in the share capital (%)	Part of votes given by the shares owned by the right of ownership (%)	Part of votes held together with persons acting together (%)
Max Edward Zavanelli	1120	76.19	76.19	88.57
ZPR International Inc.	167	11.36	11.36	88.57

* 1 Euro = 3.4528 LTL (fixed rate since February 2002)

III. PORTFOLIO OF INVESTMENTS

5. Portfolio statistics.

Characteristics*	12/31/2002	12/31/2001
Net Assets (NAV) (Litas)	1,316,997	1,266,316
Annual average NAV (Litas)	1,303,326	1,049,918
NAV per Share (Litas)	895.92	891.14
Stocks	96.51%	97.46%
Cash	3.91%	2.99%

Top Ten Holdings*	12/31/2002
Ekranas	12.11%
Snaigė	11.77
Rokiškio sūris	8.42
Lietuvos telekomas	7.00
Vilniaus vingis	6.18
Lietuvos dujos	4.36
Pieno žvaigždės	4.33
Mažeikių nafta	3.81
Žemaitijos pienas	3.69
Klaipėdos nafta	3.62
Total:	65.29%

Top Five Sectors*	12/31/2002
Electric and Optical Equipment	30.06%
Dairy Products	16.44
Banking	10.03
Oil and Petroleum Products	7.43
Telecommunications	7.00
Total:	70.96%

* Weightings represent percentages of investment portfolio of the Fund as of the dates indicated. The Fund's portfolio is passively managed; its composition will vary every quarter.

6. Composition of Investment Portfolio.

As of 23 January 2001, the Fund composed its investment portfolio of 30 biggest free float capitalization stocks listed in the National Stock Exchange of Lithuania.

As of 31 December 2002, the Fund's investment portfolio was as follows:

Common stocks - 96.51%.

Number of Shares		Value (Litas)	Weight*
<i>Electrical and Optical Equipment - 30.06%</i>			
26,084	Ekranas	153,896	12.11%
1,609	Snaigė	149,637	11.77%
11,383	Vilniaus vingis	78,543	6.18%
<i>Dairy Products - 16.44%</i>			
4,458	Rokiškio sūris	106,992	8.42%
47,015	Pieno žvaigždės	55,008	4.33%
4,993	Žemaitijos pienas	46,934	3.69%
<i>Banking - 10.03%</i>			
952	Šiaulių bankas	45,220	3.56%
12,659	Bankas Snoras	44,433	3.50%
12,327	Ūkio bankas	37,844	2.98%
<i>Oil and Petroleum Products - 7.43%</i>			
69,183	Mažeikių nafta	48,428	3.81%
170,412	Klaipėdos nafta	46,011	3.62%
<i>Telecommunications - 7.00%</i>			
98,874	Lietuvos telekomas	88,987	7.00%
<i>Electricity - 5.81%</i>			
42,713	Lietuvos energija	32,035	2.52%
30,209	Rytų skirstomieji tinklai	22,657	1.78%
25,582	Vakarų skirstomieji tinklai	19,187	1.51%

* Weightings represent percentages of investment portfolio of the Fund as of the dates indicated. The Fund's portfolio is passively managed; its composition will vary every quarter.

Common Stocks (Continued)

Number of Shares		Value (Litas)	Weight*
<u>Transport - 5.14%</u>			
108,309	Lisco Baltic Service	38,991	3.07%
42,225	Klaipėdos transporto laivynas	16,890	1.33%
66,983	Lietuvos jūrų laivininkystė	9,378	0.74%
<u>Natural Gas Supply - 4.36%</u>			
37,170	Lietuvos dujos	55,383	4.36%
<u>Beverages - 3.67%</u>			
20,807	Alita	19,767	1.56%
4,382	Stumbras	18,404	1.45%
23,950	Anykščių vynas	8,383	0.66%
<u>Light Industry - 2.97%</u>			
11,446	Utenos trikotažas	30,332	2.39%
17,500	Linas	7,350	0.58%
<u>Furniture - 2.28%</u>			
2,281	Vilniaus baldų kombinatas	14,849	1.17%
4,470	Klaipėdos baldai	14,081	1.11%
<u>Paper Products - 1.59%</u>			
32,000	Grigiškės	20,160	1.59%
<u>Chemicals and Chemical Products - 1.24%</u>			
3,747	Sanitas	15,737	1.24%
<u>Ceramics - 1.10%</u>			
7,957	Dvarčionių keramika	13,925	1.10%
<u>Investment - 0.86%</u>			
29,662	Invalda	10,975	0.86%

* Weightings represent percentages of investment portfolio of the Fund as of the dates indicated. The Fund's portfolio is passively managed; its composition will vary every quarter.

IV. FINANCIAL STATEMENTS

The following financial statements of *NSEL 30 indekso fondas* are prepared in accordance with the General Accounting Principles and audited by the auditors.

Statements are in Lithuanian currency Litas.

7. Balance Sheet.

The Fund started its activities in second half of 2000. The public distribution was started on April 9, 2001.

Assets	12/31/2002	12/31/2001	12/31/2000
Long-term Assets			
Short-term Assets:	1,322,593	1,281,588	1,001,030
Prepaid expenses		9,616	
Value of investment portfolio	1,271,059	1,234,158	984,157
Cash at bank and in hand	51,534	37,814	16,873
Accrued Income and Deferred Charges	254		2,037
Total Assets	1,322,847	1,281,588	1,003,067
Shareholders Equity and Liabilities			
Shareholders Equity:	1,316,997	1,266,316	1,002,903
Long-term liabilities			
Short-term liabilities:	3,775	5,656	164
Accounts payable	3,775	5,656	11
Taxes			153
Total Liabilities:		5,656	164
Accrued expenses and other liabilities	2,075	9,616	
Total Shareholders Equity and Liabilities	1,322,847	1,281,588	1,003,067

Comments to Balance sheet:

Fund has no physical assets of its own. Management Company *Investicijų portfelijų valdymas* is running the Fund.

8. Statement of Changes in Net Assets.

	For the Years Ended December 31,	
	2002	2001
1. Value of shares issued	66,495	354,691
2. Value of shares redeemed	(14,325)[@]	
3. Investment income:		
3.1. Bank deposit interest	43	164
3.2. T-Bill interest		3,081
3.3. Dividends	18,392	18,997
Total investment income	18,435	22,242
4. Realized gain (loss)	(69,514)	106
5. Gain (loss) from securities	90,013	(47,136)
6. Operating expenses:		
6.1. Marketing		30,384
6.2. Organization cost		6,993
6.3. Legal fees and expenses	3,186	8,520
6.4. Audit	4,720	4,720
6.5. Investment management fee	13,046	8,746
6.6. Brokerage fee	3,604	4,015
6.7. Custodian fees and expenses	5,426	3,026
6.8. Other expenses	308	86
6.9. Prepaid expenses for marketing	9,133 ^β	
6.10. Prepaid legal expenses	1,000	
Total operating expenses	40,423	66,490
Net Assets		
Beginning of year	1,266,316	1,002,903
End of year	1,316,997	1,266,316
Net Assets per share		
Beginning of year	891.14	N/A ^γ
Start of public distribution (April 9, 2001)		955.68
End of year	895.92	891.14

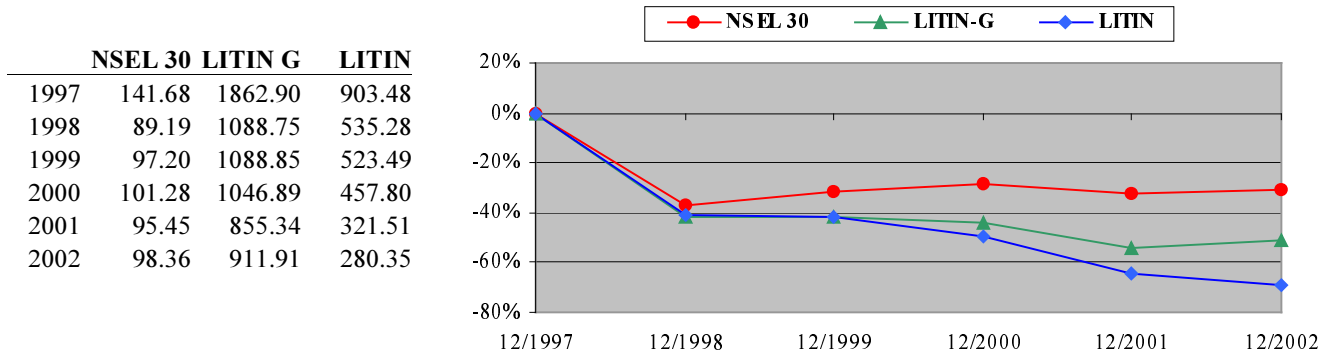
[@] Shares were redeemed at a profit to the investors.

^β Paid by the founder before start of public distribution of the Fund shares.

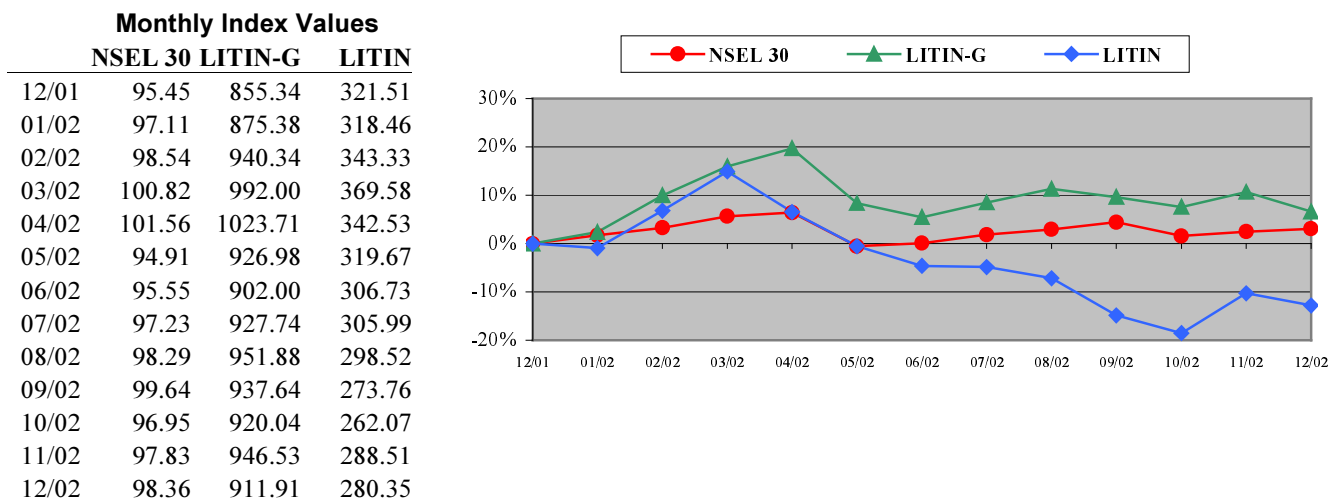
^γ Founder's capital. Net asset value per share at the beginning of year 2001 was 1,002.90 before start-up expenses waiting for permission from SEC to start activities.

THE FUND'S PERFORMANCE GRAPHS

Historical Performance of NSEL 30, LITIN G and LITIN Indices (12/1997 – 12/2002)



NSEL 30 Index Comparison to LITIN G and LITIN in 2002



NSEL 30 Index and the Fund's Share Price in 2002

