STATE TRADING CORPORATION

ANNUAL REPORT

2011

The **State Trading Corporation (STC),** the trading arm of the Government of Mauritius, is responsible for the importation of essential commodities, such as Petroleum Products, Liquefied **Petroleum Gas, Rice** and **Wheat flour** with a turnover of more than USD 1.5 Billion.

better together... we aim higher

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STC at a Glance

CORPORATE VISION

To be the undisputed leader and the benchmark Trading Organisation within the Indian Ocean region, specializing in the Import and Distribution of basic and essential commodities including, but not limited to Foodstuffs, Petroleum Products and Construction Materials.

CORPORATE MISSION

Products/Services Aspect

To ensure the continuous supply and provision of, but not limited to foodstuffs, construction materials and petroleum products, competitively and backed with added value services based on STC Act 1982 with amendments.

Customer/Consumers Aspect

As a socially responsible organisation, we shall efficiently and effectively distribute the basic and essential commodities that meet national needs and international trading challenges while continuingly enhancing our trade relationship with customers and consumers.

Geography

Our supply of basic and essential commodities shall mainly cover Mauritius and its Outer Islands but will seek export opportunities to neighbouring countries of the Indian Ocean region.

Technology

To make full use of IT/ICT equipment means, methods and techniques to transform STC into an IT based operating organisation with a well established International network thus being a global trading platform.

Human Capital

To continue foster a team-oriented work environment that enhances employee morale, expands opportunities for career growth and empower personnel through adequate capacity building and manage talents to unleash potentials.

QUALITY **POLICY**

In line with the STC Act 1982, the Organisation shall fully commit itself in the continuous supply of Foodstuffs, Construction materials, Petroleum products and any such commodities that shall meet the needs and expectations of the nation and the region.

The established Quality Management System based on the current applicable ISO Standards shall be used as framework to continually improve the management system, operating processes and enhancement of Customer Satisfaction.

Set Quality Objectives shall be objectively reviewed to ensure continual improvement of our service delivery.

This policy shall be understood and implemented by all personnel and will be reviewed at least once a year to ensure its continued suitability.

Chairperson's **Report**

It is an honour for me to be the new Chairman of the State Trading Corporation (STC). I am grateful to the Government for having entrusted me with this responsibility.

I wish to thank my predecessor, Mrs Anuradha Appadoo, for her contribution to the good performance of the organisation. I extend my appreciation to the Management and to the Staff for their dedicated efforts in bringing positive results.

My chairmanship will articulate around the following principles and actions: good corporate governance, risk management, work ethics and integrity, and effective communication.

To better face the challenging times ahead of us, it is important for the Board to enact the spirit and values behind corporate governance principles. We need to set good practice in terms of accountability and efficiency within the corporate structure through the establishment of well-defined policies and strategies for the Management.

In an organisation like STC, which deals with products of strategic importance for the country, I believe that risk management should be at the heart of management. Risk management can be a corporate governance premium as the Board determines the risk appetite of the organisation. Since all our activities contain an element of risk, we must get prepared to unforeseen events so as to mitigate the impact of price volatility and to ensure that the country is well supplied with quality products at all time.

Values are essential to an organisation. Since STC operates in a commercial environment, it is crucial that officers and executives at all levels observe strict commitment to work ethics and integrity. This will give credibility to the Corporation.

Finally, whenever there is a need to communicate to the population, an organisation must do it effectively. Our website can be used more actively to promote public awareness about the activities of STC.

Let me conclude in stating that under my chairmanship the Board is fully committed to ensure that the STC be run smoothly according to good corporate governance principles and to best management practices.

Eric Ng Ping Cheun
Chairperson

Report from **CEO**

The State Trading Corporation (STC) finally emerged from a prolonged spell of financial stress in 2011. The worst period in its history began in 2008 with the food price crisis and the oil price shock preceding the global economic crisis.

Unfortunate hedging covers for Gasoline and Gas Oil set back the Corporation by a hefty Rs5 billion. It was decided to recover the amount so lost at the rate of Rs100 million monthly by a charge of Rs3.00 per litre on the retail price of these products. That was to take 50 months ending May 2012. However, at the request of the Ministry of Finance, and as an effort to control inflationary pressure then building up strongly, the charge was relieved in March 2011 by Rs2.00 for Gas Oil and Rs1.75 for Gasoline per litre.

This decision translated into a Rs615 million shortfall in revenue on this count alone for the year 2011.

Nevertheless, total revenue grew by 29 % to attain Rs37.2 billion for the 12 month period.

A net surplus of Rs733 million was achieved for the year and transformed the accumulated deficit of Rs529 million into a Rs209 million surplus.

Outstanding borrowings of Rs1.2 billion and bank overdrafts of Rs0.3 million were fully repaid.

Petroleum Pricing System

The Automatic Pricing Mechanism (APM) was frozen as from October 2010 and retail prices remained unchanged until January 2011 when it was finally replaced by the Petroleum Pricing System (PPS), an entirely new mechanism.

The main objective of the system was to bring much-needed stability to the retail prices of Gasoline and Gas Oil on the domestic market. The new mechanism was found effective in containing and mitigating inherent price fluctuations by the play of a Price Stabilization Account for each product. Inspired by the observation that oil price patterns fluctuate enormously in the short term but smooth out over time, the new system eliminated the monthly price changes equated to a perpetual swing of the pendulum which had characterized the APM.

Report from **CEO**

The monthly APM exercise resulted in alternate price increase and price decrease. A price increase resulted in windfall gains being achieved on stocks held by oil companies and filling stations. All proceeds received by STC for windfall gains had to be accounted in the price. This caused a decrease in price paid and consequently induced a retail price decrease in the following APM exercise. The price decrease would then result in windfall losses. The amount dished out by STC to compensate for the windfall losses would then inflate the price paid on imports the following month. In turn, this would cause an increase in retail prices.

The cycle was thus artificially self-perpetuated regardless of normal amplitudes of import price fluctuations.

STC found itself disbursing fully for windfall losses but had difficulties recouping windfall gains, especially from filling stations. With the prices stable over one year since March 2011, such windfall losses were not experienced.

Price increases alternated by price decreases on the market in a year also added to destabilize prices of goods and services influenced by fuel prices. The fuel price increases were almost always good excuse for other price hikes. However, the alternate price decreases did not have the corresponding effect on those same prices.

The new stability of fuel price on the market, despite its extremely high volatility on the world market, might therefore have contributed to contain artificial inflation.

Purchase of Foreign Currencies

STC pays for the importation of Petroleum Products, Liquefied Petroleum Gas (LPG), Flour and Rice in US Dollars. For the calendar year 2011, STC has purchased all its dollar requirements from the Bank of Mauritius (BOM) at competitive rates.

Since STC was the largest buyer of US$ from the market, and the timing and deadlines of its foreign currency requirements were no secret, it contributed to adding much pressure on the market; exchange rates often remaining at high levels until STC had purchased all of its requirements for its huge oil bills in particular. By drawing its requirements from the BOM, the market was relieved of that periodic pressure. BOM would itself buy from the market not at the precise regular timings of STC's deadlines for payment but at its own leisure.

Not only did the Corporation benefit from better exchange rates but the market itself appeared became stable when STC stopped chasing individual banks for foreign currency to meet its obligations. The impact of this major shift in practice over control inflation in the Mauritian economy remains to be studied and analyzed.

It has definitely contributed in stabilizing the retail prices of Gasoline and Gas Oil for the year as the last revision in prices of these products has been effected on 30 March 2011.

Report from **CEO**

Subsidy on Rice, Flour and Liquefied Petroleum Gas (LPG)

Wheat prices soared and flour tender prices increased from US$381 to US$503 per ton necessitating a disbursement of Rs426 million in subsidies compared to Rs178 million in 2010 to maintain retail price at Rs5.85 per ½ kg fixed in December 2008. STC sold 99,891 tons of wheat flour on the market during the year.

Subsidy on Ration Rice increased from Rs96 million to Rs132 million for a total volume of 19,902 tons to maintain retail price at Rs5.40 per ½ kg fixed as far back as July 2006.

To maintain LPG at same price of Rs300 a 12-kg net cylinder also fixed in December 2008, STC injected Rs611 million in subsidy on this product compared to Rs444 million a year earlier. This price was increased to Rs330 with effect from 3 March 2012.

Introduction of Gas Oil 500ppm Sulphur

In line with Government policy to promote Maurice Ile Durable, the Corporation worked towards reducing the level of air pollution by decreasing the sulphur content in Gas Oil (Diesel) from 2500 ppm to 500 ppm in August 2010.

During the year 2011, STC decided to further shift from Gas Oil 500 ppm to a Gas Oil with 50 ppm for land transport sector usage. With effect from March 2012, this change has now been effected.

The importation of this new grade of Gas Oil has benefited the country. The emission of carbon dioxide has been reduced thus having a greater impact on the corrosion and wear of engine systems.

Health exposure risks such as respiratory disease, cardiovascular problems, asthma and cancer will decrease with the cleaner fuel on the market.

Procurement of Rice

STC has reviewed its purchase policy of rice. We are now importing in small lots of 1,000 to 6,000 metric tons through international quotations. STC officials travel to check the milling, packing and stuffing processes and ensure that good quality rice is supplied to STC.

It is to be noted that though STC invites quotations for rice with 25% broken, with this system STC is obtaining better quality of rice, where the percentage broken is as low as 6% to 10%. Rice is double-polished with practically no foreign matter and under-milling.

Since the price of rice is volatile, STC is taking advantage of the world market price by buying small lots when prices are high and larger volumes when prices are low. In so doing, subsidy on rice is reduced.

Report from **CEO**

Contribution to Road Development Authority (RDA)

An amount of Rs740 million has been collected from the charge on Gasoline and Gas Oil price structures, and was paid to the Road Development Authority during the year 2011.

Rodrigues Subsidy

To support transportation and storage costs of petroleum products to Rodrigues, an amount of Rs21 million was collected from the charge on Dual Purpose Kerosene, Gasoline and Gas Oil price structures and paid to the Ministry of Rodrigues through the Accountant General.

Enterprise Resource Planning (ERP)

STC has embarked in ERP project - an integrated system to improve all processes in the organization. This has contributed to greater economic efficiency and productivity.

STC has boldly faced testing times and is now emerging as a stronger national provider of basic foods. We wish to place on record Management's appreciation of the dedicated combined efforts of its team and the staff in general who contributed immensely to positive results and satisfactory performance of STC in its mission for the benefit of all its stakeholders.

Megh Pillay, C.S.K.
CEO

Corporate **Governance**

The purpose of setting up the State Trading Corporation (STC) as a para-statal body was to provide the Corporation with the commercial freedom that it requires while trading in a global business environment and which has become more complex and aggressive. The purpose of Corporate Governance for the STC is to nurture the spirit of enterprise in its Board and Management while maintaining a high level of accountability, transparency and integrity. These core values have been embedded in the business policies, procedures and practices.

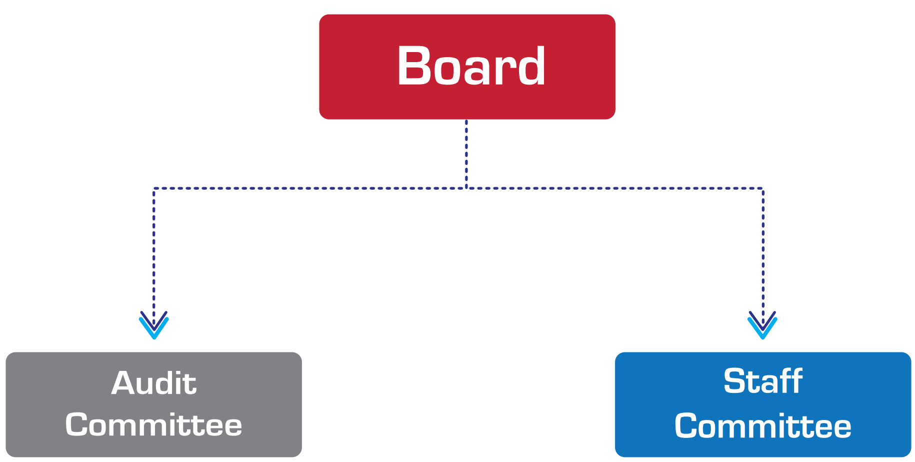
An integrated approach to Governance has been adopted that balances economic and social goals and between individual and communal goals. The governance framework is to promote efficient use of resources but equally providing greater accountability for the stewardship of those resources.

We believe in the emerging consensus of high standard of Governance that is required to achieve the objectives but without being detrimental to the interest of other stakeholders of the Corporation, inter-alia customers, creditors, suppliers, employees and the Government.

Reporting Structure

The Corporation has a Unitary Board, headed by a Chairman with eight members constituting of representatives of different Government Ministries/Departments as well as members nominated by the Minister.

To enable the Board to give closer attention to important issues facing the Corporation, two sub-committees have been created.



The memberships in these committees have been made on the basis of experience, skills and competences of members. As required by the Code of good Governance, the Chairperson does not participate in these committees.

Corporate **Governance**

Audit Committee

The role of the Audit Committee is to oversee the external and internal financial reporting issues, including internal control over reporting and relationship with auditors.

During **January 2011 to December 2011**, the members of the Audit Committee were:-

1. C. Rogbeer (Chairman)
2. M. Nathoo (Mrs) (Left 7 September 2011)
3. I. Bonomaully
4. A.K.F. Lan Hing Choy
5. J. Lam Choo

The Committee met once during the year on 22 February 2011 to review the internal and external audit reports. Recommendation made, have as far as practicable been implemented forthwith by Management.

Staff Committee

The role of the Staff Committee is to provide an efficient mechanism for the detailed examination of the selection and appointment process of officers of the Corporation.

During the year under review the following were the members of staff committee:-

1. A.C. Moosuddee
2. A.K.F. Lan Hing Choy
3. J.H. Lamvohee
4. J. Lam Choo

During the year the Staff Committee met **thrice**.

Board Roles

The code of Corporate Governance requires the Corporation to be *"headed by an effective Board, which is collectively responsible for the success of the organisation"*. Board members are expected to take decisions in the interest of the Corporation, with no conflict of interests and as well contribute constructively to Board decision with their well considered views.

Corporate **Governance**

The role of the Board is to :-

- Provide entrepreneurial leadership
- Set strategic decisions
- Ensure necessary resources are in place to achieve objectives
- Review Management performance

During the year 2011 the Board met 5 times under the Chairmanship of Mrs. A. Appadoo.
Major decisions were taken on:-

1. Procurement of strategic products of national importance namely, Petroleum Products, Rice, Flour, Cement, and LPG;
2. Financing structures of Working Capital; and
3. Intervention into new products

Board Meeting and Sub-Committees

The members of the Board and Sub-Committees for the year ended 31 December 2011 were as follows:-

Name	Board	Audit Committees	Staff Committee
A. Appadoo (Mrs)	√		
A.C. Moosuddee *(Left May 2011)* A. Burrenchobay (Ms) *(June 2011)*	√		√
I. Bonomaully	√	√	
M. Nathoo (Mrs) *(Left in September 2011) No Firm representative from the Ministry of Agro-Industry*	√	√	
D. Dassaye *(left January 2011)* D. Moosoohur (Mrs) *(Joined in February 2011)*	√		
C. Rogbeer	√	√	
A.K.F. Lan Hing Choy	√	√	√
J. H. Lamvohee	√		√
J. Lam Choo	√	√	√

Corporate **Governance**

Remuneration of Members

During the financial year a total amount of MUR 725,400 has been paid as Directors fees.

Risk Management

An Enterprise Risk Management Framework has been developed for managing risks in the Corporation.

Attendance of members of the Board and Sub-Committees for the year ending 31 December 2011 was as follows:-

Name Number of meeting	Board	Audit Committees	Staff Committee
Total Number of Meetings	**5**	**1**	**3**
Chairperson			
A. Appadoo (Mrs)	3		
Ministry of Industry & Commerce			
A.C. Moosuddee *(Left June 2011)* A. Burrenchobay (Ms) *(As from June 2011)*			3
Ministry of Finance & Economic Development			
I. Bonomaully	5	1	
Ministry of Agro-Industry & Food Security			
M. Nathoo (Mrs)	3	Nil	
Ministry of Energy & Public Utilities			
D. Dassaye *(Left January 2011)* D. Moosoohur (Mrs) *(Joined in February 2011)*	1 3		
Mauritius Ports Authority			
C. Rogbeer	5	1	
Members appointed by the Minister			
A.K.F. Lan Hing Choy J. H. Lamvohee J. Lam Choo	1 3 2	Nil 1	Nil 3 3

Director's **Profile**

Anuradha APPADOO (Mrs) (BA, MBA] UK
Chairperson

She was appointed as Chairperson of the State Trading Corporation since May 2006.

Mrs Appadoo is the Director and Trainer of the Competency Co. Ltd, the local representative of Dale Carnegie Training and has more than 15 years experience at Managerial Level in a wide ranging sector.

She was actively involved in the following:

i) AMFCE (Association Mauricienne des Femmes Chef D'Entreprise).
ii) Member of the core team of WIN (Women in Networking).

Abdool Cader MOOSUDDEE
Ag. Permanent Secretary, Ministry of Industry & Commerce

Mr Moosudee joined in August 2010 as representative of the Ministry of Industry & Commerce

He left in May 2011.

Asha BURRENCHOBAY (Ms) B.A Jt (Hons), MBA
Permanent Secretary, Ministry of Industry, Commerce and Consumer Protection

Ms Burrenchobay joined in June 2011 as representative of the Ministry of Industry, Commerce and Consumer Protection.

She holds the following qualifications:

B.A Jt (Hons) French and Politics, University of Hull, UK (1979).
Diploma in Public Administration, University of Mauritius (1987).
Post Graduate Diploma in Managerial Studies, MANCOSA, South Africa (2005).
Master in Business Administration, MANCOSA, South Africa (2007).

She has served as Administrative Officer/Assistant Secretary (1985 – 1997); Principal Assistant Secretary (1996 – 2004) in different Ministries such as:

National Solidarity & Senior Citizen's Welfare; Prime Minister's Office (Private Office & Home Affairs Division); Ministry of Fisheries; Ministry of Commerce & Consumer Protection; Ministry of Education & Human Resources; Ministry of Industry, SME, Commerce & Cooperatives (Commerce Division); Ministry of Finance & Economic Development; Ministry of Housing & Lands; Ministry of Foreign Affairs, Regional Integration and International Trade; Ministry of Business, Enterprise, Cooperatives & Consumer Protection. She has been promoted as Permanent Secretary since 2004.

She was the Chairperson of Accreditation Committee (MAURITAS).

She was also Member on the following Boards:

Enterprise Mauritius (EM); State Trading Corporation (STC); Fashion and Design Institute (FDI).

Director's **Profile**

- **Ishwarlall BONOMAULLY,** FCCA, MSc Finance (UOM)
  Lead Analyst, Ministry of Finance & Economic Development

Mr I. Bonomaully joined STC since April 2010 as representative of the Ministry of Finance and Economic Development.

He started his career as Inspector of Taxes (then Income Tax Dept);
Joined Management Audit Bureau as Accountant in 1992; conducted a number of management reviews and other consultancy exercises on Ministries/ Government departments and parastatal bodies;
Subsequently he joined MoFED as Lead Analyst in 2007; responsible for the portfolio of Increasing Competitiveness, which includes Industry and Business as well as schemes and programmes under the National Resilience Fund;

He has also been a member on the following Boards:

Mauritius Tourism Promotion Authority
National Resilience Fund
Equity Investment Ltd

- **Mohini NATHOO (Mrs)** (Left in September 2011)
  Principal Assistant Secretary, Ministry of Agriculture, Food Technology & Natural Resources.

Mrs Mohini NATHOO joined in September 2010 as representative of the Ministry of Agriculture, Food Technology & Natural Resources.

- **Devika MOOSOOHUR (Mrs)** Diploma in Public Administration
  Assistant Secretary, Ministry of Energy & Public Utility

Mrs Devika Moosoohur joined STC as representative of the Ministry of Energy & Public Utility since January 2011.

She has about 20 years experience in the public service.

- **Chandradutt ROGBEER,** ACA, ACMA, CILT
  Corporate Auditor, Mauritius Ports Authority

Mr C. Rogbeer joined STC as representative of Mauritius Ports Authority since March 2008.

Mr C. Rogbeer is a Chartered Accountant of the Institute of Chartered Accountants of England and Wales (ICAEW).

He is equally a member of the Chartered Institute of Management Accountants (CIMA), UK. Prior to joining the Mauritius Ports Authority (MPA) in 1993, he worked with the National Audit Office. He is presently the Corporate Auditor at the MPA.

He is also a Director on the Rodrigues Trading and Marketing Co as Representative of STC.

- **Jean Harel LAMVOHEE**

  Independent Member

He was appointed as Member of the Board and on the Staff Committee of STC as from May 2006 as well as representative of STC on the Board of Rodrigues Trading and Marketing Co.

Mr. Lamvohee has a Diploma in Human Resource Management from the Mauritius Employers Federation in the Year 1990 and a Certificate in Training Management and Training Technology from IVTB.

Director's **Profile**

He served as Human Resource Manager at Rehm Grinaker Co. Ltd (one of the leading construction company in Mauritius) for fifteen years.

He had been successively a Teacher at Bhujoharry College, Assistant Land Surveyor at the Ministry of Housing and Quantity Surveyor at Longtil (Mauritius) Ltd.

He has also served on the following:

Member on the Board of Film Censors
Member on the Board of the Labour Advisory Council
Member of the Commission for Mediation and Conciliation

Kang Foong LAN HING CHOY
Independent Member

Mr K.F. Lan Hing Choy is the Senior Adviser at the Prime Minister's Office.

He joined STC as Independent Member on the Board of STC since 30 August 2006 and as a member of the Staff Committee.

He spent 35 years in the United Kingdom where he created and worked in his own business in the following fields:

i) Insurance Company for nine years, and
ii) Care Home for Physically & Mentally Handicapped persons for more than ten years.

He had also invested in immovable property for over 20 years in UK and Mauritius and in a Trading House in Madagascar.

John LAM CHOO
Independent Member

Mr Lam Choo was appointed as Member of the Board of the State Trading Corporation (STC) as from 30 August 2006. He was also appointed as member of the Staff Committee as from 22 November 2006 and Audit Committee in December 2010.

He worked as Director for Fashion Footwear Ltd an EPZ company from 1989 to 2000.

He set up his own company, J.W.A. Network, in the year 2000 wherein he is the Executive Director. This Company is involved in the supply of Corporate and Business gifts and display of stands at fairs.

Management **Profile**

Megh Pillay, C.S.K, BSc (Hons), MSc
General Manager

Mr M. Pillay joined the STC in August 2010. Alumni of the Louisiana State University at Baton Rouge, USA, Megh Pillay previously occupied senior leadership roles in various sectors, notably, as Managing Director of Air Mauritius Ltd, Chief Executive of Mauritius Telecom Ltd and General Manager of the Agricultural Marketing Board, with a track record of significant achievements in the respective sectors. He has also served as Director (Corporate Affairs) of the Financial Services Commission of Mauritius.

H. Hoolash, FCCA, MBA
Risk and Treasury Manager

Mr H. Hoolash joined STC in October 1992 as Accountant and was promoted to Senior Accountant in August 2001. He was appointed as Risk and Projects Manager in January 2004. The post has been restyled as Risk and Treasury Manager in 2008. Before joining STC, he was in public practice in UK.

R. R. Bapamah, FCCA, MBA
Financial Manager

Mr R.R. Bapamah joined the Department of Supplies in January 1979 as Assistant Supplies Officer. He was appointed as Accounts Clerk in July 1985 and promoted Accounts Officer in March 1987. He occupied the position of Accountant/Senior Accountant as from April 2001. He was appointed as Financial Manager in December 2007.

R. O. Phoolchund, BSc (Hons), MSc
Commercial Manager

Mr R. Phoolchund joined STC as Commercial Manager in September 2009. He has held several key positions at the Mauritius Export Development & Investment Authority, Board of Investment, Business Parks of Mauritius Ltd and in International Consultancy Organisations.

Management **Profile**

Iqbal Peermamode, MBA Charles Stuart University (Australia)
Business Development Manager

He joined STC in February 2011 to review the Corporate HR strategies and Industrial relations and to provide direct assistance to the General Manager. Prior to joining the STC, Mr. Peermamode was initially Head of Technical Team at Mauritius Telecom. Thereafter, he specialized in HR and strategic management. As Head of HR Division at MT he successfully implemented Salary Review Exercise 2000/2004 and HR Strategic plan for years 2004-2008. He was also a Consultant in HR strategic planning, Industrial Relations and Training & Development for the Infinity Group and Manjoo Group of Industries.

H. A. Ali, BBA, MBA
Business Development Manager (Export)

Mr Ali joined STC in 2006 in the grade of Commercial Manager which was restyled as Business Development Manager (Export) in 2008. He left the Corporation in September 2011.

J M Tuyau, BSc (Hons) Computing and Information Systems
IT Manager

Mr J M Tuyau joined the Department of Supplies in October 1981 as Assistant Supplies Officer. He was appointed as Accounts Clerk in STC in July 1986 and promoted Accounts Officer in December 1992. He was then appointed System Analyst in March 2004. As from June 2008 he holds the post of IT Manager.

K. D. Jugoo (Mrs), BSc (Hons) Accounting and Finance, FCCA, MBA
Audit Manager

Mrs K.D. Jugoo joined STC as Senior Internal Auditor in June 2007. Before joining STC, she was Examiner of Accounts at the National Audit Office. From 2006-2007 she worked as Accountant at the Mauritius Society of Authors. The post of Senior Internal Auditor has been restyled as Audit Manager.

Management **Profile**

C. Domingue (Mrs), BSc (Hons) Accounting
Assistant Risk & Treasury Manager

Mrs Domingue joined the Department of Supplies in May 1971 as Clerical Officer. She was appointed Senior Accounts Officer in February 1985 and Risk Management Officer in November 2004, in STC. She was promoted to Assistant Risk and Treasury Manager in May 2009.

C. Daby, Diploma in Sales Management & Marketing
Chief Supplies and Sales Officer

Mr C.Daby joined the Department of Supplies as Tally Clerk in February 1971 and worked as Store Clerk in January 1972. He was appointed as Supplies Officer in June 1974 and promoted to Senior Supplies and Sales Officer in February 1985 at the STC. He was appointed Principal Supplies and Sales Officer in August 1996. As from September 2008 he has been acting in the grade of Chief Supplies and Sales Officer. He was appointed as Chief Supplies & Sales Officer in October 2009.

R. Gungoo, BA (Hons), MBA
Human Resource Manager

Mr R.Gungoo holds a BA Honours and an MBA with specialization in Human Resource Management. In addition he holds a:

(i) Diploma in Social Sciences;
(ii) Diploma in Human Resource Management;
(iii) Diploma in Journalism;
(iv) Diploma in Public Relations; and
(v) Post-graduate Diploma in Quality Managemtent

He is presently a Director of the MEF CSR Fund, Treasurer of the Association of Human resource professionals and a Board Member of the National Pensions Fund. He is a certified MQA trainer in the field of Management and has participated in several seminars, workshops and conferences on a number of themes both locally and abroad.

Prior to joining the STC in January 2010 as Human Resource Manager, he reckoned over 10 years experience at managerial level in the field of HR and Industrial relations.

Management **Profile**

P. Soobarah, FCCA, MBA
Assistant Financial Manager

Mr P. Soobarah joined the Department of Supplies in February 1980 as Assistant Supplies Officer. He was appointed as Accounts Clerk in October 1985 and promoted Accounts Officer in November 1987 at the STC. He was then appointed as Accounting Technician in November 2004 and as Accountant/Senior Accountant as from February 2006. The post of Accountant/Senior Accountant has been restyled as Assistant Financial Manager.

K. Ramdenee, FCCA
Assistant Financial Manager

Mr K. Ramdenee joined STC in January 1987 as Assistant Supplies Officer. He was appointed as Accounting Technician in March 2006 and he was appointed as Assistant Financial Manager in April 2009.

N. Jugoo-Goolab (Mrs), BSc (Hons) Management
Administrative Secretary

Mrs Jugoo-Goolab joined STC in August 2008 as Administrative Secretary. Before joining the Corporation, she has been working as Administrative Assistant at the DCDM Leadership Centre and Assistant Secretary of the National Transport Corporation. She left the Corporation in April 2011.

Pratap Dave Udhin, Diploma in Transport
Business Development Officer

Mr Udhin holds a Diploma and an Advanced Diploma in Transport (Chartered Institute of Logistics & Transport, UK) which is equivalent to a Degree in Transport. He is an elected member of the Chartered Institute of Logistics and Transport.

He joined STC on 11 February 2011 to give strategic support to Management. He has a vast experience in Technical Planning and Transport Management. He is presently in charge of the Transport Unit and the Maintenance Division. He was previously Traffic Manager at the NTC and Transport Manager at Bonny Air Travel & Tours Ltd.

Director's **Responsibilities**

It is the directors' responsibility to prepare financial statements that fairly present the state of affairs of the Corporation as at the end of each financial year and the profit or loss and cash flows for that period;

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

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;

Applicable accounting standards have been adhered to; the STC Act requires an estimate of the revenue and expenditure of the Corporation for the forthcoming financial year to be submitted to the Minister of Industry, Commerce and Consumer Protection at least three months before the beginning of the financial year for his approval.

The Corporation is required to prepare and submit to the Auditor an annual statement of Income and Expenditure and a Balance Sheet made up to the end of the financial year showing the assets and liabilities of the Corporation not later than four months after the end of every financial year according to the Statutory Bodies (Accounts and Audit) Act.

The Corporation has to submit a copy of its audited financial statements to the Financial Reporting Council, in accordance with the Financial Report Act 2004.

The code of Corporate Governance has been adhered to.

"APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF"

....

Eric Ng Ping Cheun

....

I. Bonomaully

Report of the **Director of Audit**

NATIONAL AUDIT OFFICE

REPORT OF THE DIRECTOR OF AUDIT TO THE BOARD OF THE STATE TRADING CORPORATION

Report on the Financial Statements

I have audited the accompanying financial statements of the State Trading Corporation, which comprise the statement of financial position as at 31 December 2011, the statement of financial performance, statement of changes in equity and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards and in compliance with the Statutory Bodies (Accounts and Audit) Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards of Supreme Audit Institutions. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a reasonable basis for my audit opinion.

Report of the **Director of Audit**

OPINION

In my opinion, the financial statements give a true and fair view of the financial position of the State Trading Corporation as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards.

Report on Other Legal and Regulatory Requirements

Management's Responsibility for Compliance

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the laws and authorities which govern them.

Auditor's Responsibility

In addition to the responsibility to express an opinion on the financial statements described above, my responsibility includes expressing an opinion on whether the activities, financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the laws and authorities which govern them. This responsibility includes performing procedures to obtain audit evidence about whether the entity's expenditure and income have been applied for the purposes intended by the legislature. Such procedures include the assessment of the risks of material non-compliance.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion on Compliance

Statutory Bodies (Accounts and Audit) Act

In my opinion, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the Statutory Bodies (Accounts and Audit) Act.

Public Procurement Act

The State Trading Corporation is responsible for the planning and conduct of its procurement except for goods purchased for resale. It is also responsible for defining and choosing the appropriate method of procurement and contract type in accordance with the provisions of the Act and relevant Regulations. My responsibility is to report on whether the provisions of part V of the Act regarding the Bidding Process have been complied with.

In my opinion, the provisions of Part V of the Act have been complied with as far as it appears from my examinations of the relevant records.

The Financial Reporting Act

The Directors are responsible for preparing the Corporate Governance Report and making the disclosures required by Section 8.4 of the Code of Corporate Governance of Mauritius ("Code"). My responsibility is to report on these disclosures.

In my opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the "Code".

(Dr R. JUGURNATH)
Director of Audit

National Audit Office
Level 14, Air Mauritius Centre
Port Louis
25 September 2013


02

STATE TRADING CORPORATION
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Notes	2011 Rs	2010 Rs	2010 Rs
		STC	CONSOLIDATED	STC
ASSETS				
Current Assets				
Cash and Cash Equivalent	5	186,998,762	408,547,512	408,547,512
Receivables	6	5,956,918,346	4,982,696,171	4,982,696,171
Inventories	7	98,568,273	88,993,318	88,993,318
TOTAL CURRENT ASSETS		**6,242,485,381**	**5,480,237,001**	**5,480,237,001**
Non Current Assets				
Investment in wholly owned Subsidiary	8	100	-	1,000,000
Investment in Associate	8	2,048,349	2,371,867	2,371,867
Other Investment	8	1,125,660	1,125,660	1,125,660
Property, Plant and Equipment	9	20,542,095	20,996,176	20,996,176
Freehold Land and Building	9	20,228,646	20,495,251	20,495,251
Pension Asset	12	7,353,509	-	-
TOTAL NON CURRENT ASSETS		**51,298,359**	**44,988,954**	**45,988,954**
TOTAL ASSETS		**6,293,783,740**	**5,525,225,955**	**5,526,225,955**
LIABILITIES				
Current liabilities				
Payables	10	6,043,177,591	4,807,574,674	4,807,574,674
Short Term Borrowings	11	-	600,000,000	600,000,000
Bank Overdraft	5	-	315,265	315,265
TOTAL CURRENT LIABILITIES		**6,043,177,591**	**5,407,889,939**	**5,407,889,939**
NON-CURRENT LIABILITIES				
Long Term Borrowings	11	-	608,400,000	608,400,000
Employee Benefit Obligations	10	41,310,735	38,251,442	38,251,442
TOTAL LIABILITIES		**6,084,488,326**	**6,054,541,381**	**6,054,541,381**
NET ASSETS		**209,295,414**	**(529,315,426)**	**(528,315,426)**
NET ASSETS/EQUITY				
Capital Contributed by Government	13	400,000	400,000	400,000
Accumulated Surplus/(Deficit)	14	208,895,414	(529,715,426)	(528,715,426)
TOTAL NET ASSETS/EQUITY		**209,295,414**	**(529,315,426)**	**(528,315,426)**
No of Shares		40,000		40,000
Net Value of Asset per Share		**5,232**		**(13,208)**

Notes 1 to 21 form an integral part of these financial statements.
Approved by Board on: 14 August 2013

Eric Ng Ping Cheun
Chairman

I.Bonomaully
Director

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	STC Year ended December 2011 Rs	CONSOLIDATED 18 months ended December 2010 Rs	STC 18 months ended December 2010 Rs
REVENUE				
Turnover	15	36,305,592,326	42,802,338,942	42,797,150,619
Revenue from Exchange Transactions	16	941,748,783	460,480,374	460,480,374
Investment Income	17	67,308	128,233	128,233
Interest Receivable	17	4,544,731	5,223,125	5,223,125
Other Revenue		22,827,935	32,102,772	32,481,463
TOTAL REVENUE		**37,274,781,083**	**43,300,273,446**	**43,295,463,814**
EXPENSES				
Cost of Sales	18	36,368,758,743	40,198,183,021	40,192,033,272
Wages, Salaries & Employee Benefits		111,982,246	170,991,578	168,658,184
Supplies and Consumables		14,172,099	15,287,253	15,287,253
Utilities		4,645,087	6,824,781	6,809,790
Rent		16,789,594	19,971,945	19,971,945
Repairs and Maintenance		6,360,514	10,021,746	10,021,746
Other Expenses		4,196,305	31,151,507	4,511,318
Depreciation		5,174,666	7,842,114	7,842,114
Interest payable	19	8,236,771	147,412,439	146,582,823
Total Expenses		**36,540,316,025**	**40,607,686,384**	**40,571,718,445**
Operating Surplus		**734,465,058**	**2,692,587,062**	**2,723,745,369**
Impairment of Investment in STCM Ltd	8A	(999,900)	-	-
Loan to STCM Ltd written off		-	-	(29,033,939)
Share of loss in Associate	8B	(323,518)	(234,397)	(234,397)
Surplus for the year	18	**733,141,640**	**2,692,352,665**	**2,694,477,033**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Share Capital Rs	Accumulated Surplus / (Deficit) Rs	Equity Rs
Balance as at 30 June 2008	**400,000**	**86,835,870**	**87,235,870**
Consolidated loss for the year 2008-2009	-	(3,310,028,328)	**(3,310,028,328)**
Balance as at 30 June 2009	**400,000**	**(3,223,192,458)**	**(3,222,792,458)**
Surplus for the 18 months period from July 2009 to December 2010	-	2,694,477,033	**2,694,477,033**
Balance as at 31 December 2010	**400,000**	**(528,715,425)**	**(528,315,425)**
Change in accounting Policy (with adoption of IPSAS)		-	-
Prior Year Adjustment		**4,469,199**	**4,469,199**
Restated Balance as at 1 January 2011	**400,000**	**(524,246,226)**	**(523,846,226)**
Surplus for the year 2011		**733,141,640**	**733,141,640**
Balance as at 31 December 2011	**400,000**	**208,895,414**	**209,295,414**

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2011

	31 December 2011 Rs	18 months July 2009 to December 2010 Rs
Cash flows from Operating Activities		
Surplus/(Deficit) for the year	733,141,640	2,694,477,033
Impairment Loss in STCM Ltd	999,900	-
Share of Loss in Associate	323,518	234,397
Loan to STCM written off	-	29,033,939
Investment revenue recognised in Income Statement	(67,308)	(128,233)
Gain on sale or disposal of property, plant and equipment	(290,000)	(310,950)
Depreciation of non current assets	5,174,665	7,842,114
Effects of Exchange Rate changes on the balance of Cash held in foreign currencies	(740,154,427)	(452,207,013)
Interest Receivable	(4,544,730)	(5,223,125)
Interest Payable	8,236,771	146,582,822
	873,705	**2,420,300,985**
Movements in Working Capital		
Decrease/(Increase) in trade and other receivables	(977,371,669)	(1,166,411,893)
Decrease/(Increase) in inventories	(9,574,955)	896,991
(Decrease)/Increase in trade and other payables	1,238,757,838	(29,033,939)
(Decrease)/Increase in Receivable –STCM Ltd	-	1,281,218,350
Cash generated from operating activities	**254,631,243**	**2,506,970,493**
Interest Paid	(8,332,398)	(149,555,150)
Net Cash generated from operating activities	**246,298,845**	**2,357,415,344**
Cash flow from investing activities		
Interest received	4,809,913	4,190,743
Dividends received	67,308	128,233
Payments for property, plant and equipment	(5,368,978)	(25,845,326)
Investment in Rodrigues Trade and Marketing Ltd	-	(666,660)
Proceeds from disposal of property, plant and equipment	1,204,999	454,500
Net cash (used in)/generated by investing activities	**713,242**	**(21,738,510)**
Cash flow from financing activities		
Proceeds from borrowings	8,381,926,786	25,390,668,617
Repayment of borrowings	(9,204,702,588)	(26,876,919,935)
Net cash generated from financing activities	**(822,775,802)**	**(1,486,251,317)**
Net (decrease)/increase in cash and cash equivalents	**(575,763,714)**	**849,425,517**
Cash and cash equivalents at the beginning of the year	408,232,246	(770,637,083)
Effects of Exchange Rate changes on the balance of cash held in foreign currencies	354,530,230	329,443,812
Cash and Cash equivalents at the end of the Financial Year		
Notes 5	**186,998,762**	**408,232,246**

NOTES TO CASH FLOW

(a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following :

	2011 Rs	2010 Rs
Cash in hand and balances with banks	186,998,762	408,232,247

The entity has undrawn borrowing facilities of USD55 Million, of which nil is to be used on infrastructure projects.

(b) Property, Plant and Equipment

During the period, the entity acquired property, plant and equipment with an aggregate cost of Rs 5,368,978 of which NIL was acquired by means of capital grants by the national government.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2011

PARTICULARS	Original Budget 2011 (Note 1) Rs (000)	Revised Budget 2011 (Note 2) Rs (000)	Actual 2011 Rs (000)	Difference (Note 3) Rs (000)	
REVENUE					
Turnover	35,317,618	40,800,083	36,305,592	4,494,491	*
Revenue from Exchange Transactions	(9,750)	235,798	941,749	(705,951)	see Note (16)
Other Revenue	-	-	27,440	(27,440)	
Total Revenue	**35,307,868**	**41,035,881**	**37,274,781**	3,761,100	*
EXPENSES					
Cost of Sales	34,960,924	40,017,688	36,368,758	3,648,930	*
Wages,Salaries and Employee Benefits	139,596	119,805	111,982	7,823	
Supplies and Consumables	11,512	15,034	14,172	862	
Utilities	5,239	5,113	4,645	468	
Rent	14,305	15,930	16,790	(860)	
Repairs and Maintenance	7,905	6,639	6,361	278	
Other Admin. Expenses	14,725	14,650	4,196	10,454	
Depreciation	11,342	6,259	5,175	1,084	
Interest Payable	37,315	37,828	8,237	29,591	
Total Expenses	**35,202,863**	**40,238,945**	**36,540,316**	3,698,629	
Impairment of Investment in STCM Ltd	-	-	(999)	999	
Share of deficit in Associate	-	-	(324)	324	
Net Surplus	**105,005**	**796,936**	**733,142**	**63,794**	

Note 1 - represents the original approved budget of the Corporation for year 2011.

Note 2 - represent the approved revised budget for year 2011.

Note 3 - represents the difference between revised budget 2011 and actual revenue and expenses on a comparable basis.

* The actual turnover and cost of sales figures differ from the budgeted figures mainly due to the movement of world prices of petroleum products and LPG which are the main component of STC's business as well as exchange rate fluctuations as all the products purchased by STC are paid in US Dollar.

Financial **Statements**

In accordance with STC Act 1982, the Corporation submits to the Minister, an estimate of its revenue and expenditure for a Financial year, three months before the beginning of that Financial Year.

Budgetary and Classification Basis

The estimates are based on certain assumptions such as available contract prices, estimated volume, exchange rates and world prices of petroleum products. The budgets are prepared on an accrual basis. In the approved budget, items are classified on the same basis as is adopted in the Financial Statements by economic nature.

Changes from Original to Final Budget

The original Budget for year 2011 approved by the Board in September 2010 as per statutory requirement, was based on information available at that time. Thereafter, in September 2011, the document was revised based on actual data available and updated figures and events such as exchange rate fluctuation, new contract purchase prices for Rice, Flour, LPG , petroleum products and also revision in selling prices.

Notes to Financial Statement for the year ended December 2011

1. GENERAL INFORMATION

The State Trading Corporation (STC) is a parastatal body wholly owned by the Government of Mauritius and reporting to the Ministry of Industry, Commerce and Consumer Protection. Established and regulated by the STC Act of 1982, its principal place of business is 3rd floor, Fon Sing Building, 12, Edith Cavell Street Port Louis, Mauritius. STC is engaged in the importation of essential commodities such as petroleum products, liquefied petroleum gas, cement, rice and flour and any such commodity as the Government may decide.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i) Statement of Compliance

These financial statements have been prepared on an accrual and going-concern basis as Government has always implicitly supported STC. The accounting policies have been applied consistently throughout the period. The statements comply with the requirements of International Public Sector Accounting Standards (IPSAS). The measurement base applied is historical cost adjusted for revaluations of assets.

These are the first financial statements prepared in compliance with IPSAS and comparative information for the Statement of Financial Performance and the Statement of Cash Flow has been provided.

The Financial Statements comply with the Statutory Bodies (Accounts and Audit) Act and with the Financial Reporting Act. STC also complied with Minister's directives in accordance with section 14 of STC Act. The preparation of the Financial Statements in conformity with IPSAS requires management to make estimate and assumptions that affect the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Amendment to the Statutory Bodies (Accounts and Audit) Act

Following the amendment of the Statutory Bodies (Accounts and Audit Act) in March 2009, a "financial year" has been redefined as a period of 12 months ending 31 December in any year. For the transition period the first financial year was for a period of 18 months starting 1 July 2009 and ending 31 December 2010. As such, the result of the twelve months of 2011 is compared to 18 months 1 July 2009 to 31 December 2010. Hence the amounts presented in the Financial Statements may not be entirely comparable.

ii) Basis of preparation

The Financial Statements have been prepared in accordance with and comply with the International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board (IPSASB).

STC has adopted relevant new and revised IPSAS that are relevant to its operations for the year 2011, namely:-

IPSAS 1 - Presentation of Financial Statements.
IPSAS 2 - Cash Flow Statements.
IPSAS 3 - Accounting Policies, Changes in Accounting Estimates and Errors.
IPSAS 4 - The Effects of Changes in Foreign Exchange Rates.
IPSAS 7 - Investments in Associates.
IPSAS 9 - Revenue from Exchange Rates.
IPSAS 12 - Inventories.
IPSAS 13 - Leases.
IPSAS 14 - Events After the Reporting Date.
IPSAS 15 - Financial Instruments: Disclosure and Presentation.
IPSAS 17 - Property, Plant, and Equipment.
IPSAS 18 - Segment Reporting.
IPSAS 19 - Provisions, Contingent Liabilities and Contingent Assets.
IPSAS 20 - Related Party Disclosures.
IPSAS 21 - Impairment of Non-Cash-Generating Assets.
IPSAS 23 - Revenue from Non Exchange Transactions.
IPSAS 24 - Presentation of Budget Information in Financial Statements.
IPSAS 25 - Employee Benefits.
IPSAS 26 - Impairment of Cash Generating Assets.
IPSAS 28 - Financial Instruments: Presentation.
IPSAS 29 - Financial Instruments: Recognition and Measurement.
IPSAS 30 - Financial Instruments: Disclosures.

In addition to the above mentioned standards, the following standards have been issued but not adopted by the Corporation:-

IPSAS 5 - Borrowing Costs
IPSAS 6 - Consolidated and Separate Financial Statements.
IPSAS 8 - Interest in Joint Ventures.
IPSAS 10 - Financial Reporting in Hyperinflationary Economies.
IPSAS 11 - Construction Contracts.
IPSAS 16 - Investment Property.
IPSAS 22 - Disclosure of Information of about the General Government Sector.
IPSAS 27 - Agriculture.
IPSAS 31 - Intangible Asset.

iii) Basis of Accounting

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies adopted are set out below.

These Financial Statements are presented in Mauritian Rupees because that is the currency of the primary economic environment in which the Corporation operates.

The wholly owned Subsidiary Company of STC, STCM Ltd which was still registered with the Registrar of Companies at the reporting date has ceased its operation in May 2010. Thus as there has been no activity during the reporting period, no account has been produced and on this basis, the results have not been consolidated.

iv) Cash and cash equivalent

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to cash and subject to insignificant risk of changes in value.

v) Retirement and other Benefits

Contributions to defined contribution plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the Statement of Financial Performance represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Employee leave entitlement

Employee entitlements to bank sick leave and vacation leaves as defined in the PRB Report (the regulatory body for remuneration of STC employees) are recognized as and when they accrue to employees. An accrual is made for the estimated liability for bank sick leave and vacation leaves.

vi) Investment in Associate

An associate is an entity over which the reporting entity has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the Statement of Financial Position at cost as adjusted for post-acquisition changes in the entity's share of the net assets of the associate, less any impairment in the value of individual investments.

vii) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Sales of goods are recognised when goods are delivered and titles have been transferred to the buyer. Interest income is accrued on a time basis.

Revenue from sales of goods is recognised when all the following conditions are satisfied:
- The organisation has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the entity.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

viii) Leases

Rentals payable under operating leases are charged to income on an accrual basis.

(a) The future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods are as follows:
(i) Not later than one year:- Rs 9,352,452
(ii) Later than one year and not later than five years:- Rs 1,800,000
(iii) Later than five years:- Rs 2,475,000

(b) Total contingent rents recognized in the statement of financial performance in the period – Rs 16,789,594

(c) A general description of the lessor's leasing arrangements:-
As at reporting date the Corporation had four lease agreements for its administrative block and storage of goods as follows:-

- One lease agreement for its administrative block at Edith Cavel Street, Port Louis.
- Two lease agreements for storage of Rice and Flour in the Port Area.
- One lease agreement for a plot of land at Riche Terre.

ix) Foreign Currencies

The Organization is exposed to certain foreign currency exchange, credit, interest rate and liquidity risks. Transactions in currencies other than Mauritian Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the Consolidated Indicative Exchange Rate of the Bank of Mauritius prevailing on the reporting date. Gains and losses arising on retranslation are recognised in the Statement of Financial Performance in the period in which they arise.

x) Property, Plant and Equipment

Building (held for administrative purpose) and Plant and Equipment are stated in the Statement of Financial Position at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

	Rate (%)
Motor Vehicles	**20**
Office Equipment and Furniture	**10**
Plant and Machinery	**10**
Building	**2**
Computer System	**20**

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the net book value of the asset and is recognised in the Statement of Financial Performance.

xi) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories has been assigned by using the first-in first-out basis (FIFO). Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

xii) Investments

An investment in subsidiary is shown at cost. Where the carrying amount of the investment is greater than its recoverable amount, it is written down to its recoverable amount, and the difference is transferred to the Statement of Financial Performance.

On disposal of the investment the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

xiii) Trade Receivables

Trade receivables do not carry any interest and are stated at their nominal value. The carrying amount of trade receivables is reduced when a trade receivable is uncollectible.

xiv) Trade Payables

Trade payables are not interest bearing and are stated at their nominal value.

xv) Derivative Financial Instruments

The Corporation enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognized in the Statement of Financial Performance immediately.

xvi) Provisions

Provisions are recognised when the Corporation has a present obligation as a result of a past event, and it is probable that the Corporation will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation.

xvii) Segment Reporting

A segment is a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of:-

(a) evaluating the entity's past performance in achieving its objectives, and
(b) making decisions about the future allocation of resources. For this purpose, the Corporation reports as separate segments each distinguishable activity or group of activities for which financial information should be reported. Thus, the operating result of each product in which STC deals is reported at Note 18.

xviii) Tax

The Corporation is exempted from payment of tax under section 22 of the State Trading Corporation Act 1982.

xix) Future Commitments

(i) The Corporation has entered in a three year agreement for the supply of petroleum products.

(ii) STC has entered into a fifteen year agreement for the transportation of petroleum products.

3. RISK MANAGEMENT POLICIES

A description of the various risks to which the Corporation is exposed is shown below as well as the approach taken by management to control and mitigate those risks.

a) Credit risk

Credit risk relates to the possibility of default by customers in settling their obligations to the Corporation. The Corporation transacts only with customers having a good track record and as there are well-established payment schedules, the possibility of material loss arising is considered to be mitigated.

b) Liquidity risk

This refers to the possibility of default by the Corporation to meet its obligations because of unavailability of funds to meet operational requirements. In order to ensure adequacy of its funding, cash flow forecasts are prepared regularly and actions taken appropriately. Moreover, the Corporation has access to various types of funding facilities such as bank overdraft and Lines of Credit.

c) Interest rate risk

The Corporation has short-term loans at average floating interest rates. As such, its income and cash flows are exposed to interest rate risks. These risks are to some extent mitigated as the Corporation maintains a cash surplus that is invested in short-term deposits.

d) Commodity risk

The Corporation's principal variable cost component is the FOB price of its commodities. The FOB price of its commodities are indexed according to international commodity prices and accordingly the Corporation's profitability is exposed to commodity price risk. The risk associated to fluctuations in the FOB price of petroleum products is managed to some extent by various hedging techniques.

e) Currency Risk

The Corporation operates internationally and is exposed to Foreign Exchange Risk. Foreign Exchange Risk arises from commercial transactions whereby commodities are purchased and sold at different dates whereas all purchases are in US Dollars. Only part of the sales is in foreign currency. Currency risk is therefore related to that portion of sales which are not in US Dollars.

Currency exposure arising from commercial transactions is primarily managed through:

i) Maintaining of sufficient funds in foreign currency bank accounts, crediting proceeds in foreign currency and advance purchasing of foreign currency.
ii) Entering to some extent Forward Foreign Exchange Contracts.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the Corporation's accounting policies, which are described in Note 2 above, Management has made the following judgments that have most significant effect on the amounts recognized in the financial statements, apart from those involving estimations, which are described below:

i) Determination of functional currency of the Corporation

The determination of the functional currency of each entity is critical since recording of transactions and exchange differences arising therefrom are dependent on the functional currency selected. Management has considered all relevant factors and has determined that the functional currency of the Corporation is Mauritius Rupee.

ii) Determination of Price Stabilisation Account

The Consumer Protection (Prices and Supplies Control) Act has been amended to provide for a Petroleum Pricing Committee (PPC). Since January 2011 the retail prices of Mogas and Gas oil are determined by the PPC which has replaced the Certification Committee of the Automatic Pricing Mechanism. With the new pricing mechanism, prices are changed only when rendered absolutely necessary as a result of significant changes in price trends on the world market.

One of the key objectives of the new mechanism is to mitigate the effects of world price fluctuations on retail prices at retail outlets. STC operates a Price Stabilization Account for each product in order to shield the market from price fluctuations.

The gains or losses have been recognized on the basis that the realization of income or loss is virtually certain.

As at the reporting date, there are losses or gains, accumulated on sales of petroleum products for Inland Market which have to be passed on to or collectible from consumers at the subsequent price revision exercise.

iii) Post Employment Benefits

The determination of employee's post employment benefit costs and related provisions, as detailed in Note 12 to the financial statements, required the use of actuarial calculations or other assumptions that include significant estimates in respect of, inter alia, the discount rate, the expected return on the plan assets, future salary increases and future pension increases. These significant estimates are assessed annually by the directors with the actuaries where applicable. Differences between actual and estimated are recorded as actuarial gains or losses.

Notes to Financial Statement for the year ended December 2011

5. CASH AND CASH EQUIVALENT

	2011 Rs	2010 Rs
Bank Balances	186,998,762	408,547,512
Overdraft	-	(315,265)
TOTAL	**186,998,762**	**408,232,247**

Overdraft facilities are guaranteed by Government of Mauritius.

6. TRADE & OTHER RECEIVABLES

Trade and other receivables at Balance Sheet date comprise of amount receivable from the sale of goods as follows:

	2011 Rs	2010 Rs
Mauritius Revenue Authority	-	13,977,532
Trade Receivable	5,912,999,856	4,945,967,199
Other receivables	43,918,490	22,751,440
TOTAL	**5,956,918,346**	**4,982,696,171**

7. INVENTORIES

COMMODITIES	2011 Rs	2010 Rs
Ration Rice	39,257,399	46,231,321
Flour	55,149,600	41,027,570
Sugar	4,161,274	1,579,483
Pulses	-	154,944
TOTAL	**98,568,273**	**88,993,318**

Notes to Financial Statement for the year ended December 2011

COMMODITIES	COST Rs	2011 Net Realisable Value Rs	COST Rs	2010 Net Realisable Value Rs
Ration Rice	57,663,784	39,257,399	61,689,848	46,231,321
Flour	75,066,657	55,149,600	44,569,503	41,027,570
Sugar	4,161,275	4,342,170	1,579,483	1,679,600
Others	-	-	154,944	190,555
TOTAL	**136,891,716**	**98,749,169**	**107,993,778**	**89,129,046**

The cost of inventories recognised as an expense includes Rs 38,323,442 in respect of write-downs of inventory of Rice and Flour to Net Realisable Value (NRV) during the reporting period as a result of Government policy of fixing the selling price of these products.

At 31 December 2011, the Corporation did not hold any inventories for Petroleum Products and LPG as the risk in these products passes from the Seller (STC) to the buyers as the product passes the vessel's discharge manifold.

STC has stopped importing Cement as from June 2011 following Government's decision to liberalise its importation.

8. INVESTMENTS

Name of Company	Country of incorporation	% Ownership	Consideration	2011 Rs	2010 Rs
STCM Ltd	Mauritius	100	Cash	100	1,000,000
Rodrigues Trade and Marketing Ltd	Mauritius	40	Cash	2,048,349	2,371,867
State Property Development Co Ltd (SPDC)	Mauritius	0.06015	Cash	400,000	400,000
Africa Export –Import Bank (Afreximbank)	Egypt	0.01333	Cash	725,660	725,660
At Reporting date				**3,174,109**	**4,497,527**

Notes to Financial Statement for the year ended December 2011

Note

(i) As at 31 December 2011 STC holds 4,000 out of 6,650,000 shares in SPDC

(ii) As at 31 December 2011 STC holds 10 out of 75,000 shares in Afreximbank.

(iii) As at 31 December 2011 STC holds 266,666 shares out of 666,000 shares in Rodrigues Trade & Marketing Ltd (RTML).

(iv) In April 2009, a private limited company, named LP GAS TERMINAL LTD was incorporated with 20% shares for STC but as at reporting date no transfer of funds for the shares has been made.

8 A. INVESTMENT IN SUBSIDIARY

Name of Company	Country of incorporation	% Ownership	Consideration	2011 Rs	2010 Rs
STCM Ltd	Mauritius	100	Cash	1,000,000	1,000,000
			Impairment Loss	(999,900)	-
At 31 December				**100**	**1,000,000**

The wholly owned subsidiary company of STC, the STCM Ltd has ceased its activity in May 2010 and all assets and liabilities have been taken over by STC. However, the Company is still registered with the Registrar of Companies.

Impairment Review of Investment in STCM Ltd

An Impairment review has been carried out on the Investment in STCM Ltd and a loss of Rs 999,900 has been recognized in the Statement of Financial Performance. In view that STCM Ltd has ceased trading, no account has been produced and on this basis, the results have not been consolidated.

8 B. INVESTMENT IN ASSOCIATE

Details of the Corporation's associate is as follows:

Name of Company	Country of incorporation	% Ownership	Consideration	2011 Rs	2010 Rs
Rodrigues Trade and Marketing Ltd	Mauritius	40	Cash	2,048,349	2,371,867
					-
At Balance Sheet date				**2,048,349**	**2,371,867**

For the purpose of applying the equity method of accounting, the financial statements of RTML for the year ended 31 December 2011 has been used.

Summarised financial information of the entity's associates is set out below:

	2011 Rs	2010 Rs
Total Assets	8,754,815	9,980,060
Total Liabilities	4,221,070	4,142,140
Net Asset / Equity	4,533,745	5,837,920
Total revenue	18,778,567	20,126,717
Total expenses	19,587,362	20,712,710
Net loss	(808,795)	(585,993)
STC's share of net loss in associate	(323,518)	(234,397)

Notes to Financial Statement for the year ended December 2011

	2011 Rs	2010 Rs
Investment in Associate at 1 January	2,371,867	1,939,604
Investment during the reporting period	-	666,660
Group share of net loss period	(323,518)	(234,397)
Investment in associate at Balance Sheet date	**2,048,349**	**2,371,867**

8 C. OTHER INVESTMENT

Name of Company	Country of incorporation	% Ownership	Consideration	2011 Rs	2010 Rs
State Property Development Co Ltd (SPDC)	Mauritius	0.06015	Cash	400,000	400,000
Africa Export –Import Bank (Afreximbank)	Egypt	0.01333	Cash	725,660	725,660
At Reporting date				**1,125,660**	**1,125,660**

Investment		% of Shares	2011 Rs	2010 Rs
Unquoted				
a) State Property Development Co Ltd *(SPDC)*	*Note (i)*	less than 1	400,000	400,000
b) Africa Export-Import Bank *(Afreximbank)*	*Note (ii)*	less than 1	725,660	725,660
c) Rodrigues Trade & Marketing	*Note (iii)*	40	2,048,349	2,371,867
d) STCM	*Note (8A)*	100	100	1,000,000
			3,174,109	**4,497,527**

9. PROPERTY, PLANT AND EQUIPMENT (PPE)

	Motor Vehicles Rs	Office Equipment & Furniture Rs	Plant & Machinery Rs	Buildings Rs	Computer System Rs	TOTAL Rs
COST						
At 30 June 2009	**9,808,825**	**8,542,152**	**26,746,505**	**12,533,862**	**14,065,080**	**71,696,425**
Additions	4,736,697	671,032	7,403,841	796,399	1,129,637	14,737,606
Disposal	(2,573,528)	-	(715,000)	-	(16,070)	(3,304,598)
At 31 Dec 2010	**11,971,994**	**9,213,184**	**33,435,346**	**13,330,261**	**15,178,648**	**83,129,433**
Additions	-	536,698	4,024,052	-	808,228	5,368,978
Disposal	(3,050,000)	-	-	-	(121,911)	(3,171,911)
At 31 Dec 2011	**8,921,994**	**9,749,882**	**37,459,398**	**13,330,261**	**15,864,964**	**85,326,500**
DEPRECIATION						
At 30 June 2009	**5,725,730**	**6,122,275**	**20,523,308**	**3,548,178**	**12,145,172**	**48,064,662**
Charge for the year	2,822,161	801,024	2,878,453	394,551	945,924	7,842,112
Disposal	(2,573,528)	-	(572,000)	-	(15,521)	(3,161,049)
At 31 Dec 2010	**5,974,363**	**6,923,299**	**22,829,761**	**3,942,729**	**13,075,575**	**52,745,726**
Charge for the year	1,510,613	568,878	2,022,687	266,605	805,882	5,174,665
Disposal	(2,135,000)	-	-	-	(121,911)	(2,256,911)
At 31 Dec 2011	**5,349,976**	**7,492,177**	**24,852,447**	**4,209,335**	**13,759,545**	**55,663,480**
NET CARRYING AMOUNT						-
At 31 Dec 2010	5,997,632	2,289,884	10,605,586	9,387,531	2,103,074	30,383,706
Freehold Land						11,107,720
TOTAL PPE						**41,491,426**
At 31 Dec 2011	3,572,019	2,257,706	12,606,951	9,120,926	2,105,419	29,663,020
Freehold Land						11,107,720
TOTAL PPE						**40,770,740**

Note: Other Revenue in the Statement of Financial Performance (Page 2) includes an amount of Rs 290, 000 as Gain on Disposal of PPE during the year.

10. TRADE AND OTHER PAYABLES

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs as shown below.

The average credit period taken for trade purchases is 60 days. Management considers that the carrying amount of trade payables approximates to their fair value.

	2011 Rs	2010 Rs
NON-CURRENT LIABILITIES	**41,310,735**	**38,251,442**
CURRENT LIABILITIES		
Government of Mauritius	148,510,761	172,993,799
Mauritius Revenue Authority	572,115,495	574,994,079
Trade Payables	5,016,267,241	3,979,600,684
Other Payables	306,284,094	79,986,112
TOTAL	**6,043,177,591**	**4,807,574,674**

11. BORROWINGS – LOANS AND LINES OF CREDIT

BORROWINGS	2011	2010	
		USD	Rs
Long Term Lines of Credit	-	19,500,000	608,400,000
Short term Lines of Credit	-	-	600,000,000
TOTAL BORROWINGS	-	**19,500,000**	**1,208,400,000**

12. EMPLOYEE BENEFIT OBLIGATIONS

(i) Employee Leave Entitlement

Employee entitlements to bank sick leave and vacation leaves as defined in the PRB Report (the regulatory body for determining remuneration of STC employees) are recognized when they accrue to employees.

Employees are allowed to accumulate sick leaves not taken at the end of each calendar year up to a maximum of 110 days, in a sick leave bank. The balance of bank sick leaves is valued at the end of the financial year and is recognized as long term payables. At 31 December 2011 an amount of Rs 20,314,947 is due in this respect.

Beyond the ceiling of 110 days, officers are refunded part of the annual entitlement of sick leaves not taken at the end of every calendar year and is expensed to the Statement of Financial Performance.

Vacation leave is paid break from duty of longer duration for recreational, cultural or religious purposes. The balance of vacation leaves is valued at the end of the financial year and is recognized as long term payables. At 31 December 2011 an amount of Rs 20,995,788 has been provided in this respect.

The Passage Benefit Scheme provides for officers to earn and accumulate passage credits and use their accumulated benefit to meet the costs of travel for themselves and immediate members of their families; other expenses in connection with their travel; expenses incurred for spending vacation at inland hotels/recreational resorts; and to pay the fees in connection with School Certificate and Higher School Certificate examinations for their wards. Officers are allowed to cash in toto all passage benefit standing to their credit at the time of retirement.

A provision is made for the estimated liability for passage benefits. The passage benefits for each staff are valued at year end and are included as long term payables. The annual increase in passage benefits representing amount earned for each eligible officer during the financial year, is expensed to the Statement of Financial Performance. An amount of Rs 2,627,970 has been charged during the year and a balance of Rs 7,766,864 is due at Balance Sheet date.

An accrual amount of Rs 41.3 million is made for the estimated liability for bank sick leave and vacation leaves. Administrative Expenditure for 2011 includes an amount of Rs 3.2 million in this respect.

(ii) Post Employment Benefits

The amount of Rs 111,982,246 in respect of Wages, Salaries and Employee Benefits includes Rs 10,822,342 contributed by STC in the pension plan managed by SICOM Ltd. In line with IPSAS 25 an actuarial report has been submitted by SICOM ltd as follows:

Actuarial report on the defined benefit pension plan for STC Employees.

	2011	2010
Amounts recognised in Statement of Financial	Rs	Rs
Position at end of year:		
Present value of funded obligation	282,349,423	266,150,791
(Fair value of plan assets)	(245,581,353)	(234,192,909)
	36,768,070	31,957,882
Present value of unfunded obligation	-	-
Unrecognised actuarial gain/(loss)	(44,121,579)	(36,427,081)
Unrecognised transition amount	-	-
Liability recognized in Statement of Financial position at end of year	**(7,353,509)**	**(4,469,199)**
Amounts recognised in income statement:		
Current service cost	7,730,779	10,858,612
(Employee contributions)	(3,529,024)	(5,149,611)
Fund expenses	258,683	484,872
Interest cost	27,945,833	36,701,222
(Expected return on plan assets)	(24,868,147)	(31,512,312)
Actuarial loss/(gain) recognized	613,250	697,400
Past service cost recognize	-	-
Transition effect of adopting IPSAS 25	-	-
Total, included in staff costs	**8,151,374**	**12,080,183**

Movements in liability recognised in Statement of Financial Position:

	2011	2010
At start of year	(4,469,199)	-
Total staff cost as above	8,151,374	12,080,183
(Actuarial reserves transferred in)	(213,342)	(230,361)
(Contributions paid by employer)	(10,822,342)	(16,319,021)
At end of year	**(7,353,509)**	**(4,469,199)**
Actual return on plan assets:	**6,095,265**	**31,902,034**

Main actuarial assumptions at end of year:

	2011	2010
Discount rate	10.50%	10.50%
Expected rate of return on plan assets	10.50%	10.50%
Future salary increases	7.50%	7.50%
Future pension increases	5.50%	5.50%

The assets of the plan are invested in funds managed by State Insurance Company of Mauritius Ltd.

The discount rate is determined by reference to market yields on bonds.

FIGURES FOR IPSAS 25 ADOPTION FOR:
State Trading Corporation for period ending 31 December 2011

	2011	2010
Reconciliation of the present value of defined benefit obligation	Rs	Rs
Present value of obligation at start of period	266,150,791	233,023,634
Current service cost	7,730,779	10,858,612
Interest cost	27,945,833	36,701,222
(Benefits paid)	(9,012,846)	(16,788,719)
Liability (gain)/loss	(10,465,134)	2,356,042
Present value of obligation at end of period	282,349,423	266,150,791
Reconciliation of fair value of plan assets		
Fair value of plan assets at start of period	234,192,909	197,865,473
Expected return on plan assets	24,868,147	31,512,312
Employer contributions	10,822,342	16,319,021
Employee contributions	3,742,366	5,379,972
(Benefits paid + other outgo)	(9,271,529)	(17,273,591)
Asset gain/(loss)	(18,772,882)	389,722
Fair value of plan assets at end of period	**245,581,353**	**234,192,909**

Distribution of plan assets at end of period

Percentage of assets at end of year	2011	2010
Government securities and cash	50.60%	52.20%
Loans	7.80%	7.80%
Local equities	23.20%	25.20%
Overseas bonds and equities	17.50%	14.00%
Property	0.90%	0.80%
Total	**100%**	**100%**

Additional disclosure on assets issued or used by the reporting entity

Percentage of assets at end of year	2011 (%)	2010 (%)
Assets held in the entity's own financial instruments	-	-
Property occupied by the entity	-	-
Other assets used by the entity	-	-

History of obligations, assets and experience adjustments

Year Currency	2011 Rs	2010 Rs
Fair value of plan assets	245,581,353	234,192,909
(Present value of defined benefit obligation)	(282,349,423)	(266,150,791)
Surplus/(deficit)	**(36,768,070)**	**(31,957,882)**
Asset experience gain/(loss) during the period	(18,772,882)	389,722
Liability experience gain/(loss) during the period	10,465,134	(2,356,042)
Year	**2012**	
Expected employer contributions	12,034,613	

13. CAPITAL CONTRIBUTED BY GOVERNMENT

	2011 Rs	2010 Rs
Authorised: 1 million ordinary shares of Rs10 each	10,000,000	10,000,000
Issued and fully paid: 40,000 shares of Rs10 each	400,000	400,000

14. ACCUMULATED SURPLUS/(DEFICIT)

	Rs
At 01 July 2008	**86,835,870**
Deficit for the year 2008-2009	**(3,310,028,328)**
Balance at 30 June 2009	**(3,223,192,458)**
Surplus for the period July 09-December 2010	**2,694,477,033**
Balance as at 31 December 2010	**(528,715,425)**
Prior Year Adjustment	**4,469,199**
Surplus for the year 2011	**733,141,640**
Balance as at 31 December 2011	**208,895,414**

In the Statement of Financial Performance for period ending 30 June 2006, the hedging loss of Rs 4.7 billion has been accounted resulting in a negative result of Rs 3.2 billion. An amount of Rs 3.00/litre was provided in the price structure of Mogas and Gas oil to recover the hedging loss. This charge has been reduced to Rs 1.25/litre for Mogas and Rs 1.00/litre for Gas Oil since 30 March 2011.

15. Turnover

An analysis of the Corporation's turnover is as follows:

		2011 STC	2010 Consolidated		2010 STC
	Metric Tons	Rs	Rs	Metric Tons	Rs
Petroleum Products	1,158,673	32,807,783,398	36,035,902,504	1,545,582	36,035,902,504
Contribution to Hedging		623,733,125	1,856,161,385		1,856,161,385
		33,431,516,523	37,892,063,889		37,892,063,889
Cement	80,243	159,964,851	987,437,534	423,077	987,437,534
Rice	19,902	211,390,215	330,199,713	31,624	330,199,713
Flour	99,891	1,111,979,750	1,711,527,605	153,740	1,711,527,605
LPG	66,317	1,366,343,901	1,844,520,450	97,003	1,844,520,450
Sugar	748	23,963,650	30,935,190	1,295	30,935,190
Butter Beans & others		433,436	5,654,561		466,238
TOTAL REVENUE		**36,305,592,326**	**42,802,338,942**		**42,797,150,619**

NOTE

i) Turnover is net of amount collected on behalf of third party as follows:-

(a) Road Development Authority-Rs 739,602,670

(b) Subsidy for transportation and storage of petroleum products to Rodrigues - Rs 20,888,094

ii) During the year 2011 an amount of Rs 623,733,125 has been recovered from sales of Mogas and Gas Oil in respect of hedging.

(iii) The selling prices of Rice, Flour and LPG are fixed by Government. Deficits on these products are met from surpluses on sales of other products.

Hedging Loss

In July 2008, STC entered into hedging contracts to protect against future hike in price of petroleum products. Such exposure was taken for Premium Unleaded for the period August 2008 to 31 December 2008 and for Gas Oil for the period August 2008 to 30 June 2009. Oil prices subsequently reduced drastically and crude prices fell from USD 147 per barrel to reach a level of USD 40 per barrel in December 2008. A total amount of Rs 4.7 billion has been paid to counterparties namely Morgan Stanley and Mitsui & Co Energy Risk Management Ltd.

During 2011, an amount of Rs 623,733,125 has been collected under that item, leaving a balance of Rs 885 million as at 31 December 2011. This amount is recoverable in the foreseeable future.

16. EXCHANGE GAINS AND LOSSES

a) The Corporation realises exchange gains and losses on accounts payable and accounts receivable, transactions incurred in currencies other than Mauritian rupees based on exchange rate in effect on the date of transaction. Such gains and losses are also realised on settlement of foreign currency loans and lines of credit. In addition, unrealised exchange gains and losses related to the revaluation of bank accounts and other monetary assets and liabilities into Mauritian rupees at the exchange rate in effect on the reporting date are recognised in the financial statements.

The net effect of all exchange gains and losses is recognised as a component of revenue on the Statement of Financial Performance.

Description	Net Impact Rs	Gain Rs	Loss Rs
Accounts payable	836,647,396	836,647,396	-
Accounts receivable	(249,428,843)	-	(249,428,843)
Repayment of foreign currency borrowings	385,626,101	385,626,101	-
Subtotal realised gain/(loss)	**972,844,654**	**1,222,273,497**	**(249,428,843)**
Bank accounts -unrealised gain/(Loss)	(31,095,871)	-	(31,095,871)
TOTAL EXCHANGE GAIN / (LOSS)	**941,748,783**	**1,222,273,497**	**(280,524,714)**

17. INVESTMENT & INTEREST INCOME

Description	2011 Rs	2010 Rs
Investment Income	67,308	128,233
Interest on bank balances and bank deposits etc.	4,544,731	5,223,125
TOTAL	**4,612,039**	**5,351,358**

Notes to Financial Statement for the year ended December 2011

18. SEGMENT REPORTING

The Corporation has identified as separate segments each distinguishable activity or group of activities by product for which financial information is reported, for purposes of :

(a) evaluating the past performance of the entity in achieving its objectives, and
(b) making decisions about the allocation of resources by the entity.

The surplus of Rs 733,141,640 for year ended 31 December 2011 is made up as shown below. The selling prices of Rice, Flour and LPG are fixed by Government. Deficits on these products are met from surpluses on sales of other products

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2011

	RICE Rs	FLOUR Rs	PETROL Rs	CEMENT Rs	SUGAR Rs	LPG Rs	Others	TOTAL Rs
REVENUE	211,390,215	1,135,018,560	34,323,130,320	172,629,867	23,963,650	1,405,925,280	2,723,191	37,274,781,083
COST OF SALES	(313,478,892)	(1,487,235,998)	(32,356,528,988)	(172,764,993)	(22,714,846)	(2,015,868,850)	(166,176)	(36,368,758,743)
OTHERS	(30,310,232)	(73,885,965)	(68,034,742)	-	(1,071,476)	(925,835)	2,670,968	(171,557,281)
LOSS IN ASSOCIATE	-	-	-	-	-	-	(323,518)	(323,518)
IMPAIRMENT LOSS IN STCM LTD	-	-	-	-	-	-	(999,900)	(999,900)
SURPLUS/(DEFICIT) FOR THE YEAR	**(132,398,909)**	**(426,103,403)**	**1,898,566,589**	**(135,126)**	**177,329**	**(610,869,404)**	**3,904,565**	**733,141,640**

19. INTEREST EXPENSE

	2011 Rs	2010 Rs
Interest on lines of credit	7,182,604	60,700,183
Interest on overdraft	1,054,167	85,882,640
Total Interest payable	**8,236,771**	**146,582,823**

20. RELATED PARTY TRANSACTIONS

(i) The State Trading Corporation is wholly owned by the Government of Mauritius. During the year 2011, the Corporation sold Petroleum products (Fuel Oil) to the Central Electricity Board (CEB) which is equally owned by the Government of Mauritius.

Sales of goods to CEB:

Year 2011	July 2009 to December 2010
Rs 4,482,257,770	**Rs 4,293,509,738**

a. Sales of goods to CEB were made at market related prices.
b. Outstanding balance as at 31 December 2011 – Rs 985 million (Dec 2010:Rs 304 m)

(ii) STCM LTD

The wholly owned subsidiary company STCM Ltd, incorporated in September 2007 has ceased its activities on 31 May 2010 following Government decision, and all its assets and liabilities have been taken over by the Corporation. As there was no transaction during the reporting period, the accounts have not been consolidated.

(iii) Compensation of key management personnel

The remuneration of Board Members and other members of key management during the year were as follows:

	Year 2011	Year 2010
Short-term benefits	8,651,025	12,706,173
Fees to Board Members	725,400	1,223,850

The remunerations of Board Members are determined by the parent Ministry and those of key management are determined by the Pay Research Bureau, the body responsible for remuneration in the public sector. Out of 8 key management personnel, four are on contract and four are on substantive capacity.

21. CONTINGENT LIABILITY

At the reporting date a claim for outstanding demurrage fees amounting to USD 454,439.74 payable to Kuwait Petroleum Corporation relating to the contract for supply of petroleum products during the period August 1994 to June 1997 was in dispute at the Supreme Court. At the reporting date, there were four other cases still pending at court awaiting hearing.

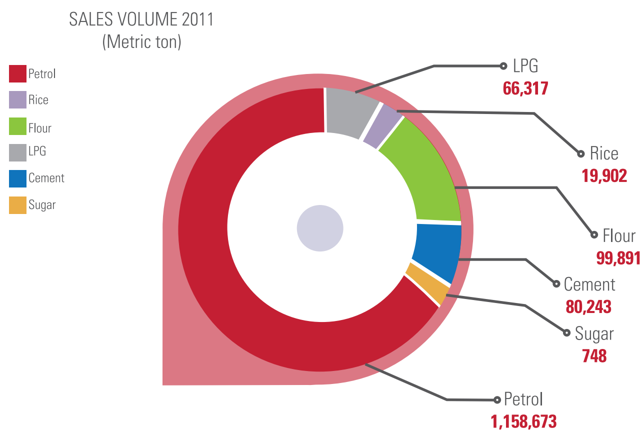

03

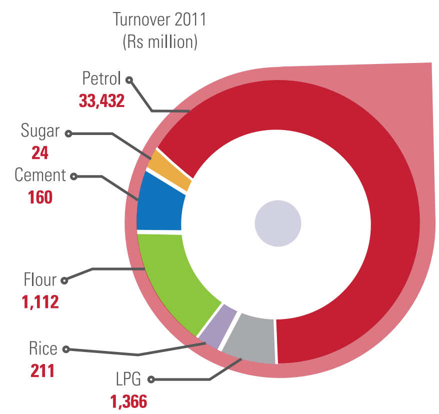
Trade Statistics

Turnover

The turnover of State Trading Corporation (STC) which was about Rs 600 million in 1983-1984 when it was created, is nearing Rs 40 billion in 2011. During its first years of operation when STC took over the activities of the Department of Supplies, it dealt only in importation of rice and flour. In 1985, STC started importing petroleum products and subsequently cement and LPG.

The sales for 2011 consist mainly of petroleum products as shown below:





Petroleum Products

Mangalore Refinery and Petrochemicals Ltd (MRPL) is the sole supplier of petroleum products to STC since August 2006. The Corporation imports about 1.2 million tons of Petroleum Products annually, including Fuel Oil for CEB. STC imports the country's total requirements and supply the Oil companies, namely Vivo Energy Mauritius Ltd, Total Mauritius Ltd, Engen (Petroleum) Mtius and Indian Oil (Mauritius) Ltd, for storage and distribution.

Mogas

The annual import of Mogas of 120,000 metric tons is sold entirely on the local market and the retail price is determined by the Petroleum Pricing Committee (PPC).

Trade Statistics

Gas Oil

The total annual importation of Gas Oil is about 350,000 metric tons. STC imports two grades of Gas Oil, namely 2500 ppm, which is sold as Marine Diesel for bunkering of vessels and Gas Oil 50 ppm with 0.005% sulphur content, which is sold for road transport. The price of Gas Oil sold for road transport is determined by the PPC. Any deficit or surplus on Mogas and Gas Oil on the local market is accounted in the Price Stabilisation Account (PSA).

The selling price of Gas Oil for bunkering purpose is fixed by STC for each consignment on a cost plus basis.

Jet A-1

The annual import of about 270,000 metric tons of Jet A-1 is mostly sold as aviation fuel and the price is fixed by STC for each consignment on a cost plus basis. A small volume is also sold on the local market as Kerosene.

Fuel Oil

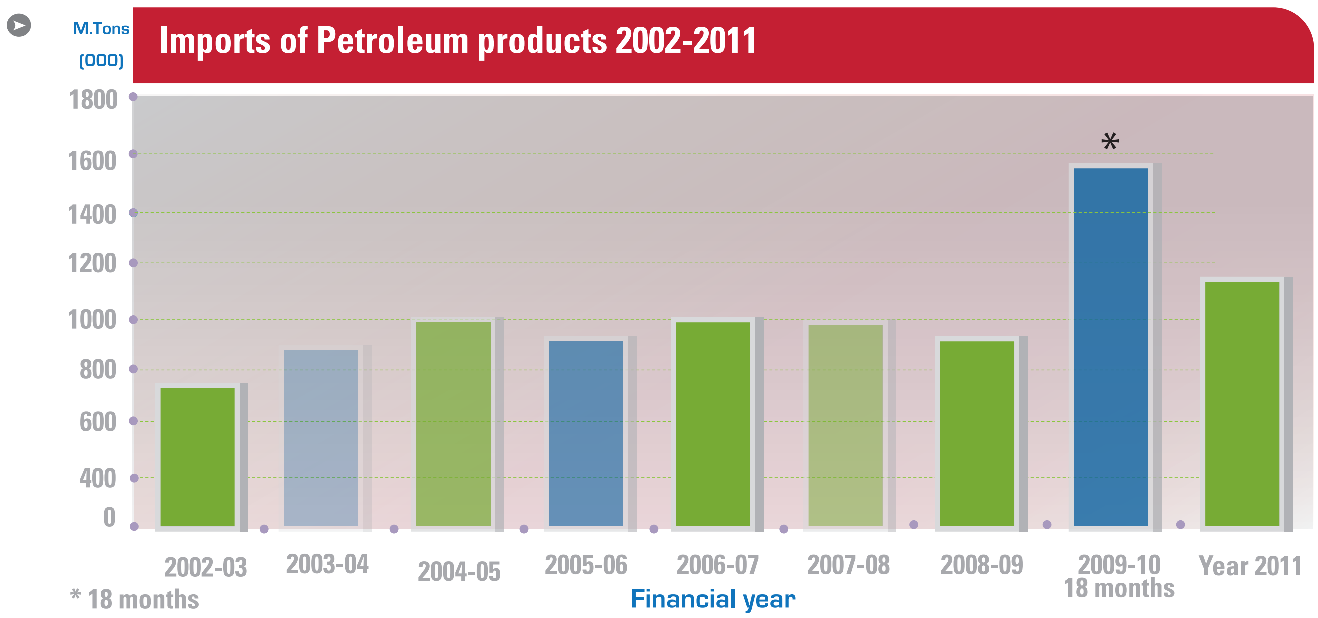
STC imports about 175,000 metric tons of Fuel Oil 180 CST Catalytic Cracked (CC) for sale to oil companies and another 205,000 metric tons of Fuel Oil 180 CST SR and 380 CST SR for direct sales to CEB.

About 20% of the Catalytic Cracked Fuel Oil 180 CST CC is sold on the local market for industrial purposes and the remaining 80% is sold for bunkering of vessels. The selling price of Fuel Oil for both inland and international trade is fixed by STC for each consignment on a cost plus basis.

Under its long term contract with STC, Betamax Ltd deployed a newly–built 64,000 MT tanker, the MT Red Eagle, for the transportation of petroleum products from Mangalore to Port Louis since May 2011. The sailing time for the trip is 6 ½ days. The tanker is expected to undertake about 16 trips annually on a 22- day turnaround cycle.

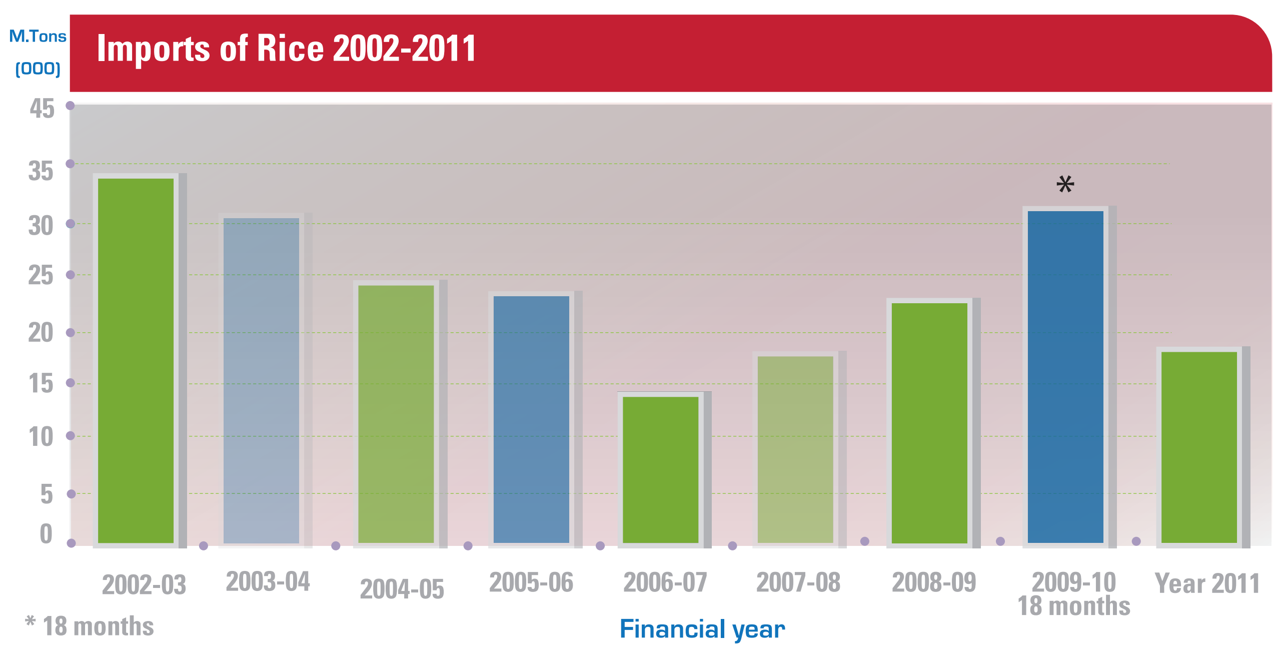
In the event, there are higher demands in products, which are seasonal, Betamax Ltd charters smaller tankers to transport the extra requirements. STC closely monitors stocks to address fluctuations in demand and avoid any shortage in the supply. Storage capacities being very limited, this exercise is a very delicate one. All storages of petroleum products are owned by private companies.

Trade Statistics



Ration Rice

The sale of Ration rice was 20,000 tons (including about 4,000 M.T for Rodrigues) in the year 2011. As the selling price of Ration Rice imported by STC is fixed by Government at a lower price than the cost price, STC incurred a shortfall of Rs 132 million in 2011. The retail price of ration rice has last been fixed in July 2006 at Rs 5.40 per half kg.



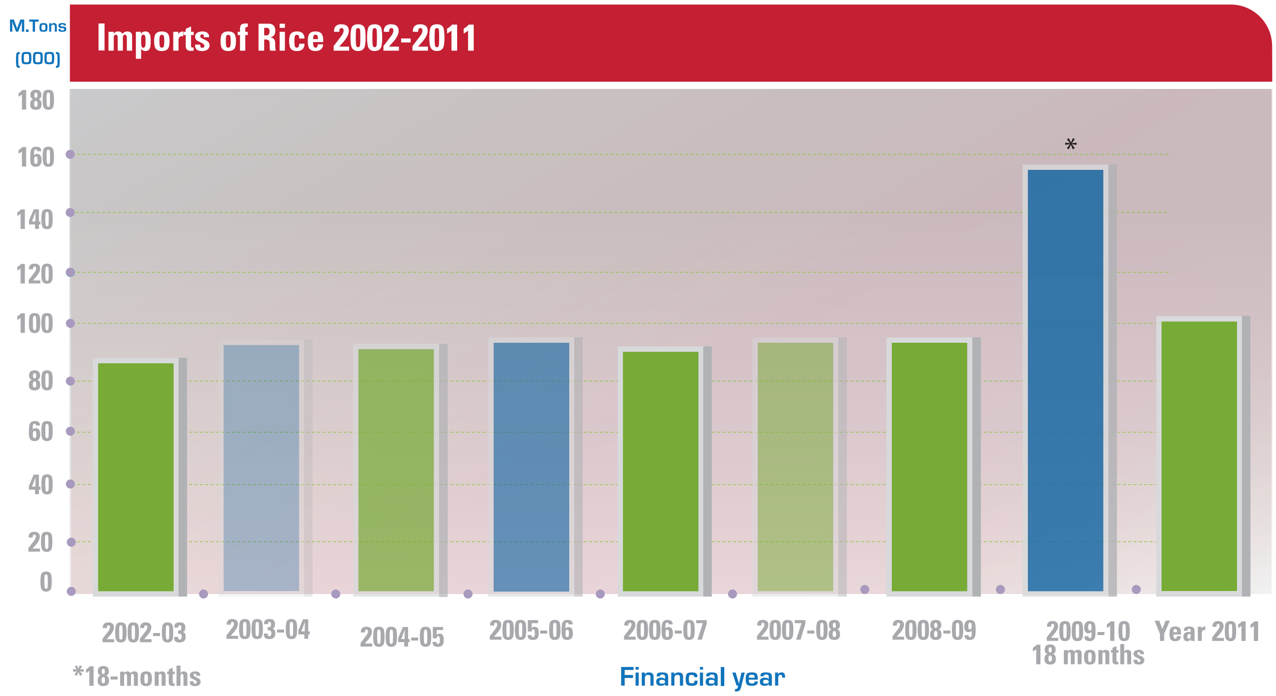
Trade Statistics

Flour

During the year 2011 the sale of flour was nearly 100,000 metric tons (including about 2,000 M.T for Rodrigues). The contract for the procurement of flour for year 2011 was allocated to LMLC and Erisler of Turkey. The retail price of flour is controlled by Government and has been fixed at Rs 5.85 per half kg since 22 December 2008. The shortfall on flour was Rs 426 million for 2011.

In order to ensure good quality of flour is delivered to consumers, STC regularly tests the flour at the Mauritius Standard Bureau (MSB). Baking tests are also carried out in bakeries around the country by STC staff.

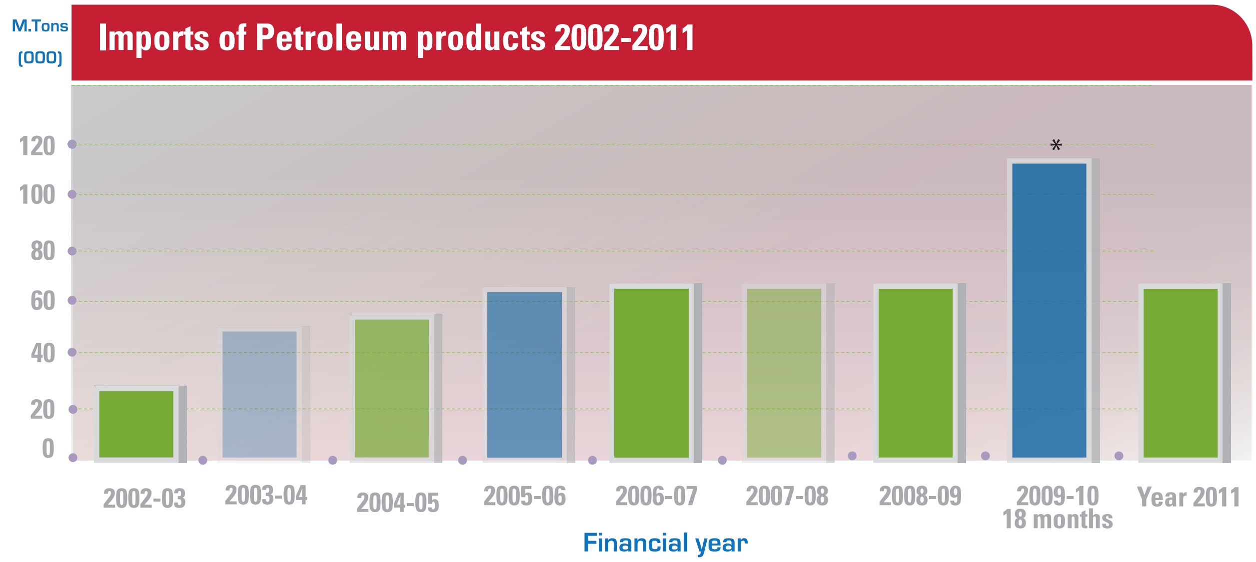
Wheat Flour is purchased annually through International Tenders. STC is required to launch tenders for only 50% of the country's demand as per Government's instructions. The other 50% are allocated to LMLC on the condition that the latter matches the lowest price obtained from the annual tender exercise.



Liquefied Petroleum Gas

The annual sale of LPG is about 65,000 metric tons. STC started importing LPG since year 2003. As from February 2006, a dual pricing policy is being implemented for LPG. About 75% of the annual import is sold in cylinders up to 12 kg. The retail price of cylinders of 5 kg, 6 kg and 12 kg destined for domestic market is fixed by Government. The shortfall for the year 2011 was Rs 611 million. The price of LPG sold for auto gas and in cylinders above 12 kg for non-domestic purpose is reviewed quarterly by STC on a cost plus margin basis. All storage tanks for LPG belong to Oil companies. Storage capacities are also limited with regard to demand of the country. However, STC closely monitors stocks to avoid any stock out situation.

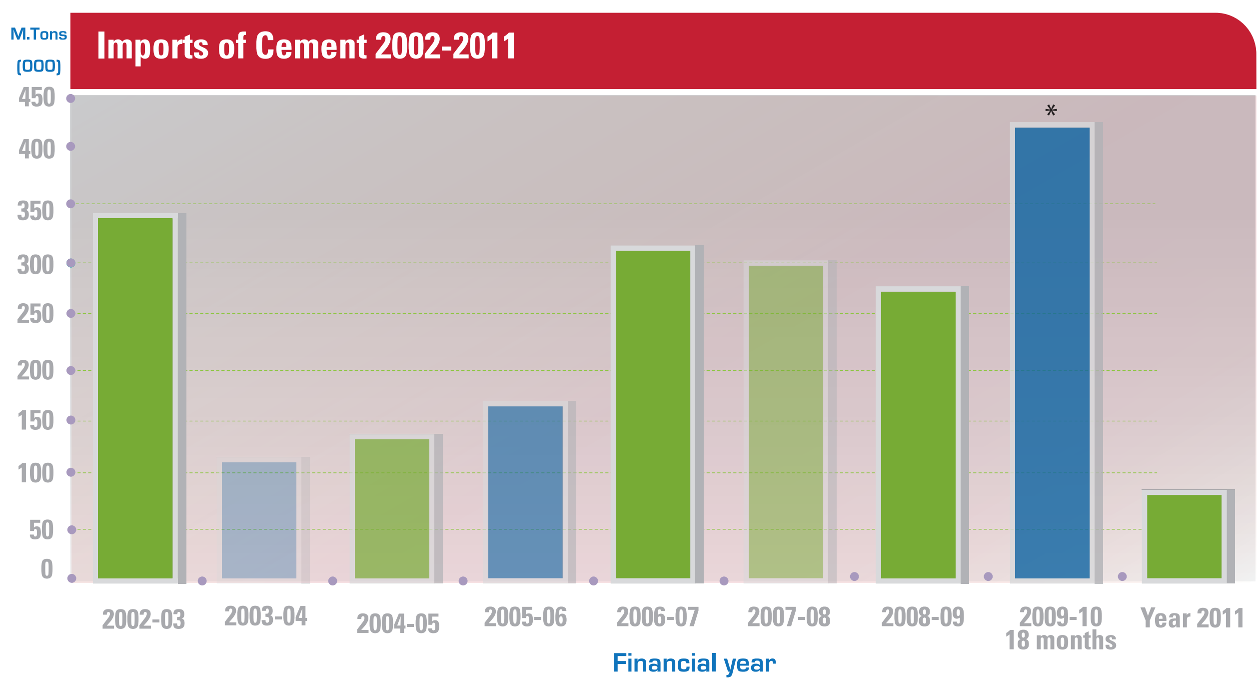
Trade Statistics



Cement

STC had been importing some 200,000 metric tons of cement annually until 2007. Thereafter, the Corporation imported about 300,000 metric tons representing 50% of the country's annual requirements until the year 2011 when only 80,000 MT was imported.

Following Governemnt decision to liberalise the importation of cement with effect from July 2011, STC ceased to import the commodity. However, as the trading arm of Government, the Corporation may be called to intervene in the market, should the need arise.



Our Stakeholders

1. MRPL – Petroleum Products

MRPL is a Subsidiary of Oil and Natural Gas Corporation Limited (ONGC), a premier Public Sector Enterprise of the Government of India. It has a State of Art Refinery at Mangalore. The Refinery has got a versatile design with high flexibility to process Crudes of various API and with high degree of Automation.

2. LMLC – Wheat Flour

Launched in 1989, Les Moulins de la Concorde Ltée is the only local miller and has 16 silos representing a total wheat-stocking capacity of 40,000 tonnes, overlooking the harbour. Les Moulins de la Concorde is a proud member of the Association of Operative Millers (AOM), Middle East and East Africa and is an ISO 140001 certified company.

3. Petredec Ltd- LPG

Petredec Limited was formed as an LPG trading company in 1980 to develop a shipping and trading operation. Focusing on providing a quality and reliable service to its customers and suppliers, Petredec has grown into one of the largest independent LPG trading companies worldwide.

4. Four major Local Oil Companies that STC deals with:

- Vivo Energy Mauritius Ltd
- Total Mauritius Ltd
- Engen Petroleum (Mauritius) Ltd
- Indian Oil (Mauritius) Ltd

5. Betamax Ltd

STC has entered into a fifteen year agreement with Betamax Ltd for the transportation of petroleum products.

6. Wholesalers Association

7. Bakers Association

8. Two Major Cement Traders:

- Holcim (Mauritius) Ltd
- Lafarge (Mauritius) Ltd

Banking Services

Bank of Baroda
Bank of Baroda Building
Sir William Newton Street
Port Louis

Bramer Banking Corporation
26, Bourbon Street
Port Louis

Standard Bank (Mauritius) Limited
7 Floor, Medine Mews Building
La Chaussée Street
Port Louis

Mauritius Commercial Bank Ltd
11 Floor MCB Centre
Sir William Newton Street
Port Louis

Banque des Mascareignes
8 Floor, One Cathedral Square
6, Jules Koenig Street
Port Louis

AfrAsia Bank Ltd
Bowen Square
10, Dr. Ferriere Street
Port Louis

Bank of Mauritius
Sir William Newton Street
Port Louis

State Bank of Mauritius Ltd
Level 14, State Bank Tower
Port Louis

SBI (Mauritius) Ltd
SBI Tower
Mindspace Building
Ebene

Barclays Bank PLC
Barclays House
68-68A Cybercity
Ebene

Bank One Ltd
6 Floor
16 Sir William Newton Street
Port Louis

Mauritius Post and Cooperative Bank Ltd
1 Sir William Newton Street
Port Louis

Hong Kong & Shanghai Banking Corporation Ltd
HSBC Centre
18 Cybercity
Ebene

Corporate Information

Registered Office:

State Trading Corporation
3rd Floor, Fon Sing Building
12 Edith Cavell Street
Port Louis
Mauritius

Tel: (230) 208 5440 Fax: (230) 208 8359
Website: http://www.stcmu.com
E-mail: stc.@stcmu.com

Outstation:

- **Shed A Warehous**
  Mer Rouge
  Port Louis
  Tel: 217 4916/62

- **STC Rodrigues**
  Camp du Roi
  Rodrigues
  Tel: 832 0881
  Fax: 831 2255

- **STC Granary**
  Rodrigues
  Port Mathurin
  Tel: 831 1564

Auditors:
National Audit Office
Level 14
Air Mauritius Centre
Port Louis

Legal Advisers:
The Solicitor General
Attorney General's Office
Port Louis

STATE TRADING CORPORATION

Registered Office:
State Trading Corporation
3rd Floor, Fon Sing Building
12 Edith Cavell Street
Port Louis
Mauritius

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